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Communicating Sustainability

FINN PARTNERS

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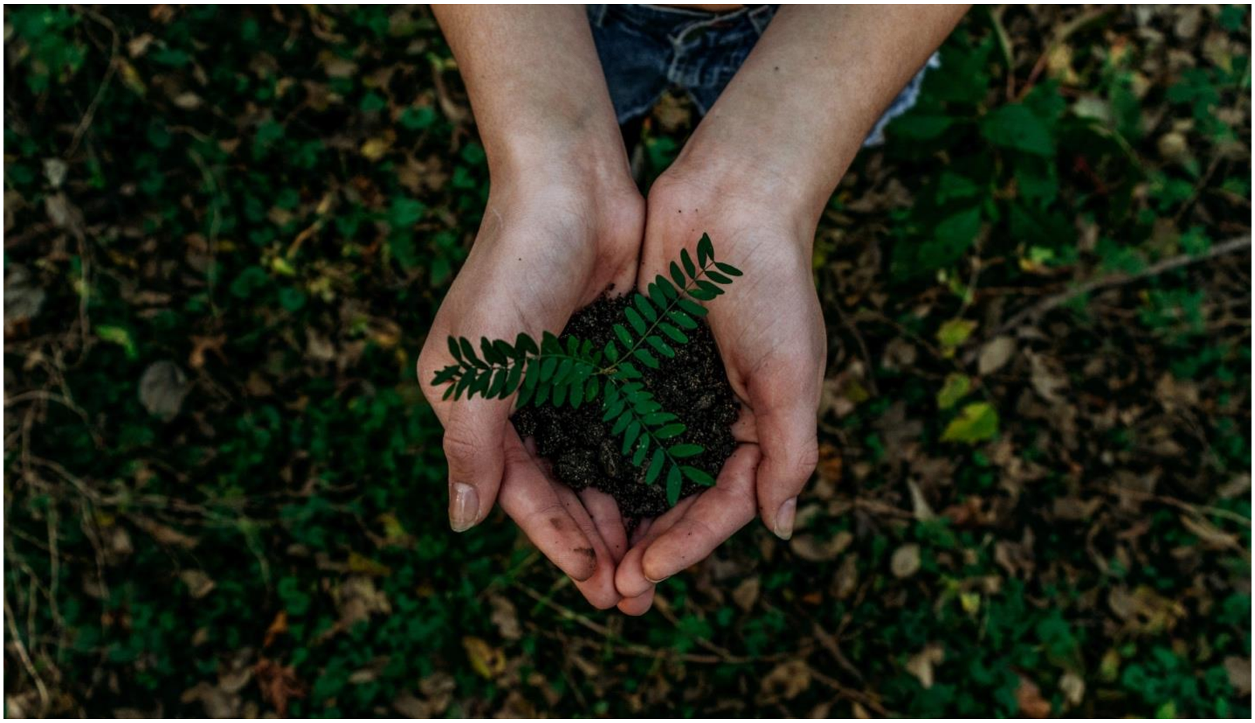
The challenge of communicating sustainability

Brands are under continual pressure from customers and other stakeholders to have a clear position on sustainability, one backed up by actions and words. To stay relevant in their markets, companies must deliver clear messaging tailored to each of their audiences and communicate progress against any published sustainability goals.

This is a sensitive area, one where brands can easily slip up, fall foul of ‘greenwashing’, or appear to be too self-serving.

It’s clear that environmental, social and governance (ESG) concerns are now more firmly embedded in the missions, values and strategies of organisations than ever before. Investors, customers and other stakeholders are more attuned to how important it is that ESG principles underpin what a company does and how and why it does it.

All of which creates a challenge to communicate sustainability that keeps stakeholders informed, contributes to building the right brand reputation and sets a clear roadmap for progress.



What is meant by sustainability?

Most people would argue that sustainability is a wholly good thing. Yet, the term can mean different things to different people.

Look 'sustainability' up in a dictionary and you will most likely find general reference to the ability for something to continue; to be sustained. For the most part, definitions will also go on to mention environmental sustainability [i].

The focus on sustainability is still relatively new, although it has grown rapidly over time and accelerated for businesses during the passing decades. Identifying the origins of the term as we know it today is not straightforward, although a defining moment can be traced back to 1983 when the United Nations requested that Brundtland, Prime Minister of Norway, create an independent organisation to look at environmental and developmental issues.

