Navigating ESG in the New Congress

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Executive Summary

In 2021, ROKK Solutions and Penn State University's Center for the Business of Sustainability undertook a research project to better understand voters' views on corporate environmental, social and governance (ESG) efforts. We expected a few surprises, but were overwhelmed by the large bipartisan support for business engagement in ESG, especially among voters under the age of 45.

Fast-forward to 2022, the political rhetoric against ESG has become more heated than ever, with many on the right accusing businesses of "corporate wokeism" and threatening oversight and punishing legislation in 2023. Despite voters largely turning out in favor of moderation in this year's midterms, we can still expect many on the right to make good on these threats. But how do voters actually feel about the "war on woke?"

The answer was clear: Our research found that neither Republican nor Democratic voters support policymakers' potential legislative efforts to curb ESG initiatives. While popular narrative would suggest a highly politicized environment around anti- "woke" legislative efforts, it turns out that Republican and Democratic voters side with companies rather than legislators in the war on "wokeism." The consensus among voters surveyed was that companies should be able to exercise discretion to invest in ESG initiatives that benefit society without government interference. For businesses concerned about public support for their work, this is good news.

But complicating this news is a lack of understanding around ESG and conflation of it with "wokeness." Differences in our findings between views on these terms and the responsibility of corporations to better society reiterate this knowledge gap, as do the results of a series of In-Depth-Interviews with key Congressional offices on the topic.

Altogether, our findings highlight a lack of understanding both on the Hill and among voters that represents a cause for concern in 2023. Now that Republicans have won the House, rhetoric against "corporate wokeism" is already heating up and we can expect hearings, state-level legislation and loud attacks from the right. Additionally, companies likely face the whiplash of attacks from the left for failing to do enough.

Despite these real risks, our findings point to specific actions and opportunities companies can leverage to reduce them. For starters, companies must **define ESG before it is**

defined for them. Based on voter support for social impact work, there is a small window of time to build a better understanding of ESG and their work among stakeholders. Our research implies that, if voters are better informed, there will be even less appetite for the kind of political threats we have seen this year. If policymakers are better informed, we may see less room on the political agenda for oversight of those companies seeking to engage in social impact work. Conversely, leaving alone those who may find themselves in the neutral or unsure categories when it comes to ESG may result in these audiences hardening their stances in an unhelpful way.

Additionally, we found voters are noticing companies' "say-do" gap. This year, we saw waning support for corporate in social issues not related to their business line and growing expectations around company efforts to **act** on values rather than speak. This finding highlights the importance of clarity of purpose and materiality. Self-assessments to understand the social issues companies **should** speak out on has never been more critical, and decision-making frameworks are increasingly key to success.

This report provides businesses a guide to help navigate the politically charged environment surrounding ESG in a divided Congress and alleviate accusations of "corporate wokeness" over the medium term. Throughout are actionable recommendations companies may want to consider as they engage both in Washington and with their consumers, many of whom are the voters we surveyed.

I. Introduction

Since the rise of stakeholder capitalism, companies have felt building pressure to address relevant societal issues and weigh in on high-profile, and often politicized, social issues. Because of this pressure, companies are increasingly wading into a broad range of societal issues, often highly-politicized, that go beyond the scope of their traditional business. Coca-Cola weighing in on the Georgia voting law in 2021 and business leaders signing an open letter opposing North Carolina's anti-lgbtq bathroom bill in 2016 are but two examples.

As the expectations for companies to respond to external social issues evolves, so does the potential political activity to punish them. On the one hand, our research this year found voters still expect companies to address social issues, but they demand more than just lip service and want them to focus on issues related to their business. On the other hand, politicians are eager to punish those they perceive as "woke" and or acting in service to a liberal agenda.

The rhetoric around companies' social stances is reflective of an assumed polarization of American views on issues such as climate change, LGBTQ rights, abortion, gun violence and diversity and inclusion. This polarization is coming into the spotlight more frequently as politicians threaten repercussions for corporate stances at odds with political goals.

Part of the challenge is a conflation of ESG, an investment framework around Environmental, Social and Governance risk, with corporate efforts to reduce those risks. In recent years, Democrats have expressed support for companies' embrace of stakeholder capitalism and mandatory reporting, while Republicans have introduced initiatives to curb what they refer to as "corporate wokeness." As America enters into a divided government, the threat of political whiplash may very well become a reality as any action- or inaction- will anger one side or the other, potentially resulting in oversight hearings, regulation or lawsuits.

Because of growing expectations for companies to tackle societal issues, which are often highly politicized, they must learn to navigate a charged environment in which pleasing all stakeholders is nearly impossible.

Or is it?

