Brunswick SOCIAL VALUE Review

The Role of Business in Society

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INEQUALITY

JOHN ROGERS
BLACK WEALTH MATTERS

JOHN RICE
CERTIFYING EQUALITY

The FT'S
ROULA KHALAF

The LONG VIEW of
MARTY LIPTON

SIR ALAN PARKER
Visits HENRY TIMMS

BP CEO BERNARD LOONEY

BRUNSWICK

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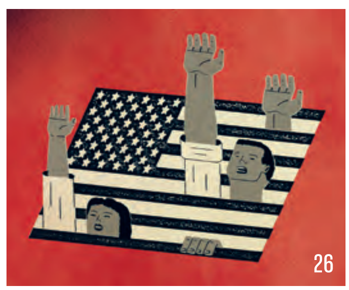


FOREWORD

WELCOME to the second edition of the *Brunswick Social Value Review*, born of our belief that to be a leading company in today's world you need to deliver financial value alongside social value. The *Brunswick Social Value Review* was initially launched in early 2020, as societal issues continued to rise up the boardroom agenda. We aimed to chronicle the growing pressure on companies to demonstrate that they are part of the solution to the world's great challenges, and to show what leadership looks like in this space. • Then COVID-19 struck. In the early days of the pandemic, a number of commentators described it as the "Acid Test" for corporate leadership. More and more companies have been talking enthusiastically about their "purpose," and now we would see whether this was anything more than PR. How would businesses stand by their employees and suppliers, even as revenues dried up? How would they support their customers? Which companies asked the crucial question: *How can we help?* • Brunswick ran a tracker to see how businesses were responding—and pretty soon it had thousands of entries. Some companies took unprecedented steps to support their employees and suppliers. Others focused on the crucial role that their products and services could play—providing broadband connectivity, for example, or through food deliveries or access to credit. Some companies, in sectors as different from each other as high fashion and aerospace, rapidly adapted their operations and capabilities in a "war effort" push to make hand sanitizer, face masks, ventilators and other essential items; others focused on critical tech and science-based innovations—testing, tracking, treatments and, of course, the search for vaccines. Meanwhile, even as businesses reeled from the financial shocks of the lockdowns, corporate philanthropic giving reached new highs. • However, the pandemic also exposed—and accelerated—some more challenging realities, inequality most especially. The harshest health impacts of COVID-19 were felt by the poorest, who were also more vulnerable to the economic shocks that quickly followed. And then the tragic murder of George Floyd—and the global wave of protests that followed—drew attention to the stark racial injustices that perpetuate much inequality. Alongside the climate crisis, inequality has become a defining challenge of our time. It is a global issue that shows up differently in different places around the world, and relevant to businesses in every sector, and we will explore it further in this edition's Issue Focus (Page 6). • As the pandemic began, the implications were unclear for corporate action on climate change. Some predicted that COVID-19 would put climate action on the backburner for the foreseeable future. This has not been our experience: Across sectors, the ambition to achieve a net-zero economy has accelerated, not stagnated. In addition, there is increasing evidence that the transformation required to achieve a net-zero economy is technically possible,

Alongside the climate crisis, inequality has become a defining challenge of our time.

LUCY PARKER & **JON MILLER** are Partners based in London leading the firm's Social Value offer.

economically affordable and popular with electorates. We explore these developments in our Business Action section (Page 35). • Even before the pandemic struck, it was clear that the current model of capitalism had a serious "pre-existing condition": The dominant theme in the first weeks of 2020 at Davos had been stakeholder capitalism, and even the *Financial Times* was calling for a "reset." In this edition, we hear from Roula Khalaf, Editor of the *Financial Times*, on the role of business in society (Page 76); and from Henry Timms, the author of the best-selling book, *New Power*, who explains how profoundly the world is changing for organizations built on the old power structures of command and control (Page 70). We also hear from Dave Lewis, the former CEO of Tesco, on the need for business engagement in systems transformation to tackle tough issues such as food waste (Page 49). • We 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. The past year has been a forceful demonstration of the role business can play in tackling critical global issues. And, as we hope to bring to life on these pages, it shows the power of taking action that's radical, practical and personal. ◆

The harshest impacts of COVID-19 were felt by the poorest.

PHOTOGRAPH: JOSON/JOSON

INEQUALITY

PHOTOGRAPH: MICHAEL M. SANTIAGO/GETTY IMAGES

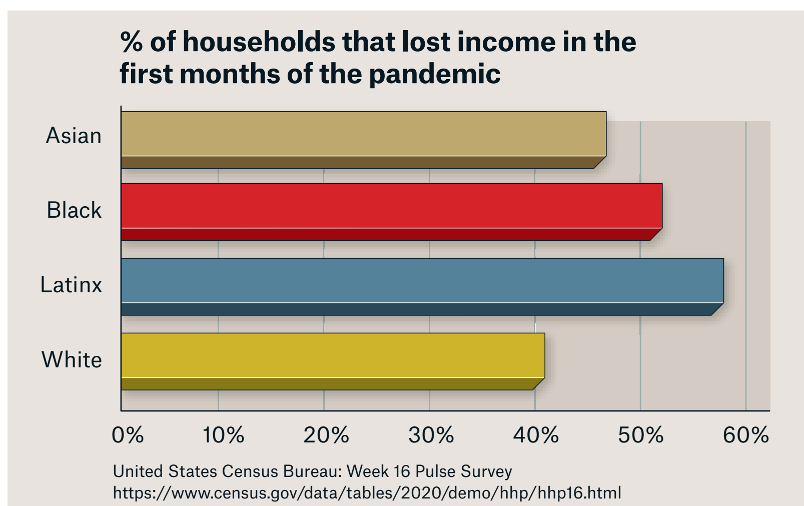
An attendee stands before a Black Lives Matter mural with George Floyd's image at the start of a candlelight vigil and march in Minneapolis October 14, 2020. The gathering was in honor of what would have been Mr. Floyd's 47th birthday.

AS THE LOCKDOWNS OF 2020 BEGAN, Brunswick hosted a series of webinars looking at the expected societal impacts of COVID-19 and exploring the implications for business. One of the themes we stressed was that the pandemic would trigger a multiplier effect on the issue of inequality—a vicious spiral in which the pandemic would exacerbate inequalities, and inequalities would exacerbate the spread of the coronavirus. • And that's exactly what happened. The pandemic quickly drew attention to the stark inequalities within many advanced economies: The poorest have been hardest hit by the health impacts of the disease, and also by the economic shocks that followed, even though they are often critical workers on the front lines. The rich, meanwhile, were better able to insulate themselves from the worst of the pandemic—even enjoying a stock market rally. • And then on May 25, George Floyd, a Black American man, was killed in Minneapolis by a white police officer, an event captured on video as it happened. The gruesome footage shook the world. Mass protests took place in the US against racial injustice, but were also echoed in more than 60 countries—an unprecedented spontaneous global mass response. • Many business leaders and corporations were quick to speak out in support of Black Lives Matter, and against racial injustice and against systemic, structural racism. However, there's a risk for leaders who speak up but don't have anything meaningful to say on the underlying economic inequality issues—after all, companies are regularly challenged about fair pay, pay gaps, worker welfare, corporate tax, share buybacks, CEO bonuses or dividends. Responses on racial inequality need the same deliberation to avoid being seen as mere lip service. • What do businesses need to know about this complex, cross-cutting set of issues? What are the risks? What are the opportunities to show leadership? Inequality is the Issue Focus for the second *Brunswick Social Value Review*, where we explore these questions. We begin by looking at the data on inequality, and we describe how the different dimensions of the debate connect in our Issue Map (Page 8). We hear from John Rogers, founder of Ariel Investments, the first Black-owned asset management firm, and a Director at McDonald's and Nike, on why "Black Wealth Matters" (Page 11). Nigerian LGBT+ activist Bisi Alimi talks about the importance of taking an intersectional approach to diversity issues (Page 23). Lord Karan Bilimoria, president of the Confederation of British Industry, talks about the launch of Change the Race Ratio, a new campaign to set targets for racial diversity in business leadership (Page 21); and John Rice, the founder and CEO of Management Leadership for Tomorrow (MLT) talks about a breakthrough certification program aimed at helping Corporate America turn its pledges and promises on racial equity into tangible change (Page 18).

Brunswick's **JON MILLER** looks at the landscape of challenges ahead for business.

COVID-19: AN INEQUALITY MULTIPLIER

Racial disparity in the economic impacts of COVID-19



Racial disparity in COVID-19 infection and mortality rates

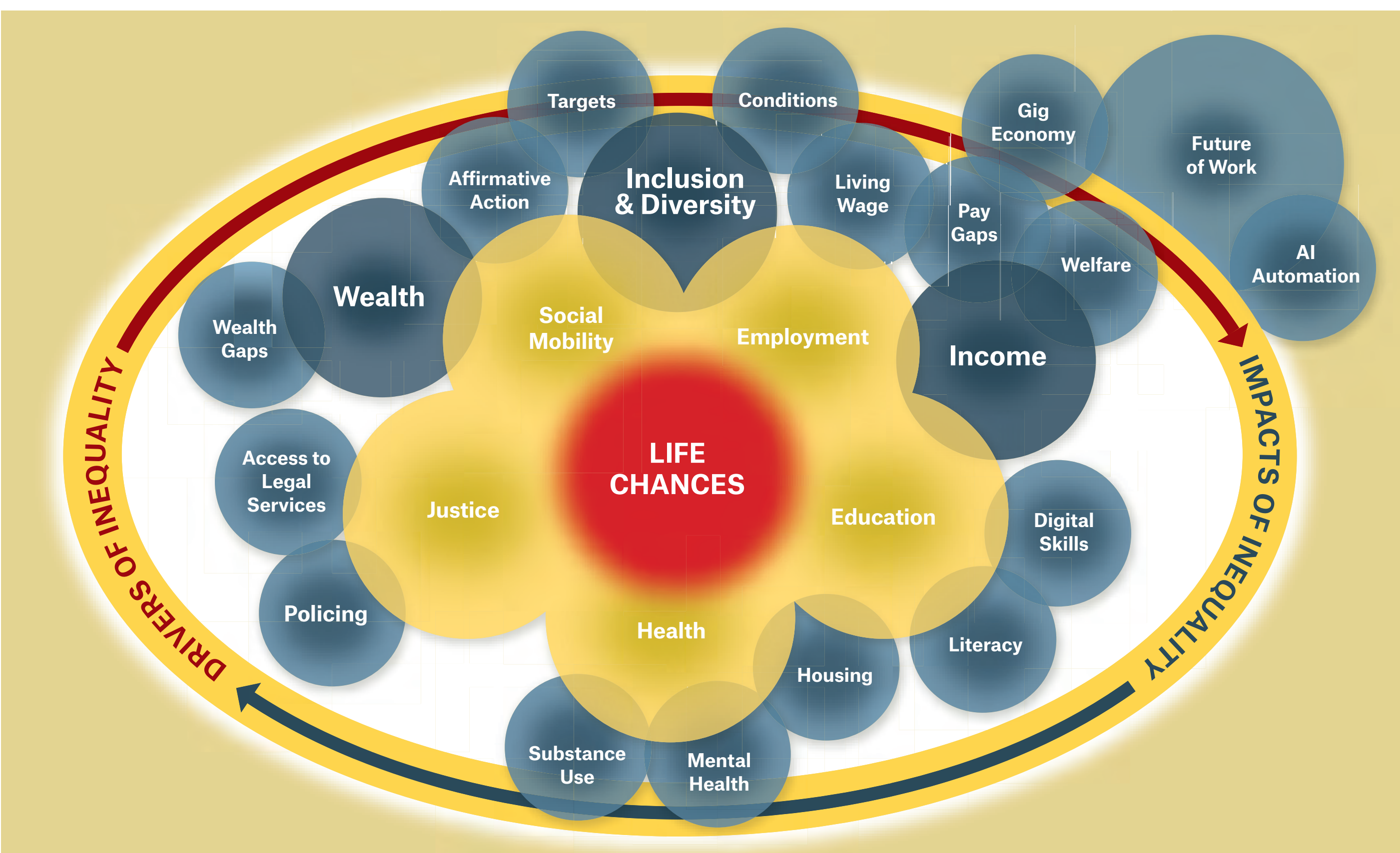
2.3X IN BLACK COMMUNITIES ACROSS THE US COMPARED TO WHITES

2X IN BLACK AND MINORITY ETHNIC COMMUNITIES IN THE UK COMPARED TO WHITES

CHARTS: PETER HOEY

INEQUALITY ISSUE MAP

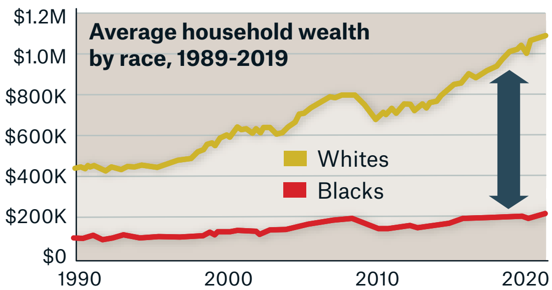
Inequality is not a single-issue challenge; it has many faces. To help business get to grips with this, and to unlock new ways of companies looking at where they can play a positive role, we have developed an Issue Map of Inequality. • Across all the dimensions of diversity—including race, ethnicity, gender, disability, sexual orientation—the map shows a negative loop between the drivers of inequality and the impacts of inequality. For example, children from lower income households will have lower levels of educational attainment and worse health outcomes, which in turn impacts their ability to generate income and accumulate wealth, while the reverse is true for higher income households. This helps explain the long-term trend in the data showing that inequality is growing. • Within this loop we can see the main issue areas of challenge: Employment, which is associated with a Living Wage and Conditions, and also Inclusion & Diversity. Employment is also linked to Education, with its ties to Income and Housing. And of course Health includes Mental Health and Substance Use. Justice—Access to Legal Services and Policing—is a major dimension in the conversation about inequality, as is Social Mobility, linked again to Inclusion & Diversity. For businesses, this map links to a growing conversation about the Future of Work, impacts of the Gig Economy, and AI Automation. And, ultimately, all of this adds up to Life Chances. • To explore these dimensions further, we will look at key associated data points in the following pages.



INEQUALITY IN WEALTH

The division between the haves and the have-nots has continued to widen.

There is a substantial racial wealth gap in the US, which is both an obstacle to opportunities and a symptom of continuing inequality.



Source: Center for American Progress, 2019

You would have to combine the net worth of 11.5 Black households to get the net worth of a typical white US household. (2020) The Washington Post

"We've got to start to include people of color in the parts of the economy with the wealth and jobs and power of today. Otherwise, it just gets way, way worse."

JOHN ROGERS,
Ariel Investments
(Page 11)

Globally, the majority of the population holds just a fraction of global wealth, as it continues to be held among a small minority.

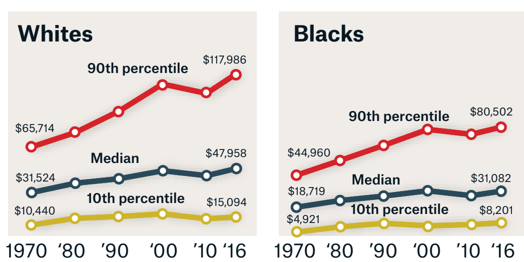
While the bottom half of the global population owned less than 1% of all wealth in 2018, the richest 10% owned 85%, and the top 1% alone held almost half of it. Despite an overall growth in established economies, that gap has continue to worsen, rather than diminish.

INEQUALITY IN INCOME

Where income inequality has grown, wealth inequality has grown even faster.

The income of Black Americans is rising at a much slower rate than white Americans, creating a perpetual, unequal earnings gap.

Incomes at selected percentiles (in 2016 dollars)

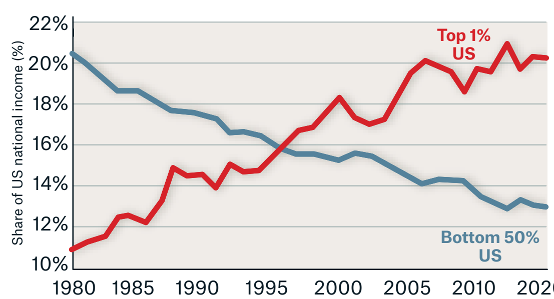


At every level of wage distribution, the gap between Black and white wages was larger in 2018 than it was in 2000.
(2019) Bloomberg

"Leaders are being confronted by facts they couldn't see—or didn't want to see—before."

JOHN RICE,
CEO of Management Leadership for Tomorrow
(Page 18)

The top 1% of income earners have seen incomes surge over recent decades, while the incomes of the bottom 50% have fallen.

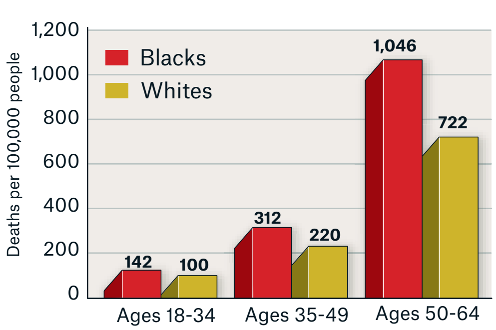


Source: World Inequality Report, World Inequality Lab, 2018

INEQUALITY IN HEALTH

Wealth and income gaps create gaps in the overall health of communities at either end.

Black Americans are more likely to die earlier than white Americans, largely due to social determinants and lack of access to healthcare.



Source: US Vital Statistics 2015

"The business case for [inclusion and diversity] is now overwhelming. There's report after report."

LORD KARAN BILIMORIA,
President of the Confederation of British Industry
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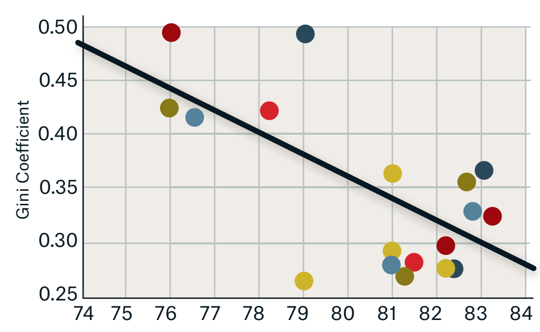
Globally, countries exhibiting greater inequality also experience lower life expectancy: People live longer in more equitable countries.



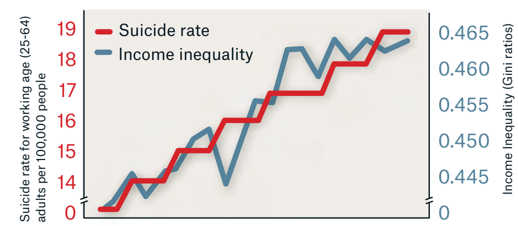
CHARTS: PETER HOEY

INEQUALITY IN MENTAL HEALTH

These gaps create disparities in psychological conditions and case outcomes.

The poorest are at greatest risk of suicide, with Black Americans disproportionately experiencing mental disorders.

Suicide rate for working age adults vs. income inequality



Source: McKinsey and Company 2020

"More than half of Americans say it is 'very important' for a company to speak out about racial justice."

BRUNSWICK INSIGHT RESEARCH
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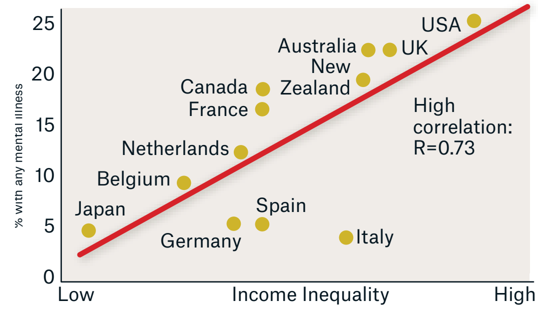
Mental conditions across the world are prevalent in unequal societies, as social determinants play a growing role.

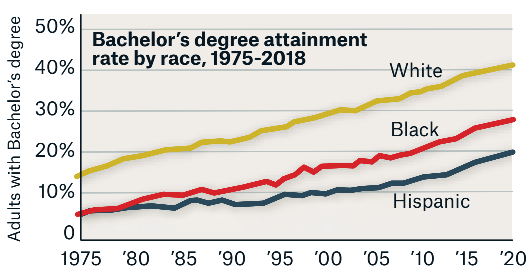


Source: The Equality Trust, 2019

INEQUALITY IN EDUCATION

Unequal opportunities in education create more obstacles to change.

In the US, there is a persistent racial attainment gap due to socioeconomic disparities, compounded by relative underfunding.



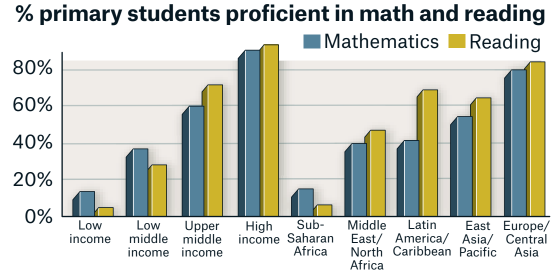
Source: Digest of Education Statistics

"This structure is set up like running a race with obstacles on the way, while your opponent is running the same race on the smooth ground."

