

**Ethical**  
CORPORATION  
MAGAZINE

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SHANGHAI

# HITTING THE RESET BUTTON

Can we build back better after Covid-19?

**ONE PLANET HEALTH**  
NATURE MAKES  
A COMEBACK

**A GREEN RECOVERY**  
SPEEDING THE ENERGY  
TRANSITION

**THE RISE OF ESG**  
SMART MONEY BETS  
ON RESILIENCE



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# WELCOME TO THE MAY 2020 ISSUE

**T**his Changes Everything was the title of a powerful 2014 book by the Canadian environmentalist Naomi Klein on the climate crisis, which I packed in my suitcase when I attended the 2015 Paris climate talks.

But it could equally be recycled, in good circular economy fashion, for a book about the Covid-19 crisis, which will wreak changes for global business far more profound and far-reaching than the two previous shocks of 9/11 and the 2008 financial crisis.

So what will the “new normal” look like, for climate action as well as other areas of the sustainability agenda?

This month, we’ve revised our editorial schedule to examine how Covid-19 has changed sustainability, with reportage from some of

our top writers, and commentary from our community of distinguished thought-leaders and professional practitioners.

We open with a report from Oliver Balch, who interviewed the heads of the leading sustainable business platforms to find out how Covid-19 has changed their strategy. He talks to Peter Bakker, of the WBCSD; Katherine Brown of the World Economic Forum; Lise Kingo of UN Global Compact; Dr María Mendiluce of We Mean Business; and John Denton of the International Chamber of Commerce.

Angeli Mehta reports on what Covid-19 is teaching us about the importance of biodiversity and why failure to implement zero-deforestation commitments will lead to more pandemics in future.

She also weighs the early evidence of whether the pandemic will flatten the curve of climate change by speeding the energy transition.

Mike Scott, meanwhile, writes about how issues like fair tax and executive pay will be a bigger focus of ESG investors going forward as they shift from environmental factors in assessing corporate performance. >

**Ethical  
CORPORATION**

REUTERS EVENTS<sup>SM</sup>  
7-9 FASHION ST,  
LONDON, E1 6PX UK

**Editorial:**  
[terry.slavin@ethicalcorp.com](mailto:terry.slavin@ethicalcorp.com)

**Website:**  
[ethicalcorp.com](http://ethicalcorp.com)

**Event and content opportunities**  
Sponsorship Team  
[sponsorship@ethicalcorp.com](mailto:sponsorship@ethicalcorp.com)  
+44 207 375 7245

**Advertising and sales:**  
Matt Buckingham  
[matt.buckingham@ethicalcorp.com](mailto:matt.buckingham@ethicalcorp.com)  
+44 207 375 7245

**Design:**  
Mauve Studios  
[info@mauvestudios.com](mailto:info@mauvestudios.com)  
[www.mauvestudios.com](http://www.mauvestudios.com)

**Front image credit:** NASA

**Editor:**  
Terry Slavin

**Contributors:**  
Oliver Balch  
Angeli Mehta  
Mike Scott  
Mark Hillsdon  
John Elkington  
John Morrison

**Sub-editor:**  
Karen Luckhurst

Phil Bloomer  
Andrea Bonime-Blanc  
David Grayson  
Delphine Gibassier  
Dr Sally Uren  
Dr Suchith Anand  
Caroline Rees  
Lise Kingo



And Mark Hillsdon reports on how the safe management of water, sanitation and hygiene has ratcheted up the business agenda.

John Elkington of Volans leads off the commentary, arguing that a radically different form of corporate leadership will be required for business to come out the other side of the pandemic. John Morrison of the Institute for Human Rights and Business hopes that the social contract will be rewritten, with a fundamental change to the relationship between workers and companies.

Phil Bloomer and Alysha Khambay of the Business & Human Rights Resource Centre say brands mustn't shift the financial burden of the crisis to the low-paid workers in their supply chains, while Andrea Bonime-Blanc of GEC Risk Advisory gives US corporate leaders a roadmap for leadership through the crisis. David Grayson of Cranfield School of Management in the UK says companies should use ethics as their cornerstone as they "build back better".

Delphine Gibassier of Audencia Business School in France highlights the importance of natural capital accountancy in a post-Covid-19 world, pointing to Kate Raworth's Doughnut Economics model.

Meanwhile, Dr Sally Uren of Forum for the Future considers how governments can build up digital herd immunity without infringing on privacy rights as they plot a way out of lockdown, and Dr Suchith Anand of Global Open Data for Agriculture and Nutrition calls for a democratisation of information to address hunger in vulnerable agriculture-dependent countries.

Caroline Rees of Shift says there is no longer any ambiguity about what stakeholder capitalism means: companies must protect the vulnerable.

Lise Kingo of UN Global Compact ends our May edition by arguing that we, as a human community, can lift ourselves up from our darkest hour by creating a world where the worth of men and women count equally. "It will be a better world for everyone," she says.

And that certainly resonates with the message in the book on my bedside table at the moment: "The Future We Choose – surviving the climate crisis", by Christiana Figueres and Tom Rivett-Carnac.



NAVESH CHITRAKAR/REUTERS

When the authors wrote: "Future generations will most likely look back at this moment as the single most significant turning point for action" they weren't referring to Covid-19. But one silver lining of the pandemic is that it demands radical action from companies and governments to rebuild and restructure economies now – not in 10 years' time, when climate action would be too late.

We can't let this window of opportunity slam shut again without having made the right choices to secure the future of our children and grandchildren.

Next month, we will continue the theme, examining how the circular economy agenda is being affected by Covid-19. ■



**Terry Slavin**  
[terry.slavin@ethicalcorp.com](mailto:terry.slavin@ethicalcorp.com)  
[@tslavinm](https://twitter.com/tslavinm)



# INSIGHTS AND ANALYSIS IN 2020 TO INFORM A DECADE OF ACTION

## JANUARY

### ~~Calls to action~~

~~Thought leaders and the investment community, including John Elkington, Paul Druckman, Windy Lubber, Lise Kingo, Sally Liden and Soony Verghese, give their marching orders for business in the coming decade of action on climate change and the SDGs~~

## FEBRUARY / MARCH

### ~~Deforestation Risk~~

~~In a two-part assessment of deforestation risk in supply chains we will do deep dives into palm oil and forest and timber products in February and at soy and beef in March~~

## APRIL

### ~~Smart and resilient cities and energy efficiency~~

~~How cities are adapting to climate change through the use of nature-based solutions, and cooling technologies. Our second briefing will focus on the global drive to double energy efficiency~~

## MAY

### ~~How Covid-19 is reshaping sustainability~~

~~Commentary and reportage on how companies are rising to the Covid-19 challenge, and the impact of the pandemic on ESG investment, biodiversity, the energy transition and workforces~~

## JUNE

### How Covid-19 will affect the circular economy

Full-issue focus on how Covid-19 will affect the circular economy, looking at the impact of the pandemic on circularity in plastics, fashion, food and agriculture, e-waste and the automotive industry

## JULY / AUGUST

### Transformation of energy

For our summer issue we look at the role of investors in speeding the energy transition, new energy storage technologies, and the rise of geothermal energy.

## SEPTEMBER

### Sustainable seafood and healthy oceans

Ocean-based solutions, from offshore wind and tidal power to sustainable seafood and cleaner shipping, could provide 21% of the solutions to climate change. This briefing will explore the new front in the climate battle

## OCTOBER

### The future of work

How has Covid-19 changed working practices, including managing employee well-being, supply chains, video conferencing and business travel

## NOVEMBER

### Water risk and biodiversity

We look at growing water risk as a result of climate change. Our second briefing will be on the business-led initiatives to protect biodiversity through more sustainable land use

## DECEMBER

### Sustainable comms and marketing

How has Covid-19 changed messaging for consumers. **Plus:** Are science-based targets up to scratch, or do they need to be revised in a post-pandemic world?

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ISSEI KATO/REUTERS





# ‘WE CAN’T JUST TALK ABOUT SCIENCE-BASED TARGETS NOW’

Oliver Balch interviews WBCSD’s **Peter Bakker**; WEF’s **Katherine Brown**; the UN Global Compact’s **Lise Kingo**; We Mean Business head **Dr María Mendiluce**; and **John Denton** of the International Chamber of Commerce to get a picture of what sustainability will look like post Covid-19

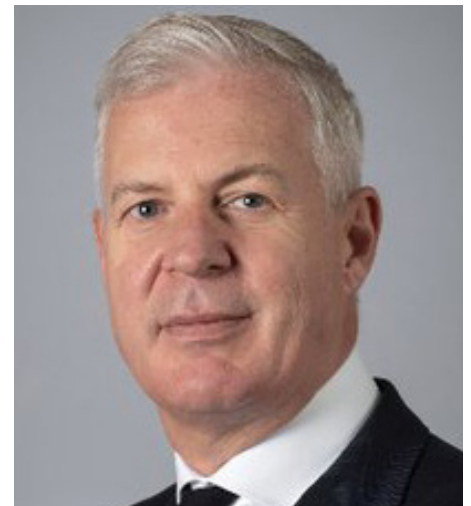
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OLEKSII SIDOROV/SHUTTERSTOCK





Many companies are in full crisis mode. Just getting from one day to the next is achievement enough



Everything we do during and after this crisis must be with a strong focus on building more equal, inclusive and sustainable economies and societies.”

This sentiment, spoken by the UN Secretary-General António Guterres in response to the current Covid-19 crisis, captures a widespread sentiment among sustainable business advocates. Now, in short, is a moment to rethink tomorrow.

What will the “new normal” look like? How can themes like resilience and sustainability be kept centre stage? What influence might climate considerations exert in global recovery plans?

Of course, tomorrow is not the only thing to

think about right now. Many companies around the world currently find themselves in full crisis mode. For them, just getting from one day to the next is achievement enough.

Likewise, business networks and associations are working hard to help their members through this unprecedented crisis, yet, as key actors within global trade and commerce, they also have one eye on the future.

So, how are key sustainability organisations shaping their strategies for a post-pandemic scenario? Can we expect a shift in priorities and, if so, what?

To find out, Ethical Corporation interviewed the leaders of the leading business organisations working on the sustainability agenda globally.

**FRAMING: RISK AND RESILIENCE**

First, the question of framing. To date, sustainability has survived – prospered – as a generous catch-all for a better, fairer, more long-term approach to >

Peter Bakker, chief executive of the WBCSD; Katherine Brown, World Economic Forum; Lise Kingo, UN Global Compact; Dr María Mendiluce, We Mean Business; John Denton, International Chamber of Commerce.





Oil subsidies are continuing the world's reliance on fossil fuels

business. Everything from global macroeconomic prosperity through to workers' rights of association in sub-tier supply chains have fallen under its remit.

Expect this lens to narrow. Perhaps the most significant shift relates to the balance between risk and opportunity. Important as the latter remains, the politics of Covid-19 places the former in the ascendency. The key question, in other words, is less: "How do we build back stronger?" and more "How do we stop something like this happening again?"

As Peter Bakker, chief executive of the World Business Council for Sustainable Development (WBCSD), puts it: "This was a shock from a virus, but the case can be very easily made that future shocks – be they climate-related, nature-related, related to other pandemics – are very likely to occur."

The response from WBCSD, as from its sustainability coalition peers, centres around a single, dominant theme: resilience. For Bakker, the path to greater resilience arises from a more thorough and more integrated approach to assessing strategic business risks.

Much of the early running has focused on climate preparedness – although the story here is still far



**Future shocks, be they climate-related, nature-related, or related to other pandemics, are very likely to occur**

from universal. Where not nearly enough work has been done is around social shocks, according to Bakker. He has in mind not just future pandemics, but crises of a political, cultural or demographic origin, to name but a few.

In an effort to compile some of the "long-term resilience lessons" emerging from Covid-19, WBCSD is currently working on a re-boot of its [Vision 2050 report](#). Originally published in 2010, the updated version will be compiled by a working group of 40 WBCSD corporate members, all of which have assigned dedicated resources to what Bakker refers to as a mission-critical question. >

The emphasis on fuller and deeper risk-management is a message that the World Economic Forum (WEF) will also be trumpeting, confirms Katherine Brown, the organisation’s head of sustainable and impact investing initiatives. As she states unequivocally:

“If you [as a business] are thinking 10 or 15 years down the road and you’re not thinking ‘how well-positioned am I to weather a shock like this Covid-19 crisis?’, then you are not preparing for the future.”

WEF has been here before. At this year’s Davos summit in January, it was already asking tough questions about the detrimental effects of quarterly reporting on long-term resilience. Similar thinking is also apparent in its [recent white paper](#) on mainstreaming environmental, social and governance (ESG) risks – what WEF refers to as “dynamic materiality” – into company reporting and evaluations.

To this end, encouraging global accountancy bodies to incorporate standardised ESG requirements into traditional accounting rules will be high on WEF’s agenda going forward. So too will be its efforts to convince investor groups of the “value” in “values”, says Brown.

On this second point, she sees grounds for encouragement: “What has been really fascinating is seeing the number of investors who now see themselves as influencers of this materiality for the first time [and how], en masse, the movement of capital really changes everything.”

**BUCKLE UP: TRANSITION TIME**

As Covid-19 has taught, however, resilience is not just about increasing awareness of unconventional or emergent risks that have hitherto gone ignored;



**If you are not thinking ‘how well-positioned am I to weather a shock like Covid-19?’, then you are not preparing for the future**



LISI NIESNER/REUTERS

An optometrist in his shop in Vienna, the ICC is focused on helping SMEs get back on their feet.

it’s about acting on this knowledge. If that requires substantive and systemic change, as well it might, then businesses need to buckle up.

Step forward watchword number two: “transition”. Industry and business leaders are now increasingly cognisant of the necessity to shift their companies onto a fundamentally more sustainable footing, says WEF’s Brown. At the same time, they are looking to business associations for the timelines, milestones and best practice to help them do this.

The UN Global Compact (UNGC) is well-positioned in this regard. In addition to the Compact’s [10 core principles](#), which provide companies of all sizes with a basic transition framework, UNGC also boasts a tool for developing business strategies and practices linked to the Sustainable Development Goals (SDGs).

In conjunction with software giant SAP and professional services firm Accenture, the UN-backed body has plans to push forward the tool, known as the [SDG Ambition Implementation Framework](#), with a pilot group of 1,000 companies from 40 or so countries.

“The SDG Ambition is all about how companies must set much more ambitious targets and goals and integrate these much deeper into their entire business,” says Lise Kingo, UNGC’s executive director.

As well as the 17 SDGs, the SDG Ambition initiative places particular emphasis on two additional targets, which, if universally adopted >





by the private sector, would be undeniably transformational. The first would see women make up at least 30% of all executive management positions and board-level roles. The second would result in businesses adopting measures to ensure temperature rises exceed no more than 1.5C above pre-industrial levels, as per the Paris Agreement.

We Mean Business (WMB), a business coalition that champions science-based climate targets, among other transition-focused mechanisms, is similarly adamant about the importance of target-setting.

Yet targets are not the only route to a risk-free future, admits Dr María Mendiluce, WMB’s interim chief executive, adding that it isn’t enough to talk about science-based targets, as important as they are in the fight against climate change. “Our message in the post-COVID era must also now be contextualised in a very pragmatic, solutions-oriented approach to the global challenges we now face, because the world needs them.”

**LOBBYING: GREEN RECOVERY**

This focus on solutions obliges business organisations to look beyond their immediate membership. Corporate sustainability has always been a cross-sectoral affair; in a post-lockdown

Discontent towards globalisation and nationalism has been on the rise in recent years.



**We need to come with a strong narrative about how business can help respond to the challenges arising from Covid-19**

world, expect this support for multilateral approaches to become more explicit.

“We need to come with a strong narrative about how business can help respond to the challenges arising from Covid-19,” says WMB’s Mendiluce.

Part of that narrative is about business adopting smarter and more sustainable ways of operating, but part also centres on shifts in public policy. Mendiluce would welcome steps by governments to reduce oil subsidies, for example, or to increasing >

CARLOS JASSO/REUTERS



Maria Trinidad Perez inside her florist shop in Ecatepec, Mexico.

economies. Support for business continuity plans and for greater digitisation are two quick-win government measures that could help SMEs “build back better”, according to Denton.

**GLOBALISATION: CRUNCH TIME**

Hovering at the back of the minds of all international business groups, be they sustainability-focused or not, is the same very real fear: namely, that simmering discontent towards globalisation, which has been on the rise in recent years, might tip over into a total breakdown in the neo-liberal order, with an end to open markets and the cessation of global free trade.

“One of our challenges is how do we enable an environment in which globalisation... is able to continue and regain the support and confidence not just of citizens but of governments,” says Denton, who concedes that inequalities arising from contemporary neo-liberalism create a dissonance with the notion of business as a force for good.

Helping companies build resilience in the face of existential threats will, of course, be essential to globalisation’s future health. All eyes are on the risks of pandemics right now, but, as sustainability organisations are keen to point out, the next threat of this magnitude could easily emerge from any one of a myriad of overlooked social or environmental areas.

Yet, the future of today’s global economic order owes as much to being seen to be fair and inclusive as it does to being resilient in the face of emerging risks. The world’s international business alliance “hasn’t hit the pause button” when it comes to resolving globalisation’s shortcomings, says Majda Dabaghi, the ICC’s director for inclusive and green growth: “If anything, we need to redouble our efforts to ensure that nobody is left behind.” ■

investment in low-carbon industries such as renewable power.

Government rescue packages mark a particularly prime opportunity for making the voice of progressive business heard, she argues: “We need to find better ways to engage with the policymakers that are making decisions about the stimulus packages.”

