THE IPSOS REPUTATION COUNCIL

Exploring the latest thinking and practice in corporate reputation management from across the world

GAME CHANGERS

ABOUT

Established in 2009, the Ipsos Reputation Council brings together senior communicators from some of the most respected corporations in the world.

The Reputation Council's mission is to increase the understanding of the issues and challenges facing communicators in the corporate environment, as well as capturing expert views on key trends, issues and events in the wider world. Each sitting of the Reputation Council provides a definitive guide to the latest thinking and practice in the corporate communications world. The sixteenth sitting of the Reputation Council involved 117 senior corporate communicators based in 16 global markets. Thank you to our Reputation Council members for contributing to our latest edition – without your participation this report would not have been possible.

117 interviews were conducted with Reputation Council members globally between April – June 2022, either in person, by telephone or video call. Data may not total 100% due to rounding.

INTRODUCTION

REPUTATION COUNCIL 2022

FOREWORD BY MILORAD AJDER
GLOBAL SERVICE LINE LEADER

Some would think it an understatement to say that the latest Reputation Council sitting takes place against an uncertain global backdrop. We seem to be in a perfect storm of social, political, and economic upheaval – the war in Ukraine, supply chain bottlenecks feeding inflation, and the lingering impact of Covid-19 are but a few of the factors impacting the world.

However, against this background companies need to continue with the business of doing business whilst also considering their broader role and responsibilities. How should they respond to the war in Ukraine? Should they remain silent and let governments get on with the task of sorting out the crisis? Or should they play a visible part in the international community's response?

The current global turmoil has also heightened stakeholder expectation with regards to ESG. We talked to Council members about the challenges of hardwiring ESG into a company's activities. Council members talked about the difficulties in finding a consistent set of measures by which ESG implementation could be judged – a fact compounded by rapidly changing ESG rules and standards.

We also talked to Council members about the rise of business regulation. Was it a case of governments not trusting companies to do the right thing, or alternatively the desire to create a well ordered and regulated market that businesses and society could both benefit from? Council members made some interesting points about the trade-off between the time consumed on complex rules and regulations and the increased risks that come with operating in a relaxed regulatory environment.

And within all these global developments what about the credibility of social media as an effective means of communication? There is little doubt about its speed and ability to target specific audiences in a cost-effective way. But has it become compromised as issues such as misinformation, synthetic media and fake news become ever more prevalent?

This year's Reputation Council Report makes fascinating reading and paints a picture of a world where business has never been more under the spotlight and where traits such as transparency, authenticity and empathy have never been a more important part of corporate character.

IPSOS REPUTATION COUNCIL REPORT 16TH SITTING
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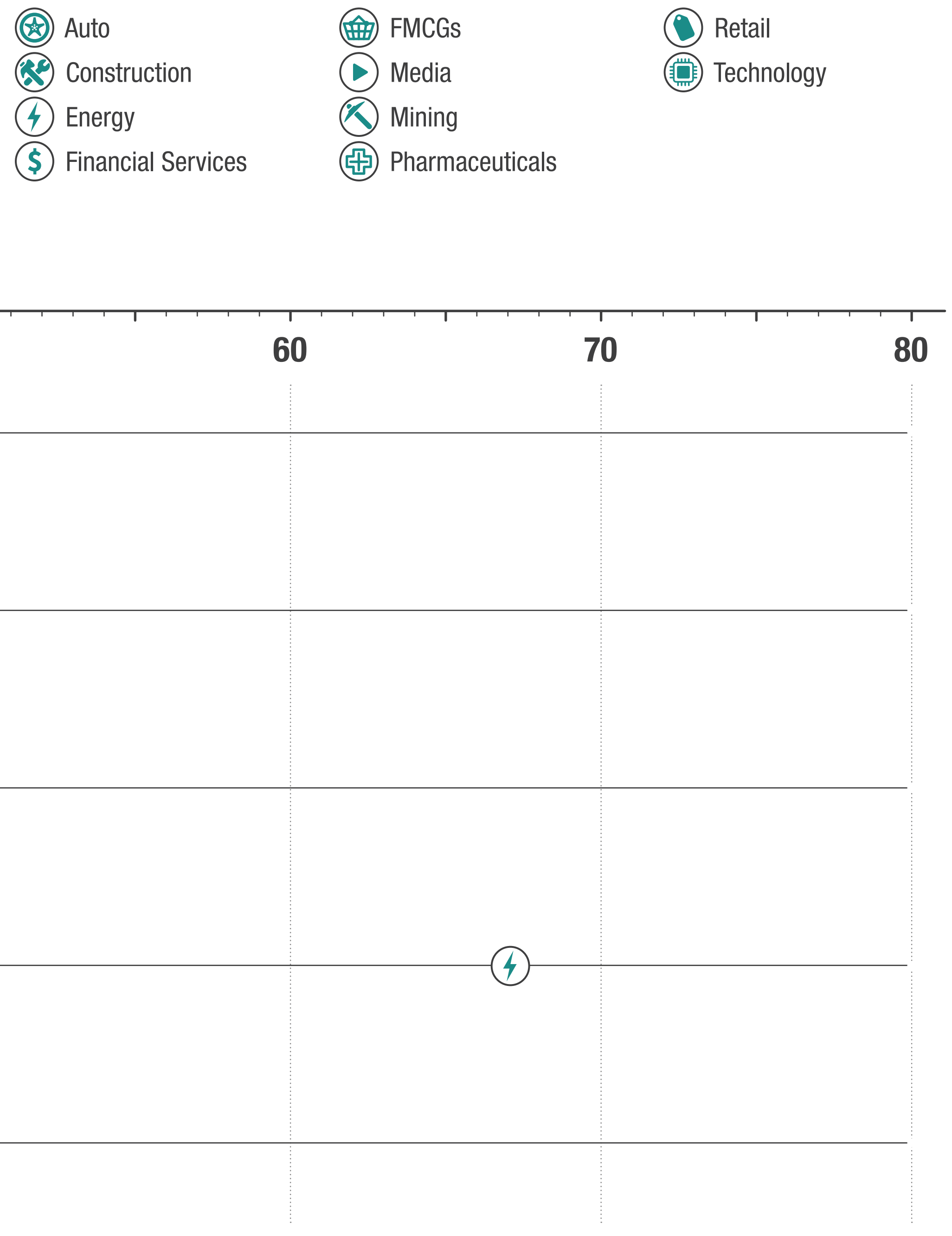
GLOBAL PERSPECTIVES ON SECTOR REPUTATIONS

Which of the following industries are facing the greatest reputation challenges at the moment?



Base: Reputation Council members – Global (113), North America (27), LATAM (14), Europe (54), Asia-Pacific (18)

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GLOBAL PERSPECTIVES ON SECTOR REPUTATIONS

GLOBAL PERSPECTIVES ON SECTOR REPUTATIONS

WRITTEN BY MATTHEW PAINTER

The Global Perspective

Unsurprisingly, in light of the war in Ukraine, the cost of living crisis and ongoing debates around net zero, energy security and windfall taxes – nearly half (46%) of Council members select energy/oil & gas as one the industries which faces the greatest reputation challenges.

As a result, the sectors mentioned most often in 2019 – financial services and tech – have dropped down the ranking. Council members still recognise that these industries face reputation headwinds – along with others such as FMCG, retail, automotive and mining – but right now energy is in the eye of the storm.

"I do think you've got big oil and energy companies that are really under pressure to show (that they are) reducing their carbon footprint, so I think a big aspect like the financial impact of climate change, their impact on the environment and on the world. I think there's a big spotlight on that."

