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ESG AND AD AGENCY REVIEWS—HOW DE&I AND SUSTAINABILITY ARE SHOWING UP IN PITCHES

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) HAS BECOME A STANDARD PART OF AD AGENCY

REVIEWS BUT SOME ARGUE IT SEEMS BRANDS ARE ONLY TRYING TO CHECK A BOX

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Environmental, social and governance (ESG) has become a standard part of ad agency reviews but some argue it seems brands are only trying to check a box.

Agencies are asked to answer a series of questions on how they're progressing on ESG in any given new business review.
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Environmental, social and governance (ESG) has become a standard part of ad agency reviews, but it's unclear whether these efforts are yet leading to any meaningful change as it relates to sustainability and diversity, equity and inclusion, or are more performative.

To be sure, clients are increasingly asking ad agencies in reviews to be certified with certain business sustainability firms such as EcoVadis and Sedex, according to one consultant who spoke on the condition of anonymity, as they are not authorized to speak publicly about the reviews they oversee.

And when it comes to diversity, equity and inclusion—which falls under the social aspect of ESG—more companies are bringing in experts to assess agencies on the makeup of their teams and what commitments they've made to improve DE&I internally, the consultant said.

But most brands are still at the early stages of these efforts and are unsure how exactly to apply them to their businesses.

One agency executive, who spoke on condition of anonymity, said they personally have been a part of creative pitches that brought in an external DE&I consultant and found those consultants weren't sure what they were supposed to be asking or what their role was supposed to be in the review.

Some brands are also only including a few basic questions on sustainability, the consultant said.

"I don't know if it's clients being progressive or them covering their asses," the consultant said. "It's embarrassing. It's greenwashing; DE&I washing, if that's a term."

Lauren Tucker, founder and CEO of inclusion management consultancy Do What Matters, which advises top ad shops such as TRG and The Martin Agency, said, unfortunately, "checking boxes is an old trope and continues to take center stage as marketers try to hold their agencies to a higher standard than they maintain themselves."

“The evidence is in the massive number of layoffs of DE&I and ESG teams in the past year,” Tucker said. “Marketers must stop trying to ‘fix’ DEI and ESG with checklists and start living the principles that will make their brands more attractive to consumers and talent who want to see real, authentic change on these issues.”

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The impact of the tech layoffs specifically on DE&I teams has been widely reported. Twitter and a popular ride-sharing app were among the tech companies that made big cuts to their DE&I divisions, Bloomberg reported.

Tucker also argued that new business reviews are not the time to start evaluating agencies on ESG, because shops will too easily “bluff their way through [the] pitch and bedazzle participants in the process.” That work should be done beforehand, she said.

“If they are truly committed to what ESG stands for, they should only invite agencies to reviews with a proven track record of proactively expressing ESG in their work for their clients," Tucker said.

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Meanwhile, overshadowing ESG initiatives in reviews right now is flexibility and efficiency, said Pat Lafferty, chief operating officer, Acceleration Community of Companies, an ad network. That, of course, is due largely to the shaky economy.

"Being able to move things around, whether it's to delay or change dates for a campaign for various reasons. We have a lot more of that," he explained.

But Lafferty said "ESG has and will continue to be important to clients" and it will rise to the top of the list of priorities again "when economic things dissipate."

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Since the 2020 murder of Geroge Floyd and the subsequent rise in the Black Lives Matter movement, brands and agencies have been called on to prove how they are working to diversify their staffs, which still remain predominantly white and male.

That area of ESG remains a priority, even amid the slowing economy, Lafferty said. "First and foremost, clients are making sure our teams are representative of the population they are looking to communicate with," he said.

Marketers have been slower to adopt environmental assessments in new business pitches. But companies, mainly in Europe, have started including such assessments in new business pitches because they realize customers are demanding more transparency there.

Consumers are increasingly choosing to buy from brands that are more eco-friendly. And movements such as Clean Creatives, which asks agencies to refuse business from fossil fuel companies and brands not to work with agencies that have contracts with such companies, are starting to take off.

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"Agencies, like it or not, form part of a global brand's supply chain," said Adrienne Little, co-founder, And Rising, a creative ventures firm. "It's one way global brands can refract risk onto others and away from themselves. Meanwhile, movements like Clean Creatives are severing agency ties with any brand directly involved in fossil fuels. Each is looking outside themselves for solutions. It's shareholder, not stakeholder thinking. A blame game."

Little said procurement is asking agencies questions such as: "Do you carbon offset? Do you vet production suppliers for environmental standards? Can you confirm your policies regarding recycling?"

