



Communicating Your Company's ESG Strategy in 2023: Five Tactical Considerations

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U.S. companies are facing a new challenge in 2023 – communicating their ESG strategies in the middle of an intense anti-ESG political campaign. To help companies navigate this landscape, we have provided the below key considerations for communicating strategies within 2023 ESG reports, websites, press releases, social media, proxy statements and annual reports.

The Anti-ESG Political Campaign

Certain U.S. politicians have attacked companies, investors and proxy advisors for their focus on environmental, social and governance (ESG) issues at the expense of financial performance. Despite consistent assertions from both companies and investors that ESG initiatives are driven by financial performance, the anti-ESG political campaign claims that ESG initiatives that focus on climate and diversity are a veiled attempt to move the U.S. towards a more liberal culture at the expense of financial returns. While not directly related to ESG, public statements from companies against certain regulatory initiatives (e.g., voting rights) have also been targeted. As a result, many state and federal [regulations](#) banning ESG have been proposed and enacted.

Despite the anti-ESG political campaign's allegations, both company and investor ESG initiatives have consistently focused on managing business risks and opportunities. That has not changed. Stakeholders have also not de-prioritized their ESG expectations, including investors like BlackRock – which recently reiterated its focus on company's ESG initiatives. And with global regulators moving forward with ESG disclosure mandates for companies that operate internationally, many U.S. companies will need to disclose their ESG strategy regardless of how the anti-ESG political campaign plays out in the U.S. As such, we expect the pressure on companies for more ESG disclosure to increase, not decrease, in the coming years.

Five Tactical Considerations for Communicating ESG Strategies

While many companies are continuing their ESG efforts, they are also re-examining how they communicate their ESG strategy, including whether to continue using the acronym ESG. We believe this is a healthy communications exercise and have provided five actions that companies can take to help inform their 2023 ESG communications strategies.

1. Take Inventory of Current ESG Disclosures

Companies should review prior corporate communications and analyze how they have been describing their ESG initiatives, including within their ESG report, proxy statement, annual report, board committee charters and website. Assess whether your company has been consistent in how it describes your ESG strategy and whether the link to the business strategy has been clearly articulated. A review of how peer companies describe their ESG strategies can also be an important resource. If a company does decide to substitute ESG for some other term in its communications, be aware that it is likely stakeholders, including media, will have questions about why this is being done and may interpret such a move as the company de-prioritizing its ESG commitments.

2. Assess Anti-ESG Political and Activism Risks

Because the anti-ESG campaign is predominantly motivated by politics, large, consumer-facing companies that most Americans know well have, to date, been targeted. In addition, anti-ESG activists have also targeted those companies that are either generally considered leaders in ESG and/or have spoken out against certain state regulations relating to social issues (e.g., voting rights). This is especially important if a company's motivation for potentially re-examining its ESG communications strategy is to avoid being targeted by anti-ESG activists and state/federal regulators.

However, it is worth noting that every political cycle has issues that hit their apex at electorally advantageous times and then fade into the background. It's very possible that the political focus on ESG investments could have a short political cycle – in which case companies would be smart not to overreact and should instead focus on the long-term. In the interim, while the overall risk of being called before Congress for a hearing on corporate ESG initiatives is low for most companies given competing investigative priorities, bear in mind that any company that appears before Congress for any reason may face some questioning on their so-called “woke” activities. Members with an anti-ESG agenda may also feel emboldened to highlight a corporation's initiatives through social media, letters or interviews.

3. Refresh ESG Materiality Assessment and Stakeholder Engagement

Up until 2022, the media coverage of ESG was generally focused on how company stakeholders – investors, employees, customers, suppliers and regulators – were demanding that companies focus more on ESG issues such as climate and diversity. While the anti-ESG political campaign has been somewhat successful in changing that media narrative, many company stakeholders have clearly not deprioritized ESG, including major global investors. To avoid any doubt, companies should refresh their materiality assessment and stakeholder engagement program to determine whether the anti-ESG political campaign has had any impact on key stakeholder views of ESG and align any new learnings with their business strategy. This can serve as a strong proof point that ties ESG to long-term economic value.

4. Continue Advancing Good Governance Practices

Governance is the last, and sometimes forgotten, component of the ESG acronym. The anti-ESG political campaign has thus far been focused on targeting initiatives relating to environmental and social issues. As there has been very little debate about the importance of governance, companies should ensure that their messaging around its management and board governance and executive compensation practices remain robust – including governance practices relating to environmental and social issues.

5. Prepare for Tough Questions About ESG

There is no ESG communications strategy that will satisfy both sides of the ESG debate. Regardless of whether companies use the word “ESG” or “sustainability” (see Teneo [report](#) for frequency of the term’s use), questions from anti-ESG and pro-ESG stakeholders, including state and federal regulators, about the company’s ESG strategy will undoubtedly be raised. Preparing for tough questions from stakeholders with very different viewpoints on ESG can help a company stay on-message about their ESG strategy.

Looking Ahead

We should expect more intense, political debates about the merits of ESG in 2023 and beyond, muddying the term in the public sphere. We should also expect a push for new ESG company disclosures relating to issues such as nature and diversity. Whether a company decides to re-brand their ESG communications strategy depends on a variety of factors, many of which we outline above. But the most important thing for companies is to continue to understand and manage the ESG risks and opportunities of their business, as well as the expectations of their key stakeholders. Clearly communicating how the company’s ESG strategy is directly linked to their business strategy and performance won’t convince everyone, but it will provide a baseline for those stakeholders willing to engage on the issues in good faith.



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