

Ethical CORPORATION

Sustainability 2.0

Fresh thinking for the rocky road ahead

Human rights

The issue companies can no longer ignore

Climate action

Rising to the challenge of a 1.5C world

January 2019

www.ethicalcorp.com

**ACT
NOW**



‘Business as usual is no longer an option’

Leading thinkers take stock of a turbulent 2018

The 7th Annual

RESPONSIBLE BUSINESS SUMMIT NEW YORK

March 18-19, 2019 | New York

 #RBSNY

Lead the change to a new sustainable future: Invest, Collaborate and Innovate

500+
Attendees

15+
CEOs

100+
Speakers

4
Tracks

Innovate and lead:

Identify new innovations, materials, technologies and partnerships that will help your business deliver ambitious social and climate impacts

Transparent ESG disclosures:

Disclose accurate data to showcase risks, demonstrate long-term value and deliver transparent ESG disclosures fit for Investors

Transparent holistic communications:

Deliver purpose-driven communications fit for all stakeholders

Move future risks to opportunities:

Transform business risks into future opportunities through new systems, Board oversight and ambitious leadership

Be part of the change

James F. Kenny
Mayor,
City of Philadelphia



John Kern
SVP Supply
Chain Operations



David Heller
Vice President,
Corporate
Sustainability



Sandra Nessing
Managing
Director, Corporate
Sustainability



Jostein Solheim
Executive Vice
President,
Foods and
Refreshments



Hervé P. Duteil
Chief
Sustainability
Officer



Carol Surface
Senior Vice
President & Chief
Human Resources
Officer



John Hocevar
Oceans
Campaign
Director



Andy Pharoah
Vice President,
Corporate Affairs,
Strategic Initiatives
& Sustainability



Virginie Helia
Vice President,
Global
Sustainability



JOIN 500+ OF USA'S LEADING SUSTAINABLE BUSINESSES FOR 2 DAYS OF IN-DEPTH DISCUSSIONS AND NETWORKING. SECURE YOUR PLACE TODAY AND SAVE \$400

www.ethicalcorp.com/rbs-ny



Welcome to the January 2019 issue

For the past few years I have commissioned Ethical Corporation's team of expert freelance journalists to produce a review of the top 10 issues of the year just passed. For 2018, I decided to ask leading figures in Ethical Corporation's formidable global community of change-makers to give their views on how the issues that they follow evolved over the past 12 months, and signpost their expectations for the year ahead.

I was very grateful that 15 responded to the call, giving freely of their time to provide excellent insights on the most important issues facing responsible business as we go into 2019.

Forum for the Future's Sally Uren, John Elkington of Volans, author Gib Bulloch, Matthew Yeomans of Sustainly, and Natalie Chan, a member of Ethical Corporation's advisory board and managing director of PIE Strategy, highlight the new thinking emerging in the C-suite in the face of the extraordinary challenges business now faces.

John Morrison of the Institute for Human Rights and Business, Lise Kingo of the UN Global Compact, and Caroline Rees of Shift explain, in various ways, how the events of 2018 showed the need for a just transition, and for companies to up their game on social performance in 2019.

Mindy Lubber of Ceres, Paul Simpson of CDP, Catherine Howarth of Share-Action, Matthew Welch of SASB, and Dirk Forrister of IETA chart a banner



7-9 Fashion St, London E1 6PX UK

Editor: Terry Slavin

Sub-editor: Karen Luckhurst

Contributors: Sally Uren, John Elkington, Gib Bulloch, Matthew Yeomans, Natalie Chan, Caroline Rees, John Morrison, Lise Kingo, Catherine Haworth, Dirk Forrister, Matthew Welch, Mindy Lubber, Paul Simpson, Joky François, Lindsey Allen

Editorial: terry.slavin@ethicalcorp.com

Subscriptions

subs@ethicalcorp.com

+44 (0) 20 7375 7575

Advertising and sales: Harshi Joshi

Harshi.joshi@ethicalcorp.com

+44 (0)20 7375 7235

Design: Alex Chilton Design

info@alex-chilton.co.uk

+44 (0) 20 7042 6340



year for corporate action on climate change, but point to the scorching consequences if business fails to lift its ambition much further in light of the latest IPCC report, and the US National Climate Assessment.

Lindsey Allen of Rainforest Action Network and Joky François of Rainforest Alliance explain how 2019 will be a key test of whether companies will get to grips with deforestation and gender issues in supply chains.

Finally, John Elkington ends this special issue with a tribute to Paul Polman, who leaves Unilever after 10 years spent pushing the boundaries of sustainability at the consumer goods giant, and for the entire business community. He will be sorely missed, though he will doubtless continue to show leadership on the world stage.

It remains for me to thank all Ethical Corporation’s talented journalists, insightful contributors, sub-editor Karen Luckhurst and Laurence O’Hare-Carroll of designer Alex Chilton for their excellent help producing the magazine this year, and to wish our loyal subscribers a purposeful and prosperous 2019.

Terry Slavin



terry.slavin@ethicalcorp.com
[@tslavinm](#)



7-9 Fashion St, London E1 6PX UK

Editor: Terry Slavin
Sub-editor: Karen Luckhurst
Contributors: Sally Uren, John Elkington, Gib Bulloch, Matthew Yeomans, Natalie Chan, Caroline Rees, John Morrison, Lise Kingo, Catherine Haworth, Dirk Forrister, Matthew Welch, Mindy Lubber, Paul Simpson, Joky François, Lindsey Allen
Editorial: terry.slavin@ethicalcorp.com

Subscriptions
subs@ethicalcorp.com
+44 (0) 20 7375 7575
Advertising and sales: Harshi Joshi
Harshi.joshi@ethicalcorp.com
+44 (0)20 7375 7235
Design: Alex Chilton Design
info@alex-chilton.co.uk
+44 (0) 20 7042 6340



Contents

12

'Extinction rebellion is just the start'
Wake up call for sustainability

3 From the editor

Sustainability 2.0

8 'The window to act is closing fast'

Sally Uren gives seven shifts needed to avert climate disaster

12 'Civil society is becoming far less civil'

John Elkington on why business faces an existential threat

16 The perils of genuine purpose

Gib Bulloch says Sacha Romanovitch was ahead of her time

20 'Gen Z wants action, not campaigns'

Matthew Yeomans on the need for authenticity

24 Sharing value in Asia

Natalie Chan sees a trend towards systems thinking

Human Rights

29 A year of straddling fault lines

John Morrison on why trade will loom large in 2019

33 Why we need a just transition

Lise Kingo sees climate change as a human rights issue

37 The tragedy of gross inequality

Caroline Rees calls for an epiphany on social performance ahead of her time

Climate action

45 'The IPCC report was a wake-up call'

Mindy Lubber on the need for climate-smart boards

49 'We have to pick up the pace'

Paul Simpson on staying below the 1.5C guardrail

53 'Coal has its marching orders'

Catherine Howarth is cheered by the divestment movement

57 Making climate a material issue

Matthew Welch on the launch of SASB's standards

60 COP 24's unfinished business

Dirk Forrester on why 2019 will be critical for carbon pricing

Supply chains

65 'It's now or never for forests'

Lindsey Allen calls for urgent action to end deforestation

68 Time's up for gender inequality

Joky Francois on why diversity is rising up the agenda

71 Fond farewell to Paul Polman

John Elkington on 10 years of pushing boundaries at Unilever

76 On the web

20

Action, not flashy campaigns
What millennials want from brands

The 18th Annual

RESPONSIBLE BUSINESS SUMMIT EUROPE

10th-12th June, 2019 | London

#RBSEU

It's time to *Act*, It's time to *Lead*: Innovate, Engage and Collaborate

150+

speakers

600+

attendees

5

tracks

CEO

led discussion

Time to lead:

Identify new innovations, materials, technologies and partnerships that will help your business deliver ambitious social and climate impacts

Data-driven materiality and impact:

Develop systems and strategies that provide accurate data on future risks, opportunities and impacts

Communicate, engage and report:

Demonstrate leadership and become a trusted voice on material issues

New for 2019

– Investor focus:

Opportunity for investors and corporates to share ideas on future risks and opportunities through focussed workshop discussions

Be part of the change

Erik Fyrwald
CEO



syngenta

Simone Ellis
Oluoch-Olunya
Policy Adviser



UN WOMEN
United Nations Entity for Gender Equality
and the Empowerment of Women

Saker Nusseibeh
CEO



HERMES
INVESTMENT MANAGEMENT

Magnus Billing
CEO



alecta

Jürgen Maier
CEO UK



SIEMENS

Al Naqvi
President



AMERICAN INSTITUTE
OF ARTIFICIAL INTELLIGENCE

Helen Mets
President



DSM

Catherine Howarth
CEO



ShareAction

JOIN 600+ OF WORLD'S LEADING SUSTAINABLE BUSINESSES FOR 2 DAYS OF IN-DEPTH DISCUSSIONS AND NETWORKING. SECURE YOUR PLACE TODAY AND SAVE £500

www.ethicalcorp.com/rbs



Sustainability 2.0

New thinking for the turbulent times ahead

[View online](#)

JGOLBY/SHUTTERSTOCK

'The window to act on climate change is closing fast. We need a new plan'

Sally Uren of Forum for the Future outlines seven shifts that need to happen in 2019 if companies are to rise to the sustainability challenges we now face

Sustainability version 1.0, which evolved from CSR 1.0, has undoubtedly been useful. It has ushered in a growing number of businesses around the world who now have a good understanding of their material environmental and social impacts; it has prompted the creation of new economic instruments designed to promote sustainable development, from green bonds to impact investing; it has spawned a new approach to marketing, with purpose now a key driver for many forward-looking brands; and critically, Sustainability 1.0 has catalysed the development of a growing community of change-makers, all committed to delivering a sustainable future.

But this isn't enough. Sorry.

The stark climate change science tells us that our window to act meaningfully and avoid the worst – and in many ways, absolutely terrifying – impacts of climate change, is closing fast. And even then we will need to get very real about understanding a world where deep adaptation to climate change dictates how we live our lives.

At the end of 2018, I am feeling less optimistic about our ability to deliver the wonderful SDGs by 2030. This is because I don't believe the actions that the NGO community, business, philanthropy, government, civil

At the end of 2018 I am feeling less optimistic about our ability to deliver the wonderful SDGs by 2030



society and citizens more broadly, are currently taking to deliver sustainable development are sufficient. 2019 needs to be the year in which we make seven important shifts:

1. From making the generic business case for sustainability to showing how it can create value

The business case for sustainability is so obvious, and yet only a tiny percentage of publicly listed companies have properly integrated sustainability into their core strategy. So something isn't working. Time then to spell out which of a business's value drivers, from employee retention to market share, can be turbo-charged by sustainability.

Diving deep on the detail has certainly worked for Unilever, whose Sustainable Living Plan (USLP) embedded nine specific commitments and targets at the heart of its operation, affecting decisions across the company and its value chain.

Outdoor clothing specialist Patagonia has similarly embraced sustainability at its core, notably abolishing its sustainability department, and adding "[using] business to inspire and implement solutions to the environmental crisis" within its mission.

2. From detailed implementation planning to experimenting, learning fast and adapting Spending months on a detailed implementation plan, sticking to it, and hoping to deliver transformational change – or indeed any change – is slightly insane, as the enablers for successful delivery will have changed. Far better to declare an audacious goal, and just get on with it, testing hypotheses for change, learning and course-correcting all the time. And maybe changing the goal. When Paul Polman declared Unilever's intent to decouple growth from environmental impact, the delivery pathway wasn't clear, but just look at the success of the USLP. From Interface's Mission Zero to Patagonia's Common Threads the businesses that are making a step change in their contribution to sustainable development are the ones with big ambition and a willingness to "fail fast".

3. From binary messages to complicated ones Everyone likes simple messages. However, sustainability isn't simple, and we need to be better at communicating its complexity and ambiguity. Take Iceland's recent announcement to phase out palm oil from its products, supported by the very compelling animation featuring Rang Tan. Nice and simple. But it doesn't communicate the



Clothing firm Patagonia has embraced sustainability at its core

From Interface to Patagonia, the businesses that are making a step change are the ones with big ambition and a willingness to fail fast



full facts: that sustainably produced palm oil can have very positive impacts on livelihoods and is often a more sustainable alternative to palm oil substitutes, which can cause more negative environmental impacts than certified palm oil. And so on. Let's stop this reductionist approach to communication on sustainability, and use the full creative genius of communication specialists, along with the flexibility and adaptability of social media, and have a go at communicating more sophisticated messages, which will be far more effective at raising awareness in ways that could compel the mainstream to act.

4. From philanthropy to market transformation Perhaps nothing new here as we've guessed for a while that many millions of philanthropic capital are deployed to deal with the symptoms, not the cause of catastrophic environmental and social disasters.

Time then to deploy the patient, risk-tolerant capital held by the philanthropic institutions around the world to address the systemic market barriers that often prevent new, more equitable, forms of capitalism emerging.

Back in 2006, the economist Nicholas Stern wrote that climate change was the result of the greatest and widest-ranging market failure, and that is as true today as it was then. Yes, brilliant initiatives by organisations such as CDP are making it easier to deploy capital towards sustainable outcomes; but still we hear that short-termism and profit maximisation prevent many ambitious programmes scaling because the return on investment (ROI) is too slow. Philanthropic capital could be used to plug this ROI gap, giving new market mechanisms time to deliver the returns that investors currently need, creating a tipping point in the markets where capital flows support sustainability outcomes, and not, as is often the case today, undermine them.

5. From the sustainability echo chamber to building the field Because driving change towards sustainability is really hard, we've built a strong community, who come together at conferences, share what we've learnt, and critically help build personal resilience (well, that's a big benefit for me). But we are in an echo chamber, and quite a small one at that. We need to step outside our comfort zone and engage with key groups for whom sustainability isn't yet their number one priority. Sustainability conferences need to attract social



Iceland's announcement to phase out palm oil from its products doesn't communicate the full facts

Sustainability conferences are an echo chamber, and quite a small one at that. We also need to step outside our comfort zones



media influencers, local and national government policy makers, chief finance officers etc. And vice versa, we need to walk along the edge of our community and place ourselves at the centre of a different conversation.

6. From consumer to citizens This shift has been talked about for some time, and is based on an insight that emotional messages can shift behaviours. And yet we still see too few brands actively using their messages to solve grand challenges. Yes, there are Lifebouy, Nike, Ella's Kitchen, Kenco's Coffee Gangs and some others, but too often the billion dollar advertising and marketing industry is still encouraging us to buy cheap and buy lots. If we are to deliver Sustainability 2.0, then brands – big and small – need to understand how to delight and inspire their consumers as citizens who have a vested interest in sustainability. Because no one will want to live on a scorched planet dislocated by the societal disruption climate change will inevitably usher in.



IR STONE/SHUTTERSTOCK

Consumers are still being encouraged to buy at unsustainable levels

7. From less bad to Net Positive

Because it's time to rebuild nature's assets, to rebuild communities, to re-imagine a sustainable economy, targets framed as a percentage reduction here, minimisation there, just aren't enough. Net Positive is a new way of doing business that puts back more into society, the environment and the global economy than it takes out. The movement is gaining traction, but to effect real change, Net Positive needs to shift into the corporate mainstream.

Most importantly, Sustainability 2.0 will require us all to shift mindsets: from focusing on progress to date, to focusing on the gap that still exists, which will in turn need a new paradigm, where sustainability is a societal norm, not the preserve of a mainly liberal elite.

Sustainability 2.0 will also need big bucks from mainstream capital markets. One thing I have learnt the hard way is that transformational change needs some serious investment. Trying to effect systemic change with chicken-feed budgets is slow, painful, and often unsuccessful.