BISI ALIMI,
Nigerian LGBT+ activist
(Page 23)

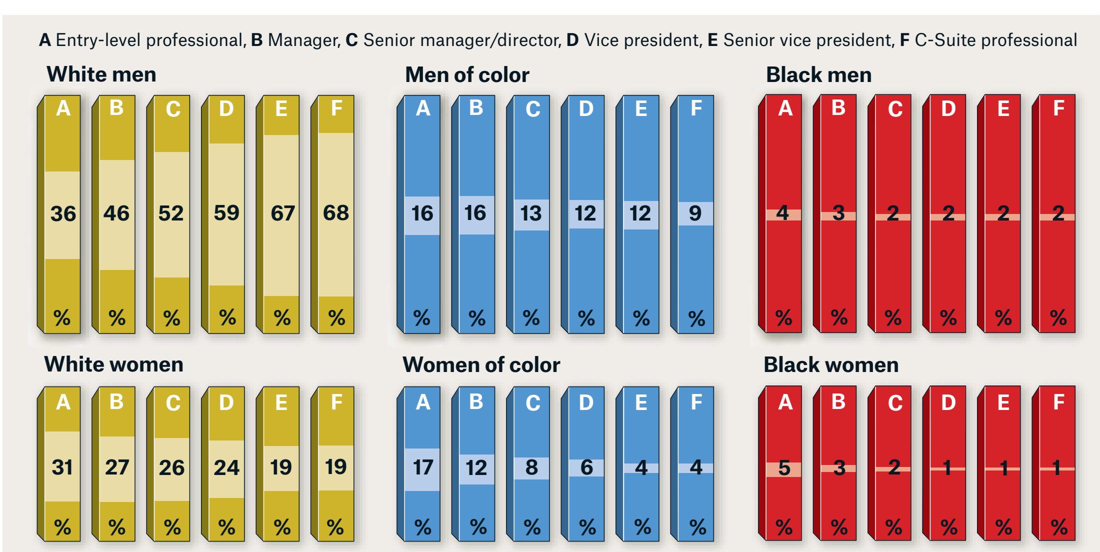
Globally, the attainment of lower income groups is dwarfed by higher income groups; and this is reflected in disparities between continents.

% primary students proficient in math and reading



Source: Digest of Education Statistics

BUSINESS IN THE FIRING LINE: DIVERSITY AND INCLUSION



The chart at left is a stark reminder of the systemic discrimination that currently exists. Each column, A-F, is a step up the corporate ladder. The presence of people of color and white women diminishes at each step, while the presence of white men grows. The study looked at 279 North America focused companies.

CHARTS: PETER HOEY

BLACK WEALTH MATTERS

JOHN ROGERS, Ariel Investments Founder and Co-CEO, on what Corporate America needs to do. By **ANDREW SPINELLI.**

BACK IN MARCH, IN AN INTERVIEW WITH the *Brunswick Review*, investment sage John W. Rogers, Jr. described the ongoing battle for racial equality as lacking a sense of urgency, perhaps because young Blacks had never been legally banned from white neighborhoods or legally forced to the back of the bus or legally denied entrance to schools, restaurants and "white" bathrooms.

"Among younger African American leaders, I don't think there's as much memory of how bad it used to be," said Mr. Rogers, who at age 61 remembers firsthand the blatant racism that legally pervaded America before the Civil Rights Act of 1964.

A veteran crusader for racial equality, Mr. Rogers noted in March that other worthy causes such as women's and LGBTQ rights had gained momentum even as the ongoing push for racial equality seemed to have slowed.

"In the Black community, we are very respectful of our brothers and sisters who are parts of other diverse classes that are trying to gain equality. We realize that we're no longer the popular kid on the block," said Mr. Rogers. "On the whole these other groups have done much better than we have done in our community. I'm not sure why that is exactly. Maybe some of it comes with the way that we came to this country as slaves and the challenges we faced during Jim Crow and many, many, many lynchings across our country."

In a second interview several weeks later, Mr. Rogers sounded slightly more optimistic. "I'm more encouraged than the last time we spoke," he said. "The next generation's starting to realize the world isn't as fair as they thought it was two months ago."

In those two months, Black Lives Matter had become the most visible and influential equal rights group on the planet. Massive crowds had marched on Washington, New York and other major cities to protest racism in general and police abuse of Black people in particular. Leaders of government had promised new and more forceful policies against racism, and leaders of business had donated to Black causes, bolstered their commitments to diversity and taken public stands in support of Black Lives Matter.

What precipitated this movement was the videotaped police killing in Minneapolis of an unarmed and prostrate Black man named George Floyd. So many previous police killings of Black people had been videotaped and posted on the Internet—including in Mr. Rogers' hometown of Chicago—that he didn't foresee this one triggering a revolution.

"The reaction—I didn't see it coming. Because here in Chicago, we've had so many of these, Laquan McDonald being the most horrific, where you saw the policeman just shoot 16, 17 times as Laquan was walking away.

"In this case, I think it was the fact that the police officer was calmly looking at the camera while he was killing George Floyd. The arrogance of that. And the confidence he had: 'So what if you're taking pictures of me? I can still do this.' That was what made this land."

But Mr. Rogers' optimism is tempered, in part because over time he has seen promise after promise go unfulfilled, but mostly because he understands that a total reformation of policing in America would fall short of removing the most daunting obstacle facing Black America. As the founder and Co-CEO of Ariel Investments in Chicago, Mr. Rogers is hyper-focused on economic inequality, an injustice that implicates even those who are repulsed by racism. "Dr. King once talked about the fact that progressive whites abhor prejudice, but they accept and tolerate economic injustice," said Mr. Rogers.

In the view of Mr. Rogers, economic inequality lies at the root of most problems facing Black America. "Wealth ties directly to the challenges that our community's facing," he said. "Poor housing, poor education, lack of jobs, lack of healthcare—all tie directly to wealth and lack of wealth."

"Probably less than 2% of Corporate America you'd give a high grade for their commitment" to diversity, inclusion and economic equality.

JOHN ROGERS, The Ariel Biography

WHEN JOHN WAS 12 years old his father started buying him stocks, instead of toys, for every birthday and Christmas. His interest grew while majoring in Economics at Princeton University. In addition to following stocks as a college student, John also played basketball under Hall of Fame coach Pete Carril. He was captain of Princeton's Varsity basketball team his senior year. There, Carril's courtside lessons on teamwork profoundly shaped John's views of entrepreneurship and investing.

Early in his career, John earned media attention as an investment expert, including being selected as Co-Mutual Fund Manager of the Year by Sylvia Porter's Personal Finance magazine as well as an All-Star Mutual Fund Manager by USA TODAY.

Ariel Fund, which John started over 30 years ago and still manages today, is the number-one ranked fund among its peer group since the market bottom following the Great Financial Crisis. That's a testament to John's "slow and steady" approach, staying focused, remaining true to his convictions, having a contrarian view and investing in great companies that have fallen out of favor. A disciple of Warren Buffett, John believes in being, "fearful when others are greedy and greedy when others are fearful." John has been highlighted alongside Mr. Buffett, Sir John Templeton and Ben Graham in Magnus Angenfelt's "The World's 99 Greatest Investors."

Following President Barack Obama's election, John served as co-chair for the Presidential Inaugural Committee 2009 and, more recently, he joined the Barack Obama Foundation's Board of Directors.

The inequality that alarms Mr. Rogers isn't merely a historical wrong that never got corrected. It's a contemporary scourge. "Things are bad, and getting worse—that's the key message," he says.

To prove that point, he points to the well-publicized fact that a four-year college degree is what separates the haves from have-nots in America. At a time of growing concern about economic inequality leading to populism and civil unrest, politicians and economists are scrambling for ways to make college more affordable or even free, touting four-year degrees as a means of lifting the masses.

But does such a degree confer benefits equally to every race in America? No, Mr. Rogers says, pointing to a little-noticed paper published in 2015 by the Federal Reserve Bank of St. Louis. Researching change in median real net worth by education level, the authors found that from 1992 through 2013, the median net worth of whites with four-year college

PHOTOGRAPH: BOB STEFKO

degrees increased 86 percent. But Blacks and Hispanics with four-year degrees saw no increase at all. The Black median decreased by 55 percent. The income picture is similar. While the incomes of college-educated whites increased 18 percent during that period, college-educated Blacks saw their incomes decline by 12.1 percent.

In Mr. Rogers' view, the problem is rooted in the deeply white traditions of corporate America. He is a founder of the Black Corporate Directors Conference, whose mission statement notes that "even though some boards have African American and minority directors, the companies themselves are still not living up to their diversity and inclusion commitments across every level of the company."

As a board member of McDonald's, Nike and the New York Times, Mr. Rogers has witnessed the profound potential of corporations to nurture economic justice. "Companies like McDonald's and Exelon have demonstrated the tremendous influence that capitalism wields to help bring about economic equality," he said.

Mr. Rogers spoke to the *Review* from his home office in Chicago.

At a moment when corporations are scrambling to show support for racial equality, are executives seeking your counsel?

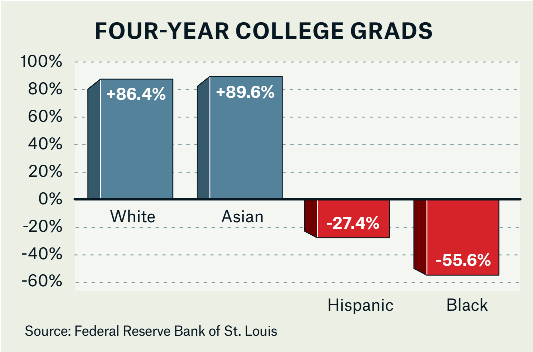
I've heard from leaders of institutions I'm already engaged with and leaders of other companies. When they call, what I talk about is what we talk about at the Black Directors Conference—the Three Ps.

The first P is philanthropy. Your company should be contributing to civil rights organizations to make sure that they are properly funded to fight for social justice and economic justice. The second P is people. Most companies are focused on part of the people equation, in that they measure diversity in their executive ranks. But the part that we're pushing hard is also to measure the executive ranks of their professional services firms. The law firms, the investment banks, the public relations firms, the advertising agencies, consulting firms, the insurance firms, the real estate brokerage firms—the whole ecosystem that supports major corporate America. We should be demanding that those corporate partners have Black managing directors, Black partners, Black executives servicing the client relationships.

The third P is purchasing. As a society, we drank the supplier-diversity Kool-Aid. If you are a major corporation or nonprofit and you want to do business with a minority firm, you can use a minority supplier—a construction firm, catering firm,

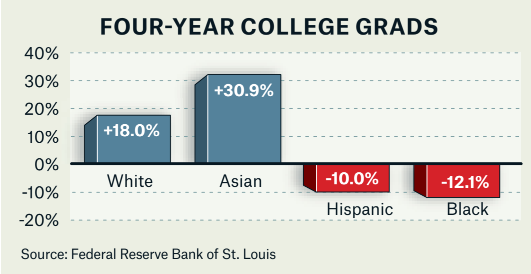
Change in Median Real Net Worth between 1992 and 2013

Conventional wisdom is that college degrees in America distinguish the haves from have-nots.



Change in Median Real Income between 1992 and 2013

But research shows that wisdom doesn't apply to minorities



Cirilo McSween, far right, was a mentor to John Rogers, who is also friends with the Rev. Jesse Jackson, far left. Both of those men fought for civil rights beside Martin Luther King, Jr., center.

corporate gift firm. If well-meaning people only do business with people of color in the lowest margins, it's natural for African Americans to become dramatically worse off, especially over a period when our economy is based more and more on professional services, financial services and technology.

I've tested this out time and time again with CEOs and university CEOs. Ask them if they use minority firms, and they invariably talk about using an African American firm when they construct a new building. They would never think about using an African American law firm, accounting firm, advertising agency, or an African American money manager for their endowment.

We're trying to get rid of the term "supply diversity" and use the term "business diversity," as the University of Chicago does. If a corporation spent $100 million last year on legal fees, how much went to Black firms? If $75 million was spent on accountants, how much went to Black accounting firms?

Does the current corporate scramble to show support for racial equality reflect a genuine and deep commitment, or a fad?

CEOs realize they've got to do something different. The boards I'm on, I've been touching base with all of my CEOs, and they're more committed than ever to bringing about change.

Probably, though, less than 2 percent of corporate America you'd give a high grade for their commitment on these issues.

Is that 2 percent before the death of George Floyd, or 2 percent after?

On the issues that I care about, maybe you can say it's recently jumped from 1 percent to 2 percent. Most of what we've seen publicly is companies talking about major donations to civil rights organizations, and that's great. But they're still going to spend all their dollars with the same companies they always have. As long as that happens, the wealth gap will just get larger and larger and larger.

If you're writing a million dollar check today to the NAACP or the Urban League, and then turn around and give a $10 million or a $50 million investment banking contract to a white investment banker, it's not even a close call.

At thousands and thousands of companies in this country, people just do business with people that look like them, that they grew up with, and went to school with, they're in the same country clubs with. It's human nature.

If it's human nature, is government policy needed to drive change?

It's hard to get anything through our divided Congress that would be perceived as affirmative action, or any support of that kind. It'd be very difficult politically to get it done. But I do think politicians have a bully pulpit. They can make a difference. If they talk to the CEOs of the anchor institutions in their districts and their states, change will happen without legislation. Think about it. If you're the congressman or congresswoman in New Jersey, and you represent Princeton and Rutgers, you can push them to work with Black businesses, make them understand how important that is. And they have to be responsive, because they come to you for support and help all the time. If you're the mayor of Chicago, and you insist that all museums on park land that get direct subsidies from Chicago taxpayers do business with African Americans, that will change.

The hospitals in New York that are getting money from government during this pandemic crisis, they need help from senators. If those senators said, we're going to be giving you this money, but you need to be more inclusive, it will happen. I think government can have a major, major impact but probably not through legislation.

> "If a corporation spent **100 MILLION DOLLARS** last year on legal fees, how much went to Black firms?"

Is there a danger that business reverts to usual even after a movement as powerful as this?

After the assassination of Dr. King, after the Civil Rights legislation and a lot of progress in the '60s and '70s, we started going backwards. We've had 40 years or so of going backwards. We have to elect leaders who are going to fight for social justice.

You've long said that the professional services industry has gone backwards in promoting diversity and inclusion. Why do you think that is?

All kinds of academic data shows that there's an enormous amount of implicit and unconscious bias in our society. People think of African Americans as being great at music, athletics, and entertainment. They have a hard time picturing us being investment bankers or private equity leaders. It's just the reality, and we have to be aware of it if we really care about wealth building and opportunity building in our community.

There's also anti-Affirmative Action bias. A lot of us who went to elite colleges realized that our peers thought we got there as Affirmative Action babies, and we weren't as smart, therefore, as the white students. In corporate America, there's all this effort toward diversity and inclusion, so that when someone of color gets a promotion, people assume the promotion was based on race, not talent.

Those things blend together so that when you, as an African American, try to build a professional services business or practice, you are way behind the eight ball. The deck is stacked way, way against you.

So much of the economic opportunities in professional services and financial services come from your ability to bring in business and generate revenue. Everyone knows the best way to become a partner in a law firm is to be able to bring in revenue and help pay the bills. Often, as we African Americans get into those investment banks or law firms or whatever, we don't have the network of people and families that can introduce us to CFOs and general counsels or CEOs. It's very, very difficult to overcome when you don't have that network. You didn't grow up in the same neighborhood, attend the same schools and country clubs out in the suburbs.

All of that said, I would offer this: We are reluctant to sometimes fight our battles in public settings.

If you're the only African American on a board or in the executive ranks, it can be uncomfortable to bring up these issues. But if we don't bring them up, nothing changes. If you don't speak up and fight for your cause, you can't wait for the majority to speak up on your behalf. It's up to us to fight for our rights and a fairer society.

If it wasn't for Dr. King, John Lewis, Reverend Jackson, Andy Young and those progressive civil rights leaders of the '60s—Robert Kennedy, et cetera—we would've never made progress. They were willing to speak out and make people uncomfortable because they knew how unfair our society was.

When it comes to economic opportunity, we don't have enough of those types of heroes speaking out and having the courage to fight. That's what you need if you're trying to make progress. You've got to have those spokespeople and people inside corporate leadership roles to fight for justice.

I was a Princeton trustee at a very young age. And I fought some good battles, but I was quiet more often than I should've been. My father taught me the most important thing is to live up to the commitments that you make to others. Organizations of all kinds had made direct commitments to our community, but weren't living those values. I wish I had spoken up about that more forcefully earlier and more often.

Have you participated in the recent protests?
I've marched many, many times over the years for different civil rights issues. But this time, the recommendation was for African American males to stay inside, to avoid getting swept up in the violence of the moment. I was proud that my daughter, who lives in New York, was out doing it. What I've been doing has been supporting my really good friends that have been fighting this battle really close up and personal.

Like Father Mike Pfleger (a Catholic social activist in Chicago), Reverend Jesse Jackson, Reverend Al Sharpton. I've been getting on the phone and giving them counsel on the wealth issue. The wealth effect is so important. It's one thing to be protesting about the unfair lending practices of a large bank, which is important. But someone needs to ask, how does that bank spend its money? If it's spending billions and billions of dollars on all white firms, that's an issue that also needs to be addressed.

What action would you like to see corporate leaders take to more effectively promote diversity and inclusion?
The CEO needs to make it clear to people who are important that outspokenness is encouraged and valued, especially among the few people of color in a leadership role. CEOs need to recruit African Americans to leadership roles who are going to speak out.

McDonald's did that. It went out and recruited African American franchisees. They got people who were dynamic leaders in the African American community. One of the earliest examples was a guy named Cirilo McSween. He was an Olympic runner from Panama who ended up being Dr. King's treasurer and pall bearer at his funeral.

Cirilo became known and deeply respected literally throughout the world as an African American business leader, because of his McDonald's franchises. That was the culture that Fred Turner and Ray Kroc created at McDonald's. Cirilo opened the first themed McDonald's, a restaurant in Chicago that honored heroes of the Civil Rights movement.

This was the kind of thing Cirilo did: When I went on the board of McDonald's 18 years ago, Cirilo had a huge party for me at Navy Pier (a Chicago cultural icon) to celebrate me joining the board and to introduce me to Black and white franchisees, suppliers and executives at McDonald's.

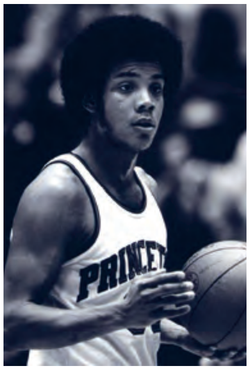
He had everyone come and honor me as a new board member to give me his blessing. And to set me up to succeed as a new board member. How brilliant was that?

Where does Ariel rank among African American-owned money management firms?
When we started in 1983, we were the first African American money management firm in the country's history. We were proud to be the first. Now we are the largest African American mutual fund complex. Before the pandemic-caused crash, Ariel was managing a little over $13 billion.

Would you have gained more or less influence if, instead of starting your own firm, you had climbed the ranks at a firm like Goldman Sachs?
At a giant firm, I probably would not have been successful with my kind of personality and independent streak. But it's wonderful the African American community has a Don Thompson at McDonald's. When Thompson was CEO (the first Black McDonald's CEO), he made a real difference getting suppliers to be more diverse, making more opportunities for minority business. He got the professional services firms who worked on McDonald's accounts to look more like America. He had enormous impact.

Over the years, senior African Americans at many corporations had a profound impact on our society because they had the trust of the CEO to go out and

Of Basketball & the OBAMAS



At Princeton, Coach Carril asked me to host another young man from Chicago, Craig Robinson. The next season when I was the senior captain, Craig was a freshman. When I met his sister Michelle a couple years later, I never dreamed she would be the First Lady of the United States.

Craig's been a lifelong friend, and I had an extraordinary journey with Barack and Michelle. I was at his first fundraiser when he ran for State Senate. By the time he ran for president, I was co-chair of his Illinois Finance Committee. After he won the election, he set up his temporary transition headquarters in our offices, and I served as the co-chair of his inauguration committee.

Mr. Rogers, above, playing basketball for Princeton. Below, Craig Robinson beside his brother-in-law, President Barack Obama.

PHOTOGRAPH: MICHAEL REYNOLDS/WHITE HOUSE POOL (ISP POOL IMAGES)/CORBIS/VCG VIA GETTY IMAGES; TOP, COURTESY OF PRINCETON UNIVERSITY fight for justice. Having senior African Americans in major corporate leadership roles can have enormous impact from a hiring standpoint and in giving business to minority firms, or to majority firms that have minority talent on board.

But you have more freedom when you're an entrepreneur. And you can have impact. My favorite example is George Johnson, who created Afro Sheen and Ultra Sheen hair-care products. He started Independence Bank, which became the largest Black bank in the country. He started Soul Train with Don Cornelius. He's the biggest customer of Essence Magazine, helping those companies go from fledgling companies to superstar companies.