To effectively satisfy the expectations of stakeholders, companies must first understand those expectations. It is not enough to rely upon the common wisdom about Republicans' or Democrats' views on ESG, as voter blocs are not monoliths. As we uncovered last year, voters across the aisle support corporate efforts to tackle societal challenges, especially those under the age of 45. Yet, politicians continue to suggest that companies are acting outside their interests.

As companies find themselves serving society and stepping into the spotlight that comes with their efforts, there is a fleeting opportunity to define not only their commitments but ESG more broadly– or be defined. This report aims to provide insights to inform a strategy that does just that. Based on a survey of 1,261 registered voters in the fall of 2022 and in-depth interviews with 25 of our surveyed registered voters and 18 congressional offices, we found that voters generally feel businesses should have the right to invest in social impact initiatives without government interference. Our findings reaffirm notions around American views on corporate responsibility, but uncover a lack of understanding around the term, "ESG." They additionally highlight the important role companies play in creating a better society and point to ways companies can advance their ESG-focused efforts while alleviating accusations of "corporate wokeness."

In the following pages, we examine the public's attitudes towards corporate ESG efforts, identifying points of divergence and consensus. Next, we explore the narrative around ESG and "woke capitalism," including legislators' opinions on such topics and how the public feels about legislators potentially taking action to curb corporate ESG efforts. We then highlight the public's agenda by exploring the issues the public feels are more important for legislators to address. Throughout are recommendations for how companies can alleviate the risks, leverage opportunities and successfully navigate the politically charged environment surrounding ESG.

II. The Rise of the Woke Corporation–From corporate social responsibility to corporate wokeism

The big societal issues of today tend to fall into two primary categories: Environmental and Social. These topics are two of the three pillars of the ESG investment framework and are vital to companies that subscribe to stakeholder capitalism. Recently, though, ESG has become conflated with corporate social responsibility and the pejorative term, "corporate wokeism." Public stances on external issues have fed this conflation as these stances have elicited strong reactions from politicians.

What is corporate wokeism?

Over the past decade, the rise of stakeholder capitalism has brought with it an increase in the number of companies not just instituting environmental and social initiatives, but also taking explicit public stances on politicized social and environmental issues (corporate political activism). The proliferation of corporate political activism has not only brightened the spotlight on companies, but also placed companies in the cross-hairs of political pundits, giving rise to the pejorative label "corporate wokeism" or "woke capitalism." Politicians and political influencers on the right often use this label to refer to corporations signaling their support for progressive causes in order to maintain their influence in society.

“Woke capitalism” is a blanket term that can be applied to a wide range of corporate actions from corporate political activism, to ESG investing, to corporate social impact initiatives designed to address key social or environmental issues. Notable recent examples include JPMorgan Chase and Apple’s public criticism of Georgia’s 2021 voting law and Major League Baseball’s decision to move its 2021 All-Star Game from Georgia. Investment firms have also been labeled as “woke”, as massive investment management firm BlackRock utilizes ESG criteria when choosing investments for the clients it manages. Nike provides another prime example of a company being labeled as “woke” for its public support of the Black Lives Matter movement and its social initiatives to help black community organizations.

A key assumption underlying the label of “corporate wokeness” is that these corporate actions are done for the purpose of societal influence rather than as a reflection of the company's values. Because of this assumption, any corporate effort to address environmental or social issues runs the risk of being labeled as “woke,” however virtuous the intentions may be. This assumption, coupled with the fact that the label can be applied to virtually any corporate “E” or “S” action, makes it hard to distinguish corporate wokeness from a company’s ESG efforts in general.

With the rising accusations of “corporate wokeness,” politicians are taking aim at “woke” companies by proposing legislation to protect shareholders from them. With the risk of hearings, legislation, financial divestments and other political threats, companies find themselves at a crossroads, unsure of the general public’s attitude toward ESG and how to shield themselves from legislation or oversight aimed at them for their involvement in it.

What is the public's attitude towards companies’ ESG-related efforts?

An important starting point to understanding public ESG sentiment is to first uncover views on companies' role in society. On this topic, the majority of people (76%) feel companies play a vital role in society and should be held accountable to make a positive impact on the communities in which they operate. This finding is consistent across political lines as both the majority of Republicans (69%) and the majority of Democrats (82%) agreed. This finding was also generally consistent across age cohorts. With this type of bipartisan agreement, it’s clear the public wants companies to play an important role in society and positively impact their communities.

More recently, companies have been increasingly focused on internal corporate diversity, equity and inclusion (DEI) to improve diversity within their corporate ranks, and more specifically near the top of those ranks. A majority (59%) of voters overall agreed that DEI efforts are a top priority; however, Democrats agreed significantly more (78%) than Republicans (39%). When it came to corporate hiring and promotion practices including executive board appointments, the majority of voters (72%) agreed these practices should be driven solely by merit, blind to one's race or how they identify themselves. Republicans, in general, felt more strongly on this issue (78%) compared to Democrats (68%), but those under 35 showed a significant decrease of 10% among both Republicans (68%) and Democrats (58%) on this issue. This finding points to underlying differences in the way different generations view DEI.

