Working towards brighter ESG reporting

A new survey into the performance of B2B brands suggests that many need to focus more sharply on their corporate purpose and ESG strategies, writes **Stephen Butler**.

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B2B brands have fresh challenges to meet. With developments relating to COVID-19, ESG, climate change and stakeholder capitalism, businesses are expected to adjust and reprioritise. In doing so, they need to consider how they present themselves to the outside world in the new normal.

B2B Brightest Brands: an industry-first study

As a strategic communications partner with expertise across brand and culture, investor engagement and ESG disclosure, and sustainability and impact, Luminous identified that there was a gap in evaluating and measuring the success of B2B brands which, if filled, could provide valuable insights into how companies are performing in terms of their brand.

Measuring B2B alongside B2C brands, as many indexes do, risks overlooking the different audiences, decision-making processes, stakeholder relationships, market trends and even societal expectations at play between the two, and so we felt it was important to focus solely on B2B brands – an industry first – and launched our extensive 'B2B's Brightest Brands' research in February 2021.

Our strategy and insights panel analysed 200 of the UK's largest publicly listed and privately owned companies and ranked each brand against the ten most important criteria (0 = 'dull', 10 = 'bright') based on publicly available data. We devised ten criteria focused on the specific areas that B2B brands need to focus on in order to succeed in the new normal, including 'clear and compelling purpose' and a 'clear ESG strategy driven by purpose'.

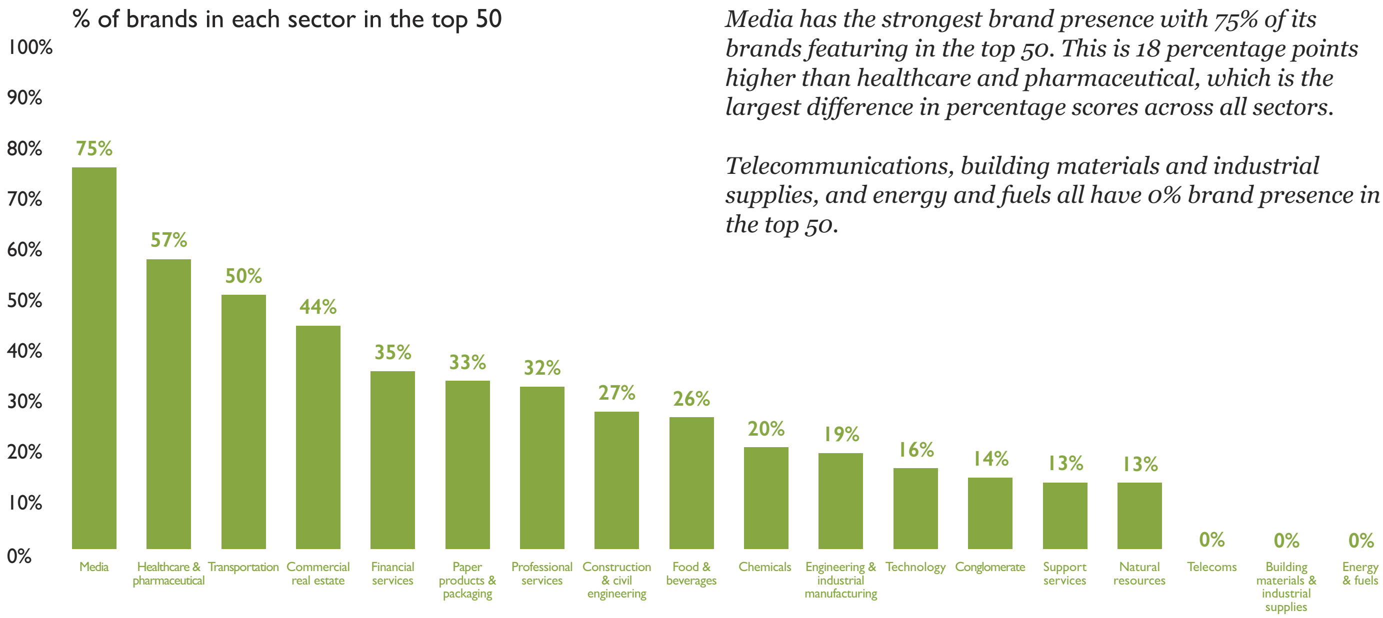
Overall findings

Our findings determined that the majority of B2B businesses in our 200 data set were not 'shining bright' for their brands. 65% had an average score below 5 out of 10 and 34.5% scored an average of between 5 and 9. Only 0.5% of B2B brands had an average score above 9.

Going deeper into the data, 20% were found not to have corporate values and a notable 24% of companies lacked a purpose statement. By contrast, our study showed B2B businesses scoring much higher against ESG, averaging 6 out of 10.

Finally, it is encouraging that companies are investing in ESG, yet the disparity in scores between purpose and ESG suggests that companies are not always fully integrating ESG into their business. Instead, they appear to be focusing on ESG as a standalone area.

Sector presence across the top 50 B2B brands



Media has the strongest brand presence with 75% of its brands featuring in the top 50. This is 18 percentage points higher than healthcare and pharmaceutical, which is the largest difference in percentage scores across all sectors.

Telecommunications, building materials and industrial supplies, and energy and fuels all have 0% brand presence in the top 50.

Clear ESG strategy driven by purpose

Our success criteria for a 'clear ESG strategy driven by purpose' looked for:

- a clear link between the company's purpose and ESG strategy;
- a mix of quantitative and qualitative targets with clear dates; and
- an established and transparent approach to measurement and data disclosure.

When measuring this area, some common pitfalls also became evident:

- treating sustainability as a box-ticking exercise rather than putting it front and centre of the brand experience; and
- disparate, one-off activities such as charitable giving with no overarching strategy and no reference to the wider impact of a brand's activity on the social and natural world.

Sector-specific findings

Looking more closely at ESG scoring by industry sector and sub-sectors, paper products and packaging was the highest scoring of the study at 9.5 out of 10, ahead of banking at 8.8, insurance at 5.88 and investment management and private equity at 4.64. Technology was the lowest scoring sector in relation to ESG at just over 4 out of 10 and although the natural resources, and energy and fuels sectors tended to score well for ESG, results varied widely between companies which reduced the overall rating of these sectors.

Across the professional services sub-sectors, accountancy scored the highest (6.75), followed by law (5.58) and consultancy (5.25), suggesting that, while many will provide sustainability advice to their clients, they may lack their own ESG strategy.

Tips for a purpose-driven ESG strategy

Armed with these latest insights, and building on the work we have successfully completed for our clients, we believe there are certain key points that companies should consider when addressing their corporate purpose and developing a strategy:

A clear purpose

Define a clear purpose that speaks to the 'why' rather than the 'what', in a way that is authentic, relevant and aspirational. Acting as a true north star, a company's purpose should guide everything from business strategy to transformational change.

Priority topics

Establish clear priorities for action, defined through a robust materiality process that includes research across the value chain and engagement with stakeholders.

ESG strategy

Ensure that the ESG strategy is aligned to the company purpose and that it is clear, measurable, transparent, aspirational and achievable. It should contain long- and short-term goals as well as key performance indicators.

Integration into core business

Wherever possible, link elements of the sustainability strategy closely with business processes (e.g. sustainable supply chain priorities into the supply chain strategy).

Integration into risk management and decision-making

Embed ESG in risk management, particularly for climate change, which represents a material risk to many companies. ■

The full B2B's Brightest Brands survey is available at: brightestbrands.luminous.co.uk