5

Corporate Strategy and Implementation

This chapter focuses on practical actions that business leaders are taking at the firm level to implement a more stakeholder-oriented approach that integrates ESG risks and opportunities into their core business strategy and operations across their value chain.

Business leaders have four over-riding priorities in any company that aims to create sustainable enterprise value and deliver on the principles of stakeholder capitalism:

- Commit to and demonstrate *shared* purpose and values
- Leverage opportunities to create *shared* value
- Manage *shared* risks to protect value
- Evaluate and report on performance for *shared* accountability[1]

This calls for companies to have a clearly articulated corporate purpose beyond profit and a set of values that are embedded in company culture, strategy and decision-making. It requires a rigorous and systematic process to identify the risks and opportunities that are most material to the company and most salient to its stakeholders—its employees, other workers, customers, suppliers, distributors, communities, shareholders, governments and the environment. In turn, this process enables management teams to develop strategies and business plans, to set internal and public goals and targets and to evaluate and report on performance against these to drive business improvement and where needed business transformation.

In today's dynamic and complex operating context, priorities and strategies are likely to change and continuous improvement may not be sufficient.

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Change is increasingly disruptive, as experienced by rapid technology shifts, the COVID-19 pandemic and other acute and systemic shocks. Even when change occurs more slowly, driven by evolving demographics, environmental conditions, regulations, consumer demands, investor interests, social norms and technologies, there is a growing need for executive teams to be agile, adaptive and resilient.

Comprehensive and consistent stakeholder engagement is essential to achieve all these business leadership goals. Executive leaders and their teams must have systematic plans and processes in place to identify, engage with, listen to, learn from, influence and cooperate with key stakeholders, both internally and externally. They must be able to judge what the company can achieve working within its own business model and value chain and where and when it needs to work with others, including competitors in certain cases, to address systemic market failures and governance gaps. Regardless of whether the company is focused on achieving results through its own business model and value chain or on helping to drive change as a stakeholder itself in the broader system, the ability to navigate a multitude of diverse and dynamic stakeholder relationships—both supportive and adversarial—is crucial to success.

In the book, *Profits with Principles*, one of us made the case with our co-author, Ira Jackson, that to create both shareholder and societal value, business leaders are taking practical action in each of the following areas:

> When managing their wider impacts on society, these companies are moving beyond a mind-set that is bounded by *compliance* with laws and regulations; the *control* of risks, costs, liabilities and negative impacts; and *community investment* or philanthropy. They see compliance, control and community investment as necessary but insufficient building blocks to becoming outstanding corporate citizens. They are also aiming to *create new value* for stakeholders, including but not only shareholders. They are implementing strategies to create new products and services, change operational processes, build new alliances, enter new markets, support new institutional structures, and in some cases even transform business models, so that they meet social and environmental needs as well as customer demands and aspirations. They are looking to create societal value as well as shareholder value.[2]

Figure 5.1 illustrates that these four approaches are not mutually exclusive. Indeed, companies must be implementing them simultaneously if they aim to create sustainable enterprise value and to become more stakeholder oriented:

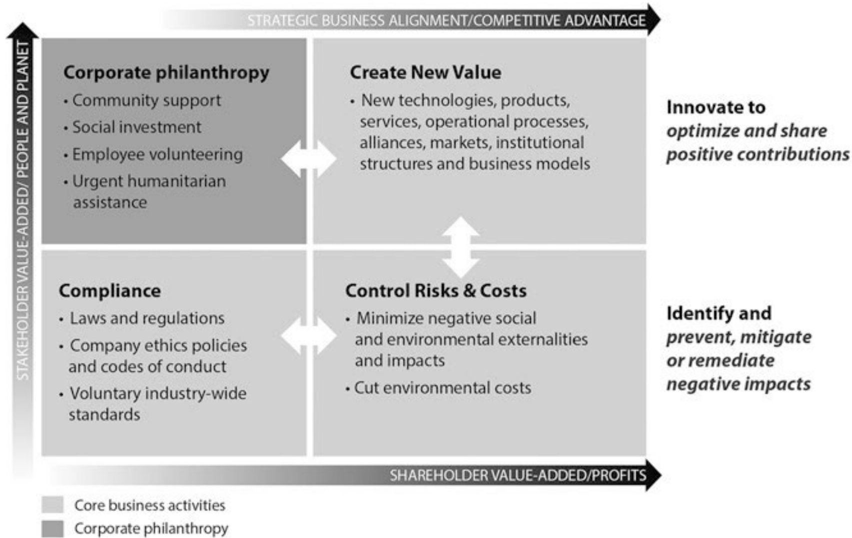

Fig. 5.1 Four components of a credible and comprehensive stakeholder-oriented strategy
(Adapted from: Jane Nelson. Chapter 3 *Leveraging the Development Impact of Business in the Fight Against Global Poverty* in Brainard, Lael (ed). *Transforming the Development Landscape: The Role of the Private Sector*. The Brookings Institution Press, Washington DC, 2006. Page 50; and Ira A. Jackson and Jane Nelson, *Profits with Principles*. Currency Doubleday, 2004. Page 54)

- *Compliance* with the law as well as with voluntary corporate and industry-wide codes of conduct.
- *Control* of environmental, social, governance and digital risks, costs and negative externalities (i.e., protecting value or *managing shared risks* to the company, people and the environment).
- *Community investment*, including strategic corporate philanthropy, social venture capital and employee volunteering.
- *Creating new value* that meets societal needs and builds competitive advantage, through new technologies, products and services, processes, alliances, markets and business models.

Commit to and Demonstrate Shared Purpose and Values

No company can be effective in implementing and sustaining a stakeholder-oriented approach without having a company-wide sense of shared purpose and commitment to a common set of values. Many major global corporations have a purpose statement. A growing number of these are framed in terms of how the company aims to solve social and environmental challenges and/or address stakeholder needs. Most companies also have a set of values. Yet, there

is cynicism among stakeholders when executive teams do not adhere to these values, especially if the corporate culture, executive behaviours and formal and informal rewards and recognition systems are not aligned with them.

As outlined in the pages that follow, developing a compelling corporate purpose statement and set of values, and ensuring that these are credibly and consistently embedded in decision-making at all levels of the company, is one of the most important leadership roles that a CEO and her or his executive team has. It is foundational to creating shared value, managing shared risks and ensuring shared accountability for the company and its stakeholders.

Leverage Opportunities to Create *Shared* Value

The greatest scale and impact by far that any company can have on leveraging opportunities and creating shared value is through its *core business operations and value chains*. These include the company's commercial activities and relationships in the workplace, the marketplace, and along its entire value chain, whether global, regional or local. Later in this chapter, we explore some of the ways that companies are making ambitious commitments and investing in innovation in new technologies, products, services, financing mechanisms and business models to create shared value by explicitly and measurably solving social and environmental challenges. There is a growing consensus that it will be impossible to meet the commitments of the Paris Climate Agreement or achieve the Sustainable Development Goals, without massive private sector investment and innovation of this type. Equally, the companies that undertake these activities in a commercially viable approach have opportunities to tap into the multi-billion-dollar markets that are evolving in systems such as energy, food and agriculture, health, financial products and services, transportation and mobility, and construction and infrastructure.

Over the past few decades, a variety of useful frameworks have emerged to guide companies in creating shared value. The one that has received the greatest traction in corporate boardrooms and executive suites is outlined in Professor Michael Porter and Mark Kramer's 2011 article in *Harvard Business Review*, "Creating Shared Value: How to Reinvent Capitalism—and Unleash a Wave of Innovation and Growth."[3] They identified the following three distinct ways that companies can create economic value by creating societal value:

- Reconceiving products and markets
- Redefining productivity in the value chain
- Building supportive industry clusters at the company's locations[4]

Other terms and frameworks that underpin the same core message of *intentional and measurable management strategies to achieve value creation for both shareholders and other stakeholders* include:

- Impact Investing—an approach developed from an investor perspective and initially framed by the Rockefeller Foundation.[5]
- Corporate Social Opportunity—an idea advanced by Professor David Grayson and Adrian Hodges.[6]
- Reimagining Capitalism—a term and approach framed by Professor Rebecca Henderson and her colleagues at Harvard Business School.[7]
- Conscious Capitalism—a term made popular by the founder and former CEO of Whole Foods, John Mackey.[8]
- Total Societal Impact—a term developed by the Boston Consulting Group.[9]

In addition to core business activities, companies can also create shared value by having a strategic, competence-led approach to their corporate *community investment, philanthropy and employee volunteering* activities. These activities are unlikely to achieve the scale and impact that core business models and value chains can reach. Nor will they have as direct a link to company profit, competitiveness and shareholder value. Yet, they can still provide substantial benefits to a company's stakeholders. If the community investments made by companies or their corporate foundations are aligned with areas of core business competence and capabilities, they are more likely to also benefit the company, achieve scale and impact and be sustainable over the longer term. Examples include:

- banks and other financial institutions leveraging their corporate philanthropy to increase financial inclusion, financial literacy and economic mobility;
- pharmaceutical companies establishing product donation programmes for medicines and diagnostics during a humanitarian crisis or to serve low-income communities in addressing specific disease burdens;
- food and beverage communities supporting smallholder farmers and retailers, community food banks and school feeding programmes in low-income areas; and
- energy, utility and information and communications technology (ICT) companies providing access to essential physical and digital services in times of crisis or to marginalized communities.

In some cases, philanthropic or social investments may also serve as seed capital, incubators, prototypes or catalysts for testing out new technologies, products and services that could over time become commercially viable and profitable, as well as scalable.

Manage *Shared* Risks to Protect Value

Effective strategies to create shared value are necessary, but not sufficient. They cannot be implemented in isolation to the corporate responsibility to *manage the shared risks*, costs and negative impacts to the business and to people and the environment that may result from a company's business model and activities.

Whether it is preventing human rights abuses or managing environmental risks, companies are under growing pressure from investors, regulators and other stakeholders to demonstrate they have the necessary capabilities and management systems to identify, mitigate and where necessary remediate risks to people and the environment, as well as risks to the company. Failure to effectively manage such risks can seriously undermine credibility and stakeholder trust in the company, damage corporate reputation, weaken the ability to create sustainable enterprise value and in some cases threaten both the company's social and legal licence to operate.

