



Environmental Shift: ESG insight gives way to economic plight

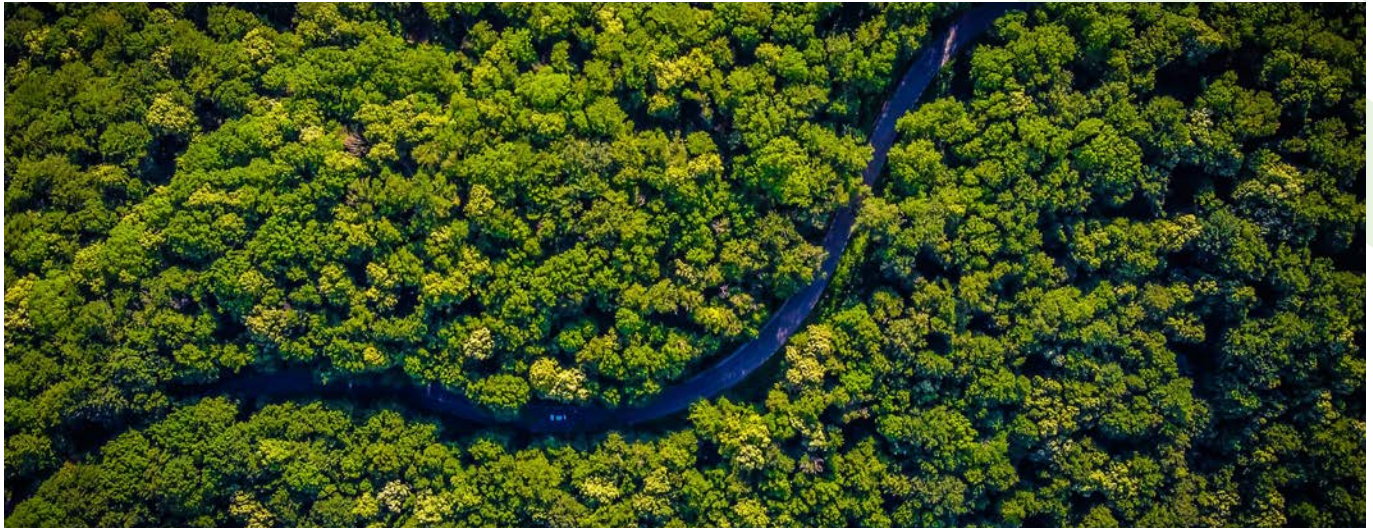
A quarterly review of ESG thought
leadership themes in the media

Autumn 2022

lutherpendragon

Executive Summary

It has been a year since Luther's first review of Environmental, Social and Governance (ESG) thought leadership in the media, which was released in the build up to COP26. The 12 months since have seen ESG themes remain high on the agenda, with coverage generally rising throughout the year.



However, in the run-up to COP27 our AI-powered analysis finds that Q3 of 2022 (July, August and September) saw the lowest volume of ESG thought leadership coverage since the project began. Notably, this was driven by declines in environmental and social coverage. Instead the agenda has shifted towards global economic turmoil and amid it, the UK's own plights. The fall was mitigated in part by an increase in coverage of governance-related thought leadership, though from an already low base.

Social and environmental thought leadership coverage fell at significant rates - by 12 and 16 percent respectively. Governance coverage did not rise by enough to alter the share of coverage between the three areas by any real margin. However, the distribution of coverage within the major ESG themes changed markedly.

Environmental issues faced the steepest fall in thought leadership coverage. This is likely a consequence of three months of significant political and economic events. 'Climate change' and 'carbon emission' continued their trend of decline from the last quarter, as pressures on energy systems across Europe meant that the focus remained on global energy security and domestic policy to tackle energy bills. With COP27 now firmly on the horizon, we expect this trend to soon reverse.

Media discussion of social thought leadership revealed some counter-intuitive trends, with discussion of 'racial equality' rising as mentions of 'inclusion' fell. The focus on the diversity of the Conservative leadership election, and of the new Cabinet, were mostly responsible for driving this trend. 'Labour relations' was yet again a glaring white space and garnered little attention – noteworthy given the disruption that occurred in the last quarter.