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Potential clients in the experiential space will want to, for example, know that the network's agencies reuse certain materials in the events they create, ACC's Lafferty added, "The reusability of things we will be creating for them is a common thing."

Allbirds, which has begun making its shoes with more eco-friendly and natural materials in its efforts to be greener, said it assesses its potential agency partners equally on expertise, creativity, team synergy and their values.

"Sustainability isn't a corporate buzzword for us, it's a core value that's deeply embedded in every part of our business—product design, logistics and, of course, marketing," Allbirds Chief Brand and Product Officer Kate

Ridley said. “Our north star is reversing climate change through better business. So the first filter for any potential partnership, including agencies, is an organization’s approach and commitment to sustainability.”

Ridley said, specifically, Allbirds asks agencies to share their past ESG-related projects and experience with purpose-driven clients.

“But equally as important, we also want to know what they’ve achieved internally,” Ridley said. “So we’ll ask about their long-term commitments, their achievements to date, and what’s on the horizon for their organization. For us, ESG commitments are table stakes. We appreciate that every business is in a different stage of the journey, and also understand that we’re not perfect, either, but the intent and, importantly, action has to be there.”

Some brands are requiring agencies to be certified with certain firms including EcoVadis and Sedex. EcoVadis and Sedex did not return requests for comment about their role in reviews.

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Greg Taylor, director of business development for WPP's VMLY&R, said the agency has had to show EcoVadis certification in a few global pitches, typically for brands that are Europe-based.

"That's where we really start to see EcoVadis, is in large global pitches," Taylor said. "So, at a holding company level, WPP fills out those EcoVadis forms and gets certified. And then we pass [it] along, showing that we are certified through EcoVadis as a sustainable company."

EcoVadis essentially charges companies an annual subscription service to evaluate and provide guidance on sustainability. For a company of WPP's size of 1,000 or more employees, plans range between $2,199 a year and $9,899 a year, according to pricing information on the firm's website.

EcoVadis' most affordable "basic" plan includes a carbon scorecard, improvement tools, sustainability how-to guides and an industry risk profile. On the most expensive plan, agencies are assigned a point person to guide the company through steps, including online learning courses.

"From a WPP perspective, we respond to their questionnaire annually," a WPP spokesperson said. "The response process is managed by the sustainability team but with support from other business functions, for example procurement and legal."

WPP's EcoVadis certification process is handled by a sustainability team, which is focused on internal versus client work. According to its 2022 sustainability report, the team focuses on areas including making progress toward the holding company's goal of reaching net zero carbon emissions across its supply chain by 2030 and shifting to 100% renewable electricity. While the sustainability team isn't client-facing, the work it's doing is being evaluated by clients.

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As brands are also increasingly being called out for greenwashing and, ahead of the Federal Trade Commission's updates to its green marketing guidelines, they are looking to their agency partners to advise them on how to talk about their sustainability efforts. So, they need to know their potential agency partners are properly equipped to handle that task.

Still, only 4% of ads over the last three years contain sustainability messaging, supported by an 8% in media spend, and the number of ads containing sustainability messaging decreased 47% at the beginning of 2023 from 2022, according to recent research from CreativeX, a creative data platform that works with brands including Nestlé, Heineken and Unilever.

U.S. brands are being extra cautious about what they share on their environmental progress before the FTC's guidelines come in, said Caitlin Hicks, sustainability manager of Nuevo, a sustainability-focused creative agency that's made green marketing its specialty.

Hicks said for now, Nuevo advises clients to be very honest about what they've accomplished and what they haven't, while also being careful about using the word "sustainable" because there is no clear definition for what is a "sustainable product."

"What we always recommend to clients is to be very careful of that word; say instead 'we're on a sustainability journey,'" Hicks said.

Jim Misener, principal and president of independent brand consultancy 50,000feet, said he's seeing clients increasingly in industries, including manufacturing and health care, prioritizing sustainability in new business pitches. “ESG-related certifications and reporting methodologies are becoming required and standardized” in those industries, he said.

“50,000feet has helped clients shape their ESG narrative at all levels of the organization, from corporate sustainability reports and landing pages to talent acquisition campaigns and video series,” Misener said. “Our partners’ prospective team members, customers and shareholders are asking how each organization is growing its culture of DE&I, helping to protect the planet and giving back to communities.”

Whether or not brands are prioritizing ESG as much as they should be right now, ACC’s Lafferty argued eventually they all will have to because customers are demanding it.

He said consumers care about how companies do business and who they do business with and “they will find out what you’re doing. So, behaving and showing up authentically and truthfully is going to be the thing that continues to drive brands and their behaviors.”

Inline Play

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