How does the public feel about "corporate wokeness"?

While a bipartisan majority supports ESG's underlying concept that companies have a responsibility to better society, we conversely found that a slim majority (52%) also believe "corporate wokeism" has gone too far. When polled on "wokeness," voters said they wanted companies to be more focused on their products and services than on espousing support for ESG-related initiatives. This finding highlights a fundamental information gap around ESG.

Popular narrative around "corporate wokeness" suggests the public's sentiment would be highly polarized along party lines, and our research confirms this, at least with older voters. We found large differences among Republicans (70%) and Democrats (39%), but among voters under the age of 35, only 44% believe that "corporate wokeism" had gone too far. For younger Republicans, we saw that 13% fewer voters who held this view (57%). Follow-up questioning of survey participants revealed conflation between "woke capitalism" and ESG, with voters believing both "corporate wokeness" had gone too far **and** companies had a responsibility to positively impact society.

A key hallmark of "corporate wokeness" is companies broadcasting progressive values which often manifests as companies being openly critical of political legislation. Although we find a slim majority of voters believe that corporate wokeness has gone too far, the majority of voters (57%) believe companies have the right to be openly critical of legislation passed by elected officials. This finding is more pronounced among Democrats (65%) than Republicans

(51%). Among different age cohorts, there was a 4% increase for Republicans under the age of 35 believing companies had a right to be openly critical of legislation (55%) compared to Republicans overall, while there were no significant differences between age cohorts among Democrats. These findings suggest that the public does feel businesses have the right to publicly criticize legislation and hints at underlying differences in how the public feels about businesses weighing-in on ESG issues versus legislation that tackles more traditional business issues.

How do employees and consumers feel about corporations speaking out?

For companies feeling the pressure to speak out on politicized ESG issues, it is important to understand what their key stakeholders, specifically employees and consumers, actually want. Corporations who speak out in support of social movements, such as Nike's support of the Black Lives Matter movement, may benefit from increased brand image among like-minded consumers while alienating those customers who hold diverging views. Relatedly, companies who speak out in support of social movements often risk looking like they jumped on the social movement bandwagon to pander to supporters. Beyond speaking out in support of social issues, a company may speak out against legislation that goes against the company's values, which can lead to increased employee and customer commitment to the company.

In our study, only about a third of voters (33%) indicated they wanted their employer to proactively speak out about social issues unrelated to their companies' products or services. This finding strongly correlates to our recommendation that companies focus their external responses to social issues related to their business lines. In general, we found that Democrats (47%) tended to want companies to speak out more than Republicans did (20%). Again, we saw an increase in the younger cohort who wanted their employers to speak out on social issues, particularly among Republicans, where we found a 15% increase.

The overall support for companies speaking out on social issues unrelated to their products or services were down compared to those reported in last year's report. One potential reason for this is that companies' increased efforts to speak out haven't been matched with action. Follow-up interviews with voters identified scope and congruence of corporate efforts as challenges to the concept of ESG. Regarding scope, voters felt companies were weighing in on too broad a range of topics and professing to care about any and every liberal cause. They saw this as disingenuous. In terms of congruence, many highlighted a “say-do” gap between companies’ statements about ESG or social movements and action. Some even pointed directly to Nike’s vocal support of Black Lives Matter despite complacency in human rights violations for their workers in other countries. Voters were sophisticated when it came to corporate hypocrisy and preferred corporate action on ESG risks directly related to business.

In a similar vein, slightly less than half of those surveyed (41%) indicated that they wanted their employer to openly criticize legislation which went against its stated values. Again, Democrats (52%) tended to be more in favor of their employer being openly critical of such legislation than Republicans (32%) in general, although roughly half of **younger** Republicans aligned with Democrats on this issue. Within this younger cohort of voters, the political party divide decreased: 51% of Democrats and 46% of Republicans under the age of 35 indicated they wanted their employer to speak out on such legislation. The numbers regarding companies speaking out on legislation were much closer to what we found last year regarding companies speaking out on social issues unrelated to their business. It could be that the public increasingly views sociopolitical activism as a stronger signal of what companies’ values are than just a company’s statements supporting social movements.

