

# **DON'T LET YOUR ESG EFFORTS GO TO WASTE**

How to leverage your investment in ESG  
by making every message count



# Why ESG matters: a reminder

Practically unheard of only ten years ago, environmental, social and governance (ESG) issues have climbed to the top of the corporate agenda, to the extent that they now vie for the attention of senior management alongside similarly transformational topics as automation, cyber security and redesigning supply chains.

Certainly, ESG ranks alongside these in terms of its importance to today's organisations, and its potential to transform business.

ESG issues have grown more important because they reflect the growing concerns of shareholders, workers, customers and consumers about the impact that a business has on the world around it.<sup>1</sup>

And while the degree to which businesses can balance the pursuit of profit and serving a purpose is still debated, ESG issues are most definitely here to stay. This is not only because concerns over climate change, social issues and corporate opaqueness grow stronger; it's because it makes financial sense. MSCI's ACWI ESG indexes outperformed its ACWI flagship global equity index between 2012 to 2021.<sup>2</sup>

**The continued importance of ESG presents business leaders with a distinct challenge: how best to demonstrate what the business is doing to address ESG issues in a convincing, meaningful and open way that doesn't leave it open to accusations of 'green washing.'**

Read on to find out why ESG is not going away, what it means for marketers and communicators, and how they can leverage their organisations' ESG activity to create competitive advantage.



**“The climate emergency is both the challenge and the opportunity of a lifetime. It requires us all to aim high and build a better society, together. We must act.”**

**Gavin Patterson  
President & Chief Revenue Officer  
Salesforce**

# Why ESG isn't going away

There can be no doubt about the growing importance of ESG to business. Shortly before 2021's COP26 Climate Summit in Glasgow, just under three quarters (74%) of FTSE 100 companies, the largest publicly-listed companies in the UK, had made commitments to reach Net Zero carbon emissions by 2050, echoing the UK's own pledge made under Prime Minister Theresa May's government.<sup>3</sup>

Indeed, more businesses - of all sizes - are putting sustainability at the heart of what they do. In 2016, the so-called 'B Corporation' scheme was launched as a means of recognising companies that meet high standards of social and environmental performance, accountability and transparency. The scheme initially appealed to smaller firms founded with sustainability in mind. Today, there are just under 7,000 B Corporations including stalwarts like Unilever, Danone and Coutts Bank.<sup>4</sup>

And it's not just the 'E' in ESG that is getting business attention. The 2022 Parker Review into ethnic diversity on the boards of UK companies concluded that 94 of FTSE 100 companies had appointed a director from a minority ethnic group, a sharp rise from five years ago when just half had minority ethnic people in their boardrooms.<sup>5</sup> Companies in the UK have also made progress in gender diversity: since 2016, the percentage of women on FTSE 100 boards has risen from 26.3% to 39.6%, and on FTSE 250 boards, from 20.4% to 38.9%, according to the Cranfield Gender and Leadership Inclusion Centre.<sup>6</sup>

Increased business interest in ESG is apparent in the growth of investment funds that seek to profit from sustainable businesses. The value of ESG funds reached around \$2.5 trillion at the end of 2022, according to financial research firm Morningstar<sup>7</sup>, while sustainable bonds totalled \$1 trillion last year, a 45% increase on 2020 and an all-time record, according to insurer, Aviva.<sup>8</sup> Investors aren't putting these sums into ESG funds out of the goodness of their heart, but because doing so promises greater financial returns.

As a recent Financial Times editorial stated: "Asset managers increasingly realise that earning the best returns, and avoiding losses, means considering all risks and externalities related to any investment. Company values can be affected by more than just financial performance."<sup>9</sup> A focus on ESG helps a business understand and better manage the risks that affect it, and gain competitive advantage.

It is within this wider context that recent criticism of 'woke capitalism' must be viewed. Sparked by rising oil prices, racing inflation and populist politics, some have questioned whether corporate dedication to ESG continues to make sense. But despite short term pressures, ESG is not going away; it's increasingly seen by business leaders as a form of competitive advantage, a means of managing risk and a way of securing investment.

ESG also meets the increased concerns of consumers and workers - many of whom are increasingly drawn from younger generations, for whom environmental and social issues are key. As the CEO of \$45bn Mars told the Financial Times, employees "won't stay with us if we don't care about ESG." As a result, he plans to more than double the company's spending on its sustainability agenda, from \$1.1bn to \$2.7bn.<sup>10</sup>

**"It is more critical than ever that businesses in the 21st century are focused on generating long-term value for all stakeholders and addressing the challenges we face, which will result in shared prosperity and sustainability for both business and society."**

**Darren Walker**  
President  
The Ford Foundation

# How to leverage your investment in ESG

As ESG becomes a form of competitive advantage, senior executives are increasingly demanding that their people make the most of the significant investment that ESG activity involves.

Keeping quiet about ESG activity for fear of criticism over just-missed emissions, water or waste goals, for example, just ensures that the significant management time and money that go into ESG remain a secret.

