



## CLIENT ADVISORY

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# ESG LEADERSHIP IN A POST-COVID WORLD A COMMUNICATIONS GUIDE FOR BUSINESS

Context, trends and implications for corporate leaders to communicate and engage with stakeholders on environmental, social and governance issues.

A companion guide to [ESG DISCLOSURE IN A POST-COVID WORLD](#) with further details on global policy developments and implications for ESG transparency.

Every company needs an environmental, social and governance (ESG) strategy backed by a robust communications plan to engage key stakeholders. Failure to prepare now invites regulatory and financial risks, as well as missed opportunities to build and protect reputation, attract capital, talent and customers and drive sustainable business impact. In the guide that follows, we dig into the key trends shaping this new mandate and provide guidance on how companies can better engage stakeholders and elevate their leadership on ESG.

## CONTEXT

### PANDEMIC HAS TRIGGERED A HEIGHTENED URGENCY FOR ACTION

The pandemic turned over economies and societies and disrupted business and supply chains. It also reinforced global economic and societal gaps and disparities -- resulting in a new sense of urgency to build more inclusive and fairer economies.

Now, governments, businesses, investors and civil society are calling for more accountability to address consequential challenges. Consumers are also driving change, especially youth. Millennials will represent the largest generational transfer of wealth in history. As they accumulate financial power, they bring a heightened sense of climate action and social responsibility – pushing governments and businesses to make good on their purpose commitments. Members of Gen Z are already demonstrating a collective commitment to activism on a large scale that will only further compel governments and businesses to act.

### CORPORATE COMMITMENTS ON ESG ARE COMING INTO SHARPER FOCUS.

ESG commitments have become the shorthand for how business demonstrates its new role in society. Employees, consumers and supply chain partners have a vested interest in a company's ESG goals and impacts, but investors are especially focused on whether companies are living up to their ESG promises. As ESG becomes table-stakes within capital markets, ESG performance is a primary driver of reputation and valuation. Numerous studies show that companies that manage ESG well, outperform financially.

While ESG predates the pandemic, the scale and severity of the global crisis have fast-tracked adopting a stakeholder capitalism mindset and expectation that companies are intentionally running their business to have sustainable business growth and positive social and environmental impact. And as ESG becomes more central to the corporate identity, and how companies communicate with and engage stakeholders, it is important to understand what is driving the shift and how to navigate new and evolving ESG expectations.

Here are five notable trends shaping the ESG landscape:

- 1. ESG IS CHANGING THE C-SUITE:** In the past, sustainability, corporate social responsibility (CSR) and diversity, equity and inclusion (DE&I) efforts were largely driven by mid-level managers and practitioners within the company. That is changing. Increasingly, responsible corporate governance is being driven from the top, with boards and CEOs placing a high priority

on ESG practices as core elements of a corporation's mission and values, and key lenses for decision making. This shift has placed more expectations on developing a deep bench of executive talent.

Media, investors, employees and other stakeholders now want to hear not just from the CEO, but from the Chief Risk, Medical, Purpose, Sustainability and Diversity Officers on the corporation's ESG journey and impact.

- 2. “S” AND “G” FACTORS ARE GETTING MORE ATTENTION:** While the climate threat is an urgent priority, companies are also under pressure to manage relationships with their workforces and contribute to a range of societal challenges where they operate. And for many companies, such as those in the healthcare and financial services sectors, social and governance factors are more material to their business and are where stakeholders expect more focus. In fact, stakeholders, especially investors, are watching to ensure companies are demonstrating good governance and ethical leadership – part of “G for governance” – including consistency in how values and policies translate to action.

The new role of business in society means that stakeholders expect companies to help solve issues both within their own operations and in society at large. From workers' rights to DE&I to social justice, investors are also demanding “S for social” impacts as part of a holistic ESG approach.

- 3. ESG INVESTING HAS MOVED TO THE MAINSTREAM – AND CONTINUES TO GROW AND CREATE ROI:** An estimated \$1.5 trillion is needed in private capital every year to fund the innovation required to address the climate threat and transition to a net-zero emissions economy by mid-century. The largest investors – from the largest asset managers, to leading U.S. and European commercial and investment banks, to sovereign wealth funds – are all evolving their portfolios in line with ESG factors.

In 2020, there were record inflows of ESG funds. In the first quarter of 2021, an additional, record-breaking \$21.5 billion flowed into ESG funds, nearly doubling the net inflows of Q1 2020. Overall, more than half of the largest ESG funds outperformed the S&P 500 in the first half of 2021. At present, there is more global demand for green investments than there are available assets.

- 4. SMALL AND PRIVATELY-OWNED COMPANIES ARE NOT IMMUNE:** While much focus on the rise of ESG performance and accountability has impacted large and multinational publicly-traded companies, smaller companies (less than \$10 billion in market cap) and privately-held companies have been slow to engage. However, they are also feeling pressure to meet their stakeholder expectations – especially among employees and customers. Further, ESG mandates at larger companies have a ripple effect across the supply chain.

As more global brands push ESG initiatives across their operations, smaller suppliers and partners must ramp up their own ESG efforts to retain and grow important relationships, as well as demonstrate purpose-driven leadership to their own stakeholders.