The focus on policy is one shared by John Denton, secretary-general of the International Chamber of Commerce (ICC). With a membership of 45 million businesses worldwide, the ICC is well-placed here.

Indeed, throughout the pandemic, Denton has been fielding calls with leading multilateral lenders, intergovernmental organisations, and governments in an effort to devise coordinated responses to the pandemic.

Much of the ICC’s forward-looking plans focus on helping small- and medium-sized enterprises (SMEs) get back on their feet. SMEs make up 80% of global gross domestic product and provide over 80% of all jobs, Denton notes.

A large slice of this task will be taken up with working alongside policymakers to make tomorrow’s global value chains fairer and more resilient for SME actors, particularly in emerging



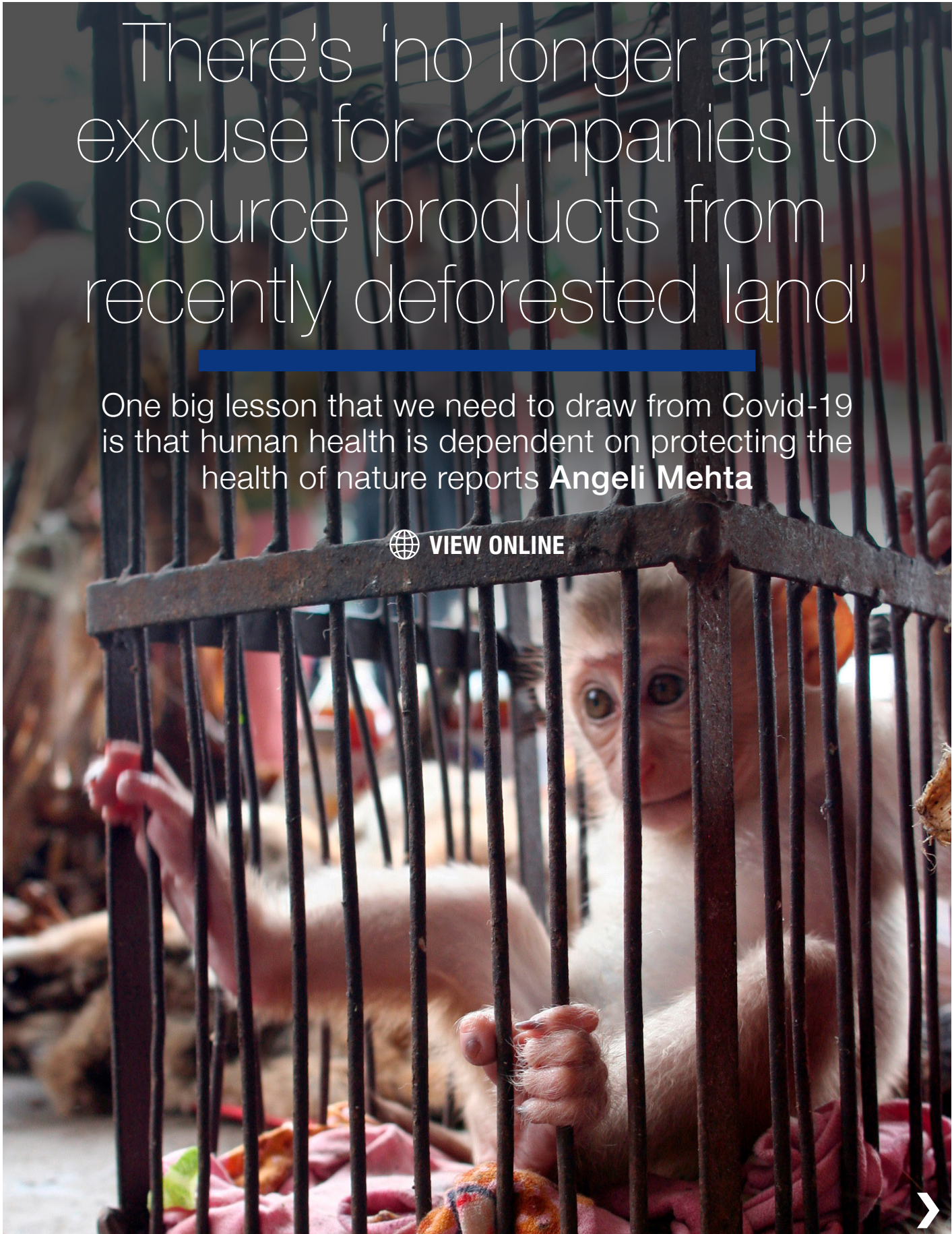
**Dr Oliver Balch** is an independent journalist and writer, specialising on business’s role in society. He has been a regular contributor to Ethical Corporation since 2004. He also writes for *The Guardian* among other UK and international media.



There's 'no longer any excuse for companies to source products from recently deforested land'

One big lesson that we need to draw from Covid-19 is that human health is dependent on protecting the health of nature reports **Angeli Mehta**

 [VIEW ONLINE](#)





Both the wild and domestic meat trade are associated with infectious diseases emerging in humans.



WONG CAMPION/REUTERS

**W**

hile the hunt is still on for patient zero – the first to be infected with what’s now known as SARS-CoV-2 virus – evidence points to the source of the virus as a wildlife market in Wuhan, China. Just one place at the end of a chain of events in a multi-billion-dollar trade that brings hundreds of species of live wild animals into unnatural contact with each other, and in this case, with domesticated species and humans.

The spill-over of pathogens from the animal world to humans, causing zoonotic disease, has been accelerating. It seems that HIV’s origins aren’t in just one but at least 12 different cross-infections. Most recently, the Sars and Mers coronaviruses provided warnings about what the future might hold. But those warnings were ignored.

“The commercial wildlife trade and wildlife markets constitute true cauldrons of contagion

**“**

**Sars and Mers provided warnings about what the future might hold. But those warnings were ignored**

and one could not design better conditions for the emergence of new diseases,” said Christian Walzer, executive director of the wildlife health programme at the US-based [Wildlife Conservation Society](#) (WCS).

Markets are one key interface between humans and wild animals, but there are others. Walzer points out that 70% of all emerging infectious diseases originate in animals; 65% of them in wildlife. “It’s a huge number, and everything that relates to wildlife is intimately linked to the environment and how we interact with that environment,” he adds.

Researchers have suggested that since 1940, [agricultural drivers](#) have been associated with more than 25% of all – and more than 50% of zoonotic >



– infectious diseases that have emerged in humans. Certainly, agricultural production improves health and nutrition, but it also increases exposure to disease vectors in rural populations.

“Every time a logging road goes into the forest, or an illegal cobalt mine is set up in the Congo, or an illegal palm oil plantation is built deep in the rainforest of Indonesia, the people involved are more exposed to wildlife and species harbouring disease,” says Nigel Sizer, chief programme officer at the Rainforest Alliance. And when that road fractures intact forest, the higher density of remaining wildlife increases the risk of a virus jumping species.

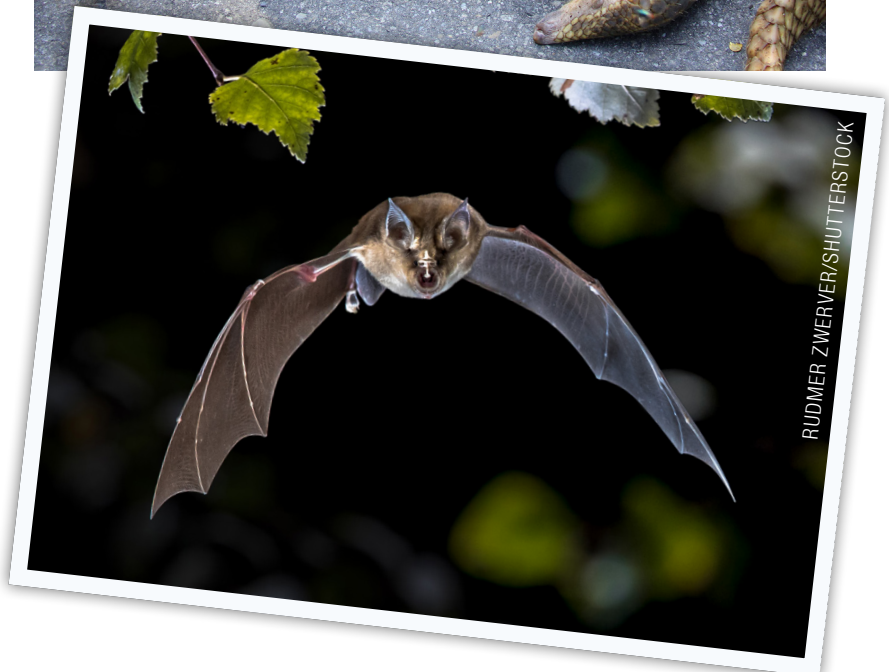
The key is limiting those interfaces, but measures that work in Cambodia, for example, won’t work in an African setting. “Hazards and risks are quite different across the globe,” says Walzer. “The key is that in south-east Asia [markets] the animals are alive and so shedding virus the entire time, whereas if you have dried or smoked meat the risk is substantially reduced.”

But coordinated action – so far missing in this global health crisis – is going to be required if another pandemic is to be avoided.

Together with Global Wildlife Conservation, WildAid and the European Commission, WCS last month launched the Declaration to End the Trade coalition, calling for governments to permanently end the commercial trade and sale in markets of terrestrial animals for consumption, particularly birds and mammals. The EU committed €10m to the campaign, which aims to collect at least one million signatures to a petition calling for “ethical and equitable transition measure” for those involved in the trade.



ARIEF BUDI KUSUMA/SHUTTERSTOCK



RUDMER ZWERVER/SHUTTERSTOCK

Enforcing legislation is a first step. The pangolin, suggested as the intermediary host between horseshoe bats, which harboured the coronavirus, and humans, is the most illegally trafficked creature in the world. “Why China has not done a better of job of enforcing the law around the import and sale of these animals is a really big question,” suggests Sizer. China is revising its laws on animal trade (including species raised in captivity), having banned markets after the outbreak of Covid-19. Neighbouring Vietnam is also drafting legislation to prohibit the trade and consumption of wildlife.

Aili Kang, Asia programme director at WCS, estimates that China’s ban will cover more than 2,000 species, and she’s optimistic that it will be permanently implemented. However, it only covers wildlife for consumption, not for fur, pets or medicine, and there is some pushback from companies involved in captive breeding of reptiles and amphibians. “There is no zero-risk assumption >



**Why China has not done a better of job of enforcing the law around the import and sale of these animals is a really big question**





Preventing the next pandemic will mean a focus on places such as the Amazon with high biodiversity value

we can make for wild-animal trade. These loopholes need to be addressed... the global community expects [that] China can do more.”

Global enforcement mechanisms have many gaps. CITES, the convention that is intended to ensure international trade in wild animals and plants doesn’t threaten their survival, does not take account of the public health risks of wildlife trade. So pangolins, as an endangered species, are listed by CITES, but horseshoe bats are not.

John Scanlon, former director-general of CITES, told a [Congressional conservation committee](#) last month in the US that the situation needs to change. “The current international system for regulating wildlife trade, combating illegal trade and wildlife crime more generally, is inadequate for regulating high-risk wildlife trade and markets and ending wildlife crime, and, left as it is, will not prevent the next pandemic.” He also suggested wildlife crime should be brought into the UN convention on transnational crime, which deals with human and drug trafficking. But it would be best to “stop it at source, by protecting wildlife”.

With almost all tourism revenue lost for the foreseeable future due to the coronavirus, conservation is itself in need of urgent funding, according to Jimmiel Mandima, deputy vice president for conservation at the International Fund for Animal Welfare (IFAW). Similarly, law

enforcement depends on tourism revenues, and reports of poaching are rife. “This is a pivotal moment in human history; our world has been shut down by the exploitation of wildlife,” he told the Congressional hearing. “Our response must be holistic, transformational and comprehensive.”

On that more holistic level, Walzer suggests there now is a better understanding that a healthy planet is a prerequisite for human health. That so called “One Health” concept originated in 2004, when health experts from around the world met to discuss how to prevent potential movements of diseases between their animal hosts and humans.

They drew on the outbreaks of Ebola, Sars, and avian influenza to make 12 recommendations for world leaders as well as the global health and science community, including a recognition that decisions regarding land and water use have real implications for health.

“Alterations in the resilience of ecosystems, and shifts in patterns of disease emergence and spread manifest themselves when we fail to recognise this relationship.”

Last year, the focus of this more proactive approach was [revised and enlarged](#), also taking account of the the profound changes that are happening through climate change and biodiversity loss.

Walzer says better cooperation and coordination between agencies, and at international and regional >





level, as well as at the national level, are needed. So are multi-sectoral funding streams. “Not only is knowledge often siloed, but the funding streams are also siloed, so it’s difficult to pull together a holistic approach.”

He points to movement in this direction: the World Bank has a One Health operational frame, while last year the WHO, the Food and Agriculture Organization (FAO) and the World Organisation for Animal Health (OIE) launched a guide to support countries to set up cross-sector collaborations to tackle zoonotic disease.

One important facet is in improving [surveillance](#) of the human populations that are most vulnerable to infectious disease, and to pay attention to animal die offs.

What can business do? Sizer highlights the commitments on deforestation-free supply chains, made by many of the world’s largest companies. “Most of them have not implemented those commitments and are being very slow to do so. I hope this leads to an even greater sense of awareness amongst corporate leaders who are sourcing commodities from areas which are rich in natural vegetation – whether soy and beef, palm oil, or cocoa.

All of that potentially can play a role in increasing the risk of a future pandemic. There’s really no excuse now for these companies to continue to source products that are coming from recently deforested land.”

**Customs officers in Beijing check wolf skins from Greece believed to have been illegally imported.**

Preventing the next pandemic will mean a focus on biodiversity. Scanlon urges a focus on places of high biodiversity value. “When you focus on a place and invest in a place over the longer term you get benefits... of biodiversity, employment, and you secure carbon.”

Campaigners have been seeking international agreement to restore 50% of the planet’s land and oceans to their natural state by 2050. This year’s Convention on Biodiversity, due to have taken place in China, is postponed owing to the pandemic.

But biodiversity will be discussed at the UN’s General Assembly in New York in September (assuming it can go ahead either physically or virtually). Campaigners hope it offers a chance to begin a rethink of our relationship with nature, and to see it as an essential element of human health. ■



**Angeli Mehta** is a former BBC current affairs producer, with a research PhD. She now writes about science, and has a particular interest in the environment and sustainability. [@AngeliMehta](#).



# Will Covid-19 be the bitter medicine needed to nurse the planet back to health?



ESSAM AL-SUDANI/REUTERS

Angeli Mehta weighs the early evidence of whether the pandemic will flatten the curve of climate change

 [VIEW ONLINE](#)

**A**s we survey the wreckage from the Covid-19 pandemic, will we find that 2019 turned out to be the year that greenhouse gas emissions peaked?

Certainly 2020 emissions are on course to fall. [China's emissions](#) look to have been temporarily slashed by 25% in the first four weeks after the Chinese new year, compared with the same time >



last year. According to the IEA's newly published global energy report emissions, which had been forecast to grow 1% in 2020, will likely be down almost 8% this year.

With only renewables holding up in the unprecedented slump in electricity use, low carbon sources are set to reach 40% of global electricity generation this year. French economist Christian de Perthuis, suggests emissions won't rebound as they did after the financial crash of 2008 because the industries most affected by the pandemic – like tourism and transport – will be unable to catch up while the energy transition, slow as it is, has begun in many parts of the world.

But government stimulus packages will determine whether the downward trajectory is maintained. The projected fall in emissions this year only underlines the scale of the task: emissions need to be cut 7.6% each year for the next 10 years, for there to be any hope of staying within a 1.5 degree warming limit.

For now, planes are grounded. United Airlines told its staff that passenger numbers plummeted by 97% from 6 million in the first two weeks of April in 2019, to less than 200,000 this year. With millions working from home, the roads deserted and industrial output down, sharp falls in pollution and noise levels are being recorded. Will some behaviours become habit and will we prefer cleaner air?

An analysis by investment bank UBS suggests the [shift from planes](#) to high-speed rail in Europe and China will accelerate; so much so that there will be no growth in air traffic within Europe from 2018-2028. However, it anticipates that global air traffic will continue to grow, albeit it at a slower rate.



**What might be a disruption is an enormous opportunity to rethink the future... to tell governments to cut out fossil fuel subsidies**



MANUEL SILVESTR/REUTERS

A virtual meeting of thought leaders in March to try to shape a vision of how [good could come from the pandemic](#) heard calls for a redesign of economic, social and healthcare systems.

Paul Polman, former Unilever chief executive said: “What might be a disruption is an enormous opportunity to rethink the future... to tell governments to cut out fossil fuel subsidies, and the moment to put a price on carbon.”

He said creative thinking was needed to ensure government interventions are linked to climate mitigation, and the greening of supply chains, and set out the same thinking [in an interview](#) with Ethical Corporation's editor, Terry Slavin.

This year was to have been a major year for climate action, with intense diplomatic efforts to secure greater ambition at COP26 in Glasgow – now postponed for a year. The UK's Committee on Climate Change said it will refocus its work so that an annual progress report on UK emissions cuts, >

**Before and after pictures show the dramatic reduction the Covid-19 lockdown has had on pollution in Venice.**



The travel and tourism industries have been particularly affected by the pandemic.



LUCY NICHOLSON/REUTERS

which is due in June, will now include advice on supporting a resilient recovery. Its chief executive, Chris Stark, said that while responding to the pandemic is rightly the priority now, thoughts will ultimately turn to the need to rebuild after coronavirus, and climate priorities can help shape these efforts. “Coronavirus is teaching us all the value of prudent planning for global shocks,” he said.

