Brunswick SOCIAL VALUE Review

The Role of Business in Society

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ISSUE FOCUS

CLIMATE GEOPOLITICS

Doug McMillon
Walmart CEO

Dame Ellen MacArthur
Circular Economy Pioneer

Alan Murray
on Fortune's Companies that Change the World

Palm Oil Traceability • ESG Regulation • Gender Pay Gap

BRUNSWICK

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EDITORS IN CHIEF **Lucy Parker & Jon Miller**
CONTRIBUTING EDITOR **Kevin Helliker**
MANAGING EDITOR **Carlton Wilkinson**
CREATIVE DIRECTOR **Frank Tagariello**
SENIOR WRITER, DEPUTY EDITOR **Edward Stephens**
PROJECT MANAGER **Caitlin Koons**
EDITORIAL ADVISOR **Vanessa Quarrie**
PRINT PRODUCTION **MerchantCantos**
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FEEDBACK *feedbackreview@brunswickgroup.com*

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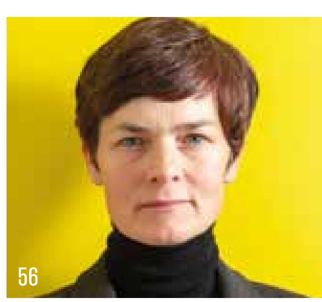

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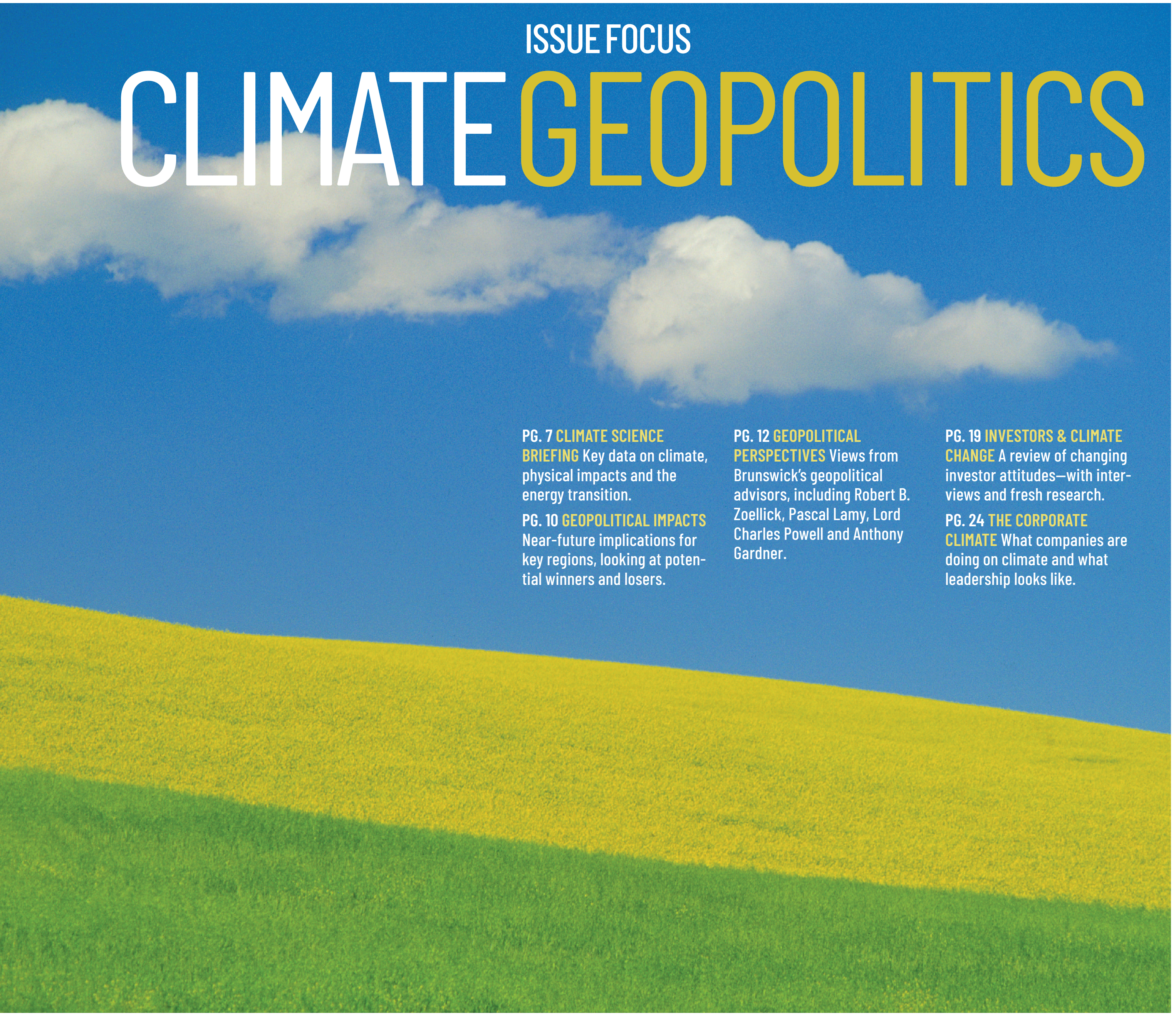
FOREWORD

WELCOME TO THE FIRST EDITION OF THE Brunswick Social Value Review. It is born of our belief that to be a leading company in today's world you need to deliver financial value alongside social value. Every business leader knows the ultimate imperative is financial value; without it there is no business. But companies are increasingly asked to be explicit about how they create social value. • As societal issues have risen up the boardroom agenda, we at Brunswick have built a specialist Business & Society capability to help companies navigate this complex landscape and to engage with this vocal stakeholder universe. Over the last nine years, our global Business & Society team has worked with some of the world's largest companies and biggest brands, in the most contested and highly regulated industries and on the most challenging issues, helping to shape their social strategy in this new context. • Many business leaders today feel like they're in the firing line—caricatured as part of a greedy elite, making their profits at the expense of wider society. Every CEO we work with is concerned about low levels of trust in business. And at a time when the underlying model of capitalism is being challenged, they find themselves at the center of a live debate around the purpose of business. • These days they are also expected to make it clear where they stand on a daunting list of societal issues—inequality, climate change, diversity, access to healthcare, privacy and many more. Yet, through this clamor, you can discern a new sense of confidence in some companies as they embrace this new expectation: They are turning their attention outward to take on the issues that society is bringing to their door, and finding new ways to apply their scale, resources and expertise to make a positive impact. We report on some of those companies in this publication.

BY LUCY PARKER & JON MILLER
Partners leading Brunswick's global Social Value offering

In particular, as the need to mobilize in response to the climate crisis becomes more evident all the time, we explore how some businesses are acting with a fresh sense of urgency. • While these topics are now showing up on the radar screen, a confusion of terms jostle for attention, often making it hard to determine where to focus. "CSR" was a revolution in thinking when Nike published the first corporate responsibility report in the 1990s. "Sustainability" grew up with concerns about the damaging environmental impact of business. "Citizenship" aims to recognize how companies fit within the broader social contract. And today "ESG" is on the rise in all parts of the world as investors begin to call for transparency and metrics that demonstrate that the companies they invest in have a grip on the risks arising from societal factors. Each term points to a different aspect of the conversation or evolution in the topic. But they share a common wellspring: a question about the role that big business plays in the world. • The world is asking: In the face of these issues that need to be tackled, is business part of the problem or can it be part of the solution? Is your company taking out more value from society than it adds in? At Brunswick, we believe that the world needs business, now more than ever. If we want a clean energy revolution, if we want to feed a growing population, if we want effective bio-substitutes for plastic, if we want new affordable medicines, we need the engine of business. We need the innovation, the organizing power, the know-how and the scale that business can bring. • That's why we have launched the Brunswick Social Value Review, to show what it looks like close-up when businesses set out to become part of the solution; to explore how companies can create social value alongside financial value, hand-in-hand. The Review will aim to cast a rigorous and analytical eye on the developments in this space: it will profile the pioneers, dig into the difficult issues, and show what leadership looks like in today's business world. ◆

The world is asking: Is business part of the problem or can it be part of the solution? At Brunswick, we believe that the world needs business, now more than ever.



PHOTOGRAPH: MICHAEL MELFORD

ISSUE FOCUS

CLIMATE GEOPOLITICS

CLIMATE CHANGE IS NOT LIKE OTHER ISSUES. The UN Security Council has recognized it as a "threat multiplier." In January 2019, the UN World Meteorological Organization (WMO) was invited to brief the Security Council on climate risks. "Climate change has a multitude of security impacts," Professor Pavel Kabat, Chief Scientist at the WMO, told the meeting: "Rolling back the gains in nutrition and access to food; heightening the risk of wildfires and exacerbating air quality challenges; increasing the potential for water conflict; leading to more internal displacement and migration," he said. "It is increasingly regarded as a national security threat." • In November 2019, Brunswick hosted a briefing at Chatham House in London to explore the climate crisis through a geopolitical lens: What happens when the Russian tundras melt and Russia becomes the most fertile country on the planet, in a food-stressed world? What happens when the disappearance of the Himalayan glaciers and collapse of the river systems destabilizes the region, particularly India and Pakistan? Or what happens when repeated powerful storms and sea-level rises combine to cause devastation and make homes uninsurable on the US East Coast?

And what new opportunities emerge when the balance of power globally is no longer determined by who happens to be sitting on the most oil, coal or gas, but by how efficiently countries can generate, store and distribute renewable energy? What happens to global trade when the major driver of new market growth is demand for low-carbon products and services?

What we are looking at here is re-drawing the political map—with significant strategic implications for businesses: Climate change can be regarded as a "critical issue multiplier" that cuts across business functions, and across sectors. Already, businesses are counting the cost of climate-related supply chain disruptions, and anticipating a tougher regulatory landscape on carbon.

The Brunswick Social Value Review will begin each edition with an in-depth focus on a global issue. We will explore different perspectives, asking what it means for business and what business leadership looks like. We begin with Climate Geopolitics.

The climate crisis is complex and intersects with political, social, economic and demographic factors. As Rosemary DiCarlo, the UN's political affairs chief, told the meeting of the UN Security Council in 2018: "The risks associated with climate-related disasters do not represent a scenario of some distant future. They are already a reality for millions of people around the globe—and they are not going away."

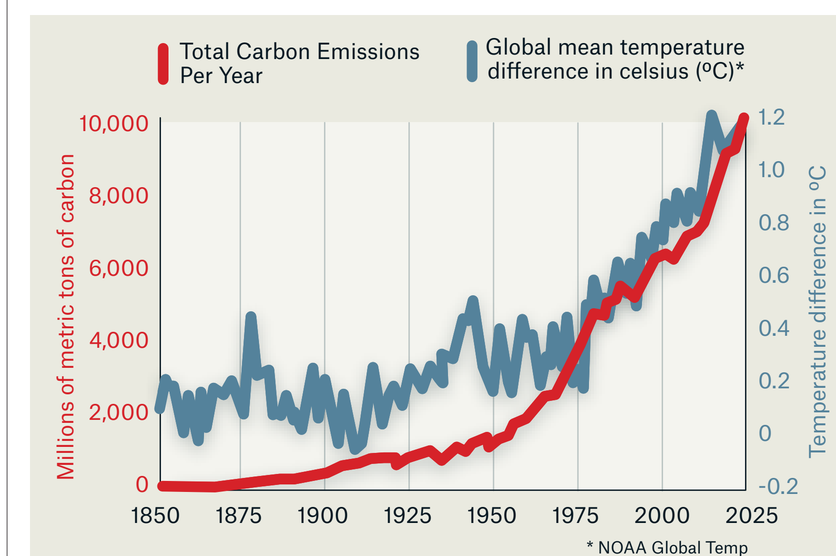
CHARTS:PETER HOEY

Brunswick's **JON MILLER** looks at the climate science and potential impacts.

THE DATA

CARBON EMISSIONS & SURFACE TEMPERATURES

Both continue to climb—and show no signs of abating.



FOOD INSECURITY

The UN's Food and Agricultural Organization warns: "For decades, the number of hungry people had been declining—this isn't true anymore."

CURRENT SITUATION: 26.4% of the world's population faces moderate or severe food insecurity—about 2 billion people.

FUTURE PREDICTION: Population rising to 9 billion people food production must increase by 70%

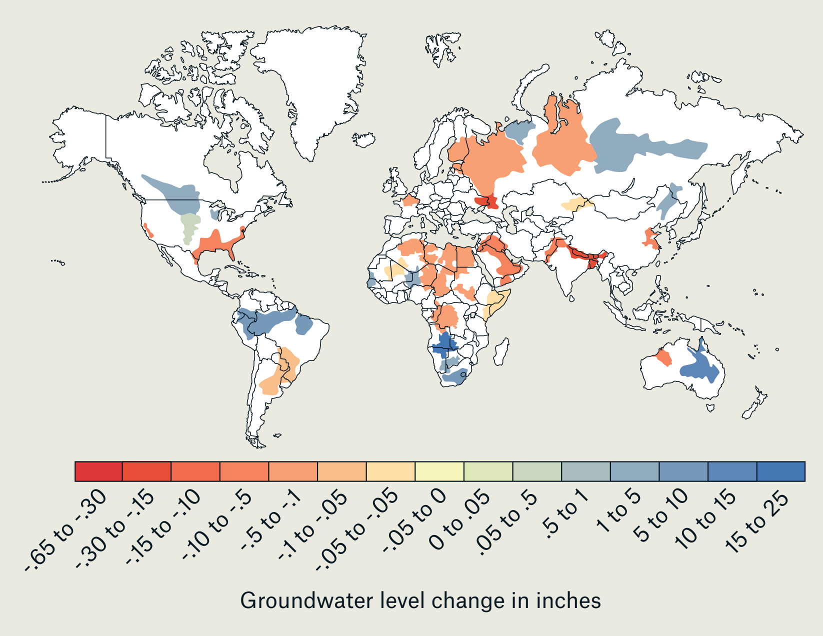
WATER INSECURITY

A third of the world's biggest groundwater systems are already in distress.

They might be the most easily imaginable consequences of a warmer planet: drier land and less water. According to UN Water, by 2030 as many as 700 million people worldwide could be displaced by "intense" water scarcity, and by 2040 one in four children under the age of 18 will be living in areas "of extremely high water stress."

The effects on public health and national economies could be devastating, and could inspire mass migration or armed conflict. Such projections are unsettling, yet today's situation is more dire than many realize.

Every continent has areas of water scarcity, and more than 2 billion people today live in countries experiencing high water stress. Nearly half of the world's population already live in potentially waterscarce areas, according to UN Water.



MASS EXTINCTION

Based on an assessment of 100,000 species by the International Union for the Conservation of Nature.

27 PERCENT OF SPECIES ARE THREATENED WITH EXTINCTION

30 PERCENT SHARKS & RAYS

33 PERCENT REEF CORALS

25 PERCENT MAMMALS

41 PERCENT AMPHIBIANS

34 PERCENT CONIFERS

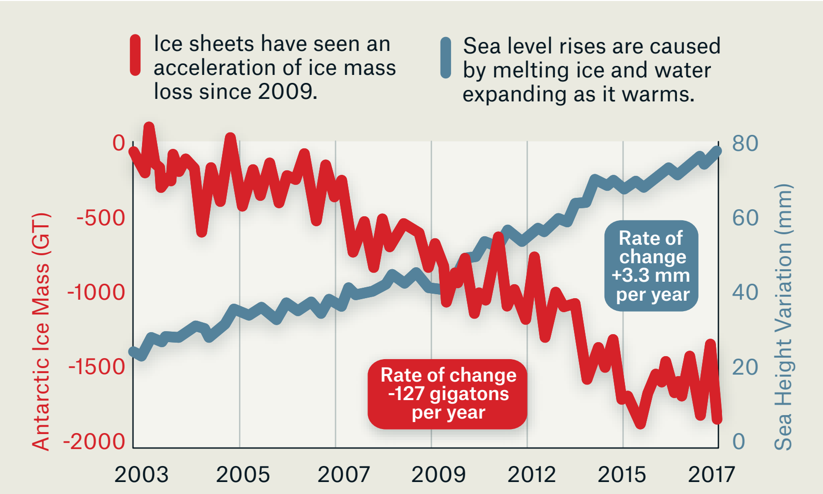
27 PERCENT CRUSTACEANS

14 PERCENT BIRDS

ANTARCTIC ICE MASS & RISING SEAS

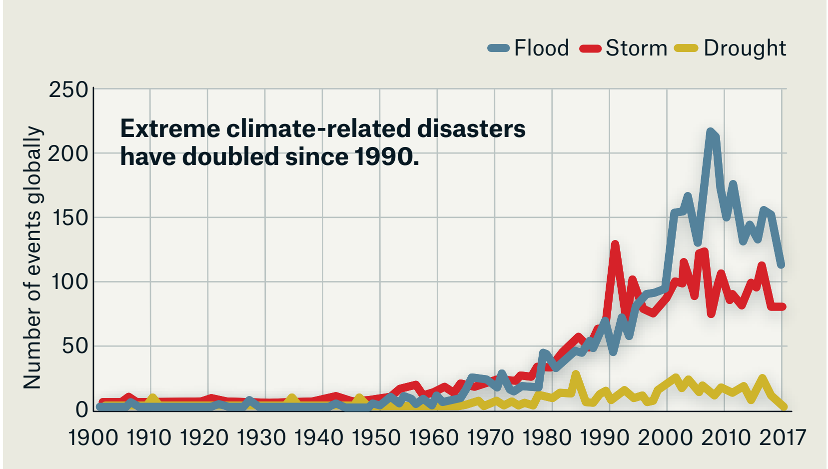
As the world's largest ice sheets in Greenland and Antarctica melt, sea levels rise.

The red line at right shows a steady decline in the Antarctic Ice Mass, one of Earth's two polar ice caps and the largest mass of ice on the planet. The blue line shows the consistent rise in global sea levels. In 2018, according to the National Oceanic and Atmospheric Administration, global sea levels had risen 3.2 inches (81 mm) above the 1993 average. As oceans warm and ice sheets continue to melt, sea levels will continue to rise. This spells problems for those who live on or near coastlines—which, according to the UN, constitutes about 40 percent of the world's population.



Source: NASA

CHARTS: PETER HOEY



Source: the Emergency Events database (EM-DAT)

CLIMATE-RELATED DISASTERS

A climate crisis disaster happens, on average, every week, says the UN.

One estimate places the cumulative price tag of those frequent disasters at $520 billion annually. The steep economic costs are mirrored by severe humanitarian ones.

The Centre for Research on the Epidemiology of Disasters found that, in 2018, extreme weather drove almost 29 million people to need emergency assistance or humanitarian aid.

Climate scientists predict that, as the planet continues to warm, extreme weather events will become more common and destructive.

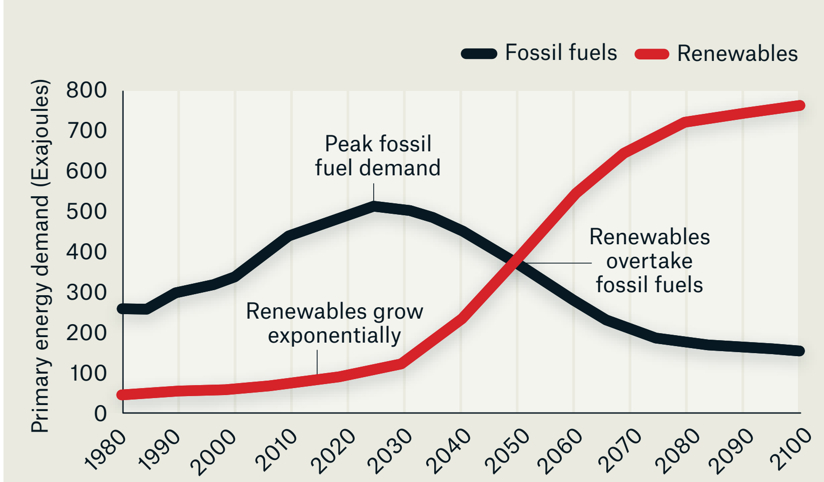
The past 4 years have been the hottest on record, as have 20 of the past 22 years.

ENERGY TRANSITION

Renewables are set to penetrate the global energy system more quickly than any fuel in history, according to BP.

Meanwhile, Shell projects that demand for renewables is set to exceed demand for fossil fuels within a generation. However, growing populations and emerging economies will combine to see fossil fuel usage continue to climb until about 2025, gradually tapering off over the following decades.

In a controversial move, the European Investment Bank announced it would stop funding fossil-fuel projects. Their rationale was that such projects were bound to become obsolete, and thereby, poor investments.



Source: Shell Sky Scenario

Renewable energy is the fastest-growing source of energy, contributing half of the growth in global energy supplies and becoming the largest source of power by 2040.

Geopolitical IMPACT

UNITED STATES

The strong tech sector makes the US well positioned for the clean energy transition. However, the country will also be hit hard by physical impacts. Loss of snow on the western mountains may exacerbate severe water shortages and wildfires in California. A rise in extreme storms threatens Florida and the entire Chesapeake Bay area. Combined with rising sea levels, these may lead providers to stop insuring homes in the most affected regions, resulting in Dust Bowl-like migrations away from afflicted states.

PHOTOGRAPH: KEVIN VANDIVIER

CLIMATE CHANGE IS REDRAWING THE MAP, not just of the physical world, but the political and economic. Every square inch of the globe faces jeopardy, but look at key risks to particular areas and their likely outcomes can give a glimpse into the extent of the threat. • As the tundra melts, Russia stands to become the most fertile country on the planet, even as Southern Europe is set to lose arable land due to extreme heat. The rising frequency of extreme storms, fueled by warmer oceans and accompanied by dangerous sea-level rise, could make homes on the US East Coast uninsurable. The unpredictable weather patterns of Africa's Lake Chad are putting the 30 million people who depend on its water at risk. • Mass migrations from any of these outcomes are likely to strain the resources of neighboring communities and nations. Meanwhile the transition to renewable energy sources will shift the balance of global energy trade. And all of it together means a very different geopolitical world is on the horizon.

Let's take stock of the risks by region.

RUSSIA'S economy is driven by fossil fuel exports, making a significant transition to renewables difficult. But the physical impacts could also transform the vast, frigid tundra into the world's largest expanse of arable land, critical for a food-stressed world. Already, President Vladimir Putin has made expansion of infrastructure investment in the Arctic a priority; the possibility of new navigable trade routes could add momentum.

INDIA has ambitious transition targets, particularly for wind energy. However, climate change will melt glaciers that feed the Indus, Ganges, Mekong and Yangtze rivers. At first, summer flooding will increase, but late in the 2040s, the major rivers systems will collapse, creating a risk of widespread famine and population displacement, which may threaten the political stability in the region and inflame longstanding tensions.

MIDDLE EAST countries have in place economic transition strategies to move away from their dependence on fossil fuel exports. But the region is already living off a critically low 1,000 cubic meters of fresh water per person per year. River depletion will make traditional farming and grazing next to impossible. The future will depend upon large-scale desalination technologies and the affordable energy to power them.

CHINA has invested heavily in renewables and next-gen nuclear power. However, its river systems will become severely depleted as ice on the Tibetan Plateau and Tanggula Mountains melts. The northern summer monsoons may disappear, and agricultural productivity fall. Heavily populated coastal cities will be affected by sea-level rise and mass internal migration could result.

EUROPE'S solar and wind development will benefit most of its economies, and climate change may benefit agricultural productivity in Nordic countries. But vast stretches of arable land in Southern Europe may be lost to extreme heat. Even with an expected decline in Europe's population, food security and food prices will become a political issue. Rising sea levels may cause populations to retreat from the northern coasts.

CENTRAL AFRICA'S high solar potential may allow a level of energy independence. However, the livelihood of the residents of Lake Chad, a source of water to more than 30 million people, is at risk as unpredictable and severe weather conditions are making the area unliveable. Similar impacts in many parts of Africa could lead to an increase in political instability and conflict, as well as mass migrations across the continent and into Europe.

PHOTOGRAPHS: FLAVIO VELOSO, SEPPFRIEDHUBER, FRANCKREPORTER, YIN WENJIE, THIERRY RANNOU/GAMMA-RAPHO, GERALDINE HOPE GHELLI/BLOOMBERG, ALL VIA GETTY IMAGES

VIEWS on the politics of climate change from Brunswick's Geopolitical Team

The Brunswick 5

"Instead of competing to secure supplies of fossil fuel resources, nations will find that competitive advantage will come from efficiency in capturing, storing and distributing energy from renewable sources."

PASCAL LAMY
Brunswick's Chair of Europe, Former Director-General of the World Trade Organization

"Already, there are signs that a more robust regulatory policy response to climate change is likely. When it happens, it will force companies to completely rethink their energy use, as well as the 'carbon content' of their products and services."

ANTHONY GARDNER
Brunswick Senior Advisor, Former US Ambassador to the European Union in the Obama administration.

"The policy-portfolio model encourages a menu of diverse policy responses: tools that address both sources and sinks of carbon dioxide and other greenhouse gases, and energy conservation and efficiency."

ROBERT B. ZOELLICK
Brunswick Geopolitical Principal, Former President of the World Bank and former head of US climate policy negotiations.

"The view that there is a trade-off between economic growth through trade and progress on climate change is becoming outdated."

KATE FALL
Brunswick Geopolitical Executive Director, Member of the House of Lords and a former Deputy Chief of Staff to UK Prime Minister David Cameron.

"Corporate leadership on climate change must go beyond the reduction of a company's own emissions to help enable policy and provide space for politicians to make tough decisions."

LORD CHARLES POWELL
Brunswick Geopolitical Principal, Former Private Secretary and Advisor to two UK prime ministers.

PHOTOGRAPH: MIGUEL NAVARRO/GETTY IMAGES

Shifting POWER Balance in a Low-Carbon World

PASCAL LAMY, Brunswick's Chair of Europe and former Director-General of the World Trade Organization, on the global energy dynamics.

For more than a century, the need for energy security has defined geopolitical relations, and the production and trade of fossil fuels has become deeply woven into the fabric of the global economy. The energy sources that power our modern world are undergoing a period of rapid change, and a transition is taking place—away from fossil fuels and toward renewables. As this transition accelerates, it will have significant geopolitical implications. • Ensuring a secure supply of energy is a strategic priority for every country. Not only is energy required for a country's industrial development and economic growth, it underpins the smooth running of national life. Serious disruptions to energy supply have negative economic impacts and can undermine social and political stability. Consequently, energy policy is a matter of national security, and it is fully integrated into foreign policy in most countries. • The global balance of power between nations and regions has therefore been largely, if not only, shaped by energy. The logic is straightforward: Countries that are able to export energy resources in the form of fossil fuels have "supplier power"; countries which import those resources have "buyer power"; and countries with control over the transit routes of those resources have an important intermediary power. Much of modern global history can be described as the interplay of these powers.

The transition to renewable energy sources will therefore have major geopolitical impacts. Renewable energy is now the fastest growing source of energy and will become the largest source of power by 2040, according to the BP Statistical Review. To examine the implications of this, the Global Commission on the Geopolitics of Energy Transformation has been established, and I am pleased to be one of its commissioners. Renewables have a couple of key characteristics that are very distinctive and will change the role of energy in international relations.

First, a key characteristic of fossil fuels is that they are concentrated in specific geographic locations and these locations are unevenly distributed across national boundaries. Renewables, on the other hand, are much more evenly distributed. Most countries have either sun or wind (see the maps at right). In theory, this has the potential to equalize the supply of energy, enabling every country the prospect of energy independence.

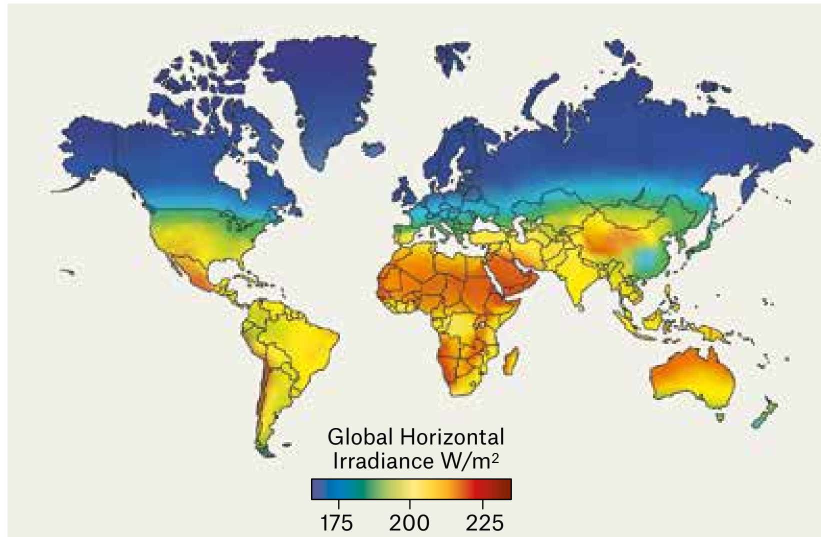
In practice, realizing this potential will require substantial investment. Current patterns suggest that emerging markets may leapfrog developed fossil fuel-based economies: The "Big 3" emerging economies – China, India and Brazil – account for 63 percent of renewable energy investment, and China significantly outstrips all others (see the chart at right).

A second characteristic of fossil fuels is that they are stocks, whereas renewables are flows. Oil, coal and gas have a physical mass that exists at a specific location: They must be sourced, transported and stored. Once used, they are exhausted. Renewables are, as the name suggests, inexhaustible. Thus energy supply is likely to become less easily disrupted and vulnerable to "chokepoints," and the global energy economy will be less susceptible to the volatility caused by oil prices and currency fluctuations.

