Purpose & Impact: Quarterly Trends Report

We are the communications partner for the stakeholder era

Q2 2022
A word from the team

Welcome!

Each quarter Porter Novelli’s Purpose & Impact team evaluates the trends and events driving the sustainability, purpose and ESG conversation.

In Q2 we witnessed a “Great Reckoning” for ESG, with the resignation of HSBC’s Stuart Kirk, attacks on “woke capitalism”, and legal action against greenwashing including the raid of DWS. Serving as the backdrop for these events were new policies and regulations geared towards increasing standardisation and reporting when it comes to ESG.

Beyond reporting on impact, we’re increasingly seeing corporates having to articulate their position on polarising and political topics, like the overturning of Roe v Wade.

It’s an exciting time for Purpose & Impact, as we look to support our clients with demonstrating and communicating their social and environmental value whilst navigating an increasingly complex stakeholder era.

Your Purpose & Impact team
Contents.

INTRODUCTION P4
- Key observations

THE BIG PICTURE P5
- Emergence of woke capitalism
- Continued climate activism
- Momentum in social justice
- Call for regulation & policy
- Investor sentiment & activity
- Companies as 4th arm of government

EVENTS DRIVING THE CONVERSATION P12
- Overturn of Roe v. Wade
- World Refugee Day
- HSBC & responsible investment
- DWS raid
- ASA decision on Tesco
- UK plastics tax

WHAT’S NEXT P19
- Is ESG fit for purpose?
- Upcoming in Q3 and Q4
- Any questions?
Key observations

The “great reckoning” for ESG is here, and we expect to see the topic become increasingly politicised and polarised. This will manifest both internally, with individuals versus corporates, and externally with a wide range of stakeholders including policymakers. With the “middle ground” being swept away, which side of the divide will your organisation stand on?

Increasingly divisive topics, particularly social issues, mean that organisations must be comfortable with not appeasing or appealing to everyone in their communications. This requires an internal and external articulation of values, and an awareness of how your values align with the audiences that matter most to your cause and the work that you do.

A unifying theme is standardisation, where the conversation has shifted from not just ESG reporting but now advertising and marketing. The conversation reflects the complexities and grey areas of communicating on sustainability. Avoid broad claims of “eco-friendly” and “good for the planet” unless you’re certain they can be backed by verifiable evidence—both regulators and society will be watching.
The Big Picture
Emergence of woke capitalism

*ESG and corporate sustainability are increasingly under scrutiny, often labelled as “woke capitalism” by detractors. While it’s important to understand what motivates both sides of the debate, keep in mind what your audience expects from you.*

- Peter Thiel, co-founder of PayPal and Palantir, has led a chorus slamming ESG as “a factory for naming enemies... When you think ESG, you should be thinking Chinese Communist Party.”

- Senator Ted Cruz (R-TX) attacked BlackRock CEO Larry Fink for so-called “woke” investment decisions, claiming that asset managers shouldn’t use their shares to advance political interests.

- Entrepreneur Vivek Ramaswamy warns of “corporate wokewashing” and how it can be used to distract from more serious issues about corporate practices.
Continued climate activism

Even though climate activism fell behind other global challenges in Q2 in terms of coverage, a steady drumbeat continued through activist movements, influencers, and media coverage of Earth Day.

- Greta Thunberg speaks at Glastonbury festival, continuing an effort to keep climate activism in the mainstream.
- Edie tracks corporate targets and initiatives for Earth Day 2022, from Aston Martin and Budweiser to Mars and Volkswagen.
- Controversial climate activist group Extinction Rebellion launches mass protest across London.
Momentum in social justice

Companies are increasingly positioning themselves alongside social justice issues. At a minimum, this is important from an employee engagement perspective, but we’re seeing corporates go beyond this to use their platform to elevate voices in social justice movements.

- Juneteenth was made an official federal holiday in the US in 2021, and companies are using the day to not only offer paid leave for employees, but also to use their platform to promote equity and equality.

- Pride 2022 saw parades and celebrations, as well as counter-protests, across the globe. But some criticise that Pride has become too corporate.

- The US Supreme Court overturned Roe v. Wade, opening the door for states to ban or limit access to abortion and prompting companies to take a stand and rethink their position on healthcare.
Calls for tighter regulation & policy

As regulation and policy begin to meet the demand for standardisation in a climate of opaque commitments and reporting initiatives, companies that have clear measurement and metrics in place will have the competitive edge.

