Stakeholder Capitalism and ESG

A Guide for Communication Leaders

July 2022

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1 How to Use This Guide

This is meant to be a study guide, not a white paper, to help chief communication officers (CCOs) and their teams move up the **Progression Path on Advancing Societal Value** that was first laid out in the 2019 Page report, ***The CCO as Pacesetter.*** We encourage you to jump around, finding the sections most relevant to where you are in the process.

Sections 2-4 feature foundational background and guidance.

We're using a new term, stakeholder capitalism, in place of creating societal value, in recognition of the rise in popularity of that term since the Pacesetter report was published in 2019. We address that change in **Section 2**.

Section 3 shows how to make the case in your enterprise for the multistakeholder approach that leads to a societal value commitment.

In **Section 4**, we provide an overview of a systematic multistakeholder approach to societal value creation.

Sections 5-7 provide a deeper dive into the how-to steps in each of the three areas of societal value, from defining the commitment to bringing it to life.

You will learn about corporate purpose and products and services in **Section 5**.

Section 6 deals with the complexities of ESG.

The newest and most controversial area, corporate social activism, is addressed in **Section 7**.

Sections 8-9 wrap up the guide with a focus on reporting results and additional resources.

Section 8 provides a deeper dive into reporting results.

Section 9 provides resources for further reference and study.

The **appendix** provides a history of the role of business in society.

Throughout, we use case-in-point examples to illustrate how Page members' companies have defined and implemented commitments in each of the three dimensions.

As described in Page's 2019 **The CCO as Pacesetter** report, the CCO is well positioned to work across the enterprise on corporate brand and corporate culture, in addition to societal value. CCO Guides like this one will be forthcoming in each of those two areas, as well.

For those who want to dig even deeper into these topics, the **Page Learning Lab**, which can be accessed with affordable subscriptions, is developing coursework in this and the other areas of the Pacesetter report.

2 Introduction to Stakeholder Capitalism

The business landscape of the 2020s is changing in fundamental ways. Since Page reported in *The CCO as Pacesetter* in 2019 that "CCOs are helping to define an enterprise commitment to societal value creation," the momentum behind what is increasingly called stakeholder capitalism has only increased.

At Page, we see stakeholder capitalism not as a synonym for "societal value creation," or "ESG," or "corporate social responsibility," but rather as a better way to think about value creation, confirming the approach that Page has supported throughout our history and our thought leadership work over the past two decades. Specifically, we believe that enterprises thrive best when they engage authentically with all of their stakeholders. We have argued that the CCO is and should be at the center of this multistakeholder approach.

All of those stakeholders – including employees, customers, investors, partners, suppliers, governments, regulators, communities and civil society – are newly empowered today, and expect the enterprise to provide them with value if they are to affiliate with or support it. In particular, they expect that business can and should be a force for positive change in society. A new generation of employees cares about the higher purpose of the enterprises for which they work. Many customers are motivated to buy from companies that live by a purpose and values that align with their own.

Understanding, engaging and creating value for a company's stakeholders is an emerging business discipline, requiring new management systems that span the entire enterprise and ensure that commitments are integrated into the corporate strategy and lead to tangible results. It requires a disciplined approach to understanding stakeholder expectations and using them as a platform for innovation. **(See Section 4.)** These are now board-level and senior management priorities.

The third **Page Principle** is Listen to Stakeholders. To serve the enterprise well, understand what the public wants and needs and advocate for engagement with all stakeholders. Keep top decision makers and other employees informed about stakeholder reaction to the enterprise's products, policies and practices. To listen effectively, engage a diverse range of stakeholders through inclusive dialogue.

Three Ways to Create Stakeholder Value

Much of the discussion of the expectations of business from these new stakeholders uses the terms “purpose,” “ESG,” “corporate activism” and “brands taking stands,” sometimes without clearly defining what they mean.

In the Pacesetter report, Page sought to bring more discipline to these pursuits by defining three critical dimensions:

1. How the company creates value, not just for customers and shareholders, but more broadly for all stakeholders and society at large, through its **core business – its products and services**. This is about corporate purpose. It’s the answer to the question, “Why do we exist?” **(See Section 5.)**

2. The materiality and impact on all stakeholders of the company’s **environmental, social and governance (ESG)** operations, policies and programs. What commitments should the company make to enhance positive long-term impacts (e.g., income security and education for employees, opportunities for partners and prosperity for communities) and to mitigate negative ones (e.g., climate, environment, human rights violations)? **(See Section 6.)**

3. Deciding whether the company should take a stand on societal issues that are important to key stakeholders as an expression of values or to advocate on behalf of employees’ or other stakeholders’ interests. Can **corporate social advocacy** advance societal value by leading to constructive change? **(See Section 7.)**

Each of these three areas requires its own focus and discipline. However, in practice, a company’s commitments in each of these areas can and should be developed in parallel in order to frame a strategic approach that is aligned with the organization’s mission and purpose.

Similarly, they should be coordinated with the other Pacesetter dimensions – corporate brand, corporate culture and CommTech – each of which requires its own management system. This guide, therefore, should not be used in isolation; rather, it should be seen in conjunction with other Page study guides, research reports and the Learning Lab.

2. Introduction to Stakeholder Capitalism

Risks and Benefits

Some critics see a conflict between shareholder and broader stakeholder value. From the right, some decry what they derisively call "woke capitalism" as an attempt to appease civil society critics at the expense of shareholders.[1] From the left, some see the multistakeholder approach as a sham attempt to win public favor, but doubt that shareholder primacy has actually been ended.[2]

Page rejects the idea that there is necessarily a tradeoff between shareholder value and creating value for other stakeholders and for society at large. In fact, we argue, taking the multistakeholder approach creates business success. Doing this, however, requires a true commitment to actually change operations, systems, policies and incentives in order to align business decisions with the long-term health of society.

Increasing numbers of investors have joined BlackRock's Larry Fink in demanding a shift from short-term profit maximization to purpose-driven, long-term, sustainable growth. Fink sees a direct shareholder benefit from this broader view: "In today's globally interconnected world, a company must create value for and be valued by its full range of stakeholders in order to deliver long-term value for its shareholders," he wrote in his **2022 Letter to CEOs**.

Harvard's Michael Porter and Mark Kramer assert that "pursuing financial success in a way that also yields societal benefits" could "reinvent capitalism—and unleash a wave of innovation and growth."[3]

And a **Deloitte study found** that "Purpose-driven companies witness higher market share gains and grow three times faster on average than their competitors, all while achieving higher workforce and customer satisfaction."

Many organizations, wisely, are responding by taking seriously the views of their many stakeholders; thus, the rise of the new model of stakeholder capitalism, an economic and management approach that defines success as winning within all the markets and constituencies that are critical to a company's future.

Stakeholder Capitalism

/'stāk,hōldər ,kapədl,izəm/

noun

As Klaus Schwab, founder and executive chairman of the World Economic Forum, defines it, stakeholder capitalism "... is a form of capitalism in which companies do not only optimize short-term profits for shareholders, but seek long term value creation by taking into account the needs of all their stakeholders and society at large."

1 Salter, Alexander William. "Opinion | Profit Keeps Corporate Leaders Honest." The Wall Street Journal, Dow Jones & Company, 8 Dec. 2020, https://www.wsj.com/articles/profit-keeps-corporate-leaders-honest-11607449490?mod=Searchresults_pos5.
2 Bebchuk, Lucian A., and Roberto Tallarita. "Will Corporations Deliver Value to All Stakeholders?" SSRN, August 5, 2021. https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3899421.
3 "Creating Shared Value." Harvard Business Review, October 22, 2020. https://hbr.org/2011/01/the-big-idea-creating-shared-value.

2. Introduction to Stakeholder Capitalism

The broadening of business leaders' focus beyond the investors-first dogma of the previous generation is integral to understanding and operationalizing any business's purpose and impact on the world. Success requires going beyond purpose statements, ESG declarations and policy pronouncements to actually create authentic results that benefit both social goals and enterprise success. **(See Section 4.)**

The approach can be summarized as follows:

> Set a clear purpose that is focused on long-term, societal value. Be clear about specific goals related to achieving that purpose. Establish systems and processes designed to achieve those goals. Set incentives based on success in achieving those goals.

For more on the evolution of the role of business in society, see this guide's **appendix**.

The Role of Strategic Communication

The imperative to build a sustainable enterprise presents a clear leadership opportunity for the CCO and the strategic communication function – the natural integrator across executive teams and expert on multistakeholder engagement.

At the Professional Level in the **Societal Value Creation Progression Path** from Page's **Pacesetter** report, the CCO must begin by helping the organization define its societal value commitment. Each of the three dimensions has its own specific discipline.

The CCO likely will not have primary responsibility to lead all three dimensions of this work. More typically, the CCO will work with the CEO and across the C-Suite to ensure that all three dimensions are evaluated and to play a leading role in the definition of the commitment in each area **(see Section 3)**; and, if commitments are made, to advocate for and participate in creating the management systems **(see Section 4)** and reporting **(see Section 8)** required to deliver actual value.

What isn't in doubt is that if the CCO does not take up this remit, in a company committed to stakeholder capitalism, the CEO and the Board will find someone who will.

3 | Making the Case

Depending on where your organization is with regard to stakeholder capitalism, it may require some effort to make the case for the multistakeholder value proposition.

The increased focus on ESG reporting certainly has caught the attention of the CFO and risk management executives at most companies and most CEOs are well aware of the societal pressures on ESG and social activism. So it's likely that there are at least some efforts underway.

The increased focus on ESG reporting is welcome, but it is important to realize that these reports are designed to assure the market that the enterprise will not do anything harmful or otherwise unacceptable. While this is essential, for most enterprises it is unlikely to be enough.

The CCO thus needs to establish a clear understanding with the leadership team about why we are doing this. And the starting point should not be just to improve ESG ratings. The enterprise needs to be able to answer the question, "How is the world made to be a better place through our success?" In other words, what is our purpose? What value do we uniquely create? What differentiates us? And how are we going to shape our strategic priorities to reflect this?

The CCO as Integrator

Crucially, you will need to engage both your executive team and the wider leadership team in this effort. The Page research report on **The New CCO** in 2016 found that one of the key roles of the CCO is as an integrator:

- *The CCO must have a direct working relationship (if not reporting relationship) with the CEO and a peer relationship with the C-Suite.* The CCO, CIO, CHRO, CMO, Chief Financial Officer (CFO), General Counsel and leaders of supply chain, security and other functions must collaborate closely – not only on engaging with stakeholders but also in defining and activating corporate character, ensuring that enterprise actions are governed by an agreed-upon set of behaviors guided by a clear purpose and values.

3. Making the Case

Whether the focus is products and services, ESG, or taking stands on social issues, the CCO has a responsibility and an opportunity to influence the organization's multistakeholder approach. Here are some questions you can ask yourself:

- *Who are your potential allies in making the business case?* Who are the key skeptics? How can you bring in evidence, using your knowledge of stakeholders, to show how the organization can improve its reputation and financial results by making a societal value commitment?

- *Have you found specialists inside the organization who have an understanding of the most logical ESG topics and can help build a plan?* Most of the time these experts will easily come up with quick wins and low-hanging fruit. That said, choose people who have authority because they understand the business, rather than only picking ESG evangelists. Ask yourself: Can this team make sure you establish the right KPIs and execution plans?

- *How can you help your allies help you?* Task force members on a societal value initiative already have demanding business targets. For instance, procurement has hard targets on price. If they have to take other things into account, such as human rights, circularity or energy efficiency, it will not make their lives easier. You will need to look at their needs as legitimate design constraints that need to be taken into account, rather than roadblocks to achieving your goals.

The way you answer these questions and execute your strategy will be impacted by your own situation within the organization. Are you new to the CCO role and to the organization? Are you a veteran of the organization, but newly promoted to the CCO role? Are you established in the role, but have a new CEO who is bringing a new perspective to the C-Suite?

Establishing your credibility is critical. It requires:

- *An understanding of the organization and its needs, in detail, and of the views of stakeholders and how their views shape their actions that matter to the company.* You've got to establish credibility with the business leadership by understanding their issues and constraints at a sophisticated level, and by being able to sort out essential insights from the noisy cacophony of voices.

- *A willingness to speak up, even when you think your colleagues don't want to hear.* It takes guts to bring in the inconvenient truths, but the organization's success depends upon those insights.

- *An understanding of how to speak up in a way that will be heard and inspire cooperation.* This is about EQ, interpersonal relationships and winning allies.

Putting Societal Value on Your CEO's Radar

What if your CEO is not currently interested in societal value creation? It may be possible to approach other members of the Board of Management or Supervisory Board who are. When Hans Koeleman started as CCO at Dutch telecom KPN in 2007, ESG had just landed in the lap of a newly appointed Board Member, a marketer with a technical background who came from Unilever, and who shared Koeleman's concern about the lack of ESG ambition.

Another unexpected supporter was the CFO, who was not happy with the quality of press coverage of KPN and the poor reputation of the company, given its great financial results. In the same period, the Supervisory Board appointed a new member who was formerly the leader of the Dutch Green political party.

Building an alliance among these senior executives enabled Koeleman to approach the CEO – "a very unconventional leader with a high personal reputation" – who was frustrated by the company's lackluster image. Anything to help that change was welcome.

"In the end, this allowed us to make ESG targets part of executive compensation," Koeleman recalls. "When the political climate about financial bonuses was extremely negative, we seized the moment. Together with the Board member responsible for ESG, we wrote a proposal for adding non-financial targets to long-term remuneration, starting in 2010. The most logical non-financial targets were Energy Management (given our ambition to become climate neutral by 2020). Today there are targets on reaching the ambition to become nearly 100% circular by 2025."