Europe

1 **67%** Energy/Oil & Gas

2 **22%** Automotive

3 **19%** Technology

"They are right at the top, everything from the…windfall tax on them through to the [war] crisis with Russia and the future sources and the acceleration of renewables. They are in the centre of a perfect storm."

"(Automotive) is an industry where there is a fundamental shift that requires a complete restructure about business models and operating the way they work and that is challenging and very difficult for big companies to do."

North America

1 **30%** Energy/Oil & Gas

1 **30%** Technology

"From a pure consumer standpoint, I think a lot of those (technology) companies remain in a very good spot. But from a political and regulatory and freedom to operate and license to operate standpoint, there's a lot of challenges that they're navigating."

LATAM

1 **21%** Energy/Oil & Gas

1 **21%** Financial Services

1 **21%** Mining

"The mining sector, highly invasive and damaging to the environment. Reputation is a complicated issue for them."

"These fintech and neobanks they are doing it [communicating]. They provide communication from a different place."

Asia-Pacific

1 **33%** FMCG

2 **28%** Energy

2 **28%** Mining

2 **28%** Pharmaceuticals

"Sourcing is a problem (for FMCG) due to specific material and human rights issues."

"I don't think mining tells its story well and there's not a lot of differentiation between the companies."

WHAT KEEPS CCOs AWAKE AT NIGHT?

Today's CCO is confronted with massive change on two fronts.

Within their businesses, ways of working and engaging with colleagues are looking very different, as the pandemic recedes and GenZ begins to take up the leadership reins.

At the same time, communicators are having to navigate a *"very dynamic, very fluid, very complex"* external environment. Social and geopolitical issues now demand a corporate response, to a far greater extent than in living memory.

Against this canvas of volatility and uncertainty, CCOs have to manage scope-creep and balance their long-term ambitions for ESG and corporate purpose against day-to-day priorities.

1. **Geopolitics & the war in Ukraine**
2. **Post-Covid-19 culture & engagement**
3. **Inflation & the cost of living crisis**
4. **ESG & net zero**
5. **The war for talent**
6. **Fragmented, 24/7 media**
7. **Purpose-driven business**
8. **Supply chain & resource issues**
9. **Culture wars & polarisation**
10. **Generational differences**

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GLOBAL PERSPECTIVES ON SECTOR REPUTATIONS

THE SOCIAL MEDIA CONUNDRUM

WRITTEN BY
TRENT ROSS

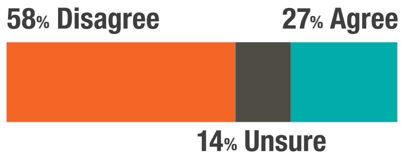
TO POST OR NOT TO POST

Trust in social media companies continues to remain low among the public; just 17% consider the sector trustworthy. This has been driven by concerns around data privacy, false information, and distrust of motives. Given this context, corporate communicators must determine whether the risks outweigh the rewards of communicating on social media.

There is little doubt that the phenomenon of '*techlash*' has eroded trust in the technology industry. This is in part due to its association with social media. Trustworthiness in the technology industry has regressed toward the mean of other industries, and social media is now the least trusted industry of all.[S1] A sizeable majority of people globally (**77%**) say that technology makes their lives better, and two-thirds (**66%**) say that we need modern technology because only technological innovation can help to solve future problems. But a similar majority (**75%**) also say that social media and technology companies have too much power and **73%** say they are concerned about how their information is collected and used. Add to the mix concerns around misinformation and polarisation, and you have the recipe for a communications medium that has undermined its own credibility.[S1]

However, Reputation Council members still see many advantages when it comes to social media. **A strong majority (58%) disagree with the statement that social media platforms are now too compromised to be credible for corporate communications.** The consensus among corporate communicators is that, although criticisms do exist, social media provides many benefits as a low cost, high reach, highly targeted communications medium and therefore should be part of the corporate communications mix.

Are social media platforms now too compromised to be credible for corporate communications?



Base: 88 Council members

"I think it is important, there is this element but it is not so strong. It is those same platforms that allow you to communicate with a fragmented audience, i.e., 10 years ago you went on TV and reached an audience of 15 million people, today you reach 3 million people, the rest is fragmented. Social remains the vehicle. Here the point is the choice of the platforms where you put your message, of the elements of relevance, so most likely there is a greater attention in understanding which media to go to."

"It is the way people get their information, so to a certain extent (whether) it's credible or not, which is a big question, but it's the way they get it so you still need to use it."

The fragmented communications landscape makes social media a very cost-effective way of reaching multiple audiences. Corporate communications executives often work within tight budgetary constraints, but at the same time need to achieve as much relevant reach (reaching the most stakeholders in the relevant audiences) as possible. As one Council member put it, *"you have to go where people are, if you're absent that will hurt you."*

The use of social media also involves managing risk when it comes to developing an effective channel strategy. Therefore, for many Council members, managing risks entails being selective about which social media channels to engage with. For instance, LinkedIn is frequently cited as a social media channel that entails much less risk than broader social media.

"Here the point is the choice of the platforms where you put your message, of the elements of relevance, so most likely there is a greater attention in understanding which media to go to."

IPSOS REPUTATION COUNCIL REPORT 16TH SITTING

THE SOCIAL MEDIA CONUNDRUM

"I still think they are important platforms for us, they are (the) ways that certain audiences want to engage with customers and therefore it is important that we still remain on them. I think identifying which channels are good for you and targeting them in certain ways is more important, to ensure that you are credible, but they are definitely still channels that you need to be on."

Having detailed social media plans and monitoring the conversation is another key to managing risk. While corporate social media posts may look like top-of-mind utterances, they in fact need to be carefully crafted to align with the company's strategy. Disalignment between internal and external actions and communications leads to reputational issues.

"As long as you have robust monitoring in place and the ability to act quickly it is not an issue. People who post without thinking of the consequences are the ones that have the issues, but for us it is about having decent processes in place to ensure that we are best protected."

The growth of misinformation is another area of concern for the majority of Council members. Indeed, **64%** agree with the statement that '*fake news poses a threat to our business*'. Council members believe it is important for companies to actively engage on social media to correct misperceptions; however, they also feel that it is important that companies distance themselves from the confrontational and bitter tone often found in the social media environment.

"I think there are individuals on those platforms that people discount because they make outlandish statements in order to generate outrage and more followers. We find LinkedIn very powerful and very effective and actually we still engage on Twitter a lot and it is very cost-effective for us, but there are obviously things we have to do on Twitter and there is an asymmetry in expectations about how companies respond to criticism in that people can be very vituperative and as a company you just can't respond to that in the same way."

Do fake news and disinformation pose a material threat to our business?

Base: 89 Council members

"It depends on what platform. LinkedIn is still alright, I think Twitter clearly has some issues. For me it depends on the platform. We use LinkedIn more right now. How I would describe our approach to Twitter is to keep it at the same level, have a presence. LinkedIn is a much more credible business tool."

In a world where authenticity is highly valued, one of the more effective ways for companies to engage with a wide variety of audiences is via their employees. Two-thirds of Council members believe that the benefits of employees posting about the company on social media outweigh the risks. If a company is well-aligned on actions and communications internally, then employees can be some of the company's most effective spokespeople. Several years ago, Council members were more divided on the role of employees in digital communications, but the broad consensus now is that employees, when given some general guidelines, can make a positive contribution to the credibility of a company's communications.

Do the benefits of employees posting about the company on social media outweigh the risks?

