

Why ESG Storytelling Matters to Companies of All Sizes

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The rise of environmental, social and governance (ESG) has set the new gold standard of corporate leadership, especially for listed companies.

In one global survey conducted in December 2020, it was found that 88% of global public companies have ESG initiatives in place, followed by 79% of venture and private equity-backed companies and 67% of privately-owned companies.

Unlike the “corporate social responsibility” model, ESG provides a framework for companies to document their work and the subsequent consequence on environmental, social and governance aspects.

To date, ESG reporting is mandatory for publicly traded companies in some jurisdictions, such as Hong Kong. But is ESG relevant to listed companies only? Is ESG reporting itself sufficient enough to communicate companies’ ESG initiatives effectively with a hitherto disparate community of stakeholders?

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1. ESG storytelling is relevant to companies of any size

As consumers are increasingly concerned about sustainability issues, the right ESG story promises brand relevance and

marketability. CGS Survey shows that two-thirds of customers would pay 25% more just to obtain green products.

Such strengthened brand relevance grants corporates a persistent outstanding reputation for 92% of consumers and brand loyalty from 88% of them, as found by Cone Communications, implying increased marketability potential.

Meanwhile, companies with strong ESG values have a higher chance to attract and retain top talents. According to Mercer's 2020 Global Talent Trends study, one in three employees would prefer to work for an organization that shows responsibility towards all stakeholders.

ESG storytelling builds an emotional connection between corporates, consumers and employees, as the company's ESG initiatives would showcase the corporate values that align with its stakeholders' ethical consumption beliefs and its long-term commitment to creating value for them.

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2. ESG is more than just a label

ESG investing continues to gain momentum globally, and a report from Broadridge Financial Solutions suggests that ESG assets could hit the \$30 trillion mark by 2030. Given the hot money in the ESG space, there are growing concerns about businesses superficially putting on the ESG label to lure investors' money. InfluenceMap, a non-profit, has warned that over half of ESG-labeled investment funds involved exaggerations.

Traditionally, ESG reporting involves a range of industry-specific terminologies and technical data, which is not easily comprehended by stakeholders. Often unknowingly, technical data from specialists becomes incomprehensible, misinterpreted, and thus futile. One-third of respondents from

a survey conducted at the Asian Financial Forum 2022 even found unintelligible ESG standards the most significant factor impeding ESG decision-making.

ESG storytelling can bridge the gaps, putting ESG initiatives into easily comprehensible contexts and perspectives across disciplines. ESG storytelling can come in many forms. Even major objectives as ambitious as sustainable development goals could be discussed and studied in the form of a simple multiplayer card game, also known as the 2030 SDGs Game.

Meanwhile, ESG storytelling is not entirely different from that of traditional corporate storytelling. What communicators can do is integrate the ESG components into corporate storytelling, be transparent about companies' ESG practices and communicate the impacts of their business operations on ESG matters authentically.

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3. A price to pay without authentic ESG storytelling

Corporates with successful ESG initiatives could help maintain a positive public perception, but greenwashing concerns remain a potential setback.

BNY Mellon, for example, has just received a penalty of \$1.5 million for providing deceptive ESG investment information. A Brazilian meatpacking company, JBS, had to face the potential consequence of having investment funds withdrawn and losing major buyers after it was exposed for having produced more carbon emissions rather than fulfilling ESG initiatives, according to a media report.

Indeed, companies found to not have truly carried out ESG strategies would receive public backlash and suffer major PR crises. A study conducted by Cone Communications in 2017 has

also found that nearly 80% of customers would stop consuming goods and services from corporates revealed to have acted contrarily to their beliefs. This implies huge financial losses.

ESG storytelling provides a concrete answer to consumers' doubts. By giving a precise, specific and detailed narration of corporate responses towards ESG issues that is backed up by statistical data and tangible evidence, companies could resolve greenwashing suspicions, maintain corporate integrity and gain the trust of almost 90% of consumers, the same report by Cone Communications suggests.

All in all, ESG is much more than a mere PR exercise, but communicators have a key role to play, as they are tasked with creating a narrative that brings companies' ESG initiatives to life, creates emotional bonding with stakeholders based on values and prevents potential issues and crises that would kill a brand.

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