**5. ESG STANDARDS AND DISCLOSURES ARE EVOLVING:** Corporate reporting of ESG factors is in its infancy compared to traditional financial reporting. But, standards are evolving driven by efforts to harmonize at the global level, and actions taken by regions such as the EU. There are currently several collaborative efforts – including the [Task Force on Climate-Related Disclosures](#) (TCFD) and the [World Economic Forum’s Stakeholder Capitalism Metrics](#) – to inform global, uniform disclosure standards that provide consistency and comparability across companies and industries. The EU is leading the pack, drafting legislation with detailed disclosure standards, including required assurance for non-financial information.

The adoption of such a global standard will require countries and companies to align around a shared reporting system and a common set of data metrics. In the meantime, a majority of large companies are voluntarily reporting on ESG factors aligned to commonly accepted frameworks such as GRI, SASB, CDP and others.

For more context on the global policy landscape, refer to the companion guide [ESG DISCLOSURE IN A POST-COVID WORLD](#).

## IMPLICATIONS

### PRACTICAL GUIDANCE FOR BUSINESSES

Companies have faced many challenges as a result of the pandemic and economic downturn. Many have had to reconfigure their workforces and workplace environments, revise their marketing and communications strategies, accelerate digital transformations, manage disrupted supply chains and business units, and reposition themselves for the post-pandemic economy. As the threat from the pandemic subsides, and economies recover, corporate leaders must also prepare now for the heightened pressure to put effective ESG strategies in place and communicate ESG performance.

Here is some practical guidance for corporate leaders: Corporate commitments on ESG are coming into sharper focus.

- + **PREPARE FOR NEW ESG REGULATION:** Regulators in the EU, UK, U.S., India, China and other countries are looking to adopt policy changes around more stringent ESG reporting. Companies should review their current processes, data and controls related to ESG disclosures and ensure these are accurate and reliable.
- + **DIAL UP TRANSPARENCY:** ESG reporting is becoming an increasingly important reputational issue for all companies – even those privately-owned or owned by parent companies. All companies should set tangible and timebound ESG goals – ideally evidence-based – and report on impact at least annually. Even where ESG reporting is not required by law, companies are advised to align to commonly accepted frameworks understood by investors and other stakeholders.

- + **DEMONSTRATE PROGRESS:** While many ESG goals are long-term in nature and aligned to ambitious global frameworks like the Paris Climate Agreement or United Nations Sustainable Development Goals, stakeholders want to see impact now. ESG can also bring forth benefits that can be realized in the short time, like reduced cost or innovative new products and services. Companies should implement a step-by-step ESG action plan and consider setting targets that can be achieved by 2025 and another set that can be realized by 2030.
- + **UPDATE AND TELL YOUR ESG STORY:** There is an opportunity to gain visibility for your ESG story among ESG-centric, tier-one media outlets such as Bloomberg Green, Financial Times' Moral Money, Fortune Race Ahead, and others – especially if you can break through with bold commitments, industry-first innovations, surprising collaborations and extreme transparency. Help reporters understand your story, and provide them with what they need to tell it, through proactive, multi-channel engagement across earned media, owned content, and digital platforms.



## CONTACT US

Weber Shandwick is a leading global communications network that delivers next-generation solutions to brands, businesses and organizations in major markets around the world. Data-led, with earned ideas at the core, the agency deploys leading and emerging technologies to inform strategy, develop critical insights and heighten impact across sectors and specialty areas.

The agency's global sustainability taskforce brings together experts from across core practice areas to accelerate best-in-class sustainability solutions with clients. This effort is led by the agency's Social Impact and Sustainability specialists, a network of more than 150 strategists with deep issue expertise in purpose, sustainability, ESG, and social issues communications with client work that spans all 17 UN Sustainable Development Goals.

For more information about how we can help, please contact one of our experts:

### PAUL MASSEY

President, Powell Tate and Global Lead,  
Social Impact, Weber Shandwick  
[pmassey@webershandwick.com](mailto:pmassey@webershandwick.com)

### ANNACHIARA TORCIANO

Executive Vice President, Sustainability  
[Annachiara.Torciano@primegroup.com](mailto:Annachiara.Torciano@primegroup.com)

### MALIN LJUNG EIBORN

Senior Vice President, Sustainability Director EMEA  
[Malin.LjungEiborn@webershandwick.com](mailto:Malin.LjungEiborn@webershandwick.com)

### CARLO DE GIACOMO

Manager, International Affairs  
and Financial Services, Brussels  
[CDeGiacomo@webershandwick.com](mailto:CDeGiacomo@webershandwick.com)

### JIM MESZAROS

Executive Vice President, International Public Affairs  
[jmeszaros@webershandwick.com](mailto:jmeszaros@webershandwick.com)

### VICTORIA BAXTER

Executive Vice President, Social Impact  
[vbaxter@webershandwick.com](mailto:vbaxter@webershandwick.com)





### MELANIE JANIN

Executive Vice President, Social Impact  
[mjanin@webershandwick.com](mailto:mjanin@webershandwick.com)



### ANTHONY STEEL

Vice President, Capital Markets  
[asteel@webershandwick.com](mailto:asteel@webershandwick.com)



#### WEBER SHANDWICK

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