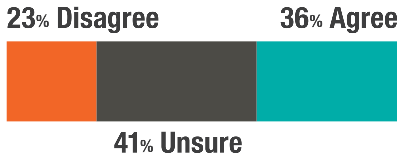
Base: 89 Council members

Two-thirds of Council members believe that the benefits of employees posting about the company on social media outweigh the risks.

"There's two types of ways employees can use social media. On a professional network like LinkedIn it is a net benefit because people act more professional on these networks and that's the purpose of those networks. Posts on non-professional networks by employees don't always align with what image the company wants to put forward and it runs the risk of making the company look unprofessional and employees with differing views shouldn't challenge each other publicly. Could also create issues with team harmony."

The changing social media landscape means that corporate communicators are not ready to engage with every social media platform or concept that comes along. For example, the reaction of Council members to the concept of the Metaverse was incredibly mixed. When pushed on the idea of whether '*the Metaverse will transform the way we do business*', most Council members said that they didn't know enough about it at this point to have a good idea of what impact it would have.

Will the metaverse transform the way we do business?



Base: 88 Council members

It seems that corporate communicators have entered a wary embrace with social media. The ability to reach specific audiences quickly and cost effectively makes social media in many ways the perfect communications tool. But given the dynamic (and emotive) nature of the environment there are also pitfalls – a perceived lack of alignment between a company's words and actions will be quickly detected and communicated around the world. Therefore, corporate communicators that want the best chance to succeed in this challenging environment need to place authenticity at the heart of their communication strategy. ■

Sources:

1. Ipsos Global Trustworthiness Monitor 2021
2. Ipsos Global Reputation Monitor

QUICKFIRE

SOCIAL MEDIA & FAKE NEWS

A perceived lack of alignment between a company's words and actions will be quickly detected and communicated around the world.

WRITTEN BY
MATTHEW PAINTER

Are social media platforms now too compromised to be credible for corporate communications?

Base: 88 Council members

Just 1 in 4 Council members think social media is now too hot to handle – little change since 2020 (**25%**).

For most, opt-out is not an option, because LinkedIn, Twitter and TikTok let communicators "*reach people quicker, faster, better.*"

"It is a great way for corporates to build employee engagement, it is a great way to reach customers, it is a great way to read the room a little bit."

When it comes to employees posting about the company on social media, 2 in 3 say the benefits outweigh the risks. It's "*positive and risky*" – and should be resourced and managed as such.

Do fake news and disinformation pose a material threat to our business?

Base: 89 Council members

64% of Council members view fake news as a material threat – slightly up from **59%** in 2020.

For most, disinformation is another reputation risk to be managed. But some worry that polarisation and the Covid-19 infodemic are contributing to 'information bankruptcy', in which the whole currency of trust in communications is being devalued.

"Fake news overshadows everything we do, in a way, traditional media as well as social media. This idea that stories can move so quickly and be so wrong."

CRISIS MANAGEMENT

WRITTEN BY JASON MCGRATH

COMMUNICATING IN AN UNCERTAIN ENVIRONMENT

Companies today are facing a world of increasing uncertainty. Issues such as political polarisation, inflation, war and conflict, a pandemic and continued supply chain constraints, are now at the forefront of corporate communicators' agendas – alongside ESG initiatives, DEI programs and more traditional corporate communications. With such high expectations of businesses, there is much more room for perceived missteps and loud criticisms from various stakeholders. ▸

TAKING ACTION

When crises occur, silence is not always the best policy, whether the issue relates to a specific product or service performance or a broader geopolitical development. With regards to the latter, let's consider the war in Ukraine as an example. The majority of Reputation Council members disagree that businesses should remain silent – there is a clear expectation that companies need to take a position. This has, of course, been borne out with the withdrawal of many global brands from Russia. It's notable that this re-examination of doing business in Russia has cut across all sectors and included companies such as, McDonalds, BP, Mastercard and Renault – as well as consultancies such as McKinsey and the big four accounting firms.

Should businesses stay silent when it comes to a crisis of the magnitude of the war in Ukraine?

73% Disagree **11% Agree**

16% Unsure

Base: 91 Council members

Council members are also clear that mishandling something like the war in Ukraine carries reputational risks that are comparable to serious product or service failures. In other words, being seen to be on the wrong side of a catastrophic event or issue can impact a company's licence to operate or damage the equity of its consumer facing brands. Either way, the cost of not being seen to do the right thing can have a serious impact on the bottom line.

Is our response to crises such as the war in Ukraine now as much of a reputation risk as product / service failures?

22% Disagree **68% Agree**

9% Unsure Base: 94 Council members

DELIVERING THE RIGHT RESPONSE

So, when a crisis does occur and a company is in the spotlight, what is crisis management best practice in today's fragmented world? What works for one might not work for all, but Council members highlight a number of key factors in achieving an effective response:

- Be authentic – ensure that your response is aligned with the values of the organisation
- Acknowledge responsibility – actually apologising is a factor that many communicators agree on in today's environment, despite the potential risk that legal colleagues may perceive
- Establish the facts – even when the facts may not yet be fully known, there is recognition that an apology does not need to immediately have all of the answers, but following up with the facts is critical
- Communicate action – identify what the company is doing to rectify the situation, and if possible, how the company will measure progress against the actions identified
- Move fast – it's important to be a part of defining the narrative, when possible, but focus on establishing the facts and identifying further actions required
- Consider various stakeholders, including employees – expectations of various groups may differ, and responses may need to be tailored, particularly for internal audiences
- Never make excuses – take responsibility when necessary, and identify the ways in which the company will avoid the same or similar issues in the future

Simply put, a good corporate apology should include the following components:

"Concern, Action, Perspective. Demonstrate concern, show what action you'll take, use perspective to explain your side of the story."

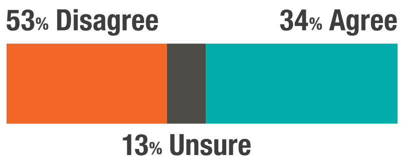
It's also important to determine whether an apology is necessary or not. Many Council members indicate that a company should not apologise for broader societal issues that impact all businesses or an entire industry. If the issue is beyond the control or responsibility of a single company, then there might be value in working against that issue, but an apology in this case is likely not necessary.

Perhaps the most important lesson shared is that words without action have limited value. Despite the fact that many Council members feel they can communicate their way out of an issue that the company's behaviour has created, the majority also indicate that they cannot simply ride out a crisis due to the fast-moving news cycle.

Can you communicate your way out of a situation that your behaviour created?

Base: 95 Council members

Can companies ride out most crises, because the news cycle quickly moves on?



Base: 93 Council members

NEED FOR SPEED

In fact, the fast-moving news cycle has led to greater crisis monitoring and scenario planning. Many Council members indicate that there is a heightened sense of urgency and a stronger tendency to be more human, more empathetic, and much quicker with a crisis response when things do go wrong due to the speed of today's news cycle. Not surprisingly, the speed of information travel makes formulating an effective response more challenging as companies try to determine the facts, obtain alignment internally, and determine the right message to communicate.

"In the past, we might have waited to have everybody agree, and have the i's dotted and t's crossed and everything. By that time, you've had so much criticism out there that it's pointless. So, you have to get out there very quickly, at least to say something along the lines of 'a mistake was made' or 'we take responsibility' and then come back later with more information as opposed to trying to get it all together from the start."

As the world around us continues to evolve and the issues environment continues to grow more complex, expectations of businesses are undoubtedly likely to increase. Alongside these growing expectations, is the likelihood that companies will make missteps and will need to course-correct along the way. What's clear, however, is that simply acknowledging mistakes, identifying opportunities to improve, and following-through on identified actions is the best way to protect corporate reputation over time.