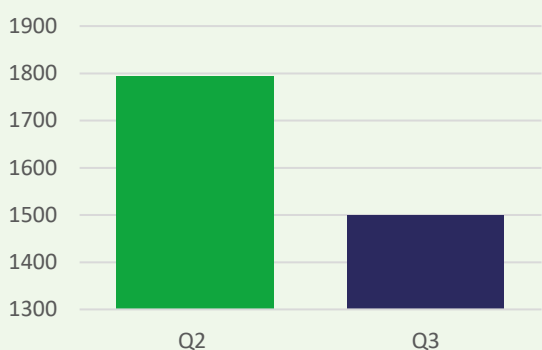
At first glance, governance again appears to be the poor relation of ESG, given the much lower levels of coverage than the 'E' and 'S'. However, a closer look reveals an area that is resurgent from a very low quarter for coverage in Q2, and that touches upon topics that matter to people. How organisations conduct themselves, what (and how much) social benefit they provide, and how they challenge unfairness will be important issues as economic troubles really begin to bite. This is not an area to ignore.

It is clear that, as events shift the news environment, topical and incisive thought leadership around ESG themes is needed and valued. Those producing thought leadership need to understand the direction of travel and the factors shaping it if they are to attract audience attention. With the COP27 climate summit approaching, ESG themes, and particularly the environment, will top the news once again – and organisations that adopt the right agenda focused approach will be well positioned to lead.

Environment

In Q3, environmental thought leadership coverage fell to its lowest level since Luther's analysis began, and was 13 percent lower than the average for the previous four quarters. Continuing a trend observed in our previous report, Q3 coverage featuring the terms 'carbon emission', 'climate change' and 'environmental impact' declined from Q2. The fall in environmental stories in Q3, however, extends well beyond those terms – coverage of every term monitored relating to environmental thought leadership declined from the previous quarter.

Total Environmental Thought Leadership Coverage



This drop-off occurred during a period marked by environmental transformation, from floods displacing over 33 million people in Pakistan, to record-high temperatures in the United Kingdom. Why, then, would thought leaders and the media reduce focus on such a salient issue?

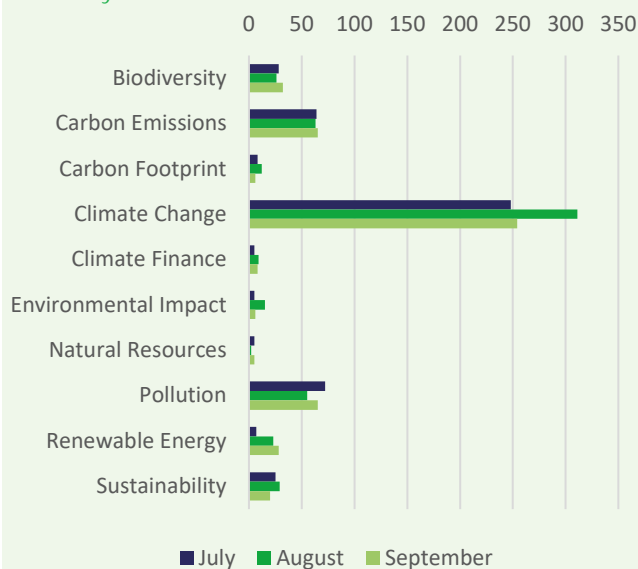
The environment's place on the news agenda was overtaken internationally by rising inflation and a deepening cost-of-living crisis. Inflation rates have been compounded by an international energy crisis, and in particular a battle for gas supplies. The geographical extent and seriousness of these issues served to drive the environment down the media agenda.

The lowest months for environmental thought leadership coverage were July, followed by September. In part, this can be explained by the resignation of Boris Johnson as Prime Minister in July; the election of his successor Liz Truss in September; and the death of Britain's longest-serving monarch thereafter. Such sudden and momentous events inevitably crowded out thought leadership and media coverage of environmental issues.

However, Q3 headlines suggest a continuation of the pattern observed in our previous report: economic and geopolitical elements of the energy debate diverting attention from environmental ones. July saw Russian energy giant Gazprom cut gas supplies to Europe, ostensibly due to maintenance work on its Nord Stream 1 pipeline. Ongoing supply disruption caused Germany to impose energy-saving measures later on in the month, limiting the use of lighting and heating in public buildings.

Q3 therefore saw Europe's energy security weakened even further, causing another surge in household gas and electricity bills – which rose by an average of 27% on October 1st in the UK. Environmental aspects of the energy debate were therefore usurped again by financial and geopolitical ones, with stories on 'environmental impact' registering another quarterly drop of over 20%.