Equally, any exaggerated claims around ESG success or vapid communications unsupported by metrics open an organisation to valid criticism of green washing. Companies must expect far greater scrutiny of their ESG claims in the future, and 'fluffy' or unsubstantiated messaging may cast doubts on an organisation's commitment to ESG - raising more questions than the communications seek to answer.

So, if ESG is already on the corporate agenda, putting effective communications into place to leverage this activity is not nice-to-have. It's essential.

Too many organisations, however, do not involve communications in the ESG process at an early enough stage. Worse, some leave HR or Finance to drive ESG efforts and also the communications around the subject.

But communications must be handled with transparency and openness, while still managing to excite and motivate audiences. This is a job for dedicated communications professionals with experience in ESG.

**Told properly, an organisations' ESG story can not only be compelling, it can be inspiring. It can also provide a point of competitive differentiation, ensuring your ESG investment and efforts are not only good for the planet, but also the bottom line.**



# Tips for successful ESG communications

- 1** Marketing and communications needs to be 'in the room' when decisions are made about ESG and the needs of stakeholders are discussed. If not already involved, communications needs to make a case for why it should be.
- 2** Organisations must be clear, unambiguous and measured in their ESG communications. They should not hide areas where improvement is required. They must frame ESG activity in terms of a long-term commitment. Being open helps avoid accusations of green washing.
- 3** Firms must provide regular reports on progress against their ESG goals, using an appropriate reporting framework. They should refer back to their materiality assessment, compare progress with industry benchmarks and demonstrate alignment with UN SDGs with tangible actions.
- 4** Successful ESG communications is not just about numbers. Firms should develop stories that reveal how the individual efforts of employees - however small - support wider ESG efforts. In doing so, they can demonstrate that senior management takes the subject seriously, also.
- 5** Attach the often-disparate activity undertaken across the organisation's to its wider ESG strategy and show how this contributes to meeting goals the business has set. This again helps avoid accusations of green washing.

# The Henley Group: your ESG partner

Most organisations start their ESG journey with a materiality assessment, which identifies the ESG issues relevant to them. They then put into place strategies to address these issues, and systems to report on them – typically through an accepted framework. Finally, given the importance that stakeholders such as customers and employees increasingly attach to ESG issues, organisations need to tell convincing story about their ESG activity and strategy.

Drawing on highly experienced and knowledgeable consultants, we can help across all of these areas. The Henley Group has experience helping organisations such as Toshiba, Honeywell, Schaeffler and Mallinckrodt Pharmaceuticals communicate around subjects such as carbon emissions, energy saving and diversity and inclusion. Ensuring their ESG messages are not only convincing and engaging, but support wider business objectives.



## Audit

Benchmarking an organisation's current ESG activity, comparing its practices and profile to its peers and identifying ESG best practice in its sector.



## Reporting

Undertaking a materiality assessment, compiling metrics, collecting data, selecting a framework and managing the reporting process.



## Strategy

Designing a ESG strategy that has clear and definable aims that support the business, building it out across an organisation and promoting it to stakeholders.



## Communications

Creating annual CSR and ESG reports, undertaking regular communications, managing events, creating initiatives, undertaking media outreach and creating and sharing social and marketing content.

### References

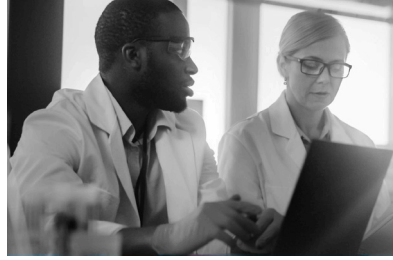
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# Our ESG experience



## **TOSHIBA** Leading Innovation >>>

Promotion of 'cradle to grave' carbon zero offsetting scheme and merchandising of the initiative to the dealer channel.



## **ThermoFisher** SCIENTIFIC

Marketing content including eBooks, blogs and social media posts promoting sustainable laboratory practice.



## **SCHAEFFLER**

Communications support around saving energy in industry, EV technology and promoting diversity and inclusion in engineering.



## **SGS**

Promotion of ISO14001 environmental certification including the creation of articles, blogs and case studies.



## **Mallinckrodt** Pharmaceuticals

Audit of competitor ESG activity, identification of sector best practice and consultancy around ESG messaging.




## **Wilson James**

Communications around the company's Diversity & Inclusion initiatives including blogs, interviews, articles and media outreach.

To find out how the Henley Group can help your organisation manage and communicate its ESG strategy contact James Tate on [james@henley.co.uk](mailto:james@henley.co.uk) or +44 1491 570 971

Market House  
33 Market Place  
Henley on Thames  
Oxon  
RG9 2AA  
UK

Tel: 01491 570 970  
Fax: 01491 575 327  
Email: [hello@henley.co.uk](mailto:hello@henley.co.uk)  
Website: [www.henley.co.uk](http://www.henley.co.uk)

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