



Eight ESG Trendsetters to Watch

Do you know what Key Performance Indicator (KPI) attracted more attention in 2020 than ever before? ESG data.

Of the many companies making major moves to become leaders in this new era of sustainable investment, we look at eight that stood out from the pack from 2020-21.

The Time is Now

According to S&P's Global Sustainability Yearbook 2021, 7,032 companies chose to disclose ESG data in 2021, compared to only 4,700 in 2020 – an astounding 49.62% increase. ¹

There's nothing new about companies reinvesting in their communities and seeking to improve the lives of stakeholders. You can trace the beginnings of Corporate Social Responsibility (CSR) back to the 1970s and the foundation of companies like Ben & Jerry's – one of the first companies to bake its values into its business model – and the popularization² of the term ESG (which stitched together the then-separate concepts of Environmental, Social, and Corporate Governance) back to 2005.

So if corporate consideration of ESG predates the news from this earnings season, why are investors suddenly asking for ESG data after so many years of treating it as a minor intangible?

While we can't rule out the social and political stressors that impacted 2020, the research tells the bigger story: Companies with strong, purposeful ESG are correlated with positive financial performance. Using ESG scores as a proxy metric, more than 1,400 studies have corroborated this positive relationship.³

The Role of IRO's

Investors are putting their money behind the research. A record \$51.1 billion (or nearly a fourth of all new flows into U.S. funds) went to sustainable funds in 2020, an astounding record in its own right and more than double what was then the record in 2019. With no sign of the trend slowing, Investor Relations Officers (IROs) looking to attract investors would be wise to incorporate ESG into their fiduciary duties. They can start by:

- 1 **Articulating a sound ESG strategy to investors**
- 2 **Quantifying and then disclosing results**
- 3 **Preparing executives to successfully answer stakeholder questions about the company's performance across the ESG spectrum**

With no official standardization in the U.S. as to which ESG metrics are valuable or how to report on progress, the IRO's role is easier said than done. This area of communications is moving fast; new trends, standards for reporting, and ideas for attracting investors are emerging every week, if not every day.

THE GREAT EIGHT

- BlackRock
- Bank of America
- Cisco
- Home Depot
- Verizon
- American Express
- Apple
- NextEra Energy

Trendsetters to Watch

As with all things new, some companies are gaining attention in all the right ways for their ESG initiatives. IROs looking to inform their corporate ESG strategies and set themselves apart in a market filled with other companies' messaging around ESG might look to the following organizations for ideas:

Blackrock

Our analysis found that in 2020, BlackRock drove more ESG-related media coverage than any other financial brand in a year that was record-setting in terms of news on the topic. In addition to meeting its internal goals related to diversity and inclusion (D&I) and renewable power, BlackRock led from the top. [Larry Fink's 2021 letter to CEOs](#) was a bold call to begin preparing for a net-zero economy today by: encouraging disclosure of how companies will adapt their business model to this future; calling for a standard for sustainability disclosures; and introducing exclusionary screens that could mean divestment for companies that carry substantial climate risk.

Cisco

After setting aggressive goals in 2019, Cisco met them, achieving 100% renewable electricity in the U.S. and parts of Europe for the fiscal year.⁵ As part of the company's commitment to a Conscious Culture around D&I, [Cisco's CSR Report 2020](#) detailed not just a breakdown of its executives by gender and ethnicity, but also new hires, people leaders and suppliers. For interested investors or customers, Cisco hosts an [ESG Reporting Hub](#), which houses their Impact Report, GRI Content Index, related policies, and a reporting archive dating back to 2005. Everything an investor might want to know is at their fingertips.

Verizon

In a year that pushed everyone to their limits, Verizon stood out as an example of a company doing right by its employees and customers. They ranked number one on [Forbes' Nations' Top Employers' Responses to Pandemic](#). Verizon earned its spot, offering considerable employee sick leave - up to 26 weeks paid leave after a COVID-19 diagnosis and eight weeks paid for related leaves of absences⁶ - and reinvesting in impacted communities by offering discounts to low-income internet users, eliminating late fees, and donating mobile hotspots to NYC students.⁷

Apple

Often overlooked in ESG is the Governance piece; however, this year Apple has tied it inextricably to the E and S by adapting pay-for-performance incentives to include ESG performance. Apple's Compensation Committee will assess executives on alignment with "Apple Values and other key community initiatives during 2021" to modify its bonus payouts by up to 10%. In doing so, Apple joins the 20% of companies on the [Russell 1000](#) that currently link cash incentives to ESG performance.⁹

