

## **Checklist: How to Fight ESG Fatigue**

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It is official – corporate management is facing ESG overload. While ESG is important, there is a real threat of creating fatigue in organizations to the point where leaders and employees stop listening to the messages. Or even worse, stop taking action on things that matter. As with any company initiative, it can be difficult to find an optimal balance between reinforcement and having it backfire.

While this is not an exhaustive list, a few things to help combat ESG fatigue in your organization include:

1. **Find conversations and topics that are important to the company and carefully construct ESG matters to fit into those.** Finding the best way to communicate about ESG matters is a critical element to begin with, but as management and staff grow weary of it, those discussions may no longer be welcomed or encouraged. ESG touches on about every aspect of a company's management, operations and finance so broad-based communications are relevant. At the same time, thoughtfully adapting conversations to meet specific needs can make others focus on specific actionable needs, processes and outcomes. The following are common aspects of business functions in which ESG fits, but tailoring internal messaging/reinforcement may be necessary when you sense lethargy is setting in:
  - a. **New product development/innovation and market growth opportunities.** What are current sales drivers? Are new customer types becoming important? What are current customer key buying criteria and is your company aligned with those (for instance, recent consumer concerns with plastic packaging is changing their buying behavior to prioritize buying products based on new packaging materials more so than the product itself)? Why do customers prefer competitor products? While the ESG components of these questions is obvious, conversations about them may need to be somewhat camouflaged.

- b. **Corporate culture/leadership.** Every company is concerned with its management and operating culture, and how leadership is perceived internally and externally. Some leaders are already sensitive to discussing the matter. Aggravating that by overtly inserting ESG into those dialogs can be unwelcome and cause negative reactions.
- c. **Employee satisfaction.** In our post-COVID world, this is a topic that may have received more attention and publicity than about any other. There is an inherent tension to varying extents between company's operational needs and employee happiness with their work environment. Perhaps no other example is better than the working from home conundrum which has been a big headline for mass media since the beginning of the pandemic. While employees may be eager to use the ESG lever here, management may be tired of hearing it. This is another place where camouflaging ESG terms and concepts may be valuable.
- d. **Supplier management.** Perhaps one of the easier topics to advance ESG without talking about ESG. Supplier terms and conditions are legally binding and have specific enforcement conditions, therefore every requirement within those contractual terms is a legal matter. Not much more may need to be said.
- e. **Transportation/distribution.** This is another matter where ESG can be emphasized fairly easily by using alternative concepts of fuel costs, inventory carrying costs, transportation efficiency and delivery times. These terms can be proxies for carbon emissions, material usage/intensity, packaging and employee workplace conditions.
- f. **Hiring processes.** Perhaps less recognized than other company activities, but the increasing use of AI in resume screening and overall dehumanizing of the hiring process may be considered an efficiency gain, but there is growing backlash by candidates. Fatigue may not yet have set in with HR departments on this matter yet, but it would be prudent to expect it and evaluate how to deal with that sooner rather than later.

- g. **Risk management.** ESG has long been framed as a risk issue (or suite of issues). Corporate risk management departments are frequently more focused on insurable risks than uninsurable risks, internal audit departments more focused on financial risk than non-financial matters, and lawyers laser focused on legal risks. ESG cuts across all of these yet also doesn't always fit cleanly within any particular function. "Not my job" fatigue can set in quickly. Clarifying the specific topical boundaries and accountabilities will help manage this.
2. **Avoid – or at least minimize – the use of ESG jargon and buzzwords.** We all get tired of business buzzwords but to be brutally honest about it, the closer you get to operations/production, the lower the tolerance. As a matter of fact, the closer you get to operations/production, the higher the level of mocking/ridicule in many older manufacturing organizations. In these situations, ESG and buzzword fatigue sets in quite rapidly. This point can be taken on a standalone basis or used in conjunction with the first point in this list.
3. **Don't force things – either the conversations or garbage economics.** Although ESG touches on about all aspects of a company, it can sometimes be tempting to make more of a case than is necessary. Sustainability practitioners have long sought to link stock price directly to environmental performance, for instance. As yet, there is no definitive conclusion or agreement on this linkage and many credible experts disagree that a causal linkage exists or can be quantified reliably. Forcing ESG into matters that may be tangential or unproven (e.g., garbage economics) when they don't really need to be part of the conversation can cause your audience to turn off.
4. **Sometimes you just need to give it a rest.** Even though ESG is important to most companies, every person in the organization is being bombarded with ESG messaging from everywhere. Rather than wear out your welcome and piling on, it is worth giving it break on occasion. If you are particularly adept at camouflaging it, you can go longer before you need to rest. But at some point, your audience will become numb and you should take an "ESG vacation".

**5. Pick and choose the ESG information requests you choose to respond to and internal data you request & track.**

Gathering ESG information for the hundreds of ESG questionnaires and surveys is labor intensive, even with IT systems. Internal information requests and tracking data is no different. Until there is more convergence in the information requests, each one requires its own response content and format. Being selective about what information requests the company chooses to respond to will reduce staff fatigue for data collection, management, review and reporting.