As detailed further in this chapter, to effectively manage shared risks, companies must have rigorous policies, standards, due diligence processes and internal audit systems in place to be compliant with the law and with industry-wide voluntary standards on ethical, environmental, social and governance issues. They must have their own company-wide corporate codes of conduct and rigorous systems to implement these as well as mechanisms to hold all managers, employees and business partners accountable for doing so. And, they must have enterprise risk management systems in place that embed ESG&D risks, costs and negative externalities. None of this is a "tick-the-box" exercise. Over the past two decades the disciplines of ESG&D compliance and risk management have evolved significantly. The depth and breadth of technical and management expertise that are needed to identify and manage these risks continues to grow in the face of disruptive shifts and longer-term trends.

Evaluate and Report on Performance for *Shared* Accountability

Establishing clear and time-bound goals, targets and metrics for creating shared value and managing shared risks, undertaking rigorous data collection, evaluation and analysis of these, and reporting publicly on the company's performance are essential for ensuring transparency and accountability

with stakeholders. They can help to strengthen the quality of business decision-making, reward and hold managers to account, and build and retain the trust of key stakeholders. Goals and targets should be structured in a way that they can be quantitatively measured or qualitatively assessed and comparable from both a longitudinal perspective and relative to the performance of other business peers and competitors. While more companies are making their priority ESG goals and targets public and reporting on their performance against these, increasingly with third-party assurance, there is a long way to go. Chapter 6 outlines the growing importance of integrated corporate reporting and collective efforts to establish a global sustainability reporting framework.

Figure 5.2 summarizes these key business leadership pillars.

The following sections focus on some of the ways that companies are putting a stakeholder-oriented business model into practice through their actions to:

- Embed purpose, values and ESG priorities into corporate strategy and operations
- Strengthen management of material *and* salient ESG&D risks

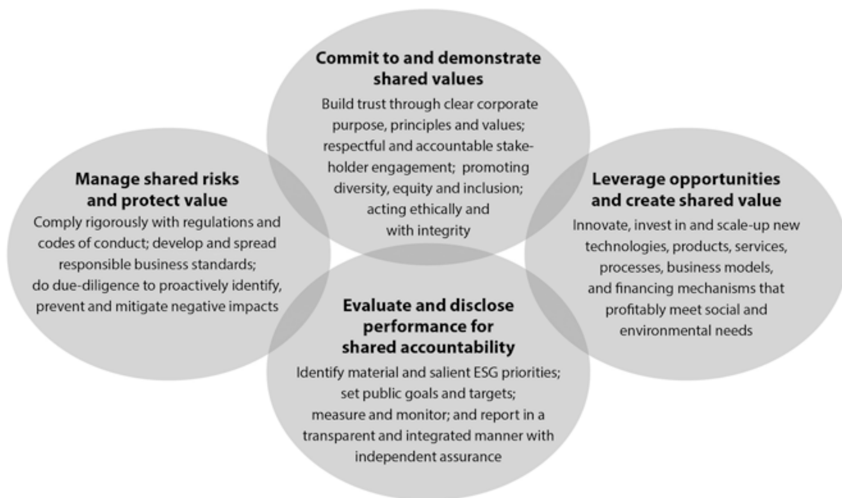

Fig. 5.2 Business leadership pillars of values, value creation, value protection and evaluation
(Adapted from: Jane Nelson. *Corporate Citizenship in a Global Context*. Working Paper No. 13. Corporate Social Responsibility Initiative, Harvard Kennedy School. May 2005. Pages 9–10)

- Invest in technology and innovation to drive inclusive and sustainable growth
- Promote employee well-being, talent, diversity and inclusion
- Establish robust and accountable mechanisms for engagement with external stakeholders

5.1 Embed Purpose, Values and ESG Priorities into Corporate Strategy and Operations

In today's dynamic, multi-issue and multi-stakeholder operating context, the clarity and credibility of a company's publicly stated purpose, values and ESG priorities, and the way they are communicated and embedded in the company's strategy, operations and culture are more important than ever.

As one of us stated with our co-author in the book *Profits with Principles*:

> Each company has the core purpose of providing goods and services that meet customer needs or aspirations and yield a profit. In great companies, purpose extends beyond short-term profit and the creation of shareholder value. It often encompasses a longer-term vision to contribute to improve people's lives and be a force for progress in the world. Together with principles and values, purpose is what a great company stands for and would stand by even if adhering to them resulted in a competitive disadvantage, missed opportunity or increased costs. Purpose, principles and values are the bedrock of excellence. The way they are articulated and implemented plays a key role in determining the company's strategic direction, its corporate culture, and the policies and incentive systems by which it operates and impacts the world.[10]

As outlined in Chap. 4, strong alignment between corporate purpose, values and ESG priorities with corporate strategy, operational priorities and incentives as well as company culture, norms and behaviours are crucial. A lack of coherence and consistency between these key drivers of business performance is justifiably one of the major drivers of stakeholder cynicism and mistrust in companies and their leaders, both internally among employees as well as among external stakeholders and opinion-formers.

There are too many examples of a company communicating positive social and environmental stories and projects while its government relations teams, trade associations or lobbyists are lobbying governments for policies and

regulations that undermine the very same social or environmental goals at a system level. Equally, as ESG becomes a strategic business imperative in most industry sectors, there are more examples of so-called greenwashing where the company's marketing and product promises don't live up to the reality of what the company is in fact delivering. Or examples of CEOs and senior managers who are not held accountable or penalized for actions they have taken that fail to adhere to or undermine the company's stated purpose and values. Regulators as well as journalists, non-governmental organizations, groups of employees and consumer organizations are ramping up efforts to identify such examples where business leaders are failing to "walk the talk."

In short, a corporate purpose and set of values outlining how the company can profitably serve stakeholders should be the lodestar for how executives and managers develop and implement strategy, make major capital allocation, investment and business planning decisions as well as day-to-day operational decisions, lead and motivate their teams, and engage with internal and external stakeholders.

The Enacting Purpose Initiative, a collaborative effort among academic and practitioner organizations, has published several papers providing guidance for boards and executive teams on developing and implementing a credible corporate purpose[11] and on measuring purpose.[12] Business Fights Poverty, one of the world's largest online communities for business and sustainability practitioners, has developed a toolkit on how to embed purpose in business activities, drawing on discussions and written feedback from several hundred business and civil society stakeholders.[13] In her book, *Brands on a Mission*, Dr Myriam Sidibe introduces five key drivers for embedding corporate purpose: behaviour change, partnerships, brand advocacy, measurement and senior executive support.[14]

These guidelines and other research on aligning corporate purpose, values and ESG priorities with strategy and operations highlight three key lessons that are relevant for any company.

5.1.1 The Importance of Rigorous Stakeholder Consultation and Engagement

Executives need to support structured and sustained stakeholder consultation, especially with employees, but also with external stakeholders and advisers in defining or revising the company's purpose and values and keeping ahead of

key ESG trends, risks and opportunities. Equally important, they need to give employees an active voice and opportunities to "live the company's values, purpose and ESG priorities." This includes empowering employees to integrate them into their daily business responsibilities and activities and into relevant employee engagement and volunteering activities, both internally through business resource groups, employee affinity groups, green teams, social venture networks and other company-supported or self-organizing groups and externally through engagement with customers, suppliers, other business partners, ESG experts and communities. It includes investing in talent development, career progression and incentive programmes that explicitly recognize and value employee leadership in these areas. Equally importantly, it requires robust and credible processes that enable employees to speak up, including in confidence through ethics lines and whistle-blower mechanisms, when they witness misconduct or potential misconduct. Examples of specific mechanisms for engagement with employees and other stakeholders are reviewed later in the chapter.

5.1.2 The Importance of Combining Materiality and Salience

It is important that senior business leaders undertake rigorous analysis of external trends and scenarios, internal performance data and stakeholder perspectives to identify those ESG&D risks and opportunities that are most *material* to the company's success and most *salient* to its stakeholders. This includes but goes beyond undertaking a sustainability materiality analysis. They should identify the few key "big bets" where the company has the greatest potential to achieve large-scale and sustained impact through profitably addressing key environmental and social challenges and meeting stakeholder needs. In addition, they should commit to manage, monitor and account for the broader range of ESG&D risks and opportunities that are relevant for the company and its industry sector or areas of operation. Once the ESG&D priorities are identified and there is broad agreement among the executive team, business unit heads and key operational and functional managers, then explicit policies, processes and incentives need to be established or revised to ensure that these ESG&D priorities are aligned with corporate strategy pillars and with the company's core business planning, operational, financial and functional priorities.

5.1.3 The Importance of Credible Communication and Accountability

Senior executives, from the CEO, CFO and COO to other functional and business unit leaders, should be proactive champions for the company's values and purpose and sufficiently well-informed and fluent in the company's ESG&D priorities to communicate and demonstrate these clearly and consistently, both internally and externally. In addition to personally "walking the talk," they should ensure that ESG&D priorities are accompanied by specific, time-bound and measurable goals and targets and supported by company policies, standards and incentives. Ideally, these priorities and goals should be included in the full range of company communications and outreach platforms from annual reporting to social media, from presentations to investors to meetings with government officials and community leaders, and from employee townhalls to annual performance reviews and recognition programmes. Underpinning the above, senior business leaders should commit to measuring and accounting for performance on a regular and consistent basis. As outlined in Chap. 6, public reporting of performance data that is independently assured is a crucial foundation for credible communication and accountability.

The examples in Box 5.1 illustrate how four companies from different industry sectors are working to embed a clear purpose and stakeholder orientation into their core business strategy pillars, business planning and operations and their engagement with investors and other stakeholders, not only into the work of their sustainability team. There are a growing number of other examples. They include Mars, Incorporated and its long-standing commitment to the principle of "mutuality" and its *Sustainable in Generation Plan* launched in 2017; PVH's *Forward Fashion* strategy established in 2019; Shell's *Powering Progress* corporate strategy and bp's *Reimagining Energy* strategy, both launched in 2020; IKEA's commitment to becoming *People and Planet Positive*, published in 2018; Marks and Spencer's *Plan A* framework for delivering long-term sustainable business value, which was launched in 2010 and has been refreshed several times; Natura's *2050 Sustainability Vision*; Abbott's *2030 Sustainability Plan*; Solvay's *One Planet Roadmap*; Olam's *Re-imagine Global Agriculture* framework; and A.P. Moller-Maersk's *All the Way* strategy and growth plan to digitize, democratize and decarbonize supply chains; among others.