Forty years ago, when leaders of every race had seen the damage of systemic racism in the 1960s, African American entrepreneurs and executives at large companies went out together and fought for justice.

Have you paid any price for your outspokenness?
Through your outspokenness, you may convince people to hire their first African American money management firm or their first African American mutual fund. But since you made them uncomfortable, they may say, "Anybody but John Rogers. Any firm but Ariel." We know that happens.

But there are dynamic progressive leaders who respect outspokenness, who want to know and hire people who are going to speak out and be a trusted voice and a respected voice in the Black community. I know Bob Zimmer (University of Chicago President) helped me become Vice Chairman of the University of Chicago because he had seen me speak out and be vocal on these issues.

The boards that I've had a privilege to be on, from McDonald's, to Exelon, to Nike and The New York Times, want my perspectives and views. They want me engaged in all aspects of what's going on in those institutions.

At Ariel, my advocacy for what's right has helped us to recruit dynamic, diverse talent. Once you develop a reputation for fighting for your community and then you have a leader who's in the bunker with you, like Mellody Hobson, who's a fierce advocate for the African American community and the female community, when people see the two of us fighting together, they're like, "I want to join that team."

What is your response to those progressives who say that capitalism inevitably breeds inequality?
Capitalism has always meant you're going to have more income inequality and wealth inequality than

Mellody Hobson, right, is President and Co-CEO of Ariel Investments. Former Chairwoman of DreamWorks Animation, she is seen here with her husband, the *Star Wars* director and producer George Lucas.

PHOTOGRAPH: JESSE GRANT/GETTY IMAGES

> "At thousands and thousands of companies in this country, people just do business with people who look like them."

you have in a socialist system or communist system. But capitalism is the best system ever invented.

Warren Buffett says the magic of America creates so much for everyone. There has been so much progress in healthcare. People are living better lives—even people who don't live in the best housing—than people who lived 100 years ago. And it's because of the magic of our system. I'm a full believer in our capitalist democracy.

But within it, change is needed. Unlike 100 years ago, where our biggest companies were manufacturers like US Steel, our biggest companies now are Bank of America, JPMorgan Chase, Google, Apple, Facebook.

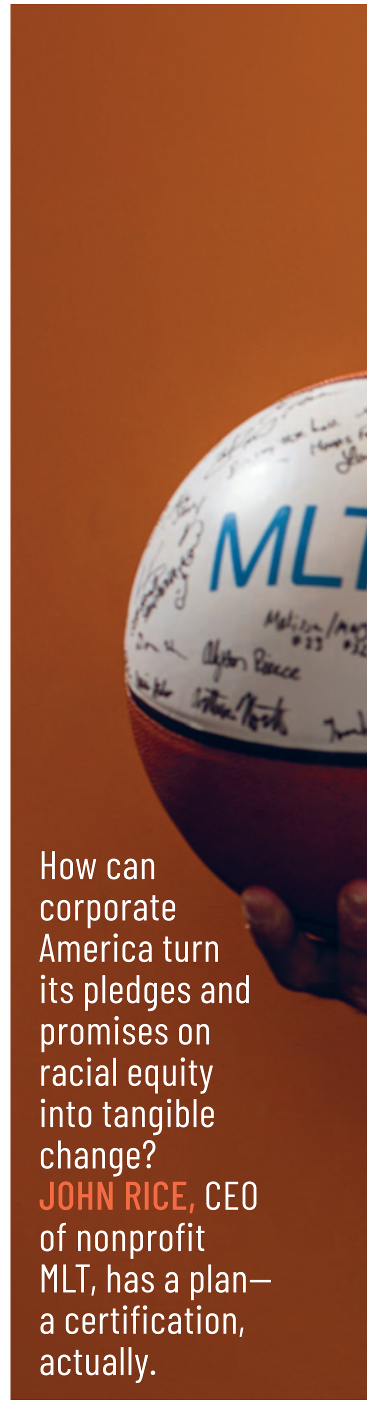
Black and brown people are concentrated in the older industries, and white Americans are concentrated in the fastest growing, most profitable parts of our economy.

We've got to start to include people of color in the parts of the economy with the wealth and jobs and power of today. Otherwise, it just gets way, way worse.

Will the coronavirus affect inequality in America?
When you have so little wealth in the Black community, a hiccup of this size is devastating, absolutely devastating, for African Americans in particular, and people of color overall. ◆

ANDREW SPINELLI is a Director in Brunswick's Chicago office.

CERTIFIABLY EQUITABLE



How can corporate America turn its pledges and promises on racial equity into tangible change? **JOHN RICE,** CEO of nonprofit MLT, has a plan—a certification, actually.

CEOS AND LEADING COMPANIES HAVE SAID THAT Black Lives Matter in their statements, in their tweets and in their advertisements. In late October, the nonprofit Management Leadership for Tomorrow (MLT) launched the MLT Black Equity at Work Certification to help companies pledge their commitment to racial equity once more, and loudly—only this time with their actions.

The Certification sets a rigorous, achievable standard for the traditionally nebulous topic of racial equity—providing a roadmap for employers who want to achieve Black equity in the workplace, and support Black equity in society. "The business leaders I hear from today genuinely want to make progress on creating equitable workplaces, they just don't know how to do it," says MLT's CEO, John Rice. "Black Equity at Work mirrors how organizations plan and execute every other part of their core business, and every other aspect of ESG."

The Certification, which has already been adopted by many leading companies including Amazon, Bain Capital and ViacomCBS, asks employers to commit to set measurable goals and develop plans to meet them in five core areas:

1. **Having equitable Black representation at every level;**
2. **Ensuring compensation equity;**
3. **Creating an inclusive, anti-racist work environment;**
4. **Ensuring racially just business practices;**
5. **Making racial justice contributions and donations.**

After employers submit that plan, they are eligible to become MLT Black Equity at Work Plan Approved. Becoming certified requires that employers demonstrate tangible progress in those core pillars; maintaining that Certification requires companies to follow through on the strategies they've submitted, and have their data and results reviewed by an independent third party. In 2021, MLT also plans to launch a separate certification for Latinx equity.

Mr. Rice founded the nonprofit in 2001, after a career that had seen him hold senior postings at the National Basketball Association and Disney. MLT has since advised more than 130 leading US companies on diversity, equity, and inclusion, while also propelling thousands of young Black, Latinx and Native American undergraduates to high-trajectory jobs, early career talent to top-tier business schools and mid-career professionals to senior leadership roles.

A month after the MLT Black Equity At Work Certification launched, Mr. Rice spoke with the *Brunswick Social Value Review* about its potential: "I believe it can help America's employers shift from perpetuating the Black inequity problem to propelling the Black equity solution," he said.

Why a certification?

There's a conviction among senior executives and business leaders that the status quo isn't acceptable. Look at their public statements, the diversity reports they're publishing. You're seeing the word "accountability" more. Good intentions and a "let's do better than last year" level of rigor—which would never be

PHOTOGRAPH: ANDRÉ CHUNG

acceptable in any other part of the business—just won't cut it any more in racial equity, either.

We wanted to establish a comprehensive framework for racially equitable workplace practices to which organizations could manage and hold themselves accountable—because we believe that Black equity specifically, and racial equity more broadly, are achievable in any workplace whose leadership is committed and clear on how to proceed.

> "To this point, how could you know if a company was racially equitable?"

What's been the response to it thus far?
Incredibly positive. At the moment, we're limiting the number of partners that we're bringing on so we can refine the Certification engine and experience. But it's been well-received.

One of the reasons, I think, is the Certification falls into the same kind of analytical construct for strategy and execution that leaders have been using and winning with throughout their careers. For any important opportunity, they define what success looks like in three to five years quantitatively and qualitatively. They manage to that strategy; they hold their team accountable; they have interim metrics; they have internal and external accountability mechanisms. The Certification brings the same rigor and accountability to racial equity that organizations and leaders bring to every other part of their business.

And it meets employers where they are today. The first step is forward-looking: developing a comprehensive three- to five-year plan. That makes it accessible to the private equity firm just starting on its racial equity journey, but it's also accessible to the organization that's been at it for a while but hasn't made the progress that they'd hoped.

If we're going to build the kind of momentum that will change the system more broadly, then we've got to strike a thoughtful balance. We have to build confidence among executive teams that developing and executing the rigorous plan, with the opportunity to become certified, will accelerate their organizations' progress on racial equity—and even more, that by doing so, it will help their businesses become more profitable.

At the same time, it also has to remove excuses they've held on to and spark some tough, overdue conversations. What are they going to start doing that actually widens the road for people of color in their organization? What conversations are they going to have that they weren't having before? Will they move beyond largely promoting from within and start a lateral hiring initiative to diversify their middle- and senior-management ranks? Are they going to add a board member rather than waiting for one to retire? What about the diversity of their suppliers?

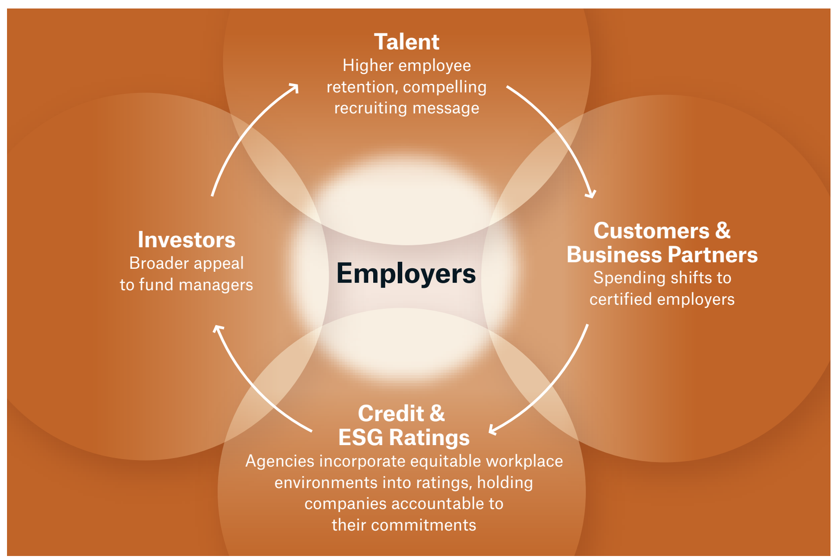
You mentioned systemic change—is it realistic to expect a Certification to deliver that?

We're offering a comprehensive approach to move the needle on racial equity. And we're creating visibility among investors, among employees, peers, credit agencies, clients. That's a key part of this, building what we call "the influence ecosystem" needed for sustainable change.

To this point, how could you know if a company was racially equitable? Surveys and rankings tend to be industry-relative—and what does it mean to be leading a sector if the entire sector's practices are sub-par and inherently inequitable? The Certification provides an objective, absolute standard, for the first time, of what "good" actually looks like on racial equity. That allows employers to be recognized and rewarded for taking on this challenge and making progress. In that sense, the Certification is about calling organizations in, as opposed to calling them out.

As leaders emerge, their peers don't want to be left behind. If you aren't stepping forward toward racial equity, you're standing on the wrong side of racism.

THE INFLUENCE ECOSYSTEM FOR CREATING SUSTAINABLE CHANGE



GRAPHIC: PETER HOEY

Most CEOs have heard about the powerful business case for racial equity. Yet from their actions, they seem content leaving these benefits on the table. How do you make sense of this?

I think the business case is too conceptual. Most leaders understand the idea intuitively, but the path to become more diverse remains unclear—often because they're not well-informed about why they are where they are today or what it takes for racial equity to drive bottom-line results in a business. All of that obscures, or outweighs, those longer-term benefits. When you don't have a command of the topic, you lack confidence, which elevates your perceived risk of failure.

If, for example, executives continue to embrace the common but quantitatively false narrative that the pipeline of diverse African American and Latinx talent is too small, then they're likely to conclude they have to compromise excellence to become more diverse—which cuts against the concept of better returns and improved bottom-line results.

We're seeing a lot of those misconceptions challenged. Leaders are being confronted by facts they couldn't see—or didn't want to see—before. When leaders signed those statements saying, "We stand against racism in all its forms," there were Black and brown employees and their white allies, saying, "Hold on, time out. Our lived experience is fundamentally inconsistent with what we stand for and what you just said you stood for externally."

For the first time, there was a reckoning among white executives that they were on the wrong side of race. That's what has elevated racial equity to an enterprise-risk level for organizations. Because how can you say you're not racist if racism is alive and well in your own organization? ◆

ANTHONY APPLEWHAITE and **PRESTON GOLSON** are Brunswick Directors; **ELIZABETH FARLOW** is an Account Director. All are based in Washington, DC.

PHOTOGRAPH: COURTESY OF LORD BILIMORIA

CHANGE THE RACE RATIO

It's time for businesses to set and publish clear targets on racial diversity, says **LORD KARAN BILIMORIA,** President of the Confederation of British Industry. He talks to Brunswick's **JON MILLER** about a bold campaign.

BUSINESSES HAVE BEEN TALKING ABOUT BOARD diversity for a number of years, but progress is slow. In the UK, more than one-third of board seats are now occupied by women, but most of these boards still have very low levels of racial and ethnic diversity. The increase in gender diversity on boards is largely thanks to the work of campaigns like the 30% Club, which now has chapters all over the world. But there has been no similar campaign on racial diversity—until, that is, the launch of Change the Race Ratio.

An effective advocacy campaign needs strong strategic communications and campaign planning—as well as a striking name and brand—and as a founding partner, Brunswick was able to help the initiative get off to a strong start. Other founding partners include Aviva, Deloitte, Linklaters, Microsoft, Schroders and Unilever. The ambition is to get all FTSE 350 businesses to sign the campaign's "Commitments to Change", and at the start of 2021—only three months since launch—Change the Race Ratio is preparing to announce it has hit 70 signatories.

Change the Race Ratio is your first major policy initiative as President of the CBI. Of all the issues that you could have chosen, why this?

I was asked to be President while serving as its Vice President, which allowed me a year to plan what I wanted to do when I assumed the position. I arrived at four priorities, one of which was promoting ethnic minority participation in businesses across the board in the UK. To put that planning in a bit of context: It began in June 2019, before the tragic killing of George Floyd and the awareness it sparked of Black Lives Matter. This was, and very much is, a particularly pertinent issue for me; I'm the first ethnic minority president of the CBI in its 55-year history.

Then at the beginning of 2020, the Parker Review, which had been set up by the government in late

2015, published their latest findings on ethnic minorities on UK boards. Their 2020 findings included concrete targets: each FTSE 100 board to have at least one director from an ethnic minority background by 2021, and for each FTSE 250 board to do the same by 2024. And the Review also showed that companies were nowhere near that: 37 percent of FTSE 100 companies, and 69 percent of FTSE 250 companies, didn't have a single ethnic minority board member.

We saw a possible parallel with what the 30% Club had done for championing women on boards. Ten years ago, Lord Davies said, "We need more women on boards." The Davies Review set a target. The 30% Club as a body came about and championed this target, which they've now achieved. One-third of FTSE 350 board members are women—and only one FTSE 350 company doesn't have a woman on its board. Just as the 30% Club championed the clear targets set by the Davies Review, I felt Change the Race Ratio could champion the clear targets set by the Parker Review.

What are you asking businesses to do?

Make four commitments to change. One is increase racial and ethnic diversity amongst board members. Second is increase racial and ethnic diversity in senior leadership. The third is be transparent on targets and action, and the fourth is create an inclusive culture.

So step one is to have targets. What gets measured gets done. We're starting with the targets in the Parker Review, and that's a target we can work on. Then you've got to work at the executive committee and the level below it. Companies have to commit to establish targets for those levels and, in addition, establish separate targets for Black participation.

Then be transparent: a clear action plan alongside the targets. Share progress in your annual report and on your company website. Disclose the ethnicity pay gap. Companies aren't doing that. We're saying that by 2022 at latest this needs to be implemented.

And the culture component is so important. It's diversity and inclusion working together—not standalone quotas, but the mentoring, the support, the inspiration, that create the environment for diversity to flourish.

The business case for this is now overwhelming. There's report after report. In 2019, McKinsey showed that for ethnic and cultural diversity, the top quartile of companies are 36 percent more profitable than those in the fourth quartile.

CHANGE THE RACE: RATIO

COMMITMENTS TO CHANGE

The campaign asks companies to take tangible action, as set out in the

4

COMMITMENTS:

1. **Increase racial and ethnic diversity among board members.**
2. **Increase racial and ethnic diversity in senior leadership.**
3. **Be transparent on targets and actions.**
4. **Create an inclusive culture in which talent from all diversities can thrive.**

To find out more about the campaign visit *Changetheraceratio.com*

Ruby McGregor-Smith in the House of Lords, a colleague of mine, calculated a few years ago that full ethnic minority representation across the labor market in the UK would equate to an extra £24 billion ($32 billion) annually, or about 1.3 percent of this country's GDP. I think that's an underestimate.

What would you say to an executive who discounts those findings as theoretical, or something that would take decades to realize?

We now have a joint venture of Cobra Beer with Molson Coors, which is headquartered in Chicago and one of the largest brewers in the world. But we started Cobra Beer in India. In India, they don't say "SMEs," they say "MSMEs," because it's micro-, small- and medium-sized enterprises.

I started as a micro business. It was just my business partner and me, two of us. And as our team grew, I remember we created a mini United Nations. We had people from all parts of the world, religions, cultures, backgrounds, and wow, the buzz was so powerful. The difference in thinking and input and dynamics just made us—by miles—more effective as a company. I've seen it firsthand in growing my own company, how powerful it is.

Five, 10 years from now, what will make you look back on Change the Race Ratio as a success?

In the UK, ethnic minorities make up 15 percent of our population. And I led a debate a few years ago on ethnic and religious minorities' contribution to the culture and economy of this country in the House of Lords. Twenty-six peers from different backgrounds spoke in that debate, and you realize this country would not be the sixth-largest economy in the world today, with 1 percent of the world's population, without the contribution of that phenomenal diversity that has helped fire this country.

By taking action—and not just in the UK's biggest companies, but across businesses, across the board—I think this country can be an example to the world, it can lead the way. And I'd like to see it inspire action beyond our borders. "Change the race ratio" is a sentiment that can apply anywhere in the world. ◆

LORD KARAN BILIMORIA is the President of the CBI, an organization that represents more than 190,000 UK businesses employing one-third of the nation's private sector workforce. A member of the House of Lords, he is also the Founding Chairman of the UK India Business Council, and the founder of Cobra Beer.

Social activist Bisi Alimi came to London as an exile from Nigeria after an attempt on his life. In England, as a member of both the Black and the LGBT+ communities, he has become a sought-after speaker and well-known advocate in the fight for equal rights and opportunity in the face of entrenched social biases. He is currently a UK citizen, the Executive Director of Bisi Alimi Foundation and a co-founder of Rainbow Intersection and Kaleidoscope Trust. In June of 2020, Brunswick's Jon Miller hosted a webinar on LGBT+ issues for the firm's employees and guests, with Bisi as the featured guest. He spent an hour with us, fielding questions from Jon and the audience, and gave us some insight into his struggles, his motivations and his core beliefs. What follows is an edited version of his remarks.

PHOTOGRAPH: DAVID M. BENETT/DAVE BENETT/GETTY IMAGES

ACTIVISM for HUMANITY

Now a UK citizen, Nigerian gay activist **BISI ALIMI** draws on his experiences to battle inequality on all fronts—and he has a message for business.

I WAS BORN IN LAGOS, NIGERIA. I GREW UP IN ONE of the few slums in Lagos. I come from a very, very poor background. I also come from a very mixed religious family. My father is a Muslim, and my mother is Christian. I'd either have to go to church or go to the mosque.

At a very young age, I knew that there was something not "right" about me—putting that "right and wrong" in quotes, because it depends on who is saying it. I knew about my sexuality. I kissed a boy when I was 11. That was when I had my Katy Perry moment: I kissed a boy, and I loved it.

My parents are not very well educated. So the concept of sexuality was not very clear to them—this whole gay thing. But my mother, reading from the Bible, knows that a man shall not lay with another man as he lays with a woman. And they've been told that this is abnormal, this is evil.

When I was in school, I met other people who were like me. There were four of us who came together, and we became very good friends and we're still very good friends even now. When I was 15, I was exposed to an extremely aggressive form of Christianity that made me question my future in terms of, if I die now, what happens to me?

That was a pivotal moment. When I was 16, I came out to my friends in church. I'd become a born-again Christian by then, so I came out to my friends in church, and I told them about these feelings that I have. And they supported me, introduced me to a pastor. By the time I was 17, I made a first attempt at suicide. I had become extremely damaged. I hated myself, I hated things around me. I became extremely destructive.

When I was 18, I went to my first gay party in Lagos. That also opened my eyes and increased my conflict. On the one hand, this is who I am, this is so beautiful. But on the other, I cannot be like this, because I will go to hell.