Sections 5-7 provide more detail on how to define the organization's commitment in each of the three dimensions – products and services, ESG and corporate social activism – working in each case with the CEO and the C-Suite to ensure all views are respected and included and to achieve buy-in.

4 | The Multistakeholder Approach

Sections 5-7 will provide a deep dive into the steps needed in each of the three dimensions – products and services, ESG and corporate social activism. In practice, these are likely to be addressed in a coordinated fashion, but there are specific differences that require a specialized approach. Here, we provide a high-level overview of themes that are common to all three.

There are new insights on emerging business practices of stakeholder capitalism from research currently underway at the Yale School of Management (YSM), led by Page member Jon Iwata, former SVP and Chief Brand Officer of IBM and current Executive Fellow at YSM.

Since 2021, Iwata and his collaborators have interviewed more than 70 CEOs, board chairs and other leaders on "the how" of stakeholder capitalism. They are developing a framework, tools and methods and the identification of several case studies, now under development.

Virtually all CEOs interviewed think of stakeholder capitalism as the creation of value for stakeholders, not value distribution or sharing. All believe that the multistakeholder approach leads to shareholder value.

While a few interviewees view stakeholder capitalism principally as a moral imperative, most consider it a competitive reality – the competition for talent, customers, investors, partners and for the license to operate in society.

Most said their companies lack a method, process or approach to determine the relevance of issues and opportunities to their companies and stakeholders.

On KPIs, measurement, reporting and disclosures, interviewees consider these to be necessary, but caution that focusing on external reporting could become a "box checking" activity. However, all consider internal metrics and targets essential to drive accountability.

Interviewees were asked if serving multiple stakeholders inevitably leads to competing interests and demands, requiring the company to make trade-offs. Most said that while trade-offs are sometimes necessary, often the imperative of creating value for multiple stakeholders leads to innovation and new thinking, but this must be intentionally framed and supported by management.

The Yale research team is developing a

framework, tools and methods. The core elements are:

1. **Stakeholder Operating System.** Particularly at founding and "re-founding" moments, CEOs lead the establishment of a kind of company-wide "operating system" or platform. Such moments include significant leadership transitions, company transformations in the face of existential threats, major M&A transactions, and crises. Key components of these operating systems:

    - *Foundational Definitions*
        - Senior management leads the definition or redefinition of the company's fundamental business thesis – its raison d'etre, its enduring competitive advantage.
        - From this, the company's Mission and Purpose are derived.
        - Values, Principles and Behaviors are articulated. These are the tenets of the company's culture – the collective and distinctive behavior of its workforce. This is how the company's mission and purpose are activated and lived.
    - *Stakeholder Mapping*
        - Identify and prioritize the stakeholders who bear on the company's success.
        - Engage them to understand what they expect and value in a relationship with the company.
        - Articulate the company's mission and purpose as value propositions for the stakeholders. These are not messages or stories. They are reasons why stakeholders should buy from, work for or invest in the company, and allow it to operate in society.
    - *Align Operations & Systems*
        - Resource allocation
        - Innovation capability
        - Select relevant measurement, KPIs and reporting
    - *Align Culture*
        - HR criteria
        - Performance management
        - Communications, rituals, reinforcement

2. **Materiality Assessment.** A process to help the company determine the relevance, or materiality, of issues and opportunities and to select appropriate responses – to issuing statements and developing policies to allocating resources and leveraging the company's ecosystem to drive impact. Relevant lenses include the company's:

    - Purpose and values
    - Competitive and comparative advantages
    - History
    - Sector
    - Stakeholder impact, expectations

3. **Stakeholder-centric Design.** Design Thinking, human-centered- and user-centric design are well-developed and broadly adopted in business. However, by definition, these design methods optimize solutions – products, services, experiences – for a single stakeholder, most often consumers or 'users.' Stakeholder-centric design optimizes solutions based on the requirements, or constraints, of multiple stakeholders.

As former Unilever CEO Paul Polman writes in "Net Positive": "The idea here is

Corporate Character

/'kôrp(ə)rət ˌkerəktər/

noun

Corporate character is the unique, differentiating identity of the organization, as defined by its mission, purpose and values statements, and brought to life through its strategy, business model, operations and culture.

to optimize outcomes for multiple stakeholders versus trying to maximize for just one. It's the obsession with value creation for any single group that knocks things out of balance."

An example of stakeholder-centric design is Nike Space Hippie. Not only is Space Hippie the lowest-carbon footwear Nike has ever designed, it meets the company's 'swoosh' standards for consumers, is profitable and can be manufactured at scale. These benefits were not achieved sequentially – i.e., prototype a 'concept car' shoe, produce a limited number on a special assembly line, etc. The benefits were simultaneous because the design team set out to capture and address all stakeholder constraints from the start.

The Role of the CCO

Traditionally, CCOs have seen themselves as being responsible for the messaging and storytelling, but Page has argued in its thought leadership reports – particularly in the report that introduced the Page Model – **Building Belief: A New Model for Activating Corporate Character and Authentic Advocacy** – that the CCO's true job is to work across the senior leadership team to ensure that the enterprise not only defines its corporate character, but also aligns it with and activates it through the actions it takes.

This means that CCOs have a responsibility to advocate for systems, processes, policies, strategies and operational commitments that bring the promises to life. As Arthur W. Page famously said, "Public relations is 90% doing and 10% talking about it."

It requires CCOs to use their full capacities as leaders and influencers, participating in their organizations' most important business activities, to ensure that the societal value commitments are embraced and implemented through business operations.

Engaging the Entire Enterprise

If done well, a stakeholder-based design for societal value commitment can be an important element in engaging the workforce, building organizational culture and earning trust for the corporate brand.

Earning this kind of support for the societal value commitment requires full understanding and engagement, not only by the leaders who must execute the policies and commitments, but also of the entire enterprise and its stakeholders. Here, of course, the CCO is on familiar ground.

Engaging Employees in Defining a Company Purpose

In 2018, Edmond Scanlon, the new CEO of the Kerry Group, an $8 billion multinational taste and nutrition company based in Ireland, recognized the need to develop an authentic purpose. With a deeply-rooted heritage as a dairy cooperative, Kerry faced rapid expansion via key acquisitions, growing to over 40,000 employees around the globe. Scanlon envisioned uncovering the company's purpose to galvanize one culture, and balance its legacy with innovation and sustainability, while embracing employees old and new.

Scanlon knew it was critical to engage his senior team, which encompassed 400 employees around the world. Catherine Keogh, Chief Corporate Affairs and Communications and Brand Officer was appointed to lead the purpose initiative. Partnering with Carol Cone ON PURPOSE (CCOP), Kerry took a comprehensive approach to engage employees. CCOP conducted hour-long interviews with more than 200 senior executives and 10 two-day workshops in key regions around the world, which engaged employees from manufacturing to sales to HR. These sessions were supplemented by multiple planning workshops with the core senior leadership team.

This six-month process resulted in Kerry's new purpose statement: "Inspiring Food, Nourishing Life." This purpose encompassed two strategic themes, drawn from the global listening tour and hands-on engagement sessions. 'Inspiring Food' captured the company's comprehensive approach to innovation, while 'Nourishing Life' was a nod to the company's expansive sustainability commitments for people, society and the planet.

To embed the purpose within Kerry, the company carefully rolled it out internally over 18 months in workshops and other activities before it was released externally. The articulation of its purpose guided the company's commitments to double down on innovation – Inspiring Food – while accelerating its global sustainability efforts – Nourishing Life.

Scanlon said, "We look at ourselves in the mirror and ask: have we done everything we can to work with a customer to try and move their product along the nutrition spectrum to have less calories, less fat, a cleaner label, be a little bit more nutritious, and taste good? That's what we're passionate about, that is what our purpose is about, what our vision is about, and that is why people get up in the morning at Kerry."

Kerry Group launched its new purpose at a global leadership meeting, headlined by a presentation from Scanlon and supported by a compelling video, a fireside chat, and breakout workshops among the hundreds in attendance. Following the launch, Keogh embedded the purpose statement across Kerry Group's internal and external communications channels. The fact that employees played a key role in defining the new purpose was energizing to them.

The company's 2020 strategy report led with: "Our Purpose—Inspiring Food, Nourishing Life—is the reason we come to work every day and is key to why customers choose us. It is ingrained in our organization and coupled with our values and enables us to make the right decisions to take ownership and help drive the business forward. We inspire food and nourish life through our people, our products, and our commitment to protecting the planet."

Energizing Employees

When Aetna CEO John W. Rowe, MD, changed Aetna's business model to one focused on a partnership with physicians instead of an adversarial relationship, he also articulated a societal value purpose of helping people achieve health and financial security.

Dr. Rowe's inspirational commitment to the best interests of doctors and patients permeated all of his actions and communications. At first, employees were skeptical. They had heard big plans from CEOs before that they thought were just empty words, and implementing the new approach would require difficult changes for everyone.

Over time, however, as the changes that Dr. Rowe had promised came to life, employees became true believers, and they were energized by the conviction that their work was making a positive difference in the world. Employee pride in the company increased from 48% when he took over to 84% seven years later. Pride was the single biggest correlation factor in the employee survey to all other important employee engagement metrics. Over the same period, Aetna's market value increased 700%.

For more detail on the Aetna transformation, see **Section 5**.

Building Partnerships

In each of the three dimensions – products and services, ESG and social activism – there is an opportunity for businesses to achieve their stakeholder and social impact goals by building partnerships with NGOs and/or governments. Michael Porter and Mark Kramer of Harvard, in their pioneering work on **Creating Shared Value**, argued that businesses can be more effective in creating both societal and shareholder value if they work effectively with governments and civil society.

Later, in an HBR article on **The Ecosystem of Shared Value**, Kramer and Marc Pfitzer fleshed out a concept they call Collective Impact, which is "based on the idea that social problems arise from and persist because of a complex combination of actions and omissions by players in all sectors—and therefore can be solved only by the coordinated efforts of those players, from businesses to government agencies, charitable organizations, and members of affected populations."

Kramer and Pfitzer describe the extensive efforts of Norwegian fertilizer company Yara to build a business-government-NGO partnership in Tanzania that "bolstered the incomes of hundreds of thousands of farmers" and "boosted Yara's sales in the region by 50%."

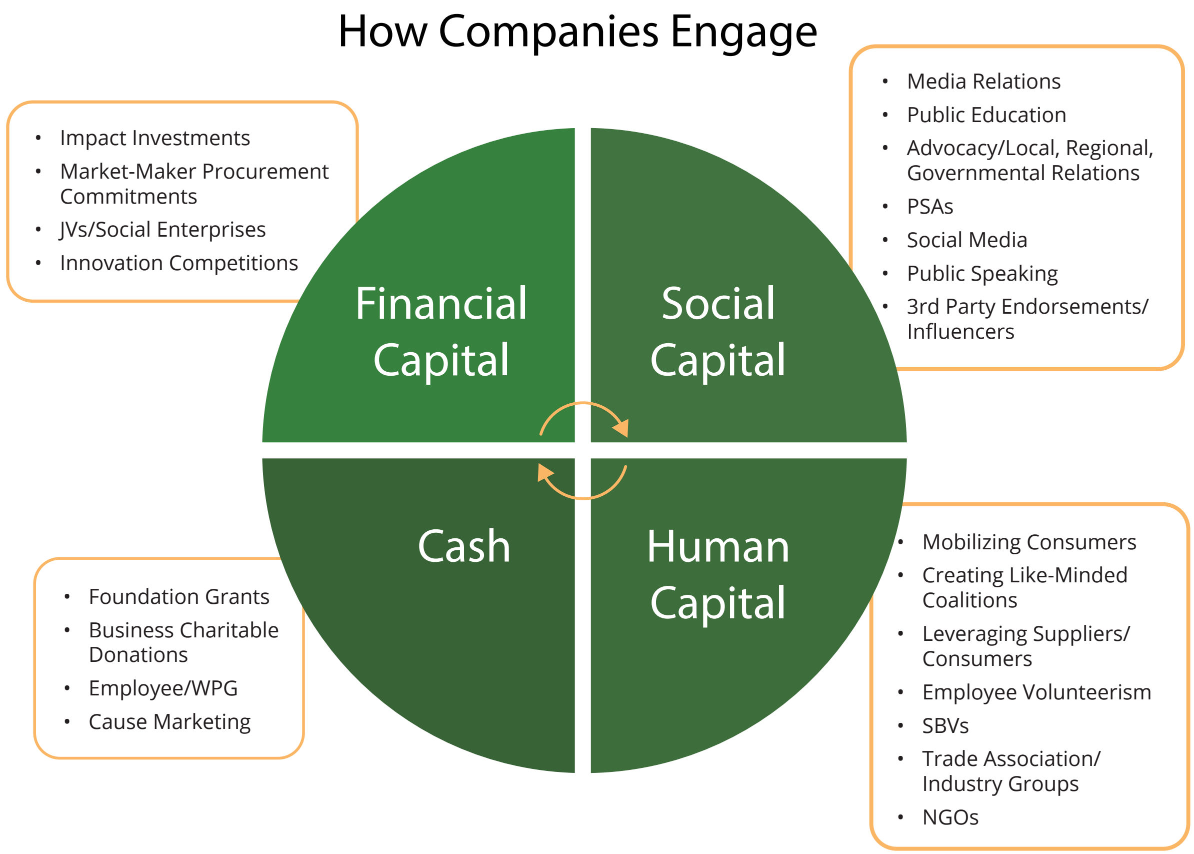
With all the new rating, ranking and reporting systems, CCOs are much better equipped to identify, assess and prioritize their organization's ESG impacts. So now that CCOs know what they are solving for, the big question is how to make it happen. And the answer most often is through partnerships – especially when the solution resides outside the direct control of the company.