That thinking is reflected elsewhere in Europe, where there are calls to use the EU Green Deal as the framework for recovery. Speaking at the Petersberg Climate Dialogue of 30 European environment ministers (held virtually at the end of April) Kristalina Georgieva, managing director of the IMF, called on governments to use public support wisely, by mandating commitments to reduce carbon emissions as part of any bailouts for energy-intensive businesses. She also urged them to promote green finance and put “the right price on carbon”.

María Mendiluce, interim CEO of the We Mean Business coalition, said stimulus packages should be directed to electric vehicles, grid infrastructure, energy storage and renewable energy. Business and governments, she added, need to work together to support a just recovery, and enhance decarbonisation.

Earlier in the month, MEPs, alongside chief executives of companies including the Inter IKEA



**Coronavirus is teaching us all the value of prudent planning for global shocks**

Group, E.On, Danone and Covestro, business associations, NGOs and thinktanks, pledged to support stimulus transformation plans that act as “accelerators of the transition towards climate neutrality and healthy ecosystems”. They pointed out that huge technological progress has been made in the past 10 years that will reduce the cost of transition. Big investors meanwhile, have warned companies not to go back on their climate commitments, as they tackle the fallout from Covid-19.

Much depends on the US and China. The enforcement of environmental legislation has already been suspended in the US, alongside intense lobbying for reductions or delays in taxes due from the fossil fuel sector. In early March, China approved [more coal-fired capacity](#) than it did in the whole of 2019. Combined with signals that the Beijing government will relax rules on >



With millions of people globally now working from home, roads have become deserted.



TOBY MELVILLE/REUTERS



MIKE BLAKE/REUTERS

coal power investment, the financial thinktank Carbon Tracker is concerned China may continue to build more coal plants, despite the fact that almost 60% of its existing coal fleet is running at a loss, and almost half is under-utilised.

European car manufacturing lobby groups have asked for a relaxation of tougher CO2 emissions targets; and the airline trade association IATA wants the International Civil Aviation Organization (ICAO) to change the baseline calculation used for the emissions offsetting scheme Corsia, from an average of 2019 and 2020 emissions to 2019 emissions alone. The collapse in aviation this year will mean a much lower baseline from which airlines will have to offset any growth in emissions from 2021. Environment groups have urged the EU and ICAO to stand firm. Indeed, the European Commission wants to tax aviation fuel as part of its Green Deal, and is consulting on measures such as a blending mandate to increase the uptake of sustainable aviation fuels.

The [International Energy Agency](#) is concerned that the steep drop in oil prices could mean a reduced impetus for energy efficiency measures, when evidence suggests that investment in energy efficiency produces twice as many jobs as in the fossil fuel sector. Its executive director, Fatih Birol, says low oil prices are an opportunity to rethink subsidies for fossil fuel consumption. These amount to \$400bn, and more than 40% of them are used to make oil products cheaper, which often only encourages consumers to waste energy. According

In the US, more than 100,000 workers in the clean energy sector have lost their jobs, with rooftop solar particularly affected.

to the IMF, globally the carbon price is \$2 per tonne, but needs to be \$75 to keep warming below 2C.

“There’s a real opportunity to grasp the nettle,” says Andrew Grant, head of oil, gas and mining at Carbon Tracker. “It’s clear there’s much more broad-based support for actions on climate, more support for renewables.”

When prices are low as now, it’s a good opportunity for politicians to revisit the strategy of pricing in the real cost of using fossil fuels. “The consumer still gets a cheaper tank of petrol... even if government is applying a higher price to the impact of using that carbon,” says Grant.

He points out that the money raised “can be used by government to support those adversely affected, at the same time as driving good outcomes.” The same holds for removal of subsidies that keep the price of fossil fuels artificially low. “The money not spent on subsidies can be used in a beneficial way.”

### CLEAN ENERGY DOWNTURN

While the sharp drop in oil price makes returns from renewables just as attractive as oil and gas (even before emissions are priced in), clean energy >





CHRIS HELGREN/REUTERS

**The shift towards sustainability is driving the electrification of transport. Uncertainty caused by the oil price war will only strengthen that resolve**

has not been immune from the economic downturn caused by measures to deal with Covid-19.

In the US more than 100,000 workers in the clean energy sector lost their jobs in March alone, according to analysis of unemployment data. Energy efficiency bore the brunt, with workers unable to enter homes or offices.

Rooftop solar has been particularly affected, says Jenny Chase, head of Solar at Bloomberg NEF. In the US, 50% of installations have been postponed and 10% cancelled. “We don’t know much will come back. We think those people will return, but the question is when.” Bloomberg has cut its global forecast for solar by 8% this year.

However, it anticipates 2020 will still be a record year for wind installations, despite the sector taking a hit. Precisely how big a hit depends on how quickly China’s suppliers are back in full production. There may be knock-ons in the US, where there are tight installation schedules to meet subsidy deadlines. The limited availability of cranes could have an impact: “If you missed the slot, you might have to wait,” says Chase.

Philippe Kavafyan, chief executive of wind

turbine company MHI Vestas, is upbeat. During a recent webinar, he suggested that even if the UK’s auction for projects to be installed in 2025-27 were to be delayed, his company already has a pipeline of offshore wind projects for the next three to four years. But it could do more, he says. “In some cases [projects] will depend on grid connections – and that could be accelerated with a stimulus package; sometimes on permitting, which government can also influence.”

Wood Mackenzie’s analysts suggest that the low oil price, combined with the pandemic, means global sales of electric vehicle sales will drop by 43% this year. The big question is how averse consumers will be to adopting new technologies – or indeed buying cars, full stop. However, several European governments have made commitments to phase out petrol and diesel-powered cars, and companies like Daimler, Volvo and Volkswagen have also pledged electrification of their fleets.

“The shift towards sustainability is the driving force behind the electrification of transport. Uncertainty caused by the oil price war and global catastrophes will only serve to strengthen that resolve, not deter it,” says Wood Mackenzie principal analyst, Ram Chandrasekaran.

The big question is whose voices will be heard as governments think through the steps needed to boost economies once lockdowns are relaxed. Whatever is decided will set the trajectory on emissions for the next 10 years and reveal whether the curve of climate change can be flattened as effectively as for Covid-19. ■



The pandemic has highlighted social issues such as zero-hour contracts and the role of migrant workers.



VERVERIDIS VASILIS/SHUTTERSTOCK

# From 'E' to 'S' and 'G' as investors take stock post-pandemic

Issues like fair tax and executive pay will be a bigger focus going forward as funds look beyond environmental factors in assessing performance, writes [Mike Scott](#)







**W**e are living through unprecedented times as a result of the Covid-19 pandemic. The global lockdown has paralysed economic activity around the world and prompted a level of intervention from governments unheard of outside wartime. So, what does this suspension of the normal rules of engagement mean for ESG (environmental, social and governance) analysis, which was steadily making its way into the mainstream before the pandemic?

Some people argue that consideration of ESG issues will fall by the wayside, just as it did in the years following the financial crisis a decade ago. Certainly, President Trump has rolled back a number of environmental regulations on air pollution and fuel economy even as the crisis unfolds, while researchers from the Australian National University (ANU) warn that polluting industries are likely to use the pandemic as an

excuse to call for weakening of regulations, something we have already seen from European carmakers, for example.

“When industries are hurting, governments will be more likely to manipulate health, safety or environmental standards to benefit those industries,” says Dr Emma Aisbett, of the ANU’s Energy Change Institute and School of Regulation and Global Governance.

“We found evidence of this effect for food-safety and biosecurity standards for industries threatened by trade liberalisation and increased import competition. But this same effect can be expected across a range of industries. We are starting to see evidence of the same type of manipulation as a response to decreased demand for oil, gas and coal due to the Covid-19 crisis and associated economic downturn.”

And yet supporters of ESG as an investment tool are confident that, if anything, it will become even more important to shareholders’ analysis than it is already. “The crisis has shown how interconnected everything is. That’s what ESG is all about,” says Fiona Reynolds, CEO of the Principles for Responsible Investment (PRI).

“You can’t separate things that are happening in >

The global lockdown has paralysed economic activity and sent stocks plummeting.



the real world from what’s going on in the financial world. We’re seeing that in the way that this health crisis has caused an economic crisis. This is only going to drive ESG further.”

Wolfgang Kuhn, director of investor engagement at ShareAction, believes the fundamentals of finance will shift. “Ambition was insufficient before. Is it all going to take a back seat because we can’t really talk to companies about sustainability while they have more immediate problems, or has it made visible issues that were not visible before, like how many companies rely on so many groups of people who are really vulnerable?”

The pandemic and its economic fallout will trigger a “skyward surge” in sustainable, responsible and impactful investing over the next 12 months, claims Nigel Green, CEO of financial advisor deVere, which has more than \$12bn under advisement.

In part, this will be driven by evidence that ESG investments have performed better during the crisis than other stocks. Analysis by organisations including Bloomberg, MSCI and Fidelity International, among others, shows that companies with higher ESG ratings have performed better during the crisis than others, confirming pre-pandemic research that investments that score well in terms of ESG credentials often outperform the market and have lower volatility over the long run.

Green believes demographic shifts will support the trend. “Millennials cite ESG investing as their top priority when considering investment opportunities,” he says. “This is crucial because the biggest-ever generational transfer of wealth – likely to be around \$30trn – from baby boomers to millennials will take place in the next few years.



**Ambition was insufficient before. Is it all going to take a back seat because we can’t really talk to companies about sustainability while they have more immediate problems?**



FIZKES/SHUTTERSTOCK

ESG investing was already going to reshape the investment landscape in this new decade – but the coronavirus will quicken the pace of this reshaping.”

Gerbrand Haverkamp, executive director of the World Benchmarking Alliance, says: “What we see from big investors and groups such as the World Business Council on Sustainable Development is that they believe these underlying issues are not going to go away, and if you don’t build them into your analysis, you will not do well in future.”

**ESG TO THE FORE**

There have been plenty of major announcements and events during the lockdown that suggest ESG issues are not taking a back seat. These include South Korea’s plan to introduce a Green New Deal and become a net-zero economy by 2050, the first economy in East Asia to do so.

At the corporate level, Shell outlined its own ambition to be net-zero on all its scope 1 and 2 emissions from the manufacture of its products “by 2050 at the latest” and to reducing the net carbon footprint of its energy products by around 65% by 2050 and around 30% by 2035. This is a strengthening last year’s [Net Carbon Footprint](#) announcement. (See [Shell wants ‘to be at the leading edge, not the bleeding edge’ with carbon plan](#))

S&P has announced the launch of a range of Paris-aligned and Climate Transition (PACT) indices, initially covering Europe but with the aim of creating products for other markets, too. >





GUITAR PHOTOGRAPHER/SHUTTERSTOCK

As these announcements suggest, the ‘E’ of ESG has dominated the field in recent years, which is no great surprise given the growing evidence of how severe the impacts of climate change will be, and also because carbon emissions give a single, easy to measure metric. But the pandemic is likely to highlight the importance of social factors, which have lagged behind for a long time, Reynolds says, in part because reliable data was harder to come by.

“Not being able to get good data should not be an excuse for not acting. Issues such as zero-hour contracts and the gig economy will become more important. It was already going to be the focus of our next round of work, but we need to do more.

She adds: “One company may be saving money using these practices, but then you look at the US and see 20 million people applying for unemployment benefit it shows the lack of labour rights in many countries... That causes suffering for the whole economy – people who don’t have any money can’t spend any money.”

ShareAction’s Kuhn believes post Covid-19 there will be a renewed focus on human resilience. “We could see a move away from just-in-time deliveries and stretching everything as far as we can, and a

South Korea plans to become a net-zero economy by 2050.



**We could see a move away from just-in-time deliveries to having a bit more fat in the system, which has been cut in recent decades**

move to having a bit more fat in the system, which has been cut away in recent decades.

“No one can afford to have too much cash on their balance sheet because it’s considered inefficient, but if we’re seeing companies fall over at the first sign of a problem, that’s no good. Shareholders need to understand that companies need some kind of a buffer against things going >





Shell has promised to reduce the net carbon footprint of its energy products by 65% by 2050



wrong. This kind of thinking should feed in to how they treat their workers, as well.”

Morgan Stanley says that the crisis will change the way investors assess corporate governance in five key areas. The first is in how much money companies return to shareholders, with a rebalancing away from investors towards other stakeholders.

There will also be an increased focus on executive pay, particularly when companies are furloughing or laying off workers: are managers and the board sharing in the pain, and when good times return, will workers share in the gains in the form of shares and bonuses? There will likely be more scrutiny of pay ratios relative to average workers as society reassesses which workers are most valuable in the wake of the pandemic. There may also be increased pressure for social metrics to be included in executive compensation structures.

Given the heroic efforts of (in many cases) state-funded healthcare services and the massive government bailouts to huge swathes of the economy, “we expect investors to require corporates to demonstrate they are paying their fair share

of taxes, whilst governments are likely to remain focused on tax reform,” the bank says.

Less tangibly, people will expect companies to be able to explain what role they play in society, it adds. “At a time when the need for companies to support the economy and help society has never been clearer, we anticipate the concept of purpose becoming a more pertinent aspect of sustainable investing.” ■



**Mike Scott** is a former Financial Times journalist who is now a freelance writer specialising in business and sustainability. He has written for The Guardian, the Daily Telegraph, The Times, Forbes, Fortune and Bloomberg.





Children wait to buy water from a privately-owned water tower after cases of Covid-19 are confirmed in Burkina Faso.

# Access to water now 'matter of life or death' for millions

Mark Hillsdon reports on how the safe management of water, sanitation and hygiene has ratcheted up the business agenda in the wake of Covid-19

 [VIEW ONLINE](#)







Unilever is working with the UK government to provide over 20 million hygiene products to areas with little sanitation.

**W**

ith hand washing flagged up as one of the most important ways of preventing the spread of Covid-19, the predicament of the billions of people around the world who don't have access to a safe, clean and regular supply of water, has been brought into sharp focus.

According to the World Bank, an estimated 785 million people are living without a basic level of water service, and more than two billion lack access to a toilet at home. In many countries, the World Health Organization (WHO) has also shown that even hospitals lack these amenities, with a [recent report](#) revealing that one in four healthcare facilities lack basic water services, while more than one in five had no sanitation service.

Yet safely managed water, sanitation and hygiene (WASH) services are seen as essential to preventing

**“**

**Globally, we haven't solved this issue of people having access to very basic services which underpin public health**

disease and protecting human health, especially during outbreaks of infectious diseases.

“Globally, we haven't solved this issue of people having access to very basic services which underpin public health,” explains Harold Lockwood, a director at AguaConsult, a consultancy that specialises in water and sanitation issues.

Diarrhoea alone kills 500,000 children every year, he says: “It's not that the challenge has changed, or the problem has changed, it's just the sudden urgency around it.

“If you want to improve health, you've got to have a volume of water that's relatively clean, somewhere to safely put excreta, and the ability to wash hands.” ➤



With the full impact of the pandemic on sub-Saharan Africa still unknown, the WHO is promoting handwashing in a number of ways, including the [#SafeHands Challenge](#), which encourages people, including celebrities, to upload clips of themselves washing their hands on to social media.

It is designed to push the message in vulnerable communities that properly washing hands can kill the virus, and is being backed by a donation of 25 million bars of soap from Colgate-Palmolive.

Unilever has also stepped up and is working with the UK government to fund a global programme that will reach up to a billion people, by providing over 20 million hygiene products to areas where there is little or no sanitation. In conjunction with the London School of Hygiene & Tropical Medicine, it too is staging a mass awareness campaign on the importance of handwashing in a bid to change people’s behaviour in countries across Africa and Asia.

In developing countries, the private sector can be responsible for as many as nine out of 10 jobs, which puts them in a unique position to impact and influence billions of people every day. “Corporations, through their size, can do things directly,” says Lockwood, “they can be advocates [and] make commitments to ensure their workforce is healthy.”

WASH4Work sets out how companies should be ensuring their employees have access to safe drinking water, improved sanitation and adequate hygiene to meet their health, safety and dignity needs.

Established by the UN Global Compact, in 2016, the initiative doesn’t track the number of companies



TEMILADE ADELAJAY/REUTERS

A doctor washes his hands at the Mainland hospital in Yaba Lagos, Nigeria.

involved or how many employees are covered, though a spokesman said Unilever, Diageo and Gap are part of the scheme.

Businesses are also encouraged to push the importance of hygiene along their supply chain, and in the communities where their workers live.

**THE PUSH FOR LASTING CHANGE**

As with so much around the current pandemic, there is a sense that once the virus has been brought under control, issues around the inequitable supply of water and lack of sanitation must not be allowed to continue. Businesses, both through direct action and also their investments, can play a central role in creating a more resilient water supply in developing countries.

This is the thinking behind the new Water Resilience Coalition, a partnership between business and the UN’s [CEO Water Mandate](#), that will take a more broader view of water issues than just the WASH agenda, in a bid to preserve the world’s freshwater resources.

Among the founders are AB InBev, Diageo and Gap Inc, all of which have a vested interest in ensuring that water resources are sustainable, resilient and ample enough to serve both the needs of society and industry.

“Water is one of the most pressing climate and community issues of our time and we all need to >



**Corporations, through their size, can do things directly, they can make commitments to ensure their workforce is healthy**





“

Those of us in the private sector have an incredibly important part to play, and we need to collaborate more to share knowledge, best practice and solutions

act now to make a positive difference; we cannot afford to wait,” says Diageo CEO Ivan Menezes. “Those of us in the private sector have an incredibly important part to play, and we need to collaborate more to share knowledge, best practice and solutions – as well as drive significant action across our own supply chains.”

