



Say 'Yes' to the 'S' in ESG

Environmental issues tend to steal the limelight when it comes to the Environmental, Social and Governance (ESG) agenda but it's time for CPG companies to unpack the 'S' and secure their ticket to play. To move the needle on social issues, organisations need to set measurable targets and empower marketing and social media teams to own the social citizenship space – aligning brand messaging with action and impact.



What part of ESG should I focus on?

For CPG companies, the urgency and high profile of climate change has meant greater focus on the 'E' in ESG. This has seen brands setting ambitious sustainability targets across the entire value chain – looking at ways to minimise their footprint and create sustainable products.

The 'S' in ESG has taken a back seat to these pressing environmental imperatives but it is no less important to brand permission and growth. While Corporate Social Responsibility (CSR) has been on the CPG agenda for decades, it has taken on new dimensions in the context of ESG. The 'Social' element of ESG continues to promote the long-held values of social responsibility – taking care of employees, customers and the wider community – but it has now broadened to include more measurable indicators like Modern Slavery and Diversity & Inclusion. In this new landscape, shareholders, investors and regulators keep a close eye on how CPG companies are performing, with a poor scorecard having serious implications for the bottom line and access to capital.

This is where the 'G' comes in. Without robust governance, it's impossible to track progress against targets and meet the regulatory requirements. How are you benchmarking, monitoring and reporting on your ESG progress?

Making ESG part of your company's DNA

For our recent report, [30 Voices on 2030 – The ESG Revolution](#), we interviewed 30 industry leaders across Australia and surveyed 245 more to get their take on the future of ESG.

When it comes to social issues, respondents across sectors are committed to action – with 64 percent saying they are prepared or very prepared to implement social programs today. For some CPG leaders, social factors are woven into the fabric of their brand. In our recent report; [30 Voices on 2030 – The ESG Revolution](#), Lyn Radford, the Managing Director of Chobani, puts it like this, "For Chobani it has always been about more than yogurt – the most important thing we make is a difference."

Within CPG companies, Marketing is best placed to embed and promote brand purpose and values while showing employees and customers how these are linked to ESG goals. Through marketing channels like social media, they can demonstrate a company's commitment to social issues in an authentic and compelling way. As stewards of social citizenship, marketing teams can embed ESG across the business and in all communications.

The road to ESG maturity is not an easy one and Sandra Martinez, CEO of Nestlé Australia, speaks to this issue in our report; [30 Voices on 2030 – The ESG Revolution](#) when she says, "While the environmental challenges are hard, in some ways the social challenges are harder." Sandra points out that while it's easier to act on diversity, equality and remuneration, the harder challenge is upstream in the supply chains and in the broader communities.

Moving beyond the headlines

Consumers (not just Gen X) are starting to pay heed to the position organisations take in the ESG space. Overall, there has been a marked increase across consumer segments who are starting to vote with their wallet for brands that align to their values.

KPMG's 2021 global study [Me, my life, my wallet](#) showed that 80 percent of consumers prefer buying from brands whose actions align with their beliefs and values, and 37 percent are prioritising sustainable products or services.

Putting the 'S' in Social Media

As a conscious CPG company, you may be working hard on the 'S' in ESG - but can your consumers feel it? Marketing and social media plays a pivotal role in articulating shared values and bringing consumers along on the ESG journey. Social listening, building an online community and engaging in authentic conversation are tried and true ways of bringing your brand purpose to life.

Transparency is key to success in this space – consumers can call out poor practices in real-time and the risk of reputational damage is real. CPG companies who can clearly articulate a common purpose and shared values are more likely to succeed in today's marketplace, because it gives them social license to operate. Who Gives a Crap is a standout example of profit with purpose: its award-winning business uses 100 percent recycled toilet paper and 50 percent of profits are donated to build toilets in the developing world.

Say no to green or blue washing

Greenwashing, or making false sustainability claims is a sure fire way to erode consumer trust and draw negative attention from regulators. The same is true for bluewashing, the practice of overstating your company's commitment to responsible social practices. How to make sure you walk the talk? Measure your ESG activities against validated baseline data and be transparent about your progress - even when you don't meet targets.

Pay close attention to how you deliver on your ESG commitments. In the CPG sector, consumers do not expect to pay premium prices for a product that is ethically sourced or has a higher commitment to ESG goals - the expectation from the public is that retailers and brands should absorb these costs.

Giving equal weight to all ESG pillars

Creating a sustainable future while driving measurable growth is top of mind for all CPG leaders – and each of the ESG pillars feed into this. The Environmental pillar is about carving a path towards net zero, eliminating waste and integrating circularity into your business model. Social is the way you operate in the world in terms of human rights, inclusion & diversity and enabling societies to grow in a more equitable way. Governance allows you to track your progress against these targets and make a measurable difference.

Together, the elements of ESG paint a picture of your brand – it's up to you to articulate your goals, share your brand's purpose, and bring consumers on the journey through authentic social citizenship.

Today's bold moves

- ▶ Consider the breadth of your social strategy both globally and locally and keep track of how stakeholder expectations are evolving. What are the market leaders doing nationally and internationally in this space?
- ▶ Move beyond a tick box exercise to develop an ESG roadmap with measurable goals and targets.
- ▶ Communicate clearly and transparently around your ESG goals. Don't run the risk of losing brand relevance, integrity and ultimately market share.
- ▶ Empower Marketing to own the 'S' in ESG

KPMG is specialised in helping CPG companies. From defining and operationalising customer driven strategies, to driving improvements and growth across end-to-end operations, we work with our clients to ensure they're able to not only respond, but thrive, in today's dynamic market.

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