Aside from speaking out on social issues or being openly critical of legislation, corporations often wade into the political realm by making contributions to political candidates or elected officials. When corporations are making political contributions, the majority of people (62%) want companies to consider the political candidate's position on all issues, not just those related to the company’s business. This finding is consistent across the political party line with 68% of Democrats and 54% of Republicans feeling this way. Similarly, slightly less than half of survey participants (48%) didn’t want their employer making donations to officials whose positions were at odds with its stated values. Perhaps unsurprisingly, Democrats (54%) tended to feel more strongly on this issue than Republicans (43%) and this result was consistent across age cohorts. Taken together, these findings suggest voters want companies to be judicious when it comes to donating to political candidates, performing due diligence to discern political stances on all issues rather than just those related to the business. However, people recognize that politicians hold stances on several issues and companies’ values may not always completely align with the politician’s stances.

From a consumer standpoint, the number of companies speaking out on social issues not directly related to their product or service can have an impact on customers' perceptions of the brand and willingness to purchase. In our survey, we found that 39% of voters wanted the companies they purchase products from to speak out on social issues which weren't related to their products or services. Again, there seemed to be a sharp political divide regarding this action with the majority of Democrats (53%) wanting the companies they purchase from to speak out versus only about a quarter of Republicans (26%). However, within the younger cohort of Republicans we saw a larger appetite for companies to speak out on social issues, with 44% of Republicans under the age of 35 indicating they wanted companies they purchase products from to speak out on such issues even if they were not related to business priorities.

In general, companies walk a fine line when it comes to speaking out about social issues, particularly when those issues are unrelated to the companies' primary business. It's important for companies to not only have a pulse on which issues are consistent with the company's core values but also which of those issues are important to its key stakeholders. For companies, speaking out on those key issues of importance demonstrates allyship with key stakeholders. At the same time, it's important for companies to be careful not to overstep their bounds by speaking out about social issues just for the sake of speaking out.

Recommendations

- *Brands have an opportunity to build voter and policymaker understanding of ESG around a shared set of facts. Leaders should leverage the fleeting moment to do so before views of ESG are hardened around the concept of corporate wokeness.*
- *Companies need to address their "say-do" gaps and refocus their social responses on issues that are material to their business. Self-assessments are key to getting this right.*
- *Incorporating a framework for determining responses to social issues into corporate structures can help reduce the "say-do" gap and promote improved governance.*
- *Leaders must follow through on statements with investments in the ESG areas aligned with their values.*
- *Companies may want to consider corporate values in their PAC donation strategies.*
- *Leverage digital practices based on demographic and political preferences when amplifying ESG messaging. Examples include influencer marketing, TikTok, Snapchat,*

Spotify and BeReal for younger audiences and traditional and audio ads, direct-to-publisher promotions and event sponsorships for older audiences.

- *Use website advocacy tools to seed relevant ESG messaging at the grassroots, laddering up to lawmaker messaging, targeting key electeds and their districts.*

III. The war on wokeism: how voters feel about the battle between government and business

Politicians and the war on wokeism

This rising trend of corporate engagement in ESG-related initiatives and public stances on social issues has begun to grab the attention of legislators on both sides of the political aisle. On the left, progressives tend to favor proposed legislation that would hold corporations accountable to address ESG risks based on stated goals. This side also tends to view business through a stakeholder lens, which implies a corporate responsibility to serve all stakeholders not just shareholders.

On the right, conservatives tend to view ESG-related efforts and corporate social activism as a hallmark of "woke capitalism" and thus, tend to favor legislation that curbs these activities. This side tends to view business through a shareholder lens. Through such a lens, corporations have a primary fiduciary duty to the shareholder and therefore, should be accountable to shareholders first before other stakeholder groups. Neither view particularly stresses the idea that addressing ESG risks can positively impact both shareholders AND broader stakeholders.

Recent headlines indicate we could be heading for a legislative showdown on ESG as Republicans gear up to fight back on "woke capitalism." In a recent interview, Rep. Garland "Andy" Barr (R-KY) seemingly foreshadows this battle, noting that corporate ESG will be an important focus for Republicans in the upcoming year as he views these initiatives akin to defrauding investors. Some notable examples of proposed legislative actions in the war on "corporate wokeism" would be Republican push back on the SEC's climate disclosure regulation proposal which mandates corporate reporting of climate risk, as well as direct legislation aimed at limiting corporate ESG investment, revoking tax incentives of corporations for their ESG ventures, and congressional oversight of corporations' ESG approach.

To further understand the political atmosphere around ESG and "corporate wokeism," we conducted interviews with legislative staffers on both sides of the political aisle. In our interviews, we found a wide range of ESG understanding and extremely different reactions depending on the staffer's political party affiliation.