On the next page, there is an example of a partnership approach developed for an NGO by a Page member who is a former corporate CCO.

By Definition, You Need Partners

For decades, companies have tried to address child labor in their supply chains, especially on family farms like those that predominate in growing cocoa, coffee, tea, vanilla, etc. But despite collective best efforts, the issue remains. Indeed, due to the impacts of COVID-19, climate and conflict, child labor is actually increasing in many supply chains around the world. In fact, recent International Labour Organization (ILO) data reports that nearly 80 million children are engaged in hazardous work in agriculture.

Enter NGO Save the Children (Save), whose corporate team is led by Page member and former enterprise CCO Perry Yeatman. Save's mission is to work in partnership with companies, governments, foundations and even other NGOs to ensure that every child has the right to grow up healthy, educated and protected from harm.



4. The Multistakeholder Approach

Cont. By Definition, You Need Partners

In early 2020, Save decided to expand its partnerships with businesses in order to develop programs that solved problems for kids in ways that were more sustainable, scalable and replicable. To do this, Yeatman's team asked itself a number of questions about materiality:

Where are the world's most vulnerable children – countries, contexts and communities?

Where are corporations planning to or committing significant resources – time, money, product, IP, etc.? (Because it has to be a strategic priority for companies in order to garner the level of resources needed for meaningful solutions.)

Where does Save have a strong track record to build on? (Because it's easier to build where an organization is already seen as better than the competition.)

Where is there an unmet need that companies want an NGO like Save to fill? (Because the goal was not to duplicate or compete, but rather to focus where the need was so great it takes a multi-actor effort to solve it.)

One result was a focus on smallholder agricultural settings. After a year of consultation with multiple stakeholders, including the World Cocoa Foundation and the International Cocoa Initiative, Save created an innovative holistic model and collective approach designed to prevent (vs. just remediate) child labor in smallholder agriculture settings by tackling root causes.

The result was the Cocoa Consortium of four leading global food and agriculture companies – a learning platform that will identify and share what works. It promises ultimately to give millions of kids the chance to grow up healthy, educated and protected from harm, while simultaneously creating sustainable cocoa and other crop communities for generations to come.

The Potential for Innovation

The design thinking approach mentioned above, which is being developed at the Yale School of Management, suggests taking a multistakeholder approach that shifts your mindset from conflict mitigation to outcome optimization. This requires identifying constraints, rather than trade-offs, and can result in significant innovation.

From Sustainability Challenge to Groundbreaking Product

One good example of this kind of innovation based on a thoughtful stakeholder materiality assessment is Nike's development of the Space Hippie sneaker, which was developed from the start to be the lowest carbon sneaker ever.

Stakeholders included the designers, who needed to develop a shoe with enough cool factor to make it attractive to consumers, and the supply chain managers, who needed to get the waste material of making sneakers – literally the leftover scraps – to a production facility to manufacture the new shoes.

But a constraint of the carbon footprint goal was that this material needed to be located near the manufacturers to avoid shipping mountains of trash around the globe. The result of this exercise produced a new product that the company's CEO sees as a hallmark of the company's innovative roots and its pioneering future.

Changing the Measurement of Public Health Outcomes

Chief Communications Officer Ed Walsh helped drive the transformation of Royal Philips into a health technology leader through the **Future Health Index (FHI)**. This multi-year, data-intensive, global study targets 24,000 people from the general public, healthcare professionals, regulators and insurers, measuring countries' readiness to address health challenges and build sustainable, fit-for-purpose national health systems, in the context of ever-growing pressure on resources and costs. FHI is the most comprehensive body of international research into integrated care ever created.

To activate and capitalize on this research, the team devised a global multistakeholder launch campaign followed by a series of localized roll-out campaigns across thirteen markets encompassing bespoke events, leading global and national trade shows, media and social activations.

Now in its sixth annual edition, FHI has repeatedly generated top-tier international media coverage, culminating in 4% of global coverage volume in its second year, with an outstanding quality score, coupled with impressive social engagement with C-Suite stakeholders. It has provided a unique thought leadership and messaging platform for spokespeople across the organization in engaging with media, C-Suite and government audiences, as well as with employees. Where relevant, FHI insights are also systematically embedded in its marketing campaigns.

For more detail on the Royal Philips societal value commitments, see **Section 5**.

4. The Multistakeholder Approach

New Science for Microplastic Pollution

Türkiye-based global appliance maker Arçelik is tackling the problem of plastic pollution. Using recycled polyethylene terephthalate (PET) bottles in the tubs of the company's washing machines and dryers was an idea that was developed with this mindset. Nearly 60 million PET bottles have been recycled since 2017, preventing 2,200 tons of CO_2 emissions and saving 19,000 GJ of energy by reducing the use of virgin plastics. This project also decreases the cost per unit.

This project was also a catalyst for further efforts, such as the challenge of microscopic fibers in the world's clothing. More than 60% of clothing is made of fibers such as polyester, nylon and acrylic, and more than 1 million microscopic fibers can be flushed into drains from a single washing machine load. To address this serious but largely unknown global challenge requires a systematic and combined effort from industry—including sub-suppliers, fashion companies and producers of detergents, yarns...and washing machines.

In 2019, Arcelik developed the world's first washing machine with a built-in filtration system that captures up to 90% of synthetic microfibers. Company chief communications officer, Zeynep Özbil, and her team, pushed their R&D colleagues to turn it into a product story and Comms developed the opportunity for this technology to serve as a partnership platform, an open-source investment that Arçelik could provide to the industry.

For more detail on Arcelik's sustainabilty and societal efforts, **see our full case study here.**

A New Form of Talent Development and Citizen Diplomacy

Since 2008, the **IBM Service Corps** has selected high-performing, societally motivated IBMers to be part of small teams (6-8 people with a range of skills and expertise) to be deployed on month-long assignments in developing countries to jump-start a variety of projects, from business development to environmental solutions, education and governance systems. It was developed through collaboration by the Communications and Citizenship teams.

The program was aimed at advancing citizen diplomacy and addressing a pressing talent development gap. This provided large numbers of IBMers with immersive global experience in developing markets. The IBM Service Corps has given thousands of young professionals global experience and honed their teaming and problem-solving skills, while addressing their deep convictions about making a difference in society.

Participants are trained for their assignments and commit to post-deployment communication about their experience both inside and outside IBM. Research showed that Service Corps dramatically increased participants' affiliation with and intention to remain at IBM. Most said it was one of the most meaningful experiences of their lives. The projects were also highly valued by the NGOs, communities and countries these teams served. Many led to business opportunities for IBM.

IBM Service Corps has deployed more than 1,400 project teams of IBMers in more than 40 developing markets worldwide, and the program has been expanded to allow participation by other enterprises.

5 | Dimension One: Products and Services

Defining the Commitment

In each of the three dimensions, we must begin by defining our commitment. In the case of products and services, a good way to start is to ask and answer the question, why do we exist? Think about the value that we create for the broad range of stakeholders who are impacted by the existence of our enterprise and can influence our success. How will the world be a better place if we are successful? What will it lose if we are not?

The natural outcome of this exercise is a purpose statement. Many organizations already have one; others are considering it or may have the opportunity to do so. Businesses in transformation, as many are, have an opportunity to rethink and reposition themselves with a focus on the benefits they create for the broad range of stakeholders.

Becoming a partner with the CEO and other business leaders in defining corporate purpose is a fairly obvious role for CCOs, who naturally would be asked to hold the pen in such discussions. What is equally obvious is that this is much more than a writing task.

A purpose declaration requires a thoughtful commitment of the organization and may even dictate a new product line, an acquisition and divestiture strategy or even a new strategy and business model. It should be seen, not as a positioning exercise, but as an opportunity to innovate around the organization's multistakeholder value proposition.

Clearly, these are major decisions. The CCO may well hold the pen on the purpose statement, but the implications for business change require full participation of the CEO and the business leadership. Often, it may be driven by a new CEO. In other cases, the need for change may be so obvious based on disruptive market forces that the CEO and C-Suite may be looking to transform the business.

Theory of Change

/'THirē ˌəv, CHānj/

noun

The Theory of Change concept provides a way of thinking about this: What change do we want to see as a result of our activities and input? What is the ultimate goal we strive to achieve in the long term, and what are the impact outcomes to achieve this goal in the short-medium term?

5. Dimension One: Products and Services

Here are some steps to follow:

Get aligned with the CEO. This may seem obvious, but whether it's a new CEO coming in with a change agenda or an established CEO either resisting or embracing change, the CCO should seek to understand and shape the CEO's thinking.

Make the case for the importance of corporate purpose. Many business leaders are more focused on competitive, operational and strategic issues than on existential questions. In those cases, the CCO may have an opportunity to suggest and lead an exercise to answer the question, "Why do we exist?" Such an exercise can lead to very productive discussions about what value we create and why stakeholders should care. The focus should be on enterprise intentions for a sustainable future for the business and society as its goals.

Lead a multistakeholder materiality assessment. The approach outlined in **Section 4** suggests that a thoughtful analysis of apparently conflicting stakeholder needs and demands can lead, not to offsetting compromises, but to creative new approaches to value creation. Don't forget to tap into employees for two reasons: 1) their experience is likely to yield important insights, and 2) if they understand that their contributions genuinely contribute to the decision, they will feel more engaged and committed.

Make sure your purpose definition is rooted in a strong commitment of the enterprise to make it real. A superficial exercise that yields platitudes that are not rooted in a commitment to value creation will be counterproductive. You must be prepared to dedicate resources to fulfilling the purpose or it will be quickly understood to be an empty and cynical attempt to obscure a more sinister reality. Skeptics will be watching.

Defining a Company Purpose and Commitment to Societal Value

A powerful example of societal-value-driven enterprise transformation is the iconic Netherlands company Royal Philips. Founded 130 years ago as a lightbulb manufacturer, it expanded into all things electronic, pioneering radios, X-ray tubes, cassette tapes, compact discs, home appliances, aerospace technology and medical devices. It had global operations but maintained a strong identity as arguably the Netherlands' most iconic enterprise, engendering deep national and employee pride.

However, by 2011 when Frans van Houten became CEO, Philips was drifting. It had become a massive, diversified, nearly €50 billion industrial conglomerate, made up of loosely conected businesses at different stages of their lifespans – including some that were increasingly commoditized and low-margin in markets where competition from Asia was intensifying. In 2014, van Houten launched a radical transformation, leading to the divestiture of the company's legacy audiovisual and lighting businesses and to a focus on the global health technology sector, where van Houten saw large opportunity for growth and value from digitization – driving both shareholder and societal value, including higher returns on the company's 10% R&D spend. This has led to more than twenty healthcare-related acquisitions since 2014.

This transformation was not only about the company's business model, but also its purpose, character and brand. The newly defined purpose – to make the world healthier and more sustainable through meaningful innovation – placed societal impact at the center of the company's strategy, investments and culture. (At the same time, Philips made ESG commitments to zero landfill waste, 100% renewable energy by 2020, and closed loops for all medical systems by 2025, i.e., taking all those products back from customers.)

Ed Walsh, SVP, integrated communications, puts it this way: "We like to visualize health as a continuum. We're convinced that in this connected world, it's vital to take a holistic and seamless view of the end-to-end patient journey – from healthy living at home (eating well, maintaining good oral hygiene, etc.), to prevention, diagnosis, treatment and home care, and finally to the environmental and societal impacts on health and well-being.

"The potential is tremendous – for both society and Philips – to use connected technologies to deliver better access to quality care at lower cost, against the backdrop of growing and aging populations, the consequent rise of chronic diseases and associated spiraling healthcare costs. This is a virtuous cycle around which we've built our strategy."

To learn more about Philips' societal value-led transformation and CCO Walsh's leadership role, **see our full case study here.**

Case in Point: Societal Value-Driven Enterprise Transformation

John W. "Jack" Rowe, M.D. was recruited to lead Aetna when the entire health insurance industry was under siege from angry doctors and patients. Aetna was losing market share and operating at a loss. Dr. Rowe knew he had a mandate for a massive transformation, and that it would be a daunting challenge.

As a physician – and the renowned leader of Mount Sinai Academic Medical Center in New York – he had never run a health insurance company, nor, for that matter, a publicly traded company with demanding shareholders. But he brought a unique understanding of the challenges in the health care payment system from the perspective of the medical care providers.

His outsider status allowed him to think differently about the dilemma facing Aetna and all its competitors. Stated simply, doctors wanted to get paid more and too often failed to follow best medical practice guidelines, often ordering too many tests and procedures, while Aetna's customers – businesses that purchase health insurance for their employees – wanted costs to be kept under control.

This had caused Aetna and other health insurers to put themselves in the position of approving – or denying – doctors' proposed medical treatments. Those denials had led to a near-revolt by doctors and patients and a raft of lawsuits.

Dr. Rowe had a simple answer, based on an astute understanding of the desires and needs of each major stakeholder – doctors, patients and employers – and a willingness to see their conflicting motivations, not as trade-offs to be balanced, but as constraints that might yield an innovative solution.

His idea: Take Aetna's trove of data about participating physicians' medical practice patterns and provide information to them about how their practices aligned with or departed from evidence-based medicine. Given actionable information, he believed, they would modify their behavior to produce better health outcomes with less waste on unneeded treatments.

Dr. Rowe knew he needed a new strategy, a new business model and a new company culture, and he recruited from a competitor the best operating executive in the industry, Ron Williams, who later succeeded him as CEO, to serve as president and chief operating officer. Dr. Rowe was the visionary who aspired to win over doctors and patients to a new way of controlling health costs and delivering excellent health care. But the massive job of transforming Aetna's approach to its business fell to Williams.