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CRISIS MANAGEMENT

QUICKFIRE
CRISIS RESPONSE

Is our response to crises such as the war in Ukraine now as much of a reputation risk as product / service failures?

22% Disagree 68% Agree

9% Unsure

Base: 94 Council members

2 in 3 Council members say their businesses are now judged by how they react to major, geopolitical issues.

This is beyond the usual crisis management playbook. CCOs now need a strategy which lets them 'pivot' in response to the volatile external environment – but always guided by a clear set of values and principles.

Should businesses stay silent when it comes to a crisis of the magnitude of the war in Ukraine?

73% Disagree 11% Agree

16% Unsure

Base: 91 Council members

Most Council members agree that silence is not an option. Customers and employees demand to know what the company stands for, and will vote with their feet if they don't like the answer.

Critically, words must be backed up by deeds: *"there is so much transparency, there are so many stakeholders, that it has got to be authentic or it will be sniffed out."*

> *" To me there is this idea of corporate diplomacy, we have got to be this diplomat that understands the culture outside of the company as well as inside the company; that informs the work that we do."*

Can you communicate your way out of a situation that your behaviour created?

41% Disagree 49% Agree

10% Unsure

Base: 95 Council members

Yes and no! As one Council member puts it, *"through great communications you can articulate the story of what you learned from it and how you are changing."*

But there is also agreement that reputation recovery requires genuine behaviour change.

But can companies just ride out most crises, because the news cycle moves on quickly? On balance, Council members think not – **53%** disagree, versus just **34%** who agree.

> *" Technical experts have their role in communication, but at the end of the day the CEO, or the person at the top, they are the one that takes responsibility, they set the tone, they make the decisions and the buck stops with them."*

Are technical experts now more effective corporate spokespeople than CEOs?

49% Disagree 24% Agree

27% Unsure

Base: 91 Council members

Compared to 2019, agreement has dipped slightly from **29%** to **24%**, in part due to the need for greater visibility of corporate leaders during Covid-19.

Council members still say that the most effective spokesperson will depend on the situation. But the CCO (and Chief Legal Officer) will always play an important advisory role.

WRITTEN BY SALLY BRAIDWOOD

THE BUSINESS OF REGULATION

ESG IS DRIVING INTERVENTION

Correlations are often made between a sector's reputation and the regulatory threat, where, generally, if one is high, the other is low. Of course, it's rarely this simple. What is clear from Reputation Council members is that they're facing increasing regulation with nearly four-in-five saying their business is more regulated now than it was five years ago.

Does our business face greater regulation today than five years ago?

Base: 82 Council members

The increase in regulation is not seen to be sector-specific but instead a reflection of those socio-political issues attracting the most attention globally. Regulation is rising in relation to corporate tax – particularly international and online sales tax – advertising, supply chains, emissions, plastic packaging and ESG themes more broadly – including greenwashing and social washing.

"The sustainability and environmental agenda has probably changed every sector, regardless of what you are in, whether you are in energy, cars, pharmaceutical, fashion."

Some will see this increase in regulation as a sign that business cannot be trusted to do the right thing and so governments and regulators are increasing their involvement to mandate certain behaviour. This view is supported by our Council members in markets where regulation has not increased and reflects a desire for more intervention, particularly in areas like corporate sustainability.

“Unfortunately, we haven’t seen it increase and regulation in our sector is crucial. The only regulation is from a fiscal point of view, whereas it should be regulated from the point of view of sustainability and CSR. It’s in that direction companies that must be helped by the government to take a path on that issue.”

Perhaps another assumption around regulation is that companies don’t want it. Certainly, to some extent, the lack of regulatory frameworks can reduce the administrative burden and allow for reduced costs more broadly, however it can also be a business risk. Indeed, regulation provides certainty, particularly in developing markets.

“We have higher production levels outside of our home market than within it because it lacks certainty. The lack of regulation creates volatility, so we search for markets with more regulatory certainty, and we set up operations there.”

Top-performing companies, even within reputationally-challenged sectors, often perform well on measures like going above and beyond regulatory requirements. In practice, this reflects a willingness to do more than the minimum legal requirement in any jurisdiction and instead, do what’s right and lead on key issues. This often involves advocating for regulation. So, perhaps the impact of strong industry or company regulation is not whether or not regulation increases, but rather, whether you have a seat at the table when it is being drafted.

“For us in communications, we need to think about the opportunity we have to feed into some of that regulation. We can use our insight and our knowledge to help influence some of those decisions from a regulation point of view and some companies happily lean in on that and some don’t. We are not a massive one for going in and talking to regulators, I think we should do it more and we are starting to do it more, certainly in Europe, and in partnership with our Government Relations team which is how it should be.

There have been numerous high-profile examples of national governments seeking to enforce regulation on global companies, with limited success. Many of these examples have focused on the tech sector which has innovated and grown across geographic boundaries faster than regulation can keep pace with.”

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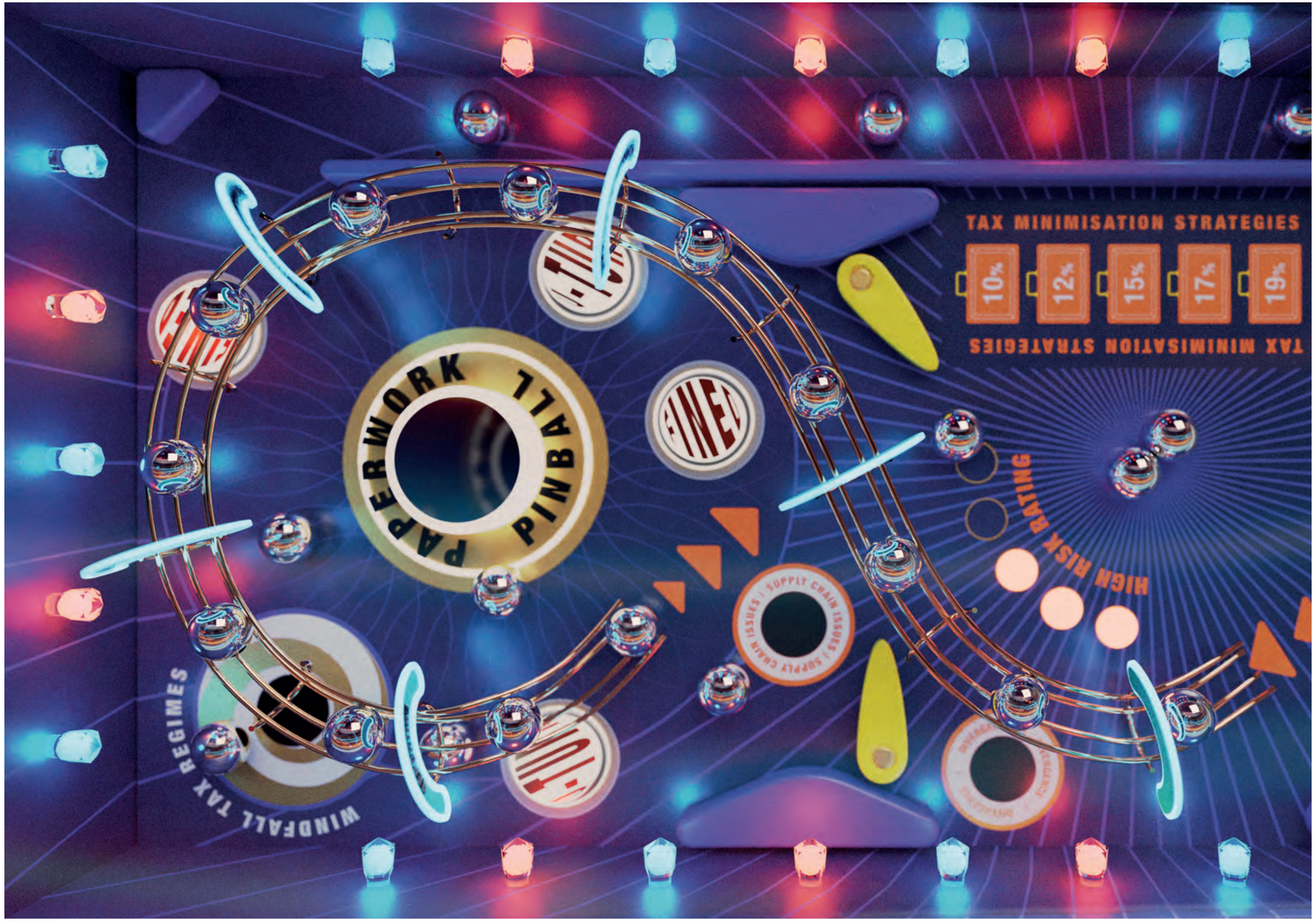
THE BUSINESS OF REGULATION