- The UK implements a law on mandatory climate disclosures for the largest companies, aligned with the Taskforce on Climate-related Financial Disclosures.
- The Advertising Standards Authority (ASA) cracks down on unclear or misleading environmental claims.
- In the US, the SEC announces an Enforcement Task Force focused on climate and ESG issues.
Investor sentiment & activity

The 2022 proxy season saw an increase in voting on environmental and social issues, but investor support for climate-related proposals was lukewarm. This doesn’t necessarily mean companies or investors care less about ESG targets, but could be a sign that existing corporate environmental disclosures may face a reckoning around new commitments.

- Carl Icahn launches and loses proxy fight against McDonald’s on supply chain ethics for its supposed lack of progress on its animal welfare commitments.

- BlackRock’s Larry Fink stands firm on ESG investing, after his annual letter to shareholders fell under scrutiny for either being either too “woke” or not quite progressive enough.

- ShareAction says that 2022 is the year for investors to use proxy voting to drive positive change.
Companies as 4th arm of the government

While people trust the government and institutions less, they expect companies to take a stand on social and political challenges.

- Mainstream media seen keeping a scorecard of corporate responses and commitments after the overturning of Roe v. Wade.
- Ben & Jerry’s Cone Together advocacy initiative works to engage policymakers on illegal detention and other issues facing refugees.
- The cost-of-living crisis is affecting many employees and customers, with rising inflation and energy prices pushing working people into poverty and financial stress.
Events Driving the Conversation in Q2
**Overtun of Roe v. Wade**

**TREND: MOMENTUM IN SOCIAL JUSTICE; COMPANIES AS 4TH ARM OF THE GOVERNMENT**

**What’s happening**

Towards the end of June 2022, the US Supreme Court ruled to overturn Roe v. Wade, a precedent-setting case that protected access to abortion across the US. The decision followed several months of anticipation and debate and sparked a series of national and global demonstrations representing both sides of the divide.

There’s a spotlight on how corporates will react to this, with the decision having both a material and reputational impact on businesses and their employees. While the overturn primarily impacts organisations with a footprint in the US, the decision has brought forward the conversation on women’s rights and access to healthcare globally.

**Further reading**

- [https://hbr.org/2022/06/roev-wades-demise-is-a-turning-point-for-corporate-america](https://hbr.org/2022/06/roev-wades-demise-is-a-turning-point-for-corporate-america)

**What this means for you**

- The overturning of Roe v. Wade will place further emphasis on the “S” of “ESG”. In the US, organisations are now expected to address how they will support employees requiring access to healthcare. Globally, we are seeing employees and other stakeholders question what implications this ruling has for them.
- As social issues become increasingly divisive and with material impact, organisations are expected to both articulate a position and act on it. Corporate responses must align with values, organisations must be comfortable with not appeasing everyone, and it’s important to identify which audiences matter most to your cause and license to operate.
What’s happening

In combination with the crisis in Ukraine, World Refugee Day in June was undoubtedly an opportunity to bring the spotlight back to the refugee crisis.

Further developments impacting refugees include the UK-Rwanda Asylum Partnership, which seeks to remove unauthorised adult migrants from the UK for processing their asylum claims outside of Europe. The decision received backlash from academics, refugee rights activists and the public. The UN Refugee Agency (UNHCR) opposed the decision, claiming that transferring refugees and asylum seekers to developing countries only serves to shift asylum responsibilities.

Although many organisations don’t necessarily view themselves as having a licence to be outspoken on issues impacting refugees, a selection of companies have responded to the refugee crisis with respect to their social purpose, either taking a bold leadership position like Ben & Jerry’s or IKEA’s partnership with UNHCR, or using it as means for employee engagement and CSR.

Further reading
What’s happening

HSBC Global Head of Responsible Investment Stuart Kirk was suspended after making remarks suggesting that climate change is not a financial risk to “worry about” during a Financial Times Moral Money Summit. The speech received widespread critique and sparked debate, resulting in Kirk’s suspension from the bank. HSBC’s decision led to backlash from US Republic Senator Steve Daines, suggesting the move is indicative of “the same groupthink that led to the 2008 financial crisis”.

By the beginning of Q3, Stuart Kirk had resigned from HSBC, saying that “If companies believe in diversity and speaking up, they need to walk the talk. A cancel culture destroys wealth and progress.”

Further reading
https://www.ft.com/content/3a7cd452-77d9-4c61-bb44-a96858bc076d
https://www.ft.com/content/30dd4235-eb5a-4717-976d-7a08c173dcf
https://www.thetimes.co.uk/article/climate-change-is-no-joke-just-ask-poor-old-stuart-kirk-of-hsbc-95od9hcnr

What this means for you

• Responsible and ESG investing is complex and nuanced, so it’s important to weigh simplification with credibility. When taking a bold or controversial stance, consider your audience and what soundbites can be taken out of context.