To lead the culture change, Rowe tapped CCO Roger Bolton, who had not expected even to be asked to stay on in a rather thorough house cleaning. Bolton, working closely with CHRO Elease Wright, another holdover from the old regime, understood that the new culture had to be designed in alignment with the new strategy and operating model, all grounded in a guiding purpose – work that was just beginning.

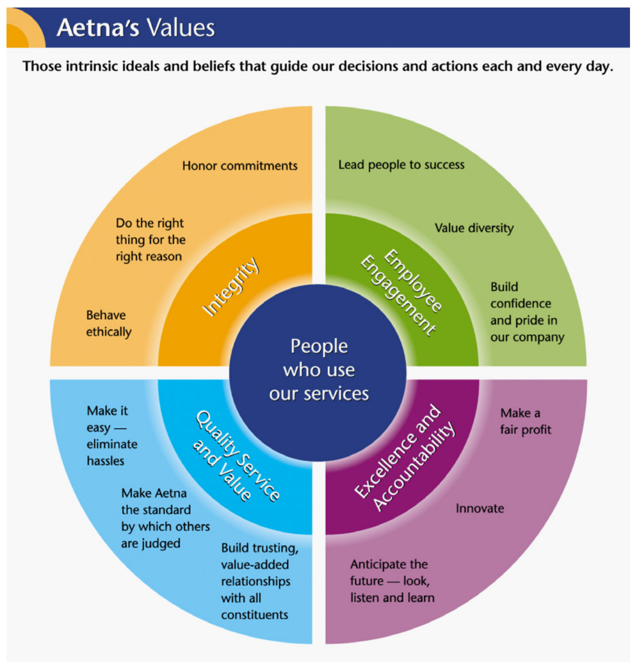
Cont. Case in Point: Societal Value-Driven Enterprise Transformation

Over a period of months and through 20 drafts, Bolton worked with Dr. Rowe, Williams and a cross-C-Suite council, gathered input from grassroots company employees and critical outside stakeholders, including physicians and patients, and produced a purpose statement called "Why We Exist," which declared Aetna's commitment to help people achieve health and financial security. This required the company to embrace physicians as trusted partners, rejecting the industry's standard practices of physician control.

"Why We Exist" was one of four parts of The Aetna Way, including "Aetna's Values," "How We Run Our Business" and "What We're Trying to Achieve." Consistent with the multistakeholder approach, the last of these defined the value creation goals for seven critical stakeholder groups – with shareholders listed last, as they are in Johnson & Johnson's famous Credo.

These principles were embraced by the entire senior management team, who knew that this was not a communications or a branding exercise – although both were central – but rather a new way of expressing who the enterprise aspired to be, what value it would create, and how it would deliver on those commitments.

For more on how Aetna implemented its new approach to its business, see page 30.



Why We Exist

Aetna is dedicated to helping people achieve health and financial security by providing easy access to safe, cost-effective, high-quality health care and protecting their finances against health-related risks.

Building on our 150-year heritage, Aetna will be a leader, cooperating with doctors and hospitals, employers, patients, public officials and others to build a stronger, more effective health care system.

Corporate Purpose as a Business Opportunity

How do you establish a shared sense of purpose at a newly established company that has come together through multiple mergers and acquisitions and integration of brands? This was the challenge facing LIXIL in 2015, after the Tokyo-based company was formed through the merger of five leading companies in the Japanese housing and building products industry and the acquisition of iconic global brands such as American Standard and GROHE.

The LIXIL corporate brand was virtually unknown and there wasn't yet clarity on what the company truly stood for. What was the shared vision that employees should be working toward? What would make employees and other stakeholders proud of LIXIL?

An estimated 1.7 billion people, or about one-fifth of the global population, live without access to safe, sanitary toilets. Among them, close to 500 million people still regularly defecate in the open. These figures come with a devastating human cost: Each day, over 700 children under five die from diarrheal diseases caused by unsanitary living conditions.

Having joined LIXIL in late 2014 as Chief Public Affairs Officer, Jin Montesano recognized that as a global leader in sanitaryware and water technology, LIXIL was in a unique position to take its expertise in the design, development and marketing of toilets and bathroom products and apply it to the global sanitation challenge.

The company already possessed some unique early-stage initiatives, such as the SATO toilet designed with the support of the Bill & Melinda Gates Foundation, which was being used with cause-related marketing campaigns. SATO offers simple and affordable toilet and bathroom products intended for use in emerging economies.

Sanitation and Hygiene was an initiative that was truly differentiated and became a powerful pillar in the company's newly established higher purpose, to "make better homes a reality for everyone, everywhere." If LIXIL couldn't also be serving those one-in-five who lack access to safe sanitation, then how could it be fulfilling its purpose?

Rather than a charitable venture, SATO was established as a social business within LIXIL, which enables it to bring market-based solutions and operate at scale. By July 2021, SATO was a fast-growing brand operating within the LIXIL portfolio. Over five million SATO units have been distributed to 41 countries, contributing to better sanitation for an estimated 25 million people.

The company also launched the SATO TAP in 2020, the first off-grid hand washing station – easy to install and use. Launched in the midst of a global pandemic, SATO leveraged its longstanding partnership with UNICEF to accelerate access to support under-resourced communities around the world with better access to safe hand hygiene – the first line of defense against COVID-19.

As these examples suggest, the definition of stakeholder-based societal value creation requires not only full participation of the CEO with the CCO, but also buy-in and commitment from the entire leadership team, and indeed the entire organization. When this does not occur, or when the purpose statement is seen as a promotional exercise that is not connected to operations, it's unlikely that the company will actually fulfill its stated purpose.

Making It Real

The CCO would be expected to lead in the development of messaging and branding aligned with the purpose, but also has an opportunity to participate in making the commitment real.

The full commitment of the line-of-business leadership is required. It's unlikely that CCOs would directly lead much of this work (the LIXIL case is a good contrary example), but they do have a responsibility and an opportunity to ensure that the enterprise leadership takes the commitment seriously. This requires CCOs to use all of their skills as influencers to ensure that the right systems, processes and incentives are put into place.

Here are some specific steps to follow:

Work within the annual planning process to ensure that operating plan objectives and performance incentives are aligned with the desired outcomes for all stakeholders. That requires full buy-in from the CEO, CFO, COO and line-of-business leaders to adjust financial targets and align bonus targets and other performance incentives.

Collaborate with IR to make sure investors' expectations are appropriate. It may require difficult conversations with investors to ensure that the long-term value equation is taken into account if short-term financial results may be affected.

Inform all employees and partners of the changes. There could be difficult operational and cultural issues that will affect employees and business partners. Some of the adjustments may be difficult, but there is also significant potential upside from the feeling that the work is more meaningful.

If needed, be prepared to create and implement an enterprise-wide culture change initiative. Don't assume people will intuitively know how to pivot to a new way of working. This requires strong leadership from senior business executives and a partnership with HR. The Page ***CCO as Pacesetter*** report has a major section and a **Progression Path on Enabling Modern Business Culture**.

If appropriate, align the corporate brand with the purpose statement. If the company is transforming its value proposition, its strategy and its business model, a brand refresh will be required. Again, this is more than messaging, fonts and logos. It requires an enterprise-wide commitment to align all stakeholder touchpoints with the brand values. The Page ***CCO as Pacesetter*** report has a major section and a **Progression Path on Stewarding the Corporate Brand**.

Realize that change is hard and may take significant time. One of the most difficult challenges is building the case with all stakeholders for the eventual positive outcomes of the change, while also being realistic about the difficulties and uncertainties that lie ahead. This requires constant attention from business leaders, supported by a strategic communication function that makes sure authentic messaging and connection is occurring throughout the process.

Bringing the C-Suite Along

In 2016, Novartis refreshed its corporate brand, "reimagining medicine to improve and extend people's lives," and included the key concepts of breakthrough science and access to that medical innovation directly into the purpose statement. This change recognized that medical science is only useful if it gets to the patients who need it.

Well-known by stakeholders for scientific leadership, the company aimed to do more to embed "holistic access thinking" into the company's processes and culture to take meaningful action on its purpose statement.

Carrie Scott, then head of corporate brand and reputation management in the corporate communication function, led a team of commercial and functional leaders to develop the Novartis Access Principles. This commitment is that all new medicines Novartis brings to society will launch with a global access strategy to reach more underserved patients.

Marrying scientific innovation and access right at launch means that teams need to plan years in advance to both bring the medicine to the market and determine how to get it to more people who need it, including underserved communities. The Access Principles set out expectations for the launch teams in the areas of affordability, research and development and healthcare systems strengthening. The focus is not on philanthropy or one-off initiatives, but on how to find new ways to systematically increase access to the company's core innovation in a commercially sustainable way.

After Executive Committee and Board of Directors Committee approval, the CEO launched the Access Principles in 2017. The principles are part of the Executive Committee's Balanced Scorecard, individual objectives and remuneration.

Novartis increased its rank to #2 in the Access to Medicine Index and is well-known by ESG investors and ratings agencies for its systematic approach to access to medicines. Actioning the company's purpose is a source of pride for employees and a deciding factor for future talent, as demonstrated through ongoing surveys.

Scott is still involved in leading this work, now in her new role as Head of ESG Management Office for Novartis.

Driving Change Across the Entire Enterprise

Earlier in this section, we provided a Case-in-Point description of how Aetna redefined its corporate purpose to focus on helping people achieve health and financial security. Here, we see how the company changed its strategy, business model and brand to align with its new corporate purpose.

Aetna CEO John W. Rowe, MD was confident that he could transform the company's adversarial relationship with physicians into one in which they were treated as trusted partners. As a physician himself, Dr. Rowe believed that physicians would voluntarily modify their behavior to align with evidence-based medical practice if given the information they needed to do so.

This required Aetna to reject the industry's standard practices of command-and-control policies toward physicians and to replace them with new, information-based systems. It also led Dr. Rowe to settle a class action lawsuit brought by physicians by promising policy changes that assured physicians of the company's commitment to change.

He recruited from a competitor the best operating executive in the industry, Ronald A. Williams, who later succeeded Dr. Rowe as CEO, to serve as president and chief operating officer. Dr. Rowe developed the strategy, inspired commitment to it, and worked to win over physicians to the new approach. Williams developed the systems and processes that would deliver the new value, working across all lines of business.

CCO Roger Bolton and CHRO Elease Wright led a Council for Organizational Effectiveness that drove the culture change that was necessary to implement the new strategy and operating model, and Bolton led a rebranding effort that emphasized Aetna's commitment to give people – patients and doctors – the information that they needed to make the best decisions. The tagline was "We want you to know."

Each of these efforts involved cross-C-Suite coordination that aligned strategy, operations and behaviors and achieved buy-in from all segments of the enterprise.

The Aetna Way, as described on **page 26** of the guide, was designed to make sure everyone at the company was on the same page. This was reinforced by two key points:

1. Dr. Rowe and Williams began every meeting, internal or external, with the Aetna Way graphic and a discussion of the company's purpose and desired culture.
2. Williams insisted that all managers at all levels had as a part of their annual performance scorecard a set of metrics related to culture change. If a unit's adoption of the culture change lagged behind company goals, that leader's compensation was affected.

Williams also led major and detailed operational changes, which involved the creation of new products and a revision of many processes. The Council for Organizational Effectiveness supported this by working with line business leaders to create performance models that changed the way people worked in line with the new approaches.

Over a six-year period, Aetna improved its standing with physicians. BusinessWeek reported on Jan. 4, 2006, "The once notoriously stingy and fiercely unpopular company is now frequently cast as the country's most physician-friendly insurer." (By Jessi Hempel and Diane Brady.) It also increased its profitability and its market capitalization was up 700%.

Driving Farm Prosperity Through Technology

Mahindra Group has been linked to Indian agriculture from its earliest days and this connection was only strengthened with Mahindra Agri's vision to "Deliver Prosperity to Farmers to Help Them Rise."

Mahindra Agri aims to create a lasting and meaningful impact on the lives of Indian farmers, communities and the nation at large. The company does this through technology-enabled products, services and other initiatives that deliver real-world solutions to millions of farmers, helping them grow their incomes over time. This approach is aligned with Mahindra's Rise philosophy that seeks to drive positive change in the lives of all its stakeholders.

Over the past decade, the focus of the Agri business has been on bringing global technologies to the country for the benefit of Indian farmers through multiple partnerships. In its crop care business, the company has a joint venture with the Sumitomo Corporation of Japan, giving it access to several unique Agri-chemicals. Similarly, for the seed potatoes business, it has a joint venture with HZPC of the Netherlands, who are leading global players in the industry.

Further, Mahindra Agri has partnered with Top Greenhouses of Israel and helped bring global greenhouse and net-house technology to Indian farmers at competitive prices. The company also works with Keygene of the Netherlands, whose proprietary technology is helping in the genetic improvement and launch of hybrid seeds with the best traits in the industry.

The company has also been investing in building a Mahindra Quality Assurance backed supply chain and production system. This includes a world-class aeroponics plant in Mohali where it grows virus-free seed potatoes in a soil-less environment. For its fruit exports business, it has a state-of-the-art packhouse in Nashik. Similarly, for the micro irrigation business, the company has decentralized its operations across Nashik, Vadodara and Coimbatore to service Indian farmers faster across the country.

The focus on the planet and people is as important as profitability for the company. The micro irrigation business showcases this philosophy in action, helping farmers reduce their irrigation cost by 30% and water usage by 50%, all while improving productivity by over 30%.

For information on Mahindra's parallel commitments on ESG, see **Section 6** of this guide.

Along the journey to create societal value through products and services, there is opportunity for connection of the corporate purpose work with the other two dimensions – ESG and corporate social activism, as described in the next two sections of this guide.