Some notable examples include the US government attempting to pass legislation to break up the monopolistic power of major tech companies, disputes with the Australian government over the issues of payments from tech platforms to the media industry for using its content, and governments in multiple jurisdictions attempting to classify rideshare drivers as employees to bring some level of protection to gig-economy workers. It's fair to say, the global behemoths have fared well in each case leaving some to question whether globalisation has made regulating corporate behaviour futile. But most Council members disagree.

Does globalisation mean that trying to regulate corporate behaviour is futile?

66% Disagree **13% Agree**

21% Unsure

Base: 79 Council members

There is a strong consensus from Council members in relation to the time they are now spending managing divergent regulatory systems, with 81% agreeing it is increasingly time-consuming.

Is dealing with divergent regulatory systems increasingly time-consuming?

5% Disagree **81% Agree**

14% Unsure

Base: 78 Council members

This can mean divergence across nations as well as within nations where domestic regulatory frameworks are not consistent.

"There is a lot of regulation afoot in the whole area of ESG, whether that is globally or regionally, and different standards are being developed so you have to keep track of those standards. In the UK, gender pay gap reporting is a legislative requirement, but people around the rest of the globe don't understand why that has to happen. There are lots of different environments and lots of different challenges."

The Covid-19 pandemic and the war in Ukraine have added further complexity to the issue with each showing how fast regulation can change based on health advice and trade sanctions respectively. This has resulted in closer working relationships with legal departments.

Council members are divided on the merits of windfall taxes with many feeling the subject is nuanced and requires a case-by-case review.

Should windfall taxes be an option when companies are making excessive profits?

48% Disagree **24% Agree**

28% Unsure

Base: 85 Council members

"You have to ask, 'why are they making exceptional profits?' and if it is because of bad behaviour, however you want to define that, then there may well be a role for governments to intervene. But if it is just circumstances or a result of good business practice, it's quite hard."

For many, it's as simple as, if profits are obtained legally then there is no rationale for government intervention. However, the increase in tax minimisation strategies and examples of multi-billion-dollar companies paying very little tax is reason enough for some Council members to support governments enacting windfall tax regimes.

"If companies are involved in elaborate, even if not illegal, but elaborate and aggressive tax avoidance policies, why wouldn't you want to tax them? They're not paying any tax anyway."

A consistent theme from corporate communicators is that while they strive for certainty, which is a clear and consistent framework to operate in, it is within the complexity of regulation that they are often most valuable to their business. Indeed, corporate communicators have become critical partners to compliance, legal and government relations teams, as the regulatory environment continues to evolve to meet stakeholder expectations and responds to external disruptions. And so, regulation is yet another string added to the bow of corporate communicators. ■

ESG: THE CORPORATE NORTH STAR

WRITTEN BY ANNA MCAVOY

IPSOS REPUTATION COUNCIL REPORT 16TH SITTING
ESG: THE CORPORATE NORTH STAR

THE PURPOSE OF PURPOSE

For Reputation Council members, corporate purpose is both an internal rallying cry and a public statement of why a company exists, beyond financial value creation. Its worth lies in its ability to mobilise people around a common goal that reinforces culture and, in turn, boosts performance and growth. Council members also believe that having a clear vision about the kind of company you are is increasingly important in the 'war for talent', among generations who want to make a difference in their daily lives.

"Corporate purpose is much more about, 'How do you define why you operate?' What's the leave behind you want to have in the world? Why are you here to do business?"

While having a broader purpose is expected, companies also need to be selective about the issues they get involved with. Only 9% of Council members think that addressing society's problems is solely the responsibility of government; however, they are also keenly aware of the risks of being drawn into increasingly polarised socio-political debates.

"Should we take a stance on Roe v Wade? From a corporate perspective there is nothing in our business to say that we should take a stance. There is no clear morally correct side but sometimes there is a clear right and wrong, even if it is difficult."

▶

How ESG relates to purpose

ESG is increasingly the execution of corporate purpose. It is the expression of how this vision is incorporated into business planning and aligned with day-to-day activities. If purpose is the north star for everyday decisions, ESG criteria are how businesses are evaluated and held to account for those choices.

"Purpose is your company being defined based on how you are going to deliver a constructive social or environmental impact. It is around your definition of the company. ESG is a set of standards created and imposed, mostly based on risk to your company that is part of the financial reporting technocracy."

Global events have elevated ESG

The series of environmental, social, and political shocks that have ricocheted across the globe – the Covid-19 pandemic, climate catastrophes, the war in Ukraine, supply chain disruptions, culture wars, commodity price spikes and subsequent inflationary tensions – have heightened expectations of corporates and shaped how their ESG actions and ambitions are now judged.

"There were periods of time where it was easier to get a get away with greenwashing, woke washing. We want to call it purpose washing. You know you can tell where the boundaries were where we could get away with things… I think it's becoming increasingly more difficult, as it should."

ESG is omnipresent

ESG obligations have forced firms to be more agile to get ahead of potential issues. The consequence has been the permeation of ESG considerations into every aspect of the corporate communicator's day. ESG is the red thread that runs through everything that they do, as they seek to protect and maintain their firm's social licence to operate.

"A few years ago, our corporate level communication on ESG was only the Annual Sustainability Report, in recent years nearly half of the communication is related to ESG."

"I do think ESG is 90% of our corporate reputation, probably. I do think it has a really big influence."

"Performance that doesn't deliver on ESG requirements is not going to be tolerated either and there is a pretty good example of that in terms of the horrendous war in Ukraine where many companies did the right thing and divested, or sold down pretty quickly, they had no choice, it wasn't going to be possible for them to continue and just ignore what was happening on the ground."

More than half of Council Members say that ESG has fundamentally changed the way their business operates, while four in five believe that poor ESG performance now has material consequences.

Has ESG fundamentally changed the way our business operates?

29% Disagree **55% Agree**

16% Unsure

Base: 100 Council members

Does poor ESG performance now have material consequences?