Democratic offices felt companies should not only have the leeway to invest in ESG initiatives but that they **should** invest in ESG initiatives because they should want to better society. Further, the general concept of investing in initiatives that do good for the environment and society seemed to make good business sense to Democrats as they reasoned that, without natural and human resources, companies wouldn't be able to sustain long-run performance. Democrats also felt corporate ESG strategies provided companies the ability to live out their values but acknowledged these initiatives were not always effectively implemented. Because of this, Democrats felt that any legislative action taken on the topic should be aimed at holding corporations accountable for the ESG efforts they claim to engage in and increasing transparency in corporate reporting of ESG. They also felt Congress should not dictate ESG strategies for investment management firms as it's not Congress' job to pick winners and losers in the stock market.

Similarly, Republican offices also felt companies should have the leeway to invest in ESG initiatives but first they must meet their fiduciary responsibilities to their shareholders. In fact, many Republican offices acknowledged that sometimes ESG investment make good business sense because such initiatives serve the purpose of risk mitigation. That is, legitimate ESG efforts could help offset a material environmental or social risk that poses a threat to companies' profitability. Even though Republicans felt that companies had the leeway to invest in ESG, they also strongly felt Congress had the right to investigate such companies to ensure they met fiduciary responsibilities.

Republicans also felt that ESG reporting should be regulated as it's currently too inconsistent and needs uniformity; however, these offices believed it was the role of Congress to determine any ESG disclosure requirements, not the SEC. Republicans also felt strongly that oversight of investment managers was a priority as "woke" investing reliant on ESG criteria had largely been at the discretion of the investment management firm, not the individual pension or

401k holder. Because of this, they thought, there was no way for the individual investor to indicate they cared about ESG principles or not as the choice was made for them.

Overall, the data from our interviews suggests that ESG will be an important topic for both parties in the upcoming years. Legislators on both sides of the aisle want companies to be held accountable; but for different things: Democrats want to protect stakeholders by holding companies accountable for the ESG promises they make, whereas Republicans want to protect shareholders from what they deem "corporate wokeness." Our interviews reinforced the intuition that the political battle over corporate ESG is only starting.

Public opinion on the war on wokeism

Given the political battle brewing on the front of corporate engagement in ESG, we asked voters several questions about corporations and legislators squaring off on these issues. Just under half of all respondents, 49%, indicated companies should have leeway to invest in ESG initiatives, *even if it hurts shareholder value* in the short term, while 41% indicated that that companies should not have this leeway, the remaining 10% were unsure where they stood on this issue. Not surprisingly, Democrats generally view that companies should have this leeway (57%), while Republicans hold the opposing view believing that companies should not have this leeway (57%). This finding is generally in line with the notion that Democrats tend to view business through the stakeholder lens while Republicans tend to view business through the shareholder lens. However, we again saw an interesting generational divide among Republicans emerge from our data. Half of the younger cohort of Republicans (50%) actually felt that companies should have the leeway to make ESG investments even if it harmed shareholder value while only 31% felt companies should not have this leeway. This points to a potential significant shift in the viewpoints of younger Republicans from their older cohorts: perhaps younger Republicans do not subscribe to the shareholder viewpoint of business that older Republicans do.

One of the potential legislative weapons that Republicans can use to curb "corporate wokeism" is to seek to set limits on corporations' ESG investments. In general, the majority of respondents (63%) felt the government should not set limits on corporate ESG investments while only 32% felt that the government should; the remaining 5% were unsure. This finding was consistent across party lines as both the majority of Democrats (57%) and Republicans

(70%) felt that the government should not set such restrictions. This bipartisan consensus is surprising given the public push from Republican legislators for ESG reform. However, in following up with participants who held this consensus view, we uncovered a distinction in their underlying rationale. Because Democrats believe corporate ESG investment is good for society, they felt that the government shouldn't set limits on it and curb corporations' efforts to create a positive impact. On the other hand, Republicans tended to feel that the government setting limits on corporations' ESG-related efforts, interfered excessively with the free market and overall business operations.

The notion of government oversight, which refers to legislators reviewing and monitoring corporate ESG investments, is a key legislative weapon in the fight against "corporate wokeism." Just under half the respondents (47%) opposed government oversight of corporate ESG strategies, while 44% indicated that government oversight was necessary. The remaining 9% felt unsure about their stance on this issue. Along party lines, the majority of Democrats (52%) felt there should be government oversight on investments whereas the majority of Republicans (56%) felt there should not be government oversight. This finding is perhaps surprising again given the push from Republican legislators for ESG reform, but upon further exploration key distinctions in reasoning emerged between Democrats and Republicans. Democrats felt oversight was important to hold companies accountable for their ESG pledges and commitments, thereby ensuring that companies were actually following through on their promises to do good for stakeholders; whereas Republicans were against such oversight because they felt ESG decisions were discretionary and should not be a government priority.