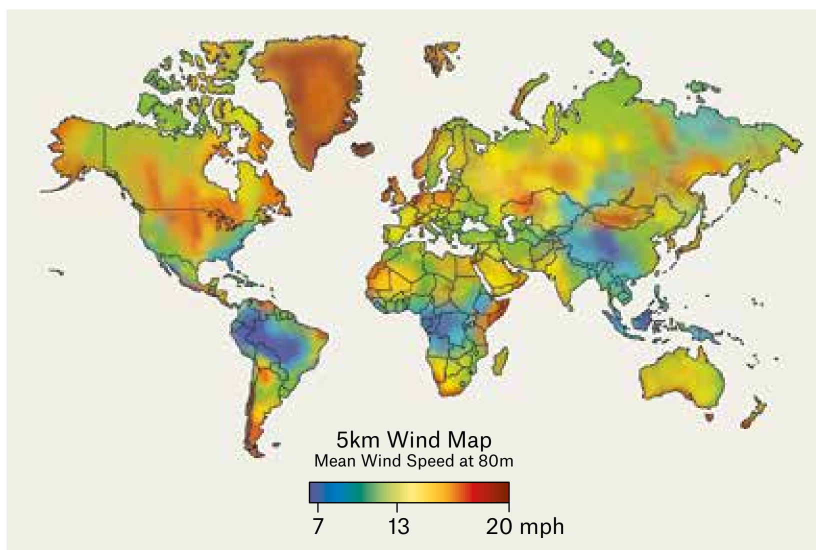
Most countries that depend heavily on the export of fossil fuels are already pursuing strategies to diversify their economies, and many countries that are net importers are already investing in renewables. Instead of competing to secure supplies of fossil fuel resources, nations will find that competitive advantage will come from efficiency in capturing, storing and distributing energy from renewable sources. This contest may redraw the geopolitical map.

World SOLAR Potential

Fossil fuels are unevenly distributed geographically. However, the two maps below show that renewable energy potential is spread across the globe.



World WIND Potential



Renewable Energy INVESTMENTS in 2017

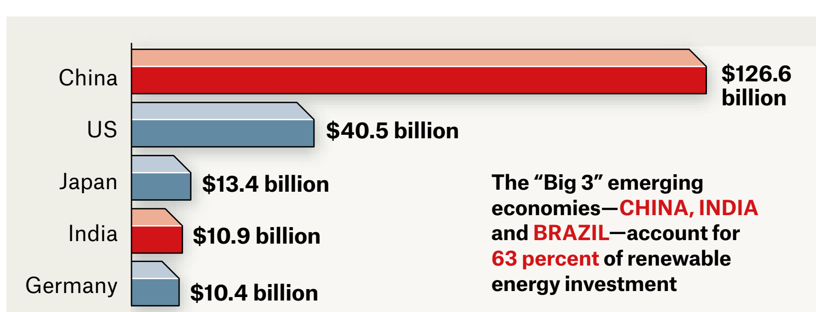
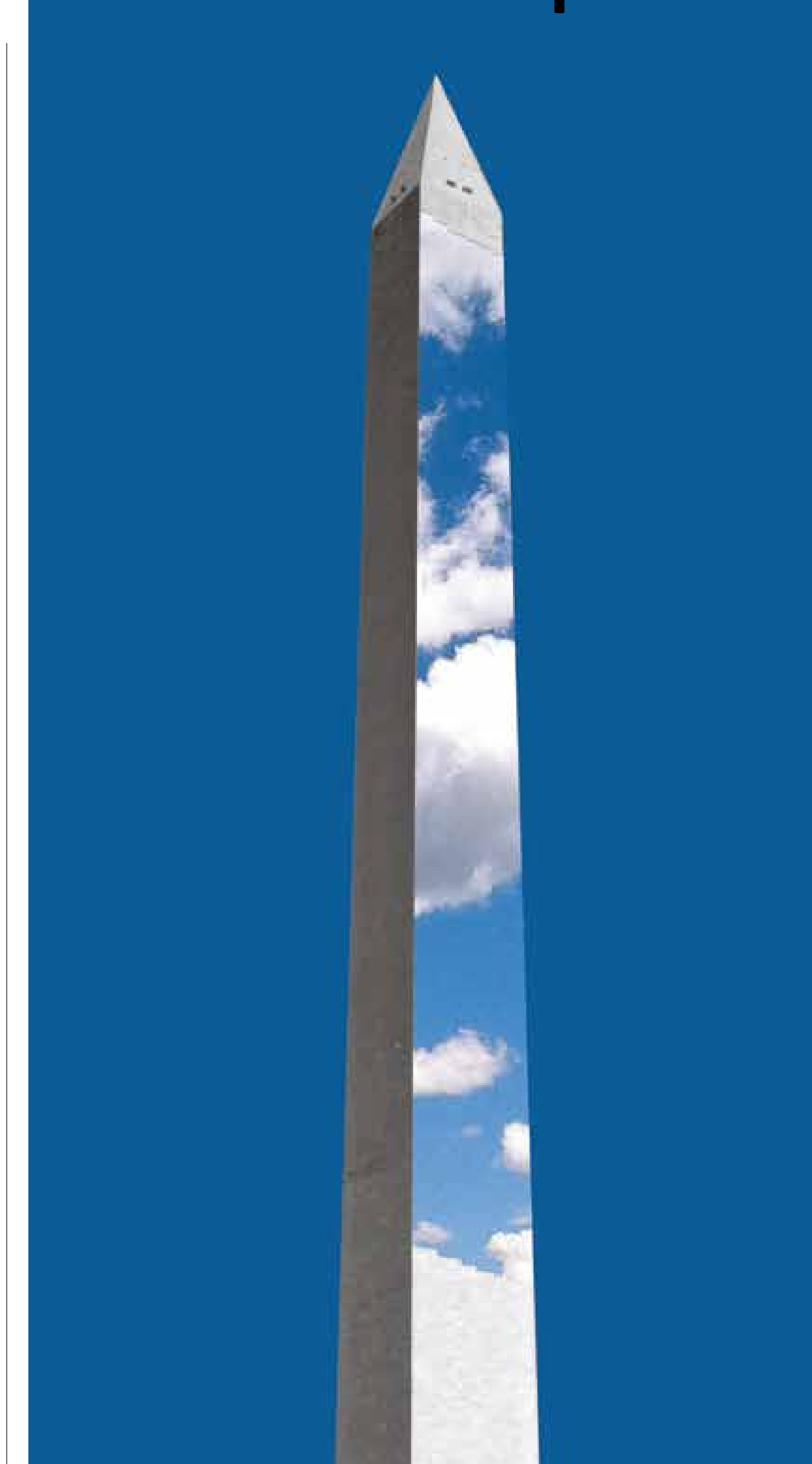


CHART AND MAPS: PETER HOEY

ILLUSTRATION: MATT DORFMAN

Public pressure and scientific reality will force governments to impose climate regulations, says Brunswick's ANTHONY GARDNER.

The Inevitable POLICY Response



Currently, government action on climate change is not sufficient to alter the trajectory of global temperature increases (see "The Data" on Page 7). Yet both scientific evidence and overwhelming public opinion demand effective solutions, forcing governments and regulatory bodies into action. Much more decisive action is needed to keep the global average temperature rise close to 2°C, let alone achieve the Paris Agreement ambition of "well below" 2°C.

Already, there are signs that a more robust regulatory policy response to climate change is likely. When it happens, it will force companies to completely rethink their energy use, as well as the "carbon content" of their products and services.

The European Union will be leading the way. The EU is moving toward more ambitious 2030 targets for emissions reduction. The incoming European Commission wants to introduce a kind of WTO-compliant "carbon tariff" on merchandise imported from countries that are not meeting their climate change obligations. It will seek to invest €1 trillion in green technologies over the next seven years and to extend the EU's Emissions Trading System to cover the maritime sector and to reduce the free allowances allocated to airlines over time.

Moreover, it will enshrine into law a commitment to achieve net zero carbon emissions target by 2050 and to establish rules of global application to determine when banks and funds can claim to launch "green" products or investments. EU Finance Ministers have announced that the bloc's multi-billion-euro financing of fossil fuel projects should be phased out.

Meanwhile in Osaka, the G20 struck a deal that steps toward a net-zero commitment. "Climate change will determine the destiny of mankind, so it is imperative that our generation makes the right choices," said Chinese Foreign Minister Wang Yi.

Political progress will of course not be easy. The G20 agreement itself is described as a "19+1" deal, since the US has reiterated its decision to withdraw from the Paris Agreement. In Europe, the

Czech Republic, Hungary and Poland are resisting more ambitious targets.

Overcoming these barriers will be tough—but many are convinced that it's only a matter of time. Even in the US, where the Trump administration has withdrawn from the Paris Agreement and is rolling back key regulations designed to limit the use of fossil fuels, many major cities and states are taking steps on their own, determined to move ahead. Importantly, that includes California, which ranks as the fifth largest economy in the world.

The Principles for Responsible Investment, an investor initiative associated with the United Nations, speaks about the "inevitable policy response" and estimates that the peak of regulatory action will come around 2023 to 2025—when the Paris Agreement's "ratchet mechanism" really kicks in, starting with the "global stocktake" in 2023 and a third round of climate pledges in 2025.

Some likely areas of regulatory action are becoming clear:

CARBON PRICING: Emissions trading schemes or carbon taxes are in place in 40 countries, and border tariffs on the carbon content of merchandise are being discussed.

CARS: The Netherlands has banned the sale of new internal combustion engine cars by 2030; several other countries and a number of major cities have announced similar plans. Some countries are scaling up subsidies and regulatory support for electric vehicles.

ENERGY EFFICIENCY: Minimum energy efficiency standards already exist for private and commercial buildings, as well as manufactured goods, and these may increase.

ENERGY POLICY: Public funding, subsidies and tax incentives for zero-carbon power will grow, including for renewables, nuclear and bioenergy production.

COAL: The UK is already on track to phase out coal power generation by 2025, and other countries are likely to follow suit.

BIOSEQUESTRATION: Carbon capture efforts through natural land-based solutions such as reforestation are set to expand.

These policy actions will have major implications for businesses across sectors and stakeholder groups. Investors will inevitably re-evaluate asset allocation in light of these expected policy shifts and engage with investee companies on their plans to mitigate losses and exploit new opportunities. ◆

ANTHONY GARDNER, a Brunswick Senior Advisor and a former US Ambassador to the European Union in the Obama administration, is based in Brussels.

Opportunities in the Policy Portfolio Model

By Brunswick Geopolitical Principal **ROBERT B. ZOELLICK**, former President of the World Bank and former head of US climate policy negotiations.

The Rio Climate Change Framework Treaty of 1992 designed a global approach built upon national action plans. This encouraged specific steps and the tracking of results, which nation states review at periodic United Nations Framework Convention on Climate Change conferences. These reviews update scientific assessments and analyses of the combined effects of the nations' plans.

In essence, the Rio approach combines local and national customized initiatives—commitments with worldwide evaluations based upon ongoing scientific input. The process builds in feedback loops. This model encourages a menu of diverse policy responses, through which countries, cities, companies and civil society groups can innovate, experiment, combine, act and evaluate.

This policy portfolio model includes tools that address both sources and sinks of carbon dioxide and other greenhouse gases, and energy conservation and efficiency, especially in transmission lines; forestation and avoided deforestation (including biodiversity practices); soil carbon that could enrich agriculture; resilience and adaptation measures; carbon pricing and markets; non-carbon energy sources; technology innovation and diffusion for countries at various stages of development; and financial support, including from multilateral financial institutions as well as the private sector.

Both public and private sectors can benefit from learning about the full mix of these climate-carbon options and recognizing how they might best plug in. ◆

PHOTOGRAPH: FLAVIO VELOSO/GETTY IMAGES. ILLUSTRATION: BRIAN STAUFFER

TRADE Can Catalyze Climate Action

Trade and climate talks need to come together, argues Brunswick's **KATE FALL.**

Many of those who lead the charge to put climate change front and foremost of global politics are among the first to critique globalization, seeing the two as competing goals. But they may be mistaken—dangerously so.

The world knows no boundaries when it comes to huge global issues like climate change but also other critical issues such as the decline in biodiversity, cybercrime, the threat of pandemics and the rise of antibiotic resistant superbugs. It's a sobering list. All this requires global political will. In other words, if we're going to solve these problems, we need the world to come together as an international community, not fragment into competing economic blocs.

Hence the power of trade. Relationships driven by trade promote peace, prosperity and trust, all of which helps underpin international collaboration. The view that there is a trade-off between economic growth through trade and progress on climate change is becoming outdated: for example, the Comprehensive and Progressive Agreement for Trans-Pacific Partnership contains provisions on carbon emissions and cooperation on energy efficiency. But we need to do more to bring the two together.

The frustration, however, is that trade and climate change talks operate on parallel tracks.

For example, the delegates to the United Nations Convention on Climate Change annual meetings tend to come from foreign ministries and departments dealing with energy and environment; whereas trade negotiations are led by ministries of finance, trade, infrastructure, development and technology.

Finding ways to bring together these parallel conversations may help to spur on global action on climate change. For examples, tariffs deployed against those countries that are not reducing emissions; or a border-adjustment tax based on the carbon content of imported merchandise; or other measures like reduction of tariffs on "green goods," such as clean energy technologies. And, perhaps most significantly of all, the linkages between trade and fossil fuels subsidies could be re-examined.

We have seen how the global trade system can aid international cooperation on issues such as poverty alleviation and stimulating growth in developing economies. Now, a conversation needs to begin about how to integrate the economics of trade and development with the economics of climate change. The more that businesses step up to the plate, as drivers of innovation and change, the more we can harness their creativity as part of the solution to climate change. ◆

KATE FALL is a Brunswick Partner. She is a member of the House of Lords and a former Deputy Chief of Staff to UK Prime Minister David Cameron.

The CLIMATE LEADERS of the FUTURE

Few people would name Margaret Thatcher as one of history's green heroes but, in the late '80s, the British Prime Minister helped put climate change on the global agenda. In a speech to the UN General Assembly, she set out emerging evidence on "global warming," saying: "It is mankind and his activities that are changing the environment of our planet in damaging and dangerous ways."

More than half of all industrial CO2 emissions have occurred in the three decades since then. The speech's themes, which I helped draft in my role as the Prime Minister's Private Secretary, are more relevant than ever. "The environmental challenge that confronts the whole world demands an equivalent response from the whole world," she said. "Every country will be affected and no one can opt out."

That speech is a stark reminder of the importance of leadership. To many, it doesn't look as though today's politicians are confronting climate change with the seriousness it requires, leaving leadership to come from some unconventional constituencies—three, in particular: cities, citizens and corporations.

First, cities. They are the lifeblood of the global economy, generating more than 80 percent of global GDP. They use around two-thirds of generated energy and produce 70 percent of the world's carbon emissions. And they are on the frontline of climate impacts: Many of the world's largest cities are susceptible to coastal flooding and to extreme heat.

In the US, over 400 municipalities signed on to the Climate Mayors' initiative, following President Trump's decision to withdraw from the Paris agreement. Global networks are also forming, such as the C40 or the Global Covenant of Mayors, aimed at lowering emissions and building resilience to impacts.

Second, citizens. As the costs of renewable energy generation continue to fall, consumers of electricity can become producers—either for their own use or to sell on through the grid. Hundreds of millions of micro-producers could generate energy and share it peer-to-peer, without the need for traditional energy utilities. In regions of the world without power supply, distributed renewables are a potential solution. In developed economies, the domestic renewables market is fragmented and a coherent consumer proposition is yet to emerge, but there are indications that consumer uptake will be strong. In Germany, a 2016 study showed that private citizens owned 31.5 percent of installed renewable power capacity. Continued innovation in technology and markets will give citizens a leading role in the energy transition.

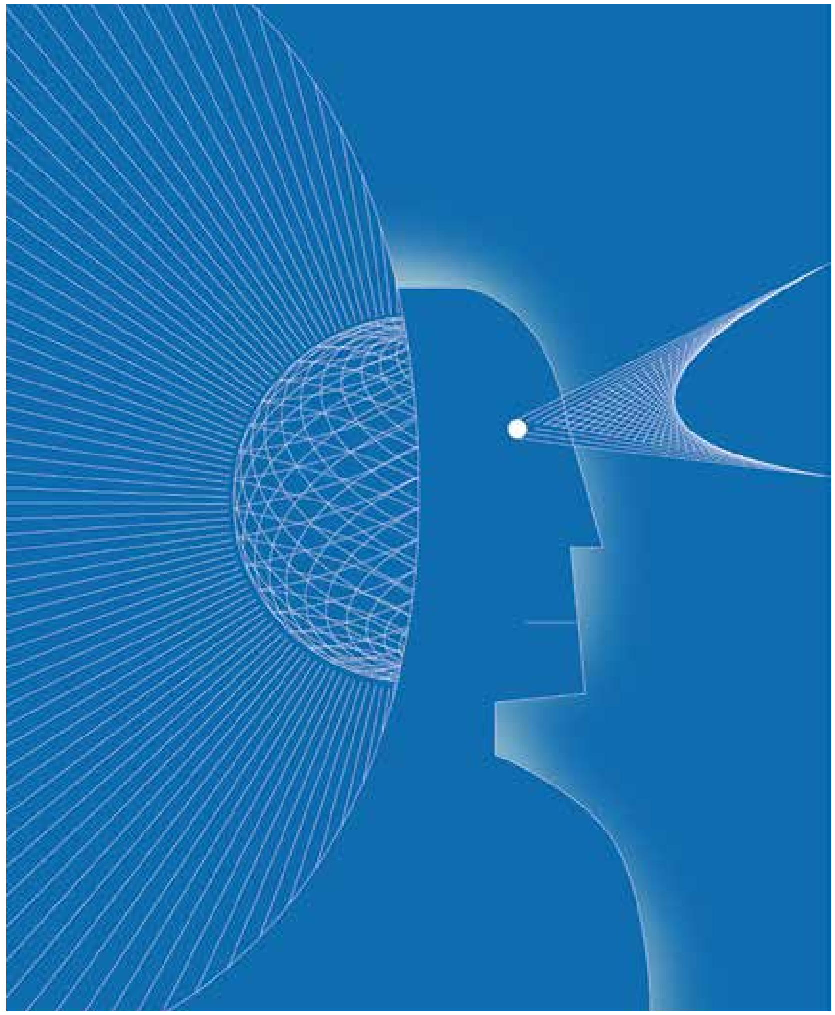


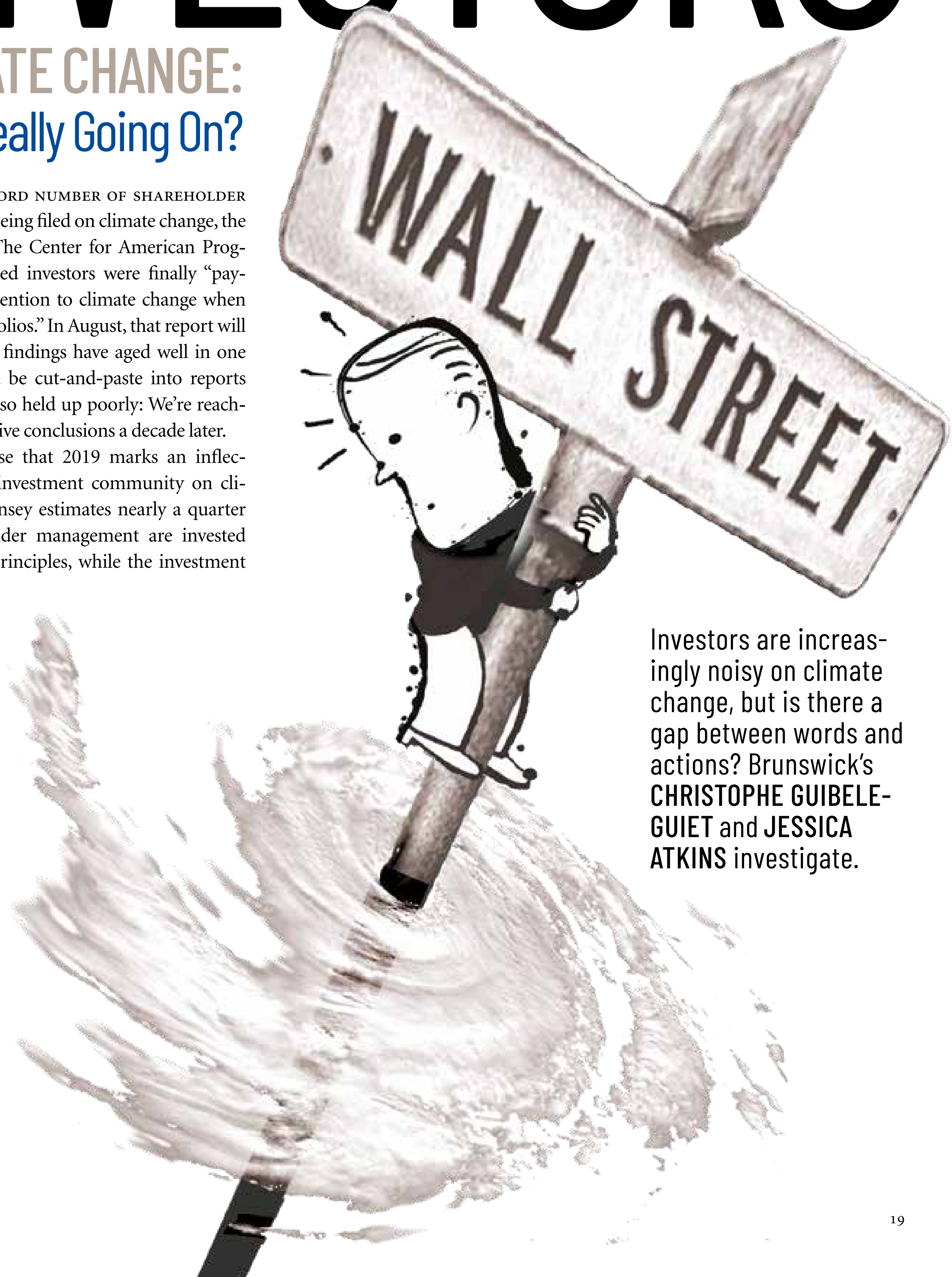
ILLUSTRATION: JOHN HERSEY

Cities, citizens and corporations are stepping into a climate leadership void, says Brunswick Geopolitical Principal LORD CHARLES POWELL, former Private Secretary and Advisor to two UK prime ministers.

Third, corporates. In her speech, Thatcher criticized "the simplistic tendency" to blame big business for global warming: "Far from being the villains, it is on them that we rely to do the research and find the solutions," she said. Corporate leadership on climate change must go beyond the reduction of a company's own emissions to help enable policy and provide space for politicians to make tough decisions.

Leadership from these parts of society might help us meet the challenge laid down by Margaret Thatcher over 30 years ago. As she told the UN—sounding as much like an Extinction Rebellion activist as a world leader: "It is life itself—human life, the innumerable species of our planet—that we wantonly destroy. It is life itself that we must battle to preserve." ◆

INVESTORS & CLIMATE CHANGE: What's Really Going On?



Investors are increasingly noisy on climate change, but is there a gap between words and actions? Brunswick's **CHRISTOPHE GUIBELE-GUIET** and **JESSICA ATKINS** investigate.

Citing a record number of shareholder resolutions being filed on climate change, the think-tank The Center for American Progress concluded investors were finally "paying more attention to climate change when choosing their portfolios." In August, that report will be a decade old. Its findings have aged well in one respect: They could be cut-and-paste into reports today. But they've also held up poorly: We're reaching the same predictive conclusions a decade later.

Yet there's a sense that 2019 marks an inflection point for the investment community on climate change. McKinsey estimates nearly a quarter of global assets under management are invested according to ESG principles, while the investment

ILLUSTRATION: MIGUEL DAVILLA

research firm Morningstar says climate is the largest investment topic within ESG. More than $200 billion in green bonds were issued in the first 10 months of 2019—smashing a single-year record with a quarter still to go. The largest asset managers are creating new teams to engage with companies on climate change, while smaller firms focused solely on the issue are emerging. Still, there's evidence to suggest that, just as in 2010, a gap remains between words and actions:

- In November 2019, an estimate by Cerulli Associates, a research and consulting firm based in Boston, found that nearly 90 percent of public market assets in the US are held by signatories of the UN Principles for Responsible Investment, a coalition that views climate change as "the highest priority ESG issue facing investors"—and yet less than 5 percent of those signatories "formally use ESG considerations in their investment decisions," according to Cerulli.
- From June 2018 to June 2019, only 13 shareholder proposals on climate issues reached a vote among the 1,500 largest companies in the US, according to research by Georgeson, a shareholder engagement consultancy.
- Asset managers (and CEOs) are still often judged on shorter-term results. "From the financial results side, people are not cutting you a lot of slack," Nestlé CEO Mark Schneider told the New York Times in 2019, in an article titled "Nestlé Says It Can Be Virtuous and Profitable. Is That Even Possible?"

SO WHAT'S GOING ON?

Are investors really paying more attention to climate change—and if so, how much more, and where? What are they doing differently in 2019 than 2018—or 2010? Is climate change really changing investment? We set out to answer those questions, and the methodology for our investigation had three levels:

- Primary data analysis, looking at eight years' worth of earnings calls, quarterly reports and annual reports from almost half (228) of the 500 largest global companies.
- Secondary research, synthesizing the findings of more than 100 reports and articles on climate change and the investment landscape since 2017.
- Interviews with investors from the US, Europe and Asia, as well as heads of Investor Relations working in industries ranging from consumer goods to energy and mining.

FINDINGS FROM OUR INVESTIGATION

Brunswick's deep dive into the reality of investor engagement on climate delivered some interesting observations in the following five areas:

2019 marks an inflection point for the investment community on climate change.

1. INCREASED ENGAGEMENT FROM INVESTORS ON CLIMATE CHANGE.

In a new study of roughly half of the world's 500 largest companies, research by Brunswick found that, more than ever before, these businesses are talking to investors about climate change, and investors are asking more climate-related questions.

Mentions of climate change in quarterly reports are up by a third since 2015, while mentions in annual reports are up nearly 30 percent. Mentions of low-carbon strategy on earnings calls have more than quadrupled since 2014. The issue has become a fixture of investor-investee engagement.

But there are a number of caveats. In earnings calls where climate change was mentioned, only 28 percent of the mentions came during the Q&A section, suggesting either analysts weren't interested in the topic or, more optimistically, that questions on climate change were already being addressed through other channels, in particular private conversations with the CEO and the board. "Climate risk" was mentioned only five times in all 2018 earnings calls with nearly half of the largest US-listed companies, and only four times as of November 2019.

2. INVESTOR ALLIANCES ARE PROLIFERATING—AND DOMINATING THE CONVERSATION.

"Investors concerned about climate change have never been better organized," The Economist reported in May of 2019. They were pointing to the fact that a number of muscular, new investor alliances have formed to force companies to both enhance quality of climate reporting and to set aggressive carbon reduction targets that align the business with the Paris Climate Agreement's goal of keeping a global warming increase below 2°C.

Our investigation found a number of different types of alliances. For example, there are regional alliances: such as the Asia Investor Group on Climate Change and the Australia-New Zealand-based Investor Group on Climate Change; or the Institutional Investors Group on Climate Change, which has a largely European membership. Some are asset-owner-led alliances, such as the Transition Pathway Initiative (TPI). However, the most significant collectives on climate change are broad-based global alliances, including Ceres and the UN's Principles for Responsible Investment (PRI)—global networks of both asset owners and asset managers, as well as businesses and NGOs. Almost 450 companies are UN PRI signatories.

Investor alliances are focused on governments as well as businesses. Some have done the seemingly unthinkable: ask for more regulation. A group called The Investor Agenda—a sort of coalition of coalitions—organized a statement urging governments worldwide to take more action. It was signed by 515 institutional investors managing $35 trillion in assets. Most are directing their attention at companies: for example, 200 institutional investors, with a combined $6.5 trillion in assets under management, recently signed a joint letter calling on US publicly traded corporations to align their climate lobbying with the Paris goals.

A number of other investor alliances are pressuring companies to act:

- Last September a group of the world's largest pension funds announced a commitment to make their combined $2.2 trillion portfolio zero-carbon within the next 30 years as part of the UN Net Zero Asset Owners Alliance.
- The Carbon Disclosure Project (CDP), a non-profit that works with some of the world's largest companies to disclose their environmental impact, reports that more than 7,000 companies are disclosing information at the request of 525 institutional investors with $96 trillion in assets.
- Climate Action 100+, a $35 trillion alliance, led efforts to publicly pressure cement producers, an industry responsible for 7 percent of man-made emissions, to be carbon neutral by 2050.
- Ceres, an investor network whose members have more than $26 trillion in combined assets, pressed fast-food companies in 2019 to set tougher greenhouse gas emissions targets.

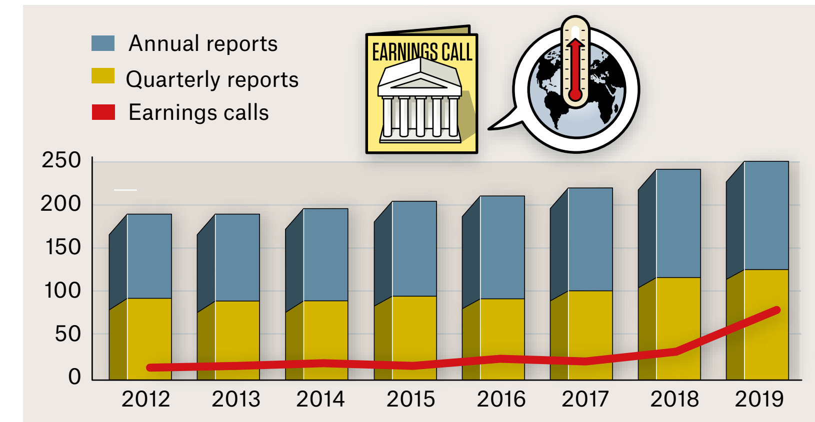
3. ASSET MANAGERS FACE PRESSURE FROM ASSET OWNERS.

As asset managers press companies for better disclosure and governance, asset owners are making similar demands of investors. One asset manager we spoke with said they take calls from their asset-owner clients to discuss climate change "almost every day." In their internal monthly fund manager calls, "half of the time is spent on discussing carbon pricing," reveals another. Another told us, "There

CHARTS: PETER HOEY

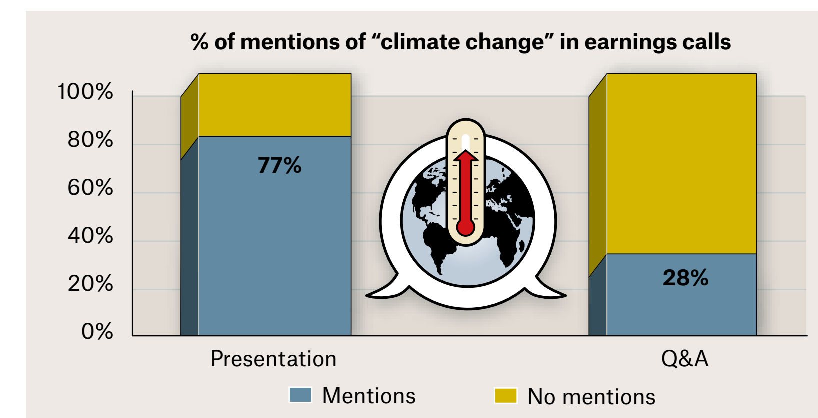
CLIMATE CHANGE IN REPORTS & EARNINGS CALLS

Earnings call mentions of climate change have increased sharply. Just 8 mentions on earnings calls occurred in 2012, with 28 mentions by 2018—versus 74 mentions in the first 10 months of 2019.