9% Disagree **81% Agree**

9% Unsure

Base: 99 Council members

In the past, there was perhaps greater latitude for companies to merely link their corporate responsibility communications to their ambitions. But today, they face much greater pressure to tie communications to measurable behaviours. This is an important shift and has laid bare the very fundamentals of ESG – what it really stands for and what it delivers. For some Council members, there are structural questions still to be answered:

"I'm fascinated with the culture and rhetoric of ESG. ESG has become a problematic organising principle for corporations. It's an artificial construct; there's no inherent logic to either of the three elements or combination and people accept it as a natural or sensible organising force for collective and corporate decision making."

▶

Three uncomfortable truths about ESG

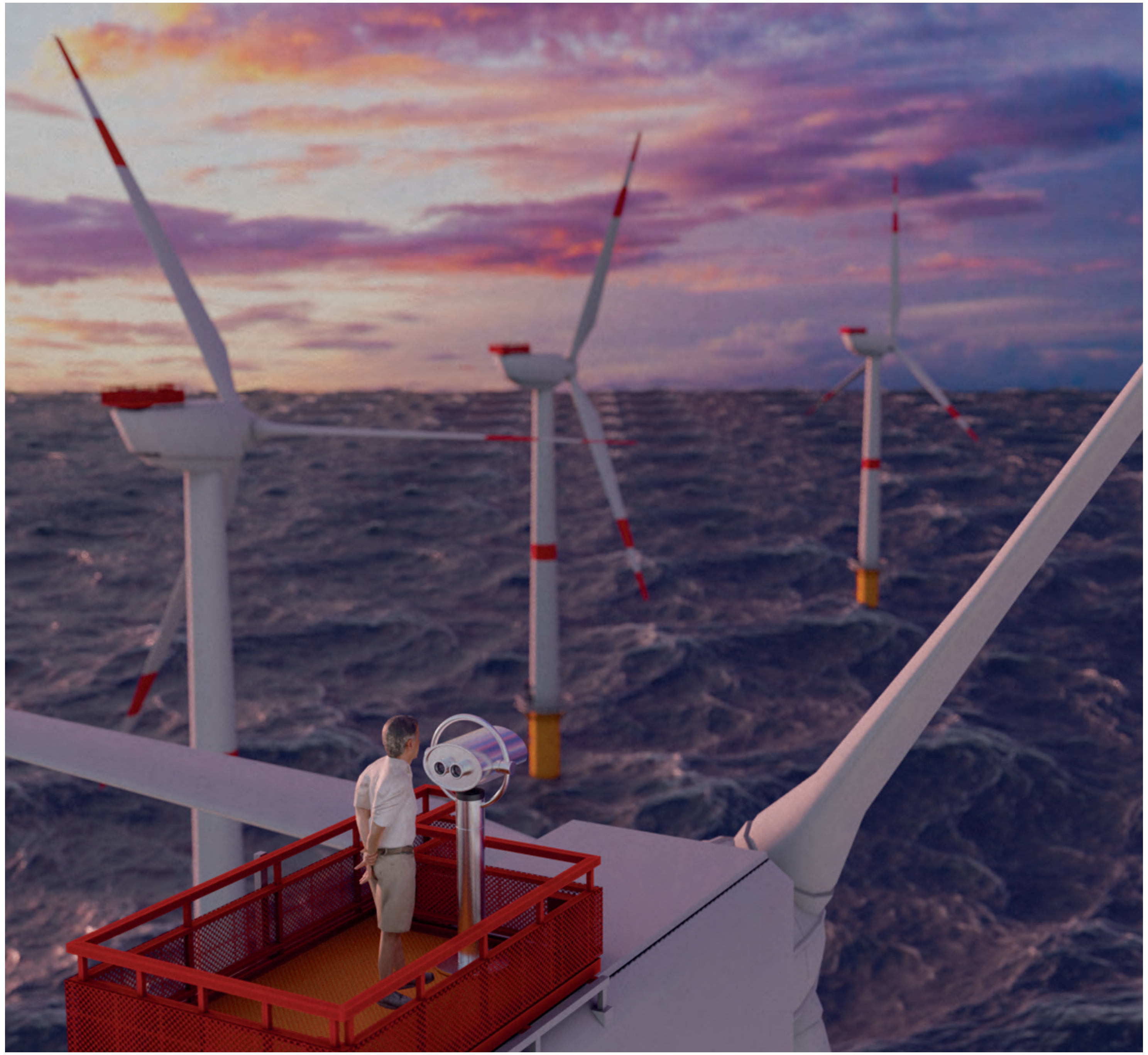
1) The measurement maze

Half of Council members report that keeping up with ESG rules is a big headache. Verification is a challenge, because frameworks designed to help report progress on targets and achievements lack standardisation and therefore disclosure can be subjective and open to different interpretations.

For example, ratings agencies attribute a risk rating based on self-disclosed company data and information. As companies employ a wide range of different ESG metrics across multiple categories, this makes comparisons challenging and, at times, questionable.

"Part of the challenge is that there are no definitive objective criteria [for measurement] – a lot of it is subjective. We report some things that are useful for ESG investors to evaluate, but it is communications dependent and often in the eye of the beholder."

"The absence of targets and progress versus those targets means you are inevitably going to face accusations of greenwashing: 'lovely commitments but actually there is no reality to what we are doing'. Having that data assured and being reliable is going to become increasingly important."



Is keeping up to date with changing ESG rules and standards a big headache?

27% Disagree **51% Agree**

22% Unsure

Base: 97 Council members

Others such as PwC have noted that the social components of ESG issues, because they are often less tangible than the other elements, can be the most difficult for stakeholders to assess and for companies to show progress. Inclusion and diversity is a case in point, with metrics that are often less mature and harder to define. Council members are split on the extent to which big business takes boardroom diversity seriously; two in five say it still does not (down from half in 2019), with the same proportion believing it does.

Does big business still not take boardroom diversity seriously?

43% Disagree **43% Agree**

14% Unsure

Base: 97 Council members

"Climate change is a tough one. We just measured our carbon emissions, and our greenhouse gas emissions and I don't know how to compare them to anything. It's very hard to find a point of reference."

2) The regulatory tidal wave

Regulation is moving at pace. The EU's Corporate Sustainability Reporting Directive and in the US, the Securities and Exchange Commission (SEC) proposition, requires listed companies to report on climate related risks, emissions and net-zero transition plans. In addition, the emerging classification system, the EU taxonomy for Sustainable Activities, aims to help investors make greener choices.

Many of our Council members feel like they are continually catching up. As ESG reporting becomes more mandated and greater demands are placed on companies to disclose information the pressure on communicators increases.

"There are regulatory implications for all of this as well. So some of this is voluntary, but some of this is mandatory from a disclosure standpoint. That's a whole new world, but to the extent it's up to us, we're trying to stay focused on those things that make the most sense."

"CSR which was more of a 'nice to have', it was something you could choose to do if you wanted to, had money to, whereas now ESG underpins a lot of your purpose-based activities because there are a lot more standards in place, a lot more expectations on reporting and I can only see that increasing in the future."

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ESG: THE CORPORATE NORTH STAR

3) The supply chain dependency

The largest part of the climate risk challenge lies in the supply chain. There is a sense among Council members that this has not yet been credibly addressed. Reporting on Scope 3 emissions (the activities from assets not owned or controlled by the reporting organisation) pose the greatest test for the large enterprise. Firms who are responsible for complex supply chains are only as strong as their weakest link.

"The shift to Scope 3 reporting will be challenging: requirements to ensure that your supply chain is carbon neutral by 2040 means it is now going to be about making difficult choices on products, production, supply chains, the way we operate, our offering in general and some of these choices are not going to be easy and will be difficult to communicate. I don't see many companies saying how they are progressing with these commitments."