Box 5.1 Examples of Companies That Have Integrated ESG and Stakeholder Priorities into Their Corporate Purpose and Strategy

The following examples illustrate how four diverse companies are working to integrate ESG and stakeholder priorities more fully into their corporate strategies and purpose statements:

Johnson & Johnson's Credo and Health for Humanity 2025 Goals. J&J is well known for its pioneering role in explicitly stating its commitment to stakeholders, including but beyond shareholders, through its long-standing ***J&J Credo***. Created in 1943, the Credo states, "We believe our first responsibility is to the patients, doctors and nurses, to the mothers and fathers and all others who use our products and services."[15] The Credo then goes on to outline its responsibility to three other groups of key stakeholders, "our employees who work with us throughout the world," and "the communities where we live and work and to the world community as well," and "our stockholders." The company's corporate purpose states: "We blend heart, science and ingenuity to profoundly change the trajectory of health for humanity."[16]

Alongside its corporate strategy focused on innovation and excellence in execution, J&J has established a set of 21 ***Health for Humanity 2025 Goals***. These are focused on addressing two of the greatest health challenges facing humanity, namely, pandemics and epidemics and global health equity, as well as raising the bar within and beyond the company's own walls through its focus on employees, planet, and partners and suppliers. These goals are also explicitly aligned with the Sustainable Development Goals. The company's board has oversight of performance against the goals and results are reported annually alongside financial results.

Bank of America's Responsible Growth Strategy. The implementation of BofA's Responsible Growth Strategy is one of the foundational shifts that the company has made resulting from lessons learned during the 2008 global financial crisis, alongside its shift from more traditional corporate philanthropy to an enterprise-wide commitment to embedding ESG risks and opportunities into the company's eight lines of business. Today, the bank states its corporate purpose as follows: "We are guided by a common purpose to make financial lives better through the power of every connection." It goes on to state, "We've transformed Bank of America into a simpler, more efficient company that combines two crucial areas: growing the economy while creating tangible value for our business, our clients and the communities we serve. We're helping create jobs, develop communities, foster economic mobility and address society's biggest challenges around the world."[17]

The company's Responsible Growth Strategy consists of four pillars: 1) We must grow and win the market—no excuses. 2) We must grow with our customer-focused strategy, serving three groups of customers: people, companies, and institutional investors. 3) We must grow within our risk framework. Noting that all employees are responsible for proactively managing risk as part of their day-to-day activities through prompt identification, escalation and debate of risks. This includes environmental and social risks. 4) We must grow in a sustainable manner. This requires progress across three dimensions: driving operational excellence, being a great place to work for our teammates and sharing our success with our communities.[18]

(*continued*)

Box 5.1 (continued)

The bank has established a Global ESG Committee, composed of the senior executives from the bank's business lines, key functions and geographies of operation. Alongside delivering on its own Responsible Growth Strategy, the bank and its CEO, Brian Moynihan, has also played a leadership role in working with the World Economic Forum's International Business Council and the Big Four accounting firms, Deloitte, EY, KPMG and PwC, to develop a set of common stakeholder capitalism metrics relevant for all companies.[19]

Danone's One Planet. One Health Vision. In 2017, building on its 2005 purpose to "bring health through food to as many people as possible," Danone unveiled a new logo and the following vision statement: "One Planet. One Health. These words reflect our vision that the health of people and the health of the planet are interconnected. It is a call to action for all consumers and everyone who has a stake in food to join the food revolution: a movement aimed at nurturing the adoption of healthier, more sustainable eating and drinking habits."[20] In addition to explicitly aligning its corporate strategy and growth model to the concept of "sustainable value creation," the company is also taking ground-breaking action to implement more holistic legal and governance structures and business models. It became the first listed company in France, for example, to adopt the "Entreprise à Mission" model created by the French "Pacte" law in 2019. An "Entreprise à Mission" is defined as a company whose social and environmental objectives are aligned with its purpose and set out in its Articles of Association. The status was officially embedded in Danone's Articles of Association and registered in July 2020.[21]

Danone has also become one of the leading multinational corporate champions of the B Corp certification model. As of mid-2021, it reported, "A total of thirty-seven Danone entities have now earned B Corp™ Certification. As a result, approximately 50% of Danone's global sales are now covered by B Corp™ certification, marking significant progress towards Danone's ambition to become one of the first certified multinationals."[22] Alongside setting nine ambitious goals for sustainable value creation, which are explicitly aligned to the SDGs and verified by a Mission Committee composed of well-respected and mostly independent sustainability experts, Danone has also created three innovative social innovation funds to help it pioneer more inclusive growth models: the Danone Ecosystem Fund, and the Danone Communities and Livelihoods Funds. These funds draw on company resources as well as provide a mechanism for shareholders, employees and other funding partners to participate.

The Unilever Compass. Building on the lessons and insights gained from its ten-year Unilever Sustainable Living Plan (USLP), in 2020 the company launched the Unilever Compass, a new corporate strategy with sustainability and a multi-stakeholder model at its core. As CEO, Alan Jope, outlined, "The Compass sets out our vision to be the leader in sustainable business globally—and we mean sustainable in the broadest sense of the word: socially, environmentally and economically. It is our new, fully integrated corporate strategy which builds on the successes and the lessons learnt over the last ten years of the USLP. It will have nine imperatives and 15 multi-year priorities that cover the full spectrum of our business and our wider ecosystem, with a range of ambitious targets that are more holistic, inclusive and far-reaching than ever before."[23]

(*continued*)

Box 5.1 (continued)

The company's corporate purpose to "make sustainable living commonplace" is underpinned by the three beliefs that brands with purpose grow, companies with purpose last and people with purpose thrive. Alongside the company's multi-year financial framework, which is focused on competitive growth, profit growth, cash generation and top one-third TSR performance, it has also set ambitious public sustainability goals and targets in the areas of climate action; protect and regenerate nature; waste-free world; positive nutrition; health and well-being; equity, diversity and inclusion; raise living standards; and future of work. Among these goals are ground-breaking commitments to adopt regenerative approaches to nature and environmental impacts by moving beyond having a net-zero impact to achieving a net-positive contribution. The company has also been one of the first multinationals to make a public commitment to living wages, with the goal of "ensuring that everyone who directly provides goods and services to Unilever will earn at least a living wage or income by 2030."[24]

The company will report on performance against the Unilever Compass and details of its engagement with stakeholders in its annual report. In addition to having a long-standing Sustainability Advisory Council and a Sustainable Sourcing Advisory Board, both composed of independent, external experts, the company has established a Next Gen Sustainability Council, which it describes as "a collective of young advocates, who are independently connected to broader youth bodies. … [which] aims to capture the voice and expectation of young people across key sustainability issues that are critical to the people and planet ambitions of the Unilever Compass."[25]

In addition to examples of company-wide strategic alignment between sustainability and corporate strategy, there are a growing number of companies that have made substantial commitments and "Big Bets" focused on specific but large-scale and system-level ESG issues. Especially notable are public, time-bound and measurable goals to achieve science-based net-zero or carbon negative climate change solutions, water stewardship and circular economy models and to dramatically scale up people's access and affordability of essential goods and services and pay living wages as pathways to tackle inequality.

In summary, alignment of corporate purpose, values and ESG priorities with corporate strategy, operations and culture matters more than ever in today's complex operating context. Senior executives have a responsibility to "walk the talk." This matters for reasons of individual and institutional ethics, integrity and leadership as well as taking responsibility for the company's social and environmental performance, both positive and negative. It also matters for the quality of the company's stakeholder relations and its operational and financial performance. As Larry Fink the CEO of BlackRock, with US $9.5 trillion in assets under management as of the second quarter of 2021,[26] has commented,

> Without a sense of purpose, no company, either public or private, can achieve its full potential. It will ultimately lose the license to operate from key stakeholders. It will succumb to short-term pressures to distribute earnings, and, in the process, sacrifice investments in employee development, innovation, and capital expenditures that are necessary for long-term growth. It will remain exposed to activist campaigns that articulate a clearer goal, even if that goal serves only the shortest and narrowest of objectives. And ultimately, that company will provide subpar returns to the investors who depend on it to finance their retirement, home purchases, or higher education.[27]

5.2 Strengthen Management of Material *and* Salient ESG&D Risks

In addition to having a credibly embedded corporate purpose and set of values, responsible business conduct is another core foundation of a company's commitment to implementing stakeholder capitalism and creating sustainable enterprise value.

As the OECD outlines, "Responsible business conduct (RBC) entails above all compliance with laws, such as those on respecting human rights, environmental protection, labour relations and financial accountability, even where these are poorly enforced. It also involves responding to societal expectations communicated by channels other than the law, e.g. inter-governmental organisations, within the workplace, by local communities and trade unions, or via the press, and private voluntary initiatives."[28]

Despite substantial progress made by many companies over the past few decades, there continues to be public mistrust in large corporations in many countries and scepticism about their voluntary commitments to managing and mitigating ESG&D risks. To effectively address these risks and build trust with stakeholders, business leaders must be able to demonstrate that their company has:

- **Policies, standards and due diligence processes** in place to identify, understand, mitigate and manage ESG&D risks that are material to the business and salient to people and the environment. These should include guidance for operational leaders on appropriate escalation pathways to executive management when risks or bad practices are identified at the operational and site level or among suppliers and other business partners.

- **Accountability, grievance and mediation mechanisms** in place that are accessible by relevant stakeholders and that provide access to remedy in situations where it can be demonstrated that people's rights or the environment have been negatively impacted as the result of the company's business model or activities.