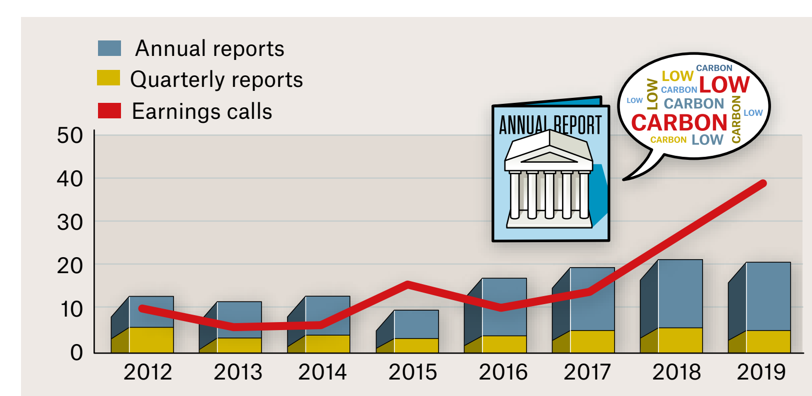
COMPANIES ARE TALKING ABOUT THE ISSUE

In 77 percent of the earnings calls mentioning climate change, the mentions occur only during the company's presentation.



"LOW-CARBON STRATEGY" IS ON THE RISE

In recent years, the focus on low-carbon strategy has broadened beyond annual and quarterly reports to earnings calls.



is no conversation possible today with asset owners and pension funds without a clear policy on climate change."

Part of the pressure is demographic: Younger generations form an increasing percentage of asset owners (and asset managers) and are now "ready to invest as sustainably as they shop," according to Bloomberg. They are pressing investors to disclose and measure the climate impact of their own portfolios. Another is regulatory: Accounting for climate-related risks is being increasingly considered as part of a company's fiduciary duties, Mercer reported in 2019.

Combined, these have made climate risk an issue that leaders of investment firms have to take ownership of. More than half of the investors polled by the European Corporate Governance Institute in 2019 said the issue had "C-level responsibility." As one corporate Investor Relations expert noted, "This is all quite new to the investors as well, so investors are trying to work with the companies that they hold to understand it better themselves."

4. GEOGRAPHICAL DIFFERENCES.

Beneath the umbrella term "investor" lie important regional differences. Of the 373 signatories on Climate Action 100+, an alliance that represents nearly half the world's invested capital, only 20 came from Asia, South America and Africa combined.

Regional representation, however, doesn't necessarily correlate with meaningful action. Sharestudy looked at investors with the highest percentage of voting in favor of climate-friendly proposals, and those with the lowest. The 10 "worst" investors on climate were all from the US, while the 10 "best" were based across Europe, Canada and Japan. A study by the CFA institute found that 66 percent of investors in the UAE factored the environment into their investment decision-making—58 percent in the APAC region, and less than half in the Americas.

5. THE DIVESTMENT DEBATE IS LARGELY SETTLED—AMONG INVESTORS.

"If you care about climate change, this is a dereliction of duty," Oliver Shah, Business Editor of the Times, wrote in November. Mr. Shah was arguing against a course of action proposed by activists: cut ties with high-carbon-emitting companies. "As a shareholder, you have an ability to influence a board that you don't have on the outside," Mr. Shah countered.

The investors we spoke with broadly shared Mr. Shah's sentiment: Engagement is often a better option to help companies become more sustainable.

"We take calls from our asset-owner clients to discuss climate change almost every day," an asset manager told us.

"Divestment can be a bit of a blunt instrument," Adam Matthews told the Brunswick Review earlier this year. Mr. Matthews is Director of Ethics and Engagement for the Church of England Pensions Board and Co-Chair of the Transition Pathway Initiative, which leads groups of major shareholders, collectively worth $13 trillion, in efforts to shift the practices of corporations, fossil fuel extractors and others on the issue of climate change.

"But the Church of England recognizes the value of divestment," Mr. Matthews said, "particularly where companies produce more than 10 percent of their revenue from thermal coal and tar sands. We've taken a view that those companies are simply not part of the transition—they are at the wrong end of the spectrum. We don't believe they will survive in a world consistent with the Paris targets.

"On the larger question, it is completely legitimate to engage with companies on this, because it allows the owners of companies to really drive positive change. When you divest, you can't do that so effectively from outside. But we're also clear engagement has to have a deadline."

The Church of England investing bodies look for good faith efforts to meet established climate-goal timelines. "If we can't demonstrate that you're on a credible path to below 2°C—then you are a candidate for us to divest," Mr. Matthews said.

What Should BUSINESSES EXPECT?

1. A POLICY RESPONSE INVESTORS HAVEN'T PRICED IN.

Since 1997, there has been a 20-fold increase in climate change laws globally, according to Carbon Brief, totaling more than 1,400 climate change laws worldwide today. Everyone we spoke with expects more and expects it to be more forceful (as Anthony Gardner writes in "The Inevitable Policy Response," on Page 15). Public demand is finding its way to the ballot box: The Green Party doubled its number of seats in European Parliament in 2019 and public climate-change concern is growing in many countries.

Fiona Reynolds, CEO of UN PRI, recently wrote in the Financial Times that she foresees "an inevitable policy response by 2025 that will be forceful, abrupt and disorderly because of the delay. This will create considerably greater disruption than many investors and businesses are prepared for today. The implications of this mispricing go far beyond the energy sector, rippling throughout the economy…" Investors agree. A 2019 survey by BNY Mellon of institutional investors found that 93 percent believed climate change still wasn't being priced in.

2. LEGAL TANGLES OVER STRANDED ASSETS AND CLIMATE IMPACTS.

The European Investment Bank in November 2019 announced it would stop funding fossil-fuel companies. The rationale wasn't moral, but financial, according to the company's Vice President for energy, Andrew McDowell. "From both a policy and from a banking perspective, it makes no sense for us to continue to invest in 20-to-25-year assets that are going to be taken over by new technologies and do not deliver on the EU's very ambitious climate and energy targets," Mr. McDowell told Bloomberg.

In other words, the bank expects oil, coal and gas to become stranded assets. As the FT reported, this "might prompt activists to launch suits against other private-sector lenders. After all, if they lend to the gas sector this might be a possible breach of fiduciary duty, given the potential future losses."

In October 2019, Exxon Mobil defended itself against a lawsuit brought by New York State, claiming the company defrauded shareholders by downplaying the risks of climate change to its business. The trial was decided in the company's favor, but the decision may not prevent other such attempts.

Meanwhile, more than a dozen "public nuisance" lawsuits have been filed by cities in the US against energy companies for the costs of climate adaptation, and repairing damage from unprecedented hurricanes, floods and wildfires. These possible legal complications could be among the most concrete forces that shape investment flows and investor behavior.

3. METRICS WILL PROVE CRUCIAL.

Progress on climate change relies on "two important factors," according to Mark Carney, Governor of the Bank of England: The first is consistent, robust disclosure, and the other is that "market and policymakers must continue to work together to determine the most decision-useful metrics for climate-related financial disclosures."

Investors want disclosures to be more granular and consistent, and also tied to financial projections and concrete risk analysis. A recent analysis from ShareAction found that among resolutions filed on climate change in 2019, nearly a third were on disclosure, although the complexity of climate change often renders such figures inexact. The FT's Gillian Tett sees these metrics as crucial. "The new front for green revolution rests on warrior accountants."

The Task Force on Climate-Related Financial Disclosures, considered the standard by which companies measure and disclose climate risks, issued recommendations in 2017. The Sustainability Accounting Standards Board Foundation is looking to establish industry-specific disclosure standards across ESG topics, including climate. Attempting something similar is the Global Reporting Initiative.

"Climate change is where short-term thinking and long-term consequences collide."

HANK PAULSON, former US Treasury Secretary and CEO of Goldman Sachs

4. A FOCUS ON THE LONGER TERM.

"Climate change is where short-term thinking and long-term consequences collide," observed Hank Paulson, former US Treasury Secretary and CEO of Goldman Sachs. Investors are expecting climate to be integrated into longer-term corporate strategy, especially through a company's scenario analysis.

There is also a shift toward assessing company strategy and performance in the context of the system that a company operates in. Many companies in retail and consumer goods have long value chains, and investors will increasingly seek information on climate risks in these chains. As one investor told us, "Taking a systemic approach is becoming common practice when looking at the performance and risk of a company with a large supply chain."

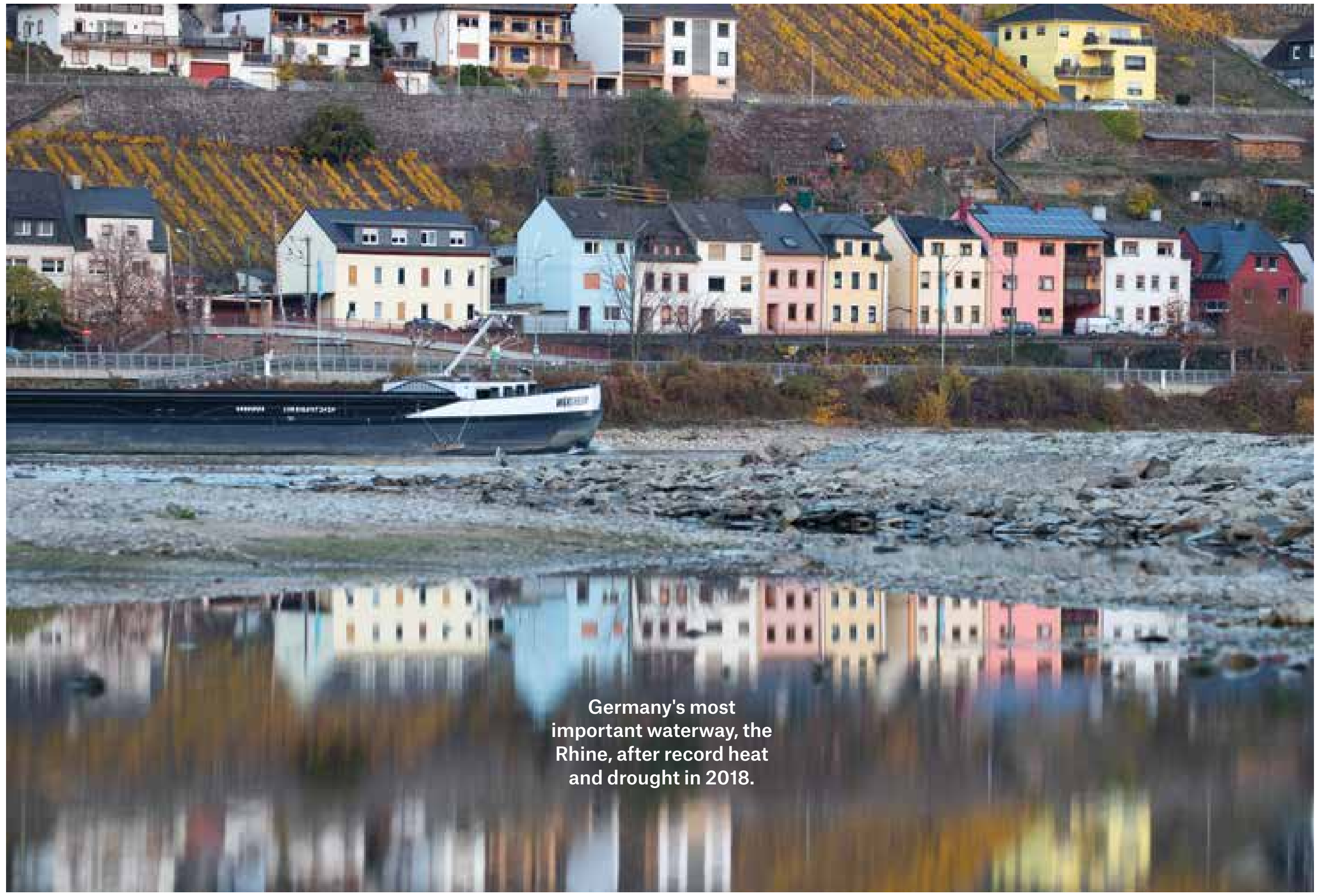
5. INVESTOR ENGAGEMENT WILL ONLY INCREASE.

Hurricane Sandy was an important inflection point for investors when it hit the US East Coast—including downtown Manhattan—in 2012. Wall Street—the actual location and the investment network it represents—was physically threatened by the "superstorm." The New York Stock Exchange had to close. The insurance industry was left with a $25 billion bill. Investors who had ignored climate change before began to take it more seriously.

An increase in extreme weather events and rising sea levels are expected to impact many financial centers, confronting investors with the realities of climate change. At the same time, the world will be increasingly looking to investors to play a role in encouraging the transition to clean energy.

Already, investors are fully in the frame. Brunswick research found the number of publications mentioning both climate change and the top asset management firms nearly doubled in just one year—those include mentions of BlackRock, Vanguard, Fidelity, Legal & General Investment Management (LGIM) and Schroders, among others. As climate impacts accelerate, the activity of investor engagement on climate will only increase. ◆

CHRISTOPHE GUIBELEGUIET, a Partner, and **JESSICA ATKINS,** an Executive, are with Brunswick's Business & Society practice, based in London.



Germany's most important waterway, the Rhine, after record heat and drought in 2018.

PHOTOGRAPH: ANDREAS RENTZ/GETTY IMAGES

The CORPORATE Climate

Brunswick's **PHIL DREW** examines the mounting pressures and costs businesses face from climate change, and highlights what leadership will look like in the "decisive decade."

For business, climate change is no longer a distant threat but a reality—one for which they are already paying a price. In 2015, Brazil suffered its worst drought in 86 years. No water and electricity led to blackouts and riots, and a direct hit to the bottom line of shampoo and ice-cream seller Unilever, which that year estimated losses of €400 million to climate-related impacts. This year, boat traffic was brought to a standstill on the Rhine river due to shrinking glaciers—a not-as-severe shallowing of the river in 2018 cost BASF SE, the world's largest chemical producer, almost €250 million in transportation expenses.

Few sectors have been spared. Brewers, insurers, fashion brands, carmakers, and consumer goods companies have all reported significant losses due to extreme climate events within the last decade. Those costs are expected to mount. A 2019 survey of 300 multinational companies found that seven out of ten had "already experienced climate-related supply disruptions" within the last 12 months. CDP, a non-profit that helps many of the world's largest companies disclose their environmental impact, found those businesses estimated about $970 billion of their assets were at risk. Almost a quarter of a trillion dollars, CDP's analysis found, could be written off altogether.

PRESSURE FROM ALL ANGLES

The World of Finance

"In the last two years, half the questions we now get are about ESG. Within that, they're mainly about E [Environment]; and 95 percent of those are on C [climate]," a senior investor relations figure at one of the world's biggest oil and gas companies recently told me.

Investor interest and capital are following a similar trajectory in other sectors, too. (See Pages 19–23 for an analysis of how investors' rhetoric on climate change is aligning with their actions.)

More than 850 global businesses are now signed up to the Task Force on Climate-Related Financial Disclosures (TCFD), a framework initiated by the Financial Stability Board at the behest of the G20 Finance Ministers.

A number of investor alliances are forming to force companies to enhance the quality of climate reporting, set aggressive carbon reduction targets that align the business with the Paris Climate Agreement's goal of keeping global warming well below +2°C, and to tie executive remuneration with performance against progress on that pathway. In one of the boldest investor developments yet, last September a coalition of the world's largest pension funds announced a commitment to make their combined $2 trillion portfolio zero carbon within the next 30 years as part of the UN Net Zero Asset Owners Alliance.

Stock exchanges, credit-rating agencies, and even central banks are becoming greener as well. Euronext, which owns six stock exchanges across Europe, is developing products and indices for climate-focused investors. FTSE Russell, an index provider, briefly experimented with labeling companies as "renewable energy" or "non-renewable energy" in 2019. Moody's bought a controlling stake in a climate data firm in 2019, signaling that climate risks will more explicitly factor into the creditworthiness ratings it issues, while Fitch Ratings and S&P Global, two other major credit-rating agencies, have downgraded ratings of companies and countries within the last two years, citing environmental concerns. Central banks from five continents have partnered with financial organizations to create the Network for Greening the Financial System, publishing recommendations for banks and policymakers.

Consumers and Employees

Public concern about climate change has reached record levels around the world according to Ipsos MORI, a market research company that has tracked the subject for nearly 30 years. That concern is expressing itself commercially. A study by Yale University found Americans are more likely to engage in consumer activism than political activism to fight global warming, while a separate study from the university found one in three Americans is "rewarding" a company for its stance on climate. According to Swiss bank UBS, the rise of *flygskam* (Swedish for "flight shame") has led to one in four taking fewer flights this year, leading the bank to predict that US air traffic growth could fall by half as a result.

Getting to net-zero carbon has become the new North Star for the climate agenda.

Employees increasingly share consumers' climate concerns. In April 2019, a group of more than 6,700 Amazon employees signed a letter to CEO Jeff Bezos asking the company to ramp up its environmental efforts, and then went on to file a shareholder resolution to compel him to do so. Six months later, Amazon announced one of the most ambitious climate goals in the industry. And it's not just Amazon. Last September, workers from a range of industries walked out of their jobs to join the Global Climate Strike, while a survey of Fortune 1000 employees found that an employer's "public environmental stance" was more important to them than flexible-working arrangements or career-advancement opportunities.

Governments and Regulators

Government action so far has been piecemeal and largely inadequate. Climate Action Tracker, an independent analysis of government climate action, found only two out of the 185 countries that have ratified the Paris Agreement are on track to meet those commitments (Morocco and the Gambia). A report by the research body United in Science concluded that those commitments, even if they were being met, wouldn't be sufficient: Countries must triple their greenhouse gas emission pledges if the world is to meet the Paris Agreement.

Yet, as the realities of climate change catch up, low carbon technologies get cheaper, and pressure from citizens becomes noisier, it is improbable that governments will be permitted to let the world glide to 3 degrees of warming.

Some form of forceful policy action is inevitable. The questions are: When will it happen, what form will it take, how will it impact the economy, and are businesses prepared?

The indicators suggest they are not. A survey by BNY Mellon found nine in 10 investors view climate change as a financial risk that has yet to be priced into markets, while analysis by Moody's found that although 80 percent of global companies said climate change was affecting strategic decisions, just two of the 28 companies the firm studied had linked their climate projections with an effect on cash flows and balance sheets.

In response, the UN Principles for Responsible Investment (UN PRI), a group of investors collectively worth $86 trillion, has set out with a consortium of partners to provide a comprehensive forecast of the most likely policy response to climate change and how this will reshape the global economy over the next three decades. It predicts there will be an inevitable policy response by 2025, and forecasts that carbon-intensive firms are likely to lose 43 percent of their value due to policies designed to combat climate change. The most progressive companies, according to UN PRI, could see their value increase by nearly one-third.

BUSINESS LEADERSHIP on climate

In this leadership vacuum, ambitious action on climate change is being powered by business. A study of 1,000 business leaders across 99 countries by the United Nations Global Compact and Accenture found that 90 percent of CEOs said they were today "personally" driving their companies' climate and sustainability agenda.

What is also emerging is a clear model of what that corporate leadership on climate change looks like. We believe it has three dimensions:

1. **BUSINESS TRANSFORMATION. Aligning the business with net zero carbon emissions**
2. **SYSTEMS CHANGE. Acting with peers and partners to drive systems-level change**
3. **POLICY ADVOCACY. Advocating to create an enabling policy environment.**

1. BUSINESS TRANSFORMATION

Getting to net-zero carbon has become the new North Star for the climate agenda. At the 2019 UN Climate Action Summit, more than 100 cities and 77 countries pledged to achieve net-zero carbon emissions by 2050. A group of some of the world's largest businesses led the way: 87 companies, with a combined market capitalization of $2.3 trillion, committed to set science-based targets that align their business and value chain with limiting global temperature rise to 1.5°C above pre-industrial levels and reaching net-zero emissions by 2050 (more than 177 companies have made that pledge to date).

A business's value chain is on average five-and-a-half times larger than the business itself, incorporating how a company's products are sourced, made, moved and used. To achieve these targets companies are powering their operations with 100 percent renewable energy, pioneering breakthrough technologies, adopting circular manufacturing processes and reorienting their portfolios around lower-carbon products.

A science-based target changes the question from "Are you doing something?" to "Are you doing enough?"

The pledges also reflect another key shift: companies setting their targets based on science, not regulation or voluntary commitments. A science-based target changes the question from "Are you doing something?" to "Are you doing enough?" Tied to a 2°C goal, it requires companies to work backward, considering both the role the sector plays in meeting that target as well as their business within the sector.

Research by BloombergNEF found that, even four years ago, 81 percent of S&P 500 companies had set emissions targets, but few were science-based. As of November 2019, more than 680 businesses had publicly shared science-based targets. This included leading companies in the world's largest-emitting sectors: Maersk, the world's largest shipping company; BHP, the world's largest in mining; Heidelberg, the world's second largest cement company, and ArcelorMittal, the world's largest steel producer. This level of ambition was unthinkable at the start of the year.

2. SYSTEM CHANGE

Leading companies look to drive action beyond their operational footprint. That means working with partners like NGOs, government bodies, private-sector peers, and academic institutions, to unlock change in the wider systems they're part of.

We Mean Business, a nonprofit coalition working with the world's most influential businesses, aims to accelerate business action across four systems critical to delivering a net zero economy: power, transport, land use and the built environment. And the coalition might just have the breadth to make a difference: We Mean Business counts more than 1,000 companies, accounting for 25 percent of global GDP, as well as nearly 75 nonprofit organizations as partners.

Take transportation, which accounts for nearly a quarter of CO2 emissions worldwide. The Climate Group, a founding partner of We Mean Business, has helped create EV 100, a coalition of more than 50 major multinationals—including DHL, UPS and IKEA—that uses its combined investment power to stimulate mass demand for electric vehicles, invest in the necessary charging infrastructure, and advocate for supportive policies that can boost EV uptake. It's an area where businesses can lead, as they account for half of all light vehicle purchases (essentially, all vehicles except heavy trucks).

We Mean Business's hope is that this kind of system-level approach, applied across other heavy-emitting sectors, may unlock effective business action at scale.

3. POLICY ADVOCACY

As well as aligning their businesses to net-zero emissions and working to create systems change, businesses also have a role in creating an enabling policy environment for action on climate. Research from Climate Action 100+ suggests this isn't happening yet: Although companies in most sectors are starting to set emissions targets, far fewer are aligning their lobbying activities (see chart below).

The idea of meaningful advocacy on climate coming from business may evoke a cynical response. "Winds of change or unchanged windiness?" the FT asked after a flurry of bold pledges from companies and countries at the 2019 UN General Assembly. Such skepticism stems partly from companies having pledged support for a range of social issues in the past, yet continued lobbying—or remaining members of trade associations that lobby—for policies at odds with those public pronouncements.

Climate-focused investors and activists are calling out this dissonance when they see it. They're increasingly impatient with companies that they believe use their voice only to claim public credit rather than inform public policy. Eleven leading environmental and sustainable business organizations published an open letter in The New York Times in October 2019 urging CEOs to sincerely engage on climate policy, while 200 institutional investors, with a combined $6.5 trillion in assets under management, recently called on publicly traded corporations to align their climate lobbying with the goals of the Paris Agreement. The New York Times letter called for businesses to take three specific steps:

1. **Advocate for policies at the national, subnational and/or sectoral level that are consistent with achieving net-zero emissions by 2050;**
2. **Align their trade associations' climate policy advocacy to be consistent with the goal of net-zero emissions by 2050; and**
3. **Allocate advocacy spending to advance climate policies, not obstruct them.**

Some businesses are heeding the call. The following day, the Sustainable Food Policy Alliance—which includes food and consumer products giants Nestle, Unilever, Mars and Danone—ran the same letter in Roll Call, a US news organization, with the message "we agree."

THE "SUSTAINABILITY REVOLUTION" AND DECISIVE DECADE

Last year, former US Vice President Al Gore and former Goldman Sachs Asset Management CEO David Blood wrote that the world was in "the early stages of a global 'Sustainability Revolution' that has the magnitude of Industrial Revolution and the speed of the Digital Revolution."

The momentum is clear. Five years ago, science-based targets didn't exist; now almost 700 companies have set them. Within the space of a single election cycle, we have also seen climate-focused investments move from the margins to the mainstream and coalitions now measure their collective investment power in tens of trillions of dollars.

The coming year will be more significant still. The heat will be especially high for companies listed in the UK. COP26, billed as "the most important gathering on climate change since the Paris agreement," will be hosted in Glasgow in 2020. This when a 2019 survey found that climate is a bigger concern in Britain than immigration, the economy, or crime.

Already 2020 is being called the start of the decisive decade for climate change. What chance we have of keeping warming at 1.5°C will be determined in the next few years. And though the answer is complex and demands leadership, the question companies face from society will be simple: Are you part of the problem, or part of the solution? And why should we believe you? ◆

PHIL DREW is a Partner in Brunswick's Business & Society practice, and based in London. He was formerly communications director for Climate Week.

ARE COMPANIES LISTENING TO INVESTORS?

Research by the investor coalition Climate Action 100+ found that companies were responding to some investor demands, like making climate a board responsibility. But very few companies had aligned their lobbying with their climate positions.

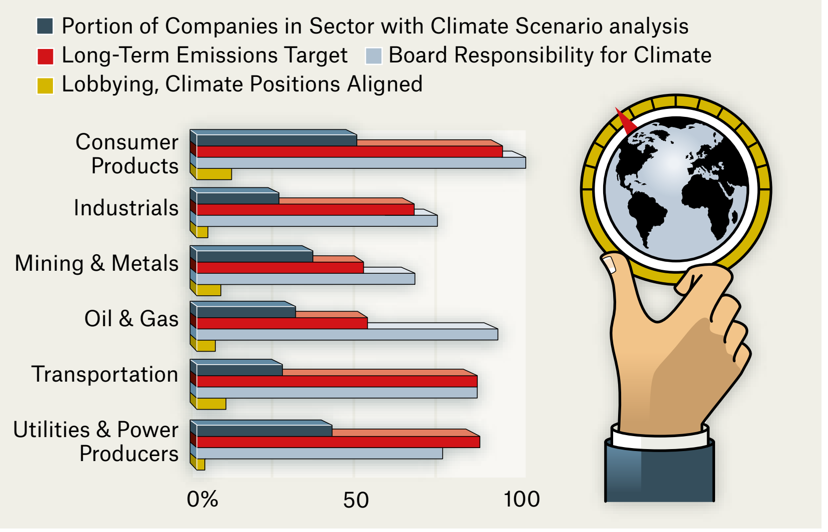


CHART: PETER HOEY

As CEO of WALMART, he has rewarded shareholders and other stakeholders. Now he brings his sense of purpose to his new role as Chairman of the US BUSINESS ROUNDTABLE.

DOUG McMILLON

Taking the Long View

By HARRY W. CLARK

ON JAN. 1, WALMART CHIEF EXECUTIVE OFFICER Doug McMillon began a two-year term as Chairman of the Business Roundtable. That's the US group of influential CEOs that last summer issued a statement calling for public companies to serve not only shareholders but also employees, customers and society at large.

As CEO of the world's largest company by revenue, Mr. McMillon has proven that a broad sense of purpose can be beneficial to shareholders. Since McMillon became Chief Executive Officer in 2014, the value of Walmart stock has soared about 50 percent on steady rises in sales and earnings.

During that same time, Walmart made five consecutive appearances on Fortune magazine's list of companies seeking to improve the world—a feat accomplished by no other company in the world.

Global retailers like Walmart face an extraordinary range of societal issues. Under McMillon, the company has made ambitious commitments to reduce carbon emissions and landfill waste, and it has focused on improving sustainability product by product. For example, Walmart worked on a laundry detergent that is 30 percent more efficient and 50 percent more effective, without using more water—for the same price as regular detergent. In response to shootings in the US, it has eliminated the sale of some ammunition.

Evidence that shareholders can be well served by serving other constituencies is especially strong in regard to Walmart employees. Recognizing several years ago that Walmart faced serious competition from Amazon and sluggish growth in its US stores, McMillon decided to raise wages and increase benefits, a strategy that worried Wall Street, especially in the absence of instantaneous results.

Five years later, nobody is questioning that move. From a low point in late 2015, Walmart's share price has doubled, as of December of last year. Besides investing billions in wage increases, Walmart has created innovative programs for obtaining debt-free college degrees, and he called on Congress to increase the minimum wage.

McMillon is only the fourth executive to lead Walmart since founder Sam Walton. After six years in the job he's still only 53.

As Chairman of the Roundtable, McMillon succeeds Jamie Dimon, Chairman and CEO of JPMorgan Chase & Co. In the announcement last September of McMillon's appointment to the Roundtable leadership, Mr. Dimon said, "Doug is a forward-looking leader who understands the importance of a growing and inclusive economy that serves all Americans. At a time when our organization is reaffirming the significance of corporate commitments to workers and communities as a critical piece of creating long-term value, Doug is uniquely

PHOTOGRAPH: DREW ANGERER/GETTY IMAGES

experienced to lead by example and ensure our voice is heard."

Below, McMillon answers questions from Harry W. Clark, Senior Counselor to Brunswick.

Did the intensity of response to the Roundtable statement surprise you?

We did underestimate the response to the corporate purpose statement and it generated more reaction than we expected, both negative and positive, and that's good because it's an important conversation at this time in our country's history.

While the statement made clear that we must preserve and maintain America's free market system, we also should look at ways that all stakeholders can benefit from the work of the market.

The statement both confirms what companies like Walmart do when it comes to our commitments to all stakeholders and challenges us to do more. Member companies of Business Roundtable have done a lot when it comes to increasing wages, investing in skills training and providing better access to education. Business Roundtable will be doing more to advocate for solutions to increase opportunity for Americans of all backgrounds.

A common theme among skeptics of the statement seems to be that the interests of different stakeholders will always be inherently at odds. While different stakeholders may have competing concerns in the short term, I believe all stakeholders' interests are inseparable in the long term.

An obvious example is the environment, and the broad and long-term impact that comes from successful efforts on environmental sustainability.