Government oversight is not just a potential way of policing corporate ESG investments, but also a way of policing companies who are overly involved in political issues. The majority of respondents (55%) indicated there should be no government oversight of those companies that are overly involved in social issues, while 38% indicated that there should be government oversight of such companies and the remaining 7% were unsure about where they stood on this issue. This finding was consistent across party lines as both the majority of Democrats (53%) and Republicans (57%) felt the government should not have oversight over companies that were overly involved in social issues. Follow up questioning with the participants revealed that both parties held the same general underlying rationale of their view, with voters of both parties believing the government would be overstepping its bounds to exercise oversight over companies for speaking out on social causes or on social issue legislation and that any attempts at government oversight would be an infringement of corporations' free speech rights.

Another powerful way to fight corporate wokeness is for government officials to revoke the tax incentives of companies based on those companies' ESG strategies or corporate political activism. The majority of voters surveyed (68%) opposed the government revoking tax incentives for companies on the basis of ESG-focused efforts, while 27% supported government revoking companies' tax incentives on such a basis and the remaining 5% were unsure. There was close consensus on this issue across party lines as both the majority of Republicans (67%) and Democrats (68%) held this viewpoint. On this issue, we surprisingly found a decrease of opposition among younger voters (46% under the age of 35). Within this younger cohort, only half of Democrats (50%) opposed revoking tax incentives compared to only 40% of Republicans. Conversely, 49% of younger Republicans felt that government officials should revoke companies' tax incentives on the basis of their ESG decisions. Follow-up questioning with the participants revealed that revoking tax incentives was considered one of the more powerful mechanisms to hold companies accountable for enacting their values, which seem to be a key concern among the younger generation.

In general, the public tends to side with companies rather than legislators in the war on wokeism. Our research found that neither Republican nor Democratic voters support policy makers' potential legislative efforts to curb ESG initiatives, but Democrats generally expect accountability. Consensus sentiment among these voters centered on the notion that companies should be able to exercise their discretion regarding how they use their own funds and if companies wanted to invest in ESG initiatives that benefited society they should be allowed to freely do so without government interference.

Recommendations

- *When engaging with policymakers and influencers on their ESG priorities, companies can reduce the temperature by starting with how these priorities benefit key stakeholders,* ***including, but not limited to*** *shareholders.*
- *If called to testify, companies should arm committee allies with the facts, particularly data-based proof that constituents are not supportive of politicized*

oversight of ESG. Enter these facts in responses to Questions for the Record to further highlight voter support for ESG.

- *Companies may want to lean into messaging that highlights freedom of speech, voter preferences and traditional views of regulation when engaging with Republicans. Digital campaigns targeting new MOCs can help increase understanding along these lines.*
- *American businesses may also need to begin a consolidated effort toward adopting a shared framework for ESG reporting to reduce misunderstandings and unhelpful regulation.*
- *A well-crafted and implemented ESG strategy aimed at educating stakeholders, connecting the dots between company values and acting on those values can help companies connect with stakeholders and alleviate concerns of "corporate wokeness."*
- *Partner with aligned companies to educate on ESG investments and promote broader understanding and support for them among elected officials.*
- *Use run-up to the upcoming 2024 election cycle to ensure your corporations' ESG agendas and stances are interjected into corresponding stakeholder, lawmaker and consumer minds.*

IV. Advancing the public's agenda: Understanding the issues the American people want legislators to address

Since public opinion seems to be against public policymakers focusing legislative attention on corporate efforts related to ESG, it's important to understand which issues **are** important to voters. We asked the participants in our study an array of questions regarding a broad range of issues to determine which issues resonated most with voters and better understand which issues were key for legislators to focus on.

Unsurprisingly, the top category of concern were pocketbook issues such as inflation, middle class taxes, health care and housing costs (84% of all surveyed voters). Immigration, competition with China, the Ukraine-Russia war, pandemic preparedness, police misconduct and crime reduction were next, with a large majority (71%) of voters indicating support for legislative action on this set of issues (82% Democrats and 63% Republicans).

Considering the state of the economy, as well as foreign and domestic challenges, the importance of these issues likely impacted the prioritization of voter issues compared to last year's report. That said, environmental and social issues continued to be on voters' minds.

Environmental issues

A majority of voters felt environmental issues (64%) were important for legislators to address as well. This category of issues included a wide range of environmental efforts including reduction of greenhouse emissions, climate change, investment in clean energy, conservation of land and water, wildlife conservation, eliminating the use of fossil fuels, and reducing dependence on foreign oil. Within this category some of the most important issues for legislators to address were conservation of land and water (81%), conservation of wildlife (78%), and climate change (70%).

As a broad category, Democrats (83%) tended to feel more strongly about the importance of these issues than Republicans (43%). For instance, 89% of Democrats felt that climate change was a key issue of importance compared to only 50% of Republicans. Similarly, 81% of Democrats felt that eliminating fossil fuels was important for legislation to address compared to only 38% of Republicans. However, both the majority of Democrats (86%) and Republicans (72%) felt that conservation of land and water as well as wildlife (84% Democrats and 70% Republicans) were important environmental issues to focus on.