The resulting World Commission on Environment and Development (WCED) became better known as the Brundtland Commission; its output report was Our Common Future[ii]. It formalised the term sustainable development, defining it as: "development that meets the needs of the present without compromising the ability of future generations to meet their own needs."

It is a definition that stands the test of time. Other notable points of view include those of the World Economic Forum – its Network of Global Agenda Councils proposed that: "business sustainability needs to be understood in terms of the environment, economic development, human rights, women's empowerment, and rule of law [iii]." Meanwhile, the European Commission notes that: "A life of dignity for all within the planet's limits that reconciles economic prosperity and efficiency, peaceful societies, social inclusion and environmental responsibility is at the essence of sustainable development.[iv]"

From CSR to ESG

> "ESG performance is the core of responsible business. It is also a powerful business driver that builds resiliency.*"
>
> - Helen Shelton, Director of Diversity and Inclusion, FINN Partners

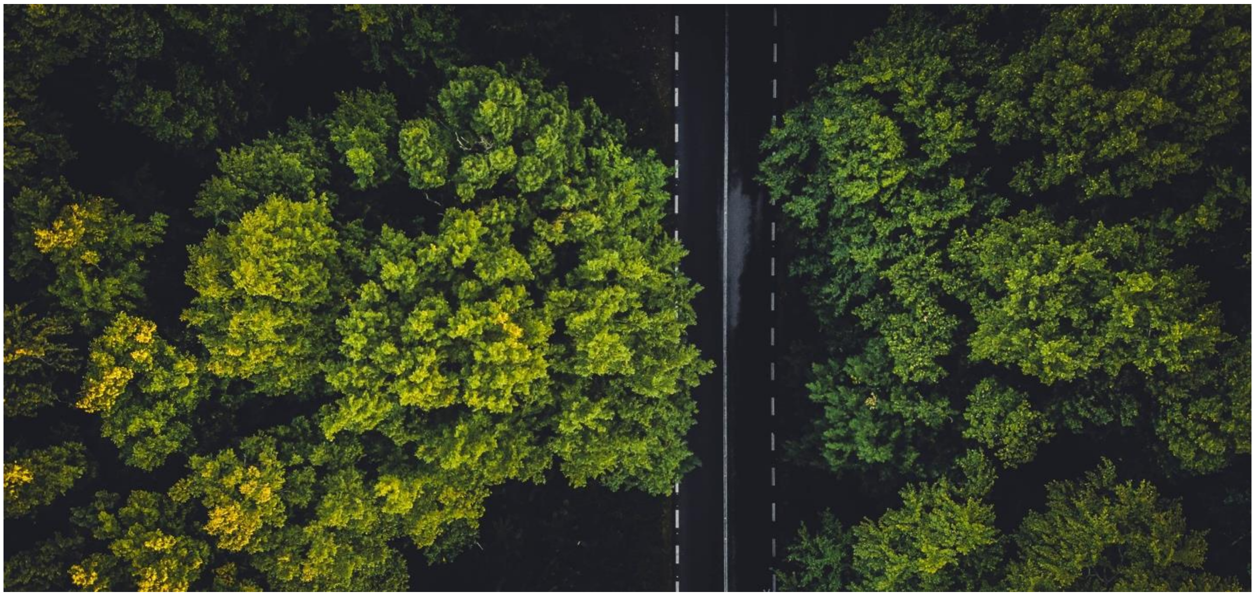
Enterprises will have long since managed initiatives under a remit of corporate social responsibility (CSR). Within this, roles and responsibilities around environmental issues such as climate change, natural resource management, pollution and more are generally well understood, but clearly corporate responsibility extends beyond this.

Now, we hear more about environmental, social, and governance (ESG) with most consumers well aware of issues that extend into the arena of values and ethics that also contribute to sustainable – or otherwise – business practices. These include strategies around supplier management, diversity equity and inclusion (DEI) and wide-ranging risk management.

An enterprise's strength in ESG is of paramount importance to investors. After all, how sustainable is a company likely to be if it mismanages risk? Not very. Taken at this macro level, sustainable practices encompass data security and regulatory compliance; even business continuity planning when you consider its importance to the protection of production, output and jobs.

The impact of how companies behave in the context of societal needs was brought even more to the fore by the coronavirus pandemic. Those that take a long-term view, minimise the negative impact of their operations on the environment and demonstrate resilience, responsible governance and a genuine commitment to a positive contribution to society have a better public perception. What's more, ESG funds outperformed in the early days of COVID-19[v].