It's the objective of creating long-term value that makes for successful companies and more opportunity for all stakeholders.

Do Walmart associates expect you to take a position on societal issues?

Over the past few years, we've taken stances on several societal issues. I don't know if our associates expect us to, but I don't think they're surprised when we do.

We have 2.2 million associates all over the world. We're not just in communities, we're a big part of them. And our environmental sustainability efforts are really investments in communities and people, and I believe they're appreciated.

As for gun safety, we already had made some changes in our policy on sales of firearms and ammunition, and we wanted to make sure we still served the sportsmen as we made commonsense changes we felt necessary in a changing world. I think most people understand that we're not trying to make a political statement. We're just trying to help create a safer environment.

"While different stakeholders may have competing concerns in the short term, I believe all stakeholders' interests are inseparable in the long term."

Why has Walmart invested so much in education for associates?

In the end, it's a win for us and a win for our associates. It's really encouraging to see the response of our associates to these benefits. For example, through our Live Better U. program, Walmart associates can earn a debt-free college degree for the equivalent of a dollar a day. We introduced the program a year and a half ago, and associates love it. We have 9,000 students in classes now and nearly 18,000 accepted into a program to date. That's in addition to 1,710 associates who have already completed a program.

We've expanded the number of colleges and degrees offered, including tech and healthcare degree options. All told, more than 156,000 associates have submitted interest forms, and I just see this continuing to grow, especially given the high cost of tuition and the enormous time commitment of pursuing a college degree. Live Better U. removes those barriers for our associates. And when they're done, they're not saddled with years of student loan debt.

I can't speak to specifics as to how others may approach this issue, but from conversations with other CEOs, I know this is top of mind and we are proud to have taken a leadership position. Investing in our associates is an investment in the future of our company. Because of technology, jobs are changing fast, and we want a workforce that's ready to adapt Even if they decide to pursue a career outside of Walmart, they'll be ready to contribute.

How do you ensure that Walmart stays on top amid such rapid change?

As a company we've been on a journey of transformation and shared value over the past few years, and to be able to adapt and change, it's important to understand what won't change.

We're fortunate at Walmart that our founder Sam Walton provided us with a great purpose and a strong set of values that we believe are timeless. We save people money, so they can live better, and we do so by having respect for the individual, acting with integrity, providing great service to the customer, and striving for excellence. Those are our anchors, our constants.

But other than our purpose and values, everything else is open to change. I believe that's key to reinvention and growth. ◆

HARRY W. CLARK is a Senior Counselor to Brunswick.

TAKING a STANCE

THE BUSINESS CASE FOR CEOS TAKING A STAND on social issues is growing. Whether it's calls for leaders to speak out on racism, guns or gender rights, companies are increasingly expected to have clear positions on matters affecting society as a whole. Even for concerns that don't appear to directly impact operations, and even on social issues that inflame polarized political views, customers and employees today expect that company leadership knows when and how to use its voice to shape public discourse. Corporate leaders are having to get more comfortable speaking up.

Several trends have converged that mark this as a genuine shift for businesses. For one, the rise of social media has inflamed deep divisions, leaving leadership from traditional institutions hamstrung. Governments and even religious institutions are often divided against themselves over the handling of social concerns. Society is looking to the world of business to help fill that void.

Employees want to hear their leaders speak up on societal issues, says Brunswick's **MARIA FIGUEROA KÜPÇÜ.**

Second, social purpose has become more embedded in all aspects of corporate enterprise—strategy, products, innovation—putting a company's values front and center. The recent surge in companies "refreshing" their corporate values and mission statements is indicative of this. Naturally, that also figures into attracting talent. Younger employees have made it abundantly clear that they prefer to work for companies that are stewards of society.

Third, to boost productivity and employee engagement, companies have spent a good deal of effort to reassure workers that they can "bring their whole selves to work." But that carries a reciprocal: When the outside world challenges issues of identity—gender, race, sexual orientation, disability and others—employees now expect that their companies will stand up for them.

As a result, social issues today affect the bottom line in ways that would not have been visible even 10 years ago. Certainly leaders are becoming more

ILLUSTRATION: FABIO CONSOLI

aware of how social concerns may be affecting their business. But also, awareness among employees, customers and other stakeholders is creating more direct impacts. Hiring and employee retention, productivity, remaining competitive, relationships with partners, customers and clients—a downturn in any one of these, brought on by a lack of response or poorly considered response to a social problem, can result in reputational harm.

THE NEW EMPLOYEE RELATIONS

In a Spring 2019 survey of 2,048 US employees by Brunswick Insight, two-thirds selected "the values of the company" as the most important issue for a CEO to communicate. As a group, respondents ranked communicating values higher even than company strategy or profitability. Importantly, a majority see the CEO as the face of the organization and its values, with 58 percent selecting "setting the moral tone of the company" as important to the CEO's job.

Significantly, when asked to select factors they felt were important to consider when deciding to stay in their current job, more than 90 percent of employee respondents chose "having leadership that they recognize and respect." Further, over 70 percent also chose "having a leadership stance on social issues."

This visibility on social issues naturally impacts hiring. A majority of respondents identified a leadership stance on social issues as an important consideration when weighing a job change or joining a new employer. Our survey polled two groups: readers of finance publications, and employees at large companies. Of the two, the finance-oriented group felt social issues were *more* important—73 percent versus 61 percent in the general group.

Our respondents' top three choices for social issues company leaders should be working to address were: diversity and inclusion, gender equality and income inequality. Collectively, the group ranked those issues above more traditional business employment concerns, such as job retraining, sexual harassment and healthcare access. Moreover, between half and two-thirds of respondents agreed that it is appropriate to publicly disagree with the company if its position on social issues doesn't match their own.

Not every issue demands a public response. Employees recognize the social dimensions of their company's business model and where the company's resources can best be used. A pharmaceutical company should have a stance on access to healthcare, which means taking a thoughtful position not only on global health issues, but also on healthcare legislation, such as the proposed Medicare for All in the US.

93 percent of finance-news readers selected "leadership you recognize and respect" as an important reason for staying in their current job.

They also expect their business's position to be consistent, extending to employees the same level of concern on issues expressed to customers and those outside the company. No longer is it sufficient to reassure employees internally and say nothing externally. A majority of respondents indicated that internal and external audiences were equally important.

This sometimes means wading boldly into political issues. Where the lines between social and political are blurring—race, immigration, LGBTQ rights, the effects of climate change—it is critical to identify in advance where public comment from your business will be appropriate. As one corporate employee put it in a recent employee engagement project Brunswick worked on, "Every political issue has become a social issue … What is the difference anymore?"

ANTENNAS UP

Businesses could once afford to wait weeks or even months to vet the right public affairs response to a flare up; they now must be prepared to do so within hours. In social media analysis of recent situations—including the response to North Carolina's so-called "bathroom bill"—the window for attention in social media has been 48 hours or less. A corporate response that misses the mark can tarnish a company for years. And employees look to those public moments as a yardstick to measure how well their company is led and living by its stated values.

The key to addressing touchy social issues effectively in real time is advance planning. In the wake of the shooting of 12 police officers in Dallas, Texas, in 2016, PwC's newly installed US Chairman and Senior Partner Tim Ryan responded by scaling up a conversation with partners and staff firmwide to air their concerns. This resulted in a determination to move more CEOs to not only lead similar conversations in their own organizations, but work together to advance issues of diversity across all workplaces. PwC co-facilitated the creation of CEO Action for Diversity & Inclusion™, a network that now includes over 650 companies, nonprofits and academic institutions.

Then, in November of last year, 26-year-old Botham Jean, a PwC Senior Associate in Dallas, was shot and killed by an off-duty police officer in his own apartment. Mr. Jean was black and the officer, Amber Guyger, is white. Ms. Guyger says she thought she was in her own apartment and that Mr. Jean was a burglar. "All of a sudden, it was one of our own," Mr. Ryan told The Wall Street Journal earlier this year.

The national outrage and concern surrounding the case were fueled by a heavy burden of questions, anger and fears. Conversations that had typically been relegated to homes and communities were encouraged in the PwC workplace. While a work in progress, Mr. Ryan's institutional commitment to openness, building trust and understanding, allowed a more honest airing of these concerns and demonstrated the firm's commitment.

PwC's experience highlights the degree to which companies must be prepared to respond quickly and confidently, with a message of clarity and compassion, on issues that affect not only their relationships with investors and regulators, but also their employees and the community as a whole. As a response to social issues becomes more expected, the need to be proactive has increased. Certainly, when a response to a major issue in current events is perceived as inadequate—whether the Parkland, Florida school shooting or a supply chain labor issue—employee morale, loyalty, retention and recruiting are affected and the business as a whole suffers. "If you're carrying all these concerns when you come to work—whether you're a woman, whether you're black—and you can't share how you feel, the fact that we have you in the seat means nothing," Mr. Ryan told the Journal. "We want you to be here mind and body."

BUILDING THE NEW BOTTOM LINE

Corporate leaders should be actively working to gauge approaching social concerns that will demand a response and plan out how they will handle them. In that process, keep three considerations in mind:

Be prepared to deeply listen—first as a fellow human being and second as corporate leader. Make sure this conversation is not a one-time event, but an ongoing process in which leadership spends time learning the context of employees' lives and gauging how feelings and views about the effectiveness of the company's stance and response may have changed.

Align your message for all stakeholders—employees, customers, regulators, investors. With social media, what you tell any one of these groups will be received by the others. Your communications must be tailored to each stakeholder group, but you risk losing the trust of everyone if the message to each is not clearly guided by the same core set of principles.

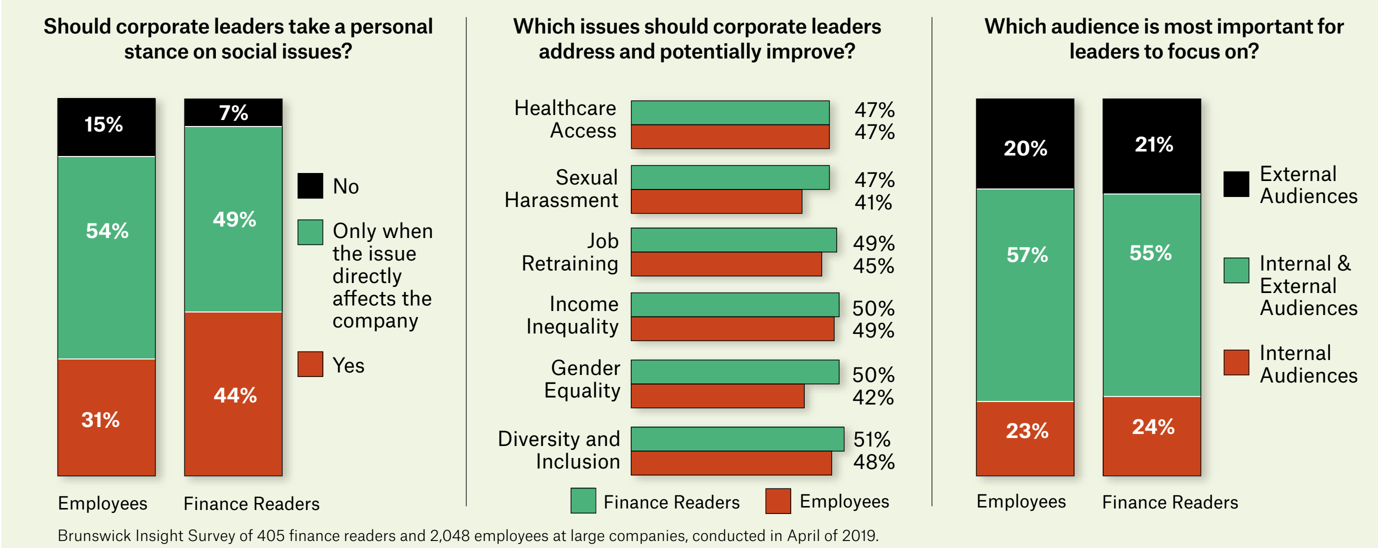
Take the time to do scenario planning. Any event will carry unknowable variables that will affect a company's response in some way. But you can limit the confusion by deciding now what issues are most important to the company, what an appropriate level of response might be to a particular issue, who will respond to each group of stakeholders, through what channels and, if internal review is warranted, how that will be handled efficiently before it is sent.

What's clear is that any calculation for business success must now involve how employees feel—how they are engaged, how comfortable they are being personally represented by the business. What workers think and say about their business matters.

Leadership is coming to recognize that good business practice now demands understanding and engaging with the social context of their stakeholders' lives. It has to come from the top and be reiterated in actions throughout the organization. There is no substitute for leaders having a deep understanding of the values of the organization, communicating them consistently to the business and to the world, and being prepared to act quickly and effectively to stand by them when events warrant. ◆

MARIA FIGUEROA KÜPÇÜ is a Partner, Head of Brunswick's New York office, and leads the firm's US Business and Society practice. Survey research and analysis by **NOAH KRISTULA-GREEN**, an Associate with Brunswick Insight in Washington, DC.

THE LEADERSHIP EMPLOYEES EXPECT



Brunswick Insight Survey of 405 finance readers and 2,048 employees at large companies, conducted in April of 2019.

CHARTS: PETER HOEY

Feed the World

The head of the UN's World Food Programme talks to Brunswick's **ROBERT MORAN** about the role of business in global food security.

DAVID BEASLEY LEADS THE MOBILIZATION of financial support and public awareness in the global fight against hunger. He serves as Executive Director of the World Food Programme, a position at the level of Under-Secretary General of the United Nations. In 2017, the year he took over its leadership, the organization was credited with keeping four countries from slipping into famine.

He has worked in the service of society for over 40 years. With a doctorate from the University of South Carolina School of Law, Mr. Beasley previously served as Governor of South Carolina, one of the youngest in the state's history. Prior to that, at the age of 21, he was elected to the South Carolina House of Representatives. He has received a Profile in Courage Award from the John F. Kennedy Library Foundation and he is a 1999 Fellow of the Institute of Politics at Harvard University's Kennedy School of Government.

Formed in 1961, the World Food Programme was an experiment at the suggestion of outgoing US President Dwight D. Eisenhower to see if the newly formed United Nations could deliver food aid. The project was thrown immediately into handling a series of crises, beginning with a 1962 earthquake in Iran that killed more than 12,000 people and disrupted food supplies. It quickly proved effective and has gone on to foster food resource networks, including school meal programs, all over the world.

Beasley is proud that the World Food Programme has contributed to a radical change in society over the last 100 years, as we've moved from a world where poverty and hunger were the most common experience to one where they affect only a minority. We talked to him about the organization's evolving mission, and the role that corporations and businesses play.

How have you shifted the focus for the World Food Programme? What are your top priorities?

In the humanitarian world, WFP is considered the best of the best. We have special expertise in logistics and supply chain, so when there's a crisis or an emergency—for example, Cyclone Idai in southeastern Africa in March of this year—the entire humanitarian community relies on WFP to get food and other essentials to people quickly. One of our top priorities is to maintain this leadership, to continue to improve our emergency preparedness and operations. We're working harder to make our operations more efficient by decentralizing decision-making and streamlining how our Rome headquarters helps and supports our teams on the ground.

We are also putting additional resources and emphasis on programs that can help foster economic growth and transformation. When I was Governor of South Carolina, I worked hard to transform the state's economic production from textiles and agriculture to high-tech manufacturing. Government played a role, not to dictate outcomes, but to create pathways for businesses of all sizes to grow. We're applying that same philosophy at WFP: Our Food for Assets programs help put people to work on infrastructure that enables agriculture and other markets to flourish; our school feeding programs keep children in school so they can learn and be prepared for the future—and in many areas we also use locally grown produce for the food itself. I could go on and on.

As economies get stronger, they also get more resilient. That means the people need less international aid. Research suggests this work contributes to the ability of a region or country becoming more stable politically, and a more stable country is a more peaceful one. Conflict is a major driver of increased hunger, so the more we can do long-term work that fosters peace and stability, the better off the entire world is.

How are the issues the same as 1961 and how are they different?

That's a nearly 60-year time frame in which the world's population grew from about 3 billion to about 7.5 billion, but the number of hungry people has declined from more than 1 billion to about 820 million. That's a huge achievement. A lot of factors went into that success, including the free-enterprise, capitalist system that has created so much wealth globally. Whatever tweaks people might want to make to that economic system, there's no doubt in my mind that the economic growth it creates has reduced hunger in major proportions. We've seen hunger go up in the past few years, though, and that's largely because of conflict.

Today, it's not enough simply to feed people, though of course in an emergency like a cyclone or a war that's what we do. We have a dual mandate—to save lives, but also to change them, through development that can make countries stronger. The goal is focused more on the long term, on the root causes, and how we create a strategic transformation that enables a community, region or country to succeed on its own. That's the core philosophy behind WFP's motto: saving lives, changing lives.

How can business leaders take action? How can they engage with the World Food Programme?

We absolutely need business leaders and the private sector to be involved in the fight to end hunger. We'll never meet that Zero Hunger goal without them. Put simply, we need help from the private sector in three areas: to provide expertise, to help build our capacity, and to help us with funding. DSM helps us improve the nutritional quality of our food basket; Ericsson deploys telecommunications people during emergencies; Renault Trucks provides on-the-ground training to our mechanics in the field; Mastercard supports digital vouchers and is a top funder for our school feeding programs. That's just some of the list. Each company finds a way of contributing that matches their core skills base.

We'll receive a total of about $7 billion this year for our operations, most of which come from governments. But the total need out there is probably around $10 billion, and we can't bridge that gap without the private sector's help. We need the

Saleh and his family live in a tent after fleeing recent fighting in the Bani Hassan area. When they cannot afford breakfast they only have tea.

David Beasley, Executive Director of the World Food Programme.

PHOTOGRAPHS: TOP: WFP/MOHAMMED
BOTTOM: FABRICE COFFRINI/AFP VIA GETTY IMAGES

private sector more strategically engaged to truly help solve these problems.

When businesses work with us, they help us do more than simply feed people. They help us build economies that have stronger, more efficient markets. That's a win-win—good for us and the people we help, and good for the businesses that want to operate in those countries. And as I tell business leaders all the time, if you want to really make a difference, a real and long-lasting impact on the world, you need to work with WFP.

In 1820, 94 percent of the world's population lived in extreme poverty. Now, it's 8 percent. We can help drive that even lower if we effectively tap into the unique capabilities of the private sector.

South-South cooperation is an important component of the WFP's strategy. How are businesses joining in that cooperation?

One really important part of South-South cooperation is to make sure we're supporting our country offices. They know how to build the best partnerships for local-level impact. So while we work with global companies, we're making sure that it is about offering local solutions and drawing on local expertise because that creates a really important resource.

One example is called the Farm to Market Alliance, a public-private consortium which operates most specifically in Kenya, Tanzania, Rwanda and Zambia. We have seven financial institutions, agribusinesses and farmer's groups all working together to try and make sure that smallholder farmers can do more than subsistence farming. One of the biggest problems in agriculture is the lack of an operating market for the small farmer. They don't have the roads or other economic infrastructure. The FtMA helps these farmers find commercial buyers for surplus crops and also shows them how to improve yields so they can have more to sell. Since 2015, it's helped about 150,000 farmers. In the next three years we expect that to grow to 1.5 million, generating $500 million of new market value by 2022.

We're also helping develop and encourage South-South cooperation by working with three Centers of Excellence—one in Brasilia, one in Beijing and a new one that I visited earlier this year when it launched in Abidjan, Côte D'Ivoire. These centers help make it easier to share expertise in areas such as nutrition, school feeding or agriculture, and companies like DSM get involved to help build that technical expertise and encourage innovation.

"In 1820, 94 percent of the world's population lived in extreme poverty. Now, it's 8 percent."

ROBERT MORAN is a Brunswick Partner based in Washington, DC, and leads Brunswick Insight.

You're in the field in some of the poorest and most fragile parts of the world. What part can digital technology play?

If we are serious about the Sustainable Development Goal of ending hunger by 2030, we have to do more to harness the power of technology to deliver services efficiently and also to raise additional resources.

We want to be fully data-driven in our operational and organizational decision-making. To me, one of the keys is to make sure we know in real time who is receiving what help, where that help is being delivered and at what cost. There are three main reasons: First, to make sure that those who need help the most are getting it. That's a core humanitarian principle, prioritizing assistance to those who need it the most. Secondly, we want to be both efficient and effective in that service delivery. Building up our digital capabilities in biometrics and other technologies will give our donors the confidence that we are using the money from their taxpayers effectively.

The other aspect has to do with advocacy, awareness and fundraising. Only about 1 percent of our $7 billion-plus this year will come from private sources, and there's only so much more money we can raise from governments. That means we need to do much more to raise awareness about global hunger and about what can be done about it and how people can participate. We're putting more emphasis on making sure people know how they can contribute. Bottom line, with all the wealth in the world today, there's no excuse for children going hungry.

Who is the most inspiring person you have met as the leader of the WFP?

WFP has given me a never-ending stream of inspiring people. I think of this woman I met in Niger. She was standing on the top of a hill, talking about the successes she'd had recently with her small farm, thanks to some help we'd given her community. I remember her saying, "Now I feed myself, my family and my village." It's just so inspiring to talk to someone like that, who is so determined to help not just herself but others.

Another person that comes to mind is Abiy Ahmed Ali, who won the Nobel Peace Prize this year. I knew him before I came to WFP but have worked with him even more closely since. It's great to see his hard work, on behalf of Ethiopia and Africa, get the recognition it deserves. The world's biggest problem is brokenness, so when someone succeeds at repairing that brokenness, at helping other people love their neighbor as themselves, it really is inspiring. ◆

EU SETS THE PACE

The EU is set to become the first mover in stronger climate regulation, and the impact will be global, say Brunswick's **FIONA WRIGHT** and **AYRTON THEVISSEN.**

ILLUSTRATION: MELINDA BECK

When the EU strengthened regulations on personal data, the implications reverberated way beyond Europe. Now the EU is introducing a strong suite of more stringent regulations to support the Paris Climate goals. The expectation is that these will become the global gold standard.

Voluntary, industry-led initiatives to integrate environmental, social and governance considerations into investment and ownership decisions have been around for a long time—as any large investor or fund manager can tell you. Interest in these issues however has been growing dramatically in recent years and attracting the attention of regulators.

Existing voluntary initiatives include the Principles for Responsible Investment (PRI), a global, independent not-for-profit investor group. Founded in 2006, PRI proposes six aspirational principles and works with signatories to implement them. By 2018, membership included 2,250 organizations with an estimated $80 trillion assets under management.

Investors such as Schroders and Aviva have long been actively engaged on these issues. Patrick Arber, Senior Analyst on Global Public Policy at Aviva, says ESG concerns "affect how we do business, how we manage risks, how we assess liabilities."

In 2018, the European Commission moved beyond this voluntary orientation. Legislation was proposed: to require most EU-licensed asset managers to actively and comprehensively integrate ESG factors into investment decisions; to legally define what is a "sustainable" economic activity; and to enhance disclosure and transparency requirements on climate-related information in corporate reporting.

These proposals have been widely recognized as the first comprehensive effort by governments and regulators to look at ESG on a systemic level—and new regulatory requirements for asset managers will come into effect at the end of 2020. Investor relations teams have already noted a sharp rise in the number of ESG-related questions they receive. That trend will only intensify as this milestone approaches.

What changed? In a word, Paris, and the engagement of central bankers led by Bank of England Governor Mark Carney under the G20 umbrella.

In 2015, 195 countries signed up to the Paris Climate Agreement and the goal of limiting the increase in global average temperature to less than 2°C above pre-industrial levels. Massive new investments are needed to achieve this—the Financial Stability Board estimates global investment of $1 trillion per year is required, while the European Commission believes that at least an additional €180 billion per year is needed in Europe. As this is clearly beyond the capacity of the public sector alone, a large-scale diversion of private capital toward lower carbon alternatives is essential.

The sheer scale of the challenge and the potential risks to financial stability led the G20 to focus first on the need for greater disclosure of climate-related metrics to help ensure a smoother transition toward a lower-carbon economy. The danger, as Mr. Carney noted in 2015, is that "a wholesale reassessment of prospects, especially if it were to occur suddenly, could potentially destabilize markets, spark a pro-cyclical crystallization of losses and a persistent tightening of financial conditions."

This is the so-called "stranded asset" risk. According to Martin Spolc, Head of the Sustainable Finance and Fintech unit for the EC's Directorate General for Financial Services, one of the EC's main policy objectives is to "ensure that the financial sector takes risks stemming from these challenges into account."

The most concrete outcome of G20 engagement so far is the 2017 report of the Task Force on

Climate-Related Financial Disclosures (TCFD), recommending that all companies should report comparable information across a range of key metrics including water, energy and land use, greenhouse gas emissions and waste management. They should also provide detailed information on how climate-related risks are identified, assessed and managed, including testing the resilience of their corporate strategies under different climate-related scenarios.

Like the PRI, TCFD also invites companies to endorse their recommendations. Financial institutions that have signed up manage a combined US$100 trillion in assets—or 120 percent of global GDP. In the last two years, various central banks have also become signatories, including Singapore, Japan, Morocco and Hong Kong.

Although TCFD recommendations were proposed as a voluntary framework, making them mandatory has become the obvious next step. As the TCFD itself warned in its June 2019 status report, given the urgent need for action, it is still the case that "not enough companies are disclosing information about their climate-related risks and opportunities."

Early movers like the PRI have been strong supporters of the TCFD; PRI staff have also served as TCFD members and in March 2019, the group announced steps to fully integrate TCFD recommendations into their requirements for signatories.

Most financial intermediaries are fully on board with this push for more and better information on the companies they invest in. "Investors need more granularity and data," says Elisabeth Ottawa, Deputy Head of Public Policy at fund manager Schroders. "We now receive products from investees, but what we need is the data to conduct our own assessment."

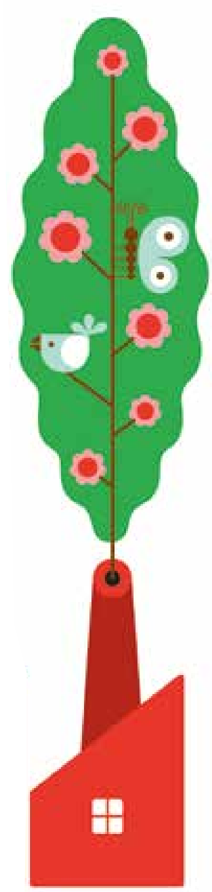
This data will also help investors engage with companies on the resilience of their strategies and their capital expenditures. Active investors like Schroders have been reluctant to divest from carbon-intensive sectors due to the belief that doing so would drive these companies into the arms of "less responsible investors."

Ms. Ottowa says Schroders welcomes the requirements for asset managers to integrate ESG factors into decision-making. "We would make these changes anyway as there is strong market demand for ESG coming from institutional investors and potential new client groups like millennials," she says.

Mr. Arber echoes this, noting that Aviva has been actively calling on policy makers to act, describing the voluntary framework as insufficient "due to the nature of the risk we face. We cannot solve this as long as there are companies that would not act."

"We cannot solve this as long as there are companies that would not act."

PATRICK ARBER,
Senior Analyst,
Global Public Policy,
Aviva



FIONA WRIGHT is a Partner with Brunswick. **AYRTON THEVISSEN** is an Associate. Both are based in Brussels.

The most complex of the EC's first proposals calls for a "taxonomy" to systematically identify sustainable economic activity. That remains the focus of intense ongoing negotiations and technical work. However a further round of legislation is expected from the new Commission in 2020, particularly in light of the so-called "Green wave" in the 2019 European Parliament elections. This is expected to include changes to both the EU Nonfinancial and Financial Reporting Directives; much of the broader financial services regulatory framework; new accounting rules to better reflect stranded-asset risk; and additional support for sustainable infrastructure projects. They are all aimed at tackling what Mr. Spolc describes as "the mismatch between the short-term perspective of an investment analyst and a long-term sustainability narrative."

Ultimately, this agenda is not about punishing polluting industries, but creating effective tools and incentives to support opportunities to reduce environmental footprints. As Mr. Spolc acknowledges, "There is no point in creating this elaborate framework if nobody uses it."

The EC is very aware of the need for a global approach in this area, given that Europe accounts for only 11 percent of global GHG emissions. An International Platform on Sustainable Finance, or IPSF, was launched in October 2019 to work on meeting the Paris climate goals and strengthening international cooperation to that end, possibly including some alignment of initiatives and approaches among willing countries. Founding members include the EU, Argentina, Canada, Chile, China, India, Kenya and Morocco.

The IPSF will work alongside other international groups including the Central Banks' and Supervisors' Network for Greening the Financial System and the Coalition of Finance and Economy Ministers for Climate Action, which has over 20 ministers currently participating.

Assuming the results that emerge from the ongoing EU work are seen as reasonable, the expectation is that they will set the standard that rolls out internationally, as happened with General Data Protection Regulation (GDPR) on the issue of personal data. And the global priority of the climate issue is far more universal and pressing than even regulation of personal data, affecting the entire planet. So far, almost every other jurisdiction in the world has committed to act. Once international companies work through how to adapt to the requirements of these new regulations, they will have established the foundation for application across their entire operations. ◆

Business Action

IN THIS SECTION, we provide an up-close look at four companies from around the world and across sectors taking action on societal issues.

SIME DARBY PLANTATION, the world's largest producer of Certified Sustainable Palm Oil, based in Malaysia, has set out to improve the traceability of palm oil supply.

AFRICELL, the leading regional telecoms provider in West Africa, stepped up to help stem the dreadful rise of the Ebola epidemic.

BRAMBLES, an Australian-based global logistics business, is using data analytics to help customers to meet their sustainability ambitions.

TAKEDA, a Japanese pharmaceutical company, has leapt up the rankings in the Access to Medicine Index through a forceful campaign to reach those without healthcare.

Drawing the Line on DEFORESTATION

HELMY OTHMAN BASHA, Managing Director of palm oil producer Sime Darby Plantation, talks to Brunswick's **LUCY PARKER** about transparency as the front-line of transforming the industry.

"THIS IS A PALM OIL FREE CAFÉ," announces a sign in the window of a San Francisco coffee shop—but it could be a hipster café anywhere in the world, as people heed calls from environmental campaigners for a boycott of palm oil. Hollywood celebrities and insta-influencers have been jostling to lead the conspicuous non-consumption of palm oil, with lifestyle media helpfully publishing lists of palm-oil free products.