Social issues

Out of all the issue categories voters wanted legislators to address, the social issues category was by far the most divisive across political party lines, and more so than last year. The social issues category included a broad spectrum of issues, including abortion rights, gun control, protection of LGBTQ rights, protecting teachers' rights to teach sensitive topics and giving parents more say in curriculum. Although there was a high degree of awareness of social issues (86%), just over half of the voters surveyed (53%) felt it was important for legislators to address this broader category of social issues with legislation.

Democrats felt much more strongly about these issues than Republicans did, as 83% of Democrats felt this category of issues should be important for legislators to address compared to only 26% of Republicans. Within this category of issues, there was evidence of diverging opinions of importance of specific issues across party lines. For Democrats, passing legislation to protect abortion rights (87%) and control gun violence (85%) were of upmost importance followed by protecting LGBTQ rights (78%). For Republicans, passing legislation to give parents more say in what their children learn in school seemed to be the key issue (79%), whereas controlling gun violence (48%) and abortion rights (44%) garnered much less support.

Another set of issues that seemed to be important to a slim majority of voters (54%) for legislators to address were related to online information. In general, voters felt more strongly about preventing censorship online (65%) than about moderating online content (55%), with Republicans (71%) feeling more strongly than Democrats (64%). Conversely, Democrats (67%) felt more strongly about moderating content online than Republicans did (44%).

Overall, voters' legislative priorities seem to differ from legislator rhetoric. While legislators have threatened a fight against "corporate wokeness" over the next year, the public instead believes Congress should be squarely focused on pocketbook issues. Although the majority of voters surveyed indicated that environmental and social issues are important for legislators to address, it seems the public feels legislators should first be those economic issues that directly affect the American people's everyday life and ability to afford basic essentials such as healthcare and housing.

Opportunities in a divided government

This year is pivotal time for American politics as a divided government holds important implications for the coming years of legislative action, including a potentially noisy, unproductive Congress full of partisan messaging bills. House committees in particular may follow the lead of state legislatures and take on "woke" corporations for their ESG investments and DEI requirements that will put companies in an uncomfortable position.

There may be ways to avoid the discomfort. While ESG has been a hot topic of late, awareness is high (67%) but our findings imply that understanding is low. This confusion is further amplified by the hype around the crusade against "woke" companies. Because of this confusion and the tendency for political pundits to conflate stakeholder capitalism with ESG and with "woke capitalism," it is important for companies to focus on educating stakeholders on what ESG is and isn't. Considering voters' broad support for corporate ESG efforts (particularly younger voters), businesses are likely to find sympathetic ears with the right messaging. By similarly educating policymakers on the concept, there is a fleeting opportunity to depoliticize ESG and dampen those voices who seek to punish corporate America. Concerted corporate communication efforts designed to educate stakeholders about how ESG strategies address key issues of importance for all stakeholders represent a good first step in this goal.

It's also important for companies to specifically speak to investors and assure them that ESG investment is in their best interest. The narrative from many politicians centers on companies taking ESG initiatives at the expense of shareholders. Many ESG-focused efforts are financially material as they have important implications for long-term value creation, but this reality is often undermined by political narrative. This highlights the need for companies to specifically speak to investors about their ESG initiatives and clearly link those initiatives to financial benefits. Executing ESG communications campaigns to specifically educate investors can also improve company engagement with politicians by showing how the company is using ESG to maximize shareholders interest.

Companies should also recognize how institutional trust will impact their efforts. It's clear the American people want government to take action and cooperate on key issues; however, the majority of the voters surveyed have little trust in their government officials ability to act in their interest. The majority of voters (58%) we surveyed distrusted government institutions. Among government institutions, Democrats reported higher trust ratings for the Biden Administration more than any other government institution whereas Republicans reported higher trust ratings for the Supreme Court more than any other government institution. among both Democrats and Republicans Congress received the second lowest trust ratings while State governments received the second highest trust ratings.

On the other hand, Americans distrust companies less than they distrust the government, as 42% percent of voters surveyed distrusted companies versus 58% who distrusted government. Among some of America's biggest companies, Democrats reported trusting Google the most followed by Microsoft, Disney, and Apple. Across the aisle, Republicans reported trusting Walmart the most, followed by Microsoft, Google and Apple. Among both Democrats and Republicans, social media companies had the lowest reported trust ratings. Democrats reported trusting Facebook the least followed by Twitter and Republicans reported trusting Twitter the least followed by Facebook.