History tells us that systems change happens in waves. The shift to Sustainability 1.0 is complete, and was a positive first wave of change. Sustainability 2.0 needs a different tool kit, and it's up to all of us to design, and then use, these new tools with intent.



Sally Uren is chief executive of Forum for the Future. She received an OBE in 2018 for services to sustainability @sallyuren



RUPERT RIVETT/SHUTTERSTOCK

‘Extinction Rebellion is just the start. Civil society is becoming far less civil’

John Elkington of Volans warns that the world is finally waking up to the existential crisis we face – and the sustainability industry is going to have to scramble to provide solutions

Anyone who lives in an area of the world with turbulent weather conditions quickly learns not to invest too much faith in weather forecasters. Likewise, anyone living at a time of massive disruptions in technology, macroeconomics and geopolitics would be wise to treat future forecasts with equal scepticism.

That said, here’s my forecast for 2019, albeit with a twist to enhance its accuracy.

On the personal front, if I make it to late June I am due to turn 70. And that means that I will have spent just shy of the standard three-score-and-ten years in what scientists increasingly dub the Anthropocene epoch, dated back to 1950.

This is the first period in Earth’s history where a single species, our own, has planetary impacts on the scale of geological forces. By far the best explanation of all of this appeared in The Economist back in 2011. Google “welcome to the Anthropocene”, but expect the content to be behind a paywall.

The evidence is all about us, for those with the eyes to see. And the insurers and reinsurers are getting ever-more concerned about the insurability of risks that they once took for granted.

Whether it is plastics in the world ocean or apocalyptic fires across California, we are moving into what some have called the “age of consequences”.

This is the first period in history where a single species, our own, has planetary impacts on the scale of geological forces



So, for example, I attended the launch of the WWF 2018 Living Planet Index recently—and the scale of the so-called “sixth great extinction” beggars belief.

Some have argued that it was unfair of Extinction Rebellion, the mayhem-minded network dedicated to waking humanity up to the nature and scale of our climate challenge, to pick on the United Kingdom, which is towards the front of the pack in terms of its climate policies. But the shutting down of five bridges across the Thames in November 2018 was an early warning signal of impending disruption among NGOs and wider civil society.

And then came the even bigger impacts of France’s *Gilets jaunes*, which ended up putting a multi-billion-euro dent in the country’s economy.

Is this a hint that civil society will become a good deal less civil on some of the defining challenges of the Anthropocene?

I think so. In fact, I expect the Anthropocene to dig in its claws much deeper as we move into the 2020s, with growing turbulence in weather systems world-wide. At the same time, I also expect increasing turbulence in our political and economic systems. Far from ending, history seems to be going into overdrive.

Indeed, I would argue that we have entered one of those periodic U-bends in human history, where an old order comes apart while new ones struggle to find their feet.

Of course, you can tilt your head and see the upsides. In 2017, for example, Al Gore’s Generation Foundation concluded that “The sustainability revolution appears to have the scale of the industrial revolution and the agricultural revolution – and the speed of the information revolution”.

And the Business & Sustainable Development Commission, in whose work we were actively involved, said that delivering the UN Sustainable Development Goals could result in markets worth at least \$12trn a year by 2030, with 380 million jobs likely to be created, too.

But now for that twist in the forecast. They say that the best way to predict the future is to create it. In terms of what my organisation, Volans, is planning to do in the next 12-18 months, let me highlight three areas of rapidly growing



TWITTER

The 15-year-old activist Greta Thunberg scolded COP24 delegates for failing her generation

We have entered one of those periodic U-bends in human history, where the old order comes apart while new ones struggle to find their feet



effort across our small team, which is based in London and New York.

First, we have launched the first-ever “product recall” of a management concept, the triple bottom line. The [launch article](#) in the Harvard Business Review caused something of a firestorm, though the feedback was overwhelmingly positive.

When I coined triple bottom line back in 1994, I wasn’t just thinking of accounting and reporting, but of system change. The second bit got lost along the way, so in our Tomorrow’s Capitalism Inquiry, which we launched in 2018 with support from leading businesses like Aviva Investors, Covestro and Unilever, we are taking a clear-eyed look at what comes next for business.

To get a sense of the feedback received, take a look at this [GreenBiz column](#) – and for a description of what it is like to design a product recall process for a management concept, take a look [here](#).

The underlying principle of this work is that if there is one industry in this world of ours that needs disruption more than any other, it is the sustainability industry. And I say that as one of the founding fathers (or perhaps I should say parents) of the movement and linked services sector.

My instinct is that we are going to see parts of the world waking up to our existential crisis in very short order – and the sustainability industry is going to have to scramble to provide solutions.

In the same spirit, we are also working on what some call the “new carbon economy”. Our focus is on the ways in which tomorrow’s businesses will not only cut down on their use of fossil fuels but also on how carbon can be drawn down from the atmosphere – and held within closed-loop industrial and agricultural cycles. For more on that, I recommend a white paper prepared by two of my colleagues, Richard Roberts and Lorraine Smith, called [Our Carbon Future](#).

At the same time, I have been burrowing into the world of artificial intelligence (AI). Partly because it worries me, but also partly because I suspect that,



AARTI KALYANI/SHUTTERSTOCK

The California fires are causing insurers concern over how to cover risk

If there is one industry in this world that needs disruption more than any other, it is the sustainability industry



used in the right way, it can help us make sense of, and solve, some of the increasingly “wicked” problems that our world faces.

The accelerating confluence between capitalism and artificial intelligence is now make-or-break because a growing number of the challenges we face are literally insoluble using the unadorned human brain – however many of them we manage to recruit and deploy.

The real question is not whether tomorrow’s capitalism will use artificial intelligence to try to save the world, but whether it will do so at the necessary pace and scale – and in ways that do not create a new wave of problems.

For capitalism now faces an existential challenge. Smart business leaders increasingly suspect that twentieth-century market mindsets, technology and business models have exploited people and planet to the point where our economies – and our species – have been backed into some sort of evolutionary corner.

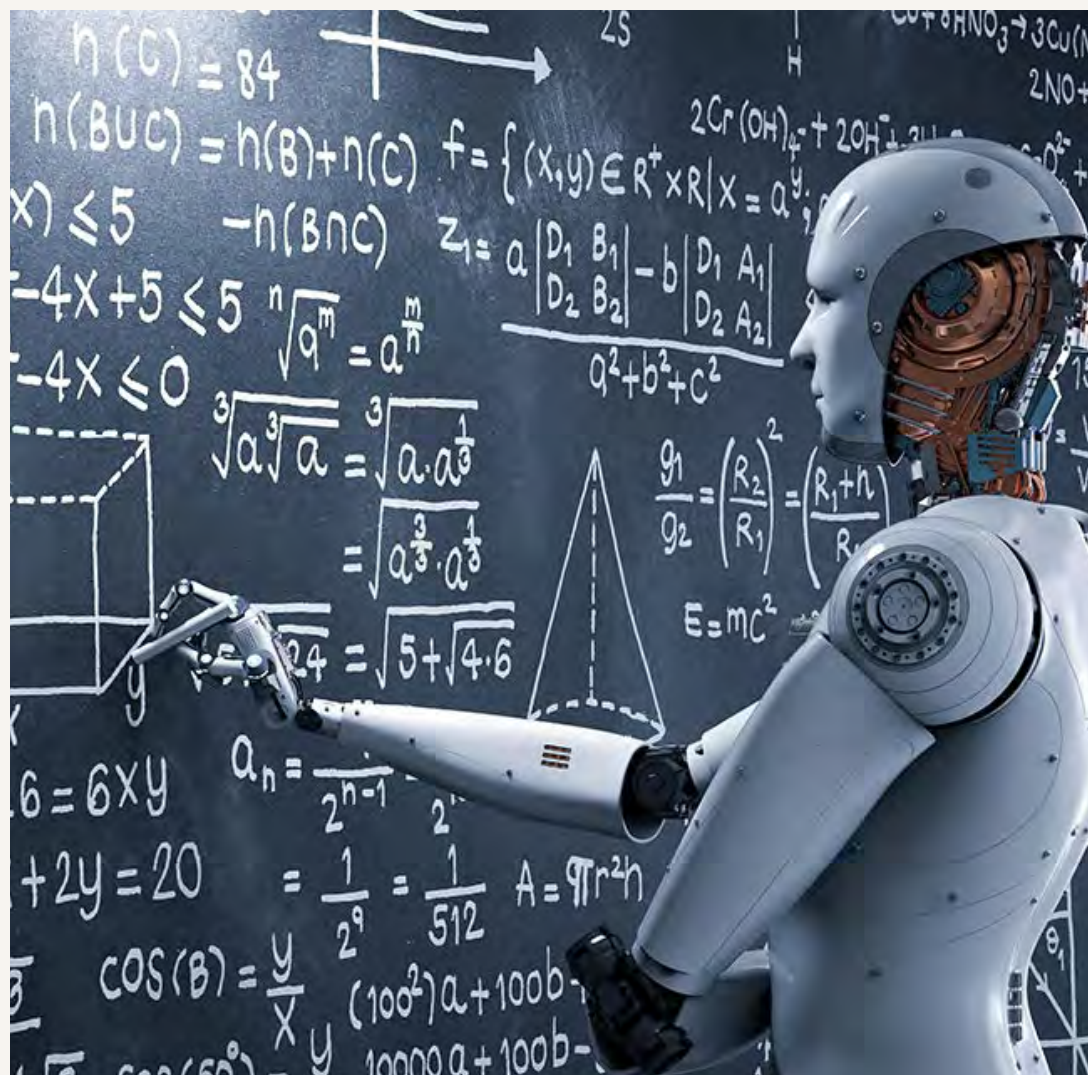
They sense that if we continue with business-as-usual approaches we risk collapsing parts of the biosphere and, with it, our civilization.

Challenged, some argue that finding solutions is way beyond their pay grades, inflated though those often are. Existential challenges are best left to politicians, they insist. But, others muse, what if politicians are not up to the task?

They aren’t, sadly, and my prediction for the next few years is that they won’t be. They’ll be too distracted by things like populism, nationalism, trade wars turning into something nastier, the unravelling of the European Union, and deglobalisation. And what solutions does our sustainability industry have to those problems?

It’s time we came together to co-evolve not just a wish-list, as we now have in the UN Sustainable Development Goals, but an action plan and investment programme to turn goals into on-the-ground realities.

That’s my 2019 in a nutshell. How’s yours looking? Let me know at john@volans.com.



PHONLAMAI PHOTO/SHUTTERSTOCK

Used the right way, AI can help make sense of the problems the planet faces



John Elkington has been called the ‘godfather of sustainability’. Heco founded four companies, including Volans Ventures, where he is chairman and chief pollinator. He is the author of 19 books.

[View online](#)

GRANT THORNTON

Sacha Romanovitch was ahead of her time - and she paid a heavy price

Author Gib Bulloch hopes a new generation of millennial leaders will be more successful in espousing genuine purpose

Hire and fire is an expression that has always been an important part of the corporate vernacular, particularly in the competitive world of professional services. The subtext seems to be that your employment is dependent on one of two extremes: with the implicit deal that you surrender long-term job security and commitment from your employer in return for corporate rewards, whether financial or career-based. A case for making hay while the sun shines, as another saying goes.

I'm sure that Sacha Romanovitch had an opportunity to make a lot of "hay" during her 28 years in the sunshine at independent accounting and consulting firm Grant Thornton. But I wonder how prepared she was for the dark clouds that arrived in October, when her leadership style was attacked and it was announced she would be stepping down when a successor is found.

An everyday occurrence for business leaders, perhaps, so why should it matter? Look a bit closer and you'll find that even CEOs can become the victims of what I term "the corporate immune system"; the invisible antibodies that seek to snuff out anything that doesn't equate to short-term profit maximisation.

Romanovitch has tried to bring genuine purpose (and the word genuine is an important distinction) to a traditional global accountancy firm. News reports indicate that her "crimes" include capping her own salary, sharing

Even CEOs can fall prey to the invisible antibodies that seek to snuff out anything that doesn't equate to short-term profit maximisation



profits with employees and taking proper summer breaks with her family – walking the talk as a role model for the power of a digital detox. A new style of leadership it may be, but was it really so threatening to the long-term financial stability of the company that she needed to leave?

Many have argued that more CEOs should follow in the footsteps of Unilever's impressive (and sadly outgoing) CEO Paul Polman by repositioning their organisations to become more "ethical corporations". Romanovitch attempted to do just that – and it appears to have cost her dearly. The irony is that even when you are captain of the ship, there are inherent dangers in rocking the boat.

The message, like my use of metaphors, is mixed. But until we diffuse the decision-making within these multinational institutions, incumbent power structures will protect the status quo and limit the ability to drive the positive change that could reinvent the nature of work. For this to happen, ultimately, we may require a new kind of democratisation within the multinational corporation.

Before taking this somewhat radical idea further, let's look at the possible leadership dynamics at play in big businesses such as Grant Thornton. Might there be an underlying diversity issue in the upper echelons of the firm? Could it be possible that gender prejudice has been a contributing factor in Romanovitch's lack of suitability?

Clearly, being a woman in a man's playground will not have helped her situation. Here was a charismatic woman leader who could not only go head-to-head with a predominantly masculine leadership in the basics of running a business, but also introduce a natural empathy and intuition that her male counterparts either didn't have or felt unable to reveal – moreover, according to her staff, she was highly successful.

For me, diversity is not just about a narrow definition of gender, sexual preferences or race. It's about embracing the talents of people who think and act differently, too. There seems to be precious little of that in today's corporate boardrooms. Let me put it to you straight: With a handful of notable exceptions, the people who are running our largest global corporations are



HYEJIN/SHUTTERSTOCK

Gender prejudice may have been a contributing factor

Romanovitch introduced a natural empathy and intuition that her male counterparts either didn't have or felt unable to reveal



RAWPIXEL.COM/SHUTTERSTOCK

Traditional power structures within business protect the status quo

hopelessly ill-equipped to drive the necessary change and innovation required to reinvent business for the socio-economic challenges of the 21st century.

Caveat that with “not on their own”, at least. Inclusive, responsible, sustainable business; shared value, corporate social responsibility and all these other terms were not part of the business vernacular in the 1990s, when many of today’s leaders were getting their Ivy League MBAs. The Friedman-esque view on the “sole purpose of business...” reigned supreme.

I saw the same thing happening in the consulting organisation where I worked (now known as Accenture) during the e-business boom of the late Nineties. The most senior, best-paid, longest-serving partners saw their traditional, deep business experience rendered semi-redundant in favour of the entrepreneurial, innovative, digitally savvy, risk-takers of the junior consulting ranks. And this new breed of leaders was happy to forego the promise of a golden carrot 25 years in the future by leaving the firm to create a new generation of internet-based start-ups. Might we be witnessing the same scenario unfolding when it comes to affinity to, and understanding of, sustainability?

Today’s oft-quoted millennial generation will account for 75% of the workforce by 2020. Indeed, they’ve already hit that level in professional service organisations like my alma mater, Accenture, and no doubt also in Grant Thornton. Career success alone won’t do — millennials are experiential-driven and want career significance, too. And they will go the extra mile to get it. They’ve grown up with the Millennium Development Goals and are now eager to engage with the Sustainable Development Goals.

It is this generation who are best equipped to drive change, from the bottom up, and from the inside out. I led the team that created Accenture Develop-

Career success alone won't do. Millennials are experiential-driven and want career significance too



ment Partnerships back in 2003, and was told it was crazy to suggest that Accenture employees would accept a voluntary salary cut to work in the non-profit sector. Today, over 50,000 Accenture employees are queuing up to do exactly that.