Environmental Thought Leadership Monthly Breakdown

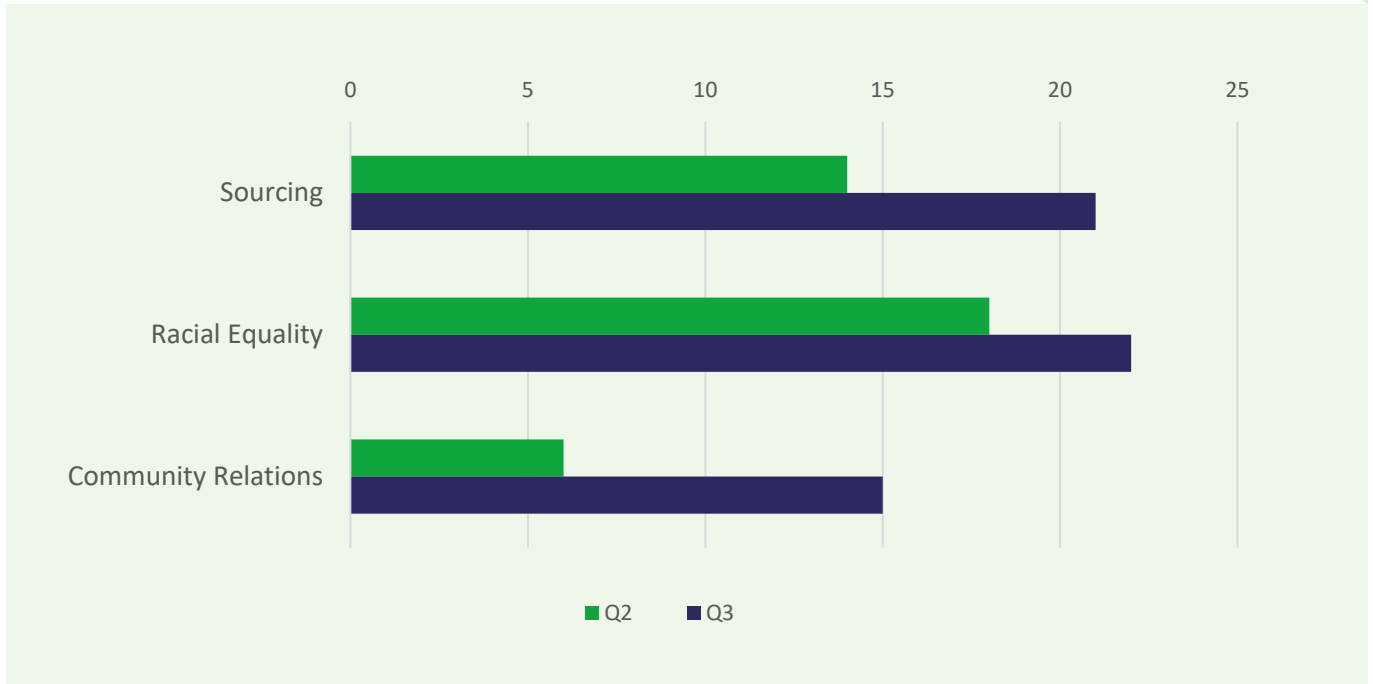


Coming up to COP

Environmental issues look set to return to the top of the agenda before the next COP summit in November. Continued controversy over British energy saving campaigns will focus minds on environmental issues, as National Grid warns of potential blackouts to come. The cancellation of King Charles' speech at the conference – at the behest of Downing Street – has also reignited media interest in the topic. As COP27 inches closer, this spotlight will grow brighter still. Thought leadership discussing the impact that global energy and trade systems have on emissions and the natural world will get a better hearing than it has in recent months.

Social

This quarter saw a marked fall in coverage of thought leadership on social issues. Social thought leadership coverage was at its lowest level observed in our analysis, with the exception of Q4 in 2021. There was a fall of 12% in this quarter's data based on Q2 of 2022.



However, unlike environmental thought leadership, where there was a fall across all areas of coverage, the picture was more nuanced for social thought leadership. In fact, 'sourcing', 'racial equality' and 'community relations' had considerable increases in coverage, with each seeing an increase of 50, 22 and 150 percent respectively.

The rise in thought leadership on the issue of racial equality may in part be explained by the diversity of candidates in the Conservative leadership election.