I also had to face the reality of AIDS. I lost a lot of my friends to AIDS in Nigeria. I was very sure at one point I was going to die as well. I was diagnosed in 2004 when I was 29. I had studied theater arts and I had a break in my acting career. I found myself on TV, acting. It was what I had always wanted. And then the media came and they wanted to know all about me. The pressure was so much—finally, I came out on national television, in Nigeria, making me the first person to ever do that. I lost all my jobs. I lost everything. Nobody was going to give me a script or put me on TV anymore. So I became an activist.

Suddenly, I'm at the forefront of being open, being out and advocating for LGBT rights. That got me into trouble with the government. By 2007, I escaped an assassination attempt. It was very clear to me that I needed to leave the country. So I left Nigeria in April of 2007 and came to the UK where I claimed asylum.

Now I'm a British citizen, and I'm using the opportunities that I have at a second chance in life to make sure that what happened to me will never happen to someone else in Nigeria. However, being in the UK has its own challenges.

I always tell people that I was never Black until I came to the UK. I have stopped talking to Black Africans about race, because the reality is that Black Africans don't get race. Blackness, as seen in the Western world—whether in Europe or in America—is not about the color of the skin. It's about an experience.

I became Black in the summer of 2007. Walking from the university, I got to my street and I saw police cars, there were a lot of policemen around. They stopped me. "Oh, good afternoon. Someone committed a crime here. The description that we have fits you." I was slim, even more than I am now. I used to cut my hair, so it was short. I'm tall, about 5'11". They took my name, they took my fingerprints, they took my telephone number, and they told me they would be in touch with me. I had no idea what was going on, but I thought, innocently, that they were doing their job, and I even said thank you to them.

A little further away was another Black man, short, round, with dreadlocks. He stopped me, and he said, "What happened between you and those police officers?" I told him, "a crime happened, the description fits me, and they've taken my fingerprints." And the man started laughing. I said, "Why are you laughing?" He said, "Because they told me the same. And you don't look like me."

A few years later, I shared the experience with my Black gay friends in Soho, and one of them laughed and said, "Welcome to being Black." That was the start of my journey to being Black. Being gay here is so cool, that was a privilege I didn't have in Nigeria. But then I realized that, oh, there's another struggle I need to fight: I'm Black. And I'm not just Black now, I am Black and gay.

I don't have the luxury of a choice. I cannot just confront homophobia and biphobia and pretend racism doesn't exist. Because racism comes my way. Women of color, they do not have the privilege of saying, this is what I want to go through—to choose to confront misogyny but not racism.

We talk about the fact that it was trans women of color at the 1969 Stonewall uprising in New York City that brought us Pride. But, what were the police doing where trans women of color were hanging out? The root of it was racism. And that's taken over 50 years for us to be having the conversation that it wasn't just the clear-cut homophobia that happened at the West Village. It was a mixture of homophobia and racism.

> "I came out on national television, in Nigeria, making me the first person to ever do that. I lost all my jobs. I lost everything."

Black Lives Matter is equally becoming a sexist movement in the way that we only highlight the plight of cisgender straight Black men. Nobody is talking about the trans women that have been killed in the US alone this year. Nobody is talking about injustice coupled with poverty and everything that Black trans women, Black trans men and Black LGBT people are facing.

This happens throughout history. Look at Bayard Rustin for instance. He was a Black civil rights activist who organized the March on Washington for jobs and housing. He was a mentor to Martin Luther King Jr., encouraging his pacifist approach. He was the only Black gay man at the head of the movement. And he's been overlooked since then.

It is time that we spell it out. There are larger issues to be addressed. We have to be very clear what we mean when we talk about racial justice.

THE CHALLENGE FOR BUSINESS

I have been seeing very important conversations from businesses on social media talking about Black Lives Matter. But there is a fundamental question we need to ask: Why does it have to take the video of the killing of a Black man on the streets of America for the Western world to come to a realization that Black lives matter? Is it that we didn't recognize that Black lives mattered before George Floyd? And what is that doing to us now? What is that doing to our psyche? Is it letting us understand and break down the issue around institutionalized lending discrimination? Or LGBT refugees being refused asylum, or why mental health issues are so prevalent among Black people?

We need to not just put up something that says "Black Lives Matter." We need to recognize the role that we are playing, historical roles that we have played in judging people, not by what they can do, but by who they look like. We put them in a box and deny them the opportunity to contribute to the commonwealth of humanity.

People try to attribute this to "unconscious bias." I say there is nothing unconscious about bias. "Oh, I don't know that I'm doing what I am doing." I don't believe it. I believe there is institutional racism and people buy into it because it protects them. People turn a blind eye to it, because they benefit from it. They might not like what is going on. But for as long as it keeps their interest in play, they're not going to condemn it.

Your company comes to me and says, "We want to make a statement about Black Lives Matter." I say, "OK, how many Black people do you have at the entrance level? Then, how many do you have at your mid-management level? What happened between entrance level and the mid-management level that Black people are dropping out? And then, how many do you have at your senior management level?"

What has been coming back over and over and over again is that at the entry level you have more women and minorities. By the time they get to the middle-management level, the white men are overtaking them. And by the time they get to the senior management level, the women are missing, the Blacks are missing. This structure is set up like running a race with obstacles on the way, while your opponent is running the same race on the smooth ground. And you have to finish at the same time.

In a study in the UK, they say it is not just the area where you were born that determines your future; the color of your skin from birth determines your future. If I'm not able to go to particular schools, I can never be better. No matter what I know. Our kids in inner city London who went to London South Bank University, are excellent compared to students who went to Cambridge. But the reality is the child from Cambridge is likely to get a job before a child from London South Bank University. Who has the better chance to go to Oxford? Those are the institutions that we need to break.

I am seeing many companies doing blind recruitment. It has gotten more Black people into employment. It's a shame that that has to happen, but it's happening. But then how do you make the workplace conducive for me as a Black person, considering the microaggression that I have to face? The questions around my ability that I have to prove every day that I am here?

Blind recruitment is a step, but we also need to have a very, very honest conversation around the fact that we got it wrong and we want to get it right. In the process of getting it right, we will get it wrong at some point. And it is OK, because it's a journey. This journey started 400 years ago—400 years of injustice. We don't have a magic wand. It's not going to happen in 20 years. It's a journey. We're not perfect, but we're ready to go all the way.

"Positive discrimination" is a good example. I'll make something very clear. There is no "positive" discrimination. I don't believe in that word at all. It's a recognition of wrong—that is what you're trying to do. You are recognizing that you have done wrong in your recruitment, in promotion, in salary, in education and in everything in our politics. We've done wrong. In the process to right that wrong, we have to take an action that will be seen as drastic, but it helps to balance the equation. There's nothing positive about that—it doesn't move the needle back to zero. But it's an awareness of wrong and I always encourage people to start.

"I'm excited to question the future, to challenge the future, and to make sure that I work hard to make the future possible—this is where my optimism lies."

What is stopping a Black boy, a top student, from going to Oxford? There is a quota: In a year, Oxford will enroll just so many students. Parents from rich families have paid their way through. Those people help finance Oxford, so they will have their own quota. They will be predominantly white families. And families that have been to Oxford before, mostly white, they will have their own quota.

All these quotas favor a white person. If you want Oxford to reflect the multicultural society that the UK is becoming, then you will have to create a space at the table for Black and Asian kids to also be there. Again, this is righting the wrong.

Looking at the work to be done, I draw my strength from the words of Archbishop Desmond Tutu, who says he is a prisoner of hope. I've seen what has happened in the last 50 years. When it comes to the issue of race, I don't think our generation and the next generation coming will solve the issue. But I think we are solving it. I mean, to make the NFL—the organization that sacked Colin Kaepernick and pretended as if nothing happened—to make them release a statement and issue the words, "Black Lives Matter," is enough to give us hope.

I'm excited to question the future, to challenge the future, and to make sure that I work hard to make the future possible—this is where my optimism lies. Optimism could be very passive. "Oh, I'm optimistic about tomorrow, so I'm going to go to bed." No. I'm optimistic about tomorrow, so I'm going to challenge the system. I'm going to pull at the system. I'm going to dismantle the system and restructure the system so that it works for everyone.

My activism is not for Black people. My activism is for humanity. Because when you and I, irrespective of the color of our skin, or how we love, or our gender, can contribute to the goodness of the world, then you and I can take out of the goodness of the world as well.

So it is not about, "I want Black people to be free." That is my focus, but it's about, "I want human beings to recognize the humanity in one another." And for me, that is what gets me out of bed. Because I know it's possible. I don't think human beings are animals. We can make change happen. And we can create the world that we want to see. We just need the motivation for it. I strongly believe that we can do it. ◆

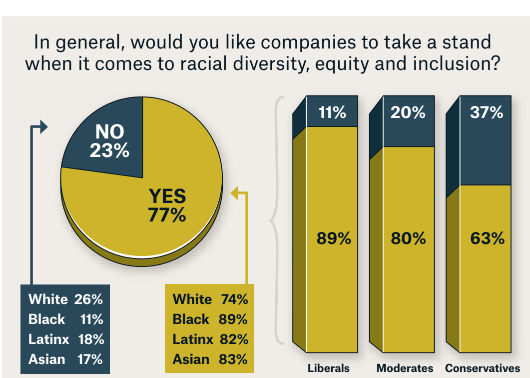
JON MILLER is a Partner with Brunswick's Business & Society team. He is the founder of Open For Business, a coalition of leading global companies dedicated to taking action for more LGBT+ inclusive societies.

Advocacy Begins Within

Brunswick Insight research in the US shows companies have a mandate from key stakeholders to act on racial equity—but sincerity matters. By TRAVIS MALONE.

COMPANIES CAN TAKE A STAND

Across demographics, respondents firmly agreed that business needs to speak up on race matters.



POSITIVE POTENTIAL OUTWEIGHS RISK

A majority indicated they would reward corporate outspokenness on race, while relatively few said they will take negative action.

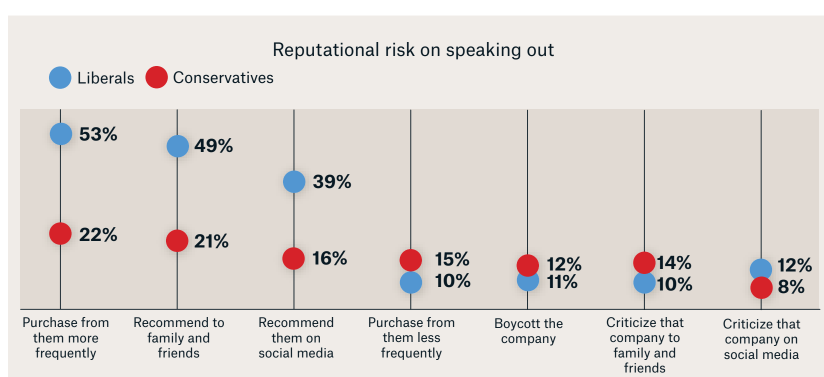


ILLUSTRATION: DAVID PLUNKERT, CHARTS: PETER HOEY

Since the death of George Floyd in Minneapolis sparked an overdue, global conversation about systemic racism in institutions, many businesses have stepped into the debate. But companies are often uncertain about how to take on this complex, contentious issue, particularly in the US. And with good reason.

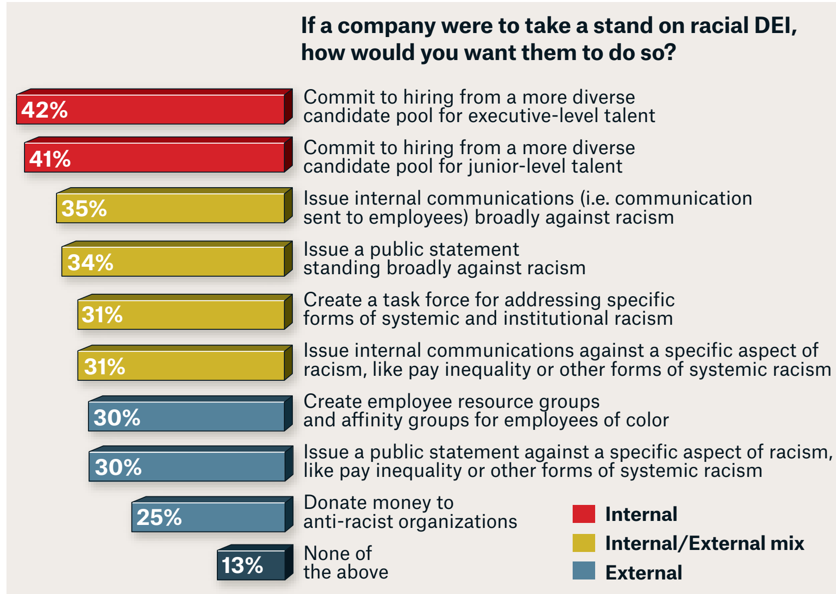
There has been considerable backlash to seemingly well-intentioned messaging from many companies attempting to show allyship. In a political climate that has sparked widening societal division, Black Lives Matter and other social justice issues have drawn starkly partisan support. Protests in cities against racism are discussed significantly differently by the US's left- and right-leaning media outlets and social bubbles. For many companies, these divides also exist within their customer and stakeholder base.

Meanwhile the business community itself is divided. Some executives have chosen a "stay in your lane" approach, dismissing the value of responding to social issues that don't directly affect the company's operations. Others have moved strongly—through company initiatives, announcements and partnerships—to align themselves with progress toward racial equality. Where one group sees outspoken social positions as activism outside the company's purview, the other sees their business' interests as inseparable from those of the society in which they operate.

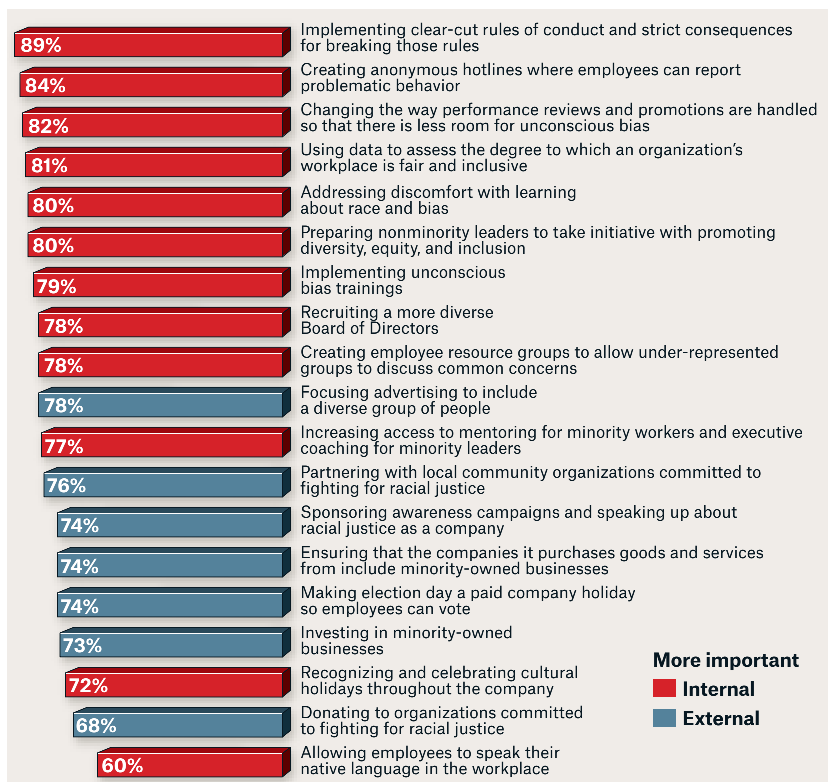
The findings of a 2020 Brunswick Insight survey of 2,000 US adults align with the second perspective: It finds that from the point of view of most Americans, companies should speak up on social issues. Three-quarters of respondents would like companies to take a stand when it comes to racial diversity, equity and inclusion (DEI), and this sentiment carries across party lines—89 percent of liberals and 63 percent of conservatives agree. More than half of Americans say it is "very important" for a company to speak out about racial justice.

After a marked uptick in media coverage of boycotts, it is no wonder that many companies continue to be wary of taking a stand that could end up crossing a line with their customer base. Despite the coverage, however, the Brunswick Insight survey finds that consumers are very unlikely to participate in

INTERNAL CHANGE IS EXPECTED



RANKING THE IMPORTANCE OF SPECIFIC DEI ACTIONS



"WHEN YOU'RE WALKING THE WALK INSTEAD OF JUST TALKING IT, YOU GET TO THAT GENUINENESS. BUT IF THE INSIDE OF THE COMPANY IS IN SHAMBLES OR YOUR BACKYARD IS NOT CLEAN, THEN THE EFFORTS TO HELP WHAT IS GOING ON OUTSIDE FALL SHORT BECAUSE THERE'S A DISCONNECT."

Respondent from a focus group of Black consumers.

negative purchasing behaviors when a company that they regularly buy from speaks out against racism—in fact, there is positive purchasing impact.

Companies can and should feel confident that their customers and key stakeholders want them to take a stand, and that the financial risks are minimal. However, the nature of that stand matters.

One focus group respondent put it bluntly, "I keep seeing these Black Lives Matter banners on websites and it just seems very performative. And the truth is, as a consumer, I don't know what they're doing in their companies. On the outside, it doesn't do anything for me when I see the banners."

So how does a company speak out without coming across as insincere or virtue signaling?

It starts with setting the example from the inside, which few companies managed to communicate this past summer. When Brunswick Insight conducted a language analysis of 150 corporate responses to racism, we found more than half discussed the issue from an external point of view, but less than one-third talked about the issue with reference to their own company. Only 4 percent of the messaging mentioned resources and opportunities for their employees.

While more business leaders are recognizing DEI's importance, it can appear that they are asking society to be accountable for its actions without holding themselves responsible for the part they play in the system in which they operate. The public now expects accountability. They want to see companies "walk the walk."

The actions respondents most want companies to take are hiring more diverse candidates both at executive and at junior levels. Those actions scored seven and eight percentage points, respectively, higher than the choice of a company making a broad statement against racism. When comparing the importance of a list of internal and external actions to improving racial DEI, the top nine actions were all internally focused. Americans want the organizations they work for and do business with to take a stand—prioritizing internal actions first.

Does that mean that companies should avoid public statements altogether while focusing internally? The short answer is no.

A majority of respondents, 82 percent, believe companies should speak out about racial diversity, equity and inclusion issues at some level, and most want the conversation to be more frequent and consistent around their commitment to the issue, beyond just reacting to current events.

People want organizations to address systemic racism, not solely by denouncing racial discrimination and acknowledging a history of oppression, but also by holding themselves accountable for progress inside the company and maintaining a conversation about the issue internally and externally.

To the public, accountability equals credibility.

"I DON'T THINK THAT ANYBODY IS LOOKING TO COMPANIES AS A MORAL COMPASS OF WHERE WE SHOULD GO AND WHAT WE SHOULD DO. I DON'T THINK ANYBODY IS, AND I DON'T THINK A LOT OF PEOPLE HAVE A LOT OF TRUST IN THE AUTHENTICITY BEHIND IT PERSONALLY."

Respondent from a focus group of white Republican consumers.

COMPANIES NEED TO:

- **Prioritize hiring and retention practices for all levels.**
- **Create space for honest conversation about the effects of systemic racism.**
- **Evaluate business decisions, internally and externally, through the lens of systemic racism to ensure that they are not reinforcing racial inequities.**
- **Set measurable goals and share hard data regularly to track and communicate progress.**

No response will please everybody. Criticism is inevitable—but that does not indicate a failed response. Company leaders should feel confident that they have the green light to address systemic racism, and that a powerful place to begin is within their own business.

Many companies have already committed to taking action and are influencing change. As they continue to discuss the issue of systemic racism, they will find people are eager to hear about their role in making real progress. ◆

TRAVIS MALONE is an Account Director for Brunswick Insight in the firm's Dallas office.

ADVOCACY FOR CHANGE: COMPANIES SHOULD SPEAK OUT

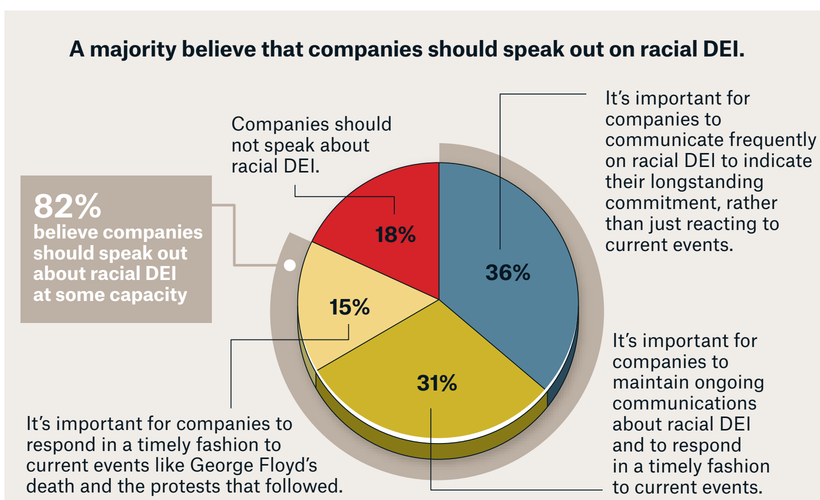


CHART: PETER HOEY

PHOTOGRAPH: COURTESY OF BP

Navigating the Perfect Storm

In his first year at the helm, bp CEO **BERNARD LOONEY** has had to contend with a pandemic and a historic plunge in oil prices. Yet his greatest challenge may lie ahead: leading the company through a decade that climate-change experts call "decisive" for the future habitability of the planet.

