

# A RENEWED CORPORATE PRIORITY: CLIMATE AND ESG

## THE BIG IDEA

BlackRock chief Larry Fink's message for CEOs: climate change is a direct risk to investor returns. BlackRock has long championed that climate change will be "a defining factor in companies' long-term prospects" - it now says there is a clear, "tectonic shift" by investors in favor of sustainability-focused companies. Firms have found that ESG and green investing have proven to outperform various market conditions and are now mainstream. This means public companies must contend with higher levels of scrutiny of disclosures, potential regulations, and compatibility with their investment and business strategies.

## REPTRAK PERSPECTIVE

ESG is an inseparable part of a company's business strategy - ESG standards are vital to measuring a company's performance and assessing organizational ability to manage risk and reputation equity.

## REPUTATION CONTEXT

**Why is ESG important now?** ESG provides another avenue for companies to demonstrate transparency and hold themselves accountable. Companies can measure success - outside of financial results - and highlight the intangible value provided beyond products and services. The value of intangible assets can make up about 85% of the total business value across industries.

As information becomes more widely available, a company that emphasizes its ESG reports and disclosures can better control its public narrative and shape its reputation.

**What's the reputation connection?** There is a strong positive correlation between RepTrak's measurement of ESG Perception and Reputation Scores. Positive scores in ESG are associated with an increased public reception for specific business outcomes such as Benefit of the Doubt, Trust to do the Right Thing, Defend in an Argument, and Recommend Company.

**What must companies do?** Institutional investors have sounded the call for change - unaccountable corporate missions will no longer meet the business world's current criteria. Companies must reinvent the 'internal-out' approach and adjust their old CSR processes and programming to align with external demands.

## CONVO STARTERS

What long-term effect(s) do you think the "tectonic shift" to ESG and a more sustainability-focus will have for companies?

How do ESG and ESG metrics affect your business?

What steps can your company take to participate in increasing transparency and accountability?

### RepTrak LIVE Resources

- [ESG as a Mainstream Metric](#)
- [2020 Reputation Recap](#)
- [2021 Reputation Mandate](#)