6 Dimension Two: ESG

Defining the Commitment

ESG is concerned with the materiality and impact of the organization's operations, policies and programs on environmental, social and governance issues, including human rights, communities, diversity, privacy, or any other material issues that might affect the success of the enterprise and the health of the planet.

It involves a focus on opportunities to respond to new stakeholder expectations for responsible policies and operations, as well as assessing the risks of disregarding them. It also provides an opportunity to create differentiation by being leading edge in maximizing positive impacts or eliminating negative ones.

This work can be done in parallel with the purpose work described in the section on products and services, and it can be aligned, but it requires a different approach. Here, we are not addressing why we exist and what value we create with our products and services, but rather examining the impact of the enterprise's actions on key stakeholders.

ESG compliance is just the first step in what can become a more profound journey. It is not just about avoiding the risk of litigation and regulatory limitations, but potentially also about how the organization's policies in these areas can go beyond avoiding harm to becoming an innovator that makes a net positive impact on society. This can become its most powerful competitive asset, including in the war for talent.

As in the case of products and services, the definitional work on ESG begins with stakeholders. Here, the focus is on the impact of the organization's operations on the environment and society, as well as governance matters.

Historically, social activists and NGOs were the primary stakeholders pushing for ESG commitments, often supported by governments and international institutions, including the United Nations with its Sustainable Development Goals.

But in recent years, the niche trend of ESG investment funds has gone mainstream, with many major global investment advisors now advocating for ESG commitments and reporting.

These investors – led by Larry Fink of BlackRock and others – are convinced that companies that take a longer-term view of their impact on society will be more sustainable as enterprises and thus more worthy of investment. Being a leader in ESG can attract capital in a different way than others with higher risk.

Both materiality and impact analyses are essential for an ESG strategy. A materiality analysis captures the perceptions of key stakeholders and is based on engagement with them. An impact valuation is based on analysis of the organization's impact on its customers/clients, the environment and society at large.

While a primary audience for these efforts for many companies may be the analyst and investor communities, the views of other stakeholders also are critical. The CCO is well placed to bring in the perspectives of these other stakeholders, including employees, customers, suppliers and other business partners, as well as activists and governments. Both their commitment to their opinions and their ability to serve as instruments of amplification can help support your efforts. The public can galvanize through social media, and the fourth estate can use its reach and gravitas in much the same way.

The starting place will be to conduct a thorough analysis of all of the company's operations with an eye to the impact on the environment, natural resources, human rights and other societal concerns, keeping in mind the priorities and concerns expressed by the multitude of stakeholders. Most publicly-listed companies are required to disclose a material risks assessment matrix; this is a good basis for a deeper analysis. Ideally, this will be done by a cross-C-Suite team with a defined leader who can drive the process. The CCO is likely to be a true partner in this effort, but not necessarily the designated leader of the project.

Here are some steps to follow:

Determine, through dialogue with executive leadership, what success will look like, and set expectations in the process. Set up one-on-one meetings with your executive leadership team to ascertain their expectations for outcomes and their level of commitment, including the resources that will be made available to achieve the results the business requires. When asking different executives about their expectations, there will likely be varying answers. These interviews provide an important opportunity to set expectations around what is in and out of scope.

Establish a cross-functional team so that all key internal stakeholders can contribute to the efforts. It is impossible to create and implement a successful program without a commitment across the enterprise. Products and services teams will need to focus on product design and production issues. The facilities team can help with water usage, carbon emissions and consumption of single-use plastics. The human resources team can help to address diversity, equity and inclusion. Tax, cyber security, responsible investing, human rights and other policies that fall into the financial and other functional spaces need to be created and adopted. It's not as straightforward as it sounds, so all internal stakeholders, including partners like finance, compliance, IT and legal, need to be part of the working group.

Engage some of the company's largest investors to determine what types of disclosures will be most meaningful to them. Currently, ESG reporting demand is being generated significantly by the analyst and investor community. Asking them what they are looking for in terms of both activities and reporting is a smart thing to do. You can do an analysis of gaps in priority ESG ratings (MSCI, Sustainalytics, ISS, etc.); reporting frameworks (SASB, GRI, TCFD, etc); and proxy advisor statements, which are very specific now regarding ESG expectations. In Europe, you should also look at the non-financial reporting directive that is coming through the EU now. Once the company understands what the key reporting requirements are for the company, a cross-functional, cross-enterprise team can begin to wrestle with defining the best approach for the reporting.

6. Dimension Two: ESG

Develop an ESG maturity model for the company, and complete an internal assessment of what the company can deliver from both a programming and reporting perspective. A maturity model can be built internally or with support from outside consultants. Start with where the company is and end with where the company wants to be. Insert milestones in between and benchmark against peers. Determine current activities that can be curated rather than created.

Conduct a gap analysis so that new programming and different means of disclosing can be developed as part of the assessment. This is one of the most revelatory parts of the process. Often there are gaps in the enterprise's commitments and actions, which requires the enterprise to assess the need for either a change in business practice or adding some additional programming and attention to an area where the company is lagging behind.

Establish and report on long-term goals. Increasingly, organizations are taking public stands to achieve major goals. For example, more than 20% of the world's 2,000 largest public companies, representing sales of nearly $14 trillion, now have net zero commitments, according to a report by the Energy and Climate Intelligence Unit (ECIU) and Oxford Net Zero. This can earn stakeholder engagement and generate internal buy-in.[4]

Some companies see ESG as an opportunity for much more than risk mitigation. If done well, it can be a catalyst for societal value-driven enterprise transformation.

4 "Net Zero Carbon by 2040." The Climate Pledge | Net-Zero Carbon by 2040. Accessed March 29, 2022. https://www.theclimatepledge.com/.

ESG as a Differentiating Factor

Equinor is a partly state-owned Norwegian oil and gas company named Statoil until 2018. From its founding in 1972, it has been at the forefront of its industry in environmental profile, social responsibility, climate footprint and human rights.

From 2010 onwards climate change became more prominent on any oil and gas producing company's agenda. As the impact of global warming became more visible, the legitimacy of the oil industry came under pressure. The world needed to act, and to act fast. The effect of greenhouse gas emissions from the use of hydrocarbons threatened not only the social license to operate, but future business in a world heading toward a low-carbon future.

Rather than seeing this as only a big challenge, Statoil CEO Eldar Sætre chose to focus on the opportunities it could present. In 2015 Sætre initiated a deep strategy review and engaged the corporate communications team to define a new strategic position and narrative to support the change process. But more important, he sought to make it a differentiating factor based on his belief that business has a responsibility to help decarbonize the world.

The company decided to redefine itself from being a focused oil and gas to a broad energy company. Renewable energy production and low carbon solutions for oil and gas were to play an increasingly bigger role. A new strategic narrative was developed, built around six words signaling to both the organization and stakeholders where the company was heading: "Always Safe, High Value, Low Carbon."

The new strategic direction was largely embraced by stakeholders. It reconfirmed the company's position as an industrial leader when it came to high social standards and to operate in line with its purpose "to turn natural resources into energy for people and progress for society."

But the real commitment was questioned. Data showed it was still perceived as an oil and gas company. The new strategic direction was not reflected in the brand value. The company saw that if future aspirations were better reflected in its perception, it would be a more attractive employer, its ability to influence framework conditions would increase and ultimately the likelihood of realizing its strategy would be higher.

To accelerate the process, then-CCO Reidar Gjærum initiated a discussion with the CEO about changing the name of the company. Excluding "oil" from the existing name was an obvious opportunity. But to replace Statoil, the highest valued brand in the country, also included risk. A new name had to clearly signal where the company was heading, create pride in the organization and get support from all stakeholders – including its owners.

The company decided to rename itself Equinor. "Equi" is derived from equilibrium and equality – clearly signaling its commitment to support progress for society. And "nor" refers to its Norwegian heritage, recognized across the world for its values and responsible approach to nature.

Within a year after the change to Equinor, brand value was higher than ever, support from the organization stronger and gradually the company is seen more as a part of the climate solution than being only associated with the problem.

Today, Equinor is accelerating its efforts to be a leading company in the energy transition. By 2030, more than 50% of total investments will be in renewables and low carbon solutions When becoming CEO in November 2020, Anders Opedal announced that Equinor has an ambition to be net zero by 2050, including scope 3 emissions – in line with the Paris Agreement.

Aligning ESG and Growth Strategies

Since the 1997 spinoff of Yum! Brands from PepsiCo, the company has invested heavily in brand-building, people, operational capability and culture to scale its iconic American restaurant brands to a globally diversified portfolio of 50,000 restaurants, 98% of which are run by 2,000 franchisees, in 150+ countries and territories.

By 2021, as the parent company of Taco Bell, KFC, Pizza Hut and the Habit Burger Grill, Yum! has become the largest restaurant company in the world by unit count. From 2017 to 2019, the company completed a structural and financial transformation during which it also refocused its long-standing ESG strategy concerning its material priorities across food, people and planet. The work was placed under the leadership of CCO Jerilan Greene, who oversees global communications, government affairs, sustainability and the Yum! Foundation.

As the transformation was completed in 2019, Greene led a forward-looking analysis to determine how Yum! could drive commercial and social value in a credible, sustainable and differentiated way. At the same time, she worked with incoming CEO David Gibbs and Chief Transformation and People Officer Tracy Skeans on what initiatives to consider. In a decentralized company where decisions are routinely driven at the local or brand level, rather than at corporate, it was important to heavily consider the interests and motivations of the brands along with their core business capabilities and record of impacting societal and environmental issues.

Anchored by Gibbs' belief that Yum! should play a greater role in creating opportunity for 1.5 million franchise restaurant team members, Yum!'s global leadership team implemented three initiatives at the beginning of 2020:

1. Center the brands' social value and innovation efforts on people.
2. Advance leadership on environmental sustainability.
3. Elevate the Recipe for Good (ESG strategy on people, planet and food) alongside the Recipe for Growth (corporate strategy), sending a signal that Yum! would drive growth going forward with ESG as a central priority.

Then 2020 happened; three moments of truth drove Yum!'s decisions:

1. COVID-19, which thrust frontline workers and inequality into the spotlight;
2. the reckoning with race and inequality around the world; and
3. accelerated pressure on taking climate action.

The first half of 2020 was spent pivoting Yum!'s operations, technology and communications to deal with the pandemic. When Black Lives Matter went global, the company publicly acknowledged that many of their restaurant team members around the world were people of color and/or people dealing with inequality every day with the biggest challenge being limited pathways to opportunity and the lack of access that goes with it. This realization led Yum! to reaffirm its values on inclusion and its commitment to creating a future where people from all walks of life could thrive and build a better life.

Leveraging the previous year's work on how Yum! could build social value, and respecting the new context on frontline workers and inequality brought about by the events of 2020, Yum! announced on June 25, 2020 its global Unlocking Opportunity initiative to invest $100 million over five years inside and outside its business in advancing Equity and Inclusion, Education and Entrepreneurship for frontline restaurant teams and communities around the world. Each brand then re-articulated its brand social purpose, while Yum! provided a Purpose and Social Innovation Playbook to guide the implementation, allowing freedom for innovation in a global framework.

For more on how Yum! implemented this commitment, **see page 39**.

Establishing Measurable ESG Commitments

At Mahindra Group, the company defines its core purpose as to "Drive positive change in the lives of our communities to enable them to Rise." The company's endeavor is to make the world a better place to be in, through all that the Group does, whether it is the commitment to be a carbon neutral group by 2040, its customer-first products and services, or its focus on powering future-facing businesses such as e-mobility and clean energy. The spirit of Rise has been a part of Mahindra's DNA right from its inception.

Mahindra believes that business growth and social impact go hand-in-hand. ESG issues are viewed as an important lens to create value and make the planet and business more resilient. The company states that not only do these initiatives help lower costs but create new businesses, helps anticipate risks, and attract and retain the best talent.

In 2021, Mahindra committed to 10 very specific and measurable ESG commitments. These include being a water positive group, 100% renewable energy usage and 100% improvement in energy productivity. The Group is among the first in India to have certified Zero Waste to Landfill locations and committed 100% of its sites to be Zero Waste to Landfill certified.

Mahindra has also set up a waste metal recycling plant to counter the increasing congestion of scrapped vehicles besides being among the first to set science-based emissions reduction targets for its companies and the first Indian company to announce its internal carbon price.

Making It Real

Once an organization has agreed upon its ESG commitments, it must put in place formal management structures to ensure that the commitments are implemented.

6. Dimension Two: ESG

Here are some of the steps that should be followed:

Implement activities based on the gap analysis mentioned earlier. It's critical to create a clear owner of the implementation of the ESG commitments. Whereas the products and services planning and implementation necessarily must be done by the P&L line business leaders, with influence from others, ESG often has its own operational structure. Here again, line business leaders often must be enlisted to implement commitments, but there is often a staff function or a cross-functional enterprise committee that has responsibility for ESG. In some cases, ESG is owned by the CCO. In many others, the ownership is elsewhere, but there is still an opportunity for the CCO to play a formal role in the cross-functional approach.

Integrate compliance with commitments and achievement of metrics into performance review plans. If compensation and bonuses depend only on hitting short-term production and sales goals, it will be harder to achieve progress that will meet ESG targets and make the business more sustainable longer-term.

Develop a strong communications plan to support initiatives. This is where the CCO can amplify efforts to achieve the ESG goals through employee, social, digital and editorial media channels. Capture the critical, needle-moving milestones and divulge them in ways that establish the organization as a thought leader in the ESG space and motivate employees at all levels to contribute to achieving the goals. Executive visibility opportunities, signing onto pledges that are authentic to the enterprise's values, and creating partnerships with credible NGOs are some of the ways to add gravitas to an organization's efforts.