Vas Nasasimhan, the dynamic young CEO of Novartis, aims to “unboss” the company. In so doing he is likely to empower the internal mavericks, misfits, changemakers and troublemakers inside – the dormant Elon Musk-type social entrepreneurs or, indeed, intrapreneurs that are inside many businesses awaiting enlightened leaders like Nasasimhan to come along. The rise of the intrapreneurship movement, through the likes of [The League of Intrapreneurs](#), [Circle of Young Intrapreneurs](#) and [Aspen’s First Mover’s](#) programme, fills me with hope for the future.

There’s also employee activism emerging from Silicon Valley in companies like Google and Microsoft. Just wait until these millennials discover they have both agency and voice when it comes to demanding change – without requiring a “c” in their job title. Power is definitely shifting downwards and outwards in such corporate hierarchies. If heads remain in the proverbial sand, the CEOs of large companies are in danger of appearing like black cabbies in an Uber world, or Blockbuster to the Netflix generation. I know where I’d place my bets when it comes to who will succeed in driving change.

Are these the early signs of an exciting new wave of corporate democratisation? It’s probably too early to tell. But here’s a pertinent question: How big do the likes of Amazon or Apple have to grow before the (wo)man in the street demands a say in how they’re run, and for whose benefit?

Romanovitch is a good example of an intrapreneur. She enjoyed an approval rating of 88% amongst employees, who clearly got what she was doing and why she was doing it. Sadly, it appears that her peers in the leadership didn’t – or perhaps felt threatened by something more than Romanovitch herself. Had her fate been put to a democratic vote involving the firm’s entire workforce and perhaps even its clients, instead of Grant Thornton’s board, is it possible she might have been able to stay in her same post next year? It may be small consolation, but on behalf of all intrapreneurs out there and those who respected (and understood) what you stand for, Sacha Romanovitch, we salute you.



Employee activism is emerging in firms like Google



Gib Bulloch is a speaker, writer and facilitator and author of *The Intrapreneur: Confessions of a corporate insurgent*

[View online](#)

Marketers beware: Gen Z wants action, not flashy campaigns

Matthew Yeomans of Sustainly says 2018 was the year that consumer concern about sustainability issues finally hit the mainstream. The challenge is for brands to respond with authenticity

Nike throws its marketing weight behind the polarising figure of #Black Lives Matter campaigner and ostracised NFL quarterback Colin Kaepernick. Patagonia commits all \$10m of the savings it received from the Trump administration federal tax cut to climate change and conservation causes. Iceland teams up with Greenpeace to produce a provocative Christmas advert criticising palm oil.

These are just three of the more high-profile sustainability and social impact efforts undertaken by companies in 2018 – part of what seems to be a growing movement this year of brands taking a stand on issues that concern consumers.

The reality, however, is that this movement has been building for more than a decade. It was way back in 2004 that Unilever's Dove brand identified female self-esteem as an issue it should champion: its Real Beauty campaign being one of the first modern sustainability brand marketing initiatives.

Since then major brands like Always, Intel, Pepsi, McDonald's, Levi Strauss and even Doritos have spent millions on environmental and social campaigns where they have chosen to make a stand. Why then does this year feel different?

Could it be that, finally, consumer awareness and concern about sustainability issues really has hit the mainstream and brands are responding?

Blue Planet elevated ocean plastics to such a level of popular outrage that governments and businesses worldwide spent 2018 scrambling to turn off the tap



Certainly, the BBC Blue Planet series had a big sustainability awareness impact – elevating ocean plastic (previously a relatively obscure environmental issue) to such a level of popular outrage that governments and businesses worldwide spent the last year scrambling to reduce the amount of plastic being used and discarded.

But it's difficult to say categorically quite how engaged the general populace is with social and environmental issues, and to what extent they judge brands based on their commitment to them. A recent YouGov survey, for example, found that 42% of British people favour brands that are willing to get involved in social issues. That, of course, leaves 58% who either aren't concerned or have no opinion on the issue.

But while it's impossible to judge consumers as a whole, a powerful new group of young people – Gen Z – is making clear how it feels about sustainability issues.

One recent survey found that 60% of Gen Z (those born after 2000) support brands that take a stand on issues they believe in regarding human rights, race and sexual orientation. More than 50% say that knowing a brand is socially conscious influences their purchasing decisions and 67% believe they should be true to their values and beliefs.

Now, consider that by 2020 Gen Z will account for 40% of global consumers, and this 2 billion-strong bloc will wield an estimated \$44bn in purchasing power. More than any other generation before them, Gen Z's opinions, and the decisions they make based on those opinions, are overwhelmingly shaped by digital and social media.

Today, these young consumers have access to more information about brands and companies than ever before, and their perceptions about the quality of products and the credibility of the companies that produce them are being shaped by online opinions in real time. They are not afraid to share their likes and dislikes of brands – and share them with millions of others.

The business world, naturally, is desperate to win over Gen Z and their decades of potential brand loyalty. But as brands start marketing to Gen Z

*Gen Z's
opinions, and
the decisions
they make, are
overwhelm-
ingly shaped
by digital and
social media*



RICH CAREY/SHUTTERSTOCK

The BBC's Blue Planet series raised awareness of ocean plastic



they have to be aware of the important and challenging issues shaping Gen Z's lives and how they are being communicated and discussed online.

Climate change, racial and gender equality (#BlackLivesMatter, #MeToo) workers' rights (#WhoMadeMyClothes), food ingredients, fake news, digital privacy and automation are just some of the early 21st century issues that are impacting Gen Z lives and consciousness. And they are being forced to confront these issues amid a global crisis of trust in government, media and the business world.

No wonder then that Gen Z consumers are demanding honesty and authenticity and that brands do right by society – showing respect for people and the planet.

Major brands already know they must adapt to the social and environmental expectations of Gen Z, but that can be a slow and difficult process for large, siloed and often conflicted organisations – especially when the marketing and sustainability departments aren't on the same page.

In theory, the UN Sustainable Development goals should help companies unite internally around sustainability issues and then communicate them to consumers. Those 17 icons were designed to be consumer-friendly, but the SDGs can be complicated to embrace for many companies and, even when they do, they struggle to communicate what they are doing to the public.

In new Sustainly research, to be published in early 2019, we look at 50 of the world's biggest companies to see how they communicate the SDGs. The results are sobering. While two-thirds mention the SDGs in their corporate reports, just 12% communicate their work on the goals in consumer campaigns or storytelling.

Part of the problem, no doubt, is that many members of the public still have no clue what the SDGs represent, which is why consumer education initiatives like the [Good Life Goals](#) – a collaboration of NGOs including the UN and World Business Council for Sustainable Development led by consultancy Futerra – are so important.

Ultimately though, Gen Z wants to see action. The brands that they respect – Everlane, TOMS, Impossible Burger, Lush to name a few – are demonstrating



UNILEVER

Dove's Real Beauty advert was one of the first social marketing campaigns

Major brands know they must adapt to the expectations of Gen Z, but that can be difficult for large and often conflicted organisations



LUSH

Lush is one brand that has earned the respect of Generation Z

their commitment to tackling the issues affecting Gen Z, not just talking about them. They don't depend on flashy campaigns to win respect.

They do so through constant conversation about their values on social media – values that are embedded in their stylish, innovative products. In another piece of [Sustainly research](#) we looked at 20 of the new brands most likely to win Gen Z trust. These breakthrough brands, like Veja, Ecoalf, Change Please, Bureo and For Days, are growing by putting sustainability at the heart of their business models and showing consumers through social media why that creates better products and ways of working.

Which brings us back to Nike, Patagonia and Iceland. Like those smaller start-ups, these three major brands also were able to win respect for what they stood for by demonstrating their commitment. Nike didn't just put Kaepernick in an advert – it continued to retain him as a sponsored athlete for two years, even when he couldn't find a team that would employ him.

The decision to support Kaepernick (and by extension Black Lives Matter) was a wrenching one for Nike (prompting much internal debate) but is likely to pay off in terms of Gen Z loyalty.

Patagonia's stance simply further solidified its sustainability and social cause credentials. And Iceland's own provocative message was a broadcast of its decision earlier in the year to remove palm oil from all its own-brand foods.

As other brands look to take a stand in 2019, they'll need to understand that the new generation of connected consumers expects sustainable action, not just words.



Matthew Yeomans is the founder of sustainability communications firm Sustainly and author of *Trust Inc. - How Business Gains Respect in a Social Media Age*

@mateoy

[View online](#)

D2 PLACE

'Four reasons I feel hope instead of despair about 2019'

Natalie Chan of PIE Strategy sees a trend towards systems thinking emerging in Hong Kong and mainland China

As I sat down to reflect on the past 12 months, I felt a burden in my heart because 2018 was a year in which sustainability challenges relentlessly rose to the surface: air pollution and its health impacts, waste crises and the shortage of recycling infrastructure, more powerful storms, and so on. On the other hand, I was encouraged to see a growing desire to take action by businesses, and that action seemed to be less about philanthropy, and more about trying to find systemic solutions to important challenges.

Shared value is a very nascent approach here in Hong Kong and mainland China, but I want to share four examples of where I've seen it emerging. Together, they demonstrate why I choose to see hope for 2019:

1. A new generation of mindful leaders

Family businesses are a critical pillar of Asian economies, including that of Hong Kong and mainland China. In fact, many listed companies across Asia's stock exchanges are led by families. By nature, they should be obvious candidates to think ahead to the next generation. However, family rifts and the pressure to measure up to familial expectations often made financial growth the main focus of these business leaders.

Companies led by families should be obvious candidates to think ahead to the next generation



In Hong Kong, we have seen new leadership in a number of prominent family businesses in recent years. A key difference is that the next generations see sustainability – in terms of both natural resource management and developing a strong ecosystem of stakeholders and beneficiaries – as the route to a thriving business.

An example in Hong Kong is the Lawsgroup, which started out as an apparel manufacturer in 1975, with a property investment subsidiary, and has been recognised as a “caring company” by the local non-profit Hong Kong Council of Social Service for over 15 years.

In 2010 the founder’s grandson, Bosco Law, took over as CEO while still in his 30s. In 2013, the group turned two industrial buildings in Lai Chi Kok into an innovative mixed-use development called D2 Place.

This new model aims to lower the risks and start-up costs for young fashion and lifestyle entrepreneurs by offering profit-sharing schemes and flexible use of space, ranging from weekend markets to pop-up stores to short-term leases.

Profitability of D2 Place in its early days was questionable, but over the years this unbeaten path for creating shared value has paid off. D2 Place has nurtured an ecosystem of new businesses and helped to attract and develop creativity in neighbouring communities and further afield.

2. The dawn of circular thinking

2018 saw some clear regulatory moves to change the game on waste. Most importantly, in January, China began enforcing new rules that ban the importation of 24 grades of solid waste, including mixed paper and plastics. No longer can businesses in Hong Kong (and elsewhere in the world) mindlessly ship it off to China, highlighting the limitations of waste processing facilities here, and signalling the eventual end of waste-heavy business models. Regulation and infrastructure is now playing catch-up. Awareness of the impacts of waste, particularly ocean plastics, on both ecosystem and human health also surged, and so businesses face pressure to act from consumers and stakeholders.



LEUNGCHOPAN/SHUTTERSTOCK

Shared value is beginning to emerge in Hong Kong

D2 Place has nurtured an ecosystem of new businesses and helped to attract and develop creativity in neighbouring communities



One cross-sector collaboration in Hong Kong is the Drink Without Waste initiative, which brings businesses and environmental groups together to tackle the impact of the beverage sector, with a focus on single-use packaging. Group members include major beverage producers, including Swire Beverages, Vitasoy and A.S. Watson, and non-profit organisations such as Designing Hong Kong and environmental thinktank Civic Exchange.

While circular economy is still a very niche concept here, we are beginning to see some innovation in the textile industry using waste as a resource. A leader is the Hong Kong Research Institute of Textiles and Apparel (HKRITA), which aims to foster research, development and technology transfer in textiles and apparel. It released a waterproof windbreaker jacket using recycled coffee grounds, followed by novel biological process to transform food waste into raw material for producing PLA (plant-derived thermoplastic) fibre.



RECYCLEMAN/SHUTTERSTOCK

Mainland China's ban on plastics is changing the game on waste

3. China's commitment to environmental leadership

China's new regulation on waste management didn't come out of the blue: it is one aspect of China's 13th Five-Year Plan, 2016-2020, and demonstrates the plan's widespread repercussions. Under the seven "major objectives" for the country's social and economic development there are 32 proposals for actions, of which six specifically relate to environmental and ecosystem conservation. This includes the intention to "fully participate in global climate governance", to develop low-carbon transport and move to a "clean, low-carbon, safe and efficient" energy system.

The plan is also one for medium-high growth, including making China into a manufacturing powerhouse, offering ubiquitous data connections, developing the blue economy, an intensive approach to agriculture, and moving forward with the Belt and Road Initiative. Will it be possible for the commitment to the environment to be exemplified in these other areas in the plan, for example through full consideration of impacts on habitats, air and water quality in infrastructure development along the Belt and Road economies? This remains to

HKRITA
created a
waterproof
jacket using
recycled
coffee
grounds and a
novel process
to transform
food waste



be seen. If it can, then we can expect to see China's government and businesses to rise in global prominence as environmental stewards.

4. Tangible action to tackle wealth inequalities

Polarity of wealth is increasingly recognised as a challenge for longer-term social and economic sustainability. Poverty also increases vulnerability to environmental crises, from access to food and water to the health impacts of pollutants, to the ability to migrate from high-risk areas or to recover from natural disasters. While Hong Kong ranks among the top 20 wealthiest economies, with GDP per capita in the range of €42,500, one in seven Hongkongers lives on less than €500 a month.

More business leaders are stepping up to explore how they can contribute to poverty reduction and build more equitable systems, through collaborations with grassroots communities. These initiatives go beyond traditional giving and volunteering activities to use system-thinking processes to understand the challenges communities face, and devise effective solutions to address them.

For instance, PIE Strategy is supporting Our Hong Kong Foundation's Business for Social Good (BSG) platform in a new movement called "Big Little Things", which is piloting a new way for businesses to engage with the community in Hong Kong, and potentially across the region. Led by Bernard Chan, a prominent business leader and convenor of the executive council of Hong Kong SAR, Big Little Things calls on business leaders to use the creativity and pragmatism of the business community to address some pain-in-the-neck issues faced by the grassroots community.

Big Little Things begins with a one-week innovation sprint, designed by PIE Strategy, in which the corporate teams are challenged to create affordable, workable and scalable solutions. These addressed issues from bed bugs and rodents in nano-sized subdivided flats, to smart solutions for helping the elderly to overcome flaws in the design of Hong Kong's public housing. All helped improve wellbeing and inspire hope in small, but tangible and authentic ways.



Polarity of wealth is a challenge in Hong Kong, which ranks among the top 20 wealthiest economies



Natalie Chan is managing director of PIE Strategy, which works with businesses in Hong Kong and across the region to create shared value.
natalie@piestrategy.com



Human rights

The issue companies can no longer neglect

[View online](#)

EELNOSIVA/SHUTTERSTOCK

A year of straddling the fault lines on human rights

John Morrison of the Institute for Human Rights and Business says 2018 saw business find common cause with civil society on fundamentals such as rule of law and freedom of expression

On 10 December 2018 we celebrated the 70th Anniversary of the Universal Declaration of Human Rights, signed in Paris as the world recovered from the Second World War. What was there to celebrate in 2018? Populism, division, trade wars and, even in France, governments cowed by their own revolting populations. Human rights, and some of the 250-year-old enlightenment principles upon which they are based, seem to be under threat the world over.

Business finds itself straddling a number of these fault lines. Trade barriers and tariffs might protect smaller national companies in the short term, but protectionism also breeds corruption, inefficiencies and political capture with business elites. If you don't believe me, travel to any economy that has been isolated from globalisation over the past 30 years and you will be confronted by cronyism. Business also needs workforces that are not overly encumbered by immigration restrictions – falling populations in Europe or Japan are bad for business when set against the much younger growing economies of Africa and much of Asia.