A week after becoming CEO of bp, Bernard Looney made a landmark announcement: The company would become a net-zero emitter by 2050 or sooner, and that it intends to help the world get there as well. That is a big deal for any company; for one of the world's leading producers of oil, it was a remarkable commitment.

Within weeks of that announcement, COVID-19 swept across the world, causing a historic nosedive in demand for oil.

In April, less than three full months in his new role, the price of crude futures briefly went negative for the first time ever, and the International Energy Agency predicted that 2020 would be "the worst year in the history" of the oil industry.

Indeed, the industry has been dealing with the impact of a low oil price not only throughout this year but also its likely longer-term implications. Looney has had to deliver difficult business updates, including write-downs and layoffs. bp may have committed to carving out a net-zero future, but in the meanwhile the company still has to deliver competitive oil and gas in a fierce and volatile market.

Yet for the future, the defining issue for Looney, for bp, and for the industry, is climate change. Having set out his bold net-zero ambition in February, Looney followed up in August by fleshing out bp's strategy to achieve it.

The company will cut oil and gas production 40 percent by 2030, and increase its low-carbon investments tenfold over that same time. It has halted hydrocarbon exploration in any new countries. Looney also announced that he is redirecting funds that would have gone to corporate advertising to advocate actively for policies that support net zero, including carbon pricing.

Mike Coffin, an oil and gas analyst for Carbon Tracker Initiative, a non-profit analyzing oil companies' climate impacts, told *Fortune* after the strategy was released that "bp is now the industry leader in responding to climate change."

Having announced this industry-leading strategy, Looney has orchestrated ambitious investments to bring it to life.

In September, bp entered the offshore wind power market with a $1.1 billion investment with Equinor—a move Reuters called "a significant step … towards its energy transition goals."

In November, the company partnered with renewables giant Ørsted on an ambitious initiative to produce green hydrogen. A month later, bp acquired a majority stake in Finite Carbon, the largest developer of forest carbon offsets in the US.

Such bold commitments and investments have drawn praise—even from a nonprofit like Greenpeace—yet the pressures facing Looney and bp remain intense.

He has to convince skeptical stakeholders that this is not just fine words but a sincere shift in strategy. He has to provide confidence that this is not just an aspiration but a deliverable plan. And, perhaps above all, he has to demonstrate to shareholders that this move is not a matter of virtue signalling but a pathway to capture the value of, as he puts it, the "trillions of dollars a year that are going to get spent re-wiring and re-plumbing the energy system."

That would have been a challenge before the pandemic, when oil was $70 a barrel; in today's world where prices are low and the outlook for demand uncertain, it's still harder.

As 2020 closed, the company's share price was down significantly from the start of the year—as were other majors like Royal Dutch Shell, Total and ExxonMobil.

So it's fortunate that Looney is no stranger to challenge. He was Head of bp's North Sea operations during the Deepwater Horizon accident and flew in to the Gulf of Mexico to help stop the spill.

Against today's backdrop, Looney firmly believes the need for new direction—and the financial opportunity to be realized from it—has only become clearer.

"We have seen some tough quarters in our 110-year history," Looney said in August. "And while this last one has to be among the toughest, it only makes us more determined to change, not less."

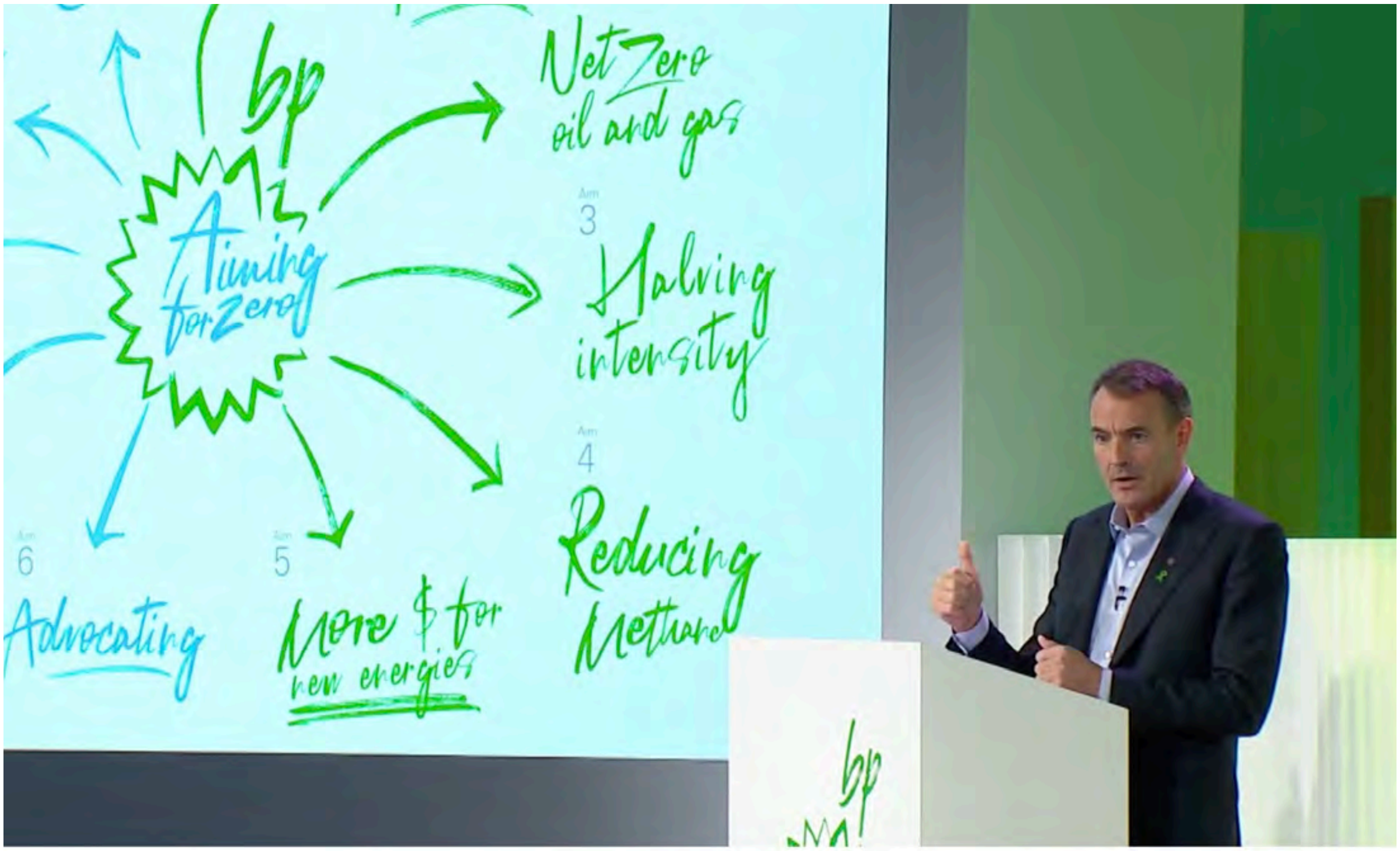
He spoke with Brunswick's Susan Gilchrist and Lucy Parker in the Spring of 2020, a conversation where Looney shared his belief that bp will be a very different energy company by the end of the decade, and that its journey ahead is about capturing opportunity, not managing risk.

"Carbon is the defining issue of our sector. And I think it was very important that people knew where I, as the new guy, stood on the matter."

You made the net-zero commitment a week after becoming CEO. Why move so quickly?

Well, carbon is the defining issue of our sector. And I think it was very important that people knew where I, as the new guy, stood on the matter. I had gone out and listened to our people, I'd listened to activists and NGOs, and I'd listened to our shareholders.

It was clear to me that our company had to



"The reality is we are seen by many as a source of the problem and worse still, an obstacle to solving it. On my first day last week, protestors forced us to shut down our headquarters and they're not the only ones who believe we are out of step with society. Some investors do as well, and some of our own staff. That's an uncomfortable place to be. And let me be very clear today that I get it … The world does have a carbon budget. It is finite. And it is running out fast. And we need a rapid transition to net zero. Society has got to deliver on the Paris goals … So our ambition is to become a net-zero company by 2050 or sooner and to help the world get to net zero … We don't expect progress to be a straight line. But make no mistake: The direction is set. We're heading to net zero. And there is no turning back."

—Extracts from Bernard Looney's inaugural speech as CEO, in mid February 2020—a week into his tenure

change and that we want to change. And it was important early on to ensure that people were clear on where I stood on that very important issue. And where I stand on that issue is that there is an energy transition under way in the world. It's important for the world. And I want bp to be a part of helping the world do what is good for this planet. We want to be part of that solution. Our staff want us to be part of that solution. Society does. And shareholders do.

It's the right thing to do from a societal standpoint, but we also see it as an enormous business opportunity. Trillions of dollars a year are going to get spent re-wiring and re-plumbing the energy system. The problems are only getting more and more complicated.

I'm very fortunate to be leading a company that has been built over 110 years that's got thousands of talented engineers and scientists. We market products. We're one of the world's largest trading organizations. We build big projects. We operate plants. We're truly global. We operate in 78 countries. And when you look at all that and then you look at the opportunity, you've got to say there's an enormous business opportunity here.

But, I think the main thing for me was: It's very easy to think of the energy transition and climate change and all that goes with it as somehow a threat to our business. And you think, "How am I going to manage my way through this? How do we get through it?"

We're flipping it on its head and we're saying this is an opportunity. I believe that if we think opportunity, we'll see opportunity. But if we think risk we'll just see, dare I say it, darkness and shadows and all that could go wrong.

I know it sounds a bit corny, opportunity versus threat. But it's been amazing how it causes us to think differently. And we're going to lean in. It's the right thing for society and the world—and, therefore, I think it's good to go with that as opposed to somehow being pitted against it.

I've heard you say before that it's not a good place to be when the world thinks you're the problem.

Absolutely. It's challenging because I know that's how some people look at us, and that they don't trust us. But what do you do in that circumstance? Do you sit there and ignore those views? Do you point out all the reasons why those people's arguments are incorrect?

I've seen that movie, so to speak, with many companies over the years. I don't believe it works. In my view, if someone doesn't think well of you, how about holding up a mirror and looking at yourself first? And if we do that—and take responsibility for how people see us, as opposed to trying to prove that they're wrong and we're right—we might actually get somewhere.

Because you know what: As an industry and, no doubt as a company, we've given people reason to think how they think. The people challenging us are not bad people. They're trying to do what they think is right for the world.

What I want to do is get away from a scenario where we think "they're wrong, they don't get us," to a place where we can say "we need to take responsibility for how they view us." We have to be clear that we get it. We know the world has to get to a low-carbon future and we want to be part of that.

Now the question is how do we get into a dialogue? Because I believe we can learn. I want to listen to people. My mother did say you have two ears and one mouth and she suggested using them in that proportion.

> "bp is now the industry leader in responding to climate change."
>
> **MIKE COFFIN,** analyst for nonprofit Carbon Tracker Initiative

You also said that you weren't just making the net-zero commitment for bp. You wanted to help the world get there. Why add that?

Firstly, I think if we said we wanted to just help the world get there and weren't going to get there ourselves, that wouldn't last very long as a position.

But also, just saying we're going to achieve net zero as a company is not the answer. It's no secret that bp is a large company, but it's still small on the world scale of emissions. So us getting there alone is not enough. Our people want to make sure that we're doing the right thing as a company and I think they also want to make sure that we're going to help the world get there.

We obviously won't have all the answers. But we're going to try—and we've got a lot of experience to draw on. We want to take our history and what we've learned, and see in a humble way, not in an arrogant way, can we help. We're not coming along and saying, "Here's the answer," or, "This is bp and we know exactly what everybody should be doing." But rather we'll be out there trying to help.

We'll be advocating very strongly for a price on carbon, for example. I said we wanted to be in dialogue. Well, to be in the dialogue, you have to be trusted. And to be trusted you have to admit some of your deficiencies and that you don't have all the answers—and that you make mistakes. So it's important for us to get to net zero as bp but, quite frankly, it's as important that we try and help the world get there.

Not long ago it would have been pretty surprising for the investors in the oil and gas sector to encourage a company to move toward low carbon. And yet now there's a growing chorus within the investment community pushing for commitments on low carbon. On the other hand, you still have to deliver financial results. How do you view that balance, and how do you manage it?

Well, first, there's this view that the financial returns to be made in, let's call it renewable energy, are much less than they are to be made in oil and gas. I actually think that's a bit of a myth. I've been in oil and gas for 28 years, proudly so, and I don't think the returns are actually as strong as what some commentators make them out to be.

Then on the renewable side, I think there's a potential for the returns to be higher than what people think. So we have a job to demonstrate that the financial returns from both routes are in reality much closer than what some people might think.

The second reason for investor hesitation about the shift to low carbon is because investors would say bp doesn't have the skills: "You're an oil and gas company, what do you know about solar panels or wind or hydrogen or electrification?" So we have work to do to prove to people that actually we do have relevant skills and that through those relevant skills we actually can add incremental value.

We have a job to say we believe we can invest into this new area and we can make money in it. Let me just give you one example: When Microsoft or Amazon want electricity and energy for their data centers, they want it to be reliable every moment of every day. They want it to be cheap because they're trying to make a return. And they want it to be clean.

Now what they can't do is go to a wind company to get that energy—because it'll be clean and it'll be cheap but it won't necessarily be reliable. So, what we can do is put together some wind and some gas, and we put our trading business in there and our digital platform, and we can offer them a solution for what they want. That's the integrated set of skills bp has. But there's some skepticism around it and we'll have to overcome that.

"Trillions of dollars a year are going to get spent re-wiring and re-plumbing the energy system."

Becoming CEO of bp would be extraordinary at any time, but you did so amid mounting pressure on the oil and gas industry and with the pandemic starting to unfold. What's it been like for you personally?

Well, I'm glad that I didn't spend a lot of time on a 100-day plan as a lot of people encourage you to do, because I think it would have been thrown away very quickly.

It's been difficult, of course, but it's difficult for everybody. You always have to be drawn to the fact that there are a lot of people who don't actually have the privilege that some of us do in bp—the privilege of being able to work from home.

We've got people out there in retail, for example. You know, we've got workers in the UK who are providing gasoline and diesel and milk and tea and bread and groceries to people—and they're right

"Not the prettiest pictures—but there's an important message behind them. These photos show Heathrow Airport in London, where our 'Possibilities Everywhere' advertising has now been removed. The same has been done—or is in progress—at locations around the globe. Worldwide TV advertising was pulled a few weeks ago. As part of our aims around advocacy, we said we would stop corporate reputation advertising. Now we are focusing our energy on using that funding to actively advocate for progressive climate policies. We hope this shows we are taking real actions to back up our words."

—Photos and caption posted by Looney on LinkedIn in February 2020 on the front line.

So it's definitely not straightforward, of course. But a lot of people have got a lot more challenges at the moment than someone like me.

I've got a lot of support and I'm fortunate to be surrounded virtually by lots of friends and people inside the company; what an amazing team.

That opportunity to be connected virtually has its surprises, doesn't it? Do you find you can connect with people in a way that you never thought you could?

It's incredible. I mean, within the span of a few weeks I've been—virtually—in China. I've been with an Air bp team in Paris. I've been with a group of refinery workers—they just reached out to me and I talked to them for half an hour. I was invited to a happy hour in Australia. And I would probably never have met these people if I was relying on a plane to get myself around the world.

Meanwhile, the economics of the energy industry as a whole could hardly be more different than they were in the financial crisis. And you have got decisions to make about the future of the company at a time when the future has never seemed so uncertain. How do you go about thinking about it?

It's important to have some very basic frames to work with. And we really focus on three things. It sounds simple but it's really helpful.

Our first job is to protect the health of our people. And we have people working in places as remote as Papua, which is about 10 hours from Jakarta, where our team is building an L&G facility. We had medical facilities in place for an accident, but we didn't have any for a pandemic. So we've had to figure out how to get people home. We've got people in retail sites donning personal protective equipment every moment of every day. So, first, how do we protect the health of our people?

Secondly, it's about supporting our communities; bp is a good company with good people. You know it's about as simple as that, and our people want to help. People ask, "Do you feel under pressure to act?" I don't feel under pressure to act; I think we feel a responsibility to act. And our people feel a responsibility, so we're doing our best to help communities around the world. Doing all sorts of things like donating free fuel to the emergency services in the UK and something similar in the United States.

Then thirdly, it's about strengthening our finances because this is a very difficult time. Our business is performing well in an underlying sense, but the environment is brutal, absolutely brutal. Therefore, we're making sure we're doing all the things that we need to do around liquidity, around credit rating, around driving the breakeven of the business, and around tackling the balance sheet.

2020: WHAT A YEAR FOR OIL

The pandemic upended both the demand for and economics of oil. In April, the price of oil futures briefly went negative for the first time, meaning that oil traders were actually paying people to take oil off their hands. It was around then that the International Energy Agency predicted that 2020 would be "the worst year in the history" of the oil industry.

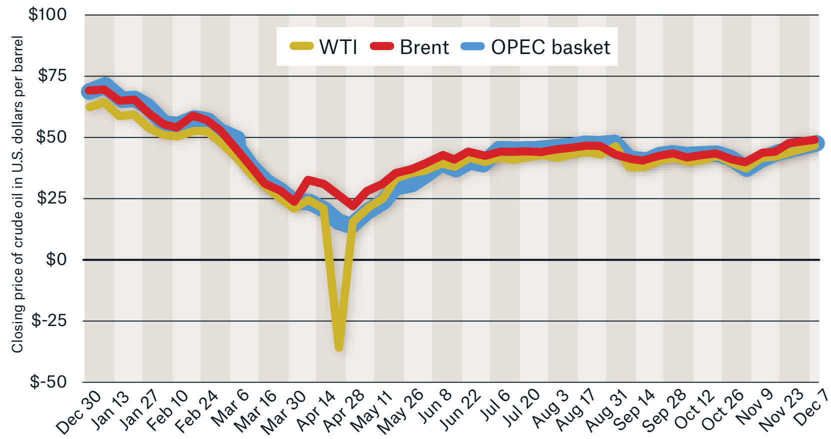


CHART: PETER HOEY

> "Our business is performing well in an underlying sense, but the environment is brutal, absolutely brutal."

That's how we frame it. It's simple and it helps people put things into boxes so that we can compartmentalize and focus. I found it very helpful. And our organization has found it helpful.

There seems to be this expectation for CEOs that wasn't there a decade ago: You have to step up and be part of the solution to societal issues. Do you see it that way?

I'm often asked how I manage this tension between what society wants and what shareholders want. And I think if you've set the question up like that you start looking for the tension.

I don't see it being about trade-offs. I think if we assume there are trade-offs, that's what we will find. When, in fact, there's far more convergence on these issues than there has been in the past. ◆

SUSAN GILCHRIST is Chair, Global Clients, focusing on the most important thing at Brunswick: our clients. She was Group Chief Executive from 2012 to 2018.
LUCY PARKER, a Senior Partner, leads Brunswick's global Business & Society offer. She is co-author of *Everybody's Business: The Unlikely Story of How Big Business Can Fix the World.*

Business Action

2020 demanded more of businesses—and many stepped up to deliver. In this section of the *Brunswick Social Value Review*, we look at ways companies are not only responding, but establishing leadership toward solutions that can benefit both society and enterprise.

Lost in Transition?

Brunswick's climate expert PHIL DREW says preparing for a net-zero world is now not only a societal obligation but rather a baseline commercial expectation.