More than 25% of the world’s population live in water-stressed regions, and the coalition aims to build up the resilience of these water basins through a mixture of innovation, collaboration and investment in infrastructure.

The WHO has stressed that investing in core public health infrastructure, including water and sanitation systems, is one of the most cost-effective strategies for increasing pandemic preparedness, especially where resources are limited; the issue is making such investments attractive.

“It’s very hard to engage with big corporations until they see that it’s beneficial from a business and commercial perspective,” says AguaConsult’s Lockwood, who wants to see water given the same level of prominence in risk registers as other environmental factors, such as carbon emissions.

Therese Rudebeck and Sarah Breslin work on water issues within the financial and banking industries for Swedish Water House, part of the Stockholm International Water Institute (SIWI). “It is easier to get a grasp of and quantify a carbon footprint, but much harder to do the same with water,” says Rudebeck. “A key point for SIWI is showing corporates that you can’t separate water from climate change; they are not separate issues.”

Their work is aimed at encouraging banks and financial investors to think more carefully about how they invest their money.

“So far, ESG analysis has mainly consisted of negative screening,” says Breslin, “so you want to exclude certain types of industries for moral and environmental reasons.

We are trying to shift that focus and take things a step further so you can actually promote best practices instead of just avoiding the worst players.”

This requires in-depth knowledge and engagement from the investors, she adds, which can be a challenge as many portfolios are passively managed. “It needs to become a priority [for investors] if we are going to see any real change.” >

Corporations can have a big impact in developing countries, where they can be responsible for nine out of 10 jobs.





SIWI is working on practical guidelines to help investors integrate water into portfolio management, building on the [Investor Water Toolkit](#), developed by the US non-profit organization Ceres.

This toolkit allows investors to evaluate water risks across all asset classes and create strategies for understanding and mitigating water risks in their investment portfolios. While much of their work is currently carried out with Nordic organisations, Swedish Water House is using its experience to contribute to the international push for a more water-wise world and is currently exploring how to apply the EU’s new regulatory landscape on sustainable finance to investors’ engagement with water.

“Something that we do see with this crisis is the importance of a resilient system,” says Rudebeck. “For a long time, we have seen environmental, human and economic health as three separate spheres and I think this crisis really does bring those three things together.”

Rudebeck also believes that issues around water have been framed as risks for too long. To really

**A Somali woman mixes ash and soil to wash her hands amid concerns about Covid-19.**

engage with business, things like developing a strong water infrastructure need to be reframed as an opportunity.

“It’s not just a risk-alleviation strategy, it needs to be seen and understood as a value proposition,” she says. “There is money to be earned by doing this, not just money to be saved... That’s where the real enthusiasm could come from.”



**Mark Hillsdon** is a Manchester-based freelance writer who writes on business and sustainability for Ethical Corporation, The Guardian, and a range of nature-based titles including CountryFile and BBC Wildlife.



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CHAINS



**ANDREA BONIME-BLANC**  
ON ESG IN  
THE US

# WHERE DO WE GO FROM HERE?

Thought leaders among our community give their take on how Covid-19 will reshape sustainability



**DAVID GRAYSON**  
ON ETHICAL  
BUSINESS



**DELPHINE GIBASSIER**  
ON ACCOUNTING  
FOR NATURE



**SALLY UREN**  
ON DIGITAL  
RIGHTS



**DR SUCHITH ANAND**  
ON FOOD AND  
AGRICULTURE



**CAROLINE REES**  
ON PROTECTING THE  
VULNERABLE



**LISE KINGO**  
ON THE IMPACT  
ON WOMEN





Ruins of the Temple of Apollo at Delphi, ancient home to the Oracle.

# ‘COVID-19 IS A PLAGUE ON ALL OUR HOUSES. WE NEED A RADICALLY DIFFERENT FORM OF LEADERSHIP TO COME OUT THE OTHER SIDE’



John Elkington brings his Delphic wisdom to assessing Covid-19's implications for tomorrow's capitalism

 [VIEW ONLINE](#)

**A** copy of an ancient Apple ad graces the walls of our Somerset House office, now stilled and silent in lockdown. Against a black background, the poster features an energetic shock of white hair, framing the mischievous face of Mark >





Having looked into history, it is clear there are now a number of rhyming patterns at work



Twain, and reruns one of his provocative dictums: “Whenever you find yourself on the side of the majority, it is time to pause and reflect.” A lifelong mantra of mine.

But a very different Twain-ism was rattling around my brain as we walked around the ancient temples of Delphi a few weeks ago, with Covid-19 literally snapping at our heels, with each successive hotel closing its doors immediately after we left.

So that second Twain aphorism? You may have heard various versions of this second quotation, but it runs along the following lines: “History doesn’t repeat itself, but it often rhymes.” I confess that over the years I have sometimes souped it up by rendering that last bit as “... but by God it rhymes!”

As Cov-19 disrupted and then ultimately truncated our trip, I was left both a little breathless and intrigued to know whether the ancient wars between Athens and Sparta might hold clues for today’s superpower rivalries? Having looked into the history a bit, it was very clear that there are now a number of rhyming patterns at work.

So, for example, when the plague hit ancient

Greece in the midst of the bitterly fought [Peloponnesian War](#) it wounded more open, more urban Athens much more severely than it did the more dispersed and yet disciplined Sparta, with the result that the latter leapfrogged over the former to become the dominant regional power.

Might we now see similar dynamics as Covid-19 disrupts today’s power blocs, with the closed outcompeting the open?

These were the sort of questions, alongside more humdrum concerns, that people brought to such oracles as Delphi back in their heyday. As it happens, I first turned up in front of the gates of Delphi more or less exactly 50 years ago, with five companions exploring the world, only to find them closed for refurbishment. Looking back, though, I’m not sure I fully grasped the historical importance of the site, which for hundreds of years was considered the “centre of the world”.

The Oracle, voiced by the Pythia priestesses, was famously gnomic when it came to its prognostication. Among the most well known of the millions of words of wisdom offered over >

Covid-19 has changed the rules and norms that govern markets.



the centuries came when the fabulously wealthy Croesus, king of Lydia, asked whether he should join the Greeks to fight the Persians?

He was famously advised that if he attacked the Persians a great empire would be destroyed. Little imagining that the empire in question might be his own, he trundled off to war. And the rest, as they say, is history.

More recently, forecasters struggling to cope with uncertainty, and perhaps aiming to cover their bets, have used tools like scenarios. Either this or that, or maybe something else entirely. One way or another, the chances are that at least some elements of such forecasts will be borne out by events. But scenarios can be constrained by emergent realities, for example by systemic crises like the climate emergency.

As I have tried to get a better grip on at least some aspects of the future since announcing the “product recall” for my 25-year-old triple bottom line concept, two big birds have powerfully influenced my thinking. Not through the subtle art of divination, delving into their entrails, but by symbolising two very different dynamics in our increasingly exponential world.

Most notably, I have been inspired by the work of Lebanese-American author, risk analyst, and former options trader Nassim Nicholas Taleb. In his 2007 book *The Black Swan*, Taleb provides a series of timely lessons about the “impact of the highly improbable”, as his subtitle put it. His timing was impeccable, spooky even, as the global economy descended that same year into a financial meltdown few had seen coming.

Early on in his book, Taleb noted that he was sticking his neck out, in claiming that “against many of our habits of thought... our world is dominated



JEARU/SHUTTERSTOCK

While black swan events are improbable, Taleb argues that the pandemic was highly predictable.

by the extreme, the unknown, and the very improbable (improbable according to our current knowledge) – and all the while we spend our time engaged in small talk, focusing on the known, and the repeated.”

The second bird competing for my attention, this time a creature of my own conjuring, has been the Green Swan. My new book, *Green Swans: The Coming Boom in Regenerative Capitalism*, riffs off Taleb’s black swan metaphor. He has long argued that black swans are unpredicted, and generally unpredictable.

So he now insists that Covid-19 is not a black swan, as many have tried to label it. Just such a pandemic has been repeatedly predicted, he recalls, but the powers-that-be decided to ignore those warnings. Still, this latest coronavirus outbreak shares with true Black Swans the characteristic that in its wake reality will have been transformed; our world shifted on its axis.

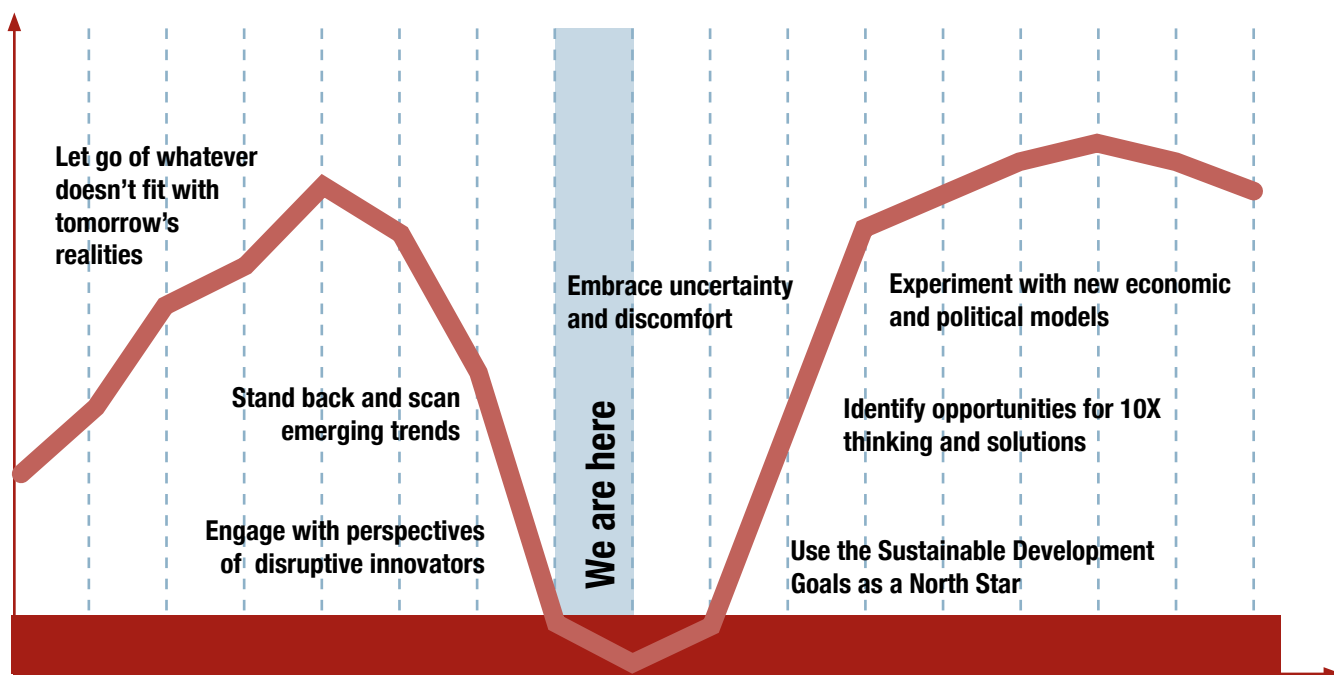
In *Green Swans*, I explore ways forward for capitalism, democracy and sustainability, here riffing off the language of the Chinese communist party. Just as the world’s most populous nation vaunts “socialism with Chinese characteristics”, I have been investigating aspects of capitalism, democracy and sustainability with either “black” or “green” swan characteristics, often a combination of both.

A green swan is a profound market shift, generally catalysed by some combination of wicked problems and, among other things, shifting paradigms, values, mind-sets, politics, policies, >



**Scenarios can be constrained by emergent realities, for example by systemic crises like the climate emergency**





Source: Volans 2019

technologies and business models. Along the way, a green swan delivers exponential progress in the form of economic, social and environmental wealth creation.

At worst, it achieves this outcome in two dimensions while holding the third steady. There may be a period of adjustment where one or more dimensions underperform, but the aim is an integrated breakthrough in all three dimensions.

My assumption in writing the book was that the world has been heading into some sort of historic U-bend, as illustrated in the diagram above, which I have been using for several years now. This is well beyond a single, normal recession; instead I believe that we are seeing a period where the established macroeconomic and political order goes down the tubes, and new ones surface. As we head deeper into the bottom of the U-bend, we enter the period of maximum confusion, uncertainty, fear and anger.

Rather than being mysterious about the future, let me now try to nail this jelly to the wall. First, the primacy of shareholder value, which aims to keep social and environmental impacts (negative or positive) at arm's length, will be increasingly contested around the world.

And as governments are forced to bail out

businesses and sectors, there will be growing pressure to provide quid-pro-quo outcomes. Radical decarbonisation, anyone? Ultimately, if we are to truly transform capitalism, then a key task must be to transform capitalism's master discipline of economics.

But if economists are to be genuinely helpful in spotting and reining in Black Swan trajectories and blazing Green Swan pathways, they must work out how to embrace the "too difficult" worlds of environmental and social impact, and linked forms of valuation.

The further we dig into the relationships between capitalism and democracy, the more sustainability looks like the natural bridge between the two, focusing as it does on intergenerational equity and balanced, inclusive and environmentally sustainable value creation, and distribution over extended timescales. Today's global challenges are so far beyond our collective experience that they demand a radically different kind of engagement from senior leadership teams in the private sector. And, over time, a radically different kind of leader.

**WHERE COVID-19 MAY TAKE US**

Meanwhile, in a new project commissioned by the World Business Council on Sustainable Development (WBCSD) as part of its refresh of its >





AJL WICK/SHUTTERSTOCK

**Vision 2050** roadmap launched in 2010, Volans has been exploring the implications and likely impact of Covid-19. Among our early conclusions: Covid-19 has temporarily weakened what Milton Friedman called “the tyranny of the status quo”, creating a context in which radical, systemic change is suddenly possible.

More specifically, Covid-19 has the potential to be a catalyst for a Green Swan transformation of the global economy: a profound shift in the rules, norms and institutions that govern markets, which could unlock a wave of exponential changes with positive consequences for people and planet.

Many companies were spectacularly poorly prepared to deal with a crisis like this. They went into the crisis carrying huge amounts of debt and with complex supply chains so tightly optimised for efficiency that there was no slack in the system to enable them to adapt. This lack of preparedness is not an unfortunate accident: it is an entirely predictable result of companies’ relentless focus on efficiency and short-term shareholder value maximisation.

As predicted in Green Swans, we are seeing an accelerated expansion of the sustainability agenda; from responsibility to resilience and regeneration.

Many companies went into the Covid-19 crisis spectacularly unprepared.

The value of building resilience is self-evident in the wake of Covid-19. Regeneration matters because it is only by regenerating our economies and communities, and the wider biosphere, that we will be able to achieve true resilience.

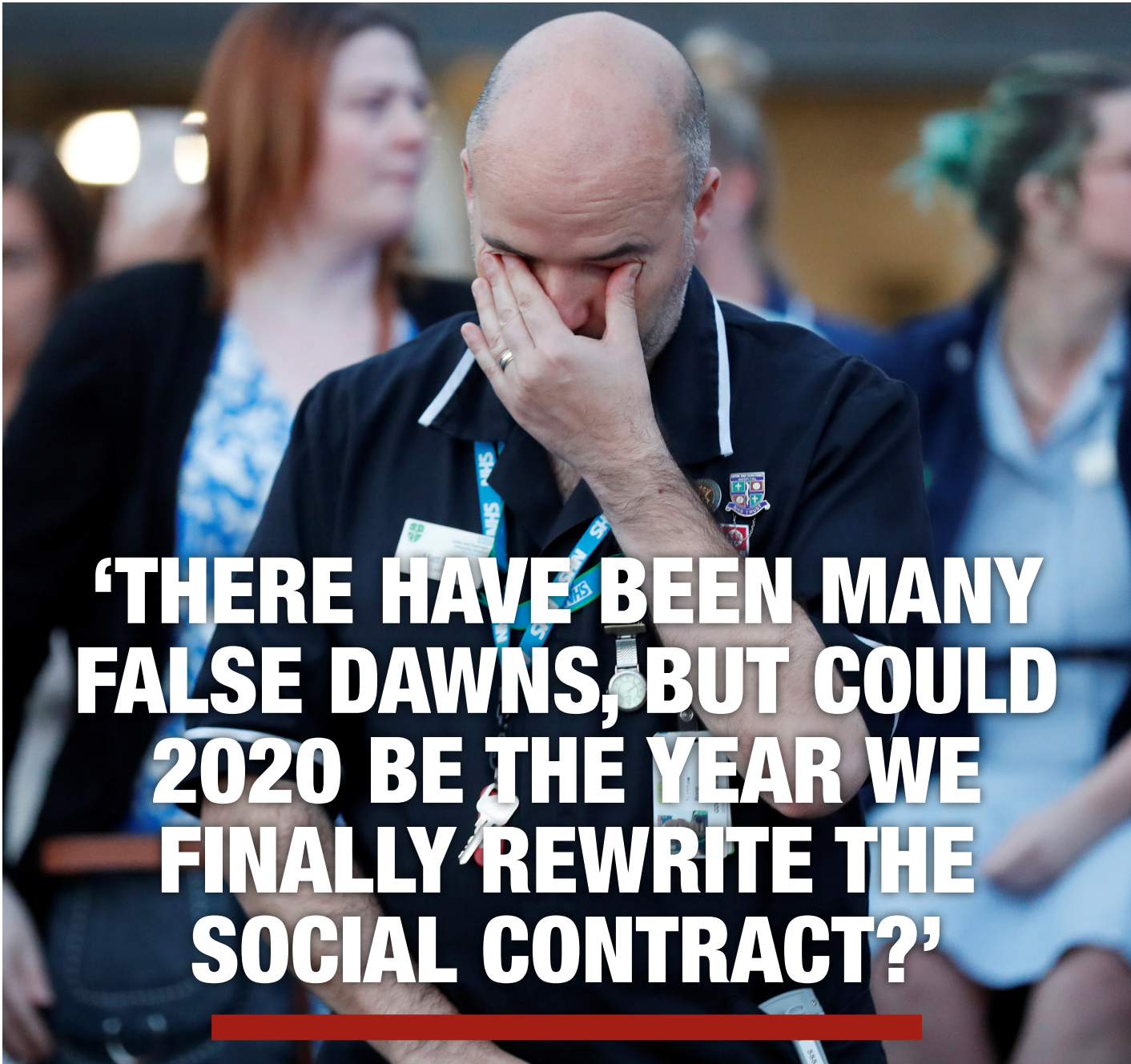
Hopefully, whether we choose to hear it or not, the message is now rather clearer than it was for “poor” Croesus. Indeed, you don’t need to be a Delphic priestess to know that we now have a once-in-a-working-lifetime opportunity to change the economic system so that it delivers the future we want, the future sketched in the UN Global Goals. It’s time, as we put it at our [Tomorrow’s Capitalism Forum](#) in January, for us all to either step up – or get out of the way. ■

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**John Elkington** has been described as the “godfather of sustainability”. He has co-founded four companies, including [Volans](#), where he is chairman and chief pollinator. He is the author of 20 books—the latest, just published by Fast Company Press, being ‘[Green Swans: The Coming Boom in Regenerative Capitalism](#)’.