The public attention around palm oil is the result of relentless and imaginative campaigning by activist groups such as Greenpeace and others, who have successfully linked, in the minds of consumers, palm oil production with the destruction of habitats for the endangered orangutan. The campaigns have targeted brands containing palm oil—including Colgate, Doritos, Head & Shoulders, Johnson's Baby Lotion, Kit Kat, M&Ms and Oreos. Their message to consumers is clear: These products are destroying rainforests and killing orangutans.

As demand for palm oil has increased, so deforestation has accelerated: Some estimates say that about 36 football fields' worth of trees are lost every minute due to deforestation. Aside from the devastating impact on biodiversity, environmentalists are concerned that this is contributing to climate change: Deforestation represents up to 20 percent of all CO_2 emissions, more than the entire transport sector. Despite years of pledges from the palm oil industry, rainforest destruction continues around the world.

Unsurprisingly, concern about these environmental impacts has affected the entire palm oil industry. As well as boycotts in major consumer markets, the European Parliament is driving through regulation, and US presidential hopefuls are talking tough on palm oil. It's taking its toll: The palm oil commodity price has plummeted and share prices have fallen for the major palm oil companies.

An interesting time, then, to take the reins of one of the world's biggest palm oil companies. In July 2019, Helmy Othman Basha became Group Managing Director of Sime Darby Plantation, which produces around 2.5 million tons a year, and is the largest producer of Certified Sustainable Palm Oil. As such a big player, Sime Darby was feeling the effects of the pressure on palm oil. "My first reaction was this just isn't fair!" confides Mr. Basha. "After all, we've been recognized as leaders in sustainability for many years. We're not the ones doing the deforestation."

PHOTOGRAPHS: NORA CAROL, RITA ENES/GETTY IMAGES

Increased demand for palm oil has seen deforestation accelerate: one estimate concludes 36 football fields' worth of trees are lost every minute. Palm oil plantations are the habitat for orangutans, an endangered species. For many, these humanlike great apes have come to symbolize the issue of deforestation—and inspire the need for action.

Sime Darby Plantation was a founder member of the Roundtable for Sustainable Palm Oil (RSPO), and 30 years ago it was the first company to introduce a "zero burning policy." The company has a long track record of implementing sustainable practice. "But I realized that it wasn't enough for us to concentrate on the sustainability of our own practices alone," he says. "We are a leading player in the industry, and deforestation is an industry problem. That makes it our problem. So, I want us to play our part in finding a solution."

Soon after taking the reins, Basha announced a new company ambition: draw the line on deforestation and raise the bar for the industry. "We have to create a deforestation-free supply chain; it's the only way forward," he says. "We have to make deforestation an unviable way to participate in our industry."

Of course, creating a deforestation-free supply chain will not be an easy task. "Like all the big players, we have a really complex supply chain, complicated by a large number of players," he explains. "We have dozens of refineries, sourcing from hundreds of mills, supplied from hundreds of thousands of plantations, and hundreds of thousands of small holdings. It means that the biggest challenge in tackling deforestation in the industry is traceability."

The logic was simple: to achieve a deforestation-free supply chain, traceability is the front line. Sime Darby had already been working on it. For the past two years, the sustainability team had been amassing data on the supply-chain, which could be used to paint a comprehensive picture right down to the mill level. "There was an opportunity here to build a powerful resource," Basha recalls. "It could help us shine a light into areas that have not been easily visible before."

At their AGM in 2019, Sime Darby launched "Crosscheck," an open-access online tool that allows anyone to trace Sime Darby's supply to the mill level. An important feature is that it locates each mill in its surrounding landscape, with overlays that identify risk areas of intact forest and the habitats of endangered species. In addition, users can click through to satellite imagery that monitors changes in the forest.

Crosscheck also provides new information on the ownership of each mill, creating the opportunity for improved traceability and accountability across the extensive supply chain. The tool is specifically designed for anyone who is concerned about protecting forests, and the role of the palm oil industry in deforestation—that includes corporate buyers who want to ensure their brands are not linked to deforestation, and investors who want assurance that their financing is not associated with deforestation.

Other oils use up to **9 times** more land to produce the same yield as palm oil.

"We're inviting people to use Crosscheck," says Basha, "and to alert us if they identify a problem on the ground, so we can take action."

Conservation groups welcomed the initiative. Conservation International described it as a "major step forward" and a "first of its kind for the industry."

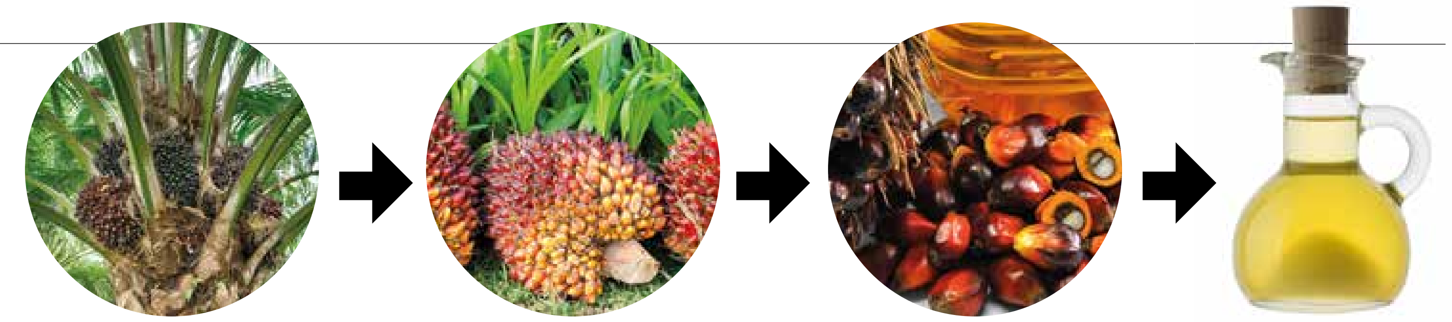
At the end of 2019, Dr. Simon Lord, Sime Darby's Chief Sustainability Officer, was named on Eco-Business' "A-List" of the most influential sustainability leaders in Asia Pacific—testimony to his achievements in a long career in the field. Under his leadership, the company has established initiatives across the responsible business agenda, from sustainable agriculture to human rights and exploitation. Two years of painstaking work from his team—mapping sources of supply, supply relationships and landscape risk—made the launch of Crosscheck possible.

But Crosscheck is just a first step: The point of traceability is to eliminate bad practice in the supply chain. Over time, NGOs have become frustrated at the industry's lack of urgency. There has been a tendency to engage problem suppliers in long and drawn-out discussions that don't result in change and seem only to provide cover for continued deforestation. But in a clear sign of determination to "draw the line," Sime Darby has begun swiftly suspending mills that are found to be violating the company's commitments on deforestation.

Cutting out offending suppliers sends a strong signal, but Basha insists that it's not enough. "Just suspending suppliers does not improve their practice, and often has the unintended consequence of driving poor practice elsewhere in the industry's supply chain," he says. To deal with this risk, Sime Darby is introducing a new policy: As long as a non-compliant supplier stops forest clearance immediately, Sime Darby will work with them to help improve standards in their operations.

"We have to keep in mind our ultimate goal," he says. "We want to create a larger base of sustainable oil palm companies, and so drive deforestation out of palm oil production."

Crosscheck has been designed as a platform that can incorporate more data over time. "Think of this as Crosscheck 1.0," says Basha. "We want to understand how to build on the functionality, to make the tool as effective as possible." To do this, Sime Darby is in dialogue with NGOs, with palm oil customers, as well as the industry's investors and bankers. "We know we don't have all the answers. We want to learn from others and collaborate to make the best use of the information that Crosscheck can provide," Basha says. Ideally, consumers will be able to use the tool to ensure their purchases aren't contributing to deforestation.



Palm trees → Palm fruit → Crude palm oil → Refined palm oil

Palm oil is in everything from soap to chocolate. Above is the path from palm tree to the refined palm oil that winds up in the products we use every day.

PHOTOGRAPHS: ISSARAWAT TATTONG NORA CAROL,SLPU9945 SAVANY,NOP16/GETTY IMAGES

A new spirit of collaboration is starting to shake up the industry. In late 2019, a coalition of 10 major palm oil producers and buyers announced a joint project to support and fund the development of a new, publicly available radar-based forest monitoring system known as Radar Alerts for Detecting Deforestation (RADD). Alongside Sime Darby and some of its industry peers, the coalition includes the likes of Nestlé, PepsiCo and Unilever. Preliminary results indicate that the new RADD system can detect tropical deforestation several weeks earlier than optical-based satellite systems—so it's possible to respond more quickly than ever before.

So does Basha think that Sime Darby's actions to "draw the line" on deforestation could allay the concerns of consumers in Europe and the US, and bring an end to the palm oil boycotts? "Boycotts aren't the answer. Oil palm is a very efficient crop—it's fast-growing and incredibly productive," explains Basha. To get the same yield from other oil crops takes up to nine times more land. "Boycotting palm oil could be really counter-productive, leading to more habitat loss, more species loss, not to mention the impact on the livelihoods for smallholder farmers." World Wildlife Fund in Malaysia agrees: "Boycotting palm oil is neither an answer nor a solution. In fact, it can only make things worse," they say. In their view, the key is that when cultivated properly and planted in the right places, production of palm oil would not negatively impact the environment.

That's why getting more oil from less land is the next frontier of Sime Darby's fight against deforestation. The company has invested in an extensive R&D program dedicated to increasing yield. It has completed the mapping of the palm oil genome, which is enabling the use of gene editing to produce new high-yield oil palm seeds. Breakthroughs like this have the potential to make a direct contribution to tackling deforestation. For Sime Darby and other industry players, it presents the possibility of future growth without further land clearance.

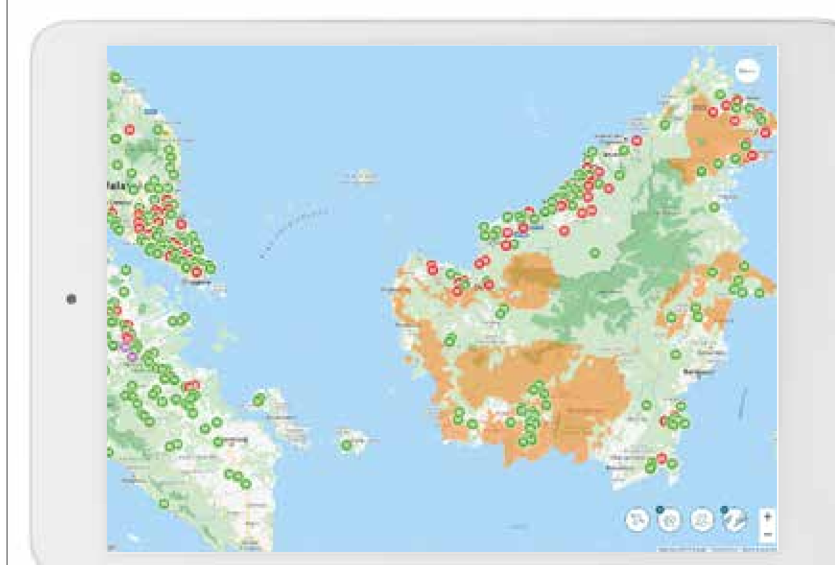
Sime Darby's ambition to create a deforestation-free supply chain for palm oil is an example of a company turning to confront the most critical issue it faces. Instead of relying on its own historic credentials in sustainability, Sime Darby Plantation is setting out to raise the bar for the industry.

"This industry has been critical to providing economic prosperity and livelihoods for our country and for the region over many years. And we're all proud of that—and are beneficiaries of that," Helmy Basha says. "But we will undermine the long-term prospects of the industry if, as a sector, we do not operate in a different way and with a different urgency to conserve the forests that remain. We're working to higher standards today than we did in the past, and standards and expectations will continue to evolve from here."

"We know this is a journey," Basha says. "We know there will be mishaps along the way—but we will handle them and keep pushing for greater transparency to drive deforestation out of our supply chain and our industry." ◆

LUCY PARKER is a Partner and Strategic Advisor, and leads Brunswick's global Business and Society practice.

Sime Darby created Crosscheck, a cutting-edge online tool which allows users to check up on Sime Darby Plantation's mills and refineries, taking an important step forward in supply-chain transparency. Below, a screenshot of Crosscheck in use.



Lifeline

PHOTOGRAPH: ASSOCIATED PRESS

When Sierra Leone was in the throes of the deadly Ebola outbreak, **AFRICELL** mobilized a comprehensive response. Brunswick's **SAM WILLIAMS** talks to the CEO.

THE STORY OF THE EBOLA CRISIS IN Sierra Leone has many characters. • Viewers of western news bulletins in the dreadful years between 2014 and 2016 will remember doctors in "hazmat" suits ghosting through hospital wards, or they may recall a handful of international aid workers accidentally flying the virus home with them. Sierra Leone's government and military, as well as foreign governments, NGOs and charities, all played fundamental roles in the campaign. To this group belonged some of the country's best known brands. • In normal times, these companies would have been concerned with business as usual—the daily pressures of marketing and sales, operations and personnel. But as Sierra Leone faced disaster, some companies set new priorities and offered to help. • Africell was among them. • Africa's celebrated telecoms revolution is well known. In a scramble for coverage in the early years of this millennium, companies built grids that would give the majority of Africa its first connections. Africans embraced the new opportunities that created: faster payments, cheaper insurance, easier contact with family and friends. Studies show that the expansion of mobile networks in Africa uncorked a wave of economic progress. On average, every 10 percent increase in mobile-phone penetration in developing African countries has added 1 percent to GDP growth per-person-per-year.

Telecoms markets in much of Africa are dominated by multinationals operating in dozens of countries—leviathans whose economies of scale are often betrayed by inefficiency. In Sierra Leone, by contrast, the mobile market is led by a company called Africell, a comparatively small and specialized unit operating in only four countries. In a regional industry line-up, Africell's profile is unique.

In 2014—the year Ebola bared its fangs—Africell had a market share in Sierra Leone of 70 percent. In the nine years since its first tower was installed on a hill above Freetown harbor, operations had spread across the country. Its orange and plum color scheme became a familiar presence, and its sponsorship of local initiatives projected a likeable personality. Sierra Leoneans had come to appreciate the affordable and dependable service.

Sierra Leone's name means "Lion Mountains," named, some say, by early Portuguese navigators skirting West Africa's tropical shore who thought the muscular hills looming over its beaches resembled a lion's back. The name stuck. The sands are white, the forests green, and the sea a lapis lazuli blue. Elephant, hippo and leopard still stalk the jungle.

That enduring beauty masks a turbulent history. Sierra Leone was established in the 18th century as a refuge for slaves freed during the American Revolution. Tension lurked between migrants, colonial officers and tribal chiefs. Conflict flashed and fizzled. Eventually, in 1961, a delegation of Sierra Leoneans to London secured the country's independence. And although the new Republic of Sierra Leone was at first a democracy, institutions were too weak to withstand a military coup in 1967. This opened the door to a quarter century of further coups, corruption and authoritarianism.

The grim conclusion of this unstable era was Sierra Leone's civil war. In 1991, Sierra Leone dissolved into darkness—over 50,000 people were killed. Civil society was left in shattered ruins and the economy shrunk to a husk. Observers commented on the chilling insanity of the fighting as if the country itself was possessed by demons—a Hobbesian "war of all against all."

The war ended in 2002 and reconstruction began. Supported by the international community, elections produced a democratic government. Businesses began investing. Its mineral bounty, fertile land, deep harbors and blissful beaches give Sierra Leone an obvious appeal. Between 2002 and 2014 the nation's GDP grew from $1.25 billion to over $5 billion. Africell's growth was part of the resurgence.

Then, in March of 2014, a crop of Ebola cases appeared in and around Kenema, the country's second biggest city. By June, the outbreak had exploded. The government hospital in Kenema struggled to cope with the flood of patients and the virus branched quickly into neighboring districts.

Panic flared. Still reeling from the ghastly trauma of war, many saw Ebola as less a pathogen than a curse—a macabre spirit condemning all in its path. It appeared to have neither cure nor defense and its hideous symptoms inspired an elemental horror. The world sat up, alarmed by Ebola's virulence and the possibility of an undiagnosed carrier boarding a flight at Freetown's Lungi Airport. Sierra Leone seemed to be looking once again into an abyss.

"We didn't wait for an emergency to be declared. As soon as the first cases were reported in March, we knew we had to start preparing," says Shadi Al-Gerjawi, CEO of Africell in Sierra Leone. A long-time Freetown resident, Al-Gerjawi has led the business since it began in Sierra Leone in 2005. "As news of the outbreak spread, everyone felt hopeless. As far as they could see, the price of infection was ultimate: If you caught the virus, you died."

Nyangei Island, the Turtle Islands, Sierra Leone. The picturesque land, now a tourist mecca, has had a turbulent history.

PHOTOGRAPH: TOMMY E TRENCHARD / ALAMY STOCK PHOTO

As the first cases were reported in and around Kenema, Al-Gerjawi gathered his leadership team for a meeting.

"We decided early on that information was key. The best catalyst for Ebola would be ignorance," he recollects. "If people didn't understand what the disease was and how to avoid it then it would spread like fire."

His team ensured information on risks and safety was understood by staff. Experts from the Ministry of Health were brought in. Grave-faced physicians explained in blunt and graphic detail what staff must do to protect themselves: report symptoms immediately; never touch a victim; whatever you do, do not attend funerals.

Staff were quizzed to ensure the information sunk in. The company created a unique SMS system. For eight hours each day, every 15 minutes, employees would receive an anti-Ebola tip by text message. "UNSUBSCRIBE" was not an option. This digital liturgy, which might have felt Orwellian in ordinary times, meant that Africell staff were as conversant in the axioms of hygiene as any medic.

"Our people had a sound understanding of Ebola," Al-Gerjawi says. "Unlike other Sierra Leoneans who hadn't benefited from that training—and who often, unwittingly, did things that might facilitate its spread, such as handling victims or hiding symptoms—we were in a good position to continue working safely."

As the humanitarian crisis worsened, President Ernest Bai Koroma announced the creation of a National Ebola Response Committee (NERC), bringing various departments and international agencies involved in the response under a single command chaired by the President and operated by the Defense Minister. Though no private companies were members, Africell had a de facto seat at the table.

"We were the biggest mobile company in the country, and one of the biggest employers and taxpayers, so we knew the government well," Al-Gerjawi says. "The government and its international partners realized that our technology, network and on-the-ground knowledge could prove useful and they invited us into the decision-making group."

Africell began by providing phone connections to incoming agencies. Lungi Airport was thronged by foreign doctors, soldiers and bureaucrats who needed access to Sierra Leone's mobile network. They bore medicines, strategies and spreadsheets, but without the communication link, they would be hamstrung.

"The immediate priority was to get these people connected. We activated hundreds of SIM cards, with pre-connected handsets that operated at a fraction of the cost of the bulky satellite phones they brought with them."

Where Sierra Leoneans had had a confusing menu of numbers to call in an emergency, Africell set up an emergency phone line that patched all Ebola-related calls to NERC operators. "The best thing about the emergency line was that, as well as creating a single point of contact, it generated data. We analyzed incoming reports and the findings allowed the government to construct a dynamic picture of how the disease was proliferating."

"It was the doctors and nurses who were in the trenches, but because of radio broadcasting, people who might previously have ignored government advice started to listen."

PHOTOGRAPH: COURTESY OF AFRICELL

SHADI AL-GERJAWI
CEO of Africell in Sierra Leone

Although the ranks of foreign specialists were swelling, the on-the-ground response was still dominated by Sierra Leoneans. They filled most of the riskiest front-line roles: ambulance drivers, nurses, gravediggers. With equipment scarce, villagers sometimes hostile to outside help, and lethal pestilence a daily hazard, these responders faced extraordinary pressure. Maintaining morale was vital.

"We had recently been working on our mobile payment services. When Ebola hit, the potential utility of these services was obvious. The people working at the front line of the crisis needed to be paid. Africell set up a platform for wages to be paid cheaply and on time."

Economic spasm necessitated the delivery of food aid, and the agencies responsible faced the formidable and chaotic task of monitoring exactly who received what. To make sure rations got to the correct people, Africell distributed SIM cards used for identification, smoothing the entire process.

The combustion of a limited outbreak into a flaming epidemic had no single cause, but it was exacerbated by a shortage of at least two resources: hospital beds and quarantine spaces. Beds were important because only in hospitals could victims receive the highly specialized care they needed. Quarantines were important because, without them, doting family members would succumb to the virus themselves. Homes would become mortuaries.

NERC oversaw the construction of more hospitals and quarantine spaces, a task as urgent in the hinterlands as it was in the capital. Government workers, supported by foreign specialists—including a major deployment of British troops—set about erecting the new sites. Freetown's density meant that Ebola erupted there with volcanic force. But the city also benefited from the best pre-existing hospitals. In some more remote areas, adequate care facilities were sometimes entirely absent.

Al-Gerjawi remembers how they tackled that: "Many of the new sites were built away from towns, where mobile coverage was weaker. We shuffled our network to address this. On several occasions, we actually took masts from areas of strong coverage and planted them directly by the new premises—which were sometimes hundreds of miles away. Isolated patients could then communicate with loved ones without risking face-to-face contact. This was wonderful."

As Shadi Al-Gerjawi and his team had predicted in March 2014, information played a key role in the battle against Ebola. But achieving victory was complicated by two factors. The first was that the instructions of health authorities often clashed with traditional custom. Kinship is the organizing principle of Sierra Leone's tribal communities, but behavior required to counter the spread of the disease seemed to defy this. For many Sierra Leoneans, not feeding a sick mother or keeping a dying child at arm's length were unthinkable. Yet that was the advice of the government—plus the WHO, Red Cross, Médecins San Frontières, and other organizations working to stem the epidemic.

The second challenge was the emotionally charged, often irrational criticism faced by the government. Certainly there were areas where government could have been better prepared, but Ebola hit Sierra Leone like a lightning bolt. Tragedy was unavoidable.

Public discourse became a storm of accusation and recrimination. Sierra Leone's airwaves boiled. Callers to radio shows skewered the government, the UN, the Red Cross, foreign soldiers, and anyone else visibly associated with the disease. Conspiracy theorists frightened listeners with outlandish claims.

Strategists in Freetown could see that the angry chorus was inhibiting efforts to convey consistent information about good Ebola avoidance practices. But at the same time, the fevered debate was also to a certain extent caused by a vacuum of information. What was needed was an authoritative source capable of winning the trust of ordinary Sierra Leoneans. Radio was the answer.

"Even though NERC and its subsidiary agencies were working incredibly hard, the war of words was a struggle," Shadi Al-Gerjawi explains. "We brainstormed how we could potentially help public interest announcements cut through. We decided to launch a new, nationwide radio-station effort dedicated specifically to Ebola issues, and to make it available to the government and its partner agencies who were trying to make themselves heard."

It worked. The national network of community radio stations was mobilized and coordinated, beginning in 2014. Previously, a multitude of local outfits displaying little interest in correcting falsehoods had jousted for the public's attention. But now, Sierra Leoneans had a single verifiable source broadcasting Ebola news impartially.

The Africell brand lent familiarity. Popular DJs helped messages resonate in plain language. Spit-flecked homilies were replaced by evidence-backed updates. The government and the international agencies all had designated broadcast slots, including the popular "Join Hands to Drive Ebola Out" program with Joe Bangura, an Africell executive. At reliable intervals, listeners could tune in and learn what they needed to about the situation. As the months passed and listener numbers grew, the cacophony elsewhere subsided.

For eight hours each day, every **15 minutes,** employees would receive an anti-Ebola tip by text message.

"Of course, it was the doctors and nurses who were in the trenches," Al-Gerjawi says. "But because of radio broadcasting, people who might previously have ignored government advice started to listen, comforted by the fact it came from a trustworthy source. The radio contributed to a sense of national unity—that we really were all in this together, working toward a common goal."

By the time it was declared clear in March 2016, the Ebola virus had killed almost 4,000 Sierra Leoneans and infected another 11,000. Those lucky enough to survive had experienced hell. Scarcely any families or communities were unaffected. In addition to Sierra Leone, many lives were lost in neighboring Guinea and Liberia, as well as in Nigeria and Mali. At its peak, the WHO warned of a possible pandemic, enveloping the whole world.

It's three years on and today, Sierra Leone presents a startlingly different picture. The economy is growing. International investment is brisk. Tourists are arriving daily with surfboards and hiking boots. A new democratic government, elected in 2018, focuses on relatively benign matters such as interest rates and infrastructure. Freetown's strobe-lit bars and beachfront crab shacks are busy all day and all night.

Shadi Al-Gerjawi dismisses the notion that the Ebola crisis was vanquished by heroes.

"No," he says. "The notion of heroism in that situation is unhelpful. When people took risks, they caught the virus. And if they did that, they often either died or passed it on. What was needed was discipline. We told colleagues to 'help yourself before you help others.' People were deliberately encouraged to not be heroes.

"We just got on with it. We believe our efforts helped the overall response, and that is great. But we haven't tried to show off. Sierra Leoneans remember the Ebola outbreak, but they don't like to think about it too much. People are focused on the future. When they judge Africell, they judge what we do for them now, in 2019—not what we might have done in the past.

"More than anything else, people care about cheap rates and fast internet. That suits us just fine."◆

SAM WILLIAMS is an Associate with Brunswick, based in Abu Dhabi.

A stack of Brambles' pallets awaits their next trip. Brambles long ago recognized the costly waste of discarded pallets and containers and began renting them. From there the company reinvented itself as a hub for sustainable logistics systems and networks globally.

Sustainability Pioneer

INSIDE MANY BOARDROOMS, THE DRIVE TO REDUCE consumption of natural resources by maximizing their usage is perceived as a threat to growth and profitability. Brambles is evidence to the contrary. The Australia-based company is the world's largest supplier of wooden pallets for the manufacturing and retail supply chain, and its success is attributable to a very early focus on sustainability.

Its 330 million crates, pallets, containers and kegs form the invisible backbone of the global supply chain. Founded in 1875, Brambles saw early on that disposal of crates after a trip or two around the world represented a waste not only of resources but of money. Re-use offered savings for Brambles, its customers and the world.

Decades ago, Brambles devised a system of renting rather than selling its pallets and containers. It's a continually refined system that today moves goods for the likes of Unilever, Walmart and P&G.

Brambles CEO **GRAHAM CHIPCHASE** sat down with Brunswick's **PHIL DREW** and **JORDAN BICKERTON** to talk about Brambles as a sustainability model.

Once a customer is done with the containers, Brambles collects its assets, repairs them and puts them back into circulation. It calls its pallets and other containers a reusable "pool." Essentially, the Brambles model is what people mean when they talk about the circular economy.

Through the management of the world's pallets and other containers, Brambles evolved into a central nervous system of sorts to the global logistics industry. In that role it has seen, developed and implemented supply chain efficiencies for itself and its customers—efficiencies that by definition promote sustainability.

Now Brambles is drawing on its unique visibility of more than 66,000 supply chains, along with advanced data analytics, to help some of world's largest companies become smarter, more circular and more sustainable. It's an initiative called Zero Waste World.

PHOTOGRAPH: LUIS ENRIQUE ASCUI/BLOOMBERG VIA GETTY IMAGES

Brambles CEO Graham Chipchase sat down with Brunswick's Phil Drew and Jordan Bickerton to talk about Brambles as a circular-economy model.

Who are your customers and what challenges do they face?

Our customers range from some of the world's largest consumer goods brands to small-scale manufacturers and retailers. They all aim to move their products through the supply chain as safely, efficiently and quickly as possible. And they have to ensure that the right high-quality products arrive in the right location at the right time, while also reducing additional costs like secondary packaging or warehousing.

We also know our customers are very focused on sustainability. Many of them have set bold and challenging public goals to reduce waste in all its forms, from packaging to empty transport miles to inefficient processes.

How did Brambles come to model sustainability?

Over the past few years, the idea of a circular economy has quite rightly gone mainstream. It aims to design out waste rather than seeing it as an inevitable by-product like it is in today's linear "take-make-dispose" model.

At Brambles, we were one of the pioneers of that approach. We entered the pooling business in Australia in 1958, when we acquired the Commonwealth Handling Equipment Pool from the Australian government. Back then the idea of corporate sustainability was fairly unsophisticated, but manufacturers and retailers were certainly keen to improve efficiency and reduce costs.

Today we've scaled to become one of the world's most sustainable logistics businesses, with 330 million shared and reusable pallets, containers and kegs. By providing our products as a service, we've helped our customers save 2 million tons of CO_2 and 1.3 million tons of waste over the past year alone. We typically reduce waste by 66 percent when you compare us to alternative logistics systems.

At the same time, we've helped customers to lower their overall supply chain costs and to enhance their operational efficiency by replacing traditional one-way or single-use pallets and packaging.

Have commercial and social pressures spurred Brambles toward social purpose?

Sustainability has always been at the heart of this company. Our circular model is core to who we are and how we operate. But we saw a need to articulate why that matters in today's world. That led us to think differently about Brambles as more than a pallet-renting business, but the invisible backbone of global supply chains, connecting people to life's essentials every day.

> "It's been popular with financial communities too. We've had more incoming calls from investors who didn't know our name before, but who are now clear that we are built for the way the world wants to move."

GRAHAM CHIPCHASE
Brambles CEO

And that mindset shift led us to think about what our business is to some of the biggest challenges facing our customers and society. Our business model has always eliminated waste throughout the supply chain. It protects our forests and reduces landfill. But with a step-change in focus from investors, consumers, and civil society groups, we realized that we had a powerful opportunity to work differently with our customers and with industry bodies to drive more change, more broadly, and more rapidly.

That's because our position at the heart of global supply chains has given us a unique view of the pressures the whole industry faces, and how we can make the most difference in addressing these.

It became clear to us that our customers—who represent some of the world's biggest businesses—are being asked to meet growing and changing patterns of consumer demand, and at the same time to shrink the impact of their operations—in the context of climate change, plastic pollution and the need to protect the planet's resources.

What is the Zero Waste World initiative?

Zero Waste World is a new working collaboration for Brambles to partner with our customers to help them build smarter and more sustainable supply chains. We launched in April this year. We went out and asked our people and our customers where we could use our logistics platform to make a difference that would be commercially and socially valuable—how did they see us stepping up over the longer term?

It became clear there is an appetite across the whole industry to work together to address the significant shared sustainability challenges, like reducing waste in its broadest sense, increasing efficiency and improving processes.

And we realized that we had an important foundation for that kind of collaboration in what we had been doing in Europe with transport. Empty running of freight transport and poor weight loading costs Europe around €160 billion annually. And in the US, trucks drive around 50 billion miles without cargo. It's an increasingly problematic source of cost and emissions for businesses.