In addition to the risk management systems that companies establish within their own operations, they can work with their suppliers and other business partners to spread responsible business practices further along local and global value chains through implementing supplier codes of conduct and working with business partners to agree on shared priorities and implement compliance and auditing, training and capacity building programmes. They can also participate in industry-wide or thematic multi-stakeholder platforms aimed at setting voluntary norms, rules and standards, establishing accountability mechanisms, and harmonizing and spreading common sustainability metrics and reporting standards. Examples of some of these platforms are provided in Chaps. 6 and 7.

Key lessons of effective ESG&D risk management within a company include the following.

5.2.1 Invest Time to Engage Stakeholders in Rigorous Materiality Analysis and Due Diligence

Like any type of risk at any level of the company, managers must understand the ESG&D risks that are already or are likely to become *material* to the company's own operational, reputational and financial performance. It is also important for them to be aware which ESG&D risks are *salient*, in terms of having a negative impact on people's rights and livelihoods or on the environment, even if they don't pose a material risk to the company. The concept of *double materiality* is increasingly used, especially in Europe, to include salience. It can be defined as both "financial materiality" and "impact materiality."[29]

Over the past decade, the Sustainability Accounting Standards Board (SASB) and the Global Reporting Initiative (GRI) have been instrumental in making a strong business case for the materiality of ESG risks and in providing companies and investors with useful guidance on how to assess the risks that are likely to be most material in different industry sectors. The Taskforce

for Climate-Related Financial Disclosure (TCFD) provides useful guidance for thinking about, assessing and disclosing financial risks associated with climate change.[30] Platforms such as the Greenhouse Gas Protocol, CDP, the Science-Based Targets Initiative and the Science-Based Targets Network are helping companies to think about environmental risks and how to set targets and report on performance. The key role of these and other accountability platforms are covered in Chap. 6. The UN Guiding Principles on Business and Human Rights provide companies with useful guidance on the concept of "salience" and salient human rights risks that all companies should consider when looking at the "S" in ESG&D.[31]

It is important that companies use these and other frameworks as a starting point and not a checklist. One of the most important aspects of undertaking regular and credible materiality and salience analysis is effective engagement with key internal and external stakeholders. Although the "headline risks" such as climate change, human rights, health and safety, water, biodiversity, tax payments, diversity and inclusion, data use and privacy are common across industries and companies, most ESG&D risks are complex, dynamic, nuanced and context specific. They cannot be adequately or credibly addressed through a simple "tick-the-box" exercise. Some have a rigorous scientific base, especially environmental risks, but most of them are relationship-based. Even scientifically measurable environmental risks manifest themselves as stakeholder or relationship risks, with water insecurity, loss of livelihoods due to deforestation and climate injustice being key examples.

As such, structured engagement with stakeholders, ranging from expert advisers and advisory councils to systematic consultation with diverse employees, customers and host communities, and above all establishing mechanisms to hear from affected people, is one of the most valuable ways that companies can widen their risk assessment lens. Listening to and learning from diverse perspectives can help to identify issues that the company's managers may not have considered as material or salient. Stakeholder engagement can also help to identify trends and to mitigate against impediments such as unconscious bias, over-reliance on traditional disciplines and "group think" when it comes to identifying current and future ESG&D risks. Overall, such engagement is important for strengthening the company's due diligence and accountability processes to enable it to better manage and mitigate those risks and to build mutual respect and trust with stakeholders in solving problems when they occur.

5.2.2 Integrate ESG&D Risks into Enterprise Risk Management and Risk Appetite Frameworks

As Ceres noted in a 2019 report on ESG risk management, "Historically, ESG issues have been viewed as different from other major categories of risk such as enterprise, business-management and emerging/non-traditional risks. This view is based on an incomplete understanding of how ESG issues have affected companies. Some of the biggest issues facing companies today, such as technological disruption, workforce issues and supply chain concerns, are linked with environmental and social factors."[32]

Just as we've made the case for board-level oversight of ESG risks in Chap. 4, it is essential that such risks, along with new digital and other technology risks, are fully integrated into the company's core risk management systems and not relegated to a "sustainability" or corporate responsibility management silo. This requires ownership of these risks by top executives, business units and operational leaders and their systematic review as part of risk tolerance and appetite discussions, enterprise risk management processes, business planning and budgeting processes and key business development activities, from R&D to mergers and acquisitions. As outlined in Chaps. 4 and 6, the development of public commitments and targets for managing the company's most material and salient ESG&D risks and public disclosure on performance against these, underpinned by rigorous internal audits and independently verified third-party assurance, are essential to creating sustainable enterprise value. Investors are starting to demand it, regulators are starting to mandate it and other stakeholders are starting to expect it.

In terms of mainstreaming ESG&D issues into enterprise risk management, a useful source of guidance for companies comes from a collaboration between COSO and the World Business Council for Sustainable Development (WBCSD). COSO is a voluntary private sector organization dedicated to developing comprehensive frameworks and guidance to companies on internal control, enterprise risk management and fraud deterrence. It is jointly sponsored by the American Accounting Association, the American Institute of Certified Public Accountants, Financial Executives International, the Institute of Management Accountants and the Institute of Internal Auditors. In 2018, COSO and WBCSD published "Enterprise Risk Management: Applying Enterprise Risk Management to Environmental, Social and Governance-Related Risks."[33]

They adapt COSO's well-established Enterprise Risk Management Framework and provide companies guidance on how to integrate ESG risks in the following five areas:

1. Governance and culture for ESG-related risks
2. Strategy and objective-setting for ESG-related risks
3. Performance for ESG-related risks—including identifying risk, assessing and prioritizing risk, and implementing a risk response
4. Review and revision for ESG-related risks
5. Information, communication and reporting for ESG-related risks[34]

In addition to implementing this or a similar process throughout the company, some leading companies are also providing public information on their ESG&D and wider enterprise risk management frameworks, including the executives who have ownership and accountability for managing material risks within the senior leadership team. These frameworks are being published in a variety of channels, for example, through annual reports, proxy statements, sustainability reports and dedicated website pages to cover controversies that the company is facing.

5.2.3 Commit to Dynamic Reviews and Stress-Testing of Risks

Linked to the above is the need for ongoing review and stress-testing of ESG&D risks and, where needed, adaptation of priorities. The sheer complexity and dynamism of today's operating environment for companies, especially those with a global footprint, cannot be over-emphasized. This was the case even before the COVID-19 pandemic and the rising impacts of climate change, inequality and injustice that have dominated headlines in countries around the world in recent years. These developments have put risks to people and human rights or the "S" in ESG in the spotlight as rarely before. At the same time, they have reminded us that the "E" risks have not gone away and in many cases have continued to accelerate and intensify, most notably in the context of the climate crisis. And, as corruption and other governance challenges have continued to be a problem in the face of political tensions in many countries, nationalism and public revenue seeking, and the need for massive government recovery and stimulus packages, the "G" remains as important as ever. Not to mention the dramatic acceleration of digital platforms and their influence on business operations, people's lives and politics, all of which have ramped up data stewardship or "D" risk management challenges.

An August 2020 governance newsletter from PwC, drawing on research by Intelligize, captured the dynamism and challenge of the current risk environment for companies. It noted, "In a testament to the COVID-19 pandemic's disruptive influence on business, Intelligize has found that 1,366 companies included risk factors related to 'health epidemics and diseases' on their Form 10-K in 2020. That's up 619% from 190 companies last year. No other risk factor that the firm examined increased by more than 15%. The remainder of the top five fastest-growing risk factors include: international trade restrictions and protectionism (+13.8%); natural disasters, climate change, and extreme weather (+11.4%); anti-corruption law (+10.3%); and employee misconduct (+10.1%)."[35] Almost every one of these increased risk factors is related to ESG&D issues.

Given this level of dynamism and complexity, alongside the long-standing trends outlined in Chap. 2, business leaders must be constantly reviewing and stress-testing their approach to risk management and be agile and adaptive in managing ESG&D risks. A one-off materiality analysis every few years and once a year updates of ESG&D risk registers and risk heat maps are no longer sufficient.

5.2.4 Leverage Technology to Improve Risk Management: And Manage the Risks of Technology

Technology is another increasingly valuable tool to improve the identification and management of ESG&D risks. The use of AI and data analytics can be especially valuable in helping companies to:

- Assess and manage their environmental risks, through a variety of surveillance and drone technologies.
- Scrape data from social media and other platforms for patterns and diverse insights on current and emerging issues, trends and views of the company.
- Strengthen integrity and compliance systems within the company.

In the case of integrity and compliance, for example, research by members of the World Economic Forum's Global Future Council on Transparency and Anti-Corruption concludes that tech is one of the most promising drivers of integrity. They state, "Data-driven, tech-based anti-corruption solutions are rapidly expanding in sophistication and potential. The transparency they enable is critical for anchoring confidence in business and restoring trust in government. Tech innovations, powered by data and behavioural insight, are

disrupting corruption risks and boosting integrity systems. They are accelerating new forms of accountability based on the smarter exploitation of big data and fostering new public-private partnerships for integrity. In the digital era, data has become a critical asset for integrity actors to detect and deter fraud risks, complex networks and corrupt practices."[36]

There are numerous ways companies can use digital technology to better identify and manage risks. At the same time, this technology—both the analytical capabilities and platforms and the privacy and use of the data that powers them—is obviously in itself a rapidly growing source of ESG&D risk. As we outlined in Chap. 3, it is a material risk to the company, most notably in terms of cybersecurity, and at the same time, it poses a combination of risks to human rights and the environment. Companies increasingly need to look at technology from all these perspectives.

Clearly, the dual impact of technology both as a solution to or mitigator of risk and as a source of or aggregator of risk is not unique to this era. Alongside their benefits, new technologies have always created new risks for people and the planet—and for companies. What is unique to this time is the sheer scale and speed of development and adoption of new technologies—life sciences and materials technologies as well as digital ones—and the convergence between them. This scale and speed have only increased with the COVID-19 pandemic. As such, risk managers need to simultaneously increase their use of technology to better identify and manage ESG&D risks while managing the additional risks caused by using the technology itself.