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**‘THERE HAVE BEEN MANY FALSE DAWNS, BUT COULD 2020 BE THE YEAR WE FINALLY REWRITE THE SOCIAL CONTRACT?’**



John Morrison of the Institute for Human Rights and Business hopes that as the world picks up the pieces after Covid-19 there will be a fundamental

change to the relationship between workers and companies

 [VIEW ONLINE](#)

**T**he 2019 incarnation of the coronavirus has ravaged many lives and the worse is still to come, particularly in the least developed or war-torn economies, where health systems are ill-equipped to deal with chronic symptoms than can arise. The virus has not been the “great leveller” as some have claimed; rather it has highlighted and >





MOHAMMAD PONIR HOSSAIN/REUTERS

exasperated inequality worldwide. The bravery of frontline workers has not always been matched by our leaders, with virtue-signalling from populist politicians and some business leaders crying **force majeure**: letting long established employee or supplier relationships fall like dominos.

But it is not such frailties that we will remember. It is the personal sacrifice of health workers, care workers, supermarket staff, delivery drivers, agricultural workers and many others. Those responsible companies that have stood by their supply chains, repurposed their production for societal need and furloughed their workforces on near full pay, and trade unions that fight for the most marginalised, whether they be members or not (such as informal workers, migrants and those in the gig economy).

It is fitting then to ask whether now is the right time to reorganise the relationship between the world's peoples and those that claim to act in their interests? For example, the **International Trade Union Confederation** (ITUC) has restated its call for a "new social contract" for workers and communities globally, backed by NGOs and even some business leaders.

But what is meant by a new social contract? Is it desirable? Is it achievable?



**Covid-19 will hit people hardest in developing economies, where health systems are ill equipped to deal with a pandemic**

Are we just co-opting this crisis to advance a pre-existing political agenda?

In this article I want to open up this Pandora's box a little, with the hope that all of our thinking and talking can lead to some definitive actions.

Social contract thinking can be traced back to Greek philosophy, but is most readily associated with Enlightenment thinkers such as Hobbes, Locke and Rousseau. At its root is the idea that society is best-served if a government or other type of institution takes on executive or sovereign power >



with the consent of the people (Hobbes invokes the image of an ancient sea-monster, the “leviathan”).

In more modern times, John Rawls advanced a similar idea in his “theory of justice”: part of which allows for inequality within society, provided it benefits its poorest and most marginalised members. There is not one singular social contract theory, and there is not space here to go deep into nuances, but in my 2014 book [The Social License](#) I draw out three foundational components that are particularly relevant to societal actors such as businesses and NGOs, as well as governments:

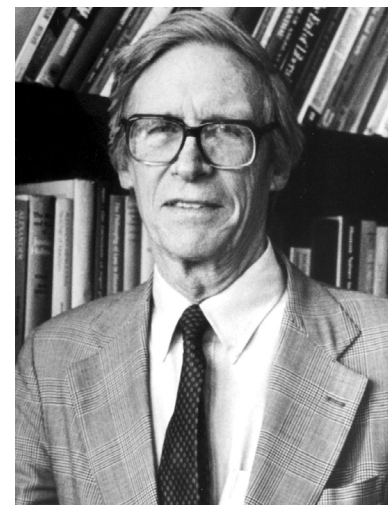
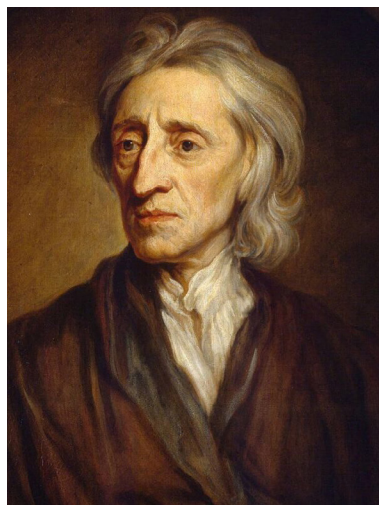
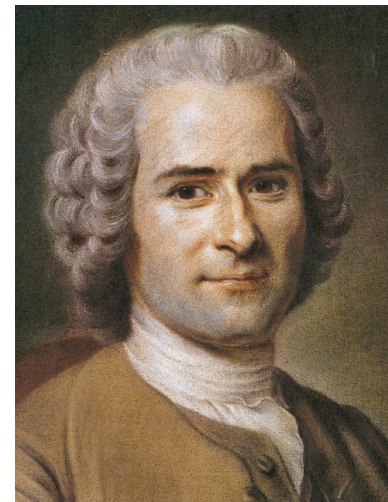
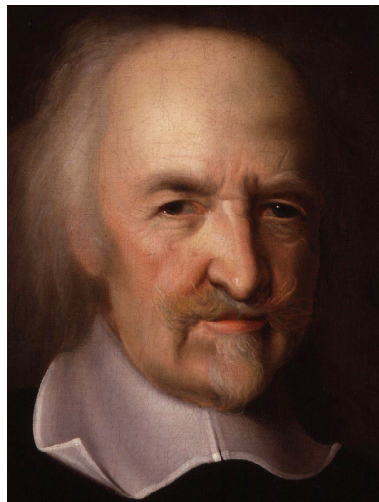
- ▶ **Trust** All organisations claiming to be societal actors enjoy the confidence of their peers and those most affected by their actions;
- ▶ **Legitimacy** The organisation must have the support of society and rule in a way that benefits even its poorest members;
- ▶ **Consent** Members of society must actively grant special permissions.

There are, of course, many other aspects that are critical (benefits, power, remedies and so on) but it is perhaps best to stick with the three foundational aspects for the purposes of this short article. In calling for a new social contract as a result of the Covid crisis, the ITUC is clear that governments are not the only leviathans of the modern age. It points specifically to the accumulated power of multinational corporations as unbalancing the 1919 social contract of the International Labour Organization (ILO) between governments, unions and employers.

A new social contract would need to address the fact that while over a billion people have been lifted out of abject poverty over the past 30 years, in large part through globalisation, inequalities within nations have increased dramatically.

Donald Trump, Hungary’s Viktor Orbán and India’s Narendra Modi have offered strong measures to protect their nations from forces lying beyond their borders – a new social contract fuelled by nationalism and populism. These leaders constantly invoke “the will of the people” when consolidating executive power.

In contrast, the social contract advanced by the ITUC differs in that it is based on the labour standards of the ILO. It is, in other words, a social contract in which partnerships to tackle poverty



Philosophers through the ages have advanced social theories. Clockwise from top left: Thomas Hobbes, Jean-Jacques Rousseau, John Rawls, John Locke.

and exploitation transcend national borders.

As we emerge from the Covid-19 crisis it is not clear which of these two versions of the social contract will have the ascendancy. It is even less clear whether the new social contract will fundamentally be between the government and its people, or whether business and civil society will also be contracted parties.

**IS A NEW SOCIAL CONTRACT DESIRABLE?**

The human rights case in relation to the Covid-19 crisis and its emerging economic aftermath seems relatively clear-cut. At the [Institute for Human Rights and Business](#) (IHRB) we have recently issued a 60-page report setting out the broad range of civil, political, economic, social and cultural impacts of the crisis. In the report, its main author, Salil Tripathi, reflects that “it is worth remembering that human rights are universal, interdependent, inalienable, interrelated and indivisible. The Covid-19 crisis has shown that in addition to the >





Leaders like Donald Trump are offering a social contract fuelled by nationalism and populism invoking 'the will of the people'.

LINDSEY WASSON/REUTERS

right to health and life, other important rights, including the rights to equality, livelihood, safety, security, housing and food, are also at stake.”

Business is heavily linked to just about every Covid-related salient human right you care to mention. [The ILO estimates](#) that up to 25 million workers are in immediate jeopardy of losing their work, and this will spiral upwards if the downturn deepens. The crisis has shone a spotlight on how reliant we all are on “essential workers” to feed and protect us in times of adversity: workers who at the same time are often poorly paid and vulnerable to many forms of human rights abuse. This correlation between what we truly need from our global economy and protecting the rights of those central to its delivery will be more clearly stated when we emerge from Covid-19. Added to this, shortages and bottlenecks have raised awareness of who makes what and for whom: we might now see more scrutiny about where essential commodities, products and services are derived.

Demands for greater supply chain resilience is likely to be one of the legacies of this crisis. Not everyone will see this in human rights terms; some will promote greater national control of the economy as a matter of dogma, some will invoke nationalism and patriotism as a way of securing



Donald Trump with Dr Anthony Fauci, director of the National Institute of Allergy and Infectious Diseases, at a Covid-19 briefing.

LEAH MILLIS/REUTERS

stronger domestic protections. But there is certainly a space to advance a rules-based social contract argument if we are clear about its terms.

**IS A NEW SOCIAL CONTRACT ACHIEVABLE?**

The hardest question of all is whether a fairer international settlement is achievable in the foreseeable future. There have been many false dawns, from the creation of the UN Global >





The coronavirus crisis has shone a spotlight on the social effects of the gig economy.



**Simply put, the new social contract can be explained as putting the ‘S’ into ‘ESG’**

Compact in 1999, in the face of the protests against the World Trade Organization and the G7, to the massive bailout for the financial sector following the 2008 crisis.

On neither occasion, or perhaps at no time since 1945, has there been any major change to the international rights-based contract to upend the international status quo. This is probably why so many of us invoke the spirit of 1919, 1945 or 1948 when advancing fundamental arguments about universal rights.

It would perhaps be naïve to think that 2020 falls into the same category. But then again did any of those years feel like landmark years at the time (Eleanor Roosevelt’s speech of 1958 is perhaps more quotable than those made around the signing of the 1948 Universal Declaration of Human Rights as it benefits from 10 years of hindsight).

Optimists, and I guess I am one, will point to the fact that we already had grounds to believe

that a new social contract was essential for reasons of climate mitigation and adaptation. The “just transition” is in effect a call for a new social contract in ways more fundamental than the legacy of Covid-19 will be.

It also requires inter-generational thinking and attention to what justice actually means in contexts of weak institutions and rapid change. Thinkers in the financial sector might now be pondering on how to integrate environmental, social and governance (ESG) issues across their mainstream businesses due to the Covid legacy (see [From ‘E’ to ‘S’ and ‘G’ as investors take stock post-pandemic](#)), but it was the climate crisis that broke the back of this argument last year. Simply put, the new social contract can be explained as putting the “S” into “ESG”, but an “S” that is underpinned by trust, legitimacy and consent. The months ahead will unveil new truths and non-truths about the real nature of Covid’s legacy, but a new social contract could indeed be one of these. ■

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**John Morrison** is CEO of the Institute for Human Rights and Business. His most recent book *The Social License*, was published by Palgrave MacMillan in 2014. John also sits on the UK Foreign Secretary’s Human Rights Advisory Group.

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MOHAMMAD PONIR HOSSAIN/REUTERS

Textile workers protesting in Bangladesh.

# ‘BRANDS MUSTN’T SHIFT THE FINANCIAL BURDEN OF THE CRISIS TO THE LOW-PAID WORKERS IN THEIR SUPPLY CHAINS’



Phil Bloomer and Alysha Khambay of the Business & Human Rights Resource Centre say cancelled orders by fashion brands are having a devastating impact on 60 million people in factories in Asia and Latin America

The scale and scope of the Covid-19 pandemic grows each day. And so does its impact on business and for the rights of workers and communities that depend on those businesses for their livelihoods.

In the US, 10 million workers have registered as unemployed in two weeks, while the UK Institute of Fiscal Studies reports that the low-paid, women, and young workers are seven times more likely to work in UK sectors that have now been shut down.

Less obvious to those suffering from the pandemic in the West is the devastating impact the economic slowdown is having on the supply chain factories of Asia and Latin America. >

 VIEW ONLINE



At BHRRC, we've been looking in depth at what is happening in the apparel industry supply chain, where an estimated 60 million low-paid and mainly female workers have had their livelihoods put at risk as major brands and retailers have scrambled to minimise their losses by shifting the financial burden of the crisis down to the bottom of the supply chain.

Major brands, such as Topshop (Arcadia Group) and C&A, have cancelled orders from suppliers to avoid payment for goods that have already been produced, with some like Urban Outfitters invoking force majeure clauses in their contracts to do so.

This approach stands in stark contrast to advice from Fiona Reynolds, chief executive of the United Nations Principles for Responsible Investment, who says companies “should be managing for the long-term when assessing how they treat employees, contractors and suppliers, prioritising these needs over immediate returns to shareholders”.

Suppliers in garment-producing countries have faced an onslaught of order cancellations, reduced order volumes and extended payment terms, which have left many suppliers having to reduce operations or stop them altogether, unable to bear the financial burden. This has forced many suppliers to lay off or suspend millions of factory workers, often without pay and severance, pushing an already precarious group of workers to greater economic vulnerability.

As it is standard practice for brands not to pay for products until after they are shipped, when an order is put on hold or cancelled, payments are also held or cancelled. Brands are also cancelling upcoming orders and refusing to pay the cost of raw materials already purchased by suppliers, putting suppliers in an even more vulnerable position. In addition to cancelling orders, some brands, such as Bestseller



LUCY NICHOLSON/REUTERS

and Gap, have even reportedly asked for discounts on orders already shipped.

Other brands, such as Asos, have deferred rather than cancelled orders. However, suppliers will still have to store them and wait to be paid until the brand decides whether to accept them, which presents the same cashflow problems. Many retailers are extending their payment terms to 120 days in response to the crisis, meaning suppliers will have to wait for four months until they are paid. New Look has said it is suspending payments to suppliers for existing stock “indefinitely”.

Even before the Covid-19 crisis, many suppliers have struggled with cashflow and paying workers on time, with 40% of suppliers facing payment terms of more than 60 days under normal business conditions. The brands’ responses to the crisis have placed an even greater strain on suppliers; the unequal power balance between brands and their suppliers could not be more stark.

Crucially, non-payment for orders that have not yet been sent out from factories risks leaving suppliers unable to pay wages owed to their workers. Reports are already emerging of workers protesting for wages owed to them which factories are refusing to pay on the grounds that buyers have cancelled orders. One of the largest clothing exporters in the world, Bangladesh, has been hit severely by brands’ business practices in response to the pandemic, with demonstrations this week. One protesting worker said: “If we stay at home, we may save ourselves from the virus. But who will save us from starvation?” >

Urban Outfitters invoked force majeure clauses to cancel orders.



**If we stay at home, we may save ourselves from the virus. But who will save us from starvation?**





“

While brands like H&M and Inditex have said they will pay for orders already produced or in production, they are among the few exceptions

Research by Penn State and Worker Rights Consortium found more than half of Bangladesh suppliers have had the bulk of their in-process or already completed production cancelled. The same research found that 72% of buyers were refusing to cover the costs of raw materials bought by the supplier, and 91% were refusing to pay the production costs. More than [two million garment workers](#) in the country have already lost their jobs or been furloughed without pay because of order cancellations worth an estimated US\$3 billion.

While brands like H&M and Inditex have said they will accept and pay for orders already produced or in production as per agreed payment terms, they are among the few exceptions. Following sustained criticism from the Bangladesh Garment Manufacturers Exporters Association and civil society organisations, a few others, including The North Face, VF Corp and PVH have followed suit.

**DEVASTATING CONSEQUENCES**

The impact of brands’ business responses to the Covid-19 crisis extends beyond Bangladesh, with several other garment-producing countries reporting devastating consequences for workers. Manufacturing associations in China, Myanmar, Pakistan, Vietnam, Cambodia and Bangladesh issued a [joint appeal](#) last week to buyers, asking them not to cancel orders and fulfil existing contractual obligations. In Myanmar, over 20,000 garment workers have already lost their jobs,

while in Cambodia 200,000 workers are vulnerable and in Pakistan more than a million are set to lose their jobs as a result of the pandemic, according to [projections](#).