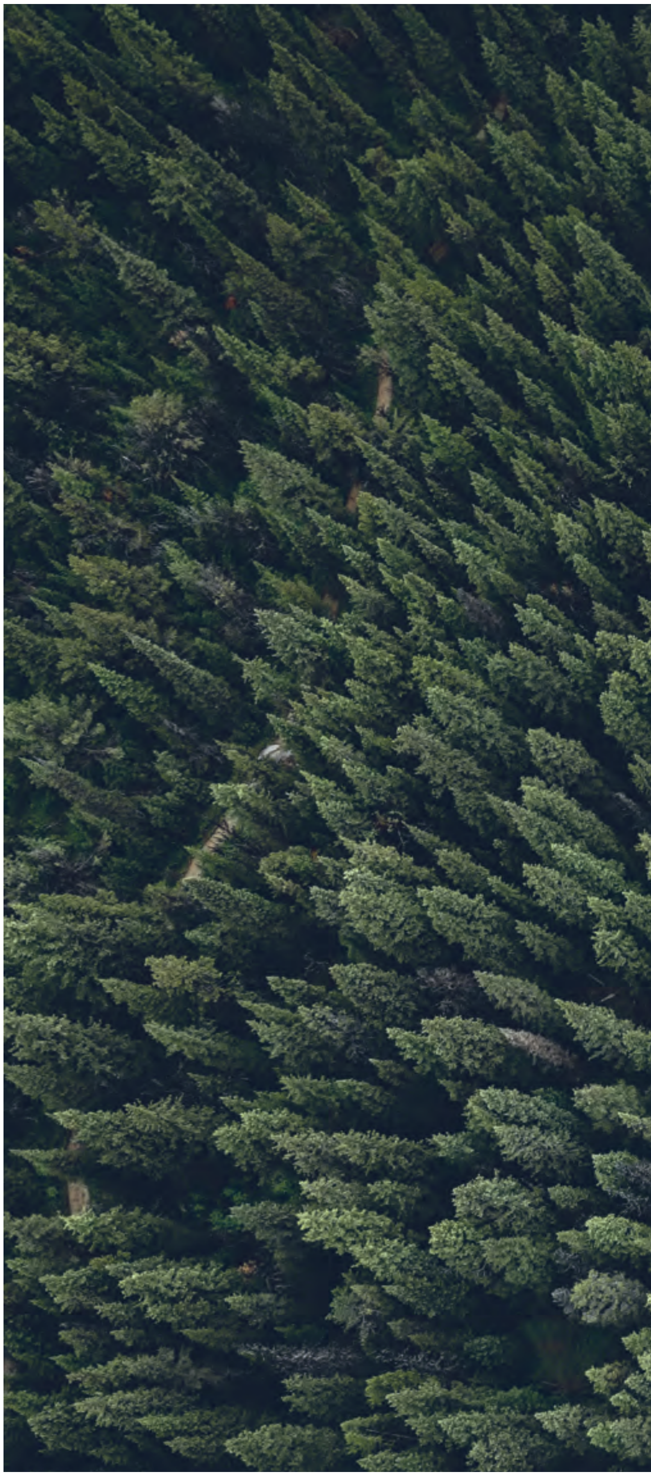
In May 2020, a Wall Street Journal article predicted that corporate sustainability initiatives—a catch-all term that includes climate-related efforts—would be put "on the back burner" thanks to the economic fallout of COVID-19.

Almost exactly six months later Mark Carney, the United Nations' special envoy for climate and finance and former governor of the Bank of England, headlined a major investor event and issued a stark warning to his corporate audience—one which reflected that the corporate hiatus on climate had not only failed to materialize, but that the expectations of business had in fact intensified.

According to Carney, it's no longer enough for a business to acknowledge that change is needed; they now have to demonstrate how they intend to deliver it. In practice, that means clarifying how they will transition their business model to be consistent with a net-zero emissions economy by 2050. "The absence of such a transition plan will likely be seen as either an intention to wind down a business over the coming decades, or an assertion that the company views itself as separate from society," Carney said. "The former may be logical; the latter is unforgivable." The window for business to develop and disclose these plans, according to Carney, is November 2021, when the United Nations' Climate Change Conference (known as COP26) will take place.

In our work with clients, we're finding that leading companies are asking of themselves—and being asked by investors, policymakers, and civil society—two crucial questions:

- "What does the net-zero transition mean for the future of this business?" and;
- "What does this business mean for the future of this transition?"



THE ZERO-CARBON TRANSITION
Already Under Way

Helping to power the transition are ultra-low interest rates well-suited for upfront clean technology investments, better financial data on physical and so-called transition risks, and the increasing competitiveness of low-carbon solutions. The latter are set to outperform higher carbon alternatives in sectors accounting for three-quarters of emissions. As

a result, capital flows to sustainable assets reached record highs in 2020.

Momentum has also been fueled by a new wave of national net-zero ambition led by China, Japan, South Korea, the EU and UK. By the start of 2021, countries representing 65 percent of global emissions and 70 percent of the world economy will have committed to a net-zero target, up from 53 percent of the economy in June last year.

Even as they grapple with the personal costs of the pandemic, public support for climate action has remained resilient.

Brunswick polling across eight major economies shows clear majorities in each are in favor of prioritizing climate in national recovery plans, with levels of concern about climate narrowly behind dealing with jobs and the economic damage caused by the virus.

Investors Are Driving the Momentum

The week after Mr. Carney spoke, BlackRock published its 2021 Stewardship priorities, stating they expect to see companies' plans to align their business with the global goal of net-zero GHG emissions by 2050. Even further, given the need for "urgent action" on climate, BlackRock intends to support more shareholder proposals, where they believe that voting in favor "might accelerate companies' progress." According to BlackRock's annual client survey, climate change is their clients' top concern worldwide, and many are planning to double their allocations to sustainable products over the next five years. The same week BlackRock published its priorities, an alliance of 30 asset managers, collectively overseeing $9 trillion, announced a goal of achieving net-zero carbon emissions across their portfolios by 2050.

The Rise of "Inter-Activism"

As Nobel Prize-winning economist Joseph Stiglitz wrote, COVID-19 hasn't been "an equal opportunity virus." From income inequality to racial injustice, the pandemic shone a light on a host of societal issues, as it exacerbated them. This awareness carried over into the impacts of climate change. The result: In a year of charged conversations, a growing number were interwoven with the climate crisis.

Biodiversity and habitat loss, for example, contribute to the rise of new human diseases, 75 percent of which come from wildlife. Highlighted by the pandemic, efforts to address this climate-driven biodiversity crisis have gained momentum.

Coordinated by the coalition Business for Nature, more than 560 companies with combined revenues of $4 trillion, including Walmart, bp, Unilever, and Microsoft backed calls for governments to reverse the accelerating destruction of the natural world and support broader efforts to fight climate change. This year will see the Biodiversity and Climate agendas formally come together at the UN biodiversity COP in May and the climate COP in November.

Elsewhere, public health and climate change were linked by Harvard research that found that air pollution increased COVID-19 fatalities by 15 percent. Also, amid a long-overdue reckoning on racial injustice, the connection between systemic racism and climate change drew attention. Black Americans are exposed to 1.5 times more hazardous pollution than white Americans, for example, and to 50 percent higher rates of particulate pollution than the general population. Emerging from tragedy, "I can't breathe" became a powerful rallying cry for racial justice, and carried over to environmental justice.

> In a year of charged conversations, a growing number—from racial injustice to inequality—were interwoven with the climate crisis.

This has added a health and equity case to the drive for clean energy. Apple is establishing an Impact Accelerator to invest in minority-owned businesses that help its supply chain reach net zero and also benefit communities disproportionately affected by environmental hazards. As Lisa Jackson, Apple's vice president of Environment, Policy and Social Initiatives, said: "Systemic racism and climate change are not separate issues, and they will not abide separate solutions. We have a generational opportunity to help build a greener and more just economy."

A Clearer Picture of Corporate Leadership

Together, these forces are injecting not only greater urgency into the climate change conversation but also greater sophistication. Setting environmental targets once drew applause; now even the most ambitious targets aligned with net zero are becoming commonplace. Almost 1,400 businesses—including many in the most carbon intensive industries, such as cement—have joined the UN Race to Zero, aligning their entire value chains with a 1.5 degree world.

In the inaugural edition of the *Brunswick Social Value Review*, published at the start of 2020, we described a three-pronged approach to corporate leadership on climate. By the end of 2020, we've seen more companies embody it.

1. BUSINESS TRANSFORMATION

This entails a business becoming net zero through its products, portfolios, operations and procurement. A net-zero ambition is often the place this all starts. Today's best practice is setting a science-based target—which more than 1,000 businesses have now done—with the ambition to reach it in the 2040s, supported by near-term targets this decade.

Leadership consists not merely of setting that ambition but a clear transition plan for how the entire business is aligning to deliver it—including across the value chain, which is on average five-and-a-half times larger than the business itself.

Standalone actions like powering operations with 100 percent renewable energy are important but not sufficient. Influential stakeholder coalitions such as the Climate Action100+ want to see a strategy that outlines climate-related risk, and articulates how the company is changing to play a successful part in a net-zero world. Increasingly, that means how it is realigning capital, assigning explicit board-level oversight, linking executive pay to climate targets, accounting for the impact on workers and communities, and ensuring its policy advocacy is consistent with its public commitments.

2. SYSTEMS CHANGE

The next stage of leadership is going beyond the business, considering the unique levers the company has to drive progress on systemwide challenges. Global logistics firm Brambles was praised by the UN and COP26 Presidency for its plan to pioneer the world's first regenerative supply chains that enable customers to deliver on their net-zero targets; a commercial and societal win-win that also responds to a pandemic-induced reappraisal of resilience as a global strategic priority.

We are seeing more companies deploy strategic philanthropy alongside partnerships. Transform to Net Zero, for example, is an alliance between Microsoft, Nike, Mercedes-Benz and Maersk, where members share best practices for achieving net-zero emissions across their value chains.

Coalitions are also tackling both the supply and demand side of the equation. For electric vehicles, the EV100 coalition, whose members range from Heathrow Airport to IKEA, are pledging to transition their huge fleets to electric vehicles by 2030. On the supply side, we saw the launch of the "green hydrogen catapult," a coalition of the world's largest hydrogen producers working to drive down costs so green hydrogen can become an economically viable alternative energy source for industries like cement and steel.

We expect collaboration to drive sector-level transition to deepen and accelerate in the first half of 2021. At the Davos Dialogues in January, the UN Climate Champions in partnership with the UK COP26 President Alok Sharma launched the "Race to Zero Breakthroughs," a masterplan based around specific sectoral tipping points the world must achieve, and business can contribute to, across more than 20 sectors to achieve a resilient, zero-carbon future.

3. 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.

Climate-focused investors and nonprofits are calling out businesses when they spot a gap between a business' public statements and its private lobbying. In 2019, more than 200 institutional investors, with a combined $6.5 trillion in assets under management, called on publicly traded companies to align their climate lobbying with the goals of the Paris Agreement. In October 2020, those investors wrote to CEOs reminding them of that expectation.

Here too we've seen companies take bold action. bp, for instance, has made advocacy an explicit component of its net ambition ("Aim 6") and redirected money from advertising toward climate advocacy. Meanwhile more than 1,000 companies have joined The Business Ambition for 1.5°C, which is working to create a mandate for greater policy leadership, completing the so-called "ambition loop" required to make net zero a reality.

> COP26 will spotlight what the business world is—or isn't—doing to help the world transition to a net-zero world.

A Decisive Year in the Decisive Decade

Even as a chorus of national net-zero commitments put the Paris Agreement "within reach", the world is not yet on track to avoid dangerous, irreversible climate change—for the world to remain on course to achieve net zero by mid century, emissions must halve this decade, and then halve again each decade.

The momentum in the space is clear, yet so too the work still to be done. During a year when governments disbursed tens of trillions of dollars, a majority went to reviving the high-emitting, unsustainable economies of today, rather than investing in building a resilient, clean economy of tomorrow—G20 countries directed 50 percent more money toward projects that rely on burning fossil fuels than green projects.

In the business world, the gap between climate rhetoric and reality remains wide, particularly in areas like climate-transition strategies. The Task Force on Climate-related Financial Disclosures (TCFD) found in their 2020 progress report that only one in 15 companies "disclosed information on the resilience of its [climate] strategy."

That's why 2021 is being talked of as the decisive year in what many have called the decisive decade. The inauguration of Joe Biden—who has pledged to rejoin the Paris Agreement on his first day in office and also stage a climate summit—will bring renewed focus on the role of America and its companies in meeting the agreement's goals. COP26, set to take place in November, is being billed as "the most important gathering on climate change since the Paris agreement." It will also spotlight what the business world is—or isn't—doing to help the world transition to a net-zero world.

The month after Mr. Carney offered his words of warning to the corporate sector, he set out a more optimistic vision in a BBC Reith Lecture, "From Climate Crisis to Real Prosperity."

"Since society has created a clear goal, it will become increasingly profitable to be part of the solution and increasingly costly to remain part of the problem," he said. Far from a burden to business, the shift to a net-zero future can come to represent "the greatest commercial opportunity of our age." ◆

PHIL DREW is a Partner in Brunswick's Business & Society offer. He was formerly communications director for *Climate Week* and is a special advisor on campaign strategy to the UN High Level Climate Champion for COP26 and the UN Race to Zero.

REFUGEE INCLUSION
The POWER of POTENTIAL

FOUNDED BY CHOBANI CEO HAMDI ULUKAYA IN 2016, THE TENT Partnership for Refugees now includes over 100 large multinational corporations headquartered all over the world. The coalition is dedicated to making the economic case for refugee engagement and reframing the debate—away from victimhood and a societal burden, and toward seeing refugees as entrepreneurs, suppliers, customers and employees, able to be of benefit to businesses and to society as a whole. • Over the last decade, the issue of refugee inclusion has landed in front of business leaders on a number of occasions. The US travel ban on Muslim-majority countries in 2017, in which the US administration reduced the number of refugees it takes in, halted most refugees from Syria, and revoked tens of thousands of visas. The decision prompted 80 CEOs, former CEOs and business leaders from 77 companies to speak out against the policy, highlighting the economic case for immigrants and refugees. However, absent such a dramatic flashpoint, support for refugee populations has often been sidelined as an issue of philanthropy.

Beyond the social impact of supporting refugee communities, an inclusive approach also makes good economic sense. Leaders from the Tent Partnership, a coalition of over 100 multinationals, talk about their work with Brunswick's TOM MCGIVAN and ANN-KATHRIN RICHTER.

Alan Ramadan, a Syrian refugee who came to Germany in 2012, attends an industrial mechanic training program in Hanover held by US company Johnson Controls International.

PHOTOGRAPH: ALEXANDER KOERNER/GETTY IMAGES

Quasim Jabbar Munshid Aljaberi sold his house in Iraq to pay ransom when his wife was abducted. He and his family came to Berlin as refugees in 2016.

PHOTOGRAPH: CARSTEN KOALL/GETTY IMAGES

The Tent Partnership for Refugees marked its launch with the publication of the report "Refugees Work: A Humanitarian Investment That Yields Economic Dividends." The report was the first comprehensive, international study of how refugees can contribute to advanced economies. The report found that investing one euro in welcoming refugees can yield nearly two euros in economic benefits within five years.

"Refugees can contribute economically in many ways: as workers of all skill levels, entrepreneurs, innovators, taxpayers, consumers and investors," the report says. "Their efforts can help create jobs, raise the productivity and wages of local workers, lift capital returns, stimulate international trade and investment, and boost innovation, enterprise and growth."

Tent's work with companies has focused on several benefits businesses that hire refugees can realize, which include increased retention and recruitment, increased productivity and innovation, increased employee engagement and growth, and enhanced brand value and reputation. Through research and collective experience, the Tent Partnership has consistently demonstrated the economic and broader societal benefits that derive from business engaging with refugees in new and meaningful ways.

Brunswick recently hosted a webinar where three Tent directors laid out how companies can help refugees and the benefits for doing so. Scarlet Cronin is Senior Director of Private Sector Partnerships at Tent, overseeing its global member base. Previously she was Director of the Clinton Global Initiative (which is also where Brunswick, together with over a dozen other organizations, launched Open For Business in 2015).

Ms. Cronin was joined by Andreas Wolter, Director of European Partnerships at Tent, and Noni Rossini, Director of Marketing and Communications. Below is an edited version of their presentation followed by questions from webinar participants.

SCARLET CRONIN: Our founder, Hamdi Ulukaya, is an immigrant to the US who launched an incredibly successful company called Chobani. He made the business decision several years ago, when he was looking for employees at his factory in upstate New

Of the world's **30** million refugees, only a small percentage can return home any given year. More than half will be displaced for 21 years.

York, to start hiring refugees, who now make up about 30 percent of its workforce and come from nearly 20 different countries. It turned out to be an incredibly sound business decision.

From this personal insight, he launched Tent. We now have more than 100 major multinational companies in this global coalition—companies in all sectors and geographies, including Shell, Philips, Starbucks, Adidas, H&M and more.

We pride ourselves on being able to provide tailored guidance to them, making it as easy as possible for companies to engage. A large part of our focus too is on sharing best practices, examples of what's worked and what hasn't for companies supporting refugees. In addition, we commission research to help inform these businesses in their work to support refugees.

We can also connect companies interested in a specific project to the best-in-class local organizations that they can work with. We have built up an ecosystem of local organizations all around the world that we have vetted. We understand their strengths and what they bring to the table, so that when we introduce them to companies, we are confident that they will be a good partner for our other companies in the network.

We do not ask for any fee from companies; everything we offer is fully funded by our founder. But we do ask companies to be active and to participate in at least one Tent-hosted event a year. This is an opportunity to share new ideas and new opportunities with them, but it also gives companies a platform to talk about their own work.

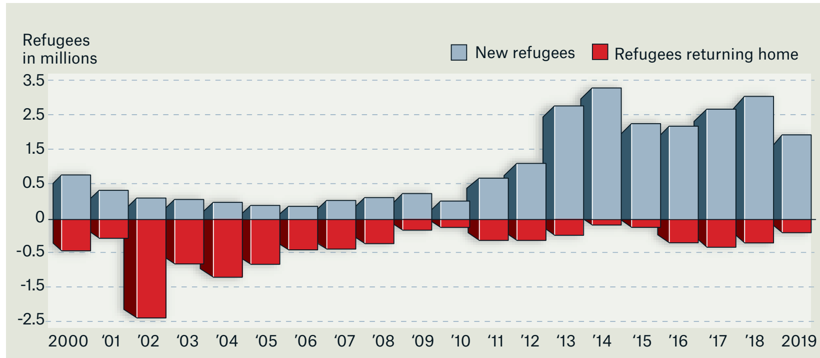
Currently, the number of refugees is at its highest level since World War II, which is when the international community started tracking the numbers. There are almost 30 million refugees worldwide, and at the same time, there are very few opportunities for refugees to be able to return home.

More than half of refugees worldwide are estimated to be displaced for 21 years, so we really are talking about generations of people here. This is why it is so important that we think about not just the short-term or the mid-term, but the long-term impact of refugees. Our work is focused on making the economic case for refugee integration, engaging with businesses to give refugees opportunities to settle and set up new lives in their new communities.

While our work tends to focus on North America, Latin America and Europe, it's important to note that the majority of the world's refugees are not in high-income countries, but in less-developed

SURGING NUMBERS

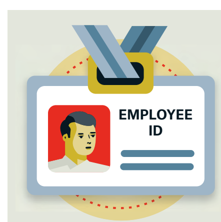
As the count of new refugees has climbed, the number of them able to return home remains low.



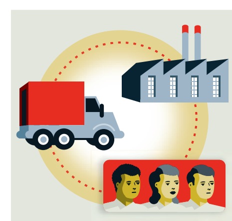
Source: UNHCR; UNRWA

WORKFORCE INCLUSION

Businesses can leverage their core competencies to include refugees in four broad areas.

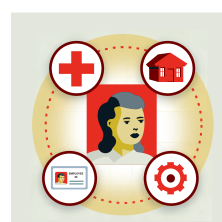


HIRING + TRAINING
Integrate refugees into your workforce through direct employment programs.



SUPPLY CHAINS
Leverage global supply chain and vendors to include refugees.

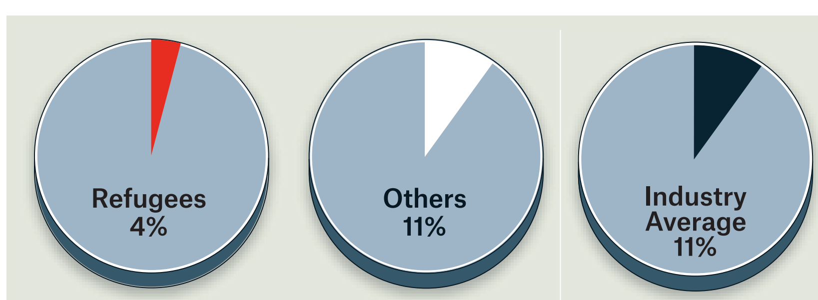
ENTREPRENEURSHIP
Support and enable refugee entrepreneurs and small businesses.



SERVICE DELIVERY
Tailor existing commercial goods and services to better reach refugee populations.

STABILITY BENEFIT

Annual turnover among refugees in US manufacturing jobs is much lower than employees generally.



Source: Tent-Fiscal Policy Institute, "Good Retention, Strong Recruitment"; Center for American Progress "There Are Significant Business Costs to Replacing Employees"

CHRTS: PETER HOEY

countries. Turkey, Uganda, Ethiopia and Jordan host 8 million refugees with the legal right to work, and there are 3.6 million in Turkey alone.

ANDREAS WOLTER: While a lot of media stories have focused on the hiring of refugees, there are broadly four different areas of work that we focus on. These include hiring and training, supply chains, entrepreneurship, and service delivery.