Companies embarking on a sustainability strategy and setting about communicating the progress of those strategies to stakeholders, must be clear about what it is they are trying to achieve through sustainability programmes. Failure to set clear goals, or establish the means to measure progress against them, runs the risk of appearing less than committed to the cause or simply jumping on the bandwagon of sustainability.



The business of sustainability

Just as companies with a strong focus on customer and employee satisfaction stand to enjoy greater success than those that neglect these foundations of good business, so it goes for robust sustainability goals and ways of working.

According to the World Economic Forum with Accenture, organisations with, “deeply embedded sustainability management practices outperform peers by 21% on both profitability (as measured by EBITDA), and 21% higher environmental and societal outcomes.” [vi]

Meanwhile, a HSBC global survey of more than 10,000 businesses showed that companies expect commercial benefit from sustainability – 86% of companies expected sales growth over the next year from a greater focus on sustainability. Additionally, they anticipated benefits for employee wellbeing (37%), talent recruitment (28%), attracting investment (30%) and enhanced corporate reputation (32%). [vii]

In investment terms, it would appear sustainability pays back. According to S&P Global Market Intelligence, 14 out of 17 ESG-focused exchange-traded funds (ETFs) and funds outperformed the S&P 500 from the start of 2020 to mid-May. [viii]

The profile of ESG as an integral part of corporate management and business strategy has risen. KPMG survey results revealed that 62% of UK CEOs say, “the public is looking to businesses to fill the void on societal challenges”. [ix]

ESG is integral to how a business does business and to its purpose, mission and values. Each organisation must understand its environmental and societal impact, establish its own ESG position and be clear on this through its communications. How well it achieves this can impact its brand reputation, stakeholder loyalty and business success.

Industry perspective

MANUFACTURING

> "There is more focus on provenance now – the 'story' of a product, how it came to be and what companies are doing to contribute to sustainability."
>
> - Richard Piper, Head of Content, FINN Partners, Manufacturing Practice

It is hard to think of an aspect of manufacturing that isn't touched by sustainability.

From ethical supply chain management and the choice of ingredients, materials and components, to energy consumption and waste minimisation, a company's ESG approach can be writ large across its operations.

Media interest in environmental challenges combines with pressure from customers and the general public for companies to be transparent about how they are contributing to a 'greener' future. While there are high expectations of the responsibility companies should willingly take to adopt sustainable practices, there is also a growing acceptance of personal responsibility. So much so, that McKinsey research reveals 70%+ of consumers across industries including automotive, building, electronics and packaging would pay 5% more for a "green" product if it met the same performance standards. [x]

A complex message

While there is public enthusiasm for sustainability initiatives, it would be a stretch to say that manufacturers are pushing at an open door when it comes to communicating their own efforts. There is a burden of responsibility on manufacturing companies to educate stakeholders on their specific goals and the outcomes that will result from achieving them.

Many manufacturers align their ESG goals with the UN Sustainable Development Goals set in 2015 to be achieved by 2030[xi] but they often lack benchmarks to monitor and report on their progress.

Invariably, the message is more complex than simply transitioning from single use to reusable or recyclable and swapping single use plastic for another material. Manufacturing must work across entire product life cycles to optimise sustainability in terms of energy and water consumption and waste creation, among other factors. The challenge is to communicate a clear message using language that will be understood by each stakeholder audience, and to provide a roadmap for delivering against expectations that is realistic and achievable.

In addition to customer demand, manufacturing companies have regulatory and financial reasons for reporting and communicating their sustainability credentials and objectives. Investors expect a strong sustainability strategy, while regulators require the synchronisation of internal metrics and measurements so that performance indicators can be accurately reported with a clear line of sight back to input data.
As such, the Science Based Targets initiative (SBTi)[xii] – the world's first framework for corporate net-zero target setting in line with climate science – provides the guidance, criteria, and recommendations for companies to adhere to. It enables organisations to set reduction targets consistent with limiting global temperature rise to 1.5°C.

This move towards accountable reporting is clear to see with 78% of companies in the industrials, manufacturing & metals sector now reporting on sustainability, according to KPMG. Furthermore, 80% of reviewed companies in the automotive sector disclose carbon reduction targets in their reporting, while the same can be said for 68% of industrials, manufacturing & metals.[xiii]

Digitalisation and sustainability: an integrated narrative

Manufacturing companies executing ESG strategies are also undergoing digital transformations with automation and technology revolutionising operations. Companies should grasp the opportunity to present a holistic, fully integrated narrative which aligns the benefits of digitalisation – improved efficiencies, fewer recalls and reworks, better use of data for operational optimisation and more – with the goals of sustainability.