It was also driven by new research from the Department for Education, which broke down the backgrounds of those admitted to Russell Group universities. Many media outlets used this research to reflect on the state of racial equality in the UK, and to consider the need for promoting social mobility.

Furthermore, the cabinet appointed by Prime Minister Liz Truss upon her leadership election victory was the most diverse in history. After her initial appointments, none of the 'Great Offices of State' were held by white men. Organisations may again look to generate insights on why diversity issues remain persistent in business whilst progress has been made in the highest offices of politics.

Interestingly, the rise in coverage of thought leadership on racial equality can be contrasted with falls in coverage on topics such as 'inclusion' and 'diversity'. Organisations who can effectively explore the relationships between these issues and how they impact one another will be able to cut through what is an increasingly complex outlook for social thought leadership.

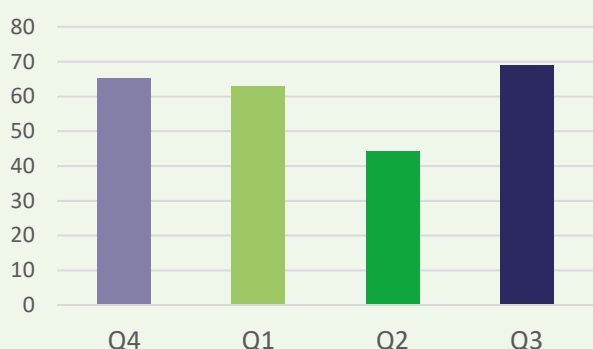
As we have commented on in previous reports, thought leadership around 'labour relations' remains as untapped as it was in Q2. Unlike the issue of 'racial equality', a rise in media attention on the issue of 'labour relations' has not translated into a significant rise in thought leadership on the area. As industrial action has not led to a resolution between the RMT and railway companies, it is likely that strikes and labour unrest will continue to rise. As postal workers continue their industrial action together with teaching and nursing unions balloting their members for strike action, it is anticipated that there will continue to be a space for measured thought leadership on the issue of 'labour relations'.

Governance

As has been the case in previous reports, governance was the least covered part of the ESG agenda, with only 69 stories on governance-related thought leadership compared to 300 for social and 1501 for environmental. However, governance bucked the trend of decreasing coverage, receiving 25 more articles in Q3 than in Q2. This increase needs a little context, however. The volume of 69 governance stories is on a par of that registered during the first quarter of 2022 and the last quarter of 2021. Given this, Q2 looks like an outlier and this set of results a return to normal.

The last report highlighted a large increase in stories focusing on ‘tax transparency’, a trend that continued into this quarter with 11 pieces of coverage. In part, this increase was driven by the Government’s proposed tax reforms, the cancellation of the rise in corporation tax,

Governance Thought Leadership over the last four quarters



and debates over windfall taxes on energy companies. The topic will likely continue to dominate coverage given the reforms the Economic Crime Bill is proposing for Companies House and the Serious Fraud Office.

In all, the last three months has seen a lot of debate about what is the correct amount for companies to contribute, and as economic conditions get tougher this will rise further up the agenda as a question of basic fairness. Organisations that can authentically explore original, insightful arguments in this area are likely to receive a lot of attention in the next three months.

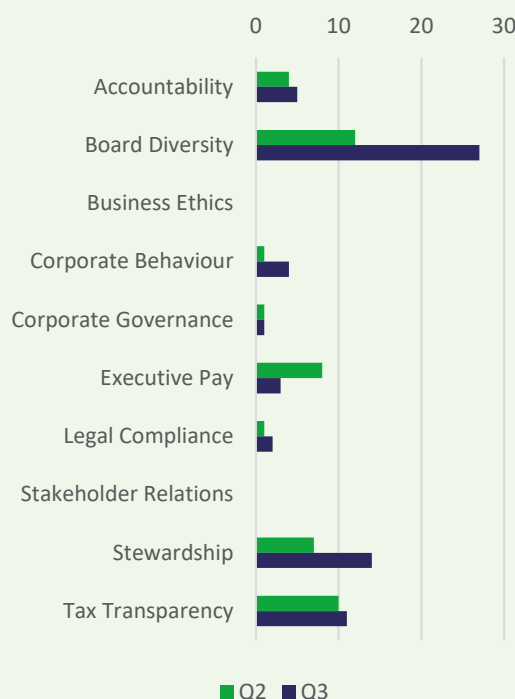
Surprisingly, mentions of thought leadership discussing ‘executive pay’ fell in Q3 as compared with Q2, from eight mentions to three. Kwasi Kwarteng’s recent ‘mini-budget’ announcing the abolition of the bankers’ bonus cap and the additional tax rate, along with Hunt’s u-turn’s on other taxes will likely mean that this rises back up the news agenda heading into Q4.