It happens because trucks are often empty as they return to the depot or distribution center having dropped off their cargo. To tackle that, we use advanced data analysis to identify common transport flows, and then use sharing to almost eliminate inefficient partial loads and wasted miles. Take Danone Waters. Their supply trains between the UK and France were returning empty. By filling this space we generated a new revenue stream for Danone of an initial €140,000 a year—all while reducing unnecessary carbon emissions.

So far we've helped companies save 62.7 million kilometers of empty truck journeys, avoiding more than 53,000 tons of CO_2 emissions and saving millions of pounds for our customers along the way.

Zero Waste World builds on that experience. By using our network visibility and the power of our logistics platform, we're now setting out to help our customers find new ways to crack three big issues: How can they eliminate waste, eradicate empty transport miles, and cut out process inefficiency? The aim is to create value for them, for society, and of course for Brambles too.

What has Zero Waste World achieved so far, where has it been harder than you expected, and how do you hope to see it develop in the future?

We've been delighted with the progress we've made with Zero Waste World over the last year. We had official launches in North America and Europe and generated a lot of fantastic discussions within the industries we support.

The response from our existing customers has been really positive, with many of our biggest partners wanting to work together to identify improvement opportunities within their supply chains.

Our Transport Collaboration offering has also now grown across Europe and into North America, and we've been able to facilitate some great partnerships between customer businesses that have significant mutual benefit. It's also allowed us to have different discussions with our customers at the most senior levels, to extend the focus from being purely a customer and supplier relationship to one that encompasses a shared goal around reducing waste.

And it's been popular with financial communities too. We've had more incoming calls from investors who didn't know our name before, but who are now clear that we are built for the way the world wants to move, and that we're well-positioned to help with the societal trends disrupting our customers and reshaping our sector.

One of the most exciting developments has been on supply chain packaging. We know that companies are trying to reduce consumer packaging, as they come under pressure on marine plastic, for example. But through Zero Waste World collaborations, we've identified an overlooked challenge: the packaging in the supply chain that doesn't ever make it into the hands of ordinary shoppers.

PHOTOGRAPH: JACK ATLEY/BLOOMBERG VIA GETTY IMAGES

In the US, trucks drive around **50 billion miles** without cargo.

So much of this is one-way or single-use, and at Brambles we have the capability to replace that with more sustainable and reusable alternatives. By removing wasteful one-way packaging and cardboard and replacing it with our circular reusable solution, we helped one multinational consumer goods manufacturer eliminate 6 kilotons of waste corrugate and 22 million meters of plastic wrap, while reducing CO_2 emissions by 80 percent and inefficiencies by 30 percent.

It's a great area of focus for us, and we're looking forward to partnering with more customers to scale up our impact together.

What can other companies learn from Brambles' circular economy experience?

One of the things that's clear is the need to continually evolve a company's sustainability focus. It's easy to set targets each year around incremental reductions in water use or CO_2 emissions, but that will not deliver the change that is needed.

Many companies are now moving to a restorative, net-positive contribution. That's very promising, and shows how businesses can help to drive serious environmental change.

That's all part of a mindset shift from inward- to outward-looking, to find shared challenges where companies can collaborate to create commercial and social value at same time. In the case of Zero Waste World, on things like reducing empty transport miles, that's even opened up possibilities for fierce competitors to collaborate.

I think the other crucial thing in this experience is choosing partners carefully. Changing an existing business to join the circular economy is going to be a challenge, but looking for suppliers who provide circular services is an easy way to make a quick impact.

We also need to think more broadly about partnerships. When you're dealing with an issue like waste or transport, and trying to move from a linear to a circular model, that necessarily leads you to think more in terms of ecosystems and networks. So we've found sometimes partnering with companies in our own or adjacent industries gives us significantly more ability to find solutions to major shared challenges that no single company could solve. ◆

PHIL DREW, Partner, and **JORDAN BICKERTON,** Director, are members of the firm's Business & Society practice, and based in London.

MEDICINE WHERE NEEDED

Takeda stood out on the Access to Medicine Index by jumping from No. 15 in 2016 to the No. 5 slot in 2018. To get the story behind that, Brunswick's **BEN FRY** and **WILL CARNWATH** interview Takeda's DR. SUSANNE WEISSBAECKER.

Nearly 30 percent of people have no access to modern medicine, a problem the pharmaceutical industry has been grappling with over the last decade.

Since 2008, the independent nonprofit Access to Medicine Foundation has been measuring pharmaceutical companies' progress in reaching patients in low- and middle-income countries—home to more than eight out of every 10 people alive today. The biennial rankings capture a competitive spirit across the sector, helping to spur action. "Powerful medicines once available only in rich countries are distributed in the most remote regions of the globe, saving millions of lives each year," said a June 2019 New York Times article applauding the progress.

In the 2018 Access to Medicine Index, Tokyo-based Takeda Pharmaceutical stood out from the pack with a significant rise in the rankings, jumping from No. 15 last time round to the No. 5 position.

"The significant shift came when Takeda's Access to Medicines program was embedded into the business strategy and endorsed by our Executive Board," says Dr. Susanne Weissbaecker, Global Head of Takeda's Access to Medicines program. "It's all about how you turn good intentions and good ideas into the difference you make for patients on the ground."

Dr. Weissbaecker is the former Head of Healthcare Industries for the World Economic Forum and a physician trained in Germany and the US. She joined Takeda originally to manage patient programs in Europe and Canada. Her earlier experience working on access issues in emerging markets allowed her to see firsthand the impact that a big company can make. That work became a passion and, as the Global Head of Takeda's Access to Medicines program, she saw the opportunity for driving lasting change for patients.

The program's strategy seeks to ensure patients in underserved communities gain access to quality care and treatment. This means going beyond simply providing medicines to focus on sustainably strengthening health systems at every stage of the patient journey, from awareness and diagnosis to treatment and aftercare. Patients not only receive medicines, but also the care, support and advice that they need.

From 2016 to 2018, Takeda's Access to Medicines program established initiatives in 52 countries and territories, screening more than a million people for cancer, diabetes and hypertension.

Patient Yana Vermigova, 25, in a Takeda facility at the National Cancer Institute, Kiev, Ukraine.

"Our approach to Access to Medicines was built from the ground up," Weissbaecker says. "We knew from the outset that our programs had to be co-created with local partners if they were to be sustainable. Internally, we were able to deeply embed Access to Medicines within the business and be part of the strategic decision-making process."

In 2017, the company brought together its existing Patient Assistance Programs (PAPs). PAPs ensure that underserved patients gain access to cutting-edge, innovative medication they would otherwise be unable to afford. They work by sharing the cost of the treatment between Takeda, the local healthcare system, NGOs and patients themselves—they are means-based, specific to the individual case and, most importantly, sustainable over the long term.

Counterintuitively, they show that building a system in which the patient makes this kind of contribution to treatment is not only more sustainable (as many of Takeda's treatments are lifelong), but also "stickier"—patients are more committed, and more likely to stay on their treatment regimen for the long term.

The coordination of the PAPs brought to light a challenge. "In order for them to work they needed to be part of a broader strategy to address the many additional access barriers in the healthcare ecosystem," says Weissbaecker. "We were also very conscious that there was no one-size-fits-all solution—not only is each patient different, but so is the system they are a part of. We therefore needed to create robust on-the-ground delivery mechanisms that are coordinated and consistent."

The solution was for Access to Medicines to address further barriers to allow patients to access the treatment they need. A key advantage that helped address this was that Access to Medicines is integrated into the activities of Takeda's Local Operating Companies, or LOCs, and supported by the executive team. To help shape the LOC Access to Medicines plans, a series of academies have taken place with the country teams responsible for delivering Access to Medicines activities, to build sustainable roadmaps which look at strengthening the healthcare system across the entire patient journey. As of the end of December 2019, around 1,200 patients have had their lives positively impacted by Takeda's PAPs.

Under Weissbaecker's leadership, Access to Medicines has become a core pillar within the Growth & Emerging Markets Business Unit, driving overall strategy, rather than merely supporting access to treatment.

From the field to the boardroom, Access to Medicines is integrated into Takeda's decision-making.

DR. WEISSBAECKER, Global Head of Takeda's Access to Medicines program.

"This was a big step change for us as an organization. As Head of Access to Medicines and a member of the Leadership Team in Growth & Emerging Markets, I am now part of all of the key decision making for the business processes. This not only gives Access to Medicines a voice, but ensures input into strategic decisions."

Takeda established a KPI specifically on enhancing market access, combining it with Access to Medicines activities. "Access to Medicines is not a nice-to-have charitable activity—it is critical to us. For our colleagues it has become central to their approach, it is not an add-on to their job, but an integral part of it," says Weissbaecker.

A more traditional strategy would attempt a blanket approach to delivering support—but that approach doesn't reflect the complexity and specificity of the challenge at the patient and clinic level.

"Launching any initiative brings with it challenges, but making sure it is integrated into the local healthcare ecosystem and aligned to the unique set of issues faced by a community is perhaps the biggest that we face. What works in one market would not necessarily work in another."

Which is why Takeda developed a tool called Blueprint for Innovative Access, a framework that, while informed centrally, ensures that initiatives are created through partnerships at the regional and local level with stakeholders who understand the local healthcare environment and are best placed to drive maximum impact.

The jump in ranking in the most recent Access to Medicine Foundation Index, says Weissbaecker, "created a sense of pride throughout the organization. Our colleagues see the good that we are doing and how it is being recognized in the outside world. It renews their sense of purpose and helps us to continue to focus our efforts."

That pride helps attract new talent in a world where job seekers are placing ever increasing importance on purpose and the value that a company delivers to society.

"Our Access to Medicines Academies create opportunities for further discussion of our initiatives and help shape our thinking and strategy. Having people solely focused on delivering Access to Medicines is vital, but it requires the support of everyone if we are to create a sustainable approach internally," she says.

"We need to be on the ground, experiencing firsthand the challenges we are seeking to solve, and building trust within communities. I often wish I could be in two places at once as it

Meru County's Oncology Centre & Palliative Care Unit at the Teaching & Referral Hospital—a key partner in Takeda's Blueprint for Innovative Access in Kenya (photo supplied by Takeda's local partner, ICI).

PHOTOGRAPHS: COURTESY OF TAKEDA

is equally important to be meeting with the key international stakeholders to build partnerships and understanding of the issues. It is therefore so important for me to have a team focused on Access to Medicines, and for the whole organization to be united around it."

In the long term, programs such as this work only if their impact is measured objectively and the data is used to inform future efforts. Measurements include not just the quantity of medication provided, but the number of people treated and the strength of the system that enables their delivery.

Takeda is working with Duke University to develop an independent impact measurement framework that will provide up-to-date impact metrics to support live adaptation of programs to react to social developments on the ground in real time. Their ambition is to share this framework with the industry to foster deeper collaboration and ensure that resources are being effectively deployed on an industry basis.

"One of the most rewarding parts of my job is when I get to meet the people that our programs have supported. Having the ability to talk to physicians, patients, NGOs and health ministries about the reality of the barriers these patients face and the impact of our initiatives inspires and motivates me. It helps us as an organization to understand how we make a difference to patients' lives and enables us to ensure that our programs are designed to tackle the specific barriers to access faced by communities or health systems," she says.

As she looks to the future, Weissbaecker believes that it will take collective action by the industry working hand-in-hand with front-line healthcare workers to drive sustainable improvement in the most challenging locations and in regard to the most challenging illnesses.

"With each change that we are able to make, and each success, comes the next need and challenge. I believe that this will never go away. But if everyone works together then we can make a difference.

"The government has to take the lead in building sustainable healthcare ecosystems and moving toward universal health coverage, but every single actor, including corporates, must step in to drive change.

"The system is too complex to allow for any one individual or organization to make a change by themselves. If you change policy, then that doesn't necessarily reflect in the quality of the delivery system, so you need to change all of it—all while considering the voice and needs of the patient.

"So, for me, everyone can contribute, and indeed has to. It should be orchestrated by the government; we should be guided by them so that together we can all make a collective change for the better." ◆

WILL CARNWATH is a Partner and Head of Brunswick's Singapore office. **BEN FRY,** a Director, is also based in Singapore.

ACCESS IN ACTION

BLUEPRINT FOR INNOVATIVE ACCESS is Takeda's guiding framework for specific access barriers. Launched in a trial in Meru County, Kenya, it aims to strengthen healthcare systems in the area, in partnership with Amref Health Africa and the International Cancer Institute (ICI), plus government and other organizations at local, national and regional levels.

IN Q1 2019, OVER 500 COMMUNITY HEALTH VOLUNTEERS were trained to identify early warning signs of non-communicable conditions such as diabetes or cancer.

NEARLY 1,400 WOMEN were screened for breast cancer and 880 for cervical cancer. More than 70 women began treatment as a result.

MORE THAN 200 MEN were screened for prostate cancer—21 of them began receiving treatment.

All screenings were in accessible locations like district hospitals and FREE FOR PATIENTS.

SPENDING 71 DAYS ALONE AT SEA WITH NOTHING MORE THAN THE BARE ESSENTIALS made me understand something for the first time: the meaning of the word finite. My boat was my entire world and what was in it were the only things I had for my survival. I had to manage what I had down to the very last item. Stepping off the boat at the finish line, it hit me that all of us are living in a world dependent on finite resources. • Once I had made that connection, I couldn't put down the thought. I began asking questions; speaking to scientists, economists, academics, business leaders from many different industries all over the world to better understand the way our economy uses resources. One thing that I learned very fast was that the issue isn't just about our dependence on fossil fuels. It's also materials like tin, indium, copper, zinc and silver, which are also ultimately finite. And although no one knows exactly how much of each we have under the ground, it's predicted that some will last us less than a generation. • As I learned more, I began to

LOOKING AT EVERYTHING DIFFERENTLY

adapt my own behavior. I started to buy less, use less, do less, but that alone never sat right with me. Surely this wasn't the answer. Even if everyone on the planet started using fewer resources, that would still just be a way of buying ourselves more time, making the materials we have stretch a little further. I realized the system itself is fundamentally flawed and that we needed to rethink and reshape our entire economic model. We need to look at the whole thing differently. • In natural systems, materials flow in cycles. The nutrients from one species become food for another, organisms live and die, and eventually they are returned to the soil and the cycle starts again. But, as humans, we have created a different system. Our system is linear, extractive and wasteful. We take materials from the planet, make products from them, and throw them away. • What if we created a system that was regenerative and restorative by design—one that reuses resources, rather than using them up? What if the model were not linear, but circular? • From that four-year journey, continually asking questions about how our economy can work in the long term, the Foundation was launched. Our mission is to accelerate the transition to the circular economy. Since we began in 2010, the concept has generated huge momentum. Hundreds of companies are now working to incorporate it; analysts and researchers are

Dame Ellen MacArthur

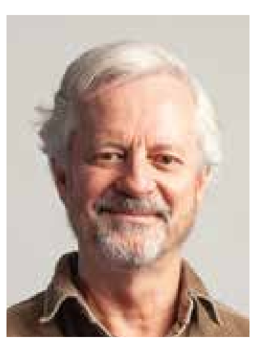
In 2005, Ellen MacArthur became the fastest solo sailor to circumnavigate the globe. Five years later, she set up the Ellen MacArthur Foundation to accelerate the transition to a circular economy.

applying it to design innovative solutions; governments are waking up to the opportunity. And the urgency to redesign our economic model to one that is fit for the future is becoming clearer to everyone.

That's why we're truly excited about the opportunity ahead of us. A circular economy model can be applied to finding new solutions to so many of the global challenges we face, from plastic waste to climate change to biodiversity loss. At the Foundation, we're changing gear because perhaps the greatest challenge of all is adoption at scale. We aim to spread this idea quickly and across the whole economy.

BUILDING a Circular Economy

ANDREW MORLET, Ellen MacArthur Foundation CEO, talks to Brunswick's **CAROLINE DANIEL** about rethinking the global economic system.



Sometimes it's a hobby that can lead to a major career change. In Andrew Morlet's case, it was yachting. Aged 18, as a competitive yachtsman, he once sailed from Western Australia to Cowes. A more conventional career followed in clinical epidemiology and HIV research in the 1980s, and then 30 years as a management consultant at Anderson Consulting and McKinsey.

As a yachtsman, it was impossible for him to be unaware of Ellen MacArthur, who in 2005 broke the world record for the fastest solo circumnavigation of the globe. Eight years later, Andrew had a chance to talk to her from his hotel room in Delaware, where he was on client business. The focus was not on yachting, but her idea of the circular economy. "She was looking for somebody to help engage businesses in what she was doing and take the idea large. I could just see the potential.

"It was a lightbulb moment," he recalls. He quit his job "pretty much the next day" to become CEO of the not-for-profit that bears her name, whose mission is: "to accelerate the transition to a circular economy."

The Foundation has spent the last decade popularizing the concept of the circular economy. It focused first on quantifying the business opportunity and applying the idea to fashion, plastics and food. It now employs 150 people, has forged partnerships with over 500 companies and gained real momentum. "I did a Google search when I started on the topic of the circular economy. There were 50 to 100 references," Mr. Morlet recalls. "Now there are 120 million."

Let's start with a basic question: What is the circular economy?

The circular economy is best defined against the linear economy. We take materials out of the ground, make products that we use for increasingly short amounts of time and then they're landfilled. We take, make and waste at a phenomenal pace because everything is designed to be disposable—even high value, durable goods. Things aren't repairable and they're not made to last very long. We're seeing a tremendous flow of waste through the system. A circular economy takes a different view. Instead of everything being designed for redundancy and disposability, a circular economy designs things to be used for longer and kept in the system so we retain the energy, the materials. After use we can disassemble and repair products, remanufacture components and recycle materials. It's a shift in thinking from an economy that extracts value to one that creates it. It's restorative and regenerative by design. Crucially, the circular economy doesn't aim to reduce the negative effects of the linear economy; it's a fundamental, systemic shift to a new model.

So we're talking about more than recycling?

Recycling is part of it, but the circular economy is a much bigger concept. Recycling today is a process where we try to collect waste. We try to separate out some materials. And we're trying to recycle things that were never designed to be recycled. They're mixed up with other waste; different types of materials fused together. The yields we get from recycling today are incredibly low. So it's part of the circular economy, but the least valuable part. The real value lies in moving upstream in the process to design products from the start to be used many times and then eventually recycled, or composted so they go back to the soil; it's planned for. In fact, in a circular economy the very concept of waste is eliminated.

Why did you decide to use plastics to bring the problem to life?

In 2013 we looked at plastics as an interesting use case. There were high volumes everywhere, but no real data. Our research showed 78 million tons of plastic packaging is produced annually and only 14 percent is collected for recycling—even after 40 years of effort. Only 2 percent goes back into the value chain on a like-for-like basis. Almost a third escapes into the environment. Our report,

PHOTOGRAPHS: COURTESY OF ELLEN MACARTHUR FOUNDATION

In her 2005 race to become the fastest sailor to circle the globe, Ellen MacArthur needed to survive with only what she brought on board. This made her reflect on the finite nature of resources, which set her off on another journey.

In 2010, she launched the Foundation that today is mobilizing action across the world to create a circular economy where nothing is wasted.

PHOTOGRAPH: MARCEL MOCHET/AFP VIA GETTY IMAGES

published in 2016 with the World Economic Forum, showed that if we continue on this trajectory by 2050 there could be more plastic than fish in the ocean. It generated huge media coverage and raised awareness of the problem.

How did you arrive at a systems-wide approach?

We were talking to the CEOs of some of the world's biggest consumer goods companies. They said, we're the largest producers on the planet, with 1 to 2 percent of the volume of plastic on the market, but we can't fix it. We need all the actors across the value chain working together. That meant we had to look at polymer manufacturers, packaging manufacturers, brands, retailers, cities, the collecting, sorting, recycling infrastructure: the whole system from end to end. The only way to address this challenge is to get collaboration across that system to agree on a common approach. What we're looking to achieve is business-led global transformation of industrial systems —and that can only really be achieved in this way.

How did you get started on this?

Because no single company could address it, we got 45 companies across the value chain, with cities and governments, to explore how we create a system solution that could scale globally. You had multinationals designing products in Cincinnati and selling them in Delhi—so you need a global perspective on these material flows. No mechanism existed to do that, so we created one. That was Project Mainstream.

To be quite honest, in the first year we didn't know how to approach it. It was frustrating because everybody was trying to drive to a solution very quickly and promoting pilots and initiatives. We knew none of those ideas had any hope of scaling. We kept resisting it. They were the worst professional meetings I'd ever been in. I was sure we would never get to the next one. But we did get to the next one; everybody was there.

What was your role as a foundation in helping to bring people around the idea?

We built a team of ex-consultants who were deeply analytic, committed, unstructured problem solvers. What was unique was we weren't engaged in a project. We had our mission and the luxury of being able to spend time on a problem in an open-ended way to find solutions that were comparable to the scale of the challenge. We resisted saying we'll come back with a report in eight weeks and we'll have an answer. We kept everybody in the room until we came up with something that made sense.

Given the essential need for systems change, what can any individual company do?

The very first thing is the recognition that the circular economy approach is not about incrementally

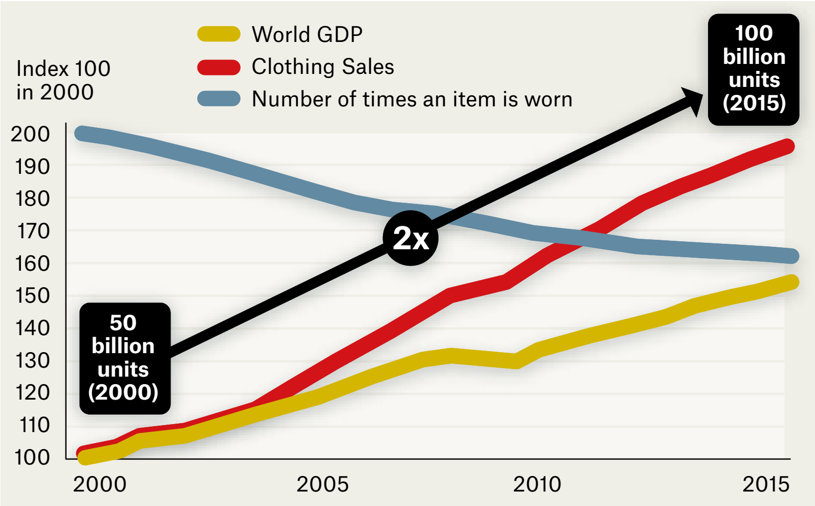
The THREE PRINCIPLES of a circular economy:

Design out waste

Keep materials and products in use

Regenerate natural systems

RETHINKING TEXTILES



GROWTH OF CLOTHING SALES AND DECLINE IN CLOTHING LIFESPANS SINCE 2000

The fashion industry is an illustrative model for the shortcomings of the linear economy. Textiles and clothing are a fundamental part of everyday life.

Globally, the $1.3 trillion clothing industry employs more than 300 million people along its entire value chain, making it an important part of the world economy.

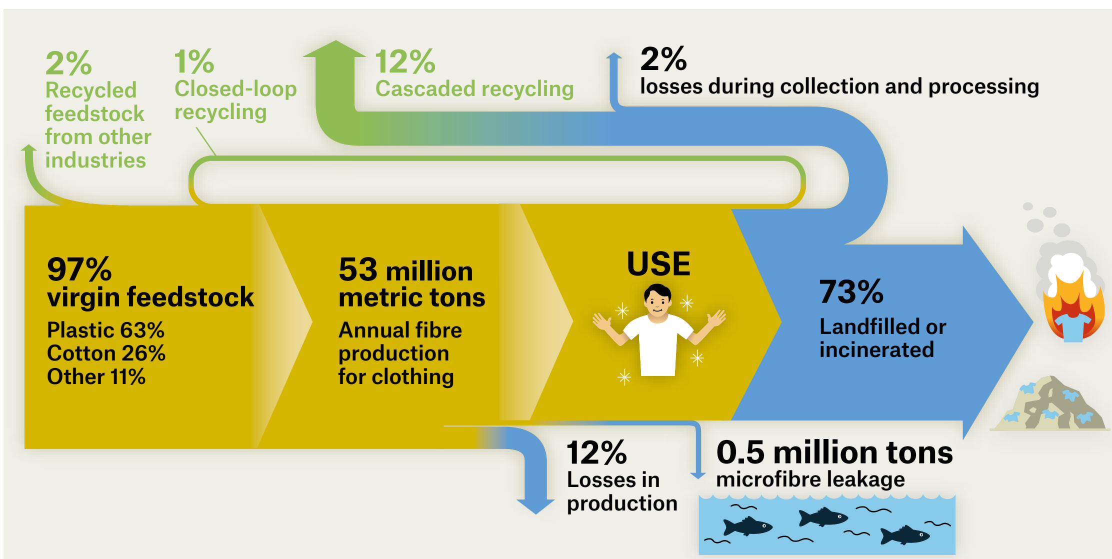
In the last 15 years, the industry has doubled production, while the average lifespan of an article of clothing has fallen significantly.

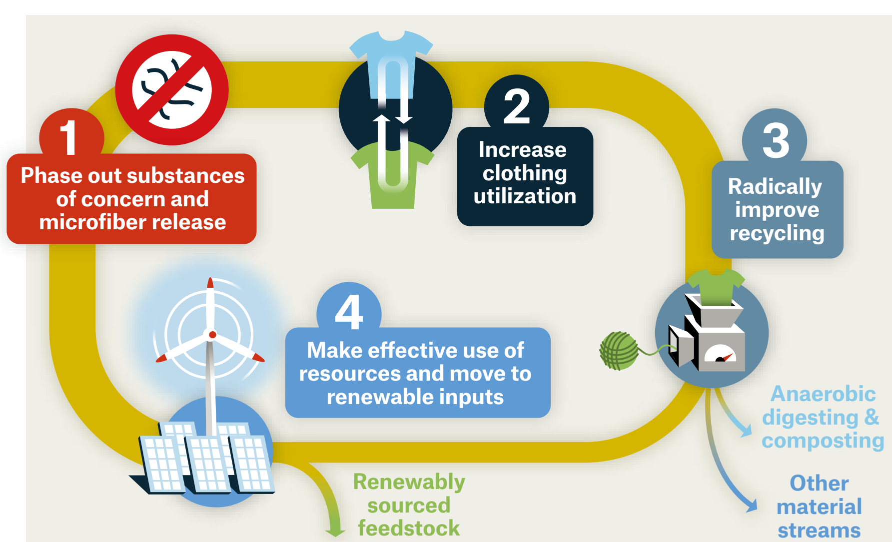
Fashion and apparel are also a leading industry for greenhouse gas emissions.

In 2017, The Ellen MacArthur Foundation published a report outlining how the fashion industry could deliver better economic, societal and environmental outcomes.

FASHION TODAY: GLOBAL MATERIAL FLOWS IN 2015

Less than 1 percent of material used to produce clothing is used to make new clothing. Along with underutilization of clothes, this represents a loss of more than $500 billion a year. In 2015, emissions from textiles production totalled 1.2 billion tons of CO2, more than those of all international flights and maritime shipping combined.





AMBITIONS FOR A NEW TEXTILES ECONOMY

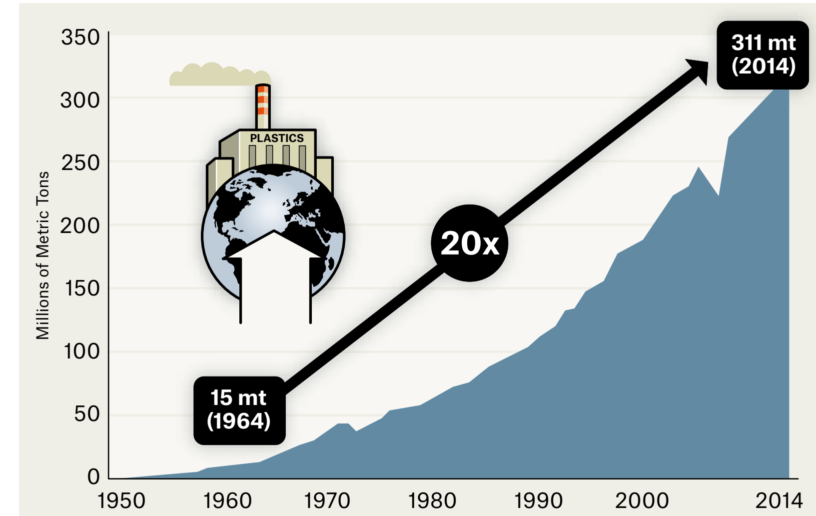
"The time has come to transition to a textile system that delivers better economic, societal and environmental outcomes," The Ellen MacArthur Foundation wrote in 2017.

In its drive to "make fashion circular," the Foundation has outlined FOUR AMBITIONS for businesses and governments to work toward:

- Phase out substances of concern and microfiber release;
- Transform the way clothes are designed, sold and used to break free of their increasingly disposable nature;
- Radically improve recycling by transforming clothing design, collection and reprocessing;
- Make effective use of resources and move to renewable inputs.