5.2.5 Address Both Acute Risks and Broader Business Model or Systemic Risks

Another challenge that companies need to grapple with is balancing the allocation of resources for risk management between addressing location-specific, short-term or acute risks—such as those that may have a negative impact on a particular business unit or location and negative impacts on people and the environment in the communities or localities surrounding those operations—and addressing and building resilience to more chronic or systemic risks and shocks. As we outlined in Chap. 3, both acute and systemic risks, crises and shocks are on the rise. Large companies particularly, which are exposed in hundreds of locations and contexts, need to be effective at identifying and managing this full range of risks and building resilience at all levels.

A different but related systemic risk challenge is the fact that to date most companies have managed their ESG&D-related risks from the lens of specific

operations, projects, products and services. Relatively few have looked at or engaged with external stakeholders on the risks they create for people and the environment through the nature of their *core business model.* Examples include the following:

- Companies paying workers below a living wage in order to deliver cheap and convenient products and services to wealthier consumers, often on the same day they were ordered in the case of e-commerce.
- Companies producing carbon-intensive products and services while setting carbon emissions goals for their own facilities and operations—that is, managing what the Greenhouse Gas Protocol has framed as Scopes 1 and 2 emissions but not Scope 3.
- Private management of water services and other essential public goods.
- Growing data privacy and ownership issues associated with the ubiquitous and increasingly required use of digital online platforms.

Extensive work is being done in the case of climate change, which is widely recognized both as an acute and a systemic business risk and as a major challenge associated with the business models of many companies, including but not only those in the energy sector. The Taskforce on Climate-Related Financial Disclosure, CDP and the Science-Based Targets Initiative are three leading frameworks aimed at helping companies to identify, manage and account for both the climate-related risks that they face and those that they contribute to as a result of their business model and where and how they operate.

Less work has been done on how to identify and manage the risks to people and human rights caused by systemic trends and different types of business models. This is changing, led by initiatives focused on fundamental shifts related to the future of work and just transition, supported by a vanguard of companies and organizations such as the ILO and international trade unions and employer organizations. The *Valuing Respect Project*, led by Shift, challenges business leaders to answer the question, "Is your business wired in ways that put people at risk?"[37] As the Shift team outline, "Companies spend a lot of time thinking about how to increase value for customers in ways that increase profits for the company: in essence, their business model. Yet few of them consider how the ways in which they do so can carry inherent risks for people's rights. Failing to see the big picture, they risk wasting time and valuable resources on efforts to address issues at an operational level when the reality is they are wired for trouble."[38]

5.2.6 Combine Quantifiable Metrics and Science-Based Targets with Qualitative Insights and Stakeholder Surveys

Financial and operational risks and performance metrics, while increasingly complex, are quantifiable. So too are most environmental risks. Social and governance risks are far less so. As stated earlier, even quantifiable risks and metrics—that is, financial fraud, large gaps between the pay of CEOs and their workers or environmental pollution—have a strong "people" dimension and often an impact on people's lives and livelihoods as well as the quality and trust of stakeholder relations. As such, effective risk management requires a combination of strong technical expertise with relationship management skills. It requires commonly agreed and auditable targets and metrics as well as context-specific and "open to interpretation" conversations and consultations. Given the range and complexity of ESG&D risk factors in today's world, it requires well-resourced internal functional experts as well as access to external guidance and capabilities.

In summary, for almost all companies, the risk management, auditing, accounting and legal functions are more complex, more dynamic, more multidimensional and more important than ever. Developing, recruiting and retaining the best possible functional skills and capabilities are crucial. Making sure they include ESG&D-related risk management skills and capabilities is key. This can also be achieved by increased coordination between these functions and those of human resources, health and safety and sustainability. At the same time, ESG&D risk management, just like financial and operational risk management, must be "owned" by senior executives, business unit heads and operating managers, with board-level oversight. In leading companies, the days of relegating it to a "CSR" silo are long gone.

5.3 Invest in Innovation to Drive Inclusive and Sustainable Growth

One of the greatest opportunities for achieving sustainable enterprise value creation lies in investments in competitive market-based solutions to address social and environmental challenges at scale. There is an untapped opportunity for business leaders to identify and invest in "Big Bets" and the highest potential "innovation pathways" for their own company and industry—pathways that can develop and scale a package of new technologies, products, services, business models and financing mechanisms that profitably serve the public good. Every executive team should be asking themselves the set of innovation opportunity questions outlined in Box 5.2.

Box 5.2 Business Innovations for Inclusive and Sustainable Growth

	Invest in greater equity and inclusion	Invest in environmental conservation and regeneration
Research, develop, leverage and scale new technologies, products and services	What are the digital, materials and life science technologies—and the products and services—that offer the highest potential for our own business to be more inclusive or that can enable us to commercially support other companies to be more inclusive?	What are the digital, materials and life science technologies—and the products and services—that offer the highest potential for our own business to be more environmentally sustainable or to sell sustainability solutions to other companies?
Implement and scale new business models and innovative financing mechanisms	What financing and inclusive business models can we create to include more low-income producers, consumers, workers and business partners in our value chain; enhance lives and livelihoods through paying living incomes and wages; and improve affordability and access of essential goods and services, such as food, nutrition, energy, water, healthcare, housing, transport and education—or to support other companies to meet these goals?	What financing mechanisms and sustainability business models do we need to decrease natural resource use; cut emissions and waste; and deliver transformative solutions to tackle climate change, water insecurity, biodiversity loss and pollution through investing in net-zero or net-positive solutions and pathways—for example, circular economy; frugal innovation; nature-based solutions; regenerative business models?
Build "innovation" and "accelerator" partnerships or system-level platforms with others	Who are the key organizations we could partner with—and who are the individual champions we need to build relationships with to overcome policy constraints or market failures and to drive large-scale impact and systems transformation to tackle inequality and increase inclusion?	Who are the key organizations we could partner with—and who are the individual champions we need to build relationships with to overcome policy constraints or market failures and to drive large-scale impact and systems transformation to drive net-zero carbon and nature positive solutions?

Source: Adapted from: Jane Nelson. *Expanding Opportunities and Access: Approaches that harness markets and the private sector to create business value and development impact.* Corporate Responsibility Initiative, Harvard Kennedy School, 2010. See also: Raj M. Desai, Hiroshi Kato, Homi Kharas and John W. McArthur (eds). From Summits to Solutions: Innovations in implementing the sustainable development goals. Brookings Institution, 2018

As outlined throughout the book, companies cannot do this alone or on an entirely voluntary basis. Substantial changes are required in public policies, regulations and fiscal incentives. ESG&D priorities and market incentives need to be integrated into capital markets and into the investment guidance and decisions of institutional investors, both asset owners and asset managers. Shifts in consumer attitudes and behaviour will also be necessary. Yet, there is much that pioneering companies can and are achieving on their own or through innovation partnerships and accelerators.

The untapped business opportunities of taking ambitious action are immense. As the Business and Sustainable Development Commission concluded in its 2017 flagship report, *Better Business Better World*,

> 60 sustainable and inclusive market 'hotspots' in just four key economic areas could create at least US $12 trillion, worth over 10% of today's GDP. The breakdown of the four areas and their potential values are: Energy US$ 4.3 trillion; Cities: US$ 3.7 trillion; Food & Agriculture US$ 2.3 trillion; Health & Well-being US$ 1.8 trillion. 'Global Goals hot spots' identified in the report have the potential to grow 2–3 times faster than average GDP over the next 10–15 years. Beyond the US$ 12 trillion directly estimated, conservative analysis shows potential for an additional US$ 8 trillion of value creation across the wider economy if companies embed the Global Goals in their strategies. The report also shows that factoring in the cost of externalities (negative impacts from business activities such as carbon emissions or pollution) increases the overall value of opportunities by almost 40%.[39]

The following section focuses on three broad and usually inter-related and mutually reinforcing areas of investment and innovation that offer companies and their stakeholders enormous potential:

- Breakthrough technologies, products and services
- Innovative business models and financing mechanisms
- Innovation partnerships and accelerator platforms

5.3.1 Breakthrough Technologies, Products and Services

Every day, there are encouraging new announcements of companies that are developing or scaling innovative technologies, products and services that have the potential to deliver large-scale and/or "leap-frog" solutions to delivering more inclusive and sustainable growth. Solutions include technologies that can help to improve people's access to more affordable and sustainable energy,

food, healthcare, financial services, physical infrastructure and digital services as well as technology breakthroughs that can help to scale net-zero carbon solutions, water security and other nature positive outcomes.

Over the past 20 years, the Massachusetts Institute of Technology (MIT) has compiled an annual selection of the technologies that MIT's Technology Review team judges will make a real difference. The review avoids what it describes as "the one-off tricks, the overhyped gadgets," and focuses instead on "those breakthroughs that will truly change how we live and work."[40] Over the past five years, most of the breakthrough technologies selected have high potential relevance for solving social and environmental challenges. To achieve scale and sustained impact, they all require leadership by individual companies, including both large-scale multinational incumbent companies and agile technology-led start-ups, as well as partnerships between these companies, research institutes and governments.

In 2020, WBCSD drew on MIT's research as well as its own dialogues with business leaders and technology and sustainability experts, to identify the following emerging technologies that it considers will have the greatest impact on driving more inclusive and sustainable growth:

> artificial intelligence; biosensors; brain-computer interface; connected infrastructure; digital money; digital twin; distributed ledger; edge computing; electric vehicles; energy harvesting; genetic engineering; healthy architecture; nanomedicines; next-gen robotics; plant-based meat; programmable matter; quantum computing; small modular reactors; unmanned aerial vehicles; and 3D-Printing.[41]

The application and scaling of these technologies are resulting in ESG&D-related opportunities and risks for almost all companies, not only those that have developed or commercialized them. Companies that aspire to create sustainable enterprise value should assess the potential of these and other new technologies either to improve the company's own ESG&D performance or to commercially develop new products, services and business models that can help the company to simultaneously meet customer needs and address social or environmental challenges.