Many brands have defended their response to the crisis by citing financial difficulties, and are calling on the governments of garment-producing countries to provide support for workers. However, in many of these countries – where the cheap supply of labour has allowed brands to enjoy profits for decades – very few social protections exist. Without brands taking responsibility, millions of garment workers who produce their clothes will struggle to support themselves and their families during the crisis.

Particularly vulnerable are the millions of “hidden” [home-based garment workers](#) who help prop up the global fashion industry. Most are women, who have few protections, and will be the last in line to benefit from any government assistance packages. Migrant garment workers are also uniquely vulnerable, lacking social protection measures.

Where factories remain in operation – producing apparel or protective personal equipment as retailers re-purpose their supply chain – workers are [reporting](#) being forced to work without adequate precautions, leaving them, their families and communities at risk of infection. Organisations representing garment workers are [calling on brands](#) and manufacturers to implement essential worker health protection and rights measures to prevent >



Textile manufacturers in China have issued a joint appeal with other garment-producing countries asking brands to fulfil contractual obligations.



VENUS WU/REUTERS

workplace exposure to Covid-19, and to provide paid sick leave and other employment benefits.

Pre-existing health and safety issues have also been exacerbated as a result of brands' response to the crisis. As buyers cancel and refuse to accept orders already produced, factory owners are fearful that mounting stock will become a fire hazard. This does not bode well for an industry known for deadly factory fires.

Civil society organisations and trade unions are calling on brands, governments and suppliers to urgently mitigate the health and economic impacts of the crisis on garment workers. Garment worker unions want brands to pay 2% of total annual sourcing towards immediate relief for supply chain workers. At a bare minimum, brands are being asked to not cancel orders, to pay their suppliers what they owe for existing orders in full, and to not extend or delay payments. Payment of wages, severance and arrears for workers are a priority.

Companies should collaborate closely with their suppliers to reduce negative impacts and consider shortening payment times and other measures to ease the financial burden. This has already been seen in other sectors. For example, L'Oréal has said it will be shortening its payment times to suppliers who have been most exposed to the crisis and Unilever has committed to financially support its "most vulnerable" suppliers as part of a €500 million relief programme.



GONZALO FUENTES/REUTERS

L'Oréal has said it will shorten payment times to suppliers most exposed to the Covid-19 crisis.

The Covid-19 crisis has exposed and exacerbated the profound inequality of power in fast fashion's international supply chain, and its lack of long-term sustainability. The off-loading by many brands of the pandemic's costs onto vulnerable and poor workers exemplifies the exploitation and abuse that is currently endemic to the industry. The way apparel brands respond to this crisis will not be forgotten by their suppliers or by their supply chain workers. Their actions now will have long-term impacts on their brand, reputation and social license to operate. ■

**Phil Bloomer** is executive director of the Business & Human Rights Resource Centre. This article was co-authored with Alysha Khambay, labour researcher at BHRRC



Before the Covid-19 crisis, the nature of shareholder primacy was being increasingly challenged.



ANDREW KELLY/REUTERS

# ‘IF COMPANIES BEHAVE WELL NOW, THEY WILL BUILD UP A BANK OF TRUST TO SUSTAIN THEM POST-COVID-19’



Andrea Bonime-Blanc draws on lessons from her book *Gloom to Boom* to provide a roadmap for leadership through the crisis

**B**

efore Covid-19 fully hit the world in early 2020, ESG was rising fast and furious in business importance, especially and belatedly in the United States. With the impulse of BlackRock’s CEO, Larry Fink, his CEO letters of the last couple >

 [VIEW ONLINE](#)



Chris Moore's daughter died in the 2019 Ethiopian Airlines 737 MAX crash.



of years and several other key developments, ESG finally seemed to have “arrived” in the US.

And indeed, ESG or what I like to call ESG + technology, or ESGT, has arrived. Witness the microscope under which Boeing was placed regarding its slow-burning mismanagement of the 737 Max crisis. There was criticism far and wide on the weakness of its governance, leadership, crisis response, stakeholder treatment (ie passenger safety), ineffective risk management, software flaws, regulatory capture and lack of empathy and action to correct the underlying ESGT problems (health, safety, quality, whistleblower protection).

This perfect storm of ESGT mistakes and crisis mismanagement contributed heavily to Boeing's serious financial and reputational losses. And then Covid-19 hit, compounding Boeing's woes. As I stated in [this interview on the NYSE floor in March 2020](#), Covid-19 put the crowning touch on Boeing's already perfect ESG storm.

Resilient leaders of resilient companies do not allow such slow-moving, deeply rooted, compounding problems to fester over time or to continue to implode once a crisis has occurred. Boeing will long be used as a business case of what not to do in crisis and resilience management.



**The Covid-19 crisis represents an unprecedented perfect storm of interconnected ESGT risk gone wrong**

The Covid-19 crisis enveloping the globe today indeed represents an unprecedented perfect storm of interconnected ESGT risk gone wrong, occurring at a time of already great global turbulence, affecting every business, indeed everyone.

Even before the pandemic struck, first in China and then progressively across the world, we were living in an increasingly challenging and dangerous (as well as promising) world with all manner of major megatrends converging upon us.

Of the 10 megatrends of our turbulent times that I identify in my book, [Gloom to Boom](#), there are >



seven that leaders should be aware of and get their arms around in their response to Covid-19.

- ▶ **The fourth industrial revolution** – We are hurtling through space at the speed of light because of the fourth industrial revolution, which will hopefully help scientists and governments to identify and implement Covid-19 solutions, treatments and cures faster than ever before and apply them more broadly.
- ▶ **Collapse in global trust** – We are already living in low-trust times, making it more challenging than ever for stakeholders to trust key institutions like government, media, NGOs and business, though according to the [2020 Edelman Trust Barometer](#) business has higher marks on trust than the other institutions do and thereby an opportunity to lead during this crisis.
- ▶ **Rise in complex interconnected risk** – Though Covid-19 is by no means a “black swan” since it was totally predictable and predicted, it most definitely qualifies as a complex interconnected risk. Indeed, [WEF has presented this concept of global interconnected risk](#) for a number of years, identifying “infectious diseases” as the 10th most impactful global risk for 2020, with interconnections to several other ESG and economic risks.
- ▶ **The new geopolitical abnormal** – The erosion of global governance and rise of a new geopolitical abnormal is on full display in this crisis – including (1) tensions between China and the US, (2) the rise of populism and illiberal democracies with some leaders (like in Hungary) using Covid-19 to garner authoritarian powers, and (3) the omnipresent overlay of increased transnational cyber-insecurity.
- ▶ **The meteoric rise of ESG/business as the new global conscience?** – ESG was already riding high for all the right reasons with investors and business recognising its centrality to their strategy pre-Covid-19. Instead of obscuring ESG, this crisis is amplifying and accelerating its importance, partly because of the rise in power of the larger stakeholder ecosystem. Business now has an outside opportunity to seize the reins of trust and reputation-building by doing all the right things for its key stakeholders.



Leaders in Hungary are using Covid-19 to establish more authoritarian powers.

BERNADETT SZABO/REUTERS



TOBY MELVILLE/REUTERS

Jack Dorsey, CEO of Twitter and Square, pledged to donate \$1bn to Covid-19 related causes.

- ▶ **From hyper-transparency to super-opacity** – Coronavirus fake news, misinformation and outright information warfare is being magnified in this age of not only hyper-transparency but what I call super-opacity, when misinformation spreads like wildfire through social media worldwide and deep fakes and lies reign supreme. ▶



Building organisational resilience is a long-term job that requires what I call “responsible” or even “enlightened” leaders, both at the C-suite and board levels. The impulse to do this is not always present during the “good times”. The eight elements of organisational resilience that I outline in Gloom to Boom (see Figure 1 right, which represents best-in-class organisational resilience – the “Virtuous Resilience Lifecycle”) require time, effort, resources and, most of all, tone from the top – the very top. Organisational resilience building is not a cost-centre or a “nice to have”; it is a must have and core to business value protection, preservation and, yes, creation. I believe the global Covid-19 crisis may have provided the single best evidence of this fact.

Below, adapted from Gloom to Boom, is what I call the 10 commandments of resilient leaders:

- 1 Resilient leaders integrate ESGT issues into their organisation’s strategy.
- 2 Resilient leaders empower and support a cross-functional team of ESGT experts to run an ESGT value chain approach to issue, risk, opportunity, crisis and value creation.
- 3 Resilient leaders “walk the talk” supporting ESGT issues not only verbally but substantively, through proper budget allocations and resources.
- 4 Resilient leaders aspire to become at least “responsible leaders” and at best “enlightened leaders” (see chapters two and eight of Gloom to Boom).
- 5 Resilient leaders focus on building and institutionalising a culture of integrity.
- 6 Resilient leaders remain attuned to and savvy about global megatrends that affect their organisations.
- 7 Resilient leaders understand and cater to their most important stakeholders – not just the most important one, but the top three to five.
- 8 Resilient leaders allow for mistakes and for a speak-up/listen-up culture to grow in furtherance of continuous improvement, innovation and sustainability.
- 9 Resilient leaders scan the long-term horizon while minding the store in the short term.
- 10 Resilient leaders welcome ESGT oversight – whether from a board of directors, governors, trustees or other governmental entity.

Several companies already appear to be doing their best to either preserve or augment their resilience through this crisis. Early exemplars

FIGURE 1. THE VIRTUOUS RESILIENCE LIFECYCLE



Source: Author and GEC Risk Advisory

include some of the technology companies (Apple, Salesforce, Twitter/Square via Jack Dorsey, who just announced that he would donate one third of his net worth or \$1bn to Covid-19 related causes) as well as others that have been more severely hit by the crisis, like the hotel industry, where Marriott’s leadership under serious duress has really stood out and will serve the company and its stakeholders well in the long run.

This crisis presents a unique opportunity to build resilience and reputation through stakeholder trust. How business leaders treat their key stakeholders now, in the midst of this crisis, will largely determine their ability to build longer-term trust, reputation, value and resilience in a post-Covid-19 world. ■

**Andrea Bonime-Blanc** is CEO and founder of GEC Risk Advisory. She is a former global corporate C-suite executive and teaches cyber-leadership and resilience at NYU. Her latest book is [Gloom to Boom: How Leaders Transform Risk into Resilience and Value](#).

Supermarkets have been taking steps to protect employees and customers



HANNAH MCKAY/REUTERS

# ‘AS COMPANIES BUILD BACK BETTER THEY SHOULD USE ETHICS AS THEIR CORNERSTONE’



David Grayson of Cranfield School of Management says the coronavirus crisis has highlighted that to be truly sustainable, businesses must live their purpose

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thical Corporation readers of a certain vintage and/or who are political junkies, may recall the famous report by Michael (now Lord) Heseltine after the urban riots in the UK in 1981. The report to Margaret Thatcher and her cabinet began with the arresting sentence: “It took a riot!”

I have been thinking about those words a lot in recent days. Just as it took civil unrest to focus attention on the problems of Merseyside and other depressed regions, and to provoke more societal action to tackle urban decay and youth >

 [VIEW ONLINE](#)





unemployment, will it similarly take a virus to spur transformative action for ethical business and towards a fairer, more inclusive and sustainable society?

Right now, the focus, quite rightly, is on tackling the immediate crisis, dealing with the pandemic and trying to mitigate economic meltdown.

As Martin Wolf, chief economics commentator at the Financial Times, has noted, the switching off of economic activity, partly through people’s fear of contact, and partly because governments have told people to stay at home, could result in a reduction in gross domestic product in G7 countries of 20-30%.

In such unprecedented circumstances, responsible businesses will be concentrating – where they can – on serving customers. Personally, I have been impressed by the communications from the supermarket chains that I regularly shop with and, therefore, have loyalty cards with. Senior executives have been emailing regularly to explain what they are doing, especially, to protect vulnerable customers and to look after their employees.

Responsible employers are carefully considering how best to protect their workforce, and especially those who are the lowest paid. Sadly, as is always the case in crises, this crisis is already showing the best – and the worst.



**It has already been very noticeable how public pressure has forced several organisations, deemed to be behaving unreasonably, to do U-turns**

I am particularly impressed by those organisations who are speeding up, rather than slowing down, payments to suppliers – especially small businesses; and extending credit terms to small business customers. This is about building long-term shared destiny relationships.

It has already been very noticeable how public pressure has quickly forced several organisations, deemed to be behaving unreasonably during >

the crisis, to do U-turns – whether that was the owners of the ExCel Exhibition Centre renting their premises for the first Nightingale Hospital, or Liverpool Football Club proposing to furlough non-playing staff.

The bigger question remains: will we revert to “business as usual” post-crisis? As an idealistic pragmatist, I do not subscribe either to the view that “nothing will be the same again” nor to the opposite idea that nothing will change. I am excited by the mantra of the film-maker and SDG advocate Richard Curtis and others that we should “build back better”. I have already joined a number of online conversations on this theme – not least one organised under the auspices of [Imperative21](#). This is a joint initiative of B Lab, The B Team, CECP, Coalition for Inclusive Capitalism, Conscious Capitalism and JUST Capital: united under the banner that “capitalism must work for all of us and for the long-term”. A nascent UK coalition, loosely affiliated to Imperative21, is looking at what a new economic system that is inclusive, sustainable and fair, would entail.

Each of us will have our own ideas about the priorities in building back better. For me, it starts with rethinking the purpose of business: what a company exists for. This purpose needs to be an authentic, inspiring and a practical description of why a business exists, which can be used to help take the really tough business decisions.

What a company exists to do cannot be seen in a vacuum. We also have to consider how it goes about carrying out its purpose. And one thing this virus has thrown into the spotlight is the need to act ethically.

Does a company treat its employees, its customers, its suppliers fairly? Does it behave



HANNAH MCKAY/REUTERS



VECTORFUSIONART/SHUTTERSTOCK

**Merely producing sustainable products does not automatically mean a company is ethical.**

responsibly in all its activities? As the late Sir Adrian Cadbury first articulated in his hugely influential 1992 Report on Corporate Governance: “It is important that all employees should know what standards of conduct are expected of them. We regard it as good practice for boards of directors to draw up codes of ethics or statements of business practice and to publish them both internally and externally.”

A new report from the Institute of Business Ethics looks at the largest publicly quoted companies in the UK, France, Spain, Germany and Italy and concludes that published codes of ethics are now the norm.

A business does not need to have defined a societal purpose to have a code of ethics and to operate ethically. However, a genuine, lived societal purpose should motivate employees and make it much likelier that they will follow their company’s ethical code.

Conversely, a business could have adopted a societal purpose but not operate ethically. Take, for example, the hypothetical case of a company established to produce sustainable packaging. It >



**What a company exists to do cannot be seen in a vacuum – and this virus has thrown into the spotlight the need to act ethically**





**You cannot do  
‘ethical business’  
without doing  
business ethically**

may operate with zero-net emissions, no plastic use etc. It may be seen as a “sustainable business” but it may still fail in “doing business ethically” if employees do not feel they can speak up or suppliers are continuously paid late, without just cause etc. You cannot do “ethical business” without doing business ethically.

Purpose and ethics are not alternative approaches but instead reinforce each other. Purpose-led businesses are more likely to be challenged by their employees and other stakeholders for any perceived ethical lapses, because they will hold their employer to higher standards. Businesses that take responsibility for their impacts (social, environmental and economic) are more likely to be attentive to their organisational culture and aim to do business ethically.

Nowadays, with the climate emergency and hyper-global inequalities, which will be exacerbated in the economic fallout from Covid-19, it is hard to see how an organisation can really aspire to do

**Liverpool Football Club came under public pressure over its decision to furlough non-playing staff.**

business ethically if it is not also trying to become sustainable, which means having a comprehensive sustainability plan that will be increasingly aligned with the overall strategy of the business.

In order to achieve this, any business, however large and famous, will need to be humble enough to recognise that it does not have all the answers. It needs to work in partnership with many others. Hopefully, that will be another enduring lesson from Covid-19: the need to collaborate with a wide variety of different actors from different sectors.

Even as this crisis proceeds, we should be resolved to build back better. ■

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**David Grayson** is chair of the Institute of Business Ethics, Emeritus Professor of Corporate Responsibility at Cranfield School of Management and a member of the Ethical Corporation international advisory council.

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# ‘WE NEED RADICALLY DIFFERENT ACCOUNTANCY TO VALUE COMPANIES IN A POST-PANDEMIC WORLD’



TED



Delphine Gibassier of Audencia Business School says Kate Raworth's Doughnut Economics model, adopted by Amsterdam and in France, shows how business can stay within planetary and social boundaries

**F**or more than 50 years now, numerous actors from the accounting profession and outside have been calling for a change in the way we account for performance and value-creation. A major step forward was taken when integrated reporting was tested, written and published between 2010 and 2013. For the first time, a new vocabulary insisted on different capitals (six according to the framework) to be taken into account, as well as long-term value creation, and connectivity. >





**Covid-19 will hit people hard in developing economies, where health systems are ill-equipped to deal with a pandemic**



MARK HARTNELL/REUTERS

Since then, **over 1,500** reports have been published worldwide, with two countries leading the way (South Africa and Japan). The Big Four accountancy firms, as well as pioneering companies such as The Crown Estate, or Kering, have innovated and created different types of multi-capital accounts. According to the Value Balancing Alliance, over 300 of them have been tested in different companies worldwide (about 40 are public).

The Covid-19 crisis has called for these experiments to be taken a step further. Why would multi-capital accounting become even more crucial now than a few weeks ago? The crisis has revealed several key features that are requested from the new accounting that all organisations, not just a handful, should implement.