INFOGRAPHICS: PETER HOEY

RETHINKING PLASTICS



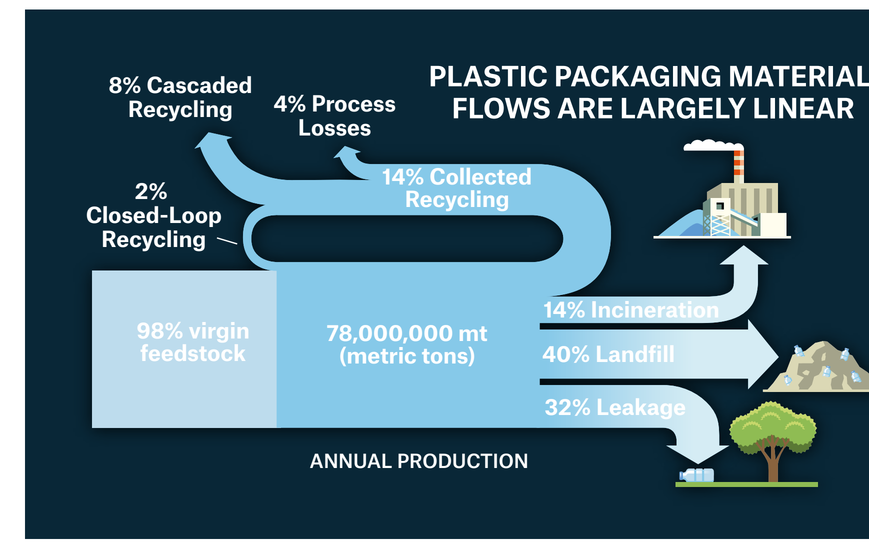
GROWTH IN GLOBAL PLASTICS PRODUCTION 1950-2014

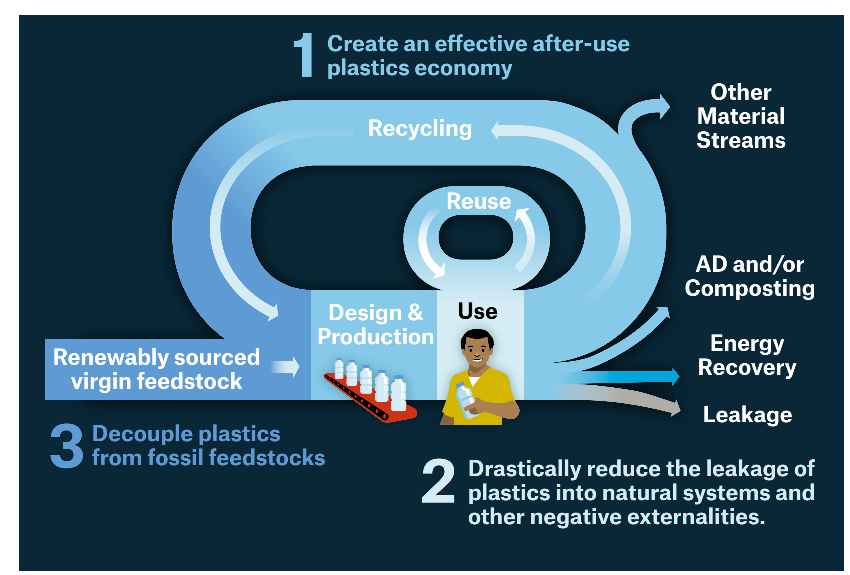
In an oft-repeated line from the 1967 film, "The Graduate," a young college student hears career advice from a middle-aged businessman: "I have one word for you, Ben: plastics." From a profit perspective, Ben might have done well to heed the advice. Since the mid-'60s, the industry has grown enormously, and is estimated in 2020 to be worth over $650 billion. Yet while plastics are, in theory, one of the easiest materials to recycle, the variations in its makeup and use, coupled with laissez faire attitudes toward waste of all types, has created an overwhelming problem: Plastics in the environment have skyrocketed from 15 metric tons in 1950 to 311 metric tons in 2014.

PLASTICS TODAY

After a short first-use cycle, 95 percent of plastic packaging material value, or $80 billion to $120 billion annually, is lost to the economy. Only 14 percent is collected and only 2 percent becomes packaging again.

The Ellen MacArthur Foundation realized that the problem required more than a remedial plan to deal with waste; what was needed was a fresh approach to the system of product design, manufacture and distribution.





A NEW SYSTEM WHERE PLASTIC NEVER BECOMES WASTE

In 2016, the Ellen MacArthur Foundation launched its New Plastics Economy initiative, looking to rally businesses and governments to apply the principles of a circular economy to plastic use and production.

The graphic at left outlines the three core ambitions of that shift.

Each of the ambitions requires significant changes and commitments. "Even with today's designs, technologies and systems, these ambitions can already be at least partially realized," the Foundation published in a report launching the initiative.

Their argument is that such steps deliver benefits both to the environment and the economy, as much of today's waste represents inefficiency.

reducing the harm of a linear product. This is not the typical understanding of sustainability: How do we lightweight something or reduce the negative impacts? This is re-thinking the way to deliver products or services. It requires a shift in business models.

As a company, that means the first thing is to think about what need are you meeting? How could you do that in a different way that aligns to the principles of the circular economy, keeping those products or materials in use and in the system longer?

Are there big companies that are doing this well?
At Philips, for example, they shifted their thinking from selling lightbulbs for business-to-business applications and they're now selling light as a service. You can buy 400 lumens of light at desk height on a subscription service. They own the lightbulbs that now last ages and the fittings, and you pay for the energy. It's become a new company call Signify and they're incentivized in an entirely different way.

Another is Caterpillar, which manufactures heavy equipment for mining industries. They now design the engines or entire truck to be efficiently upgradable and re-manufacturable. By design, it's become a piece of equipment that can stay in use for very long periods and they've built an information system to predict when it needs to be repaired.

Danone supports large scale, regenerative agricultural practices, which build soil health and increase biodiversity, and has pioneered the use of financial instruments to help farmers adopt such techniques. It is also using food design and innovation along the value chain to develop products that are not only healthy but also circular.

And what about small companies, can they play a role?
Certainly: The circular economy works equally for any type or scale of organization, companies large and small. In fact, small companies are becoming disruptors of the "disposability" approach: for example, offering digital subscription services for soaps or cleaning products, where you get one container and subscribe to refillable concentrates. There are fashion startups creating better-designed clothing or re-purposing older clothing. The RealReal is creating secondary markets for luxury goods and has now become a $2 billion startup in just eight years.

With so many companies signing on to the idea, how do you hold them to account to act on it?
You're right. That is why we are building data underneath companies that partner with us. We recently released the first report that underpins the Global Commitment where companies declare the amount of plastic they put on the market and the amount of recycled content in their plastics packaging. They have made a commitment that by 2025 100 percent will be recyclable, compostable or reusable against a standard set of definitions that we have built into this commitment. We can track that over time: it's open and public. Companies want to show they recognise they're part of the problem and can also be part of the solution. This issue of transparency is only going to get more attention. People will reward the companies that can prove they help.

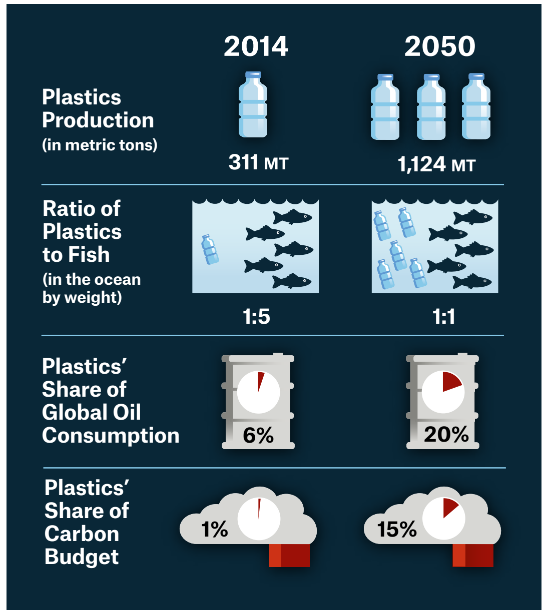
> "We need to design for people in ways that enable them to participate constructively as part of the system. Not as consumers, but as people."

Why are financial services your next focus?
We began with plastics, fashion and food as demonstrators. We see finance as a propellant over the top of everything. We want to re-orient thinking toward stimulating and supporting companies transitioning in this way. How do we provide investment incentives for companies to do more of this activity? Our recent BlackRock partnership is important because it signals that the world's largest asset manager and institutional investor has recognized this is a topic. BlackRock has developed an investment product around keeping material flows in the economy.

Beyond business, how are governments helping this? Is any country leading?
When we started the Foundation in 2010, the only references we found for circular economy were from China; it had been part of the country's Five-Year Plans since 2006. We were asked to provide input and the EU picked up on the concept in 2012 and adopted an action plan in 2015. That led to several European countries developing their own national roadmaps, starting with Finland. The idea gained momentum and spread to Denmark, the Netherlands, Slovenia, France and several others. There's now momentum beyond Europe's borders as well, with Chile and New Zealand, to name but two, working toward circular economy national strategies.

How urgent is it that change needs to happen?
To give you an idea of the scale of the challenge, our linear global economy is set to quadruple by 2050: This has massive implications. Imagine the material consumption associated with that and the impact on finite materials. Research on plastics shows even if we model the most optimistic case for infrastructure, waste collection and re-use against that quadrupling, we're going to double the volume of plastics by 2040 and leakage will triple—which is scary.

INFOGRAPHIC: PETER HOEY



MORE PLASTIC THAN FISH IN THE OCEANS BY 2050

At the 2016 World Economic Forum, the Ellen MacArthur Foundation shared a report with projections and statistics that still define the plastics discussion today. The most memorable figure was that, if nothing changes, by 2050 the amount of plastic in the ocean will outweigh the amount the fish. The figure was shared on social media with this graphic, and remains one of WEF's most shared pieces of content ever.

If you think of all materials in the periodic table, today we're attempting to recycle only about half a dozen; everything else we're burning through. In the process we're devastating and polluting natural systems, often with persistent toxins, globally. And, if the world is going to meet the climate targets set out in the Paris Agreement, we will need to fundamentally reshape how we design and use products like cars and buildings, and how we grow food and manage land. Our analysis shows that 45 percent of global greenhouse gas emissions stem from these areas, and that shifting to a circular economy model can play a big role in reducing them. Ultimately, circular economy is a framework for systemic solutions that address these existential global challenges.

How does innovation play into the challenge of managing that growth?
One of the most critical is the bio-material and renewable materials agenda. We urgently need plastics that are bio-sourced and biodegradable. They don't exist with the technical qualities needed to introduce them at scale. You can apply that to all sorts of materials in the economy. The materials backbone of society must become more renewable, and fourth industrial revolution technologies hold great potential for enabling this shift. This represents a real opportunity for directing future innovation in a way that could create the possibility for a more regenerative, bio-biased economic approach.

Who are you looking to work with now to help to scale this transition?
We're looking at the design community as a new scale agenda for us. Everything we use is designed. We need to get the circular idea into the heads of designers. There are 160 million designers who have a role in shaping the world around us, the products that hit the market. We want to get to half of them in the next six years with the basic idea and engage 20 million designers with the tools to apply circular economy thinking into their daily work. We think this has the potential to scale our impact in a way that starts to match the nature of the challenges that we face.

> "This issue of transparency is only going to get more attention. People will reward the companies that can prove they help."

You haven't mentioned the role of consumers—where do they fit in?
Personally, I do what I can. I try to use less plastics and re-use things. But like everybody else I'm massively challenged, because the systems don't work. I stand in my kitchen with plastics packaging I've no clue what to do with it—and I've been researching this stuff for years. I had a printer, two and a half years old, completely unrepairable. I took it to the tip and I'm heartbroken. I struggle with it.

At a broader level, firstly we need to stop calling people consumers—this is linear economic language—and get back to calling people, people. Everyone seeks products based on low price and convenience, and people act within systems they are given. That is why we need to design for people in ways that enable them to participate constructively as part of the system. Not as consumers, but as people. We need to help people get behind those companies who are doing this well.

How do we sum up the challenge from here?
We have the world's largest companies saying the circular economy isn't an if or a but; it's a when and a how. We have more leading businesses and governments getting behind this; it's on the G7 and G20 agendas. The challenge is to move—at pace and at scale—from understanding the concept to making the transition happen—shifting the economic model that we're locked into from a capital, process and business model perspective to one based on a whole new way of delivering products and services. We have to make this shift and do it with unprecedented urgency. The good news is we know this scale and pace of change can be done and has been done before—the technology enabling the global economy as we know it emerged over the past 20 years. The challenge now is to point it in the right direction and transform it to be regenerative. ◆

CAROLINE DANIEL is a former journalist with the Financial Times and a Partner in Brunswick's London office, specializing in media and technology.

BRUNSWICK SOCIAL VALUE REVIEW - NO. 1 - 2020

ILLUSTRATION: FRANCESCO BONGIORNI

PITFALLS of PURPOSE

Businesses face reputational risks when rushing to demonstrate social value. Brunswick's JON MILLER and MEAGHAN RAMSEY examine how to avoid them.

On September 13th, 1970, about 100 spectators in New York City watched roughly that number of competitors run laps around Central Park on a surprisingly warm Sunday. That same day, in one of the city's leading newspapers, an economist published a 3,000-word opinion piece that ran between articles on a Long Island yacht club and Prague's art scene. Both the op-ed and race, unmemorable as they might have seemed, instead became globally significant in their respective fields.

The runners were competing in the first New York City Marathon, now the world's largest event of that distance, which more than 52,000 people from 129 countries finished last year.

Milton Friedman's article in The New York Times, on the other hand, is credited with helping launch the doctrine of shareholder primacy that would become the guiding theory of the American marketplace. The beliefs outlined by Mr. Friedman, who would win the Nobel Prize six years later, informed how US companies were governed and legislated, and until recently, how business leaders were incentivized and evaluated. For all of its academic and intellectual underpinnings, the core of Friedman's argument was simple: "The social responsibility of business is to increase its profits," he wrote. And business should pursue that purpose "so long as it stays within the rules of the game."

That Friedman's article was controversial enough to merit being published reveals that even in 1970 there was debate about such a narrowing of corporate purpose. Today, that debate has escalated and intensified, as an increasingly vocal and broad-based chorus objects to such a narrowing of corporate purpose, and believes that the creation of social value alongside financial value is an essential part of a company's *raison d'être*.

In an article titled "Capitalism's watershed moment," the Financial Times summarized the prevailing sentiment in late August this year, namely that corporate profits were being purchased with increasingly unjustifiable and unsustainable costs to the environment and modern societies—"business as usual just won't cut it anymore."

Since Mr. Friedman's article first came out, the global average temperature has increased by roughly 0.3°F per decade and the rate of warming has almost doubled, according to NASA's Earth Observatory. Over that same stretch, CEO compensation in the US grew by more than 940 percent while the average worker's wages increased by only 12 percent, according to the Economic Policy Institute. A string of corporate missteps and scandals reinforced a belief that businesses both cause and profit from societal problems, and aren't incentivized (and therefore not interested) in solving them—think of private data being sold and shared; foods and medicines being misleadingly marketed; bankers asking for bailouts while receiving bonuses.

In recent years, BlackRock, State Street and Vanguard—who have a combined $14.95 trillion in assets under management—have pressed companies to articulate their social purpose. The idea has found its way into curricula at leading business schools—one Harvard Business School course is called "Reimagining Capitalism: Business and Big Problems." Leading news outlets have dedicated newsletters and journalists covering the intersection of business and society—the FT's Moral Money; Bloomberg's Good Business—and consumers are even starting to prioritize brands they believe have a purpose.

The pressure is also coming from within companies themselves. A LinkedIn survey of 26,000 workers across 40 countries found that three in four wanted to find work that delivers "a sense of purpose," and employees at large companies have publicly protested their company's stance on everything from gun violence to political affiliations.

Companies have responded by trying to demonstrate that they are aware of these problems—in 2018, 86 percent of Fortune 500 companies published reports on the environmental and social impacts of their businesses, compared to 2011, when just under 20 percent did—and that they can be part of the solution. In September 2019, more than 180 CEOs signed a new "Statement on the Purpose of a Corporation," signaling that their companies—which collectively represent $7 trillion in annual revenue—would now work for "the benefit of all stakeholders," not just shareholders. That statement from the US Business Roundtable stands as perhaps the most forceful and formal recognition that a new paradigm is upon us: Shareholder value, the sole corporate north star for generations, is now part of a much larger constellation.

PURPOSE IN ACTION

A 10-YEAR STUDY OF 50,000 BRANDS found the highest-performing brands to be purpose driven. Alan Jope, CEO of Unilever, has reported that "our 28 brands with purpose are growing 69 percent faster than the rest of our business, delivering 75 percent of our total turnover growth."

While the link between profits and purpose may not be hard to prove, it stands to reason that employees and customers—and increasingly even regulators and investors—treat purpose-driven companies more favorably than purpose-lacking competitors.

WHERE PURPOSE INSPIRES SUSTAINED GROWTH

APPLE "At Apple, we believe technology should lift humanity and enrich people's lives."

- Among the other ways that Apple's purpose has been made real is in its product—the idea of making their products accessible and easy-to-use for people who aren't "tech savvy."
- Since 2001, Apple's stock price has grown by 15,000 percent, making the company worth $1 trillion.
- Apple sells 18 percent of smartphones globally and earns 87 percent of smartphone profits.

LEGO "Our ultimate purpose is to inspire and develop children to think creatively, reason systematically and release their potential to shape their own future."

- In 2004, LEGO was in a crisis of identity and declining profits. That same year, Jorgen Vig Knudstorp became CEO.
- He told the FT that he broke down his 12-year tenure as CEO into five phases. The first was "survive," the second was rediscovering and refocusing on "purpose" (followed by "let growth loose").
- The company posted increasing net profits every year over the following decade, and today Lego is the world's biggest toy brand.

DANONE "Bringing health through food to as many people as possible."

- The company, which sells a range of diary and plant-based products, as well as water and baby food, has aligned its purpose with its products.
- As consumers pay greater attention to what goes into their food, Danone's long-term dividend in Europe nearly doubled between 2004 and 2014.

IKEA "To create a better everyday life for the many people. Our business idea: To offer a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them."

- As the company has opened stores around the world and sold its products online, its products continue to reflect the company's purpose.
- In 2001, the company's revenue was €10.4 billion; it has increased every year since, exceeding €38 billion in 2018.

A PURPOSE STAMPEDE

Companies are coming to terms with this new paradigm. Many are hurrying to create purpose statements—a practice so widespread that a Forbes article termed it "a purpose stampede." They are eager to position themselves as part of the solution, and are keen to avoid being seen as part of the problem.

However, companies may be disappointed when their shiny new purpose statements are greeted with skepticism by internal and external audiences. The sudden enthusiasm to play a positive role in society can be greeted with a collective "you must be joking."

"Purpose is not a mere tagline or marketing campaign," BlackRock's Larry Fink wrote in a 2019 letter to fellow CEOs. "It is a company's fundamental reason for being, what it does every day to create value for its stakeholders." However, depending on how it is approached, a company's purpose can fail to connect to the core of the business. In our experience, it can miss the mark and fall into five common pitfalls:

BUSINESSES HAVE A CLEANLINESS PROBLEM. Their reputations are prone to stain, their tactics decried as "dirty," and their ethical track record, in the eyes of many, remains spotty. As more businesses communicate how they are a force for good in the world, they face mounting accusations of "washing" their reputation. Below are five of the most common charges leveled:

PURPOSE WASHING: When a company's purpose sounds noble but rings hollow or bears no relation to what the business actually does.

WOKE WASHING: To "stay woke" is essentially to remain socially aware. To accuse a brand of "woke washing" is to charge it with burnishing its reputation—or sales—by injecting itself into a cultural controversy in which the brand lacks the credibility or authenticity to engage.

GREEN WASHING: When a company seeks recognition for being more environmentally friendly than it really is.

IMPACT WASHING: The impact-investing industry, where investors seek financial returns while addressing societal issues, exceeds $500 billion. "Impact washing" is when investors characterize benign investments as being socially conscious.

PINK WASHING: The term originated almost 30 years ago, when the nonprofit Breast Cancer Action condemned companies claiming to help those suffering with breast cancer (who wore pink ribbons as a symbol) when in fact those businesses were profiting off the disease. Pink washing now encompasses companies pledging support for the LGBT+ community in transparent attempts to gain the community's favor or business.

The Five PITFALLS OF PURPOSE:

1. They sound meaningless. Purpose statements have been criticized for being hyperbolic, platitudinous, simplistic or simply, as one anonymous investor put it, "bullshit." They tend to blend vagueness with grandiosity, full of statements such as "to empower every person," "to unlock potential," "to enable progress" or "to live life to the fullest." In short, they are bland and fail to provide any real direction.

2. They lack differentiation. Usually the reason a company exists is also why its sector exists. Mining companies, for example, talk about "human progress," "a better future," "improving lives," or "society's changing needs." Health companies tell us about "helping people lead longer, healthier, happier lives." These are all noble aspirations, but they feel generic and often dissonant with people's experience of these companies. People want to know what *this* company stands for.

3. They're disconnected from corporate strategy. A global survey of executives by EY found most leaders believed a strong sense of purpose is important for a company's success—and yet less than half said their company had or was trying to develop a sense of purpose. Too often, people think of purpose as something peripheral to the core of the business—or even talk about it as a "higher purpose," as if it were floating above the business itself. Purpose must be rooted in the activities of the business—its products and services, its processes and practice—or it will be seen as an insubstantial marketing exercise.

4. They're disingenuous (purpose washing). The Nation, a US weekly magazine, labeled the new wave of purpose statements as "empty promises and self-serving slogans." Alan Jope, the CEO of Unilever, wrote earlier this year that "green washing, purpose washing, cause washing, woke washing" were "beginning to infect our industry." This suggests companies are deliberately overstating the case; touting a purpose the company does not mean, and cannot fulfill, in order to look good.

5. They highlight dissonance. At the heart of any critical reputational crisis is a dissonance between what a company says and what it does. For example, talking about helping people live better lives while your products make them less healthy will ultimately result in a threat to your license to operate. A purpose statement must recognize the real impacts a company has on the world, or it risks leading to reputational damage.

ILLUSTRATION: FRANCESCO BONGIORNI

GETTING IT RIGHT

Real commercial benefits can flow from successfully navigating these pitfalls. A compelling purpose statement is a meaningful articulation of a company's role in the world. It must capture not just why a company exists, but also what it does—its products and services—and how it operates.

Arriving at a meaningful purpose statement requires working across the business, at all levels, from the boardroom to the shop floor. It also calls for a realistic assessment of the role the company plays in the big issues that are relevant to it. In our experience, articulating a company's purpose requires a blend of qualitative and quantitative, top-down and bottom-up, outside-in and inside-out.

Defining a purpose statement is only the beginning. It must be embedded with internal audiences in a way that gives them a sense of ownership and even inspiration. External campaigns must convince those audiences that the company has a sincere ambition to have a positive impact on the world. In short, act like you mean it: If purpose isn't properly activated internally and externally, it will ring hollow.

The challenge facing most businesses isn't in the poetry or brevity of their purpose statement, it's that the statement they have isn't believed or is deemed insufficient. That means the most important step is to ask tough questions to clarify what your company stands for, and what you're willing to do to demonstrate it.

Nearly 40 years after his victory, the fireman who won the first New York City Marathon was asked how the race had changed. "For the good of New York City, for the good of running, and for the good of the marathon," he answered. It seems most every stakeholder group is asking different versions of that same question to businesses today: How have you changed? Businesses have an opportunity to deliver a similarly compelling answer—they'll just need more than a well-worded purpose statement to do it. ◆

Not This...	...But This
Simply "why"	What the company does and why that matters
A strap line	A point of view about your role in the world
Just marketing or HR	A dialogue with a wide range of stakeholders
Peripheral to the business	Within the core business and aligned social investment
Too abstract or grand	Focus on making tangible positive impacts
How good you are	A position on your contribution to society
About you	About the issues that matter to the world

JON MILLER and **MEAGHAN RAMSEY** are Partners in Brunswick's Business & Society practice, and based in London.

EXPECTED TO LEAD

BUSINESS LEADERS are looking afresh at purpose, in part, because they sense a lack of trust. They are right. The trust problem runs deep. Our research found that when businesses act on societal and environmental issues, people remain cynical about their motivations. We asked which of the following statements they agreed with more:

- **Businesses get involved in societal and environmental issues mainly for publicity and to make themselves look good.**
- **Businesses get involved in societal and environmental issues mainly because they want to make a positive difference.**

In the UK, 71 percent chose the first option—with similar responses in the US, Italy, Germany, Brazil and South Africa. Of the eight countries surveyed, only businesses in China and UAE were trusted by a majority of people.

29 % AGREE BUSINESSES IN THE UK ARE HONEST AND TRUSTWORTHY

	US	Italy	Germany	Brazil	South Africa	China	UAE
Agree	31%	21	25	40	27	67	62
Disagree	33	36	26	32	42	6	15

It's not only that people don't trust faceless businesses—they don't trust the faces leading them.

A BRUNSWICK INSIGHT SURVEY

OF MORE THAN 8,000 PEOPLE ACROSS EIGHT COUNTRIES FOUND THAT ROUGHLY SEVEN OUT OF 10 PEOPLE EXPECT ACTION ON ALL THREE ASPECTS OF ESG.

JEREMY RUCH is a Director and **ALICE CHILCOTT** is an Executive with Brunswick Insight, the firm's opinion research, measurement and analytics arm. Both are based in London.

Fewer than half of the people we surveyed across the UK believed leaders were genuinely interested in serving society.

Who do you think leaders of the largest businesses in your country serve well?

Themselves	89%
Investors & shareholders	84
Customers	73
Employees	56
Local communities	50
Society as a whole	47

However, when asked if business has a role to play on major societal issues, the answer—overwhelmingly—is yes. People expect businesses to act.

Should business leaders help address...?

BIG ENVIRONMENTAL CHALLENGES	74 % SAID YES
BIG ECONOMIC CHALLENGES	69 % SAID YES
BIG SOCIETAL CHALLENGES	67 % SAID YES

Businesses that meet these expectations are the ones that stand to rebuild trust. However, doing so will require actions, not only words.

ALT-CAPITALISM

From the founding of B LAB in 2006, the "benefit corporation" has inspired a growing movement. Is it a niche, or the future of business? Brunswick's **CARLTON WILKINSON** reports.

Capitalism or socialism; for-profit or nonprofit; free market versus state-run… Always, the argument around balancing economic prosperity and fairness is framed so: an either-or choice.

In the last 14 years, however, the foundation of a third way has been adopted by businesses of all sizes, including multinationals: the "benefit corporation." Under legal corporate structure in 37 jurisdictions in the US and dozens of others around the world, a benefit corporation is defined as a for-profit, capitalist model that has social purpose and service to multiple stakeholders, not just shareholders, as its mission—not simply suggested as a good idea, but actually required under the terms of its charter.

While most benefit corporations are small enterprises, the rise of ESG reporting in recent years has given the concept new relevance and the ranks of certified benefit corporations, or B Corps, have swelled. Lately, even some large multinationals have begun to turn themselves into benefit corporations, with Danone North America joining the ranks in 2018. Danone CEO Emmanuel Faber has publicly committed to converting the entire $51.2 billion global conglomerate to B Corp status by 2030.

The idea behind the benefit corporation was born out of frustration after two US entrepreneurs, Jay Coen Gilbert and Bart Houlahan, sold their successful basketball shoe company, AND1, in 2005. The company's progressive attitude in its treatment of employees and its relationship with the surrounding community were key elements of the founders' vision and AND1 was wildly successful, rising in 10 years to a market position just behind Nike, the No. 1 basketball shoe company in the US.

Within months of the sale, however, the proud founders watched as the new owners restructured to favor investors, steering away from the company's other existing stakeholder agreements and its long-term strategy in favor of short-term gains.

That difficult experience highlighted something the founders already knew: The business world was too heavily skewed toward shareholder profits, while ignoring other stakeholders—employees, communities, customers.

Wanting to do more for the good of society, the two partnered with financier Andrew Kassoy and set out to create a new category of business, one that could legally frame a business's commitment to a stakeholder approach, while providing a standard by which to measure that commitment.

B Lab emerged out of that effort.

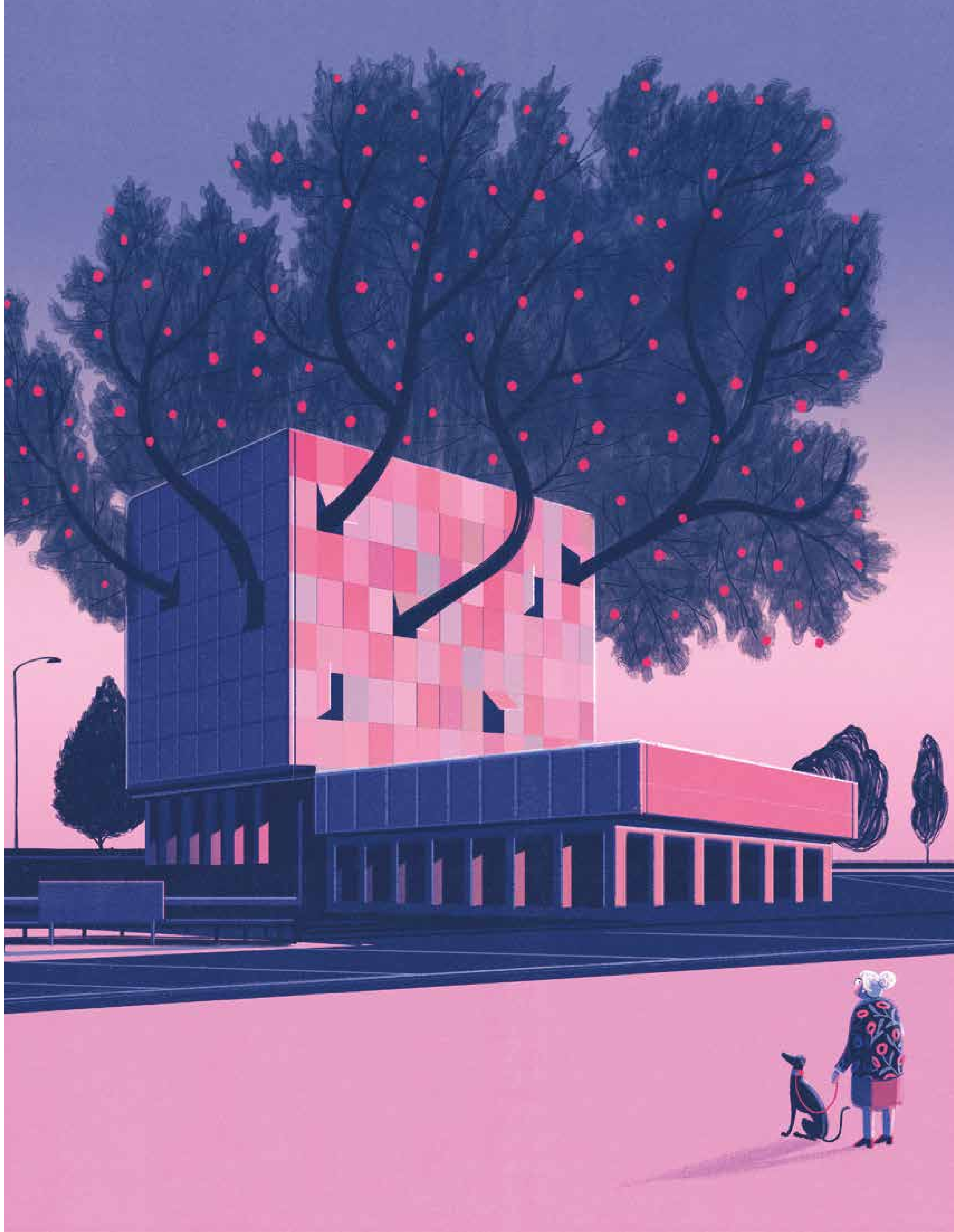
Historically, the burden of ensuring all members of society were treated fairly has fallen on governments and nonprofits; the function of business was relegated to the task of creating value solely through goods and profits. But increasingly, that thinking is being challenged.