5.3.2 Innovative Business Models and Financing Mechanisms

Innovative business models and financing mechanisms are usually essential for developing and scaling new technologies, products and services. A growing number of companies are changing or enhancing their business models to

mitigate or decrease certain ESG&D risks and costs or to create new markets and opportunities that are more inclusive and sustainable in terms of their impact on people and on the environment. Examples include:

- **Circular economy and frugal business models** that are aimed at developing more lean or circular, closed-loop production processes and industrial design.
- **Restorative or regenerative business models** that not only aim to minimize resources used in sourcing, creating and developing products and services, but also aim to put more back into the system than they take out, essentially restoring or renewing systems and different types of social, human and natural capital and building long-term resilience.
- **Inclusive business models** that explicitly aim to include low-income producers, workers, business partners and consumers in corporate value chains with the aim of improving supplier, distributor and retailer incomes and livelihoods and/or improving the affordability and accessibility of essential products and services to low-income consumers or to smallholder farmers and small- or micro-enterprises.
- **Sustainable infrastructure and digitally enabled technology platforms** that can drive large-scale environmental or social impact beyond what an individual company or business model can achieve on its own. These can also include approaches that are regenerative or restorative, with the potential to deliver net-positive outcomes rather than only mitigate negative impacts.
- **Shared use, subscription and omni-channel models**, aimed at using less resources to serve more people in more flexible and inclusive ways.

Innovations in financing are also crucial. Companies and financial institutions such as banks, institutional investors and insurance companies can work individually or collectively to develop hybrid or blended financing mechanisms that help to seed or scale sustainability innovations that may not initially meet traditional corporate finance or investment hurdle rates. These mechanisms can range from internal company social and environmental venture capital funds and innovation competitions and award programmes to external partnerships or joint, blended finance mechanisms with other private and public sector financiers. The dramatic growth in ESG investment funds and products is another crucially important financial ecosystem innovation. These range from best-in-class ESG funds and thematic or sector-based funds to green, social and sustainability bonds. Many are being created as products by major banks, insurance companies and asset managers, others by

companies, social entrepreneurs and foundations. Depending on the product, they can provide retail and institutional investors opportunities to invest in the upside potential of sustainable enterprise value creation while also providing major companies, social entrepreneurs and innovative start-ups with access to capital that can help to fund their ESG priorities.

There are thousands of company commitments and investments emerging in these different types of business models and financing innovations. The following are just a few examples of commitments made in food and beverage value chains and financial inclusion.

In 2021, PepsiCo launched a new Positive Agriculture ambition. This includes a 2030 goal to spread regenerative farming practices across 7 million acres (approximately equal to the company's entire agricultural footprint). Alongside ambitious climate action and water stewardship goals, another goal is to measurably improve the livelihoods of more than 250,000 people in the company's agricultural supply chain by 2030.[42] AB InBev has launched a 100+ Accelerator to fund and support innovators who can deliver breakthrough advances in farmer productivity, water stewardship, product upcycling, responsible sourcing and green logistics.[43] Cargill has set a public goal to provide training on sustainable agricultural practices and improve access to markets for 10 million farmers by 2030.[44] As one of the goals in its sustainable growth strategy launched in 2020, Unilever aims to help 5 million small and micro-enterprises in the company's retail value chain to grow their business through access to skills, finance and technology by 2025.[45] As part of its broader commitment to connect 1 billion people to the digital economy by 2025, Mastercard is working with Unilever and other companies, governments and non-profit organizations through the Mastercard Farmer Network (MFN), which digitizes marketplaces, payments, workflows and farmer financial histories within the agriculture sector.[46] Also focused on financial inclusion, VISA has made public commitments to digitally enable 50 million small and micro-businesses worldwide by 2023 and provide 500 million unbanked/underserved people access to digital payment accounts by 2020, a goal that was met and continues.[47] And through its 5by20® initiative launched in 2010 to enable the economic empowerment of 5 million women entrepreneurs along its value chain, by 2020, the Coca-Cola Company had reached some 6 million women.[48]

These examples and others like them share common lessons:

- In all cases, senior executives have been strong champions. They have set ambitious, time-bound and public goals, and they have empowered their business unit leaders and employees to take scalable action.

- All the companies are leveraging innovative technologies and other capabilities through their core business operations and value chains. They are also participating in innovative financing and implementation partnerships to achieve these goals.
- In each case, they are doing so in a manner that intentionally aims to create tangible and intangible business benefits and value for the company as well as higher incomes and development impact for identifiable groups of stakeholders in their business ecosystem.
- In the case of all the companies profiled, this is already a second round of ambitious, time-bounded goal setting. They recognize the importance of making a long-term commitment while also setting shorter-term milestones, supported by measurable targets.
- They are constantly learning from mistakes and failures, often relying on independent evaluations, and adapting and raising the bar as they move forward.

5.3.3 Innovation Coalitions and Accelerator Platforms

While a vanguard of corporate leaders is proactively moving ahead on an individual basis to harness sustainability innovations as a driver of competitive advantage, there are still insufficient public policies or market incentives for most companies to act. As outlined in more detail in Chap. 7, one way of addressing these gaps is for a group of progressive leadership companies in each industry sector or location to collaborate on setting ambitious shared goals for social and environmental objectives, to advocate for policy reforms and sometimes to partner on R&D and building markets while continuing to compete when it comes to the actual delivery of those goals.

Accelerator platforms can be particularly important in helping to fund and accelerate the research and development of essential medicines, such as vaccines, as well as breakthrough environmental technologies. The urgency and scale of both the climate crisis and the COVID-19 pandemic have been particularly important drivers of rapid innovation partnerships between companies, governments, research institutes and other stakeholders. One example is Breakthrough Energy. This is a coalition of private investors created in 2015 by Bill Gates and working in certain cases with governments to invest in and scale innovations and advocate for policies that will support the transition to net-zero carbon emissions, with a focus on key sectors that produce the most greenhouse gases such as electricity and heat production, transportation, agriculture, manufacturing and buildings. As Gates comments, "More than

anything, we will succeed because of the network of partners we bring to this effort. The investors, philanthropists, corporate and policy leaders who are part of the Breakthrough Energy ecosystem—it will take all of us to compel the major market changes we need to create the future we want for the world."[49]

The ground-breaking public-private-academic and philanthropic partnerships that have rapidly leveraged innovative technologies, new financing mechanisms and non-traditional business models to develop, manufacture and distribute COVID-19 vaccines, tests, treatments and personal protection equipment continues to be a remarkable and historic work in progress. Vaccine development particularly has been a triumph of science and technology combined with adaptive regulatory frameworks, public, private and philanthropic funding, and widespread public health messaging and government and business distribution partnerships. While vaccine hesitancy remains an obstacle in some countries and vaccine inequity in many others, due to lack of access and affordability and challenges in financing, supply chains and manufacturing, the speed and scale of progress has been unprecedented in human history. Innovation and collaboration have been multifaceted. It has ranged from major public and private vaccine developers such as AstraZeneca and Oxford University, Johnson & Johnson, Moderna, Pfizer and BioNTech, Sinopharm and Sinovac to emerging vaccine manufacturers in the Global South. It has included major logistics companies and retailers as well as companies establishing vaccine mandates for their employees. Some of the innovative new models and alliances developed and the lessons learned will continue to be crucial, not only in beating the pandemic, but also in addressing other large-scale and complex global challenges.

In summary, today, there are literally thousands of high potential value-creating innovation examples from different companies and industry sectors, and they continue to grow in number and impact. Some are already delivering solutions for more inclusive and sustainable growth at scale reaching millions of people or having a substantial impact on cutting carbon emissions and improving other global and national environmental outcomes. Yet, they only scratch the surface on what is both possible and potentially profitable for business and what is urgently needed to improve people's lives and protect the planet. To move forward at the speed and scale that are required, more business leaders need to set ambitious goals backed by rigorous data and their core business capabilities. They also need to leverage the reach and capabilities of stakeholder partnerships. As illustrated in Chap. 7, large companies and technology leaders will have a particularly important role in driving industry-wide transformation and building an ecosystem of innovation partnerships, ranging from specific, on the ground projects to large-scale collective platforms.

5.4 Promote Employee Well-being, Talent, Diversity and Participation

Even in an era of massive growth in automation and digitization, companies succeed or fail based largely on the talent, skills, capabilities, productivity, teamwork, vision and creativity of the people who work in them as managers and employees, and of the people who work with them as joint venture partners, contractors, suppliers, distributors and so on. The ability of executive teams to motivate and orchestrate all these people—numbering thousands in large companies—is a more essential leadership skill than it has ever been.

As outlined in Chaps. 2 and 3, the growing importance of intangible drivers of value creation, most of which derive from the creativity, skills and connectivity of people, together with the emergence of a new generation of more digitally connected and socially aware employees, have markedly increased both the importance and the challenge of attracting, recruiting and retaining the best talent. In today's world, companies need people who are not only technically qualified for the job at hand, but also diverse in background and perspective, emotionally intelligent and able to be flexible and adaptive in what is much less of a "command and control structure" than was traditionally the case.

The urgency and the strategic importance of putting people at the centre have grown dramatically because of the COVID-19 pandemic. The most important focus has justifiably been on the need to put people's health and safety first, addressing both physical and mental well-being while managing the acceleration of new models of online and hybrid working and, in many companies, dealing responsibly and humanely with furloughs and job losses.

At the same time, the pandemic has further highlighted inequality in remuneration between corporate executives and their employees in many countries. This is especially the case with respect to essential workers in health, food production, manufacturing, logistics and retail, many of whom have faced substantial health and safety risks when working during the pandemic and yet struggle to earn a living wage while their senior executives earn multi-million-dollar packages.

Prior to the pandemic, research by the Economic Policy Institute, found that average CEO compensation in the US surged 14% in 2019 to US $21.3 million, with CEOs now earning 320 times as much as a typical worker in their company (compared to a ratio of 60-to-1 in 1989 and 21-to-1 in 1965).[50] Compensation inequality in corporate workplaces has combined with the reckoning around racial and other forms of inequality. There is growing recognition in many C-suites that these are valid concerns among the company's own employees, in addition to being a major concern in society more broadly.

In addition, the acceleration towards digitization and a low-carbon economy means that large numbers of current formal jobs will disappear. Managing this transition at the firm level will require a combination of retraining and restructuring to invest in people who will still have jobs in the company and its value chain while also supporting those who are losing their jobs to make a transition. At a broader system-level, large companies and their leaders will need to consider what roles they should and can play in supporting initiatives and policies to improve education and training and to ensure a just transition.