It is perhaps then not surprising that during 2018 we saw business and civil society come together in ways never seen before – from modern slavery and responsible recruitment through to issues such as commodities and the

Human rights and some of the Enlightenment principles upon which they are based, are under threat the world over



protection of human rights defenders. Whilst big business still guards its power jealously, it is increasingly finding common cause with civil society on some of the fundamentals: rule of law, freedom of expression, non-discrimination and access to markets.

Strange times indeed – and at a time when both business and NGOs find themselves at levels of distrust unheard of since Edelman started its annual trust barometer. The State is back but often in a populist guise: don't expect it to automatically step up to its human rights duties unless non-state actors, and local populations, demand that it should.

We are entering a time when many governments need to be incentivised to care about human rights, the framework that they themselves developed seven decades ago. It won't be long before the "government case for human rights" will sit alongside those who have long pedalled "the business case", as if fundamental moral principles were not enough.

As I said at the launch of the 2018 edition of the Corporate Human Rights Benchmark, it is a "tale of two cities".

There are perhaps two logic models at play in the marketplace, maybe in the way that small mammals overlapped with the last of dinosaurs, or Neanderthals with modern humans.

Companies such as Adidas, BHP Billiton, Rio Tinto, Marks and Spencer, Coca-Cola, Unilever and Nestlé are all far from perfect, but their transparency on their human rights performance, as well as resolution of serious allegations, is improving significantly. According to this analysis, the same cannot be said for the likes of Starbucks, Kraft or Prada, which were at the very bottom of the index.

It is good to see investors beginning to align behind this, and for a few governments to also begin to take public procurement and export credit seriously as levers for change. This at a time when the law also begins to strengthen around issues of human rights due diligence in France, with countries such as Switzerland, Germany and Norway watching closely. Don't assume for a moment that stock exchanges, lenders and regulators in Africa, Asia or Latin America will not also follow this trend, particularly if populations



Eleanor Roosevelt holding the Universal Declaration of Human rights in 1948

Starbucks, Kraft and Prada were at the very bottom of the Corporate Human Rights Benchmark this year



RUPERT RIVETT: SHUTTERSTOCK

The UK is facing a self-inflicted loss in global leverage with Brexit

want proof that governments are not just servants at the altar of a globalisation that benefits only the super elite.

Looking into 2019, we at the Institute for Human Rights and Business predict that trade itself will become a business and human rights issue – from issues of sanctions and tariffs, to commodity trading, the impact of digital technology through to the impacts of China's Belt and Road Initiative.

The disruptive effects of technology will become increasingly central to discussions – from automation to artificial intelligence to Big Data. The market dominance of companies such as Amazon and Alibaba will pose new human rights questions as they challenge existing global transport and logistics networks.

Should the UK ever move beyond its self-inflicted loss in global leverage (ie Brexit) then it will find that there are no quick fixes to trade deals, and that the UK parliament might have more expectations than Brussels when it comes to human rights protections for British (and foreign) workers, communities and consumers – much to the chagrin of some of the Brexiteers.

2019 might also be the year in which Facebook is forced to confront its demons head on. All of those who thought consumers no longer cared about their privacy, and that of their children, were badly wrong. Facebook is increasingly seen as a behemoth, and in some markets its omnipotence means its human rights responsibilities go beyond impact assessments and avoiding

*In Myanmar
Facebook is
the internet:
a vehicle of
communica-
tion for
human rights
NGOs, rabid
monks and
genocidal
generals alike*



harm where it can. In a country such as Myanmar, Facebook is the internet: it is the vehicle of communication for human rights NGOs, rabid monks and genocidal generals alike.

The September 2018 UN fact-finding mission on Myanmar produced a long list of recommendations directed at Facebook specifically, almost unprecedented for a UN report of any kind. It is no longer sufficient for the company to hire former and current UK Liberal politicians to manage its policy and government affairs work. In 2019, it must fully engage with an avalanche of a human rights legacy that has built up over the past decade.

The coming year will see the issue of human rights in sport continue to move centre stage. The newly established Centre for Sport and Human Rights in Geneva will shine a light on a range of issues, not just the plight of construction workers in Qatar or Tokyo, but also much deeper systemic issues in sport. The revelations relating to child abuse in gymnastics and swimming that have emerged in the US over the past two years are just the tip of an iceberg. Sport needs to remain autonomous, but for too long this has meant a global industry that has been unaccountable for its human rights impacts.

Discussions around a binding UN treaty on business and human rights will continue in Geneva, and 2019 might begin to see some increased focus on issues of transnational impunity and piercing the corporate veil (ie parent-sub-sidiary liabilities). Legal corporate accountability is likely to play out in other arenas more concretely. As the US continues to pressure Europe on its business relations with Iran, we might see an increasing parallel focus on how US business is deployed in contested geographies such as the West Bank and Western Sahara. Also illustrative will be how countries such as Malaysia, Sri Lanka and Pakistan respond to Chinese infrastructure investment, and the debt that often follows.

And finally, a word on consumers. A colleague recently asked when would the global business and human rights movement have its “plastic in oceans” moment of public awareness. Well, we don’t have David Attenborough batting for us, but the tipping point will come at some point. I don’t think 2019 will be the year when consumers finally wake up to the human rights impacts of their own behaviour, but we might move a step closer to that moment.



SPORTPOINT/SHUTTERSTOCK

The new Centre for Sport and Human Rights in Geneva will help uncover abuses such as those revealed in US gymnastics



John Morrison is CEO of the Institute for Human Rights and Business, which was formed in 2009 under the leadership of former UN High Commissioner for Human Rights Mary Robinson. In 2017 he was named one of the 100 most influential people worldwide on the issue of modern day slavery

[View online](#)

UN GLOBAL COMPACT/JOEL SHEAKOSKI

The year when climate change became the new frontier for human rights

Lise Kingo of the UN Global Compact says the task for 2019 is to build a low-carbon future that works for everyone

The Universal Declaration was crafted 70 years ago, when the man-made horrors of the Second World War were still fresh in the minds of world leaders. Today the rights set out in that document face a new man-made threat on a global scale: climate change.

This past year alone, we have seen the catastrophic impact of climate change, a phenomenon where those who have contributed the least to it are also those who most disproportionately suffer from its harms. From wildfires in Greece and the United States, to floods in Japan and Nigeria, to a heatwave in Pakistan and mudslides in India, 2018 has been a year of devastating loss of life and displacement due to natural disasters either influenced or exacerbated by global warming.

The rights set out in the Universal Declaration are simultaneously straightforward and expansive — encompassing, for instance, the right to life, the right to work and the right to an adequate standard of living, including food, clothing and housing. The declaration establishes the essential framework necessary for human dignity. Conversely, climate change threatens not just individual rights but the very foundations necessary for individuals and communities to survive and flourish.

Climate change threatens not just individual rights but the very foundations necessary for communities to survive and flourish



Businesses around the world are rising to the challenge of building a low-carbon economy. Thousands have made commitments towards the Paris Climate Agreement, and hundreds have set science-based targets in line with that agreement. But we should not be putting out the fire while ignoring the people affected. As companies accelerate action on climate change, it remains vital that such action is founded on respect and support for human rights.

Climate change, together with the actions we take to combat it, is fundamentally transforming how we live and work. Even as green job opportunities continue to increase, other individuals and even whole communities are struggling with the fast pace of change. We are at risk of exacerbating poverty and inequality if we don't seek to build a low-carbon future that works for all of us. On the other hand, this moment of enormous change also presents us with an opportunity to build a future that is good for the environment, the economy and society simultaneously – the world envisaged in the 2030 Agenda for Sustainable Development.

A distinctly human rights-based approach, the 2030 Agenda and its 17 Sustainable Development Goals light the way forward to creating the world we all want. And while Goal 13 is specifically on climate action, the interconnectedness of these global goals underscores how a healthy planet also leads to thriving communities and an inclusive economy. However, the urgency of climate change, as evidenced by the latest IPCC report, among many others, has put Goal 13, together with the Paris Agreement, in the spotlight.

But respect for human rights does not mean slowing down our actions to combat climate change. If anything, it is essential that we move even faster toward a zero carbon economy: as the Office of the United Nations High Commissioner for Human Rights (OHCHR) has observed: “The negative impacts of climate change are disproportionately borne by persons and communities already in disadvantageous situations owing to geography,



PETER BUSCHMANN

This year's wildfires in California were exacerbated by six years of drought

The 2030 Agenda is human rights-based and lights the way forward to creating the world we all want



A fatal heatwave in Pakistan was just one of the natural disasters of 2018 influenced by global warming

poverty, gender, age, disability, cultural or ethnic background, among others, that have historically contributed the least to greenhouse gas emissions.”

Protecting the environment and protecting human rights are not competing challenges, but rather complementary. The vision for companies and governments is a just transition to a low-carbon economy. [Experts have envisioned](#) a transition that, when managed properly, can have immense social benefits, including the eradication of poverty and the advancement of decent work for all (Sustainable Development Goals 1 and 8, respectively.)

This means adopting plans and implementing strategies on climate change that are mindful of their impacts on individuals and communities. It requires companies to think creatively and holistically about how they can bring everyone along into the new low carbon-economy – for instance, through skills training, redeployment of staff, and support of communities impacted by changing types, sectors and locations of jobs.

There are many examples of where the private sector is already taking inspiring action on climate change, but achieving a just climate transition also requires respect for the rights of people, such as communities facing energy insecurity and local communities displaced by renewable energy projects. Actively

There are many examples of inspiring action on climate change but achieving a just climate transition requires respect for the right of people



integrating these types of interconnected considerations into corporate decision-making and strategy will be foundational to the long-term health of this planet – which is ultimately good for both society and business.

Helping business translate human rights from policy to practice has been central to the work of the UN Global Compact since its creation in 2000. And in 2018, Global Compact Local Networks have further advocated for business leaders to stand up for human rights through promoting uptake of the UN Guiding Principles on Business and Human Rights and convening human rights-focused CEO Roundtables around the world – from Argentina and Turkey, to Poland and the United States.

In 2019, UN Secretary-General António Guterres will convene a climate summit to raise the ambition on combatting climate change from all sectors of society. On this journey, the UN Global Compact remains committed to working with businesses everywhere to take a principles-based approach to climate action.

Important progress by business is being made, but we must do more. What we need now is for business leaders to commit to transformational change. But building a truly sustainable vision will require us to include many voices, not just those at the top.

As UN Global Compact board members Sharan Burrow and Paul Polman once jointly **observed**: “Workers play an important role in determining our future but often have little choice – it is in all our interests to make sure that they have a seat at the table and a say in their future.” Social dialogue – between business, workers and government – is key to ensuring that the changes being made to protect the environment also protect our societies.

The challenge for business now is to create the momentum to put universal human rights principles at the centre of their climate-action strategies. Seventy years ago, the Universal Declaration set out an ambitious vision for the future. Today, the Sustainable Development Goals seek to make that vision a reality. It is time for all stakeholders to carry the torch forward and contribute to the realisation of that vision – for people and for planet.



WORLD ECONOMIC FORUM (CREATIVE COMMONS)

ITUC general secretary Sharan Burrow is on the board of the UN Global Compact



Lise Kingo is CEO and executive director of the United Nations Global Compact, the world's largest corporate sustainability initiative, with more than 13,500 signatories from 170 countries.

[View online](#)FRAMESTOCKFOOTAGES/
SHUTTERSTOCK

‘Gross inequality is the tragedy of the commons we must face up to in 2019’

Caroline Rees of Shift says CSR commitments are no longer enough. Companies must make deep structural changes to attack the root causes of inequality

As the year comes to an end, it is only natural to think back to the many business and human rights happenings of 2018: Facebook’s inaction as its platform was used to incite rape and murder in Myanmar; the continuing stories of displaced communities in Thailand and Indonesia, forced labour in nail salons in the UK and child labour in brick production in Uganda and Brazil. The appalling stories of sexual harassment across western workplaces, and gender-based discrimination in China. And the growth in attacks on human rights defenders who speak out against business abuses.

The easy formula would be, of course, to write yet another “top five issues in 2018 and what to expect in 2019” piece. But what do those articles achieve? Year after year, they all come down to the fact that while some issues linger, and some new ones emerge, the fundamental problems for society remain.

So perhaps the end of the year should steer us in a different direction. One that aims not to list out all the individual crises of respect for human rights – past or anticipated – nor the commendable responses from a growing number of companies, but instead to address social inequality as a whole.

I imagine that 15 years’ ago companies viewed these issues much as they typically view business and human rights today. One day you were called out

Year after year, while some issues linger and some new ones emerge, the fundamental problems for society remain



for the use of refrigerants, the next for pollutants from your transportation fleet; the next, deforestation in connection with your packaging; or the use of concrete, chemicals or water in your supply chain. And no doubt each “new” issue raised questions about the business case – the costs and benefits – of changing practices to avoid the harm highlighted.

That is, until the realisation spread that all these issues are either causes of, or compound the effects of, a single “tragedy of the commons”: namely, climate change. In other words, if individual companies each continue to exploit the shared resource system of our environment for their own narrow self-interest, taken together the results will be catastrophic for our planet and humanity.

With that realisation, action moved from some mid-level managers trying to do the right thing to the C-suite and boardroom showing leadership for change. Yes, there are still laggards and nay-sayers, and for sure progress is too slow. The current political climate in many countries does not help much, either. Yet the fact remains that many thousands of company leaders today have moved beyond quibbling about the rationale for addressing their environmental footprint, and are embracing the urgent, large-scale and collective action – together with government and civil society – that is needed.

In 2019, we need a similar epiphany with regard to companies’ social performance. For there is an analogous tragedy of the commons around us: gross human inequality. At the forefront sits income inequality within societies, but this is underpinned by all the other inequalities of race and ethnicity, disability, gender identity, sexual orientation and so forth, that both exacerbate and are compounded by income inequalities. [The World Inequality Lab](#) finds that “the top 0.1% has captured as much growth as the bottom half of the world adult population since 1980” and that, “[i]ncome growth has been sluggish or even nil for individuals between the global bottom 50% and top 1%.”

How is this a tragedy of the commons? Well, social cohesion and stability are in many ways a “shared resource system”, on which we all depend to thrive as humans in society. They rely in good part on advancing human dignity,



DARIA_CHERRY/SHUTTERSTOCK

Girls are being trafficked from Asia to work in UK nail bars

Many companies have embraced the need for urgent action to tackle climate change. In 2019 we need a similar epiphany with regards to social performance



AMNESTY INTERNATIONAL

Addressing core issues in supply chains is key, such as the conditions of cobalt miners in the DRC

equality, hope and opportunity: the sense that people of all backgrounds can better their lot and build a brighter future for their children.

Yet for decades, companies have acted in ways that squeeze out dignity and opportunity for the most vulnerable workers and communities. New businesses in the gig economy are now celebrated for disrupting entire industries, with too little attention to [how they can disrupt human rights](#).

Meanwhile, corporate commitments or philanthropic pledges by business leaders have frequently masked a resistance to the structural changes needed to tackle the root causes of inequality. And so social cohesion has been gradually depleted, to the point where the resulting tensions and anger – exploited by some for political ends – tear our societies apart and make obvious what we should have known all along: that ultimately, we all lose.

Of course, business is far from the sole culprit. Governments and our inter-governmental system have had a critical role to play. Others have [recorded eloquently](#) the continual loosening of domestic regulations on corporate conduct and the strengthening of international trade and investment regimes without equal regard to protecting those people most vulnerable to the [down-sides of globalisation](#).

But “business” writ large has been a promoter and beneficiary of these trends for decades. Its interests have often spoken – literally – against the real

For decades, companies have acted in ways that squeeze out dignity and opportunities for the most vulnerable workers and communities



and deep changes that are needed to how business gets done.