• We are also seeing the politicisation of the individual versus the corporate, which means that unified messaging from leadership is more important than ever before.

• Finally, executives are showing up as either climate leaders or climate deniers – which side of history do you want to be on?
DWS Raided

TREND: CALLS FOR TIGHTER REGULATION & POLICY

What’s happening

Germany’s largest lender Deutsche Bank AG and asset management unit DWS had their offices raided by police at the end of May, following allegations of greenwashing. The firm is facing claims that ESG factors “were not taken into account at all in a large number of investments” despite statements DWS had made indicating otherwise. This follows whistleblowing action made by former sustainability officer Desiree Fxler. Shortly after the raid, chief executive Asoka Wöhrmann resigned, “to clear the way for a fresh start”.

While the incident has been cited as an example for the need to increase standardisation, it has also been used as a proof point for critics who say ESG isn’t working. The situation is one of many that has eroded trust in sustainability and ESG claims.

What this means for you

- Transparent reporting, with measurable, verified targets, is more important than ever before as investors face not only a reputational but also a legal risk when it comes to ESG investing and disclosures.
- Greenwashing allegations become high-profile communications issues that can lead to a reputational crisis. As with many crises we come across, prepare for employees to speak out and for stakeholders to demand accountability, including executive resignations.

Further reading
https://www.ft.com/content/50f5c4a1-5ebe-40cc-a89f-2952f58ba324
ASA decision on Tesco

TREND: CALLS FOR TIGHTER REGULATION & POLICY

What’s happening

In the UK, a Tesco advertisement was banned after 171 complaints were made over a ‘misleading’ sustainability message for a plant-based product.

The Advertising Standards Authority (ASA) told Tesco its ads claiming that plant-based burgers are better for the environment must be changed before being run again. Though Tesco pushed back, saying that its statement was not absolute, the ASA countered that environmental claims must cover the full lifecycle of the product.

Tesco is not the only corporate falling victim to greenwashing allegations. Innocent drinks was accused of misleading climate claims in its 2021 advertising. Now Innocent is calling on brands and bodies like the ASA to join forces to create a common framework for brands communicating on sustainability goals. Elsewhere, we are seeing a rise in Eco-scoring, such as Lidl’s new labelling system that attempts to add clarity for consumers.

Further reading

- https://www.marketingweek.com/innocent-avoid-greenwashing/

What this means for you

- As consumer brands aim to articulate their sustainability performance, particularly environmental claims, there’s a need to be aware that any marketing claims must be grounded in specific and tangible evidence.
- Labelling is often confusing for consumers - any “eco” or “green” labelling should be backed by credible evidence yet simplified. However, there’s a risk of over-simplification leading to misleading claims.
What’s happening

The UK implemented its Plastic Packaging Tax in April. The new tax applies to plastic packaging manufactured in or imported into the UK that does not contain at least 30% recycled plastic.

The aim of the tax is to provide an economic incentive for businesses to use recycled plastic in the manufacturing of plastic packaging, ideally creating greater demand for the material. In turn, this will generate increased levels of recycling and collection of plastic waste, diverting it away from landfills or incineration.

Some critics have pointed out that with rising prices in materials and supposed bottlenecks to innovation, it’s more commercially advantageous to use virgin plastics and pay the tax as penalty, leading many to question whether the tax is actually working.

What this means for you

- Companies can expect questions from stakeholders on how the tax impacts them, and whether they feel it is effective. The plastic packaging tax can be a good opportunity to discuss innovation on packaging and materials, as well as targets on plastics reduction or neutrality.

Further reading

https://www.edie.net/uk-plastic-packaging-tax-comes-into-force-heres-everything-you-need-to-know/
https://www.thegrocer.co.uk/plastic/the-plastic-tax-is-failing-just-three-months-after-launch-how-can-it-be-revised/659064/article
What’s next?
What’s on our mind?

The term ESG is less than two decades old, but many are questioning whether the term has outlived its usefulness. With allegations of greenwashing at the highest levels and crises such as the war in Ukraine pitting environmental commitments against social priorities, does it still make sense to package together E, S and G factors? Too often we are seeing ESG as a catch-all phrase, and with so much falling under the ESG umbrella, it has only added to the noise and confusion.

As communicators, we must be clear on what we mean by “ESG”.

Read more here
Upcoming in Q3 and Q4

UN General Assembly
Sept 13-27

COP27
Nov 6-18

The IPCC Synthesis Report
Scheduled for release
Late 2022 / Early 2023
Any questions?

Reach out to our team:

Eleanor Turner
Director, Purpose & Impact
eleanor.turner@porternovelli.com

Follow us:  
@PN_London  
@PNLondon
Until next time

We are the communications partner for the stakeholder era