Prepare reporting mechanisms and systems. We will address reporting in the next section of this guide, but during the implementation phase, there must be a strong alignment with the planned reporting. The push for reporting creates an opportunity to align the enterprise around its stakeholder strategy and unify the firm around a core set of reliable and standardized metrics. You may start out measuring and reporting societal value performance because you have to, but you may come to embrace this because you find value in driving progress and receiving appropriate credit for your actions. You will need to determine where your organization's relevant data resides, which functions in the organization need to be part of the reporting process, and how the reports will be generated and published. The more focused in this regard, the better. This is the part of the formula that will take the most thought, research and effort.

6. Dimension Two: ESG

Note that ESG is not only about mitigating the negative impacts that the enterprise may have on society, but also, potentially, about enhancing the positive effects. IBM, for example, has long been viewed as a leading employer, and it has a great reputation for developing talent. The organization's creation at an inner-city school in Brooklyn, NY in 2011 of **P-TECH (Pathways in Technology Early College High School)**, which bridges the gap between school and career, is an example of extending that organizational capacity far beyond the enterprise itself. This new model of high school, which pioneered the emergence of **"new collar" jobs** requiring associate, rather than four-year college degrees, has now been adopted in to 26 countries and counting.

Many organizations have positive impacts on the communities they serve by providing employment and elevating living standards. With some effort, it may be possible to create programs and commitment that amplify those positive effects on society.

Case in Point: Fulfilling ESG Commitments

Earlier in this section, we described how Yum! Brands created its ESG strategy on people, planet and food, Recipe for Good. Here, we review steps that Yum! is taking to make that commitment come to life.

CCO Jerilan Greene chairs the cross-functional ESG Council that oversees Yum!'s global reputation, assesses and manages ESG risk and shapes operational ESG strategy. For the $100 million global Unlocking Opportunity initiative, Greene established a cross-functional Investment Committee to govern the strategic integrity of the programs, partnerships, ESG measurement principles and grant allocations through 2025.

Spurred by global research insights from restaurant workers in its top 20 markets, countries around Yum!'s global system are currently shaping programs and partnerships using the global Unlocking Opportunity parameters.

On a parallel path, Greene partnered with Yum!'s chief sustainability officer, Jon Hixson, to accelerate alignment among Yum!'s leadership and brands on a 2030 goal and roadmap to reduce scope 1 and 2 greenhouse gas emissions in its restaurants and supply chain by nearly 50% on a path to net zero by 2050. It also advances systemic action on existing sustainable packaging, energy, water and waste reduction commitments.

In both cases, the key principle is the cross-functional, market-by-market commitment that brings all employees, leaders, suppliers and franchisees into alignment with the Recipe for Good strategy. Leaders meet regularly, coordinate on strategic and operational objectives, and are committed to measuring and reporting progress.

Yum! is accountable to its Board of Directors and stakeholders to deliver on these ESG priorities across people, planet and food, with the intention to create valuable social impact, sustained brand relevance and overall resilience of Yum!'s business amidst rising public and regulatory expectations for companies to be a meaningful part of the solution to society's challenges.

7 Dimension Three: Corporate Social Advocacy

Defining the Commitment

The third dimension relates to the ability of businesses to advocate for changes in public policy or public attitudes on social issues. Traditionally, business advocated for laws and regulations affecting its business operations – e.g. tax, trade and regulatory policies and the like.

Today, however, organizations increasingly find themselves urged by stakeholders, including, most notably, their own employees, to take stands on some issues that previously would have been deemed out of their wheelhouse.

There is some concern that taking stands on controversial societal issues can alienate some customers and other stakeholders, but interestingly, **research** by two educators from Duke and Harvard, Aaron Chatterji and Michael Toffel, suggests that "CEO activism can sway public opinion – and also increase interest in buying the company's products."

When corporate purpose and social activism can be closely aligned, it can reinforce the brand values in a way that enhances stakeholder loyalty.

The definitional phase involves determining whether, when and how your organization might take such stands. Not every company will choose to do so. And it's unlikely that any enterprise will become so outspoken that it's seen as more of an activist or advocacy firm than a business. But many have chosen and will continue to choose to speak out, judiciously, and with thoughtful consideration, on issues that are important to the organization and its stakeholders.

Rather than reacting spontaneously to stakeholder pressure as issues arise, it makes more sense for the organization to establish a way of thinking about and a set of standards for whether and when it might take a stand. Organizations should consider what are the public policy or social issues that they care most about based on their own missions, purposes and values; they also should consider where they are likely to have a positive impact.

Considerations will include:

- What are the organization's stated purpose, core values and beliefs?
- Are there public policy or social issues so central to our corporate character that activism can enhance stakeholder engagement and loyalty?
- On what issues does the organization have a clear point of view and standing to speak out?
- Where can the organization be most influential in encouraging constructive change?
- How will we proceed when opinions of our major stakeholders are in conflict with each other?

In a **recent conversation hosted by The Dialogue Project at Duke University**, Duke's Chatterji said when he first started researching CEO activism, some people thought of the trend as CEOs just responding to the news of the day, rather than a strategic decision for an organization. Now, he said, weighing speaking out on an issue is becoming a strategic business function.

Some organizations have established clear processes, often led by the CCO, to determine when and how to speak out on social issues.

Creating an Enterprise-Wide Process

Nearly 10 years ago, Southwest Airlines noticed a pattern of requests coming in regarding LGBTQ community support – from media, from employees and from community partners – and a lack of consistency about how decisions were made to support, speak out, or wade into a public debate. After a misstep related to not signing on to an amicus brief connected to the U.S. Supreme Court's review of the Defense of Marriage Act (DOMA), the airline resolved to take a more holistic and organized approach to evaluating whether and how to engage on social issues.[5]

In 2015, it established its Social Topics Committee, made up of senior leaders representing Operations, Investor Relations and Marketing. The group meets monthly (and will convene within 12 hours on a hot topic) and utilizes a discussion framework of audience impact questions to make a consensus recommendation to the CEO about whether to engage on a social topic, when and what that engagement should look like.[6]

The issues evaluated typically are generating publicity and require an understanding of the impact to the brand, employees and customers. Topics discussed range from legislative action to requests for community support or opposition. Additionally, the Social Topics Committee proactively identifies relevant social issues (such as the airline's work on combatting human trafficking and open dialogue on mental health/wellbeing) in an effort to make a positive impact on its employees, customers, and communities. The committee's guiding principles are speed, courage and consistency in providing an action plan to the CEO.

5 "Southwest Airlines CCO Linda Rutherford on Living Your Brand Purpose during Volatile Times." PRovoke Media. PRovoke Media, August 25, 2020. https://www.provokemedia.com/agency-playbook/sponsored/article/southwest-airlines-cco-linda-rutherford-on-living-your-brand-purpose-during-volatile-times.
6 Arenstein, Seth. "How Southwest Advises Its CEO on Which Social and Political Issues to Address Publicly." PRNEWS, January 10, 2019. https://www.prnewsonline.com/southwest-advises-ceo-social-political-issues-address-publicly/.

Making It Real

Once an enterprise has decided whether to take a stand on social issues and established a process to select the issues, it's important to follow through so that the organization's positions are not seen as superficial or just lip service.

If the public policy or social issues that they care most about can be impacted by their stand, they should take positive steps to move from activism to advocacy that can make a difference.

Aetna's Chairman's Initiatives

When Dr. John W. "Jack" Rowe became chairman and CEO of Aetna, he was determined not only to save the company, but also to reform the American healthcare system. The Aetna purpose statement, called "Why We Exist," spelled out not only its value proposition for customers and patients, but also declared an ambitious goal to "be a leader, cooperating with others, including doctors and hospitals, employers, patients, public officials and others to build a stronger, more effective healthcare system."

In his efforts to fulfill this promise, Dr. Rowe created a series of Chairman's Initiatives – on care at the end of life, racial and ethnic disparities in health care, mental health, and genetic testing – designed to drive positive change in healthcare.

The genetic testing initiative is a good example. At the turn of the millennium, when Dr. Rowe arrived at Aetna, genetic testing was becoming a promising new way to determine whether people had a predisposition to disease. However, standard health insurance policies did not pay for testing, and patients feared that insurance companies would use their susceptibility to certain diseases as a reason to raise insurance rates or to deny coverage altogether.

As a physician, Dr. Rowe saw the potential for genetic testing to identify treatable diseases, allowing for interventions that would improve health care and extend lives. In his typical straightforward and innovative way, Dr. Rowe unilaterally changed Aetna's policy, directing that all Aetna health plans would cover the cost of genetic testing that could reveal the existence of treatable diseases, and he pledged that Aetna would not use this information to discriminate against people on eligibility for or the cost of health coverage.

Dr. Rowe then launched a campaign to change government policy, leading to the passage, in 2008, of the federal **Genetic Information Nondiscrimination Act (GINA)**, which made it illegal for health insurance providers in the United States to use genetic information in decisions about a person's health insurance eligibility or coverage.

Dr. Rowe's leadership in this effort was motivated by his desire to create value for patients and improve their health. It also resulted in respect for Aetna as an industry leader and increased its reputation among physicians and employees.

7. Dimension Three: Corporate Social Advocacy

Sometimes, it makes sense for a company to take a stand on a controversial issue, particularly if it goes to the heart of the company's beliefs and needs of the employees.

During the racial justice reawakening in the U.S. following the murder of George Floyd, a number of organizations made statements supporting the Black Lives Matter movement. However, what stakeholders are looking for is a true commitment to action.

Nike, for example, took a brave stand in solidarity with former NFL star Colin Kaepernik, who was criticized - and later dropped from the league - for kneeling during the National Anthem at games. Taking a knee was his protest against systematic racism in America, especially in policing. Though Nike was given credit for standing by Kaepernik and supporting his message, the company was criticized for the lack of diversity in its own ranks. In response, the company pledged to increase the diversity of its workforce and pledged $40 million to support the Black community in the U.S.[7]

Making a Difference on a Controversial Issue

Levi Strauss & Co. (LS&Co.) says its employees are the most important stakeholders it has. When the company decides to take a stand and use its voice to effect positive change in communities, as with its gun violence prevention work and advocacy, it is often doing so to address the concerns of its employees.

In 2016, the company's store managers told corporate executives that their employees felt uncomfortable when consumers entered stores carrying guns. The store teams informed the corporate team that the threat of guns in stores made both employees and consumers less safe and made it more difficult for them to do their jobs.

Then, as the company was considering options for making sure the staff felt safe at work, a consumer brought a loaded gun into one of its stores and accidentally shot himself in the foot while in a dressing room. CEO Chip Bergh then wrote an open letter requesting that consumers not bring weapons into Levi's® stores.

Two years later, after another rash of mass shootings and the continued waves of gun violence in communities across the country, the team at LS&Co. decided that they could do more to prevent gun violence in their communities. They saw it as a situation where they could make a difference. As they researched the issue to better understand gun violence in the U.S. and how they could make an impact, there were several key learnings.

First, while tragedies like mass shootings grab the most headlines, these incidents only make up a fraction of the tens of thousands of gun deaths in the U.S. each year. Gun violence most often takes place in homes and neighborhoods. And second – due to the legacy of racism, violence and economic exploitation in the U.S. – gun violence disproportionately damages communities of color. Finally, the LS&Co. team learned that there were many nonprofit organizations that are focused on curbing gun violence through advocacy and violence intervention methodologies across the U.S.

So, in 2018, LS&Co. set up the Safer Tomorrow Fund in order to use the company's platform and resources to elevate and amplify organizations and individuals fighting for safer communities. A year later, it led a CEO letter to the Senate in support of background checks that eventually grew to more than 250 signatories, the largest-ever business coalition on gun violence prevention.

7 "Black Lives Matter: DO Companies Really Support the Cause?" BBC Worklife. BBC. Accessed March 29, 2022. https://www.bbc.com/worklife/article/20200612-black-lives-matter-do-companies-really-support-the-cause.

Cont. Making a Difference on a Controversial Issue

Last, and most important, LS&Co. is committed to staying in this fight, using its voice, and supporting its partners. When the company looks at issues, it asks whether it's important to employees, whether it can make a difference and whether that work will be seen in the future as having been on the right side of history. LS&Co. sees that when it weighs in on controversial issues, it can make it safe for other companies to join its cause. That kind of courage can be contagious.

LS&Co. sees that there is a horrific gun violence epidemic in the U.S. It believes that speaking out is the moral thing to do and the right thing to do for the safety of employees, consumers and communities. Gun violence is an ongoing problem, and while the conversation on it ebbs and flows depending on the size of the mass shooting, LS&Co. is committed to the issue for the long-term and to raising visibility of the everyday gun violence that plagues communities across the U.S.

Duke's Chatterji warns that, because some issues are fundamentally political, different stakeholders of an organization may hold hyper-polarized views. He says it's important that companies consider how they communicate a decision to stakeholders, including employees who are deeply valued members of the team, but may disagree.

Sometimes, companies may pay a political price for taking a stand. The 2022 Florida legislation repealing Disney's special legal status was seen as a direct retaliation for Disney's statement of opposition to a new Florida law that bans classroom instruction on sexual orientation and gender identity for students in kindergarten through third grade. Companies must weigh the various opinions and options and take the stands that best align with their values, with full consideration of the possible costs.

At other times, public opinion comes together to create a compelling imperative to act. The Russian invasion of Ukraine in early 2022 led to a rapid response from corporations in the West, many of which acted quickly to modify or end business ties in Russia in response to significant demands from employees, customers and society. Fortune's Alan Murray, in his CEO Daily newsletter, quoted Just Capital CEO Martin Whittaker saying, "What I find most encouraging is the speed with which companies have acted, and how united EU and U.S. companies have been. That universality of cause is rare these days, and it's good to see. A reminder of how good the business community really is in coming together in the face of a crisis."