An investigation into pensions, which found that women

entering retirement have smaller average pensions than men across every industry, was largely responsible for doubling the coverage of ‘stewardship’ in Q3 compared to previous quarters. This highlights how consumers are concerned to see that the businesses they use protect them properly, and work to ensure fair outcomes. With financial services firms working hard to implement the new Consumer Duty, thought leadership that investigates how best organisations can look after their customers will likely receive a lot of attention.

The last report noted that the governance aspect of ESG increasingly touched on areas that resonated with people, and the increasingly difficult economic context makes that especially true. In the last quarter, issues of fairness and basic consumer protection show that this remains true. Organisations that have unique perspectives about the role businesses can play in turbulent times will do well in an area that remains uncrowded by other voices.

Corporate Governance - most discussed topics



Conclusions and opportunities

Events meant that ESG issues were forced a little more to the sidelines in the last three months, but events over the next three will bring ESG centre-stage once more. Intelligently used, thought leadership on these issues will put organisations on the front foot, helping them lead the conversation on the most important topics.

As this paper shows, 'white spaces' remain and there is plenty of opportunity for new insights to make an impact. COP27 will mean that some less-covered issues will rise back up the agenda and provide a chance for distinctive voices to lead the conversation. Below, we set out a series of conclusions and recommendations for attracting attention to thought leadership insights.

Environmental

- > Q3 2022 saw concerns about energy transition give way to concerns on energy security. This has dampened discussion of emissions, environmental impact and climate change.
- > COP27 means that these issues will attract more attention in Q4, and organisations can explore these and the overlap of energy crisis and climate change.
- > As gas pipelines from Russia go offline, the drive for domestic sources of gas will intensify. The UK Government has pledged to remove barriers to fracking and will allow further exploitation of resources in the North Sea. Those who produce insight on the environmental impact of these decisions will be able to make a significant impact on environmental debates.
- > Natural disasters in Florida and Pakistan, and extreme temperatures in the UK, mean that the impact of climate change is increasingly relevant. New analysis will be attractive to media and audiences.

Social

- > Equality and diversity have been a significant factor in recent political events and at times have dominated analysis of the UK's recent political changes. Organisations can leverage this to generate further momentum and debate on these issues.
- > The fall in coverage of thought leadership on inclusion represents a possible gap in recent thought leadership on issues of race and diversity. Organisations could explore this issue further.
- > Industrial action remains an under-utilised topic, and there is an opportunity to explore both the impacts and causes of this as strikes continue.

Governance

- > Lower levels of insights and coverage around governance issues mean that interesting and inciteful thought leadership is likely to stand out.
- > Many of the issues that fall under governance are becoming politically prominent due to a mixture of economic trouble and Government action. Thought leadership on the role of business in the economy and society more broadly would be timely.

Methodology



Luther Pendragon uses an AI-powered media monitoring platform to analyse all UK national media online and print output during the set period, identifying thought leadership on ESG. Each category was divided into ten subcategories, which covered the spectrum of ESG topics and have all been reported on during the set period.

To identify relevant articles, all UK national media output is monitored using a custom thought leadership filter, which identifies articles focusing on the publication of new research. Qualifying articles must refer to one of the 30 ESG subcategory terms in the headline or opening paragraphs, indicating that the subcategory in question is relevant to the article. The media monitoring platform uses artificial intelligence to build an understanding of the search it is executing, and exclude articles which are not relevant.

Environmental	Social	Governance
Carbon footprint	Gender equality	Corporate governance
Climate change	Racial equality	Board diversity
Carbon emissions	Diversity	Stewardship
Climate finance	Inclusion	Tax transparency
Pollution	Community relations	Business ethics
Biodiversity	Labour relations	Legal compliance
Sustainability	Data security	Accountability
Environmental impact	Privacy	Stakeholder relations
Natural resources	Reputation	Executive pay
Renewable energy	Sourcing	Corporate behaviour

Have a question about communications and thought leadership around the ESG agenda?

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