Some of the emerging priorities and good practices in terms of putting people at the centre include the following[51]:

- ***Respect***—first and foremost is the corporate responsibility to respect people's rights and dignity. This includes but goes beyond employees and contractors who work directly for or with the company. Many more companies need to endorse the UN Guiding Principles on Business and Human Rights and implement human rights policies and due diligence processes, effective grievance mechanisms and access to remedy for people whose rights are negatively impacted by the company's activities. This includes respecting the letter and spirit of labour standards and taking concrete steps to improve employee diversity, equity and inclusion.
- ***Empower***—second, companies should be proactively supporting employee well-being more broadly—their physical, mental, financial and social well-being, through paying a living wage; providing health, sick leave and other benefits; investing in personal and professional development opportunities; promoting diversity and inclusion; supporting employee affinity and business resource groups; and exploring mechanisms to increase employee engagement and participation in decision-making.
- ***Advocate***—third, senior executives should decide when and how to engage in policy dialogue, advocacy and lobbying to address systemic obstacles to employee health, safety, well-being and incomes. At a minimum, they should ensure that their government relations and trade associations are not undermining the foundations of employees' rights and well-being.

The following section looks at some tools and good practice examples in several of these areas.

5.4.1 Invest in Integrated Employee Health, Safety and Well-being

There is long-standing experience on the management systems and vital behaviours that companies can implement to safeguard and improve the occupational health and safety of their employees, especially in higher-risk sectors. In the past decade, there has also been increased action around the concept of employee well-being more broadly. In many companies this is still focused mainly on physical health and safety in the workplace. Leading companies are extending the concept of employee health and well-being to also include mental and emotional health and the financial and social well-being of their employees.

In 2020, the World Economic Forum in collaboration with Willis Towers Watson published a set of *Workforce Principles for the Covid-19 Pandemic*. The authors noted, "The four dimensions of employee wellbeing—physical, emotional, financial and social—are at the centre of the employee experience and essential to an engaged and productive workforce in normal times. During a pandemic, wellbeing assumes a new urgency. An employer's actions in supporting wellbeing are critical to building and sustaining workforce resiliency and sending the message that employees matter".[52]

In 2020, the Global Reporting Initiative took a similar holistic and integrated approach and published a set of *Guiding Principles to Establish a Culture of Health for Business*.[53] This explores the links between employee health outcomes and business outcomes and provides a framework for companies to benchmark practices for achieving a culture of health through their strategy, policies and benefits, workforce and operations, and community engagement activities.

5.4.2 Make Employee Diversity, Equity and Inclusion a Strategic Priority

Momentum on workplace diversity, equity and inclusion has grown substantially over the past decade from being primarily a compliance-driven issue focused on non-discrimination, although such compliance with laws and standards remains essential, to become a strategic issue of central importance to business competitiveness. In addition to action from employees, the issue has risen up the agenda of regulators and investors in many countries. Competitive benchmarks and business leadership networks have also been established to drive a "race to the top," especially in the areas of corporate

performance on gender, LGBTQ+, racial, religious and disability diversity and inclusion.

Yet, few companies reflect the diversity of the customers they serve and the communities where they operate, especially in their senior leadership ranks. Progress made on board-level diversity, with respect to gender, has not been matched in the C-suite. Racial and other forms of diversity lag even further behind. Diverse intakes for starting positions, both professional and vocational, tend to become increasingly less diverse as people move up the career ladder. As has been well documented, the reasons are a mix of workplace and external cultures, structures and incentives as well as individual behaviours and attitudes.

The companies that are making the most progress share some common features[54]:

- ***Tone from the top***: The tone, style and depth of individual leadership from the top—not only the CEO or the head of human resources, but the board, full senior leadership team and key operational leaders.
- ***Credibility of culture and management systems***: The strength and credibility of the norms, behaviours, policies and programmes in place and the specific targets set for improving diversity and inclusion—including a clear demonstration that managers are held accountable for meeting them.
- ***Energy from employees***: Employee-led action, whether through formal representative bodies such as trade unions and works councils or more informal employee affinity networks and business resource groups and increasingly "activism" from younger employees.

There is a growing body of academic research and practitioner guidance on how companies can develop credible policies, management systems and programmes to increase diversity, equity and inclusion. One example is the *5-Point Paradigm for Parity Roadmap*, summarized in Box 5.3. Although focused on gender diversity, its five-point action plan can be applied to driving diversity and inclusion more broadly.[55]

5.4.3 Invest in Employees' Skills and Opportunities

A research report by Institute for the Future and Dell Technologies, *The Next Era of Human/Machine Partnerships*, predicted that "85% of the jobs that will exist in 2030 haven't even been invented yet." They identify the following

Box 5.3 The Paradigm for Parity 5-Point Action Plan

The Paradigm for Parity Coalition was launched in 2016 by a small leadership group of corporate board directors and CEOs, who believe that insufficient progress has been made in achieving gender parity in executive leadership teams and boards of directors. Drawing on their collective experience, they developed a practical and actionable 5-point action plan. Today, Paradigm for Parity is a coalition of CEOs, senior executives, founders, board members and business academics with the vision of "achieving a new norm in the business world: one in which women and men have equal power, status and opportunity. Our ultimate goal is to achieve full gender parity by 2030, with a near-term goal of women holding at least 30% of senior roles."[56] More than 120 companies have made commitments to implementing the 5-Point Action Plan and to reporting on their progress and sharing good practice examples and lessons learned. They include Accenture, Bank of America, Newmont, Walmart, Cargill, Sodexo, the Coca-Cola Company and VF Corporation, to name just a few.

The 5-Point Action Plan is as follows:

Minimize or Eliminate Unconscious Bias. Initiate unconscious bias training for everyone. Engage men and women at all levels, starting with the CEO and senior leadership. Ensure that your company leaders comprehend, own and address the conscious and unconscious biases that prevent women from succeeding.

Significantly Increase the Number of Women in Senior Operating Roles. Make full gender parity (50/50) your ultimate goal. As an immediate goal, don't allow a single gender to account for more than 70% of any leadership level, from the Executive Management Group downward.

Measure Targets at Every Level and Communicate Progress and Results Regularly. Set measurable goals and hold yourself and your senior team accountable. Communicate results to your wider organization and board. Expect meaningful progress each year, with the aim of parity by 2030. Work with investors as they increase the pressure to measure and monitor diversity progress. Share statistics with other CEOs and consider publishing results over time.

Base Career Progress on Business Results and Performance, Not on Presence. Give women and men control over where and how they work, whenever possible. Acknowledge the needs and expectations of millennials, an important talent pool. Find ways to work more flexibly to meet the needs of all employees. Create cultural change so that working flexibly is embraced and not an underused and over-talked about benefit.

Identify Women of Potential and Give Them Sponsors, as well as Mentors. Bust the myth of meritocracy in your corporation, since it probably does not exist. Women need career sponsors and access to networks of influence. Men, who are still the majority of leadership, have a critical role to play in advocating for women, both internally and in the wider corporate world. Look for the best within your organization and help them.

Source: Paradigm for Parity

individual skills and traits that will be needed for the future, illustrating a challenging combination of both technical skills and interpersonal or social skills and awareness[57]:

- **Contextualized intelligence**: nuanced understanding of culture, society, business and people.
- **Entrepreneurial mindset**: applying creativity, learning agility and an enterprising attitude to find workarounds and circumvent constraints.
- **Personal brand cultivation**: a searchable and favourable digital identity as basic work hygiene.
- **Automation literacy**: the nimble ability to integrate lightweight automation tools into one's own work and home life.
- **Computational sensemaking**: ability to derive meaning from blended machine and human-based outputs.

The transition towards a digital economy, digital workplaces and new types of work and jobs has accelerated and scaled due to the COVID-19 pandemic and these traits and skills are more important than ever. In terms of creating shared value and managing shared risks, there is a growing imperative for companies to invest in skills development and other professional opportunities for their employees. Even in times when training budgets are tight for many companies, there are opportunities to harness online training and professional qualification options to increase productivity, competitiveness and employability. Each company should be reviewing its human resource and talent development strategies and exploring ways to increase the agility and reach of these programmes for as many employees as feasible.

For companies that are having to cut jobs, there is potential to provide online learning and training support as part of the transition that former employees will have to make. This is also an area where companies can leverage online learning platforms to support skills development and job matching programmes beyond their own company through their community investment and corporate citizenship programmes.

5.4.4 Enable Employee Engagement and Participation

Effective employee engagement and participation requires an ecosystem of different mechanisms that can provide employees with greater voice, participation and influence in the company's strategy, operations and financial success.

Many companies around the world support a range of employee engagement mechanisms aimed at providing employees with grievance mechanisms and opportunities to provide feedback to management and to engage in personal development and volunteering activities beyond their immediate job. These include:

- Whistle-blowing, ethics solutions tools and other types of grievance mechanisms
- Employee surveys and feedback mechanisms
- Online and in-person training and personal development and well-being options
- Affinity networks or business resource groups
- Matched-giving and employee volunteering programmes

Another area of employee engagement and participation that is gaining increased attention in the context of stakeholder capitalism is employee representation in strategic decision-making, including on corporate boards. This is the norm in certain European countries, which have two-tier supervisory and management board structures. This approach, along with the role of Works Councils, ensures that employees have a legal voice in major company deliberations and decision-making. Several initiatives are underway in the US to promote a similar approach, such as the Aspen Institute's Ideas Lab on Worker Voice in the Boardroom.[58]

Employee share ownership models are also receiving a refreshed impetus as a response to the debate on stakeholder capitalism and to the growing income and asset inequality between owners of capital and labour. As the National Center for Employee Ownership (NCEO) in the US outlines,

> Employee ownership is a broad concept that can take many forms, ranging from simple grants of shares to highly structured plans. The most common form of employee ownership in the U.S. is the employee stock ownership plan (ESOP), a highly tax-advantaged plan in which employees own shares through a trust funded by the company. Other forms of employee ownership include stock options, stock grants, synthetic equity (granting the right to the value of shares but not the shares themselves), worker cooperatives, and employee ownership trusts.[59]

Worker and customer cooperatives are a long-standing model, but small in terms of their size and number. Of greater relevance and potential are opportunities for employees to own shares in the companies where they work, and

NCEO estimates that some 6500 US-based companies have ESOP programmes. All companies should review the options for their employees to have a share in the company's profits beyond their base salary while recognizing some of the risks associated with share ownership, especially if over-reliant on the performance of one company.