Recommendations

- *Companies engaged in ESG initiatives should educate stakeholders on what ESG is and isn't. This effort should start with those areas in which they find the most support from their stakeholders to bolster advancement of ESG priorities.*
- *By similarly educating policymakers on the concept, business leaders can depoliticize ESG and dampen those voices who seek to punish corporate America.*
- *Companies should also clarify to investors how ESG initiatives are in their best interest.*
- *Develop and execute 360-degree communications campaigns that tie biggest voter issues to ESG pillars and impact.*
- *Leverage the power of trust to bolster messaging and increase understanding of ESG. Consider directing online content according to most trusted platforms such as LinkedIn and trusted news sites (i.e. The Associated Press, Wall Street Journal, etc.).*
- *Apply social listening and monitoring tools to create and amplify audience-safe and successful online content. Given strong sentiments regarding preventing censorship and moderating content, in the meantime, digital platforms and tech companies will be in continued legislative debates and battles with Congress to seek advocacy solutions that address some of the current challenges (i.e. censorship and moderation) of online playing fields.*
- *Ensure corporate ESG messaging is communicated and targeted to new members of Congress. Use message-tested awareness and education content before promoting messaging that drives advocacy action.*

V. Conclusion

Stakeholder pressure on companies to address key environmental and social issues will only continue to increase in the coming years as Americans continue to expect companies to play an active role in bettering society. With higher expectations–and trust,– companies must answer the call. But doing so blurs the lines between business and politics, which means the risk of being called out as “woke” also increases.

The challenge of navigating this politically charged environment is daunting: the American public supports corporations' right to engage in ESG and corporate political activism; however, these efforts have put a target on business’ back for legislators. A battle on the horizon between policymakers who wish to curb “corporate wokeism” and companies engaged in stakeholder capitalism threatens a pullback from businesses on their ESG activities, but our research indicates that would be a mistake.

Because voters on both sides of the aisle broadly oppose legislative efforts to curb corporate ESG investment, there is a dwindling window of opportunity to educate key audiences on voter priorities and ESG more generally. Companies fearful of being called to the carpet in 2023 should avoid reneging or pulling back on commitments, as this would alienate consumers and employees. At the same time, leveraging these same stakeholders as voices to highlight preferences when it comes to legislative priorities and oversight would be impactful.

Additionally, companies may want to consider a broader matrix of PAC donation considerations going forward. While already a complex undertaking, voters indicated in our research they wanted their employers to consider corporate values in addition to business interests in determining PAC donations. This finding could mean a longer, uglier breakup between the GOP and corporate America, but could also go a long way to temper U.S. politics.

Finally, as companies consider speaking out on the societal issues of the day, they would be wise to adopt a framework for determining which issues align with their corporate values and are material to their business interests. Voters are becoming increasingly sophisticated when it comes to identifying corporate “say-do” gaps, so companies should understand which issues lean in on and on which to lean out.

With the simultaneous rise of stakeholder capitalism and political threats to punish “woke” companies, the risks are high for businesses engaged in social impact. Hearings, legislation, lawsuits and other forms of oversight are all on the Republican agenda, but companies have a small window to educate stakeholders on support for ESG and define it before it is defined for them. It is a fact that voters care about environmental, social and governance efforts, which means politicians need to care, too. As companies navigate a more polarized Washington, the most successful ones will do so in ways that show them why they should.

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Sample and Methodology

This report was based on findings from a study conducted in September of 2022. For this study, a sample of 1,261 registered U.S. voters aged 18+ from the U.S, were surveyed via an online panel in English. Our sample was broadly reflective of the U.S. Population of registered voters among several key variables including Gender, Age, Race, Political Party Affiliation, Education, and Income.

For gender, our sample consisted of 52% Female and 48% Male. For Age, our sample consisted of the following breakdown, 10% under 25, 14% between 25-34, 20% between

35-44, 19% between 45-54, 12% between 55-64, and 25% over 65.For race, 71% were white/caucasian, 15% were Black, 5% were Latino, and 3% were Asian. For political party affiliation, 41% were Democrat, 34% were Republican, 22% were independent, and 3% were another party. For education, 65% were non-college degree holders while 36% held a college degree. In terms of income, 36% made less than $35,000, 16% made $35,000-49,000, 21% made $50,000-$75,000, 13% made $75,000-$99,000, and 15% made over 100,000.

After the sample has been obtained, respondent characteristics were calibrated to be closer representations of the U.S. voting Population using standard procedures such as raking-ratio adjustments. The source of these population targets is U.S. Census 2020 Presidential Election Voting data. All sample surveys may be subject to other sources of error, including, but not limited to coverage error and measurement error. Where figures do not sum to 100, this is due to the effects of rounding. The precision surveys are measured using a credibility interval. In this case, the poll has a credibility interval of plus or minus 2.5 percentage points for all respondents or 5 percent in total.

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Extras

The public's trust in institutions