Hiring and training is where companies directly integrate refugees into their workforce. By training them and bringing them up to speed, they increase their employability. There are several recent examples worth mentioning—to name two, Volkswagen and ABN AMRO. Teleperformance, a French-based company, has committed to hiring 1,000 Venezuelan refugees in Colombia.

In the supply chain area, we ask companies that have significant production operations in various countries to look at their suppliers and try to work together with them on integrating refugees. H&M, the fashion company, has committed to work with its suppliers to integrate and hire refugees in their factories. They have 40-plus suppliers and have agreed to hire 2,000 refugees—around 500 have been hired already. IKEA and Levi Strauss are also interesting examples, as they're actually identifying and using refugees themselves as suppliers.

A third area of work concerns encouraging entrepreneurship. Many of the refugees I've worked with come from an entrepreneurial background—maybe their families had a bakery shop or a small garage where they fix cars. Bancamía, for example, is currently providing loans to refugees in Brazil and ING has created over 2,000 new jobs with a similar program in Turkey. Generali, through their foundation, are operating major projects in France and Germany, working together with other nonprofit organizations to train refugees to become entrepreneurs.

The fourth area of our work is service delivery. Here we look at refugees as customers and at what companies can do to adapt their product service range to meet refugee customer needs. Turkcell is an outstanding example. The company invests in additional cell phone towers and then hires Arab-speaking agents to reach refugee customers. LinkedIn is another example: They put their mentoring and training features to use in providing support to 5,000 refugees.

We're looking at refugees as entrepreneurs, suppliers, customers or employees in a workforce. What we've found in commissioned research is that refugee workers are much less likely to leave companies, so there's lower turnover compared to other companies. Refugees are also more willing to relocate if that is what their position in the company requires, sometimes even to another country.

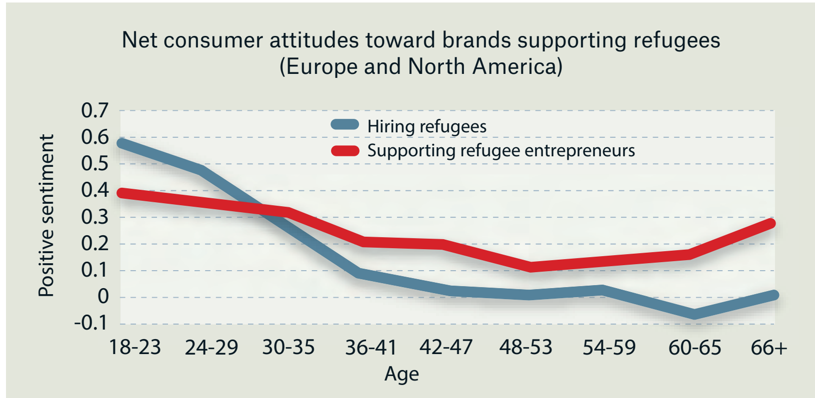
We have also asked consumers how a company working with refugees affects their perception of the brand. In all of the areas where we have done this research—Italy, Germany, France and North America—there is overall support from consumers toward companies that either hire refugees or support refugee entrepreneurs.

An important component of that demographic is millennials. Seventy-eight to 85 percent of respondents in that group say that they are looking for jobs with companies that have a strong set of social and environmental commitments.

And of course, when we talk about the economic case, we cannot lose sight of the impact that these business decisions can have on the lives of these people. Someone from Somalia who is in a desperate situation in a strange country—for that person to get a job or to start a business and be able to support themselves and their family in their new home, the opportunity to work means everything.

BRAND SUPPORT

By helping refugees, businesses can strengthen their brand and reputation.



The survey, conducted in cooperation with NYU, ranked responses to company actions as -2 for most negative to +2 for most positive; 0 indicates no change in consumer outlook. The average here across age groups skews well into positive territory.

> "Someone from Somalia who is in a desperate situation in a strange country—for that person ... the opportunity to work means everything."

How would you advise a company that wants to get involved in this issue?

NONI ROSSINI: Part of what we did in the research about consumer sentiment was to look at what types of actions companies can take that consumers will respond more positively to.

Some more activist companies have called for countries to take in more refugees; Airbnb and Ben

& Jerry's are good examples. On the other hand, a less political position for businesses to take is to support refugees to become entrepreneurs—for this, there is broad support across all ages and political affiliations and far less risk involved for companies.

So what we would say to companies is that, if you're very brave and you want to cut through the noise, and if your consumer base perhaps tends to lean toward being more pro-refugee, there is a place for you to engage in direct public advocacy. But if you're not comfortable going in that general direction there are other actions that you can take that are a lot less divisive and will benefit your brand. Consumers are more likely to purchase from you if you take those actions.

How do you think about your impact—when working with individual businesses and also collectively, through partnership?

SCARLET: We see our role as trying to bring as many smart opportunities as possible to our membership, on an individual basis. What's right for a company in Brazil, for example, may be different for a company in another country.

Within the context of the COVID-19 pandemic, it is a more challenging time to ask companies to think about making big hiring commitments. Companies right now may not want to appear to be preferring hiring refugees over nationals, for instance. So we can bring other opportunities that might feel a little bit easier.

In North America, to give an example of a broader concern, we have an initiative where we're bringing the opportunity to companies to mentor LGBTQ refugees. That's something we've seen a lot of corporate interest in. We're thinking about doing that in Europe or other geographies.

We're constantly trying to look at the landscape and figure out what individual companies need from us. The better the relationships we have with companies, the more we can be useful to them.

NONI: Regarding the collective impact, we do encourage businesses to step up together and make this commitment public, because part of our mission is to encourage companies to come into the Tent fold. But one big thing that we also want to tackle is how do you start to shift the narrative around refugees from being victims to them being empowered, economically productive members of society? Encouraging businesses to make these commitments public is a really important way to do that. When the H&Ms and Airbnbs of the world do that, they act as role models. That means that we can encourage a broader cohort of businesses to follow suit and be public about it.

"How do you start to shift the narrative around refugees from being victims to them being empowered, economically productive members of society?"

ANDREAS: In addition, it's part of my role to convince companies to roll out their programs to additional countries. We typically start in the country where the company is headquartered, and then either replicate that model in countries B, C and D, or identify models and projects suitable for specific countries. This increases the social impact because we're actually adding countries to the portfolio from one member company.

How can business help shift the narrative around refugees, away from being victims or a burden on society?

NONI: It's not going to happen overnight. For us, what's really important is to get the big brands on board that are willing to speak up, to get involved and to encourage others—and in particular, to hear it beyond the traditionally more liberal and activist companies like Ben & Jerry's or Starbucks. Encouraging other types of companies into the fold, companies that you wouldn't expect to be speaking up for refugees. I think that is what's going to start shifting the dial.

In terms of advocacy itself, that's not really what we do. There are plenty of organizations out there, like the UNHCR and IOCs of the world that do a fantastic job raising the public profile of the issue of the refugee crisis. What we do is actually more focused on the idea of thinking through economic integration, why it's important, and why companies should participate.

There is another strand of our work that is a little bit more advocacy-focused, and that's when it comes to the refugees' right to work. In Malaysia, for example, refugees don't have the right to work and there's a big refugee population, primarily Rohingya, that has fled Myanmar. We put forward the macro business case regarding why companies should allow refugees to work and we will engage governments and try to put forward the case as to why it's really important to give refugees labor market access. ◆

TOM MCGIVAN and **ANN-KATHRIN RICHTER** are Associates with Brunswick's Business & Society offer, helping leaders of companies recognize and cultivate social value at the core of their operations.

A Watershed for MENTAL HEALTH

COVID-19 has changed the conversation about mental health. Brunswick's **MEAGHAN RAMSEY** and **JON MILLER** challenge companies to consider their "footprint."

"How are you?" is a question we've all been asked thousands of times, and we answer: "fine, thanks." It's an exchange that symbolizes the shallow discussions on mental health that take place in the workplace. That is, until COVID-19.

"How are you?" remains a fixture of Zoom calls and work emails, but the question itself, and the answers it now elicits, seem less perfunctory. People are talking to colleagues and clients about how the pandemic has made them feel, the pressures of trying to be a teacher, parent, spouse and employee at the same time; they're angry about racial injustices; they're anxious about their health, their finances, or their professional future.

These conversations could be a breakthrough in the discussion of mental health in the workplace. "New conversations are happening all over the company, all over the world," one client told us. "It could be a real watershed moment: once you've had a workplace conversation about mental health, you can't un-have it."

We've seen a marked increase in businesses focusing on mental health issues during the pandemic. So we've taken a closer look at why mental health matters to business, and what leadership on mental health looks like.

ILLUSTRATION:LINCOLN AGNEW

MENTAL HEALTH: A GLOBAL ISSUE THAT'S DEADLY, COSTLY AND GROWING

Mental disorders affect one in four people worldwide, according to the WHO, with devastating consequences for public health. Severe mental health issues lower life expectancy by up to 25 years, while a person dies from suicide every 40 seconds. Loneliness, which one in three young adults report feeling, is as destructive as smoking 15 cigarettes a day. The WHO predicts that as these conditions worsen, mental health problems will be the leading cause of mortality and morbidity by 2030.

The economic costs are similarly staggering. The World Economic Forum estimates that depression and anxiety cost the global economy $1 trillion annually. Deloitte reports poor mental health costs UK employers up to £45 billion ($55.5 billion) every year, while The American Journal of Psychiatry estimates one in five US employees will experience a mental health condition each year, causing $193 billion in lost earnings annually—employee mental health costs have risen twice as fast in the US as other medical expenses.

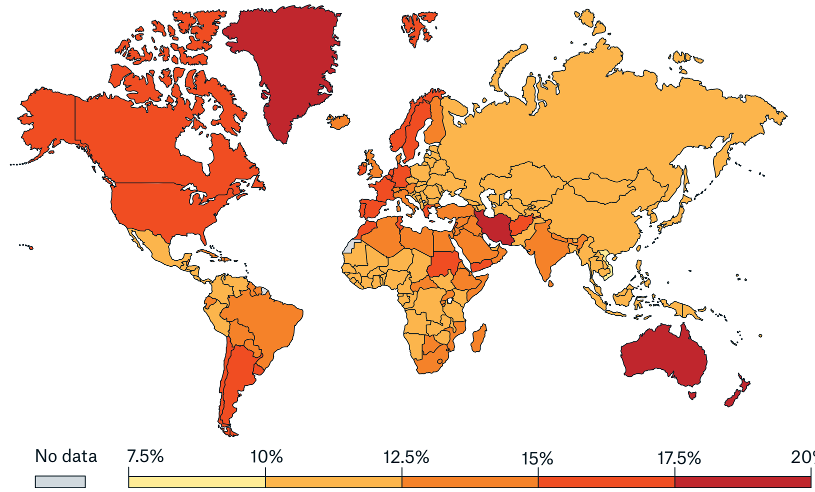
Data on mental health often relies on self-reporting, leading some to question its validity. Key projections are built not only on that self-reported data but also researchers' assumptions. Neither is airtight. Still, the big picture and trend lines they paint are hard to argue with: Mental health, already so deadly and expensive, is destined to become more so if nothing changes.

WORSENED BY OUR WORKPLACES, EVEN THOSE WITH "CORPORATE WELLNESS" PROGRAMS

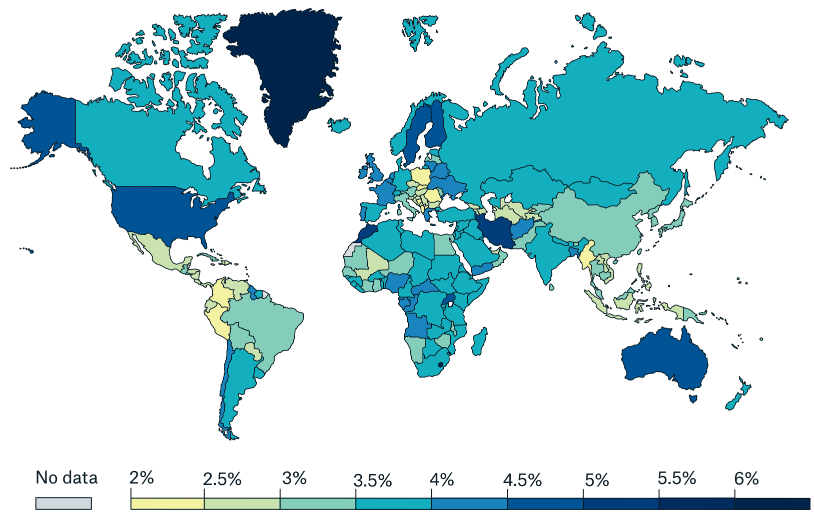
Arianna Huffington told the *Brunswick Review* there was "a crisis of well-being" in the workplace. Ms. Huffington, long a self-professed "workaholic," had converted to promoting workplace well-being after collapsing at her desk from exhaustion. Hitting her head on the fall, she awoke hours later in a pool of her own blood. Ms. Huffington's scenario was extreme but emblematic of a growing problem: In 2019, the WHO officially recognized "burnout" as a medical diagnosis.

Those in the gig economy often work as long as Ms. Huffington but with the added strains of far lower pay and no benefits. Younger workers seem particularly vulnerable: A 2019 CNBC report found that one out of every two millennials had left a job for mental health reasons—a concern for employers, as millennials are projected to comprise 75 percent of the global workforce by 2025. It's a

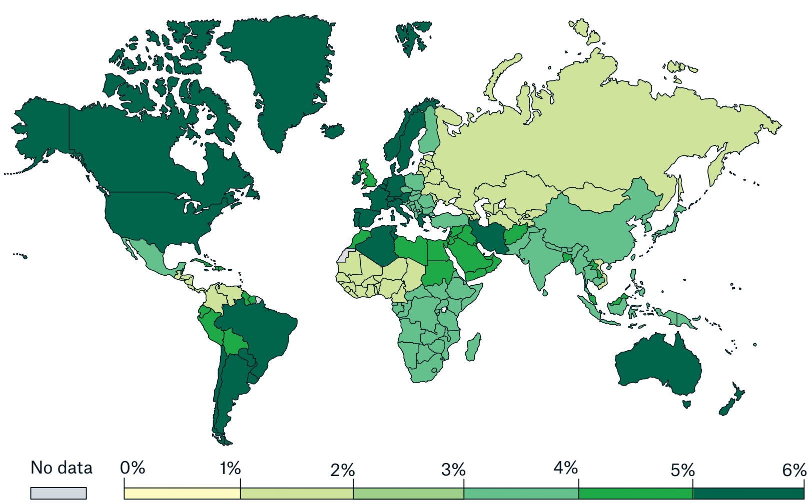
% Population with MENTAL HEALTH/SUBSTANCE USE DISORDER



% Share of POPULATION WITH DEPRESSION



% Share of population with ANXIETY DISORDERS



GRAPHICS: PETER HOEY

global issue: in India, for example, a 2017 study found more than four in 10 private sector workers reported anxiety or depression.

… AND THEN CAME COVID-19

The pandemic, according to the UN, carries "the seeds of a major mental health crisis." Headlines from the UK, the US, and China all report on social-distancing and lockdown intensifying existing mental health issues—more than 80 percent of young adults in the UK with existing mental health conditions, for example, reported their symptoms worsening. Drug overdoses, suicides, domestic violence and child abuse have all climbed in the US since the onset of the pandemic.

For those who have not been laid off, working from home creates isolation as well as new stresses, particularly for parents of school-age children. Screen-time is now essential to stay professionally connected—yet switching off screens has long been cited as vital to personal well-being. Salesforce CEO Marc Benioff said COVID-19 had taken "an emotional toll" on his company's workforce, with more than one in three employees reporting mental health issues.

Whether financial strain or hospitalizations, the pandemic's effects are being magnified in low-income populations—those already facing the greatest risk for many mental health conditions, according to the WHO. It's a vicious cycle: while economic inequality has exacerbated the pandemic, the pandemic has exacerbated economic inequality—and the mental health conditions associated with it. Analysis from McKinsey, for example, shows that suicide rates appear broadly correlated with increases in income inequality.

WHAT LEADERSHIP LOOKS LIKE

Businesses that stand out for their efforts on mental health take action in three areas. We call it the Leadership Model:

1. Drive change within the business. This means their policies and culture, their product and services, account for mental health.

2. Go beyond their business. This can be through partnerships, coalitions, or philanthropy—contributing expertise, data, innovation and resources.

3. Advocate for change—raising awareness, mobilizing others, acting as a voice for wider change, often through their CEO and senior leaders.

Increasingly, companies are being asked to think beyond their own businesses and consider their responsibility for the mental health of their customers and consumers.

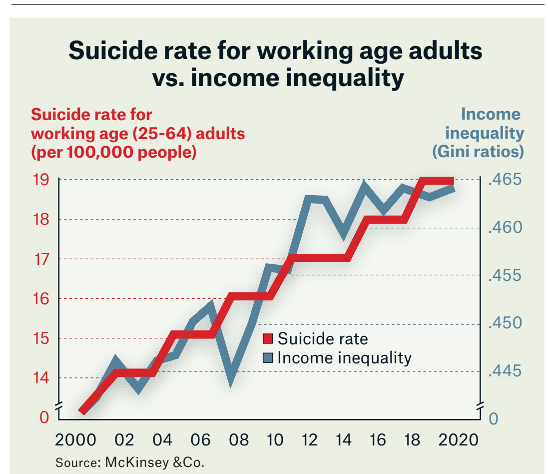
One company that's tied these together well is Lloyds Bank. Well before the pandemic, the company had implemented a number of workplace initiatives, including resilience training for leaders and managers, creating an annual "Time to Talk" day, and covering mental health in employees' insurance. Lloyds Bank also partnered with the charity Mental Health UK to create new services for people to talk about their mental health issues. It's been through this partnership that Lloyds has worked to lessen the effect of COVID-19 on customers' mental and financial health. The company has also produced ad campaigns to encourage discussion around the normally shame-inducing topic of finances, while its CEO, António Horta-Osório, has spoken repeatedly about the importance of mental health. "Changing the corporate mindset on mental health is, I believe, the most fundamental step towards changing things for the better," Mr. Horta-Osório said. "We need to remove any trace of stigma." His words have been powerfully matched by his example: Mr. Horta-Osório took a leave of absence himself in 2011 after suffering from stress.

SUCCESS FACTORS

Mental health is a broad, complex issue. It can be bewildering for business leaders looking to take meaningful action. Here are three practical areas of advice we discuss with our clients.

1. Emphasize purpose. Purpose in life predicts both mental and physical health, including longevity. For all the eye rolls that corporate purposes often generate—we've written before about purpose and its pitfalls—when they are well-executed, a purpose can provide similar meaning and focus to a company as it does an individual. And it's the alignment

INEQUALITY Exacerbates Mental Health



of individual purpose with that of the company one works in, that produces mental health benefits.

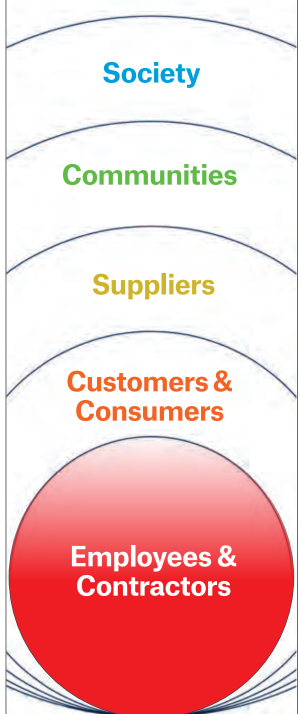
2. Connect to Inclusion & Diversity. Open For Business, a coalition of leading businesses working to advance LGBTQ+ rights globally, has compiled years of research on the business case for diversity and inclusion. Part of that argument entails a compelling mental health component. In short, discrimination damages it—stress, anxiety, burnout—while inclusion fosters a greater sense of affinity and self-esteem, contribution and collaboration.

3. Focus on Causes, not Cures. Standard corporate responses have been palliative: Creating mental health first-aid positions, offering training and counselling sessions, and training leaders to notice the signs. One step further are corporate-wellness programs: free yoga classes, mindfulness sessions and fruit bowls. Yet a 2019 article in the *Harvard Business Review* questioned the $8 billion corporate wellness industry: "These things are intended to offset work stress, and at the same time obliquely reinforce the idea that work stress is the inherent by-product of being good at what you do and working hard at it." In other words, the real challenge for business is to look hard at how working practices and business models may be contributing to poor mental health.

4. Stay the Distance. Initiatives to raise awareness should be seen as the beginning of a longer conversation. The long-term goal is to build a culture of well-being and be a voice for broader change—both of which take time. "Mental health is not a one and done conversation," Qualtrics CEO Ryan Smith wrote earlier this year. "One way to help people deal with uncertainty is by providing consistency, especially in how and when you communicate."