And so, today, business must turn its leadership toward addressing the crisis of gross inequalities in our societies no less than it is doing with regard to climate change; including where that requires changes to the business models and strategies at the heart of the problem.

The outlook is worrying but not bleak. We are not working from a blank slate. At [Shift](#), we follow with interest the ways in which some business leaders are recognising the urgency of wholesale change. Some are [speaking out](#) about the need to replace financial calculations as the deciding factor in whether to treat people decently, with leadership that recognises that the very fabric of our societies depends on doing so.

[CEOs from the apparel sector](#) have been pressing forward their work with unions to make living wages a reality for workers across their supply chains. Performance expectations adopted by the CEOs of mining companies include accountable commitments to implement respect for human rights. Leaders at Hewlett Packard Enterprise and NXP Semiconductors are tackling the root causes of forced labour in their supply chains, and [Mars Inc's CEO Grant Reid](#) has set out to improve the lives of a million people in its supply chain. Yet we are far from critical mass.

So, instead of using this column to run through a suite of seemingly unrelated human impacts of business that we should look out for in 2019, I think we need to stand back and see that these fragmented images are part of one single and troubling picture: the tragedy of the commons that is gross human inequality.

And then we can stop arguing piecemeal about the business case for treating people with respect, and start taking bold, visionary, collective action – delivered through boardrooms and C-suites working hand-in-hand with government and civil society to put respect for people at the heart of how business gets done.

That's the “tipping point” story we should look for in 2019. We just need enough business leaders to want to write it.



ACT

Some CEOs in the apparel sector are trying to make living wages a reality



Caroline Rees is president and co-founder of Shift, a non-profit, mission-driven organisation headquartered in New York. It is the leading centre of expertise on the UN Guiding Principles on Business and Human Rights. Visit shiftproject.org and [@shiftproject](https://twitter.com/shiftproject).

The insights and analysis you'll have access to in 2019

JANUARY

Review of 2018 and future trends for 2019

Insights and ideas from eight thought-leaders on the key impacts and milestones from 2018, and assesses the trends readers should watch out for in 2019.

FEBRUARY

Sustainable tourism

The impacts such as over-tourism, plastics waste, water extraction and pollution and CO2 emissions.

Saving our oceans

How companies and investors can contribute to restoring the health of oceans, addressing plastics waste, over-fishing and pollution.

MARCH

Stepping up to a 1.5-degree world – full issue focus

How companies and investors are increasing action to meet the 1.5-degree target. How companies are implementing the TCFD recommendations, which investors are stepping up and examples of companies that are increasing ambition.

APRIL

Sustainability in the built environment – full issue focus

A look at the ambitious Net Zero Carbon Buildings Commitment. The briefing will look at multi-stakeholder partnerships between companies and cities to achieve zero carbon buildings.

MAY

Circular economy – full issue-focus

A deep-dive on the progress on circular economy in plastics, the garment industry, electronics, the brewing industry and how US Cities and European countries are setting ambitious goals.

JUNE

Modern slavery and forced labour

Progress report on modern slavery legislation around the world.

How are companies responding to the refugee crisis?

What is the need and opportunities for companies to proactively seek to bring refugees into their factories in host countries?

JULY

Future of food – full issue-focus

Looking at work of the Food and Land Use Coalition and Global Agri-business Alliance to make food system more sustainable. Latest developments in agri-tech and precision agriculture.

AUGUST

Carbon pricing

An assessment of carbon pricing schemes around the world, including in the US, Canada, Europe and China.

Reporting the SDGs

A look at how companies are accurately reporting their SDG impacts – both positive and negative. How SDG reporting is being tracked by investors.

SEPTEMBER

Tech for good

The potential for technologies like AI, cloud computing, internet of things and blockchain to bring disruptive change.

Women and tech

We will report on efforts to get more women into the tech sector to drive disruptive change.

OCTOBER

Is “purpose” fit for purpose?

The briefing will look at progress in Future of the Corporation project, work of the Coalition for Inclusive Capitalism.

Inclusive growth agenda

What are the leading companies doing to ensure their growth is benefiting their staff and local communities?

NOVEMBER

Bending the curve on transport emissions

Look at what it will take to speed up adoption to low-emission transport alternatives.

Responsible mining

What investors and brands are doing to address environmental and social risks arising from the mining industry.

DECEMBER

2020 commitments

A year ahead of 2020, how are companies and cities faring on meeting their commitments on energy and deforestation? Interview with Christiana Figueres of Mission 2020.

Progress report on the TCFDs

What companies are using them, what difference has it made in operational and reporting terms?

THE FULL CALENDAR IS
AVAILABLE TO VIEW HERE.

If you are interested in sponsored content or display advertising opportunities in the magazine then please get in touch with matt.buckingham@ethicalcorp.com

The 7th Annual

RESPONSIBLE BUSINESS SUMMIT NEW YORK

March 18-19, 2019 | New York

 #RBSNY

Lead the change to a new sustainable future: Invest, Collaborate and Innovate

500+

Attendees

15+

CEOs

100+

Speakers

4

Tracks

Innovate and lead:

Identify new innovations, materials, technologies and partnerships that will help your business deliver ambitious social and climate impacts

Transparent ESG disclosures:

Disclose accurate data to showcase risks, demonstrate long-term value and deliver transparent ESG disclosures fit for Investors

Transparent holistic communications:

Deliver purpose-driven communications fit for all stakeholders

Move future risks to opportunities:

Transform business risks into future opportunities through new systems, Board oversight and ambitious leadership

Be part of the change

James F. Kenny
Mayor,
City of Philadelphia



John Kern
SVP Supply
Chain Operations



David Heller
Vice President,
Corporate
Sustainability



Sandra Nessing
Managing
Director, Corporate
Sustainability



Jostein Solheim
Executive Vice
President,
Foods and
Refreshments



Hervé P. Duteil
Chief
Sustainability
Officer



Carol Surface
Senior Vice
President & Chief
Human Resources
Officer



John Hocevar
Oceans
Campaign
Director



Andy Pharoah
Vice President,
Corporate Affairs,
Strategic Initiatives
& Sustainability



Virginie Helia
Vice President,
Global
Sustainability



JOIN 500+ OF USA'S LEADING SUSTAINABLE BUSINESSES FOR 2 DAYS OF IN-DEPTH DISCUSSIONS AND NETWORKING. SECURE YOUR PLACE TODAY AND SAVE \$400

www.ethicalcorp.com/rbs-ny

The 18th Annual

RESPONSIBLE BUSINESS SUMMIT EUROPE

10th-12th June, 2019 | London

#RBSEU

It's time to *Act*, It's time to *Lead*: Innovate, Engage and Collaborate

150+

speakers

600+

attendees

5

tracks

CEO

led discussion

Time to lead:

Identify new innovations, materials, technologies and partnerships that will help your business deliver ambitious social and climate impacts

Data-driven materiality and impact:

Develop systems and strategies that provide accurate data on future risks, opportunities and impacts

Communicate, engage and report:

Demonstrate leadership and become a trusted voice on material issues

New for 2019

– Investor focus:

Opportunity for investors and corporates to share ideas on future risks and opportunities through focussed workshop discussions

Be part of the change

Erik Fyrwald
CEO



syngenta

Simone Ellis
Oluoch-Olunya
Policy Adviser



UN WOMEN
United Nations Entity for Gender Equality
and the Empowerment of Women

Saker Nusseibeh
CEO



HERMES
INVESTMENT MANAGEMENT

Magnus Billing
CEO



alecta

Jürgen Maier
CEO UK



SIEMENS

Al Naqvi
President



AMERICAN INSTITUTE
OF ARTIFICIAL INTELLIGENCE

Helen Mets
President



DSM

Catherine Howarth
CEO



ShareAction

JOIN 600+ OF WORLD'S LEADING SUSTAINABLE BUSINESSES FOR 2 DAYS OF IN-DEPTH DISCUSSIONS AND NETWORKING. SECURE YOUR PLACE TODAY AND SAVE £500

www.ethicalcorp.com/rbs



Climate action

Rising to the challenge of a 1.5°C world

[View online](#)

SASA KADRIJEVIC/SHUTTERSTOCK

'If boards didn't know about climate change, they do now'

Mindy Lubber of Ceres hopes that C-suites will heed the IPCC report and make 2019 the year they give the environment the attention it deserves

In what has been a landmark year for corporate leadership on sustainability, one of the most interesting and important developments has been the progress in the world of corporate governance. Momentum has been building steadily throughout recent years toward what I see as a potential tipping point in 2019, when sustainability will take its rightful place as a key priority for corporate boards.

The urgency could not be greater. In 2018, two major reports underscored the scope and scale of the climate challenge, sounding the alarm for the entire global economy. [The National Climate Assessment](#) warned that climate change could wipe out 10% of the US economy, costing \$500bn per year by the turn of the century. Earlier, the landmark Intergovernmental Panel on Climate Change [report](#) revealed a vanishingly small window of opportunity to avoid the worst impacts of climate change, prescribing nothing short of an overhaul of the world economy to protect against the devastation that lies in wait should we stay the course.

If we didn't know it before, we sure know it now: we must rapidly decarbonise the global economy, slash emissions, and invest in solutions that will sustain us for generations to come, and we're going to need unprecedented

We must rapidly decarbonise the global economy, and we're going to need unprecedented corporate leadership to get us there



corporate leadership – starting at the very top – to get us there. Sustainability cannot be cordoned off to one department, the purview of one or two corporate sustainability officers. It must be tackled at the board level by sustainability-competent directors who understand how and why these issues are material to the business and critical to a company's long-term success.

Climate change poses disruptive risks to businesses. As explained in our [Lead from the Top](#) report, boards, as stewards of corporate performance in the long term, have the responsibility to work with management to build the resilience of their business for this changed reality. With their ability to hire, fire and incentivise management, corporate boards can drive the establishment of measures that reduce their company's contributions to climate change, lower its exposure to climate risk, and position it to capture the opportunities embedded in the low-carbon transition.

Through their oversight, boards have a tremendous opportunity to reinforce leadership on climate change that ripples throughout their companies, out into their supply chains, and beyond to the wider economy. As stewards for corporate performance in the long term, they have a responsibility to lead in this way.

To be clear, we still have a long way to go. Many corporate boards still don't get it. Despite a clear business case, most public company directors don't currently see sustainability issues as board-relevant: 53% say environmental and sustainability expertise is "not very" or "not at all important" to have on their board, and 39% think climate change should not impact company strategy at all, according to a 2018 PwC [Annual Corporate Directors Survey](#). Meanwhile, 74% say disclosure of sustainability issues is not important to understanding a company's business or helping investors make informed decisions, according to a 2018 BDO Board Survey.

The 2017-2018 [National Association of Corporate Directors \(NACD\) Public Company Governance Survey](#) asked directors to choose what top trends they think will have the biggest impact on their companies in the coming year. Just 6% put climate change in the top five.

But while many corporate boards have not yet seen the writing on the wall, that doesn't mean that it isn't there or that those around them aren't



NICOELNINO / SHUTTERSTOCK

Investors have woken up to the need for sustainability-competent boards

Just 6% of directors in one survey put climate change in the top five trends that will have the biggest impact on their companies in 2019



underlining it with big red markers. In fact, the powerful forces that shape the ecosystem surrounding corporate boards have come to understand the importance of sustainability-competent boards, and they're helping push us toward the tipping point in 2019.

In recent years, investors have woken up to the need for sustainability-competent boards like never before. In 2015, the Bank of England's Mark Carney sent a shot heard round the world when he proclaimed climate change a financial risk that threatened the stability of the entire global market. BlackRock's Larry Fink doubled down in his 2017 and 2018 letters to investors, insisting that companies must have a sense of purpose in order to be sustainable in the long term.

Last year, nearly 400 investors representing \$32trn in assets supported [The Investor Agenda](#) to provide disclosure on climate change risk, while just under 300 investors with \$31trn in assets under management launched [Climate Action 100+](#), a five-year initiative to engage the most carbon-intensive companies in the world on their climate change strategies, governance and disclosure.

In the last two proxy seasons, we've seen major asset owners (including BlackRock and Vanguard) deliver historic majorities during shareholder votes on climate risk proposals at fossil fuel companies like Exxon and Occidental Petroleum.

Whether through direct engagement or the shareholder resolution process, many investors are making it clear that they want their assets protected by corporate boards that incorporate considerations of climate change into their decision-making. They're not satisfied with simple disclosure of climate change's impact on a given company, they want companies to address these risks in the long term and they want to know how they factor into corporate strategy.

We all know that as fiduciaries to corporations and their shareholders, boards should and do pay close attention to investor concerns.

Beyond investors, professional associations, corporate secretaries, general counsels, and consultants are helping elevate sustainability to the board level as well. While the survey figures from PwC, NACD, and BDO mentioned earlier are indeed disappointing, the fact that these questions are now being asked is



IAN JONES

Bank of England Governor Mark Carney speaking at the annual Accounting for Sustainability meeting in November 2018

Many investors want companies to address climate risk in the long term and they want to know how they factor those risks into corporate strategy



progress in and of itself. In 2018, we saw sustainability make its way into the materials produced by these bodies like never before. Here are some examples:

- The NACD, the US's largest membership group of corporate directors, is increasingly featuring sustainability in its conferences, training and blogs. Ceres regularly contributes to the NACD.
- The Society for Corporate Governance, the United States' largest professional association of corporate secretaries, has issued educational materials on sustainability to its membership.
- Lawyers are getting into the game. Noted corporate governance law firm Wachtell, Lipton, Rosen & Katz, published a [memo](#) that begins: "Be aware that sustainability has become a major, mainstream governance topic" and recommends that "boards should consider how their risk oversight role specifically applies to various ESG-related risks".
- Proxy adviser Glass Lewis is now explicitly tracking which board committees or directors are charged with sustainability oversight, and in instances where a company does not manage sustainability risks well, may consider recommending that shareholders vote against the directors in relevant committees, or absent this, the audit committee.

We at Ceres are also working hard to build sustainability competence at the corporate board level. As companies look to develop climate-competent boards, they can use our recently released [Getting Climate Smart tool](#).

All of this amounts to strong evidence that the mainstream corporate governance community is coming to understand that climate change as a board issue, and we expect to see increased uptake from corporate directors themselves as we work toward a breakthrough in 2019. In the coming year, the business case for climate action will become even more clear as companies are forced to respond to the ever-intensifying impacts of extreme weather events, and as they position themselves to take advantage of the opportunities embedded in the transition to a low-carbon economy. Their investors, their advisors, and their governing bodies will all demand corporate boards oversee sustainability directly. I'm hopeful that they'll heed the call.