Of course, accounting should be multi-capital. It should also be connected (through system thinking), long-term and future oriented (in opposition to current accounts), and rooted in Kate Raworth's [Doughnut Economics model](#), which integrates social and planetary boundaries. As John Elkington [argues elsewhere](#) in this issue of Ethical Corporation: "Covid-19 has temporarily weakened what Milton Friedman called 'the tyranny of the status quo', creating a context in which radical, systemic change is suddenly possible."

It's high time to call for a radical new accounting and a radical new accounting profession.

Connectivity of different "capitals" is not something easy to actually perform in a reporting format. The "octopus" value-creation figure from

The outpouring of gratitude towards valuable employees such as health workers reveals a shift in thinking.

the integrated reporting framework portrays the capitals as parallel, with no connections, and it is rare to see any trade-offs between capitals mentioned in reports. However, the response to the crisis has demonstrated that thinking in "systems", in an integrated manner, makes urgent responses possible, but also makes companies more resilient. For example, one could approach value creation in the way that Future Fit defines it, that is "[system value](#)".

Looking for long-term versus short-term is a request we have heard for decades from sustainability specialists. However, the language of business, accounting, is looking at the past.

David Beatty of the Rotman School of Management in Toronto, said in a recent blog that in his view "the creation of long-term, sustainable, differentiated and competitive advantage can be derived only with a strategic time horizon of five years and more".

Currently, only two frameworks clearly call for a strategic look at the future: the integrated reporting framework and the Task Force on Climate-related Disclosures (TCFD), through scenario analysis. The ACT framework (on assessing low carbon transition), developed by CDP and the French environment and energy agency ADEME, also considers future outlook of indicators as key. This is not enough, and we should encourage companies to design their accounting to strategically consider long-term value creation. We made a few proposals to combine management control for sustainability with long-term thinking in a [2018 article](#). >



FOTOLUPA/SHUTTERSTOCK

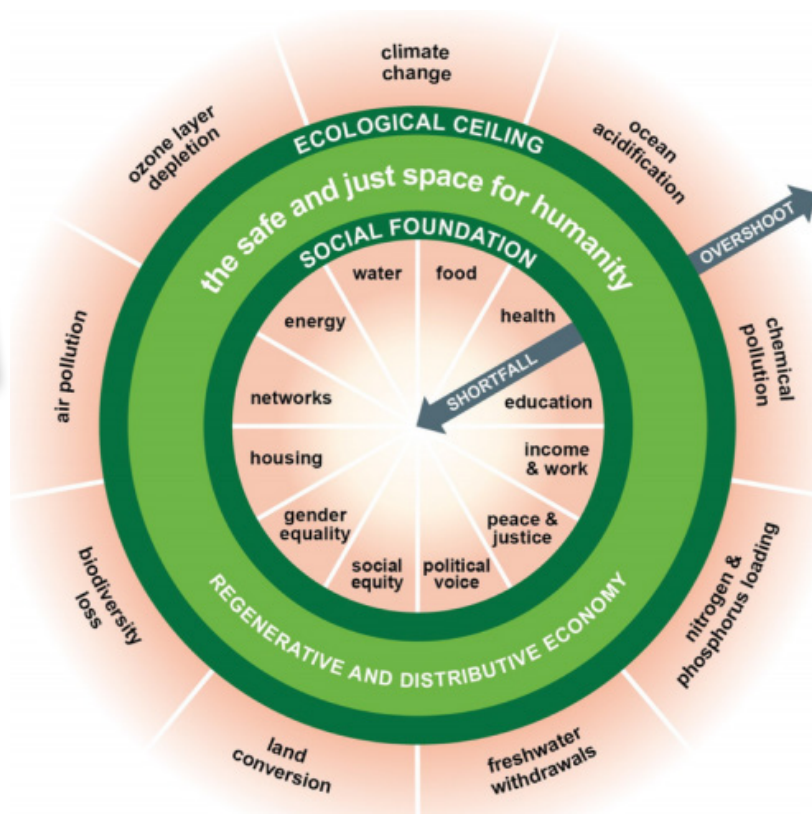
While different companies have accounted for between three and six capitals to date, the Covid-19 crisis has put the light on four that will need increased attention from organisations and standards-setters alike. First, intellectual capital. Very few companies report on it (fewer than 50%, according to a [2019 report](#) on worldwide integrated reports), while the crisis has demonstrated that R&D, culture, information systems and the like play a strategic role in the ability of organisations to reorganise in times of crisis and scale up answers for new products (for example in the development of an open-source respirator from a unique collective work in France, the project [MakAir](#)).

Second, social capital has proven key in being able to locally reorganise supply and demand networks. Companies' social immune system is key today and will be key tomorrow. Third, biodiversity was put in the spotlight through the link made by several researchers between deforestation and the increased risk of zoonosis (See ["There's no longer any excuse to source from recently deforested land"](#))

Finally, the face of human capital has changed. From publishing the number of managers, companies will have to rethink who their "valuable" employees are. We have all applauded our health professionals, and many more people, such as supermarket cashiers. Little did we know that "value" would be turned around by a spreading virus.

A very small amount of reports today allude to planetary boundaries, let alone apply them in multi-capital accounting. The only one that is public is the Olam integrated impact statement, which has been published for the last two years. A good way to start with this new accounting would be to look at [Kate Raworth's Doughnut Economics model](#). The [MultiCapital scorecard](#), developed by McElroy and Thomas in 2016, has just released an [open-source version](#) to implement the [doughnut](#).

The city of Amsterdam is using it to design its



Top Left: Amsterdam is using a Doughnut Economics model, above, to design its future strategy post Covid-19.

future strategy post-Covid19, while France used it to report on its sustainable development last year, allowing the country to take a look at the interactions between human needs and overall respect for the environment.

"System value can only be created when the outcomes of a business model maintain capital stocks and flows within the thresholds of their carrying capacities," according to r3.0, a global common good not-for-profit platform, which published a number of open access blueprints to help develop a new economy and society:

To build, drive and implement this new accounting, we need new accountants. Hybrid accountants with the capacity to see 360° and not just 60°. We need a new education system for accountants, new roles as well, such as the chief value officer, described in the eponymous 2016 book by Mervyn King and Jill Atkins. This is the only way that we will raise to a new standard of governance of our organisations and stewardship of our commons. Let's step up and raise to the challenge. ■

**Delphine Gibassier** is associate professor of Accounting for Sustainable Development at Audencia business school in France



# HOW WE CAN BUILD UP DIGITAL HERD IMMUNITY WITHOUT LOSING PRIVACY RIGHTS

VISIONDREAMS/SHUTTERSTOCK



Dr Sally Uren of Forum for the Future explains that treating Covid-19 as a systemic challenge could help governments pilot a fair and equitable

path out of lockdown

 [VIEW ONLINE](#)

**A** friend of my 19-year-old daughter had her phone battery die on her early one morning in Taiwan. This was in March, as the Covid-19 pandemic was rapidly taking hold globally, and she had recently returned from the UK to complete her studies. A half hour later, at 7.30am, the police were knocking on her door, making sure she was still in quarantine for her allocated 14 days post-arrival in the country. >

Is this pandemic monitoring and surveillance a violation of our privacy? Or is it simply a responsible action to keep us safe?

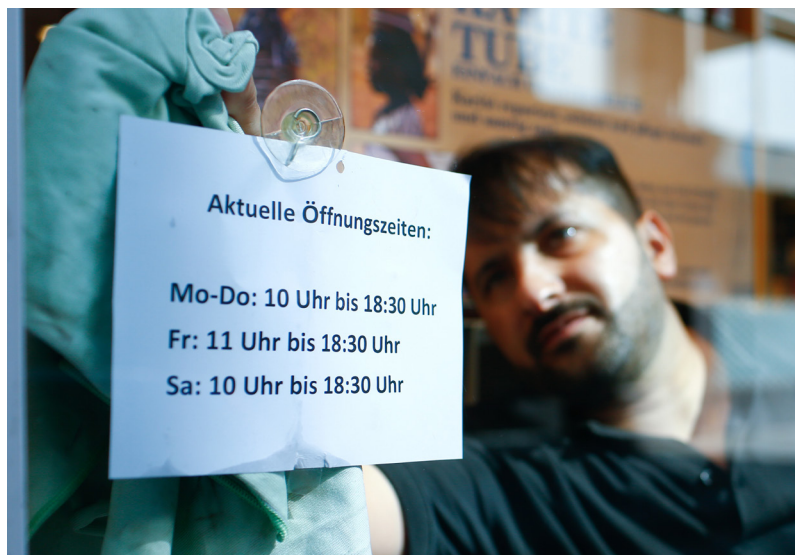
Since the start of the global Covid-19 pandemic, at least 27 countries have already relaxed, or have made provision to relax, data privacy rules, including Europe, the UK and the US. In many Asian countries, governments are using phone location data to track and communicate with their populations on an individual basis.

In some of these, such as Taiwan, data is being collected to measure adherence to self-isolation directives and to track social contact. And some countries are now going even further. Dubai has just released a permit scheme, powered by an app, requiring individual citizens to seek permission to leave the house, and being enforced by the police.

The World Health Organization is fully behind technological measures to test and trace, with the rapid development and uptake of technology presenting an opportunity to monitor, control and even predict the spread of this – and future – public health emergencies. This “digital herd protection” through contact-tracing apps is one of the big bets for lockdown exit strategies being developed by several governments, including the UK.

Yet these developments must be taken with caution.

Increased monitoring and control has the potential to further disadvantage the poorest and most vulnerable in society, who might not have access to smart phones. Cybersecurity is also a risk; there have already been instances of personal data being leaked. And what’s to stop our personal



THILO SCHMUELGEM/REUTERS

A German shopkeeper prepares to re-open as governments globally contemplate post-lockdown strategies.

data being monetised, or used in some more authoritarian nation states to clamp down on civil and human rights? Finally, what about our basic rights? Surely we should be able to decide when we can leave our own houses?

Finding the balance between health protection, data protection and civil liberties is a truly complex challenge. And exactly the type of challenge that would benefit from a systemic approach as it:

- ▶ Is difficult to address, and continuously evolving
- ▶ Remains ambiguous, without a thorough understanding of its full implications. As such, there are no clear criteria for when the problem is “solved”
- ▶ Is unique, with no precedent for known solutions
- ▶ Involves many stakeholders and perspectives, with potentially conflicting views across ethical, moral, cultural, social, political, legal (and many more) grounds
- ▶ Has interconnected causes and drivers which are part of a dynamic ecosystem

A systemic approach has three main characteristics. First, it requires a diagnosis of the challenge, in other words a thorough understanding of all the direct and indirect issues. For our central question – how might we utilise personal data to protect us, not violate or exclude us – this means having a really clear understanding of all the unintended consequences of collecting and storing data.

Second, interventions and approaches need to be designed with clear positive outcomes in mind. In this case, governments should be striving for positive health impacts. Nothing else.

Lastly, assumptions need to be clear, and tested. ▶



**Finding the balance between health protection, data protection and civil liberties is a truly complex challenge. And exactly the type of challenge that would benefit from a systemic approach**





ALY SONG/REUTERS

The assumption is that current plans for digital herd protection will need greater than 80% take up. Is this fair? If not, how does the design need to change?

Accepting this complex problem as a systemic challenge then offers some clues as to how decision-makers in governments and individual citizens might navigate it, and in doing so create outcomes that meet the needs of public health protection, data privacy and equity.

Fundamentally, we need to urge decision-makers to make shifts in how they approach this challenge and I see four that are particularly important right now. The first is to move from a typical crisis response, namely a focus on short-term, incremental and technical solutions, towards a set of activities and even experiments based in a solid diagnosis of the issues that is shared with key stakeholders (namely, us as citizens).

The second is a shift from individual governments trying to solve this enormous challenge alone, either at a state or federal level, to collaboration. This will rapidly accelerate progress.

Number three is tough: we need to see a shift from linear plans towards definitive goals to working with hypotheses on the most impactful

A police officer stands next to a police robot at the Wuhan Tianhe International Airport.

routes to change. Working with hypotheses requires the fourth and perhaps most difficult shift, from an approach rooted in certainty and order, to one that allows us to learn, continuously adapt and find the most effective way forward.

Adaptation is critical. The Covid-19 landscape is changing on an almost hourly basis. Fixed linear plans – delivered without constantly questioning assumptions, learning and pivoting directions – quite simply, will not help us navigate one of the biggest societal challenges associated with this pandemic.

Finally, and fundamentally, we must each accept that there is no “right” answer to this challenge; only then can we make progress in navigating its complexity.

Beyond this acceptance and the shifts outlined above, it’s time to urge the universal adoption of the principles of equity, transparency and fairness. If this happens, we may just be able to avoid the dark side of what was once private, becoming too public. ■

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**Dr Sally Uren** OBE is chief executive officer of Forum for the Future.

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Men load food aid onto a truck in Nigeria.

AFOLABI SOTUNDE/REUTERS

# ‘WE MUST OPEN UP DATA TO FIGHT THE THREAT TO FOOD SECURITY FROM COVID-19’



Dr Suchith Anand of Global Open Data for Agriculture and Nutrition calls for a rejection of protectionism and democratisation of information to address hunger and poverty in vulnerable agriculture-dependent countries

**T**he number of hungry people in the world reached 821 million in 2017, or one in every nine people, according to the latest issue of The State of Food Security and Nutrition in the World. Hunger is on the rise in almost all African sub-regions, making Africa the region with the highest prevalence of undernourishment.

In times of crisis, the world’s poorest are likely to run out of food, and – at the extreme – to go for days without eating, putting health and wellbeing at risk. The International Food Policy Research >

 [VIEW ONLINE](#)



Institute (IFPRI) is currently undertaking studies on the global poverty increase likely to arise from Covid-19. Preliminary results show that the world economic growth rate has already fallen 1%, compared with a similar period in the previous year, translating into an increase in the extreme poverty rate of between 1.6% and 3% globally, depending on whether the slowdown is through productivity or trade disruption.

But this is also exacerbated by the fact that a majority of the world's poorest people depend on agriculture for their livelihoods.

Covid-19 will have both direct and indirect impacts on food systems. How severe these will be will depend on how national governments and local populations react, and how well-prepared they are. Last month, the CEO of the World Business Council for Sustainable Development (WBCSD) Peter Bakker presented a Call to Action, seeking world leaders to design Covid-19 response measures that minimise the risks of global and regional food security crises in coming months. The signatories comprised of major businesses, farmers' groups, industry, non-governmental organisations and academia, showing the cross-party consensus on the urgent interventions required. (See [‘We can't just talk about science-based targets now’](#))

Some evidence of the impact of Covid-19 on agriculture has already emerged out of China, where farmers are facing a daunting planting season as they deal with shortages in labour, seeds and fertilisers. A survey of village officials in 1,636 counties by the Qufu Normal University in China found that 60% of the respondents were pessimistic or very pessimistic about the planting season. In terms of the on-ground impact, the lockdown in



REUTERS

Farmers in China are facing a daunting season due to shortages in labour, seeds and fertiliser.

Wuhan completely collapsed the local agriculture and farming, and China had to mobilise produce from other regions into Wuhan.

**THE RISKS**

Countries around the world do not have the capacity to replicate this. For example, the UK, US and Europe have a complicated supply chain system and are dependent on food imports from a range of countries. To maintain their food security, they are very much dependent on the performance of exporting countries. The lockdowns in these countries are also nationwide, in comparison to China's isolation of just the Wuhan region, and therefore it impacts the complete supply chain. Unless critical measures are undertaken to ensure supply chains and operations remain open, there would be a fundamental impact on the way we produce, harvest and distribute food.

The mid-spring to summer months are peak harvest season, and there is an increased risk of produce wastage in farms if there is a shortage of labour in these critical months. The harvest window for many seasonal crops are often days, and therefore governments need to ensure farmers have access to seasonal labour amid the lockdowns. >



**The lockdown in Wuhan completely collapsed local agriculture and China had to mobilise produce from other regions into Wuhan**

Lettuces that have rotted due to Covid-19 labour shortages are thrown into a truck on a farm in Venezuela.



CARLOS EDUARDO RAMIREZ/REUTERS

A few countries have begun to freeze imports and exports, but in the long term, it is important that countries resist protectionism. Under our current complex trade structures, the fluidity of the food systems must be maintained in order to ensure food and livelihood security. Keeping these channels open will help governments respond and deal with the current crisis better, instead of diverting attention towards re-adjusting the economic and trade systems.

Most importantly, we need to support countries in Africa, the food basket of the world, in dealing with the crisis before it starts to spread deeper. A pan-African shutdown will disrupt global food supply in unimaginable ways. Our success depends on their success.

Farmers and producers – mainly in developing countries, although on a global level – are struggling to cope with this crisis, with income losses expected to exceed \$220bn in developing countries due to the restrictions of food circulation, access to markets and social distancing. One of the most important components of maintaining the global food supply chain is the creation, access to and use of reliable, up-to-date data for all stakeholders involved. Governments should collect and share data, as well as support research, on the impact of the Covid-19 pandemic on food systems.

A greater availability of open data across Africa



**A pan-African shutdown would disrupt global food supply in unimaginable ways. Our success depends on their success**

and Asia would be of great use to communities in the recovery from the pandemic, providing timely information to policymakers and helping monitor, prepare for, and respond to Covid-19 and any similar future crises. This would, however, call for investment in democratising data processes, reducing the digital divide and increasing access to information for the poor, especially women. Governments across the world need to commit to fully supporting the provision of open data policies in agriculture right now, else we will not stand a chance to recover from another pandemic. ■

**Dr Suchith Anand** is chief scientist at Global Open Data for Agriculture and Nutrition (GODAN). Foteini Zampati and Kiringai Kamau contributed to this article.