The existence of trade unions and collective bargaining remains an important mechanism for employees or their representative bodies to protect workers' rights and employee interests on issues such as human rights, health and safety, compensation and benefits, training and jobs. A few leading companies, mostly from Europe, have signed global framework agreements with relevant trade unions to achieve a more consistent and fair approach in their supply chains around the world. Box 5.4 illustrates the example of IndustriALL Global.

Box 5.4 IndustriALL Global Union and Multinational Company Global Framework Agreements

Millions of workers around the world who are part of corporate supply chains work excessive hours, face harassment and discrimination and earn less than a living wage, especially women and workers in countries where regulatory frameworks and oversight of labour rights are weak. IndustriALL Global Union is one example of a trade union engaging strategically with individual companies to improve the working conditions of some 50 million workers in the mining, energy and manufacturing sectors in 140 countries.[60] Among other tools that it utilizes to improve working conditions along global supply chains, IndustriALL negotiates Global Framework Agreements (GFAs) with multinational corporations on behalf of local trade unions.

By signing a GFA, a company commits to requiring their operations and suppliers to comply with the International Labour Organization's (ILO's) guidelines and uphold international standards for workers' rights, health, safety, equal treatment and environmental practices. IndustriALL's local union partners are also given access to company operating sites and engagement with local workers. Additionally, the GFA creates mechanisms for dispute resolution and dialogue between unions and the company, providing workers with the opportunity to negotiate directly with their employers. As of mid-2021, IndustriALL has signed nearly 50 GFAs, mostly with European headquartered companies, related to health and safety, wages, freedom of expression, collective bargaining, maternity leave and sexual harassment. There is a need for many more similar agreements. Examples of signatory companies include Siemens, Unilever, H&M, Total, Engie and Ford.

5.5 Establish Robust and Accountable Mechanisms for External Stakeholder Engagement

As has been argued throughout the book, systematic and ongoing engagement with external stakeholders is key to creating sustainable enterprise value. Many companies now undertake a structured process to identify and map their key stakeholders and have established mechanisms for engaging with them on a regular basis.

One of the models that is being used by a growing number of leading companies is the creation of external advisory councils that engage on a regular basis with senior management and sometimes board directors. Box 5.5 provides examples of seven of these councils from different industry sectors. In addition to having such councils at a corporate level, some companies are establishing them at a country level or a site-based community level or to address specific sustainability, digital or geopolitical challenges. As expectations continue to grow on how individual firms are delivering on their commitment to stakeholder capitalism, the use of such advisory councils offers one model to making external stakeholder engagement more systematic.

Box 5.5 Examples of External Stakeholder Advisory Councils and Panels

A growing number of the companies that have implemented sustainable enterprise value creation strategies, which explicitly integrate ESG&D priorities into core business activities, have also established external stakeholder advisory councils. While these councils vary in terms of size and mandate, they are usually composed of a combination of independent practitioners, academics and thought leaders who meet on a regular basis with company leaders, serving as "critical friends" who can challenge and support the company in achieving more ambitious sustainability goals. The following seven examples briefly illustrate different models that have been implemented in diverse companies and industry sectors.

Abbott's *Global Citizenship Advisory Council* has engaged with the company for over a decade on a wide range of global health, community and environmental issues. Members meet several times a year with company executives and functional subject matter experts to review key priorities, emerging issues and stakeholder expectations. In 2019 and 2020, the advisory council was part of a comprehensive process of internal consultations and external stakeholder engagement to develop the company's 2030 Sustainability Plan and ensure its strategic alignment with the corporate strategy. Spearheaded by the CEO, business unit leaders and functional experts formed internal working groups to identify aspirational goals and pathways to operationalize them. At different stages in the process, specific goals and initiatives were tested and debated with members of the

(*continued*)

Box 5.5 (continued)

advisory council, in addition to other external experts in public health and ESG. The top strategic priority identified through this process was to "Innovate for Access and Affordability," with a focus on making access and affordability core to new product innovation, transforming care for chronic disease, malnutrition and infectious diseases, and advancing health equity through partnership.

Bank of America has a long-standing *National Community Advisory Council* (NCAC) consisting of practitioners and scholars in civil rights, consumer rights, consumer finance policy issues, financial inclusion, community development finance, economic development, equity, climate change and strategic corporate responsibility and ESG issues. Established in 2005, the council is convened at semi-annual meetings each year, in addition to selected members participating in *ad hoc* meetings and deeper dives to focus on specific issues. Regular dialogues are scheduled with the bank's chair and CEO, vice-chair, business line leaders, functional executives and relevant board directors, with topics ranging from the bank's business policies, practices and products directly relevant to its employees, clients and host communities to its engagement in public policy dialogue, philanthropy and research. Members also participate in site visits and meetings with local community partners. During and between meetings, they engage proactively with the bank's executives to address material ESG risks and opportunities. As one example of the collaboration, the NCAC is credited with advising the bank on strengthening its engagement with lower-income customers, including the development of products and tools such as Advantage SafeBalance Banking®, Affordable Loan Solution™ and Better Money Habits™.

BASF's *Stakeholder Advisory Council* was established in 2013, but it built on lessons from a previous Sustainability Advisory Council that was created in 2001 and chaired by one of the company's board members. The Council meets annually with the company's Board of Executive Directors and is chaired by the Chairman of BASF's Board. The company reports that topics discussed in previous meetings have included "corporate strategy and targets, responsibility in the supply chain, climate change, human rights, the impact of externalities and the challenge of renewable raw materials."[61] In 2020, the company established an additional independent advisory structure, its *Human Rights Council*. This is chaired by the company's Chief Compliance Officer and attended by people from the corporate sustainability and legal teams as well as operations andprocurement managers on an as needed basis. In 2019, the company published a Position on Human Rights, which was developed with an external human rights expert and approved by the company's Board of Executive Directors. Like many other manufacturing and chemical companies, BASF also has a long-standing practice of establishing Community Advisory Panels to strengthen dialogue around its larger production sites.

Dow's *Sustainability External Advisory Council (SEAC)* is one of the longest-term examples of a continuously operating council of this nature, having been established in 1992.[62]Among other areas of influence, the council has played a key role in supporting the company in the development of its 2015 and 2025 public Sustainability Goals. As an illustration of the company's growing focus on sustainable value creation, in 2021, Dow reported that 80% of its R&D projects now focus on climate protection, the circular economy and safer materials, and 48% of the company's 2020 sales were from products explicitly addressing world challenges.[63] SEAC is chaired by the company's Chief Sustainability Officer and apart from the chair, composed of external experts with social and environmental experience in non-governmental organizations, academia, government and

(*continued*)

Box 5.5 (continued)

the private sector. The council's mandate includes providing advice on integration of ESG issues into overall corporate strategy and portfolio, next-generation sustainability goals, public affairs and stakeholder engagement, and an external perspective on emerging trends and externalities. Dow has also established *Community Advisory Panels* around many of its manufacturing sites in the US and other countries, as part of an ongoing effort to strengthen engagement and trust with local community leaders.

Griffith Foods is a private, family-owned company that has made a strategic commitment to sustainability through its corporate purpose, "We Blend Care and Creativity to Nourish the World."[64] The company's external *Sustainability Advisory Council* worked closely with its management team and board of directors to develop an ambitious Sustainability Plan and set of aspirational goals aligned directly with the company's corporate strategy. Targeted working groups consisting of relevant company executives, board directors and advisors, worked together between meetings to identify key risks, opportunities and priorities in the areas of health and nutrition, sustainable sourcing, employee well-being and fulfilment and climate action. These formed the basis of a jointly developed Sustainability Plan and a set of business Big Bets and venturing initiatives focused on putting sustainable value creation at the heart of the company's corporate strategy and a key pillar of its engagement with customers in the food industry, which include some of the world's major food brands and retailers.

Nestlé was one of the corporate pioneers in coining the term "Creating Shared Value" (CSV). The company identified priority areas of action that were material to its business, salient to people and the planet, and where it felt it could have the greatest impact and influence in achieving sustained and scalable outcomes. In 2009, it established an external *Creating Shared Value Council*. This body has a mandate to advise the company's executive team and board on "the sound development of long-term sustainability and positive social and economic impacts of the CSV business strategy."[65] The council also serves as the judging panel for the company's annual CSV Award, which recognizes high potential andscalable social entrepreneurs and innovators. The council's members have expertise spanning corporate social responsibility, strategy, sustainability, nutrition, water and rural development. The Chair of the Board of Directors' Sustainability Committee also participates in Council meetings.

Newmont has established a number of advisory councils and independent review bodies to help improve its sustainability performance. In 2009, for example, in response to a group of socially responsible investors, the company's Board of Directors created a *Community Relations Review Panel* that undertook a comprehensive assessment of both corporate and site-level approaches to managing community relations and social licence to operate, reporting back directly to the board. More recently, in 2020, the company established an *Advisory Council on Indigenous Community Relations* to advise it on strengthening relationships and building trust with indigenous peoples. The council provides advice to the company's Safety and Sustainability board committee and to the sustainability team. The company has also established *country-level advisory councils* to advise regional and local management teams on location-specific economic, environmental, social and political trends and issues. In key technical areas, it has established external technical review boards to provide an additional layer of review and evaluation on key risks and opportunities.

One of the most important challenges that companies are facing in terms of building more trusted and effective stakeholder relations is how to enhance their external transparency and accountability related to their performance on managing ESG&D risks and opportunities. The greatest pressure for this is coming from regulators and investors, but other stakeholder groups are also focused on this aspect of business responsibility and value creation. Some of the actions that leading companies are taking to improve and standardize their corporate reporting and accountability are reviewed in Chap. 6.

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