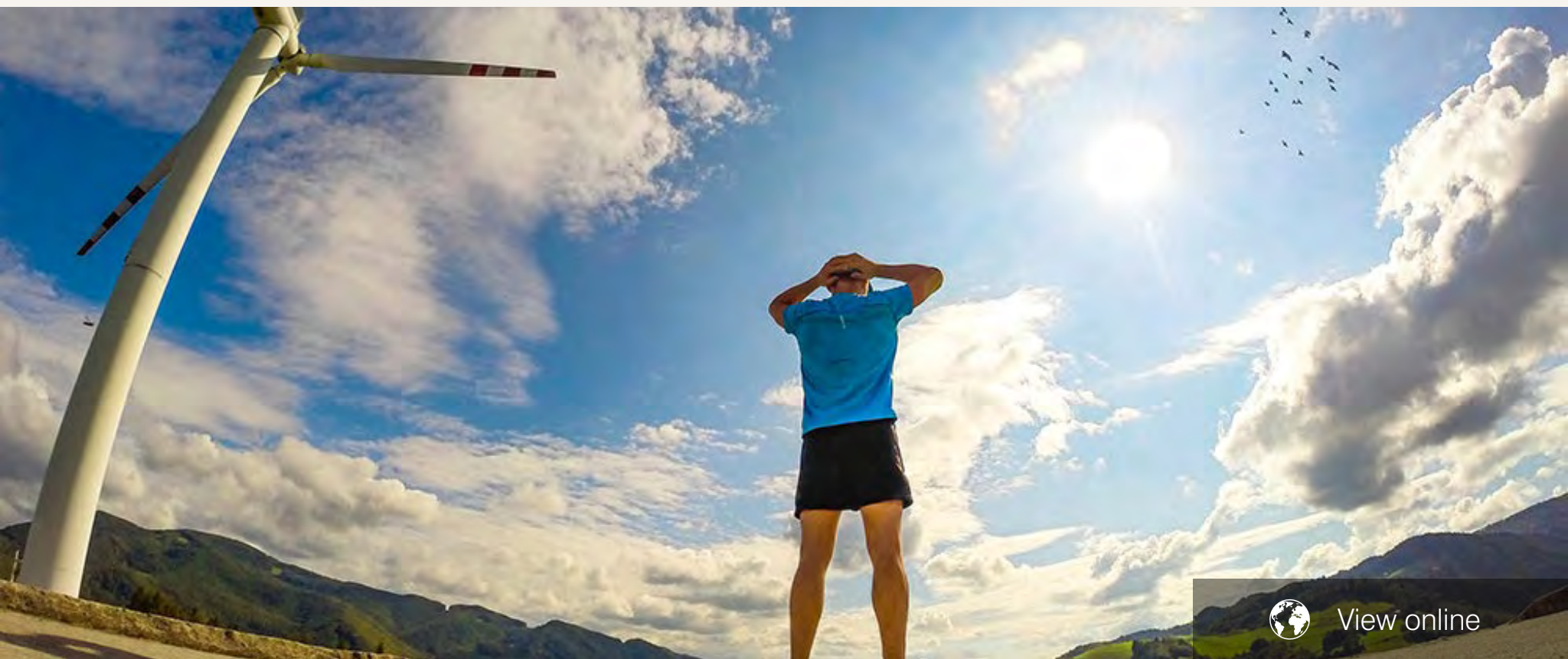


JOE BELANGER/SHUTTERSTOCK

Major asset owners have been active during shareholder votes at fossil fuel firms like Exxon



Mindy Lubber is CEO and president of [Ceres](#). Ceres is a sustainability nonprofit organization working with the most influential investors and companies to build leadership and drive solutions throughout the economy.
[@MindyLubber](#)

[View online](#)

FFOLAS/SHUTTERSTOCK

‘We’re going in the right direction, but we have to dramatically pick up the pace’

Paul Simpson of CDP charts a year when initiatives like RE100 and Science Based Targets surged in membership, but the scale of the challenge grew more stark

It’s been another momentous year for the global climate change agenda. This year’s landmark report from the [Intergovernmental Panel on Climate Change](#) (IPCC) underlined the urgent need to bend the curve of global greenhouse gas (GHG) emissions by 2020, or face the scorching consequences of dangerous climate change. And the latest [update from UN Environment](#) is a stark reminder of the gap between where we are now and where we need to be. It’s encouraging then, that 2018 saw a quickening pace in the transition to a low carbon economy.

It was a year that saw more companies disclose environmental data, and more set stretching targets to reduce emissions.

In 2018, over 7,000 companies, worth more than 50% of global market capitalisation, and more than 750 cities, states and regions disclosed environmental data through CDP. That’s an 11% jump on the previous year.

Disclosure of environmental risk and impacts is a crucial first step for action. Companies can only focus their resources effectively once they know where their key impacts, risks and opportunities lie. And only with this transparency can other stakeholders – like investors, customers and governments – move to support more sustainable business.

2018 was a year that saw more companies disclose environmental data, and more set stretching targets to reduce emissions, with an 11% jump on 2017



More companies are aiming to cut their carbon footprints, too. Even in the heaviest-emitting sectors we are seeing leaders emerge. Our latest research report found that **15 of 24 oil and gas majors** ranked by CDP have now set emissions-reduction targets, while in the automobile sector there has been a **profusion of targets** for low-emission vehicles.

Perhaps most encouragingly, the first nine months of 2018 saw a nearly 40% surge, compared with the same period in 2017, in the number of companies committing to set emissions reduction targets in line with climate science and the goals of the Paris Agreement. Almost 500 companies have now joined the **Science Based Targets initiative** – from Levi Strauss & Co to Tyson Foods to Dalmia

Cement – and I fully expect that number to continue to swell in 2019 as more business leaders recognise the risks of inaction and the business benefits of science-based climate targets.

The continued growth of corporate environmental targets and disclosure has been given a boost this year by the recommendations from the Financial Stability Board's Taskforce for Climate-related Financial Disclosures (TCFD), chaired by Mark Carney and Michael Bloomberg. This year, CDP integrated the TCFD recommendations into our environmental disclosure questionnaires, helping to reduce the reporting burden on companies, while ensuring we ask the most relevant questions. This means that the 7,000 plus companies that have disclosed through CDP this year are already collecting and structuring the data they need for TCFD-aligned disclosures. **Early analysis** shows that 72% of disclosing companies were able to answer 21 or more of the 25 new TCFD questions.

Climate action is on the agenda in city halls as well as the boardroom. **CDP data shows** there was a 90% increase in the number of cities setting targets to reduce their emissions, between the signing of the Paris Agreement in December 2015 and this year. No business operates in a vacuum, so climate action by the cities where they operate helps to reinforce the work of corporates and attract investment and jobs to the area.



SMILE FIGHT/SHUTTERSTOCK

In the automobile sector there has been a profusion of targets for low-emission vehicles

Almost 500 companies have now joined the Science Based Targets initiative, from Levi Strauss & Co to Tyson Foods to Dalmia Cement



GLOBAL CLIMATE ACTION SUMMIT

The Investor Agenda launched at GCAS in September

Three years since the Paris Agreement was signed and one year after President Trump pledged to pull the US out, California hosted the Global Climate Action Summit (GCAS) in September. Aiming to build momentum ahead of the first global stocktake in 2020, the summit saw thousands of leaders from all sectors of society showcasing their climate action.

Particularly significant was California Governor Jerry Brown's commitment to set the world's fifth largest economy on a path to [become carbon-neutral by 2045](#). Over 1,300 companies, cities, states and regions also rose to Governor Brown's [Universal Climate Disclosure Challenge](#) to report their environmental data through CDP for the first time.

GCAS also saw the launch of the [Investor Agenda](#), which provides a platform for nearly 400 investors with \$32trn in assets under management to report actions they are taking on low-carbon investment, engagement with companies, transparency and policy advocacy.

Meanwhile, the global expansion of the RE100 initiative, which consists of companies that have committed to 100% renewable electricity, is another encouraging sign.

In 2018, 37 new companies signed up to the initiative, with 10 of these based in Japan, a new climate action hotspot. RE100's 155 members are creating demand for 188 terrawatt hours (TWh) of renewable power per year, more than the electricity consumption of Poland.

Despite all this progress, there have been some serious hurdles this year in the race to Paris. At the end of October, Brazil elected a president whose policies threaten the future of the Amazon rainforest, one of the biggest carbon sinks.

There were serious hurdles in 2018 as Brazil elected a president whose policies threaten the future of the Amazon rainforest



In the US, a [recent report](#) describes how climate change will cause hundreds of billions of dollars of damage to the US economy in the coming decades. Yet President Trump has [dismissed the report](#), instead continuing with deregulation and attempts to resurrect the failing coal industry.

And there's no denying that 2018 was a year of intensifying climate impacts.

From a Europe-wide heatwave to record droughts in Cape Town, hurricanes in the Americas and wildfires in the Arctic, 2018 saw some of the most extreme weather conditions to date, at enormous costs to both capital markets and wider society.

To stay below the 1.5°C guardrail, the IPCC tells us the global economy needs to reach net zero carbon by mid-century and halve emissions by 2030, compared with 2010 levels. This represents nothing short of a complete transformation of the global economy and is going to take unprecedented co-operative action between companies, investors, cities, states and governments across all sectors.

[For one encouraging example](#), look to the 11 companies, including Tesco, Sky and Siemens, that are working together with the mayor of London to help the capital become a zero-carbon city by 2050. The mayor, Sadiq Khan, confirmed in September that the first ever London Climate Action Week is planned for 1–8 July 2019, which will showcase the capital as a global hub for climate expertise, services and action. A sustainable economy needs more collaborative action like this.

It's clear that we urgently need to scale and accelerate environmental action in 2019.

This will be the final year before nations update their national climate plans for the Paris Agreement, just as global emissions need to peak. This is the time for businesses to ramp up action, transparently report on their efforts and send a clear signal to governments that they are embracing this zero-carbon transition and need the policy ambition to match.

Business as usual is no longer an option, but a prosperous and sustainable low carbon future is achievable, if we choose to rise to the challenge. We must, we can and I believe we will.



AC MANLEY/SHUTTERSTOCK

London will host its first Climate Action Week in July 2019



Paul Simpson is chief executive officer and co-founder of CDP, a global disclosure system that enables companies, cities, states and regions to measure and manage their environmental impacts.

@CDP_PaulS

[View online](#)

SAWA_25/SHUTTERSTOCK

‘2018 will go down as the year many UK banks turned their backs on coal’

Catherine Howarth of ShareAction says a synchronised shift away from fossil fuels will be crucial to achieving the Paris climate goals

The movement for responsible investment snowballed through 2018, as investors, policymakers, and citizens all played their parts in shaping a sustainable financial system that supports socially useful enterprise to thrive. We’ve seen bold efforts by investors to support the decarbonisation of our economy and to improve corporate action on the SDGs; and from legislators we’ve seen climate risk being written into investment regulations, driven in part by consumer demand.

2018 will go down as the year many UK banks turned their backs on coal finance. Coal’s diminishing prospects in a world where cleaner and cheaper energy has become readily accessible, has allowed big banks – under intense pressure from civil society – to take ambitious steps to cut the blood supply to new fossil fuel projects the world over.

Having investigated and [ranked Europe’s largest banking giants](#) on climate-related performance in 2017, ShareAction went on a tour of European financial capitals in 2018 to speak with banks’ board members and their major shareholders about adopting ambitious climate policies. In 2018, Lloyds and RBS announced an end to financing of new coal projects, and in September, Standard Chartered announced that it would finance no new coal plants anywhere in the world. HSBC had made a similar commitment on the day of

Coal’s diminishing prospects has allowed big banks, under intense pressure from civil society, to cut the blood supply to fossil fuel projects



its AGM in May with one glaring caveat: for now, HSBC continues to support coal projects in the three climate-vulnerable markets of Indonesia, Bangladesh and Vietnam.

As a result, both Standard Chartered and HSBC are still currently listed in the top 10 largest banks in the world financing the expansion of the global coal plant fleet.

Banks, through their lending activities, are vital to propping up the fossil fuel industry, so this synchronised shift away from coal is exciting and indeed crucial to achieving the Paris climate goals. We now need to see even more banks financing smart green solutions for a low-carbon future.

In 2018 the topic of corporate lobbying to slow down the low-carbon transition gained further welcome attention, not least from a growing number

of institutional investors. Important research released this year by Transparency International found that **over 70% of UK companies analysed** were “poor” about making public the extent and nature of their engagement with politicians and decision-makers. The same opaqueness has been exposed by up-and-coming NGO, InfluenceMap, about high-carbon firms whose lobbyists and trade associations have been all too effective in weakening policy proposals designed to tackle climate change.

In October, a group of institutional investors managing \$2 trillion threw their weight behind a call for companies to scale back their anti-climate lobbying. Investors like the Church of England’s pension fund, Sweden’s AP7 pension fund, and Legal & General Investment Management wrote to 55 large European energy, mining, and transport companies requesting cessation of lobbying against the goals of the Paris climate agreement in private while pledging support in public. The announcement of this investor-led initiative was a good sign that more investors are taking their stewardship duties seriously. High-carbon companies and their trade associations hold the fate of billions in their hands. We cannot let obstructive lobby groups and their members get in the way of climate action. Investors are uniquely positioned to influence direct and



OLGA KRAVETS

Activists in Paris keep up the pressure over HSBC’s coal investments

HSBC and Standard Chartered are still currently listed among the top 10 banks financing coal expansion



indirect lobbying activities and iron out the climate hypocrisy of the companies they own.

Investor-led requests for corporate transparency are happening across the environmental, social, and governance (ESG) spectrum, with especially welcome efforts on social issues, which grew in importance in 2018. In particular, the media played a key role in helping people make sense of the newly available information on gender pay gaps. But pay was not the only area to face scrutiny from a company's stakeholders. This year, the investment community turned its attention to broader workforce reporting, for which data are severely lacking but necessary if we are to create safer and more sustainable work for all, aligned with Sustainable Development Goal 8.

This need for reliable and comparable workforce reporting inspired ShareAction to develop the [Workforce Disclosure Initiative](#) (WDI). The WDI has swiftly attracted the support of many large mainstream (not just ethical or faith-based) institutional investors. These include Amundi, Legal & General Investment Management, AXA, Schroders, M&G, HSBC and BMO Global Asset Management, which are collectively pushing for better quality data and insights on the management of human capital in companies' direct operations and supply chains. In recent months, the number of WDI investor signatories has risen to more than 115 institutions with in excess of \$13 trillion of assets under management. This represents an evolution in investor stewardship. High quality workforce practices are finally and rightly recognised by investors as a key driver of sustainable business performance and moreover as the right thing to do.

The Corporate Human Rights Benchmark put out its [annual ranking of companies](#) last quarter, tracking progress by 100 extractive, agricultural, and apparel companies. One of its more sobering findings was that 40% of the firms assessed were failing on issues like forced labour and the living wage. In 2019, these companies' shareholders must make the workforce a priority in their dialogue with companies. Civil society will seek to hold inves-

The Workforce Disclosure Initiative has attracted the support of many large mainstream institutional investors



DAVID LITMAN/SHUTTERSTOCK

CHRB's annual ranking tracks 100 companies in the extractive, agricultural, and apparel sectors



tors accountable for the attention they devote to this critical area of corporate malpractice.

In the spring of 2018 the European Commission launched its [Action Plan on Sustainable Finance](#), with a range of legislative proposals that are now working their way through the European Parliament and Council of Ministers. Progressive and ambitious, the Commission's proposals put Europe at the forefront globally on sustainable finance and are being closely watched in the US and Asia.

As policymakers recalibrate the investment system to focus on the long term, whilst making investors more transparent and accountable, the Commission's heavy focus on environmental labels risks overlooking the human rights impacts of investments, including investment opportunities that protect climate stability. Sustainable does not just equal green. In 2018, ShareAction with other NGOs [wrote to the Commission to bolster human rights](#) expertise in the implementation of the action plan, and this will doubtless stay in focus through 2019 also.

Closer to home, in a major and highly anticipated breakthrough, the UK government published changes to the regulations that govern how pension trustees consider ESG factors in their investment decisions. Under the new regulations, pension trustees will be required to explain their approach to ESG factors and to the stewardship of investments. DC scheme trustees will also be required to report annually to scheme members on what they have done to implement their policies on these subjects. This meets the demands of over 3,400 pension savers who responded in person to the DWP's consultation on these proposals – a testimony to the efficacy of people power to change the laws on how retirement savings are managed and invested.

These developments only skim the surface of what the movement for responsible investment has achieved this year. In the year ahead, ShareAction will be pushing major investors further and faster to address the urgency of climate change. We expect to see a pronounced shift from disclosure requests to action requests across the entire ESG spectrum.