Addressing communications challenges

Communicators of sustainability in manufacturing must find ways of conveying an often-complex message. Claims, goals and outcomes must be backed up with evidence and, at all times, the reputational damage that can result from ‘greenwashing’ must be avoided.

GREENWASHING

‘Greenwashing’ describes making claims that products, practices or credentials are more environmentally sustainable than they are, whether this is intentional or not. It can also describe promoting the environmental credentials of one aspect of a product or service only, rather than taking account of the total impact.

In 2021, the European Commission published the results of a website screening initiative focused on greenwashing.

It revealed reason to believe that in a shocking 42% of cases claims were exaggerated, false or deceptive.†

Getting it right

- Crisis management: have a strategy for managing unexpected issues with a crisis plan in place covering key messaging, members of the crisis communications team and priority actions

- Honesty: never make false sustainability claims

- Evidence: have a line of sight back to evidence to back up claims

- Collaborate: with other key stakeholders from suppliers, customers and industry organisations

- Research: understand what's important to stakeholders within the industry; be a thought leader and draw on the services of experts

- Be realistic: admit sustainability is a work in progress and that there is a roadmap to get the company to where it aims to be

- Acknowledge feelings: emotion is a strong motivator for change – work with it

- Respect views: acknowledge all views, outline the company's direction and achievements and back up the approach with data

- Know your audience: speak to them in their language

- Tailor communications: according to audience and channel – social media interactions with consumers will require one approach, employee communications another and a presentation at an industry event another still. Have a message plan and up-to-date media training for spokespeople

- Timing: recognise the right moments to communicate; avoid capitalising on bad news.

Sustainability, as with all things, is an evolving area requiring continuous re-evaluation of priorities and focus. To stay current in their communications, manufacturing companies should monitor news and social media channels, work with partners and listen to all stakeholders.

Flexibility is important and should be ensured via ongoing messaging reviews, updates to supporting facts and figures as new data comes available, and an openness to change.

Industry perspective

FINANCIAL SERVICES

Banks occupy a central role in global economies and societies and therefore a critical role in a transition to a more sustainable environment.

The 2015 Paris Agreement acknowledges that, “economic and social transformation” is needed to address climate change [xiv]. In 2019, the United Nations (UN) launched the Principles for Responsible Banking, which has seen 300 banks sign up to join the fight. [xv]

In the Principles, banks, “commit to strategically align their business with the goals of the Paris Agreement on Climate Change and the Sustainable Development Goals, and massively scale up their contribution to the achievement of both.” [xvi] By signing up, banks have declared that ‘“only in an inclusive society founded on human dignity, equality and the sustainable use of natural resources” can their clients, customers, and businesses thrive.’- [xvii]

Positioning finance in a sustainable ecosystem

Banks are where the financial sector and real economy meet and are pivotal to driving investment in all sectors – whether that be infrastructure, transport, or real estate – all of which need to adopt a stronger emphasis on producing less carbon.

Finance is the machine that raises the capital for the corporate sector to drive sustainable action. The financial sector is therefore critical to the achievement of the Sustainable Development Goals (SDGs) because initiatives must be financed, and risk assessed.

Investors wield enormous influence as they are in a position to demand adherence to sustainability goals, and they will question the long-term viability of an investment that does not meet these standards.

Financing ESG

A number of investment banks already incorporate climate risk into their credit decision-making process.

In January 2021, the Confederation of British Industry (CBI) wrote: “The almost weekly emergence of new or enhanced methodologies to measure business activities against environmental, social and governance (ESG) criteria points to a significantly increasing number of financial services companies and their clients using sustainable finance principles as a framework for their investment decisions.” [xviii]

The COVID-19 pandemic added to the impetus for ESG funding. The ESG debt market nearly doubled in 2020 with green bonds making up nearly half. [xix]

UNDERSTANDING ESG INVESTMENT

Green bonds
Money raised from investors through green bonds is used to finance environmental projects such as renewable energy initiatives.

According to the Intergovernmental Panel on Climate Change, limiting warming to 2°C will require around $3 trillion investing annually to 2050. ††

Social bonds
Social bonds fund social projects, for example around health, employment and education.