"The consensus is that the role of business needs to be looked at long and hard," says B Lab UK Executive Director Chris Turner, in an interview with the Brunswick Social Value Review. "A different model needs to be on the table. Our role is to demonstrate the alternatives."

GATHERING MOMENTUM

Founded in 2006, B Lab is a nonprofit that helps craft legislation for benefit corporations in jurisdictions all over the world. The legal framework allows a for-profit company to state an ongoing commitment to providing social value beyond

ILLUSTRATION: FRANCESCO BONGIORNI



making products and profits, and sets up a system for reporting results. B Lab follows up by certifying companies in compliance with a set of standards shared by all benefit corporations.

B Lab certified the practices of 82 companies in 2007. In 2010, Maryland became the first state in the US to allow companies to register as benefit corporations. Delaware, the seat of corporate law in the US, passed benefit corporation legislation in 2013. Today, the list of certified B Corps numbers over 3,100 in 71 countries.

In the early days, B Lab and ESG concerns in general met considerable resistance. However public frustration around issues such as the climate crisis and wealth inequality have helped turn the tide. Researchers in a 2016 Harvard Business Review article noted that "evidence suggests that key elements of the industry environment—ranging from CSR initiatives and sustainability trademark applications to layoffs and growing income inequality—provide fertile soil for the growth of alternative organizational forms."

In August, the influential CEO group Business Roundtable released a statement that, for the first time in at least 30 years, broadened the focus of a corporation: "While each of our individual companies serves its own corporate purpose, we share a fundamental commitment to *all* of our stakeholders," its statement reads, emphasizing the word "all." Since 1997, the group has publicly held the opposing view that a corporation exists "principally to serve shareholders."

"There is an awakening that has taken place in terms of citizens at large, realizing the role business plays and realizing ultimately that they can hold businesses accountable," Mr. Turner says.

Noting that growing market pressure, some companies have made superficial efforts to brand themselves as responsible citizens without much in the way of substantive changes—a practice criticized as "greenwashing." The flood of positive-impact marketing threatens to drown out the work of truly mission-driven companies. And that is precisely where B Lab's efforts shine brightest.

B Lab and a group of B Corp certified companies took out a full-page ad in The New York Times with an open letter calling on the Business Roundtable CEOs to back up their new stance with real reform. Citing the positive impact of its certified companies, the letter points to continued resistance from investors, and says, "stakeholder governance builds trust and builds value. More importantly, it ensures that the purpose of capitalism is to work for everyone and for the long term. Let's work together to make real change happen."

B Lab certified the practices of **82** companies in 2007. Today, the list of certified B Corps numbers over **3,100** in 71 countries.

THE PROCESS

To be certified as a B Corp, businesses complete a 200-question B Impact Assessment (BIA), designed to "measure and manage your company's positive impact on your workers, community, customers and environment" over the previous 12 months. The assessment itself may suggest changes to operations and can take many months to complete.

As part of the process, companies also must commit to meeting the legal requirement of a benefit corporation or similar structure in their jurisdiction. This step is critical as it sends a message to shareholders that directors and officers are legally obligated to consider the interests of all stakeholders. Shareholders' power isn't diminished but redirected to serve the redefined goals of the company.

Most of the companies that have been certified as a B Corp have been small to mid-sized operations, with brands that appeal to what might be termed the "free-spirit" consumer: outdoor apparel retailer Patagonia, fashionable eyeglasses brand Warby Parker, natural body care brand Dr. Bronner's Soaps, hydroponic produce supplier Archi's Acres. But with the demand for ESG reporting only growing and multinationals jumping on board, this market niche could well be poised to turn mainstream.

"What we're working toward is an inevitability," says Chris Turner, Executive Director of B Lab UK. "We need to organize our system in a different way to ensure that business is providing a benefit for all of us, rather than just shareholders.

"It is a movement—a movement of leaders. One of the things I enjoy most about my job is that I get to talk to lots of really inspiring business leaders—true leaders who are thinking long term. Learning from them along the way is a great part of my job."

MULTINATIONALS

Currently the world's largest B Corp, Danone North America adopted the organizational structure and became certified in 2018. The company's efforts were instrumental in the effort to scale B Lab's procedures to accommodate and meaningfully measure the work of multinationals.

"It's a huge, huge frontier," Mr. Turner says. "Certification can be a multi-year process, and there are many of them now in that process. We've made leaps and bounds in the last couple of years as we've been working with Danone particularly. All of that stuff is being rolled out now in our work with other big multinationals."

Deanna Bratter, the Senior Director of Public Benefit and Sustainable Development for Danone North America, was instrumental in guiding the company to its public benefit corporation legal status and subsequent B Corp certification. Ms. Bratter came to Danone as part of the company's merger with WhiteWave Foods, where she had been Director of Sustainability, and she quickly found herself handling the certification process. The integration of those two businesses offered a window for the new company to align itself with B Corp standards, she says.

"I definitely wouldn't say it was 'easier,'" Ms. Bratter says. "It required a significant effort by more than 150 individuals across the organization, alignment from our leadership team, working with global counterparts. But going through an integration creates a lot of potential unsettlement, so to have this goal to rally around and to bring light to the corporate value and mission through this certification—it was definitely a unique opportunity to leverage a time of change, to leverage the moment."

As part of its environmental commitments, Danone NA plans to be net zero carbon emissions by 2050, Ms. Bratter says. "We have a whole variety of tactics and topics, from reducing carbon emissions in our transportation and our manufacturing, to fostering what we call carbon positive solutions. That includes this big program on regenerative agriculture and soil health."

The B Corp process has also helped highlight other work Danone NA must pursue, she says, particularly in the company's supply chain, "one of the pillars" of B Corp certification, she says. "We have many, many suppliers throughout our value chain. And we have a really unique opportunity to both educate them on what a B Corp is—why we think it's so valuable and important to our business—and also that there are ways they can improve their practices, which will in turn help us improve our practices," Ms. Bratter says.

Danone NA is the seventh Danone subsidiary to become a B Corp—the first was Happy Family Organics, makers of premium organic foods for children and mothers. Globally, Danone Group intends to continue this process one unit at a time until the entire company is a B Corp.

"Part of the B Corp certification requirements is that you have to certify both your highest entity, but also any that can be certified independently," Ms. Bratter says. "It adds integrity to the process. Doing it this way, for us, also creates ownership of the idea and authenticity across the many units globally."

"A different model needs to be on the table. Our role is to demonstrate the alternatives."
CHRIS TURNER
Executive Director,
B Lab UK

In some ways, certification for Danone is an acknowledgment of values the global Danone group has publicly espoused at least since the 1970s. In a speech in Marseilles in 1972, then-CEO Antoine Riboud took a strong stand, committing the growing company to ideals of corporate social responsibility. In that sense, the most important thing the B Corp process offers is a formalization, validating the company's practices and giving it a way to verify them on an ongoing basis, Ms. Bratter says.

"Times are rapidly changing," she says. "We know that a significant number of consumers and indeed our customers are looking to the corporations behind the brands they love to see if those businesses share their values, and they're looking for a sense of trust."

THE CHALLENGE

For B Lab's new model to gain acceptance, however, it has to overcome some deep-seated cynicism. One anonymous banker told the Financial Times last year that efforts by a prominent industry initiative to reduce carbon-producing investment amounted to "bullshit." Multiple studies have found that, as a group, shares of companies with ESG practices outperform those without—yet, in casual conversations, many executives will confess they regard ESG statements as "an inside joke."

But clearly some are taking the idea of positive social impact very seriously. Mr. Turner notes the presence of cynicism, but sees the Business Roundtable announcement as a critical inflection point in a larger trend, and an important measure of the growing vitality of the B Corp idea.

"I don't think we should underestimate that," Mr. Turner says. "On a continuum of change, the acknowledgment of the challenge and the acknowledgment of the need to change is a crucial step. But obviously that now entails a lot of hard work. There are difficult choices ahead."

The final importance of the Business Roundtable announcement can only be measured in the changes that those businesses actually put into effect, Mr. Turner says.

"That is my message to business leaders: Leadership of a business now doesn't look like just recognizing this," Mr. Turner says. "Everyone recognizes it. Leadership now looks like acting on it." ◆

CARLTON WILKINSON is a Director and Managing Editor of the Brunswick Review. He is based in New York.

A LIST to CHANGE the WORLD

Fortune CEO ALAN MURRAY, a hard-nosed journalist, tells Brunswick's **KEVIN HELLIKER** that the executive quest for social value is a genuine movement.

NO BUSINESS STORY IN 2019 MADE A BIGGER SPLASH than the August 19 statement of the US Business Roundtable. That group of blue-chip CEOs, after decades of explicitly pursuing the exclusive interests of shareholders, now declared that their companies should seek to serve all stakeholders—employees, customers, society at large. The statement made front-page news around the world. • In the media stampede to cover the story, the clear winner was Fortune magazine. Within seconds of the statement's release, Fortune posted a prepared-in-advance interview with JPMorgan's Jamie Dimon and other marquee signers of the statement. In concert with that story, Fortune also posted its annual Change the World list, honoring companies that are advancing social causes in the course of doing business. • For Fortune, the Roundtable statement was the culmination of a five-year push, particularly by President and CEO Alan Murray, to broaden the beneficiaries of corporate success. In 2015, Murray and his team had launched Fortune's Change the World list. For a magazine famous for its financial-metrics rankings, a list honoring companies that helped improve the world represented a radical departure. In 2016, Murray hosted a gathering of 100 CEOs at the Vatican, for purposes of devising ways for companies to address inequality, climate change and other societal problems. Last year, in the months preceding the release of the Roundtable statement, Murray consulted with leaders of the organization on what their statement would say. • While acknowledging that not all executives agree with the statement, and that statements themselves change nothing in the absence of action, Murray is confident that a significant shift in corporate purpose is under way. His perspective is informed by a long run as The Wall Street Journal's Washington bureau chief, followed by a stint as President of Pew Research.

PHOTOGRAPH: WESLEY MANN

How long before its release were you aware that a Roundtable statement of this sort was in the works?

They spent about a year studying this, and they reached out to me when they were doing their research on it. So I had discussed it with them some. Then they reached out to me when they were getting ready to make the statement. Before the thing went public I had talked to Ginni Rometty (CEO of IBM), Mary Barra (CEO of General Motors), Jamie Dimon, and Alex Gorsky (CEO of Johnson & Johnson).

How did Fortune come up with the idea for the Change the World list?

Before our list existed, I was hearing more and more from CEOs, what are we doing to address core social problems? How are we making the world a better place? So Cliff Leaf (Fortune Editor in Chief) and I decided to start the Change the World list. Fortune has lists that measure companies by size. By how fast they're growing. By whether employees like working there. By how admired they were. We have the Most Powerful Women list. But none of our lists looked at social impact. So we started working with Michael Porter (Harvard Business School Professor) and a company he co-founded called FSG-Social Impact Advisors. He helped us come up with a methodology to measure companies that were having a positive impact addressing social problems. The Change the World list launched in 2015, and a year later, Brexit happens, and Trump and Bernie Sanders happen, and suddenly the business community is saying, "The political system is turning away from us."

That same year, you organized a CEO gathering at the Vatican. How did that come about?

We were in a conversation with the Vatican that started with then-Time CEO Joe Ripp. He had a contact here in New York, Monsignor Hilary Franco, who was the Vatican representative to the UN. Msgr. Franco let it be known that the Pope was interested in talking to CEOs. I said, "We can make that happen."

For context, Fortune has been running something called the Fortune Global Forum for almost 20 years. Initially it was every three years and in China. When I got here, I made it every year, and we started doing it in other places as well. So now, we decided to do one at the Vatican. This one, though, was unique in structure, in that we had CEOs go off in working groups, each to address a particular problem. For instance, what can the private sector do to help climate?

We did working groups of about 20 CEOs on water, on health, on climate change, on employee training. They came up with things the private sector can do. We finished on a Friday and had our recommendations translated and taken that night to the Pope. The next morning, we met with the Pope, who had read the recommendations.

They initially told us he was just going to stay there for a few minutes. But he was impressed enough by the recommendations that he took the time to greet each of the CEOs individually. It was a cool event. In the surveys we did afterward, the CEOs all said, "This is really important. We are at an important moment in the history of business and capitalism. We all have to figure out how to do this better. And if you can keep this going in some way, it would be valuable to us."

That was in December of 2016. The next month, in January, we hosted a dinner at Davos to talk about how to keep the momentum going. There we launched what we called the Fortune CEO Initiative, basically a forum for CEOs who are committed to addressing major social problems as part of their core business. At that dinner, Marc Benioff (Salesforce CEO) stood up and said he would sponsor this new effort. The CEO Initiative had its first meeting in New York the next June. Jamie Dimon was part of that. Then the next year we were in California. Tim Cook was part of that.

So the CEO Initiative grew out of the Vatican meeting. It put us on the map for what the Business Roundtable was thinking about, which is why they came to me when they were planning the statement.

Alan Murray talks to Larry Page, co-founder of Google, at Fortune's Global Forum in San Francisco.

Fortune's 2019 Change the World issue was timed with the Business Roundtable, and featured Ginni Rometty, Jamie Dimon and Alex Gorsky on the cover.

PHOTOGRAPH: MIKEW MCGREGOR/CONTOUR BY GETTY IMAGES

After five years, how has the Change the World list been received?

It got a lot of attention. A lot of companies want to be on it. And that puts pressure on us to make sure we put a big emphasis on measurable results. We're not looking for somebody who's just made a big announcement or has good intentions. We want to see measurable results on addressing social problems, which is why it tends to be big companies. You have a lot of great little companies, but they don't have the resources to scale.

The 52 companies on the list this year seem to show you seek a diversity of initiatives—they're not all addressing climate change, for instance?

Yes. Probably the issue that has gotten the most traction with industry is worker training. Companies realize there's an inequality problem, and that technology is going to displace more and more people over the next couple of decades. So they feel an enormous need to come up with training programs, workforce development programs, to allow more and more people to participate in the good parts of the economy.

At our conferences, when we have breakouts to address various topics, the most popular one is always workforce development. It seems to be the issue that they feel most responsible for and concerned about. I mean, these executives don't think AI is going to eliminate jobs. They think AI is going to create a lot of jobs. But who's going to have the skills needed to take those jobs?

You talk in your Roundtable article about fear among executives that capitalism is losing favor in democracies.

Politics is clearly part of it. Ginni Rometty says in there that business could lose its license to operate. In private, not for quotation, I've heard that from a lot of Fortune 100 CEOs.

If the political environment becomes friendlier to business, will the social value movement fade?

I don't think so. A big part of it is employee pressure. You've got a generation of employees who just think differently about their employers than the way you and I did. When I was at the Pew Research Center, we did a big millennial study. They don't belong to churches. They get married later. They don't belong to the Moose Club, Elk Club, Rotary Club. All the stuff that generations ago we might have put into a social club or into a church, they put into their employer. They want their employer to give them a sense that they're doing good things in the world. And that's powerful, particularly for any company that has to attract large numbers of talented people.

FORTUNE CHANGE THE WORLD LIST 2019

TOP 10

NAME	REVENUE*	REASON
1. QUALCOMM	$22,732	Increasing the reach and lowering the cost of life-changing technology.
2. MASTERCARD	$14,950	Extending financial services to the underserved.
3. BYD	$18,426	Expanding universal electric cars.
4. TE CONNECTIVITY	$13,988	Life-saving technology for stroke sufferers.
5. WALMART	$23,400	Investing in employees.
6. SANTANDER BRAZIL	$23,400	Growing its microloan program in Brazil.
7. CENTENE	$60,116	Grants to remove barriers to care for the disabled.
8. BANK OF AMERICA	$110,584	Low-cost financing for building affordable housing.
9. SCHNEIDER ELECTRIC	$30,354	Sustainable energy management & automation equipment.
10. TERRACYCLE	NOT LISTED	Zero-waste packaging.

*REVENUE IN MILLIONS FOR LAST FISCAL YEAR

"We want to see measurable results on addressing social problems."

Another factor that's harder to wrap your arms around is the changing nature of how big companies operate. Companies used to be what Alan Greenspan described as information hierarchies. You have all these employees. They collect information. It goes up to the top. The guy at the top comes up with the strategy, tells everybody what to do and then it goes back down. Nobody successful works that way any more.

In part that's because information no longer travels vertically, it travels horizontally instantly. If you wait for it to filter up to the top and get distilled and orders to come back down, you're going to lose. As a result, power has been pushed out to the edges, leaving the people at the top, particularly the person at the very top, in a position of motivating, inspiring, setting up guardrails, less giving orders.

When we went to the Vatican, we had a conversation about moral leadership. Up to that point in my career, I'd never been around a bunch of CEOs who talked about moral leadership. Now I am—all the time, all the time. It's not because suddenly they're more moral. It's because the way you run a company is much more about motivation, inspiration, value setting, and less about giving orders.

For all those reasons, even if the political environment magically changed, this impulse would still be very, very strong.

What is the CEO response to the oft-heard argument that businesses are doing good without stopping the things they do that are bad?
That's a criticism from the left, and I think the CEOs are focused on criticism from the right. Just because they still live in a shareholder world. If you have an activist in your stock who wants to break up the whole company, the last thing you want to do is say shareholders aren't important.

The CEO's biggest concern remains the Milton Friedman loyalist?
It's a little unfair to put it all on Milton Friedman loyalists. The attention to shareholders didn't just come out of Milton Friedman. It came out of the corporate raiders of the '80s and the '90s. And those people became corporate raiders because you had a bunch of really sleepy corporations that did a lot of really stupid things—and were getting eaten up by the Japanese.

The shareholder movement grew out of clubby, family-friendly companies that grew up out of World War II, that were starting to just die. And being CEO was like a tenured position, until the corporate raiders came in and started shaking that up.

Today, I don't think a return to the complacency of the '60s and '70s is possible given the pace of technological change. There isn't a lot of complacency among CEOs who fear being disrupted by some Ripple or Alibaba or Amazon.

Did criticism of the Roundtable statement cause any regret among signers?
I don't think there are regrets. I think they were surprised that it was as big a deal as it became. Many had thought of it as no big deal. They said, "Look, this new statement is just a reflection of how I was running the company anyway." That was kind of the Jamie Dimon attitude. I already do this. So why not say I do it?

But most just felt they had no choice but to push the issue forward. For these guys 2016 was a scary year. Because you had Donald Trump abandoning them on the right, and Bernie Sanders, a socialist, creating all that heat on the left. It's only going to be worse in the next election if you have Elizabeth Warren and Donald Trump.

> "Up to that point in my career, I'd never been around a bunch of CEOs who talked about moral leadership. Now I am—all the time, all the time."

I suppose it's too soon to say whether the Roundtable statement is warming voters toward capitalism?
I'm not sure what kind of results you could point to really show a positive effect. Overall, I think this is really closely related to the short-term, long-term issue. I spent more than a year of my life in the Time Inc. C-suite watching all the stupid things that we did that hurt workers and hurt society but helped get a few more dollars into the quarterly report to the street. What would be helpful would be if we started to see some real movement on fewer companies reporting quarterly results, less attention to the quarterly numbers, more attention to the long term.

We talked about worker development. You'd like to see a rise in the aggregate number of dollars spent on training and workforce development programs by companies. I don't think there's any evidence that it's grown. If you saw a number like that start to grow, I think that would tell you something.

In the five years you've produced the Changing the World list, has it helped change the world?
By definition, the list honors a minority of businesses. But there are more and more businesses that are thinking this way. I can't give you metrics. But I think the number of companies that are really consciously focusing on how they have a more positive impact on society as part of their core strategy has grown.

I mean, all the big private equity firms now have social impact operations. I just spoke with a top guy at Carlyle, and he was talking about how they're looking for ESG measurements for their entire portfolio. That's a pretty big deal. Private equity. Not public traded. They want to have a way of measuring social impact across their portfolio. It goes well beyond the public markets.

You've now had in the last three or four years a number of really solid studies showing that companies that pay attention to ESG metrics perform better. There was one recently that showed the flipside—that companies that did poorly on ESG metrics were good candidates for bankruptcy. Of course, you can argue over cause. It may be that they do good for the world because they're doing good in general. But the notion that companies that do well by society are better companies is getting more strongly ingrained. ◆

KEVIN HELLIKER is a Pulitzer Prize winning journalist and Editor in Chief of the Brunswick Review.

BRIEFING: The Gender Pay Gap

This persistent problem dogs the business world and limits its potential. Here's what you need to know.

The difference between the average gross earnings of men and women remains a persistent problem. In a number of countries, public disclosure of this pay gap has become mandatory for medium and large companies.

How big is the gender pay gap?

The gender difference in pay varies quite dramatically between countries. Data from the Organization for Economic Cooperation and Development shows the gap between the average gross earnings of men and women is highest in Japan, the US and UK. The average across the OECD is 13.5 percent.

Does the gender pay gap differ between jobs and sectors?

Media, retail and construction have the biggest gender pay gaps in the US, and the gap is smallest for biotech pharmaceuticals and defense. Job review site Glassdoor analyzed hundreds of thousands of salary reports, including information posted anonymously on its site by employees, and found that certain professions have much higher pay gaps:

ILLUSTRATION: DAVID PLUNKERT

Male pilots and chefs earn considerably more than their female counterparts (a 26.8 percent and 24.6 percent difference); the gap among C-suite executives is also large (24 percent).

How is this possible—aren't there laws against discrimination?

Many countries have passed laws to ensure men and women receive "equal pay for equal work." However, equal work is often not an option for many women, due to lack of educational or employment opportunities or other structural or societal barriers. As a result, disparities in earnings have remained, even despite the introduction of equal pay laws. Recognizing this, a number of countries have passed laws requiring employers to publish data on the gender pay gap in their organizations.

Which country pioneered pay gap laws?

The UK became the first country to require gender pay gap reporting in April 2017 with changes to The Equality Act. It obliges employers with 250 or more employees to publish gender-pay-gap data. This has had the indirect effect of forcing many non-UK companies to confront gender disparities, since many global companies have offices and operations in the UK. Recently France and Germany have passed similar laws, and a live debate is under way in several other countries about following suit.

What causes the gender pay gap?

Many factors. Undoubtedly, a major one is that women continue to bear the brunt of caregiving responsibilities in the home, including unpaid care for children and ailing or aging loved ones. In the UK, for example, the gender pay gap increases after childbirth, and by the time their first child is 20, women's hourly wages are about a third below men's.

24 percent

The average pay gap between male and female C-suite executives.

Does this mean the gender pay gap is the result of women's choices?

It's not that simple. Part of the problem is senior roles are strongly associated with an "always on" culture of long hours and constant availability, and so cannot be done flexibly or part-time. Many argue that this isn't inherent in the nature of senior roles, but is rather a product of the culture of the workplace, which developed to suit the gendered norms. One effect of this culture is that women are less likely to advance to positions of seniority, which have historically been held by men—famously, there are more men named John among CEOs of the FTSE 100 and S&P 1500 than there are women. This persistent lack of advancement helps to perpetuate the pay gap, as fewer women ascend to higher-paid positions.

Could self-confidence contribute to the gender pay gap?

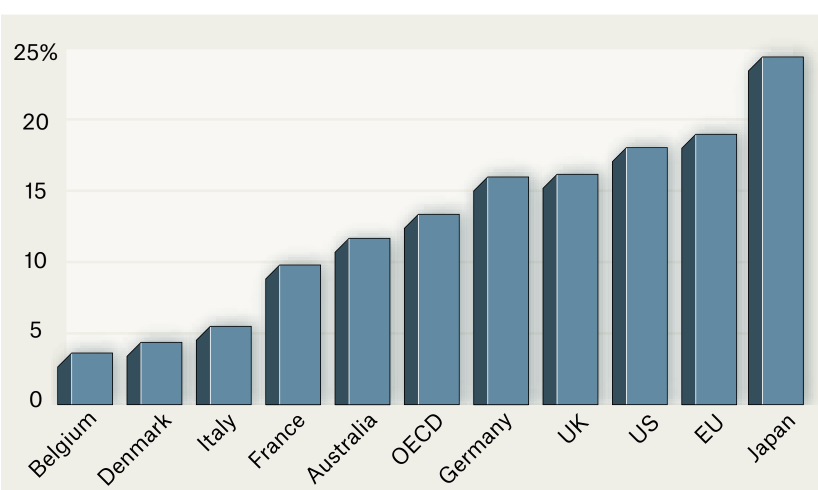
It's often suggested there's a "salary confidence gap" between men and women when negotiating pay. An analysis of real-world job applications by Glassdoor suggests that men do apply for more higher-paying jobs than women: Men apply to jobs that pay 18.3 percent more on average than jobs women apply for. However, this is largely because women often look for different kinds of jobs than men; the "salary confidence gap" drops to 0.7 percent when comparing job applications from equally qualified men and women seeking similar jobs. Recent studies have also shown that women who fail to promote themselves do so out of a fear of backlash from colleagues, who respond to women differently than they do men. On this evidence, self-confidence is not a major factor.

Will reporting the gender pay gap really help reduce gender disparities?

Mandatory reporting only began in 2018 and it's too soon to see any direct impact. However, it has led to increased scrutiny from the media, employees, trade unions and investors. This greater transparency has raised the stakes for companies. Many companies will see this as an opportunity to show leadership, in order to compete for the best talent. Taking action on the gender pay gap can send a signal that a company is progressively minded, inclusive and committed to equal opportunities. ◆

REGIONAL DIFFERENCES

The difference in average pay between men and women is greatest in Japan, the EU as a whole, and the US, but it remains a problem in much of the world.



Brunswick Group OFFICES

ABU DHABI
Office 506
Park Rotana Office Complex
Twofour54
PO Box 77800
Abu Dhabi
United Arab Emirates
T: +971 2 234 4600
uaeoffice@brunswickgroup.com

BEIJING
2605 Twin Towers (East)
B12 Jianguomenwai Avenue
Beijing, 100022
People's Republic of China
T: +86 10 5960 8600
beijingoffice@brunswickgroup.com

BERLIN
Taubenstraße 20-22
10117 Berlin
Germany
T: +49 30 2067 3360
berlinoffice@brunswickgroup.com

BRUSSELS
Avenue des Arts 27
1040 Brussels
Belgium
T: +32 2 235 6510
brusselsoffice@brunswickgroup.com

CHICAGO
300 North LaSalle Street
Suite 2260
Chicago, IL 60654
USA
T: +1 312 800 8120
chicagooffice@brunswickgroup.com

DALLAS
200 Crescent Court
Suite 1850
Dallas, TX 75201
USA
T: +1 214 254 3790
dallasoffice@brunswickgroup.com

DUBAI
Level 5
Gate Village Building 10
PO Box 506691
Dubai International
Financial Centre
Dubai
United Arab Emirates
T: +971 4 446 6270
uaeoffice@brunswickgroup.com

FRANKFURT
Thurn-und-Taxis-Platz 6
60313 Frankfurt am Main
Germany
T: +49 69 2400 5510
frankfurtoffice@brunswickgroup.com

HONG KONG
12/F Dina House
11 Duddell Street, Central
Hong Kong SAR
T: +852 3512 5000
hongkongoffice@brunswickgroup.com

JOHANNESBURG
Rosebank Link
173 Oxford Road
6th Floor
Rosebank
Johannesburg
South Africa
T: +27 11 502 7300
johannesburgoffice
@brunswickgroup.co.za

LONDON
16 Lincoln's Inn Fields
London WC2A 3ED
United Kingdom
T: +44 20 7404 5959
londonoffice@brunswickgroup.com

MILAN
Via Solferino, 7
20121 Milan
Italy
T: +39 02 9288 6200
milanoffice@brunswickgroup.com

MUMBAI
The Capital
814, 8th Floor
C-70, G Block, Bandra Kurla Complex
Bandra East
Mumbai 400 051
India
T: +91 22 61358500
mumbaioffice@brunswickgroup.com

MUNICH
Widenmayerstraße 16
80538 Munich
Germany
T: +49 89 809 90 250
munichoffice@brunswickgroup.com

NEW YORK
245 Park Avenue
14th Floor
New York, NY 10167
USA
T: +1 212 333 3810
newyorkoffice@brunswickgroup.com

PARIS
69 Boulevard Haussmann
75008 Paris
France
T: +33 1 53 96 83 83
parisoffice@brunswickgroup.com

SAN FRANCISCO
One Bush Street
Suite 1400
San Francisco, CA 94104
USA
T: +1 415 671 7676
sanfranciscooffice
@brunswickgroup.com

SÃO PAULO
Avenida Dr. Cardoso de Melo
1.340 - Sala 101
Vila Olímpia
São Paulo SP
Brazil 04548-004
T: +55 11 3076 7620
saopaulooffice@brunswickgroup.com

SHANGHAI
Room 2907
United Plaza
1468 Nan Jing Road West
Jing'an District
Shanghai 200040
People's Republic of China
T: +86 21 6039 6388
shanghaioffice@brunswickgroup.com

SINGAPORE
6 Battery Road
#16-06 Singapore 049909
T: +65 6426 8188
singaporeoffice@brunswickgroup.com

STOCKHOLM
Fourth Floor
Birger Jarlsgatan 15
111 45 Stockholm
Sweden
T: +46 8 410 32 180
stockholmoffice@brunswickgroup.com

VIENNA
Schottenring 14
1010 Vienna
Austria
T: +43 1 907 65 10
viennaoffice@brunswickgroup.com

WASHINGTON, DC
600 Massachusetts Avenue, NW
Suite 350
Washington, DC 20001
USA
T: +1 202 393 7337
washingtonoffice@brunswickgroup.com

Brunswick Group COMPANIES

BRUNSWICK ARTS
16 Lincoln's Inn Fields
London WC2A 3ED
United Kingdom
T: +44 20 7404 5959
brunswickarts@brunswickgroup.com
www.brunswickarts.com

MERCHANTCANTOS
16 Lincoln's Inn Fields
London WC2A 3ED
United Kingdom
T: +44 20 7242 1336
office@merchantcantos.com
www.merchantcantos.com

THE LINCOLN CENTRE
18 Lincoln's Inn Fields
London WC2A 3ED
United Kingdom
T: +44 20 7936 1300
info@thelincolncentre.co.uk
www.thelincolncentre.co.uk

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