PAUL JOHN WHITE/SHUTTERSTOCK

Investors like the Church of England's pension fund are taking stewardship more seriously



Catherine Howarth is chief executive officer of ShareAction, a charity that co-ordinates civil society activism to promote responsible investment across Europe.
[@ca_howarth](#)

[View online](#)

LONDON STOCK EXCHANGE

The year that capital markets finally woke up to climate risk

Matthew Welch of SASB explains why the launch of the new accountability standard marked a big step towards a world where sustainability goals and business objectives are mutually supportive

From rapid population growth and technological innovation to climate change and resource constraints, 21st century economic prosperity faces no shortage of daunting new hurdles. I believe history will show that 2018 was the year capital markets rose to meet these challenges head on.

In recent years, corporations, investors, and regulators alike have become increasingly attuned to the importance of pursuing economic development that is both sustained and sustainable. However, capital markets have often seemed to be moving in the opposite direction, with a widespread – and often problematic – focus on short-term returns. In 2018, a collective effort to nudge capital markets toward a longer-term perspective turned an important corner, bringing the interests of financial markets and broader society into closer alignment.

Our work at the Sustainability Accounting Standards Board (SASB) is both an outcome of this increasing alignment and, ideally, a catalyst for its continued progress. After six years of development, SASB in 2018 issued a complete set of 11 industry-specific sustainability accounting standards, making a modest but hopefully important contribution toward a new era of sustainable enterprise. SASB's standardised performance metrics help corporations more

After six years of development SASB in 2018 issued a complete set of industry-specific sustainability accounting standards



DIAGEO

Water management is an ESG factor that will influence how drinks companies create value over the long term

effectively communicate with investors about the environmental, social, and governance (ESG) factors most likely to influence their ability to create value over the long term.

For beverage companies, this may include water management. For technology firms, it might involve data privacy. For drug manufacturers, the integrity of supply chains is likely to be more important. By facilitating the delivery of consistent, comparable, and reliable information on ESG factors that are most relevant to their business, and therefore to investors, SASB standards represent important infrastructure that can help make capital markets fit for purpose in today's competitive landscape.

Of course, corporate sustainability reporting is not new. It is now a mature practice characterised by a variety of approaches addressing a wide range of audiences and outcomes. However, sustainability reports often do not meet the unique needs of shareholders for comparable and consistent information. In recent years, many leading investors globally have coalesced around a practical solution to integrating the consideration of ESG issues in valuations, portfolio allocations, and corporate engagements.

By viewing sustainability through the lens of “financial materiality” – in other words, narrowing in on the handful of industry-specific ESG issues that matter to financially motivated investors – they can shape a financial future in which sustainability goals and business objectives are mutually supportive.

Because the SASB standards have financial materiality at their core, companies and investors can use these standards to communicate about

Sustainability reports often do not meet the needs of shareholders for comparable and consistent information



performance on key ESG issues without the important financial implications getting lost in translation. As a result, financial capital can begin to flow more readily toward addressing environmental and social issues at a scale that could never be matched by governments and civil society alone.

This convergence is due in no small part to the influence of the Task Force on Climate-related Financial Disclosures (TCFD), which released its final report in June 2017. By design, the TCFD's principles-based recommendations for climate risk disclosure have since become a platform for collaboration and alignment among market participants. Building on that groundwork, SASB has been working with the

Climate Disclosure Standards Board (CDSB) to further refine, harmonise, and disseminate our practical tools for implementing the TCFD recommendations.

Climate change is a perfect example of the value of market alignment around ESG. Better managing risks and opportunities related to climate change and transitioning to a low-carbon economy can represent an enormous economic opportunity, estimated by some to be as high as \$26trn by 2030. Conversely, the OECD has estimated [the global cost of inaction](#) on climate change at up to \$69trn.

Considering ESG issues in investment decisions has historically been portrayed as synonymous with sacrificing financial returns, but this is an out-of-date understanding. Markets and society can mutually benefit from the creation of “shared value” when capital can be allocated toward solutions that both meet an environmental or social need and generate financial returns. SASB standards can help companies and investors do just that, by narrowing down the broad array of ESG issues to just those that are financially material.

With the codification of the SASB standards last year, a new piece of market infrastructure is available to help companies better communicate with investors on these issues. Early market interest is strong and positive, and dozens of leading companies – from Nike and JetBlue to Kellogg's and Diageo – are already using SASB standards to guide sustainability communications with their investors.

So, at SASB, where we are always optimists, we will remember 2018 as the year that sustainable finance went mainstream.



HAND ROBOT/SHUTTERSTOCK

Viewing sustainability through the lens of ‘financial materiality’ helps align it with business objectives



Matthew Welch is president of the Sustainability Accounting Standards Board Foundation.



TWITTER

COP24 fails to decide on how carbon pricing can help deliver on Paris pact

Dirk Forrister of IETA expects another banner year for carbon pricing and hopes that delegates who will meet in Chile in 2019 will break the deadlock over how countries can meet their climate goals through market mechanisms

The annual UN climate summit ended in cheers, with completion of most of the Paris implementation rulebook. But there is a gaping hole in the market provisions, which were delayed for another year. The market section is urgently needed, because it could unlock billions in private investment in clean technology to combat climate change.

Negotiators meeting in Katowice, Poland, in December deadlocked on a set of rules that would guide nations in how to transfer emissions reductions in the market. When countries that over-achieve their carbon-cutting targets transfer reductions to nations that fall short of their goals, both can meet their goals at lower cost.

The Katowice Package contains a basic guideline for reporting market transfers, but the more detailed policy guidance is still a work in progress. Delegates from nearly 200 countries will pick up this issue in their next meeting slated for Santiago, Chile, in 2019. It means that countries can start to explore market linkages as they consider ways of strengthening ambition.

The Katowice Package contains a basic guideline for reporting market transfers, but more detailed policy guidance is needed



Despite the setback in Poland, 2018 has been a banner year for carbon pricing, with prices strengthening in the flagship European market and support growing for market mechanisms around the world.

More and more countries are taking the view that using the power of markets to drive low-cost emissions reductions must be a key component of delivering their nationally determined contributions (NDCs) to the Paris Agreement.

The Intergovernmental Panel on Climate Change's latest report highlights the scale of the challenge: to keep global temperature increases to 1.5°C, the world needs to achieve net zero carbon emissions by 2050.

The Paris rules cover elements of the agreement, including financial contributions to assist developing and vulnerable countries, how to account for carbon reductions, a mechanism to raise ambition as time passes, and, in particular, rules on how nations will be able to transfer emission reductions among themselves in a market mechanism.

While the principle of market mechanisms is now an accepted element of the Paris Agreement, there remain many aspects of carbon pricing that divide nations. The coming year will see the debate shift to how nations will use the future mechanisms guided by the rulebook.

The rulebook will need to support the growing number of emissions markets that are being built around the world. 2018 has seen big changes that give us cause for optimism that the world's response to climate change is beginning to ramp up.

Let's take a quick tour of what's happening in the world's carbon markets.

In the largest carbon market in the world – the EU's Emissions Trading System – prices soared to a 10-year high. Britain's withdrawal from the European Union, however, has created questions about how it will link back to the EU ETS, or whether it will pursue other pricing options.

Europe hogged many of the headlines this year, as prices more than trebled in the first nine months. A key reform to the supply of allowances means that the market's surplus will be gradually absorbed over the next five years. Traders and industrial companies have scrambled to position themselves ahead of this tightening of supply and demand.

While the principle of market mechanisms is now accepted, there remain many aspects of carbon pricing that divide nations



ARTJAZZ/SHUTTERSTOCK

The EU's Emissions Trading System reached a 10-year high in 2018



The news was more mixed on the other side of the Atlantic. In the second half of the year, politicians in Ontario, the newest market, repealed emissions-trading legislation and quit the Western Climate Initiative (WCI), run with California and Quebec, causing serious disruption for market participants. It also increased business uncertainty about whether and how the province will meet its share of Canada's contribution to the Paris goals.

More positively, the Regional Greenhouse Gas Initiative (RGGI), a market that comprises nine north-eastern US states, began negotiations to admit two new states, New Jersey and Virginia. Other states are also exploring RGGI, responding to pressure to step up in the absence of federal leadership.

RGGI administrators are assessing whether to broaden the coverage of the market to include transport, following the lead set by the WCI. RGGI currently only covers greenhouse gases from power generation, representing around 10% of its member state emissions. In contrast, California covers 85% of state emissions, including energy, industrial and transport emissions. A RGGI expansion could improve its prospects for linking with the WCI or other markets.

Over on the west coast, California took a major step forward when its legislature overcame strong political opposition to approve an extension of the state's economy-wide carbon market past 2021. It passed with bipartisan support, giving industries greater clarity for their long-term planning and delivering benefits to citizens concerned about climate impacts.

Californian regulators have also been holding talks with their RGGI counterparts about how the two markets might link up in future. This could represent a major step forward: linking markets that don't have the same sectoral coverage could potentially open up a myriad of opportunities around the world.

In Latin America, efforts to build carbon-pricing mechanisms made great strides in 2018, and this region is seen as one of the high hopes for the coming year.

In October, Mexico issued draft regulations for a carbon market, with a three-year pilot phase set to start in 2019. However, the election of Andrés



PAUL LOYEN/SHUTTERSTOCK

Emissions in New Zealand are dominated by methane from the livestock industry

In Latin America, efforts to build carbon-pricing mechanisms made great strides in 2018, and this region is seen as one of the high hopes for the coming year



Manuel López Obrador from the left-wing Morena party in the summer has delayed the roll-out of rules.

Chile and Colombia, which have already implemented a carbon tax for thermal power generators and fuels respectively, are both considering how to evolve towards greater use of market approaches.

In the southern hemisphere, New Zealand has embarked on a thorough review of its emissions trading system, preparing for the new structure that will emerge from the Paris Agreement.

New Zealand's cap-and-trade system is the only one that allows forestry to generate tradable emission certificates, and the revamp is intended to extend coverage to the agriculture sector: the country's emissions profile is dominated by methane from the livestock industry.

Many eyes will also be on China in 2019: a year ago the country's leadership unveiled a nationwide emissions market, and authorities are still working to develop regulations covering key elements such as reporting and verification of emissions, the allocation of allowances and trading rules.

The next year is likely to be spent fine-tuning these rules and building further regulations that will govern how installations can trade emissions between themselves. From this, it's clear that China remains committed to using an emissions market to set a price on carbon.

Carbon pricing isn't only a question of markets or taxes. More and more private sector companies are developing an internal price on carbon, one that helps dictate investments for the future and to manage climate-related risks from their day-to-day operations.

According to the CDP (formerly the Carbon Disclosure Project), more than 1,400 companies worldwide had set an internal carbon price in 2017, an eight-fold increase from 2013. Among these are some of the largest companies in the world: ENEL, Ferrovial, Unilever, Carrefour and LafargeHolcim.

For many enterprises, an internal carbon price anticipates regulatory changes. The rapid uptake of internal pricing can therefore be viewed as an indicator of the direction of travel for government policy.

2018 has been a stellar year for carbon pricing, and 2019 promises to be just as successful, proof positive that the momentum generated by the Paris Agreement is being leveraged at company, national and regional level.



C40

Many eyes will be on China's emissions market in 2019



Dirk Forrister is CEO of the International Emissions Trading Association, a nonprofit international business coalition that promotes market solutions to climate change.
[@dforrister27](#)



Supply chains

Focus falls on deforestation risk for brands

[View online](#)

FORESTS & FINANCE

‘To solve climate change we have to end commodity-led deforestation’

Lindsey Allen, executive director of Rainforest Action Network, says 2019 will be a key test of whether new sustainability standards for palm oil will be enforced

We have known for a long time that we need to re-imagine our relationship with our planet and the climate. But in 2018, the world learned that the stakes have reached civilisation-threatening proportions, and it is essential that we generate a new “normal”, and bring about a historic transition from “business as usual” to a genuine priority on keeping forests standing, fossil fuels in the ground, and protecting community rights.

Governments play a primary role in charting this new direction, but given the enormous power and influence exercised by the private sector, it is imperative that major corporations and financial institutions play a pivotal role in ushering in a decarbonised future – and fast.

As 2018 came to a close, the Intergovernmental Panel on Climate Change (IPCC) issued its most dire warning to humanity yet, ringing the alarm of severe economic, social and ecological consequences facing hundreds of millions of people, impacts that in fact are already well under way, and are guaranteed to get far, far worse without fundamental shifts throughout our economy and society. The stakes are high for 2019 to be a monumental year of progress as we approach the COP25 climate summit, where the nations of the world will take stock of our

It is imperative that major corporations and financial institutions play a pivotal role in ushering in a decarbonised future – and fast



status on the path to keeping the world from warming more than the dangerous 1.5°C threshold identified in the Paris Agreement.

Ominously, the location of next year's conference was moved to Chile after the intended host Brazil, whose newly elected far-right president, Jair Bolsonaro, threatened to take the country out of the Paris Agreement, announced that it would no longer host. The threat Bolsonaro's policies pose to the integrity of the world's largest rainforest, the "lungs of the Earth", are extremely alarming, as he has essentially stated he would like to liquidate the Amazon and exterminate the extensive indigenous communities who live there.

2018 should have been the year when corporations responded proportionally to the pressing threats we face. Yet, instead of real and accelerated actions to stop deforestation, initiate a managed decline of fossil fuels and defend human rights, major banks and global brands have mostly missed this opportunity to harness the immense power they wield to implement bold solutions.

The past year was a time of significant advancement in emerging areas of international corporate campaigning that hold promise for positive outcomes in 2019 and beyond. Rainforest Action Network (RAN), with allies TuK Indonesia and Dutch research NGO Profundo, is increasing the sophistication and effectiveness of efforts to follow the big money and hold major investors and financial institutions accountable for the environmental and social consequences of their financing decisions, through the Forests & Finance project. Campaigns to end Wall Street's massive funding of fossil fuels, starting with the worst offender, Chase Bank, as well as targeting the insurance sector for its role in shoring up climate-damaging industries, are also gaining real momentum that could set in motion a domino effect starting in 2019.

Forest and human rights advocates achieved notable milestones these past couple of years towards increased accountability, some in the form of hard-won corporate commitments in the palm oil sector.

Palm oil stands out for its disproportionate impacts on the climate and the fate of Indonesia's rainforests. These tracts of critical forest and biodiversity are one of only three intact tropical forest strongholds left on the planet. Indonesia remains a global epicentre of deforestation, driven largely by the massive clearance of forests for the expansion of plantations, particularly on carbon-rich peatland soils. Roughly a tenth of global greenhouse emissions



ANTONIA SCORZA/SHUTTERSTOCK

Brazil's newly elected far-right president, Jair Bolsonaro, has threatened to pull out of the Paris Agreement

RAN and its allies are increasing efforts to follow the big money and hold major investors and financial institutions to account



stem from the destruction and degradation of forests. Basically, there is no viable path for quelling the climate crisis that does not include stopping the deforestation crisis.

Years of pressure from market-based campaigns run by international environmental and human rights NGOs has resulted in a lion's share of major players in the palm oil sector publicly announcing a new class of No Deforestation, No Peat, No Exploitation policy commitments (NDPE). In 2018, Malaysian plantation giant Kuala Lumpur Kepong (KLK) joined heavyweights including Unilever, Kraft-Heinz and many others. Taken together, these commitments set a ground-breaking new benchmark for acceptable corporate behaviour in this Wild West industry. The realisation of these commitments would represent a sea change in the sector and could achieve a significant victory in the fight against climate change.