The ‘E’ in ESG gets a lot of attention, and understandably so, but the ‘S’ and ‘G’ are as significant and can be the difference between investment and disinvestment. Banks play a key role in development, especially via trade and infrastructure finance, and this is very important to achieving ESG goals in the long-term. However, for good reasons - including domestic boycotts or the possibility of them - institutions may disinvest in markets if social and governance practices are found wanting. Indeed, since 2009, many banks have derisked from emerging markets investments.

Given this, the right ESG messaging is vital, and it may be complex and nuanced. It requires strong message control to avoid misinterpretation as well as considered long-form thought leadership that fully acknowledges and outlines the issues and explains actions.

Sustainability communication imperatives for financial services

Communicators of sustainability in financial services must play the long game in establishing a credible position and communicating progress against clear objectives.

Getting it right

- Stand up to scrutiny: financial services is highly scrutinised and detail matters. Ensure the structure and framework is right and in place before planning communications
- Spend time on messaging: learn from, and don't fall foul of, the greenwashing backlash
- Stay true to foundations: sustainability initiatives evolve, but the underlying foundations for change, such as the Paris Agreement and SDGs, endure. Therefore, align with those and the part that finance plays
- Make the connection: connect sustainability with financial solutions, recognising audience level of understanding and the extent to which it will understand this connection
- Know your audience: this is likely to be primarily investors and corporates. Messaging must resonate with them, and communications must use language they relate to
- Take an educational approach: be clear on the impact that the solution or initiative you're communicating about will make
- Communicate longevity: financial institutions must be in sustainability for the long run. Demonstrate how you are going to get there, rather than strive to be first
- Be transparent: on intention and progress
- Know when not to communicate: there must be a genuine message. Do not communicate for the sake of communicating.

How to communicate sustainability

10 TOP TIPS

1. Be sincere: communicating sustainability isn't about point-scoring or winning fans through virtue signalling. Audiences will see through ESG publicity stunts. A sustainability strategy must be about effecting real change

2. Be clear: sustainability can mean many things, and different things to different people. Avoid woolly promises, jargon and non-specifics. Define the goals and the actions and be consistent in language

3. Be action-led: each communication should have a goal, for example to encourage customers to engage with a sustainability initiative to bring about actual change

4. Be realistic: sustainability is a journey. It's unlikely everything will be perfect from the start; communicate the plan and address the issues. It may be that not all of the issues can be addressed immediately but acknowledge the need and the route to get there

5. Be inclusive: recognise the company's role as part of a wider industry and goal to make things better and communicate for the greater good, not just company goals. Partner on initiatives to work across the supply chain and within the industry to bring companies together

6. Be committed: don't communicate on an issue to gain a one-off goal; commit to sustainability and communicate regularly to maintain engagement and bring about real change

7. Be informative: products or services with a genuine environmental benefit appeal to an eco-conscious market so do communicate sustainability but do it responsibly [xx]. Back up your ESG campaign with detailed information that explains your actions, their objectives and the issues behind the actions

8. Be (more than) compliant: get ahead of policy by exceeding minimum requirements on relevant measures such as carbon neutrality, single-use plastic, emissions etc.

9. Be invested: put your money where your mouth is! Sponsor innovation, R&D and projects aiming to solve a sustainability issue affecting your company or industry

10. Be a thought leader: don't just look inwards at what the company is doing and communicate that, look outwards – do research and surveys to uncover what people think and want, be innovative in your communication to reach the right audiences and drive the debate.

The way ahead

How we define, plan and measure sustainability has grown, from early beginnings around environmental impact to a sustainable way of behaving, economically and ethically.

Sustainability is an emotive issue and one that will hurt a brand if positioned incorrectly. ‘Greenwashing’ can damage companies just as unsustainable practices can.

Communicating sustainability is therefore about more than being visibly sustainable. Communications must convey the ESG ethos that drives a company, be transparent about sustainable aims, objectives and progress, be consistent and long term.

Find out how FINN Partners can help you integrate ESG performance into communications strategies, visit https://www.finnpartners.com/uk/sector/sustainability-esg/

About FINN Partners

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More than an agency, we are a bold collective of communications advocates, stewarding brands, protecting reputations, influencing public policy, and leveraging data and analytics to shape the most important conversations of our day.

With more than 1,400 professionals across 34 offices, we provide clients with global access and capabilities in the Americas, EMEA and Asia. In addition, we have access to top-tier agencies worldwide through our membership in the global network PROI.

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