What does ESG success look like?

ESG is increasingly central to how corporations are assessed as an employer, as an investment choice, as a good citizen. But there is a view that progress is slow because many organisations have yet to embed ESG directly into corporate strategy.

What advice do Council members have on navigating this route at whatever stage of the journey you are on?

- *"Sunlight is the best disinfectant"* – transparency is critical. Be open about commitments and the bumps along the road towards achieving them
- Hire specialist and dedicated resource. This signals commitment. Chief Sustainability Officers provide communications functions with more concrete outputs to work with
- Decentralise and broaden ESG responsibility for a more cohesive, agile and reactive approach
- Recognise the permanency of the campaign – crusade relentlessly and widely but selectively. There is no requirement to make every principled stance public
- Instil and inspire a common purpose. You will be judged on your ability to mobilise your workforce around your strong sense of purpose
- Do not rely on annual sustainability reports alone; expectations have evolved, and an integrated approach is required
- Think about workplace balance. The growth of digital natives in the workplace puts transparency and social justice high on the agenda
- It is the steady drumbeat of delivery, not statement of ambitions, that will determine success on net zero
- Think carefully about carbon offsetting. Are you simply conscience-salving?
- Are the issues you champion truly aligned and relevant to your purpose, your heritage and what you can credibly deliver?

It seems that the cardinal rules for ESG behaviour are the same rules for all in the digital age: transparency, authenticity and speed. Companies that can achieve this will help to provide a degree of reassurance in a world of growing uncertainty. ■

QUICKFIRE PURPOSE

Do too many businesses use the language of social purpose, without committing to real change?

14% Disagree **72% Agree**

13% Unsure

Base: 99 Council members

7 in 10 Council members still see too much empty, corporate purpose-washing – slightly fewer than 2020's **8 in 10**.

However, they do think it's valuable to mobilise stakeholders around an authentic, shared goal. **Just 1 in 4 Council members** say that purpose statements only really matter to a company's own employees – **7 in 10 disagree.**

"Organisations that just stick with a purpose logo or a purpose statement on their website will no longer cut the mustard. The big challenge now is truly hardwiring purpose and strategy together."

Is it the job of government, not business, to fix society's problems?

76% Disagree **9% Agree**

16% Unsure

Base: 95 Council members

3 in 4 Council members see a clear societal role for business, beyond the bottom line – on a par with 2019.

63% go further, saying business leaders are overtaking politicians as a force for progressive change in the world – up from **57%** in 2019.

Last year, **7 in 10 Council members** agreed that the business community has taken a lead in tackling Covid-19. Clearly, they don't expect their businesses to step back onto the sidelines any time soon.

"Who has rescued us from the pandemic? It is Pfizer, it is AstraZeneca, it is Moderna, all these pharma companies which have built this capability that within 6 months of a new disease being found we could deliver multiple vaccines…of course supported by the government and funding and whatever, but it is business that found a solution to it."

Does focusing on purpose distract senior management and their attention to the bottom line?

91% Disagree **1% Agree**

8% Unsure

Base: 94 Council members

Do Council members agree with Friedman's injunction, that the sole social responsibility of business is to increase profits?

Overwhelmingly, no: they see this as a false distinction. Profit and purpose are "*two wheels on the same cart*"; without either one, no business will travel very far.

But Council members are also pragmatic: **6 in 10 agree** that, when times get tough, profit will take priority. Even then, businesses must be clear: what about our purpose is negotiable, and what is not?

"It shouldn't be exclusive. A company that does its job well and meets its mission and its purpose should make money. Isn't that what capitalism is about?"

Is society so divided at the moment that companies need to pick a side in order to thrive?

76% Disagree **15% Agree**

9% Unsure

Base: 96 Council members

Despite (or because of) increasing polarisation across many social issues, Council members counsel against engaging in divisive '*culture wars*'.

Just 15% say companies need to pick a side – down from 23% in 2018.

"It is an incredibly polarised environment that we operate in, you have to be very, very open about where you will draw the line and where as a corporate you want to take a stand. You have to be consistent, if you are going to cross that line, you can't row it back."

WRITTEN BY MATTHEW PAINTER

THE TEAM

Contributors:

Anna McAvoy
Jason McGrath
Matthew Painter

Michael Granleese
Milorad Ajder
Mohammed Taher

Sally Braidwood
Tom Cox
Trent Ross

Reputation Council manager:
Simone Williams

Reputation Council Participants 2022

Name	Organisation	Role
Takayuki Saito	Ajinomoto Co., Inc.	General Manager, Global Communications Dept.
Malena Morales	Alicorp	Vice President of Corporate Affairs
Cesar Vargas	Anheuser-Busch InBev	US Chief External Affairs Officer
Yogaraj Premsingh Varma	Apollo Tyres	Head, Corporate Communications
Osamu Ishizaka	Asahi Group Holdings, Ltd.	Head of Corporate Communications, Executive Officer
Marie Hosking	ASB Bank	General Manager Corporate Affairs
Rob Six	Avery Dennison	Vice President, Global Communications
Fernanda Scozzafave	Avon	Head of Global Insights and Avon Masterbrand
Robert Calamari	Bank of America	Senior Vice President
Francisco Rodríguez Daniel	Banorte	Executive Director of Corporate Communications
Marlene Wolf	BASF	Senior Specialist Strategic Topic Planning & Steering
Sabrina van der Puetten	BASF	Vice President Strategic Communications & Reputation Management

Name	Organisation	Role
Colognesi Massimiliano	BAT	Head of External Affairs
Rachna Panda	Bayer CropScience Limited	Vice- President and Country Head for Communications, Public Affairs and Sustainability South Asia
Maya Donevska	BHP	Vice President, Corporate Affairs Asia
Claire MacAleese	Boeing	Communications Director Europe & Israel
Cheryl Chung	Boohoo Group	Head of Corporate Affairs
Ed Petter	BT	Group Corporate Affairs Director
Francisco Lebrija	Cemex	Global Head of Communications and Public Affairs
James Newman	Chiliz	Director of Corporate Affairs
Michelle Hecht	Citizens Bank	EVP, Head of Communications
Julian Hunt	Coca-Cola Europacific Partners	Vice President, Public Affairs, Communications and Sustainability GB, Norway & Sweden
Charlotte Cool	Compass Group	Group Director of Communications
Giuseppe Zuliani	Conad	Marketing Director
Robert Corbishley	Conduent	European PR Manager
Noriko Rzonca	Cosmo Energy Holdings Co., Ltd.	Senior Executive Officer, Chief Digital Officer, Corporate DX Strategy Dept.
Yoshitake Katayama	Daikin Industries, Ltd.	Department Manager, Publicity Group, General Affairs Dept.
Ulrike Mühlberg	Deutsche Post DHL Group	Vice President Political Communication and Coordination Corporate Public Affairs
Michael Schlechtriem	Deutsche Telekom AG	Corporate Communications, Vice President Communication Strategy & Development
Dominic Redfearn	Diageo	Global Brand and Communications Director
Rajalakshmi Azariah	Diageo India (United Spirits Limited)	Head Corporate Brand & Communication
Luis Reinaldo Mastroeni	Dos Pinos	Corporate Affairs and Sustainability Director