Unfortunately, rhetoric and reality remain dangerously out of synch, as the policies announced to date have yet to result in the tangible changes so desperately needed on the ground in Indonesia, according to an in-depth evaluation of palm oil companies by ZSL (Zoological Society of London) published in November. Auspiciously, the Roundtable on Sustainable Palm Oil (RSPO), the primary industry certification body, voted to overhaul and strengthen its core standards at the end of 2018, but, like with the corporate policies, the standards are only as good as their implementation and enforcement, setting 2019 up as a key test of relevancy for the RSPO going forward.

Hundreds of these corporate commitments, from palm oil to paper to soy, mark 2020 as their deadline for implementation, including the Consumer Goods Forum, a collective of over 400 of the world's largest consumer goods manufacturing companies that heavily rely on the biggest four drivers of deforestation: beef, soy, palm oil and pulp and paper. This makes 2019 a critical year for turning paper promises into real-world action.

There are no silver bullets and we must guard against pursuing false solutions such as tropical forest offsets, but the corporate world is coming around to the stark fact that a radically climate-changed world is not good for any kind of business. Corporate leaders must decide if they are going to lead the way and take advantage of new opportunities in renewable energy, technological advancements in supply chain monitoring and other emerging environmental innovations, or be left behind as a rapidly changing world makes old ways of doing business less and less relevant.



OSUGI/SHUTTERSTOCK

Chase and other Wall Street banks are being targeted to stop funding fossil fuels



Lindsey Allen is executive director of Rainforest Action Network.
[@lrallen](#)

[View online](#)SERGIO IZQUIERDO/
RAINFOREST ALLIANCE

Why 2019 should be the year of action on gender equality

Joky François of Rainforest Alliance explains how attention to diversity and inclusion is rising up the corporate agenda

Gender issues occupied centre stage in sustainability in 2018. The high-profile cases linked to the #MeToo movement brought the subject of gender-based violence and female empowerment to the attention of many business leaders, and no doubt led to some heated boardroom conversations.

We believe gender issues will continue to be in the spotlight in 2019 and for the foreseeable future as human rights rise up the news and policy agenda. Incidentally, American civil rights activist Tarana Burke started the #MeToo campaign all the way back in 2006 with the goal of providing support to survivors of sexual violence in her community. However, it wasn't until 2017 that the phrase took off globally in the wake of allegations against the Hollywood mogul Harvey Weinstein. This illustrates how long it can take for an issue to really get a foothold and dominate the public consciousness.

With news dissemination at the touch of a button, any business that hasn't considered its in-house practices and policy agenda on human rights including gender rights must think long and hard about aligning with this agenda and evolving global standards in this area. They need to do this to be compliant, avoid reputational risk and to just do the right thing, which is a business opportunity in itself.

Doing the right thing on gender equality and other human rights is a business opportunity in itself



Although many organisations were deeply engaged in progressing human rights, a key part of which are woman's rights, we still see gender disparity when it comes to unequal pay and the lack of female black, Asian, and minority ethnic (BAME) representation in the boardroom. There's a long way to go still.

For business, gender equality and giving more opportunities to women can ensure a more balanced and talented board, greater appeal to their consumer base, an enhanced corporate reputation, and an even more stable supply of commodities of a higher quality in a sustainable way. The business case for gender equality and women empowerment has proven itself in many different sectors.

Let's pause for thought that nearly half the world's agricultural work is performed by women who, not surprisingly, have far less access to resources than men do. If the playing field were made level, women could increase their farm yields by 20-30%, according to the Food and Agriculture Organisation. And if women were paid fairly, businesses in all sectors would also see benefits in terms of staff retention, productivity and the general well-being of their workforce.

The good news is that a lot has been going on with regards to gender in different value chains during 2018 and it will only become more prominent in 2019.

Pressure is mounting on business from governments, NGOs and civil society to comply with the UN Guiding Principles on Business and Human Rights. This is particularly around policy in relation to forced labour issues, which are strongly linked to gender and sexual harassment, as evidenced by the growth of social movements such as #MeToo. The welcome news is that companies are starting to take these issues more seriously.

So, what were the key take-aways from 2018?

Last year, [guidance](#) was provided on gender due diligence by the Ethical Trade Initiative, while BSR published a [guide on gender social auditing](#).

Both will help companies to prepare for June, when the [United Nations Guiding Principles on Business and Human Rights \(UNGPs\) Working Group](#) will present its report to the Human Rights Council on how to integrate gender more prominently into companies' due diligence process.



SUNDY PHOTOGRAPHY/SHUTTERSTOCK

The high-profile cases linked to the #MeToo movement have highlighted the subject of gender-based violence

There will be new guidance from the UN Guiding Principles in 2019 on integrating gender into due diligence



In the meantime, the International Labour Organization (ILO) has initiated a standard setting-process on a law that sets the baseline for taking action to eradicate violence and harassment, including gender-based violence and harassment, in the workplace. In June 2019, during the International Labour Conference it [will be decided](#) whether it will become a new convention (with recommendation) or merely a non-binding recommendation.

Other key insights from 2018 are that women's organisations, particularly in the farming and agricultural sectors, have been getting stronger; and specifically, female-produced products are becoming more and more sought after.

Gender issues are receiving more attention in the coffee sector, one of Rainforest Alliance's key commodities. In 2018 the theme of international coffee day was "women in coffee". A [documentary on gender in coffee](#) was released earlier in the year. Meanwhile the [International Women in Coffee Alliance](#), which was started in 2003 by women from Costa Rica, Nicaragua, and the US, now has 22 country chapters.

There is a broad consensus among development and supply chain experts that without women's empowerment the world will not meet the UN Sustainable Development Goals by 2030. At the Rainforest Alliance, we've seen that the advancement of women is key to improving sustainable livelihoods in the agricultural sector. Multiple studies have shown that when women gain more economic strength, their families and communities benefit as well.

We consider men's participation in women's empowerment initiatives an integral part of the process to achieve gender equity. Disregarding their role can lead to low participation rates by women and lack of sustainability over time, or even increased gender-based violence.

And all sectors, not just agriculture, have something to gain from enhanced equality and social equity. According to the [Better Work programme](#), an initiative in the overwhelmingly female garment sector, improved working conditions is closely linked with employer profitability because it leads to increased output, reduced errors, and decreases in staff turnover rates.

Companies that haven't done so already should make 2019 the year to take action on gender equality.



RAINFOREST ALLIANCE

Nearly half the world's agricultural work is performed by women



Joky François is global theme lead on gender at Rainforest Alliance

[View online](#)

UNILEVER

Farewell to Paul Polman, the epitome of a 21st century CEO

John Elkington of Volans says the misstep that preceded the departure of Unilever's leader shouldn't cloud the 10 years he spent pushing the boundaries of sustainable business at the consumer goods giant

Many years ago, Paul Polman reminded me of the moment when he and I first met. The tale is a reminder of the long roots of his personal interest in sustainability, which would later feed into Unilever's Sustainable Living Plan, launched in 2010.

I had spoken at a conference where he was in the audience as a vice-president in Procter & Gamble. I think he asked a question. This must have been at the end of the Nineties, because I had spoken of my recent book, *Cannibals With Forks*.

In any event, he decided to buy the book, walked across to a nearby bookstore and politely tapped someone on the shoulder to ask where he could find a copy. Only to discover, when I turned around, that this someone was me.

The very fact that he has playfully reminded me of his mistake says several things about the man. In my experience, he has an inquiring mind, doesn't stand on ceremony, and seems able to admit mistakes.

Which is just as well, because as CEO of Unilever, he was recently responsible for a fairly major misstep that was followed in short order by his departure. According to *The Guardian*: "Unilever's chief executive, Paul Polman, is stepping down just months after a shareholder rebellion forced the

Unilever ditched the plan to simplify its dual Anglo-Dutch structure after unprecedented protests from UK



company to scrap a planned move from London to Rotterdam. The group, whose brands include Marmite, Dove soap and Magnum ice cream, ditched the plan to simplify its dual Anglo-Dutch structure in October after an unprecedented protest from UK shareholders, many of whom would have been forced to sell up if the move had gone ahead.”

The newspaper described the row as “a significant blow to the credibility” of Polman and his chairman Marijn Dekkers. Having clashed with Dekkers while he was chairman of Bayer, over the subject of neonicotinoid insecticides, I can’t say I lost much sleep for him. But I confess I was sad to see Polman leave under a cloud after such a glittering period at Unilever.

Having worked in the consumer goods industry for almost four decades, he had been Unilever CEO for over 10 years. Unusually, he had worked for Procter & Gamble and then briefly for Nestlé before moving to Unilever, where he was the first outsider to lead the company since it was founded in 1929.

Under his leadership, Unilever developed an ambitious vision to decouple its growth from its overall environmental footprint, and to increase its positive social impact. As anyone worth their salt in the sustainability field knows, this is Unilever’s Sustainable Living Plan.

The external perception of Unilever rocketed as a result. In the 2018 GlobeScan/SustainAbility Leaders Survey, for a remarkable eighth year in a row, Unilever ranked as the leading global corporate sustainability leader, receiving close to half the total mentions by experts.

As the survey’s authors [concluded](#): “Unilever is the most dominant private sector leader in the history of the GlobeScan/SustainAbility Leaders Survey, with its margin of leadership expanding every year since it first appeared in the number one position in 2011. Patagonia and Interface occupy the second and third positions in the ranking as they did in 2017, after which IKEA, Marks and Spencer, Tesla, Nestlé, Natura, Danone, Apple and Walmart round out the list of highest-ranked companies.”



DR TRAVEL PHOTO AND VIDEO/SHUTTERSTOCK

A shareholder rebellion forced Unilever to scrap a planned move from London to its Rotterdam offices

*In 2018
Unilever
ranked as
the leading
global
sustainability
leader, for a
remarkable
eight years in
a row*



More importantly for the single bottom line world, as Unilever itself noted when announcing Polman's retirement, the company "has delivered consistent top and bottom line growth ahead of its markets. Its focus on successfully pioneering a new model of sustainable growth has served the needs of its many stakeholders and created excellent returns for its shareholders, delivering a total shareholder return of 290% over that period."

No surprise there. Polman has worked hard to ensure co-operation with other companies to implement sustainable, long-term business strategies and drive systemic change.

Among other things, at the time of writing he is chair of the International Chamber of Commerce, a member of the International Business Council of the World Economic Forum, chair of the B Team, vice-chair of the UN Global Compact, and a board member of the Consumer Goods Forum. Until recently he was also chair of the World Business Council for Sustainable Development.

His commitment to long-term, sustainable capitalism is also reflected in his role on the global board of directors of Financing Capitalism for the Long-Term (FCLT), whose report [Measuring the economic impact of short-termism](#) shows that a long-term approach can lead to superior performance in terms of revenue and earnings, investment, market capitalisation, and job creation.

Crucially, given the UN's burgeoning interest in working with business, Polman played a significant role first in developing the Sustainable Development Goals, and in promoting their delivery as a member of the SDG Advocacy Group. His commitment inspired him and others to establish the Business & Sustainable Development Commission, whose flagship report, [Better Business, Better World](#), mapped the economic prize for companies that align with the goals.

Such contributions have been recognised in myriad ways. In 2016, for example, he received France's Chevalier de la Légion d'Honneur, in recognition of his galvanising of business action on sustainability and his involvement in the historic 2015 UN Climate Change Conference in Paris. Then in 2018



MASHKA/SHUTTERSTOCK

Vaseline is one of Unilever's 26 Sustainable Living brands

Polman played a significant role in developing the Sustainable Development Goals and in promoting their delivery as a member of the SDG Advocacy Group



he was named an Honorary Knight Commander of the Order of the British Empire for services to business.

As he prepared to stand down, he signalled that he wasn't about to rest on his laurels: "I have been humbled by the commitment and hard work of our people, and their passion for creating a truly purpose-driven company. I am very grateful to them, as I am to Unilever's many other stakeholders, with whom we have worked to build our long-term, sustainable business. I look forward to engaging with many of these partners – in a different capacity – to help address the many environmental and social challenges facing the world."

Encouraging, but recent events should give real pause to anyone who imagines that business will follow a steady upward path towards the sunny uplands of sustainability.

The fact that Unilever managed to see off the \$143bn hostile takeover bid from Kraft Heinz Co is no guarantee that it will pull off the trick again. Indeed, the proposed move of the company's HQ from London to Rotterdam was an effort to complicate future hostile bids.

But we are where we are. And Unilever is where it is. Polman will be replaced by Alan Jope, who since 2014 has led beauty and personal care, Unilever's largest division. He has been on the company's leadership executive since 2011. I'm not sure if he speaks five languages like Paul Polman, but he has led Unilever's business in both developed and emerging markets.

Jope warmly thanked Polman for "his remarkable leadership of Unilever", noting that he looked forward to working closely with him during the transition. Polman retires as CEO and as a board member on 31 December, but has committed to support the transition process in the first half of 2019. Then the world is likely to be a very willing oyster for this epitome of a twenty-first century CEO.

Interest declared: The author has worked in various ways with Unilever since 1986 and was involved in the work of the Business and Sustainable Development Commission. Unilever also recently decided to back the Tomorrow's Capitalism Inquiry, run by the author's firm, Volans.



FLICKR

Polman is on the World Economic Forum's International Business Council



John Elkington has been called the 'godfather of sustainability'. Heco founded four companies, including Volans Ventures, where he is chairman and chief pollinator. He is the author of 19 books.

SHARE YOUR WORK AND INITIATIVES WITH AN ENGAGED GLOBAL AUDIENCE HERE

ENGAGE our community that consists of global businesses, NGOs, service providers, government, academia and media

COMMUNICATE your company's success stories to over 100,000 CSR and Ethics professionals



View our 2018
Editorial calendar



Get in touch for next month's issue:
harshi.joshi@ethicalcorp.com

Harshi Joshi
Key Account Manager
Ethical Corporation - Business Intelligence for Sustainability
Direct Tel: +44 (0)207 375 7235
Mail: 7-9 Fashion Street, London, E1 6PX, UK



WHAT'S ON THE WEB

The disruptors

How B Corp's founders
took purposeful business
to the next level



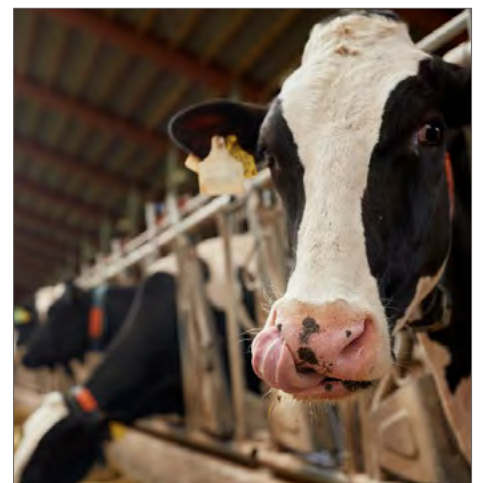
CSR Cheat Sheet

France is top banana in
sustainable food index



Comment

'By working together we can
scale up action for a
greener future'



Comment

'Want to fight climate
change? Start by checking
what's on your plate'



Keep your team ahead of the curve

with expertly-crafted sustainable
business intelligence

Thousands of professionals from across the globe remain completely abreast and knowledgeable on the subject of sustainable business with the intelligence and resources provided to them by Ethical Corporation.

Join them today and benefit from:



Unlimited web access

A fully-searchable website containing over 9,000 articles, management briefings and conference recordings: a veritable one-stop shop for all responsible business intelligence



Monthly digital magazine

Fully optimised for mobile and tablet devices, and packed with the latest sustainable business insight, analysis and strategies



Promotion

Significant discounts on the use of our promotional channels: advertise your initiatives and successes to a global audience



Discounts

Receive exclusive prices on Ethical Corporation's other products, including intelligence reports and conference passes



Company profiles

In-depth features, conference recordings, podcasts and videos provide comprehensive profiles of some of the world's largest corporations

Visit events.ethicalcorp.com/subscriptions for more information