8 How Do We Show Results?

One challenge for companies is that there is not yet a consistent standard to follow or set of measurements to report. A variety of metrics and benchmarks are being used to rate companies on their creation of societal value.

Some NGOs have annual "rate the brands" exercises; the **World Benchmarking Alliance** is an example. Many companies are reporting progress against the **United Nations Sustainable Development Goals (SDGs)**. The **UN Global Compact** underpins the Integrated Reporting process for the UN SDGs, and many companies are on an Integrated Reporting journey – often pushed there by customers, investors, employees and **governments, including the European Community**.

In an attempt to address the confusion and promote alignment among existing ESG frameworks, the World Economic Forum (WEF), working with the "Big Four" accounting firms, Deloitte, EY, KPMG, and PwC, has identified a set of universal disclosures they call the **Stakeholder Capitalism Metrics**.

During the Sustainable Development Impact Summit 2021, WEF announced that more than 50 companies have begun including the Stakeholder Capitalism ESG reporting metrics in their mainstream materials, including annual reports and sustainability reports.

In another attempt to bring order to the chaos of reporting standards, in late 2021, following **COP26**, the **International Financial Reporting Standards (IFRS) Foundation** formed the **International Sustainability Standards Board (ISSB** to deliver a baseline of sustainability-related disclosure standards that provide investors with information about companies' sustainability-related risks and opportunities. The new chair of ISSB, former Danone CEO Emmanuel Faber, **told The Economist**, "At the end of the day, what I think investors need is an end to the alphabet soup and a common language."

Reporting rules required by governments vary. In 2014, the European Commission adopted the Non-Financial Reporting Directive (NFRD), requiring disclosure by certain large companies of information related to environmental matters, social matters and treatment of employees, respect for human rights, anti-corruption and bribery, and diversity on company boards.[8] In the U.S., the Securities and Exchange Commission is considering new rules in 2022.[9]

8 "Corporate Sustainability Reporting." European Commission - European Commission, September 15, 2021. https://ec.europa.eu/info/business-economy-euro/company-reporting-and-auditing/company-reporting/corporate-sustainability-reporting_en.
9 "Greenwashing and the SEC: The 2022 ESG Target." The National Law Review. Accessed March 29, 2022. https://www.natlawreview.com/article/greenwashing-and-sec-2022-esg-target.

8. How Do We Show Results?

Being able to report clearly and accurately is critically important, as transparency and authenticity are essential to building stakeholder trust. Measurement and reporting represent an opportunity every enterprise should seize. To do so, keep the following rules of thumb in mind:

- ***Within ESG, social and environmental reporting are more complex than governance reporting***. Generally, governance principles are standard and clear as related to reporting. Social and environmental indicators are not as well harmonized across business and industry. The lack of clarity creates both a challenge and an opportunity for business.

- ***The materiality and impact analyses first described in* Section 4 *do not necessarily overrule decisions driven by the organization's purpose, mission and character, but they should influence many decisions about ESG commitments***. You will need to answer the following questions on materiality and impact:

    - Does your enterprise conduct a regular materiality analysis? For instance, does your organization send out a digital questionnaire to all its consumer and business customers/clients/members?
    - Do you conduct annual impact analyses? If so, are these reported in your Annual Report?
    - Have you outsourced your materiality and impact analyses to an ESG consultancy firm, specialized in the field and experienced in delivering the input for benchmarks as well as the production of an integrated report?
    - If your enterprise ESG priorities and commitments diverge from your materiality analysis, do you explain the reasons in your integrated annual report and on websites and other digital properties?

Consider how to measure the impact of seemingly intangible benefits, such as social inclusion. A growing number of firms, agencies and civil society organizations are undertaking these assessments, and they can make an important contribution to societal value strategy. For example the Dutch railway system calculated the value for customers of having better facilities for bicycles in stations – and the result was investment in those across most major cities in the Netherlands.

- ***Start with your key stakeholders***. What do they expect from your reporting? In most instances, you will get a listing of requirements: SASB, MSCI, UN SDGs, TCFD, etc. Once the organization understands its key reporting requirements, your cross-business team can begin to build your reporting system. The unified approach to reporting suggested by the **World Economic Forum** can be tested with your key stakeholders.

- ***Identify your organization's critical data and make sure it's discoverable by aggregators***. From what sources are your largest investors pulling your data? How is your data talking to their bots? How are your communication efforts amplifying those disclosures? How are the rating agencies transforming the raw data into your final rating? That said, there is a real lack of transparency in regard to where the AI pulls data from. The solution? Enter CommTech. Some companies (e.g., CSRHub) have monetized the process and for a fee will provide you with a list of where their AI trawls for information with recommendations on what you can do to close any gaps. Some firms have developed their own systems and processes. State Street's is called RFactor.

  Communications professionals must ensure that the reporting is not only beautifully branded and that the quality of the disclosures is exemplary, but the zeros and ones must be arranged in such a way that the AI effectively collates the data. Doing this successfully requires the use of a number of sophisticated information technology techniques which reflect a proverbial brave new world for the communicator.

- ***Understand who is rating you and by what criteria***. The goal is to receive top tier, or A, ratings from top rating agencies and to avoid getting on a "do not buy" list. These agencies that provide the ratings use aggregators like MSCI, Sustainalytics, ISS, Bloomberg, Robecosam and CSRHub. These aggregators use AI to "find" a company's disclosures, and these and other leading ESG research companies supply information to the ratings agencies, making critical not just where the disclosures appear but also how they are amplified.

- ***Choose reporting platforms***. Novisto and Enablon are off-the-shelf packages available for those who elect not to build their own or integrate their efforts into existing company systems. The best opportunity for weighing in with your narrative is through completion of relevant surveys like the CDP (Carbon Disclosure Project), Bloomberg Gender Equality Index and DJSI (Dow Jones Sustainability Index).

- ***Integrated reporting***. Do you issue an annual report on ESG? Is it integrated with your financial reporting? Have you expanded it to include the social impact of the firm's products and services? Does your report follow the standards of the **Global Reporting Initiative (GRI)**? **Here's an example** of such a report from Southwest Airlines.

  If a cross-functional team led by a strong program manager isn't available for compilation and reporting, there are some COTS packages available, such as Goby and Envizi. Consultants like Deloitte, KPMG and PWC have built specialized practices that can work with companies to build custom products.

- ***Reporting discussions lead to gap analysis***. Your internal reporting discussion will likely open a wider discussion on gaps in the company's societal value commitments and actions. Where are we on gender? On environmental impact? What are best practices in moving past a particular tension? What are our competitors doing? Are there looming issues we need to get ahead of – perhaps by taking public stands? Are there new products and services we can – or must – develop?

- ***Disclosure is an issue you will need to manage***. Internally, concerns arise over the degree of transparency on critical issues such as emissions, diversity, pay equity and the like. You need to understand ahead of time where these issues can create tension, and then build a management system to handle them. Compliance with ESG investment fund rules does not necessarily create a free ride from criticism.

  For example, [***The Economist* recently reported**] that ESG funds' decarbonization focus is leading publicly traded energy companies to sell off their carbon-based assets. But these are merely changing hands to private-equity funded owners who continue the energy production, leading to no net improvement in the environment. It's important to take a broad view and to be transparent about the full impact of one's actions.

- ***Create content and launch a website for your ESG program***. How the content is disclosed is just as important as the content itself. If shareholders are only keen to meet a company on their own terms, the aggregators don't want to speak to the company at all. MSCI, Sustainalytics, Robecosam, ISS, Bloomberg and CSRHub are popular aggregators, using artificial intelligence to in essence scan the digital space in order to curate disclosures. While there are some opportunities to correct the record, those efforts also tend to be through electronic means. Social value management, like any other enterprise-wide function, is increasingly a data management issue. You need a system to maintain, analyze and deploy your company's data – both because of growing demands for reporting from the company's multiple stakeholders, and because you need such a system to turn your ESG and other societal value data into a competitive asset.

9 Where to Find Best Practices

The stakeholder capitalism approach, with its focus on corporate purpose and creating value for the broad range of stakeholders, is a never-ending journey. It requires a broad perspective, perseverance, the ability to be ambitious without losing the people who have to deliver the results. Most of all, it requires leadership and advocacy skills to team up with, inspire, manage and align all the professionals in this endeavor.

One might think of it as being similar to the conductor of a large orchestra who turns a highly complex composition into a spectacular musical experience. We hope this guide provides a good starting place for the journey, and offer the following as additional resources:

Stakeholder Capitalism and Sustainability Reports (Last Five Years)

- **2030 Purpose: Good business and a better future**: *Deloitte report connecting sustainable development with enduring commercial success.*
- **Accenture: The Rise of the Purpose-Led Brand**: *Research on the growing expectations of today's consumers that brands lead with purpose, and how marketers and communicators are responding.*
- **Morning Consult: Evolving Expectations of Today's CEOs**: *Survey on what stakeholders expect of CEOs today, with the core finding that purpose-related measures make up half of the top 10 expectations.*
- **BSR: The Business Role in Creating a 21st-Century Contract**: *Report on how the private sector is creating a new social contract to drive economic mobility and prosperity.*
- **Cambridge University: Leading with a Sustainable Purpose**: *Insights on how multinational organizations developed and activated a purpose beyond profits.*
- **KKS Advisors: A Test of Corporate Purpose**: *Examines the impacts of COVID-19 and racial injustice on corporate purpose.*
- **Globescan Sustainability Leaders**: *Report on leading companies in sustainability, ESG.*
- **Better Business: How the B Corp Movement is Remaking Capitalism:** *Chris Marquis describes the role of the B Corp movement in a more inclusive capitalism that considers all stakeholders.*

9. Where to Find Best Practices

- **Stakeholder Capitalism: A Global Economy that Works for Progress, People and Planet**: *Lays out Klaus Schwab's vision to build the future and put us on a more resilient, inclusive and sustainable path.*
- **Measuring Stakeholder Capitalism: Towards Common Metrics and Consistent Reporting of Sustainable Value Creation**: *This joint project of the World Economic Forum and the International Business Council "seeks to improve the ways that companies measure and demonstrate their contributions towards creating more prosperous, fulfilled societies and a more sustainable relationship with our planet."*
- **A Brand. New. Purpose.** *Accenture report navigating the human and business impact of COVID-19.*
- **ESG Controversies: ALPHABET INC.**: *Example of an ESG report by a major company.*
- **Resources for Practice Change**: *The Shared Value Initiative based on the work of Michael Porter and Mark Kramer was launched as a Clinton Global Initiative Commitment to Action to act as a global knowledge and learning hub.*
- **Purpose for PLCs**: *A Blueprint for Better Business is an independent charity whose purpose is to create a better society through better business.*

Critical rankings

- **JUST Capital JUST 100 2021**: *Annual ranking of the U.S.'s 100 most "JUST" companies, determined by how companies serve various stakeholder groups.*
- *TCFD:* **https://www.fsb-tcfd.org/**

Best practices guidelines

- **Authenticity in Purpose**: *Essay on the importance of authenticity in defining and embedding purpose.*
- **The Power of 'And': 10 Guidelines for Powerful Purpose Strategy and Programming**: *Steps to develop purpose strategy that is authentic, values-aligned, and goal-oriented.*
- **Carol Cone's 10 Purpose Principles**: *Actionable principles to guide C-suite leaders to develop purpose within their organization.*
- **Reporting Matters 2020**: *A report on the role of corporate sustainability reporting in the pandemic from the World Business Council for Sustainable Development (WBCSD).*
- **2022 Proxy Season Preview and Shareholder Voting Trends**: *Guidance from The Conference Board in collaboration with Russell Reynolds and Rutgers Center for Corporate Law and Governance.*
- **Principles for Responsible Business**: *Created by the Caux Roundtable for Moral Capitalism.*

How-to information to develop programming

- **Purpose 360 Podcast**: *A 'masterclass' on organizations defining, embedding, and activating purpose in their organizations.*
- **Put Purpose at the Core of Your Strategy**: *Long-form piece on why and how purpose should be at the center of an organization's long-term growth strategy.*

9. Where to Find Best Practices

- **The Climate Pledge Fund**: *Information on making a net zero carbon pledge.*
- **What Will Be Your Organization's Authentic Purpose in 2021?** *Carol Cone's suggestions for organizations to define and integrate a truly authentic, activated purpose.*
- **How Business Navigates the Landscape of Polarization**: *The Dialogue Project at Duke University Fuqua School of Business moderated discussion on how companies and researchers can outline frameworks for speaking out on societal issues.*

Books, Newsletters, etc.