Bank of America

In 2020, Bank of America (BoFA) teamed up with the World Economic Forum to draft a framework based on 21 nonfinancial metrics for global ESG standards. The framework offered a welcome template for IROs looking for best practices, and 60 other companies have joined BoFA in vowing to adopt these metrics going forward.¹⁰ Not content to simply lead the charge into ESG data disclosure, BoFA continued its considerable contributions toward creating racial equality. The company committed \$1 billion over four years¹¹; issued a \$2 billion ESG-themed bond¹²; and dedicated \$15 billion towards affordable housing initiatives¹³.

Home Depot

Since 1999, when Home Depot implemented its [Wood Purchasing Policy](#), the company has stood as an ethical leader in its sourcing guidelines. Home Depot's strict guidelines are aimed at protecting developing countries and regions in conflict. To this end, Home Depot sources the majority of its wood from North American forests¹⁴ and publishes an annual [Responsible Sourcing Report](#) that details its standards, audit process, supplier partnerships and more.

American Express

This past year, American Express (AmEx) has made big strides on its D&I goals, achieving global gender pay equity and racial and ethnic pay equity in the U.S. On the heels of this achievement, AmEx committed a \$1 billion action plan to "promote racial, ethnic and gender equity for colleagues, customers, and communities."¹⁵ In full transparency, AmEx included aggregate statistics of the company's Director nominees in its [2020 SEC Proxy Statement](#), including gender, racial/ethnic diversity, average age and average tenure.

NextEra Energy

NextEra - In 2020, NextEra continued to outperform its fellow utilities on the environmental front, with CO2 emissions at a staggering 55% lower than the average U.S. utility.¹⁶ Investors looking to understand the numbers behind this achievement are in LUCK AS [NextEra's ESG Resources Page](#) provides its 2020 report, an EEI ESG Quantitative Template, a by-the-numbers breakdown, by subsidiary dating back to 2016, and its S&P ESG Evaluation, alongside other related information.

Notable Mention: Bacardi

As part of the Good Spirited initiative, Bacardi introduced an entirely biodegradable bottle, which the company expects will hit shelves in 2023 and replace an unbelievable 80 million plastic bottles. It's a major step towards Bacardi's commitment to plastic-free by the end of the decade. (Check out a [case study](#) on how Bacardi measures the impact of the Good Spirited initiative on their earned and owned media.)

¹<https://www.spglobal.com/esg/csa/yearbook/index>

²<https://www.ifc.org/>

³<https://www.tandfonline.com/doi/full/10.1080/20430795.2015.1118917>

⁴ [Sustainable_Funds_Landscape_2021.pdf](#) (morningstar.com)

⁵ https://www.cisco.com/c/dam/m/en_us/about/csr/esg-hub/_pdf/csr-report-2020.pdf

⁶ <https://www.verizon.com/about/news/letter-christy-pambianchi-to-verizon-employees>

⁷ <https://www.verizon.com/about/news/update-verizon-serve-customers-covid-19>

⁸ Apple Notice of 2021 Annual Meeting of Shareholders and Proxy Statement

⁹ <https://www.cnbc.com/2021/01/16/apple-ceo-tim-cook-cash-bonus-not-tied-to-sales-profits.html>

¹⁰ <https://www.businessinsider.com/60-major-companies-agree-to-start-reporting-on-esg-metrics-2021-1>

¹¹ <https://www.forbes.com/sites/dporterfield/2020/12/17/how-bank-of-americas-1-billion-commitment-advances-equity-for-students-of-color/>

¹² <https://www.bloomberg.com/news/videos/2020-11-14/esg-could-be-the-entire-market-bank-of-america-s-montag-finucane-video>

¹³ <https://www.reuters.com/article/us-bank-of-america-mortgage/bank-of-america-triples-affordable-housing-commitment-idUSKBN2A3203>

¹⁴ <https://corporate.homedepot.com/responsibility/sourcing-responsibility>

¹⁵ <https://about.americanexpress.com/all-news/news-details/2020/American-Express-Announces-1-Billion-Action-Plan-to-Promote-Racial-Ethnic-and-Gender-Equity-for-Colleagues-Customers-and-Communities/default.aspx>

¹⁶ <https://www.alpha-sense.com/blog/top-rated-esg-stocks/>