Name	Organisation	Role
Clare Harbord	Drax Group	Group Director of Corporate Affairs
Fergus Campbell	eBay	Head of Corporate Communications
Cristina Parenti	Edison	Senior Vice President of Communications. Head of Communications and External Relations
Amy Hytowitz	Edwards LifeSciences	Vice President, Global Communications and Public Affairs Strategy
Henrik Øinæs Habberstad	Equinor	Head of brand and creative
Alan Jeffers	ExxonMobil	Global Head of Communications
Antonio Mariani	GBFoods	General Manager
Meg Thurlow	GE	Global Director, Public Affairs
Nelson Silveira	General Motors South America	GM Director, Communications Strategy South America / Board Member Aberje
Pedro Torres	Gerdau	Global Head of Corporate Communications and Institutional Branding
Øystein Thoresen	Gjensidige Insurance	Communication Director
Martha Kavanagh	Glanbia	Director of Corporate Affairs
Pamela Argáez	Grupo Elektra	Reputation Strategy Director
Gagliano Giuseppe	Gruppo Hera	Group Manager of External Relations
Paul Pellizzari	Hard Rock	Vice President, Global Social Responsibility
Julia Foley	Healthscope	Chief Corporate Affairs Officer
Hans Daems	Hitachi	COP26 Director
Bryce Davies	IAG	Executive Manager Corporate Relations
Pablo Fernández	Intercorp	Communication and Corporate Positioning Manager
Kai Boschmann	International SOS	Chief Marketing & Communications Officer
Pratiksha Thakur	Jio-bp	Head of Corporate Communication
Jill Feldon	Kaiser Permanente	Vice President, Strategy Communication
Lisa Sanders	Keir Group	Group Head of Communications and Marketing

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REPUTATION COUNCIL PARTICIPANTS 2022

Name	Organisation	Role
Cristian Sala	Kelly Services	Managing Director & Board member
Steve Lombardo	Koch Industries	Chief Communications and Marketing Officer
Miwa Okamura	Konica Minolta, Inc.	Corporate Vice President, Investor Relations and Corporate Communications
Tom Goddard	KPMG	Director of Communications
Patrik Sabatier	L´Oréal Brazil	Chief Corporate Affairs & Engagement Officer
Charlotte West	Lenovo	Executive Director, Global Corporate Communications
Scott James	Lloyds Banking Group	Head of Reputation Strategy, Planning and Creative
Caroline Jackson	LV= General Insurance	Head of Public Affairs
Kaidee Horton	LV= General Insurance	Head of Corporate Communications
Andy Pharoah	Mars	Vice President, Corporate Affairs & Sustainability
Jeff Mochal	MGM Resorts International	Senior Vice President, Corporate Communication
Sara Sizer	Mondi	Group Communication & Marketing Director
Matthew Vander Laan	Monosol	Vice President of Corporate Affairs
Stuart Williamson	Nationwide	Director of Communications
Julian Regan-Mears	Neptune Energy	Director of Corporate Affairs
Javier León	Nestlé	Head of Marketing, Consumer Communications and Corporate Affairs - Perú & Bolivia
Anita Wälz	Nestlé Deutschland AG	Director Sustainability & Corporate Communications
Takashi Endo	Nidec Corporation	Senior Manager, Investor Relations & CSR Promotion Department
Peter Murphy	Novartis	Country Head of Communications and Patient Engagement
Martin Zander	Otto Group	Division Manager Corporate Communications
Aimee Goldsmith	P&G	Senior Director, Sustainability & Company Communications
Tania Magalhães	PayPal	Director of Communications, Latin America

Name	Organisation	Role
Tom Steiner	Pearson	Vice President, Corporate & Financial Communications
Regina Teixeira	PepsiCo	Senior Corporate Affairs Director
Dana Gandsman	Pfizer	Vice President, Enterprise Reputation
Ben Rhodes	Phoenix Group	Brand Director
Roger Lowry	QBE Insurance	Head of Communications and Marketing
Emily Riley	Radian	Executive VP Chief Marketing and Communications Officer
John Stackhouse	RBC	Senior Vice-President, Office of the CEO
Peter Edwards	Reckitt	Global Public Policy and Stakeholder Management Director
Paul Abrahams	RELX Group	Head of Global Corporate Communications
David Flynn	Roche	Corporate Communications Lead
Jamie Nicholson	Roche Pharmaceuticals	Corporate Affairs Manager
Natalie Whitty	RSA	Strategy, Communications and Marketing Director
Steffen Genders	Samsung	Director Public Affairs
Monica Masciantonio	Scotiabank	Vice President, Government Affairs
Jorge Paradela	Sevilla FC	Business General Manager
Laurie Barnett	Southwest Airlines	Vice President, Communications and Outreach
Suzie Rook	SSE	Head of Group Brand and Design
Barry Neville	Standard Chartered	Global Head External Communications, CCIB Marketing and Europe
Karyn Munsie	Suncorp Group	EGM Corporate & Regulatory Affairs
Michelle Salcedo	Sura	Manager of Corporate Communication, Human Management and Sustainability
Abhinav Kumar	TATA Consulting Services	Chief Marketing & Communications Officer - Global Markets
Joel Kingsbury	TE Connectivity	Senior Director, Head of Global Brand Marketing
Massimiliano Paolucci	Terna Group	Head of External Relations, Institutional Affairs and Sustainability

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Name	Organisation	Role
Ivan Dompè	Terna SpA	Chief of Communications
Fabio Sabba	Uber Brazil	Director of Communications
Barnali Das	Uber India	Head of Corporate Communications, India & South Asia
Stacey Zolt Hara	Udemy	Senior Vice President, Head of Corporate Communications
Arijit Sarkar	Unilever	Head of North America Strategy
Julio Gama	Vale	Global Director of Communications
Sukanya Chakraborty	VFS Global	Global Chief Communications Officer
Morgan Bone	Virgin Money	Head of Corporate Affairs
Mark Hooper	Visa	Senior Director, Corporate Communications, Europe
Paul Cohen	Visa	Senior Vice President, Chief Communications Officer
Ed Mayer	Voya Financial	Vice President, Corporate Communications
Paul Lyon	Wolters Kluwer	Senior Director | Global Corporate Communications | GRC Marketing/Comms/Planning
Julia Sobrevilla	Yanbal	Corporate Sustainability Manager

117 senior corporate communicators were interviewed as part of this year's Reputation Council report. Some Council members requested that their participation remain anonymous, therefore 110 contributors are named here.

REPUTATION COUNCIL PARTICIPANTS 2022

IPSOS CORPORATE REPUTATION – REPUTATION RESEARCH SPECIALISTS

For business leaders who aspire to better decision-making in reputation, corporate communications and corporate policy development, the Ipsos Corporate Reputation team is the insight industry's most trusted source of specialist research and guidance.

The Ipsos Corporate Reputation team helps organisations build resilient reputations and stronger relationships.

Our approach is tailored and carefully designed to meet each client's individual needs, and our research directly drives business performance:

- Measuring reputation performance relative to peers
- Identifying the drivers that create reputational value
- Defining the stakeholders that influence reputation
- Shaping a stakeholder engagement strategy
- Building communications campaigns and measuring impact
- Understanding future opportunities and risks around reputation
- Measuring the impact of a crisis, and responding to it
- Clarifying the actions necessary to deliver on strategic objectives

This support helps organisations strengthen their reputation capital – the ability of a brand to command preference in the marketplace – and optimise its relationships across its stakeholders.

FURTHER INFORMATION

Milorad Ajder
Global Service Line Leader
Ipsos Corporate Reputation

e: milorad.ajder@ipsos.com

Trent Ross
Chief Research Officer
Corporate Reputation

e: trent.ross@ipsos.com

www.ipsos.com

: @Ipsos
e : reputation@ipsos.com

GAME CHANGERS

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