- **Purposeful Connections** (CCOP)
- **The JUST Report** (JUST Capital)
- **Brands Taking Stands** (Triple Pundit)
- **Sustainable Brands**
- **Green Biz**
- **BSR**
- **Green Daily** (Bloomberg)
- **CCOP Insights Blog**
- Article: **It's Time for Companies to Treat Purpose as a Verb**
- **Fortune Magazine Change the World List**.
- **Net Positive: How Courageous, Companies Thrive by Giving More Than They Take**, *book by Paul Polman and Andrew Winston.*
- **The Heart of Business: Leadership Principles for the Next Era of Capitalism**, *book by Hubert Joly, former CEO of Best Buy.*
- **Stakeholder Capitalism: A Global Economy that Works for Progress, People and Planet**, *book by founder and Executive Chairman Klaus Schwab of the World Economic Forum.*
- **Measuring the business value of corporate social impact**: *Deloitte article on improved measurement techniques and data analytics can enable companies to better understand the business value of their social impact efforts.*
- **Social-Impact Efforts that Create Real Value**. *Harvard Business Review article on how to integrate ESG efforts into strategy and operations.*
- **The Six New Rules of Business: Creating Real Value in a Changing World**, *book by Judy Samuelson, founder and executive director of the Aspen Institute Business and Society Program.*
- **Tomorrow's Capitalist: My Search for the Soul of Business**, *book by Fortune CEO Alan Murray, due out May 10, 2022.*
- **Purpose 360 Podcast eBook**, *from Page member Carol Cone, including over 75 insights to purpose activation from conversations with visionary executives, authors and nonprofit leaders, including Page members Corley Kenna and Kelly McGinnis.*

Appendix: A Brief History of the Changing Role of Business in Society

The idea that a business can do well by doing good is not new. Hundreds of years ago in Japan's Edo and Meiji eras, merchants championed the concept of sanpo yoshi, or "three-way satisfaction." Successful merchants understood that to build a lifelong career, they had to ensure that every transaction benefited the buyer, seller and the local community.

The modern concept of corporate social responsibility (CSR) had more recent origins, in the early 19th Century critiques of the Industrial Revolution[10], evolving in the latter part of the century into the theory and practice of corporate philanthropy. Reform movements in Britain and the Progressive Movement in the United States were responses to the perceived societal damage of unconstrained profit-seeking.

In the 20th Century, governments in Europe assumed increasing responsibility for creating and maintaining social safety nets and welfare programs, and increasingly regulated the behavior and policies of private corporations – including the development of **works councils**, which are designed to represent the interests of workers in business management decisions.

In the U.S., government also stepped in to protect the public interest by regulating corporate activity in response to a perceived imbalance of power between corporations and the public. During the administration of President Theodore Roosevelt, the government sought to break up Standard Oil, U.S. Steel, railroads, tobacco, banks, and other industries thought to be monopolistic. Anti-trust legislation (Sherman and Clayton Acts) was adopted and numerous new regulatory agencies were established (Interstate Commerce Commission, Food & Drug Administration, Federal Reserve Bank, etc.).

During the Great Depression, President Franklin Roosevelt's New Deal created the Securities & Exchange Commission, which regulated corporations, stock exchanges and brokerage firms. Other New Deal agencies regulated other major industries, including aviation, electric and gas utilities, communications, mining, fishing, and labor practices.

In the 1960s, Congress created the Equal Employment Opportunity Commission, and in the early 1970s established the Environmental Protection Agency, the Occupational Safety and Health Administration and the Consumer Product Safety Commission – all designed to protect employees, consumers and society from negative impacts from business activity.

During this same period, there was an ongoing debate about the role and responsibility of business to society. In 1889, Andrew Carnegie argued in "The Gospel of Wealth" that the government ought not to interfere in private commerce, but that the wealthy should give their money to philanthropic causes.[11]

10 Archie Carroll. "A History of Corporate Social Responsibility: Concepts and ..." Accessed March 30, 2022. https://www.researchgate.net/publication/282746355_A_History_of_Corporate_Social_Responsibility_Concepts_and_Practices.
11 Andrew Carnegie, "The Gospel of Wealth," originally published in North American Review, June 1899. Now available as Gospel of Wealth(Carlisle, MA: Applewood Books, 1998).

In 1931, the Harvard Law Review carried a debate between two law professors in which Adolph Berle argued that corporations were accountable only to shareholders, while Merrick Dodd made the case that companies should take into account the interests of other stakeholders.[12]

In 1943, General Robert Wood Johnson crafted **Our Credo** – the Johnson & Johnson mission statement that adopts a multistakeholder approach, with shareholders listed last.

In 1960, David Packard denied that "a company exists simply to make money" and asserted that it should "make a contribution to society."[13] But in 1970, Milton Friedman wrote in a New York Times Magazine article entitled "The Social Responsibility of Business is to Increase Its Profits" that a firm's only duty is to its shareholders.[14]

The 1980s brought a Wall Street-driven focus on quarterly profitability in response to the emergence of a far more open and competitive global economy. Leveraged buyout firms gave short shrift to the idea of a social contract and contributed to a public perception that businesses believe that "greed is good," as expressed by the fictional, but all-too-real character of Gordon Gekko in the hit 1987 movie Wall Street.

In reaction to this, in 1984, **R. Edward Freeman** wrote ***Strategic Management: A Stakeholder Approach***, arguing that business can be understood as a system of how to create value for stakeholders. Dr. Freeman is a professor at the Darden School of Business at the University of Virginia, and later became the academic director of the Business Roundtable Institute for Corporate Ethics, which partnered with Page on a 2009 report, mentioned below.

Meanwhile, in China, beginning in 1979, Deng Xiaoping began a series of reforms that led to the development of an alternate system, sometimes termed "socialism with Chinese characteristics" and later often called "**capitalism with Chinese characteristics**" that brought market reforms that led to innovation, a reduction in poverty, a rising middle class and increasing income disparities.

Within the past decade, Chinese businesses have begun incorporating environmental, social, and governance (ESG) issues into their decision-making, and ESG reporting has been on the rise.[15] More recently, President Xi Jinping has moved to limit the freedom of Chinese businesses in a crackdown that has stunned many China watchers.

Here are some of the key global developments of the past 30 years:

- **1992** The Earth Summit in Rio de Janeiro sparked the concept of sustainability, which was broadened to include economic and social impact and responsibilities, as well as environmental priorities.
- **1994** The **Caux Roundtable for Moral Capitalism** created its Principles for Business, which were presented at the U.N.'s World Summit on Social Development in 1995. The CRT Principles for Business articulate a comprehensive set of ethical norms for businesses operating internationally and across multiple cultures.
- **2004** Former UN Secretary General Kofi Annan wrote to more than 50 CEOs of major financial institutions, inviting them to participate in a joint initiative under the auspices of the UN Global Compact and with the support of the International Finance Corporation (IFC) and the Swiss Government. The

12 Adolph A. Berle, "Corporate Powers in Trust," 44 Harvard Law Review 1049 (1931), and E. Merrick Dodd, "For Whom Are CorporateManagers Trustees," 45 Harvard Law Review 1365 (1932).
13 David Packard, speech to Hewlett-Packard trainees on March 8, 1960, Hewlett-Packard Archives.
14 Milton Friedman, "The Social Responsibility of Business is to Increase its Profits," The New York Times Magazine (September 13, 1970).
15 "The Evolution of Chinese Corporate Social Responsibility." China Water Risk, March 18, 2020. https://www.chinawaterrisk.org/opinions/the-evolution-of-chinese-corporate-social-responsibility/.

report from this initiative coined the term ESG (environmental, social and governance), laying out the goal of finding ways to integrate ESG into capital markets. Annan launched the UN Global Compact (UNGC) around the turn of the millennium, encouraging business to embrace a wider societal role. The UNGC today has close to 14,000 member companies in 160 countries, who share experiences and self-report on performance.

- **2006** The Business Roundtable Institute for Corporate Ethics and the CFA Institute decried "the obsession with short-term results" that destroys long-term value and decreases market returns.[16]

- **2008** Addressing issues of human rights, the UN "Protect, Respect and Remedy" Framework for Business and Human Rights was adopted, and the subsequent UN Guiding Principles on Business and Human Rights, based on the UN Framework, was endorsed by the Human Rights Council in 2011, after years of consultations with governments, business, NGOs and human rights activists.

- **2009** Following the global financial crisis of 2008-2009, former General Electric CEO Jack Welch, one of the strongest proponents of the shareholder value movement, told the Financial Times, "On the face of it, shareholder value is the dumbest idea in the world. Shareholder value is a result, not a strategy . . . Your main constituencies are your employees, your customers and your products."[17]

- **2009** Page and the Business Roundtable Institute for Corporate Ethics released a report on ***The Dynamics of Public Trust in Business*** in which they "recommend that leaders ... make a commitment to create societal value in the public interest through the firm's core contribution to society..." Although it would be another 10 years until the Business Roundtable would adjust its stated purpose to this effect, this 2009 report was endorsed by Xerox Chairman and CEO Anne M. Mulcahy in her role as chair of the BRT's Corporate Leadership Initiative.

- **2009** **The Institute for Human Rights and Business** was founded to shape policy, advance practice, and strengthen accountability in order to make respect for human rights part of everyday business. Page member Bjorn Edlund is a trustee.

- **2010** The International Integrated Reporting Council (IIRC) was formed, followed quickly by the Sustainability Accounting Standards Board (SASB) in 2011, creating integrated reporting, which broadens business financial reports to include social and environmental – or sustainability – impacts.

- **2010** Unilever launched the **Unilever Sustainable Living Plan**, becoming one of the first companies to announce a blueprint for a sustainable business model.[18]

- **2011** Michael Porter and Mark Kramer of Harvard Business School introduced their "**shared value**" model, which they defined as pursuing financial success in a way that also yields societal benefits. "If business could stimulate social progress in every region of the globe, poverty, pollution, and disease would decline and corporate profits would rise."[19]

16 "Breaking the Short-term Cycle," CFA Centre for Financial Market Integrity and Business Roundtable Institute for Corporate Ethics (2006). http://www.corporate-ethics.org/pdf/Short-termism_Report.pdf.
17 Francesco Guerrera, "Welch Denounces Corporate Obsessions," Financial Times (March 13, 2009).
18 Ionela-Corina Chersan. "INTEGRATED REPORTING in EUROPE – from VOLUNTARY to MANDATORY?" Journal of Public Administration, Finance and Law 7 (11 SI 3): 19–30. https://doaj.org/article/7fab646e25514521a7eeb919587ee238?msclkid=dc690a19ac7d11ec-b5a39cc451547160.
19 Michael E. Porter Mark R. Kramer, and Marc Pfitzer Valerie Bockstette Mike Stamp. "The Ecosystem of Shared Value." Harvard Business Review, September 6, 2016. https://hbr.org/2016/10/the-ecosystem-of-shared-value.

- **2014** The European Commission adopted the Non-Financial Reporting Directive (NFRD) – requiring disclosure by certain large companies of information related to environmental matters, social matters and treatment of employees, respect for human rights, anti-corruption and bribery, and diversity on company boards.

- **2015** The UN General Assembly adopted the 2030 agenda for sustainable development – with 17 Sustainable Development Goals (SDGs) for governments and business. Companies are urged to adopt relevant goals and report on progress.

- **2015** Japan's Government Pension Investment Fund (GPIF) became a signatory to the Principles for Responsible Investment (PRI) advocated by the UN for institutional investors, agreeing to conduct investments that take ESG into consideration. The GPIF is the world's largest pension fund, and its full commitment to incorporating ESG boosted momentum towards ESG investment in Japan.[20]

- **2016** Fortune Magazine took 100 CEOs to the Vatican to meet with Pope Francis regarding business contributions to society. This led to the **FORTUNE CEO Initiative**, a forum for corporate leaders who are committed to addressing major social problems as part of their core business strategies.

- **2017** A group of European companies organized under the name, Impact Valuation Roundtable, released a report called **Operationalizing Impact Valuation**, which outlined a way to calculate and report on the impact of business on societal value.

- **2018** BlackRock Chairman Larry Fink's **Annual Letter to CEOs** was a clarion call to social purpose. "To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society," he wrote. "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.". (For a view of the rise of activist investors demanding that business address issues of human rights, see the Institute for Human Rights and Business guide, "Investing the Rights Way.[21]")

- **2019** The release of a new **Statement of Purpose of a Corporation** from the Business Roundtable, the association of chief executive officers of America's leading companies, endorsed the new norm of stakeholder capitalism, a concept introduced into academic literature in the 1980s and now in the mainstream of business and society. **Some have criticized** BRT companies for not making meaningful changes, emphasizing the importance of fulfilling the commitments they make.

- **2020** The five leading voluntary ESG framework- and standard-setters – CDP (formerly the Carbon Disclosure Project), the Climate Disclosure Standards Board (CDSB), the Global Reporting Initiative (GRI), the International Integrated Reporting Council (IIRC) and the Sustainability Accounting Standards Board (SASB) – committed to work towards a joint vision on measurement standards.

- **2020** also saw the release of the World Economic Forum report, ***Measuring Stakeholder Capitalism***, identifying 21 core quantitative metrics for which information is already being reported by many firms, and 34 expanded metrics and disclosures,

20 "Becoming an Advanced ESG Nation My Vision Papers Nira." NIRA. Accessed March 29, 2022. https://english.nira.or.jp/papers/my_vision/2018/02/becoming-an-advanced-esg-nation.html.
21 "Investing the Rights Way - IHRB." Accessed March 30, 2022. https://www.ihrb.org/pdf/Investing-the-Rights-Way/Investing-the-Rights-Way.pdf.

representing "a more advanced way of measuring and communicating sustainable value creation."

- **2021** Founder and Executive Chairman Klaus Schwab of the World Economic Forum published his book, ***Stakeholder Capitalism: A Global Economy that Works for Progress, People and Planet***, which defines stakeholder capitalism as a focus on long-term value creation, taking into account the needs of all stakeholders and society at large.

- **2021** **International Financial Reporting Standards (IFRS) Foundation** formed the **International Sustainability Standards Board (ISSB)** following **COP26** to deliver a baseline of sustainability-related disclosure standards that provide investors with information about companies' sustainability-related risks and opportunities.

With the rise of stakeholder capitalism in the second decade of the 21st Century – defined by the World Economic Forum as "the capacity of the private sector to harness the innovative, creative power of individuals and teams to generate long-term value for shareholders, for all members of society and for the planet we share" – companies are being pressed not only to communicate societal value, but also to report in a transparent and regular manner their progress against environmental, social and governance (ESG) indicators.

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