# ‘PROTECTING THE VULNERABLE IS THE LITMUS TEST FOR STAKEHOLDER CAPITALISM’

**T**he human toll of Covid-19 is growing daily, and the burden is falling disproportionately on the people least able to bear it: those in low-paying jobs, exposed to health risks on the frontline of the pandemic response; losing those jobs altogether in western workplaces and overseas supply chains; or cooped up in worker dormitories far from home and without protection. Against this backdrop, the reactions of business to the pandemic are under as much scrutiny as those of governments. Even the Financial Times is keeping a log of the sinners and saints.

One clear rule of thumb is emerging as to which companies are getting their response to the crisis (at least mostly) right: those that focus first on the most vulnerable. Vulnerability is the essential lens we must apply if a new stakeholder capitalism is to succeed: It marks the difference between how our economies have worked in the past and how we need them to work going forward.

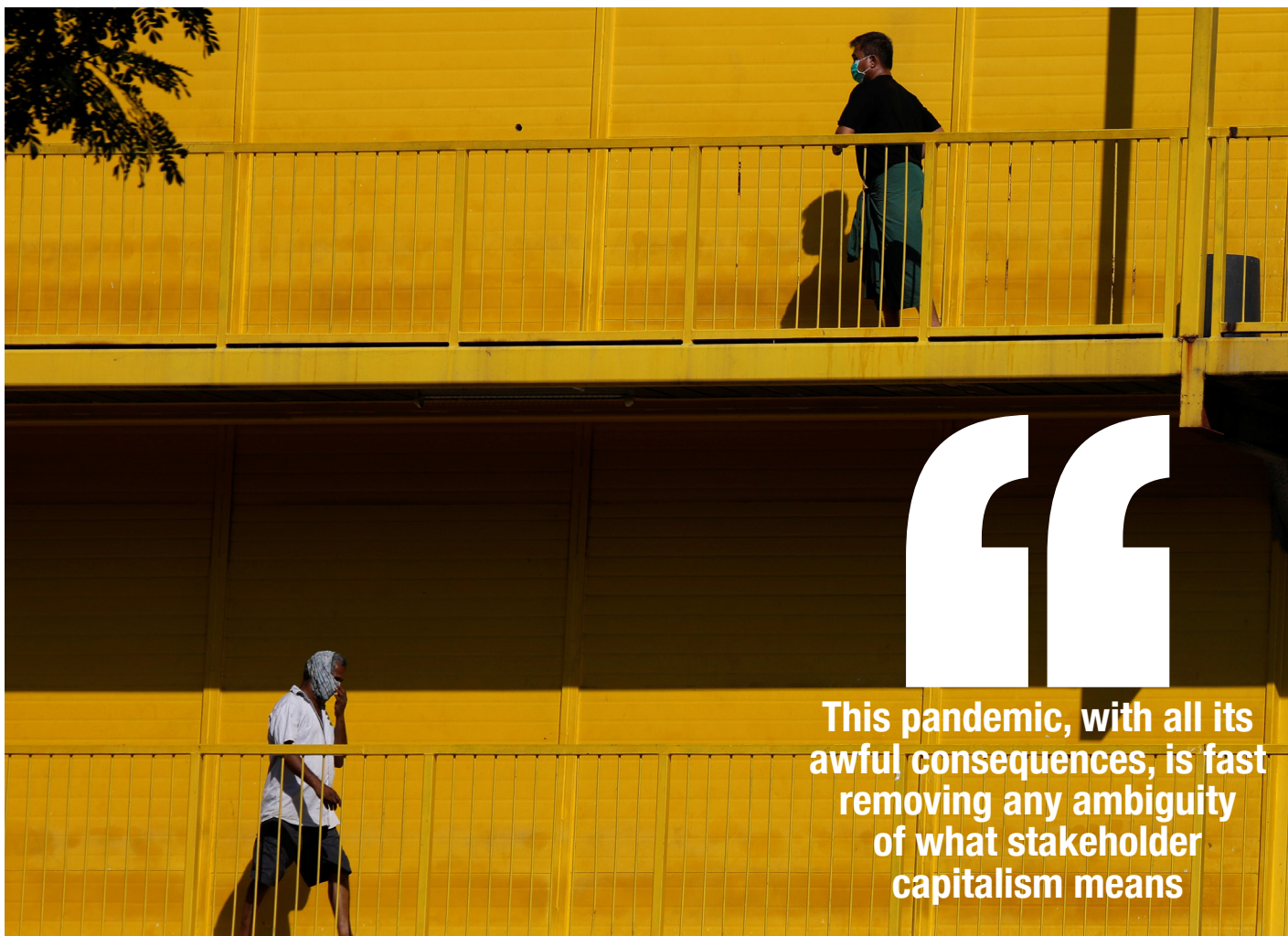
Before the pandemic hit, there was already a growing movement away from Milton Friedman’s idea that business should focus on maximising shareholder returns. It called for business to respond to the interests of stakeholders beyond shareholders alone. We saw nearly 200 CEOs >



Caroline Rees of Shift says the pandemic has demonstrated that there is no longer ambiguity about what is expected

by investors, public figures, civil society and business commentators

 [VIEW ONLINE](#)



**This pandemic, with all its awful consequences, is fast removing any ambiguity of what stakeholder capitalism means**

espouse the idea of “stakeholder capitalism” in last year’s [Business Roundtable statement](#); the head of the world’s largest asset manager, [BlackRock](#), [urged company leaders to take it seriously](#); and the [Davos Manifesto](#) from January’s World Economic Forum identify it as essential to “shared and sustained value-creation”.

Yet this new narrative always risked being far less radical than it appeared. Why? At least in part because the categories of stakeholder beneficiaries – employees, suppliers, customers and communities – were defined so generically that they necessitated little real change from the status quo.

Take “employees”. The term includes those generously compensated in safe jobs as well as those whose pay, security and benefits are vulnerable to cost-cutting initiatives. It excludes altogether contractors and the nominally self-employed. The category of “suppliers”, meanwhile, blurs the line between large, strategic partners and small or more remote businesses whose cash flow is fragile and whose workers’ wages are the first to give under pressure.

**Migrant workers exercise along a walkway at a factory dormitory declared as an isolation area in Singapore.**

Similarly, “customers” are, by definition, those who can afford to access a company’s products or services; yet the term does not call out those who are stretched to do so, and excludes, of course, those who simply can’t. Meanwhile, “communities” can continue to be viewed as the beneficiaries of corporate philanthropy rather than groups who may be directly affected by company actions and decisions.

With all this flexibility in interpretation, the new “stakeholder capitalism” built a church that was broad enough to accommodate not just those companies working to address business practices that put people at risk, but also those companies hoping for little more than marginal adjustments to usual practice, including those with [business models that embed risks to people at their core](#).

Yet this pandemic, with all its awful consequences, is fast removing any ambiguity about what matters. At least in the Global North, it is showing the lens of vulnerability to be essential for businesses to determine how they should act, and a guide for how popular opinion will react. This >



focus on vulnerable people, once seen by many as idealistic, is becoming a primary expectation from investors, public figures, civil society and business commentators alike.

Companies are increasingly calling on employees to take pay cuts at the top to preserve jobs at the bottom. Some quickly committed to keep paying the hourly workers who provide canteen, cleaning or other services in their facilities; a growing number have increased sick leave and benefits to workers in gig economy roles, whose finances and health are often most at risk.

We see the same expectation to focus on vulnerability in supply chains. Companies from H&M to Unilever and Heineken to L'Oréal have committed to ease cash flow for businesses in their value chains, whose viability and workforces are at risk by paying smaller suppliers first and fastest, or extending loans or deferred payment terms to customers in need.

Meanwhile, companies are identifying and prioritising those customers who are most exposed to harm, with grocery stores offering earlier hours to the elderly, and some key service providers prioritising the vulnerable over those who can better cope. And we see businesses thinking afresh about impacts on communities. Some that can afford to make new hires are drawing from local, hard-hit populations; others are collaborating with government to address systemic risks to those most in need.

Of course, many companies have genuinely little latitude in how they can respond, lacking both resilience and options. And far too many that are not so constrained have nevertheless defaulted to protecting their shareholders and leaders at the expense of the vulnerable.



Supermarkets moved to prioritise vulnerable customers with exclusive shopping hours.

But the tally that is now being kept of which companies are rising to the occasion and which are failing is not a blip that will be forgotten, it is an acceleration and proliferation of an idea whose time had already come.

The same Milton Friedman who spawned the “shareholder primacy”, theory that stakeholder capitalism now proposes to replace, ironically also wrote: “Only a crisis, actual or perceived, produces real change. When that crisis occurs, the actions that are taken depend on the ideas that are lying around. That, I believe is our basic function: to develop alternatives to existing policies, to keep them alive and politically available until the politically impossible becomes politically inevitable.”

The idea that business must look beyond generic categories of “stakeholder” to hone in on the people who are most vulnerable is embodied in the UN Guiding Principles on Business and Human Rights: a ready blueprint for governments and business to reorient capitalism to protect and respect those most at risk.

Companies that have led the way in putting the UN Guiding Principles into practice have shown a more natural reflex to get it right while others have fumbled. Yet it is the crisis itself that is now taking the lens of vulnerability to scale. It can no longer be viewed as impossible to make it the “new normal” once we emerge from the pandemic. We just need to make it inevitable. ■



**The tally of which companies are rising to the occasion and which are failing is not a blip that will be forgotten**

**Caroline Rees** is the president and co-founder of Shift, the leading centre of expertise on the UN Guiding. Visit [shiftproject.org](http://shiftproject.org) and follow us on Twitter [@shiftproject](https://twitter.com/shiftproject)



# ‘WOMEN MUST BE AT THE HEART OF OUR RECOVERY FROM THE PANDEMIC’



Our inability to address growing inequalities, not least for women, has worsened the Covid-19 crisis, but there may be a silver lining, argues **Lise Kingo** of UN Global Compact

 [VIEW ONLINE](#)







**B**efore Covid-19, the United Nations warned that inequality is growing for more than 70% of the global population, exacerbating the risks of divisions and hampering economic and social development. Worst impacted are women. According to the World Economic Forum’s 2020 Gender Gap Report, it will take 257 years to achieve economic gender parity – or 10 generations of women.

Our failure to create a more socially just world before Covid-19 has significantly worsened the current crisis, and it could hamper our ability to recover better faster as a global community.

As we set out to rebuild a better world, the UN Global Compact urges businesses and governments to target gender equality as one of the most promising pathways towards a faster, more equitable and resilient recovery.

At the frontline of Covid-19 women play an invaluable role. They constitute 70% of the global health workforce, and bravely risk their own health and safety to care for others, often without access to sufficient personal protective equipment. Women often shoulder the domestic burden of caring for

their families and sick and elderly relatives.

Women are hit hardest by the social and economic impact of Covid-19. ILO, the International Labour Organization, recently estimated that over the next three months we will see the loss of the equivalent of 200 million full-time jobs. And the World Bank has predicted that close to 50 million people will be thrown into extreme poverty, wiping away 20 years of work towards its eradication. Most at risk are the 2 billion poor workers, most of them in emerging and developing countries, many of them women. They live at the brink of extreme poverty without any rights or social protection.

Many businesses right now are fighting for their survival, and a looming global recession is forcing companies to think very short term. But it is important to underscore that economic recovery and sustainable development are not opposites. We need to avoid a scenario where companies say: “We’re dealing with Covid-19 now; we’ll return to our commitment to gender when we can.”

Gender inequality is not only a pressing moral and social issue, but also a critical economic challenge. According to McKinsey Global Institute, economic parity between men and women could add as much as \$28tn, or 26%, to global annual GDP.

As part of our Target Gender Equality programme, designed to accelerate progress on women’s participation in top management and >

Chief Medical Officer, Chris Whitty, and Chief Scientist Sir Patrick Vallance flank UK prime minister Boris Johnson.

supervisory boards, and inspired by the Women’s Empowerment Principles (WEPs), we have looked at how companies can recover better and faster:

▶ **Give women a seat at the table**

For every three men quoted in the media about Covid-19, only one woman is quoted. To ensure equal representation of men and women in decision-making, a primary step that all companies can take is to ensure that women’s perspectives are represented on everything from taskforces on Covid-19 response efforts and recovery strategies, to the board and executive committee of the company.

▶ **Promote equal division of domestic and care work**

Businesses can promote equal division of domestic and care work by supporting working parents through equal parental leave and flexible workplace policies. They can apply lessons learned from telecommuting and flexible work during the Covid-19 lockdown to create a “new normal” and develop long-term working arrangements that support all employees

▶ **Promote women-owned businesses**

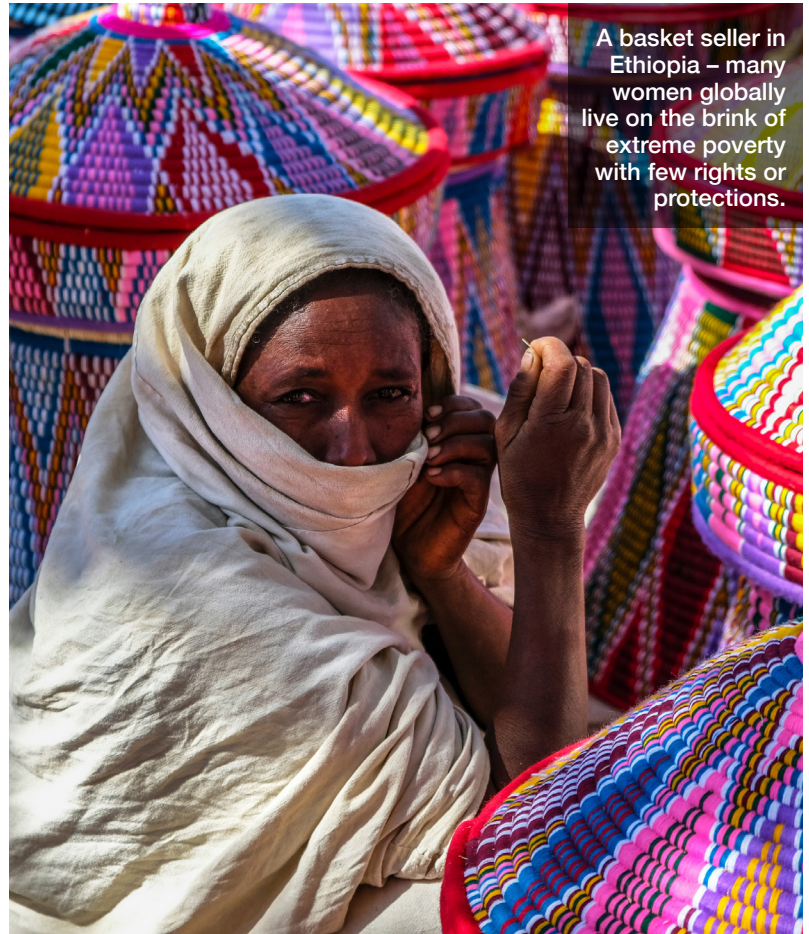
Let’s ensure that women business owners get at least 30% of all the recovery and bailout funds that are being announced by governments around the world. Businesses can actively support women-owned businesses and entrepreneurship when re-establishing and growing their global supply chains.

▶ **Support decent work in supply chains**

Work with global suppliers to ensure that women workers have access to decent work, social protection and equal opportunities without fear of discrimination, abuse or loss of freedom.

The Covid-19 pandemic is sweeping the world in the same year that the United Nations is commemorating its 75th anniversary. There is a lot of hope in that. It reminds us that we, as a human community, are able to lift ourselves up from our deepest and darkest hour to rebuild a new and better world on a set of shared values and principles.

The UN was founded in the wake of two devastating world wars with the understanding that to save future generations from the atrocities of war, nations must come together in multilateral cooperation to protect the dignity and worth of every



A basket seller in Ethiopia – many women globally live on the brink of extreme poverty with few rights or protections.

OSCAR ESPINOSA / SHUTTERSTOCK



**Covid-19 is happening in the same year the UN is commemorating its 75th anniversary. There is a lot of hope in that**

human being. That vision is as relevant and important in the wake of this pandemic as it was then.

While we are all navigating uncharted waters, one thing is for certain: to build back better, we must build back more gender-inclusive. Together, we can disrupt gender stereotypes and show that leadership and decision-making should be shared responsibilities. Let’s create a world where the worth of men and women count equally. It will be a better world for everyone. ■

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**Lise Kingo** is CEO and executive director of the UN Global Compact.

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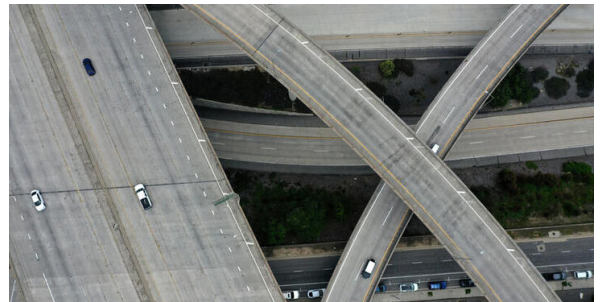
**'We have to keep up the pace of climate action,' says Climate Group CEO**

Ethical Corporation's editor Terry Slavin talks to The Climate Group's Helen Clarkson about the prospects for a green recovery in the wake of Covid-19, the importance of a just transition, and her hopes for COP26

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**8% drop in emissions 'silver lining' amid brutal human toll of Covid-19**



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## PLUS

**'Companies mustn't stand by as attacks on human rights defenders rise during Covid-19'**



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**'We have self-isolated from our environment for far too long'**



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**'Here's how companies can show they put people before profit'**



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