# As ESG investing grows, so do communications needs

**As capital continues to flow into the sustainability segment, it's now becoming harder for participants to stand out. Here are a few trends to keep in mind when evaluating strategies and brand narratives.**

By Bill Haynes

When BackBay Communications first began working with asset managers focused on impact and ESG strategies in 2015, sustainable investing may have seemed like little more than a novel niche. Fast forward six years: As the planet continues to heat up and social inequalities come under greater scrutiny, one sign of hope is that widespread interest in sustainable investing is finally taking hold. In fact, we're reaching a positive tipping point.

Sustainable investing is comprised of different strategies deployed by asset managers seeking, at a minimum, to "do no harm," to more ambitious and intentional efforts to affect and measure positive change. Socially responsible investing, for instance, has traditionally screened out companies involved in fossil fuels, tobacco, alcohol, casinos, guns or with poor human rights records. ESG, alternatively, incorporates environmental, social and governance considerations alongside corporate fundamentals to guide investment decisions. And impact investments, according to the Global Impact Investing Network, are made with the intention of generating positive, measurable social and environmental change.

For those marketing sustainable strategies, the good news is that there is no longer a pronounced learning curve for media or other constituencies to get their arms around impact and ESG strategies. There is also, however, more scrutiny than ever around the potential for greenwashing. Moreover, as capital flows into the broader sustainability segment, it's also becoming harder for participants to stand out in such a crowded field. Given these challenges, it's important to keep in mind certain trends as firms evaluate their go-to-market strategies and brand narrative.

### Sustainability: a magnet for funding

According to the Global Sustainable Investment Alliance, $35.3 trillion was invested in sustainable assets as of 2020, which represents more than one third of all managed assets in the world's major economies. Nearly half of that capital (48 percent) came from U.S. investors.

As demand for sustainable investments is expected to grow—especially as interest in these strategies has risen among individual and institutional investors emerging from the global pandemic—even traditional investment managers see an opportunity to win new business by touting their commitments to sustainable investing.

But beyond the growth opportunity, other factors are at play, not the least of which is the attention of regulators. The European Union is taking steps to mandate metrics, for instance. Sustainable Finance Disclosure Regulation creates certain sustainability disclosure obligations and requires European asset managers to report the effect their investments have on specific ESG considerations. The rules are intended to increase reporting standardization and dissuade "greenwashing."

And in the U.S., the SEC has issued guidance to investment firms that calls for greater accuracy and disclosure: "The Division encourages market participants promoting ESG investing to clients, prospective clients, investors, and prospective investors to evaluate whether their disclosures, marketing claims and other public statements related to ESG investing are accurate and consistent with internal firm practices."

Clearly, firms' investment and marketing communications around sustainable investing are in for greater scrutiny. This is where communications planning and execution comes into play.

For the past six years, BackBay Communications has helped investment firms reposition themselves to better capture their commitments to, and progress toward, sustainability goals. Over the last few years, as concerns about climate change and social issues have intensified, BackBay's Impact Investing practice has grown to include a wide range of leading names across impact and ESG with strategies ranging from clean energy and sustainable infrastructure to social causes including affordable housing and economic development in emerging market economies.

We also support impact-focused wealth management firms providing access to these types of investments and thought leaders in the space who play an invaluable role shaping the market as it takes form. It's a big umbrella. And our work includes brand development, websites, public relations, thought leadership content, conferences, awards, videos and digital marketing.

Through our work, we've found some key tenets to consider when developing a marketing communications program focused on sustainability.

**Authenticity and consistency.** You can't just talk about what you do for the outside world with your investment capital. You also have to show that you walk the walk inside your company with how you hire, train and lead in the workplace.

**Impact Measurement.** You can't just say you invest *for* impact; you have to demonstrate your actual impact. What's the net effect of your good intentions? Who's benefiting and by how much?

**Transparency.** Companies must be clear and transparent and produce impact reports that tie together their goals, processes, and impacts. Impact reports present an opportunity to showcase the positive effect your firm is having through a strong narrative and design that includes charts, graphs, case studies, testimonials and even an accompanying video.

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**Returns.** For many years, investors have been concerned that they would sacrifice doing well on their investment returns by doing good. But studies have shown that's not the case. It's important to lead with the financial reasons for sustainable investing to appeal to all stakeholders, including ones who don't buy into impact investing. At the very least, ESG considerations help you better assess the risk of any investment—which every investor or customer can appreciate.

**Terminology.** You have to refresh how you speak about impact and ESG. Even ESG is used differently today than a few years ago. Today, ESG factors are largely considered inputs that help you weigh the environmental, social, and governance risks of an investment, while Impact is an actual output or outcome that you have to measure.

It's an exciting time to invest with impact. A growing number of individuals and institutions around the world are seeking ways to make positive changes in the environment, social and governance, and are looking to invest with companies that are committed to effect positive change. Investment firms of all types have an opportunity to capture that capital and deploy it in a way that improves the quality of life for people around the globe. A strategic communications program can clearly articulate the goals, processes, and results, in a way that will help asset managers attract additional capital and continue to make an impact.

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