WATCH OUT FOR:

- ***Over-empathizing*** People want to know you understand, but they're also looking to you for leadership: have a plan, but recognize that the plan may change.
- ***Over-simplifying*** Vulnerabilities to mental health conditions vary hugely. It's more than just depression and anxiety.
- ***Putting too much responsibility on the individual*** Culture and colleagues can be resources.
- ***Presenting mental health as an "HR issue"*** It's a priority for the whole business, not one department.
- ***Taking a "patchwork" approach*** Have a global approach, locally adapted.
- ***Getting stuck in the short term*** Keep the horizon in mind, stay connected to purpose.
- ***Resisting change*** Don't just "keep calm and carry on," embrace opportunities to adapt and become more open.



We envision an approach where companies think of their "mental health footprint" the way they do their climate one, accepting responsibility beyond their business, considering the effect their work has on the mental health not only of their employees and contractors, but also their customers, suppliers, local communities and broader society.

THE FUTURE OF THE MENTAL HEALTH CONVERSATION

As we work on mental health issues with clients, it's clear where the conversation is going. Increasingly, companies are being asked to think beyond their own businesses and consider their responsibility for the mental health of their customers and consumers.

Of course everything starts with those who work at the core of the company—your workforce—employees and contractors. But just as a decade ago we saw public anger at many food companies making profits at the expense of the physical health of their own consumers (for example, promoting sugary drinks and fatty foods to children), so we can expect a similar focus on the mental health that businesses have through their products and services.

Banks will be asked to consider the mental health impacts of lending conditions; social media platforms will be under pressure to take responsibility for the psychological impact of their content; fashion companies will be challenged on the effects of their advertising imagery on issues like body image and self-esteem; smartphone manufacturers will be asked about the effects of screen-time on mental health. In other words, we expect the conversation about mental health to expand out to include suppliers, the communities that businesses operate in, and ultimately society as a whole.

We think of this as a company's "Mental Health Footprint," analogous to a "Carbon Footprint." Greenhouse gas emissions are categorized into three groups, or "scopes." To oversimplify, Scope 1 is a business' direct emissions, like fuel burned in a company-owned vehicle. Scope 2 is indirect, and covers the emissions caused by the electricity the company purchases. Scope 3 is extensive, covering all other indirect emissions. For oil and gas companies, that means the emissions from users of their products, their suppliers and even their own business travel.

For mental health, the corporate conversation is largely focused on "Scope 1"—as climate change once was. Yet for both issues, leadership comes from thinking beyond your own business, and taking responsibility along the entire value chain. Thinking in terms of "Scope 3 mental health impacts" will not be easy, but has the potential to drive progress in fundamentally innovative ways. ◆

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MEAGHAN RAMSEY is a Managing Partner. Both are based in London.

From BUSINESS to SOCIAL Leadership ON FOOD WASTE

A behind-the-scenes look at developing a powerful leadership campaign across the global food system, by Lucy Parker and Jon Miller, founding Partners of Brunswick's Business & Society offer.

When new store openings are greeted with street protests from local communities, you know you've got a reputational issue. That was the situation facing Tesco when we started working with them in 2012: The company had grown into one of the world's biggest food retailers, and yet was criticized for misusing its heft—trampling over local independent retailers, bullying suppliers and farmers, and generally using its scale to squeeze more profits from customers.

Our advice was: If the source of people's concern stems from the sheer size of the company, we need to show that this scale can be used positively. It's a common story: As a company grows, so do its impacts. Tesco's brand slogan, "Every Little Helps," was ringing hollow, and so we suggested an accompanying corporate mission: "Scale For Good"—a commitment to use the company's size as a positive force.

We looked for a dramatic way that Tesco could convincingly use its Scale For Good—a big global challenge this big global company could take on. Our "issue mapping" exercise identified a major problem that had not yet seriously caught public attention, and one that Tesco was perfectly placed to tackle: food waste.

It was an exciting moment. We realized Tesco had the opportunity to become the leader in the fight against global food waste. We knew it was only a matter of time before it became a hot topic, and that Tesco had a chance for leadership in a literal sense: It could help to put the issue on the agenda, and be the first major company to seriously take it on.

Tesco's leadership embraced it. Food waste is a systemic challenge and the company was one of the three largest players in the global food system. Only by working with actors along the entire value chain could any progress be made—and Tesco had the scale and reach to do this. And since food waste wasn't an issue people were talking about yet, taking bold action would grab people's attention—and enable the company to be a catalyst to action.

Tesco's food waste campaign has blossomed into one of the great social value programs in the corporate world. The issue has since become a mainstream public concern and Tesco is a recognized leader. Dave Lewis, CEO from 2014 to 2020, went on to become chair of the global task force for delivering the UN Sustainable Development Goal on food waste.

Particularly striking to us is that, while society's expectations have clearly intensified since the campaign began in 2012, the steps on the journey from business leadership to social leadership remain the same:

Start within the business. Step one for any business is focusing on the issue internally. That's what Tesco did. Already strong at managing in-store food waste, the company leaders knew they could do even better. The company collected an enormous amount of data to pinpoint where the waste was showing up. That informed innovations regarding how Tesco processed, packaged and promoted their food. As employees saw how seriously the company was taking this issue, they became more serious themselves—it became a genuine source of pride internally and employees took ownership of the initiative in their own communities.

Go beyond the business. Tesco may be a huge company but it's still only a sliver of the global food system. Improving its operational performance was an important first step, but leading on the issue systemically required going beyond the business and working across its value chain—from "farm to fork." It set about engaging and partnering with farmers, suppliers, and customers to map the waste and reduce it.

Advocate for change. Even the most well-crafted campaigns flounder without committed leadership from the very top. Tesco's executives took the issue of food waste out into the public arena. They did more than just describe what Tesco had done; they called for others in their industry to follow their lead and for suppliers to publish their waste data.

Make a bold first move. In 2013 Tesco became the first supermarket to publish its own food waste data. It established a new level of transparency and provided the baseline for improvement. It was a breakthrough moment, for the business and the industry. The World Wildlife Fund wrote that other retailers should follow Tesco's lead and take food waste more seriously. For Tesco's leadership, it was an unusual experience—people were reacting positively about the company.

A year later, Dave Lewis joined the company as CEO, and he took the efforts on food waste—as a leader, and as a business—even further. In our 2020 interview with Lewis, his call to action at the global level echoed the message we'd helped Tesco deliver in 2013: To drive real change, companies and governments need to publish their food waste data.

> "It was a breakthrough moment, for the business and the industry."

This campaign embodies Brunswick's long-held belief that there's only one way out of a reputational hole—lead. This is about much more than mitigating risk or getting off the back foot—it's about making a genuine impact on a tough challenge. That requires more than tightening performance within your own business; it demands dealing with the systemic nature of the challenges. If you take on a societal issue with this sort of spirit, you transform a reputational risk into a leadership platform.

That was the essence of our campaign with Tesco, and it's what we still do now: help companies find new ways to apply their scale, resources and expertise to demonstrate they are creating financial value hand-in-hand with social value. ◆

Leading the fight against

Dave Lewis became CEO of the international retailer Tesco in 2014, a business that in 2019 generated an annual revenue greater than Coca-Cola and GlaxoSmithKline combined. Lewis, who stepped down as CEO in late 2020, helped orchestrate a strategy to tackle food loss and waste right across the business, an approach that engaged farmers, suppliers, employees, customers and communities.

It was this effort which led Lewis to be invited to chair Champions 12.3, the global coalition working to halve food loss and waste "from farm to fork" globally by 2030. The pandemic has thrown the systemic nature of food waste into sharp focus: images of rotting food in supply chains alongside reports of families facing food shortages and hunger.

Brunswick's Lucy Parker, who worked with Tesco at the outset on their food waste strategy, spoke with Lewis ahead of the Champions 12.3 Summit 2020, where he advocated for food waste reduction to be seen as part of the global response to the twin crises of climate change and COVID-19.

How do you define the food waste challenge?
Let's establish some of the facts to start with. An astonishing one-third of all food that's grown globally gets wasted. According to the World Resource Institute, that's 1.3 billion tons of food each year. But the issue is bigger than the food wasted; it's about inequality, with paucity in one place and excess in another: One in nine people go to bed hungry while that food is wasted, and there are also 2 billion people with excess calories in their diet.

Look at it economically: $940 billion of value is destroyed. That's not a very smart thing to have happen. And it's going to get more challenging when we can't produce enough food for the people on the planet but we're wasting one-third of what we produce.

People are also now waking up to the fact that greenhouse gasses coming from food waste and loss are 8 percent of the total. Just to put that in context, the climate impact of that is a great deal more than aviation.

So, whether you come at it economically, socially or ethically, I see lots and lots of reasons that tackling food waste matters.

How have you driven performance inside Tesco?
Consider that Tesco sells about 10 million tons of food a year and we have thousands of fresh and perishable food items. Getting supply to match demand every day for every product in every store is nigh on impossible. So, you're always going to either have a shortage or surplus of something, as a function of the business. Our waste in store is 0.42 percent and, compared to international performance, we're absolutely the best. But that's still a huge amount of food: 41,000 tons of food wasted annually, right?

How did you go about tackling it?
We started by mapping the food chain end-to-end, post-harvest to consumption. Then getting to that best-in-class food waste performance in the business is all about the supply chain: demand planning, distribution, storage.

We now have our own weather forecasting

While CEO of Tesco, DAVE LEWIS raised the bar on waste at one of the world's largest food retailers. Now Chair of the Champions 12.3 coalition on the UN's Sustainable Development Goal 12, he's galvanizing the world to act.

Global Food Waste

By Brunswick's LUCY PARKER.

capability, for example, in 26 different regions in the UK and use that to manage demand so we don't push produce where it's not relevant. When the sun will shine in Cornwall and not in Scotland, we have the ability to increase the amount of berries going into Cornwall. In the past, we would have just distributed to all stores equally. Now, with our main suppliers, we decide on a daily basis which field to harvest. We can be much more specific and reduce the waste. There's a lot now that happens like that and many examples I could give you.

That work represents significant operational change. Why would you do this?

Honestly, I think the answer to your question is why wouldn't you, right? In my induction at Tesco, I worked in stores to understand the business and I got to see that, after trying to manage products that are about to hit their use-by date, at the end of the day you get to a point where they're not going to be sold. Legally, you're not allowed to sell them. They go in the tip at the back of the store and they're wasted. Before I came into retail, I'd worked and lived half my life in places where food is scarce. If you've got that as a background, watching that waste happen just feels completely wrong. So, I think the question is why as a retailer would you allow that to happen?

Commercially and economically, you'd want to minimize that waste. Then when you accept that in your business model you're always going to have this issue of managing surplus or shortage, you start to think from a broader social value point of view, what can you do about that?

Where is the waste in the system?

Very little of it is in retail. The majority is either before it gets to the store or once it leaves the store. But the nature of food loss and waste varies around the world. In economically developing countries, you see more food loss "closer to the farm," during production, handling and storage. Yet in economically developed countries, you see more food waste "closer to the plate," at the consumption

PHOTOGRAPH: COURTESY OF TESCO

stage—that's where 58 percent of the waste happens in North America, for example, and 42 percent happens in Europe. That's in people's homes. So that's about addressing consumer behavior, right?

Changing consumer behavior is notoriously hard. Do you believe your consumers care about food waste?

Whenever you talk to consumers, nobody's happy about the fact that they waste food. But in the way that people actually live their life, it's not uppermost in their mind for most people, no.

But if you think about your question, it presupposes that consumers completely understand everything about it. And they don't. These are not things consumers should know or would want to know. We don't need them to know everything about food waste. But if we were able to talk to them about it, what would they want us to do? We think that if consumers knew what we know about it, they would want us to do what we're doing. It's too easy to say consumers don't care. Actually, I think consumers look more and more to businesses and brands like ours to be responsible on their behalf.

"It's too easy to say consumers don't care. Actually, I think consumers look more and more to businesses and brands like ours to be responsible on their behalf."

But is there anything you can you do to influence consumer behavior meaningfully?

The critical thing is, what actions can we take to help them change their behavior to avoid waste? There are practical things: We can change the promotional plan, change the packaging and drive education.

We used to have a program to drive volume in fresh produce, for example, where consumers could buy two lettuces, say, and save 25 percent, or "Buy one, get one free." That means consumers take two home when they really only ever needed one and they find themselves throwing the other out. Our promotional program was driving food waste. So, we changed that promotional program and moved towards a policy of everyday low price.

Do employees care about food waste?

Absolutely, they do. Of course, when you start on something like this, you're changing routines so, for people in the business, it starts as more work. Then you get it into the routine; everyone learns to manage it. So, our rates of food waste operationally have become really very low.

Beyond that, what's most powerful for colleagues in-store is seeing that food that would be wasted is being donated to projects in their own communities. We have a partnership with FareShare to distribute to 7,000 local community projects at the end of each day. You often hear of colleagues dropping it off the on their way home. As a result, colleagues drive this initiative. There's definitely a cost to delivering it but, if I were to try and take this out of the business today, there'd be a mutiny. It's taken on a life of its own.

Tackling FOOD WASTE Across the Value Chain

Almost 98 percent of food waste in the UK (figures below) happens outside of retail operations—either before products reach stores or after they leave the shelves. That's why farmers, suppliers, employees, and customers are part of Tesco's strategy.

SUPPLY CHAIN

Manufacturing: 1.5 Metric tons of waste
Agriculture: 1.6 Mt of waste (indicative)

- Insight
- Specifications
- Forecasting & ordering
- Processing
- Redistribution

IN THE BUSINESS

0.28 Mt of waste

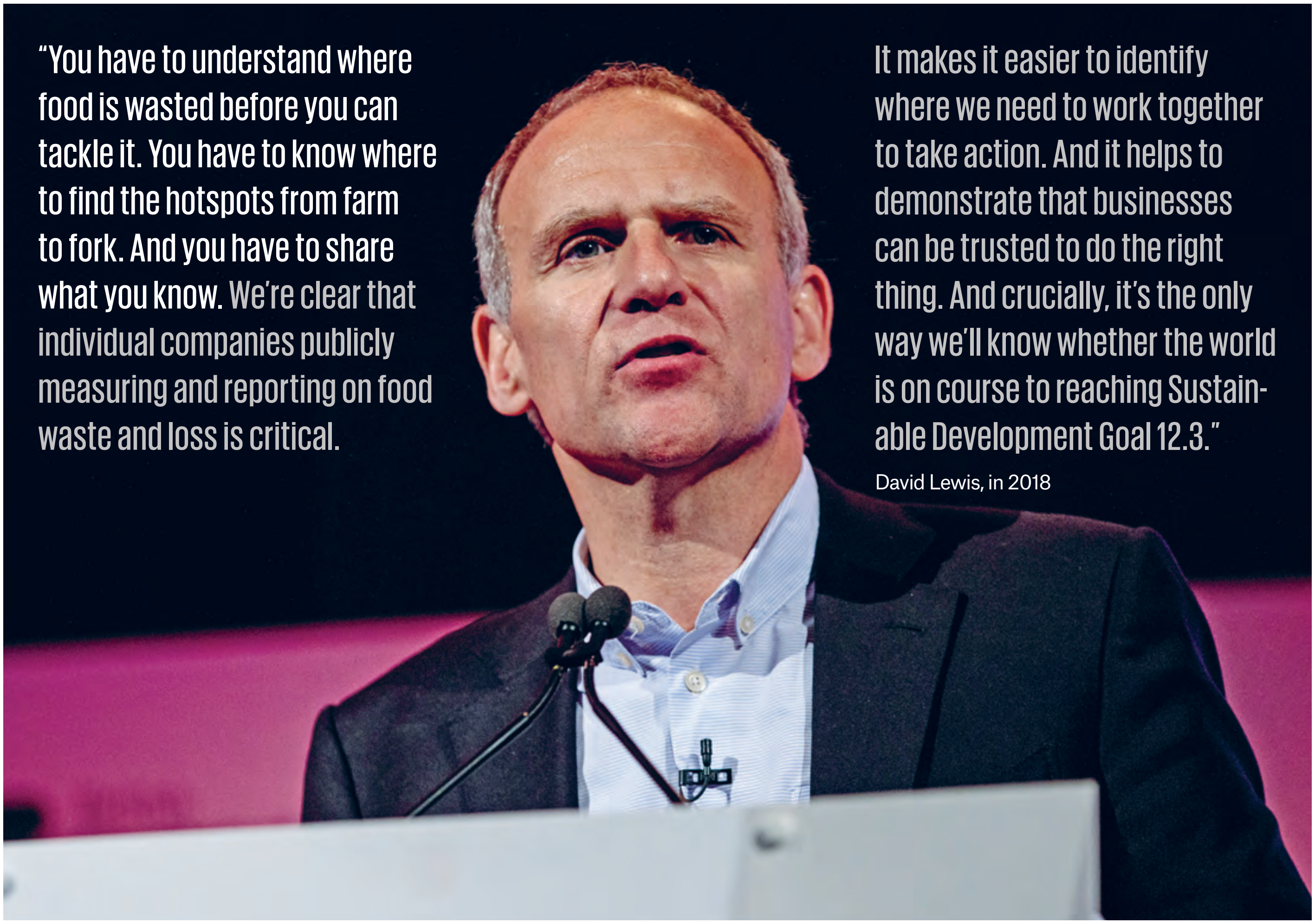
- Retail operations
- Hot spots
- Redistribution

HOUSEHOLD

6.6 Mt of waste

- Date coding
- Shelf life
- Promotions
- Packaging
- Marketing
- Education

Source: UK WASTE FIGURES PROVIDED BY WRAP



PHOTOGRAPH: JACK TAYLOR/GETTY IMAGES

So it works at different levels. Colleagues in-store get really involved with the food donation part. Meanwhile, we work across the whole value chain in partnerships with suppliers. These are all parts of a systematic approach.

Outside your role as CEO of Tesco, you're Chair of the global network of Champions 12.3 for the UN's Sustainable Development Goal on food waste. How does that work?

Because of our experience in Tesco, I was approached a few years ago to chair Champions 12.3. We set up a coalition of about 30 leaders from business and government. The idea was to represent the entire food chain, getting expertise right from primary agriculture all the way through to food science and consumption behavior. I think the reason it's worked well so far is that we're aligned around the methodology: Target, Measure, Act.

The first point, target, is clear: Every country and company involved in the food supply chain should get behind and adopt SDG 12.3—to halve food waste globally—as their own. Then governments and companies should quantify these efforts, track them, and report them publicly. Informed by those insights, they should take action.

"We urgently need more companies and more governments to set targets and measure and to take bold action—that will enable us to move much faster at scale."

From that Target, Measure, Act model, what kind of action are you seeing?

Every year at our Summit in September, we showcase the actions that have taken place from any of the players in any part of the food chain to share best practice. At the last Summit, we announced 10x20x30. That's the 10 leading retailers around the world committing to work in this way with their 20 largest suppliers in order to deliver the 2030 goal.

Because everyone's measuring in the same way, you get a huge amount of cross-learning. And sharing the real challenges they're facing as well, and we're working with the World Resources Institute on what can be done to move forward on those.

Champions 12.3 focuses action on "hotspots." Can you give me an example?

Rice is a good example. More than half of the world's population consumes it several times a

CHAMPIONS 12.3 is chaired by Dave Lewis.

It's a coalition of more than 30 private and public sector leaders focused on system-wide change to accelerate progress toward the United Nation's SDG Target 12.3: "to halve per capita food waste at the retail and consumer levels and reduce food losses along the production and supply chains, including post-harvest losses."

THE GLOBAL PROBLEM

1/3 OF ALL FOOD GROWN GLOBALLY IS WASTED, CONTRIBUTING TO TWO OF THE WORLD'S GREATEST CHALLENGES:

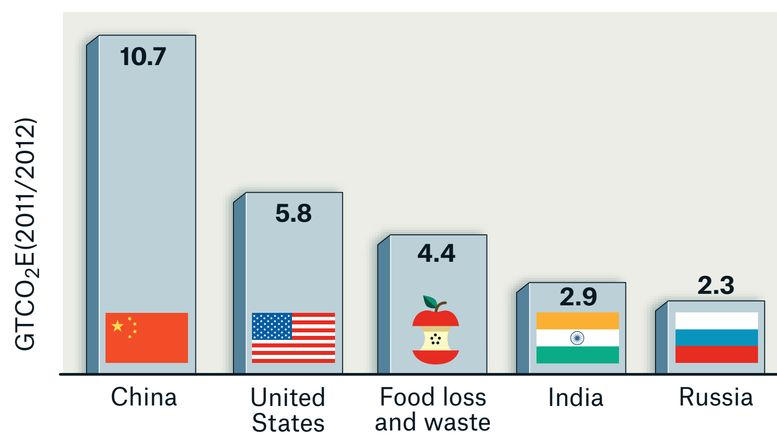
1. INEQUALITY

1 in 9 people, more than 1 billion worldwide, are undernourished

2 BILLION are overweight or obese

2. CLIMATE CHANGE

If food waste were a country, it would be the third-largest GHG emitter in the world, behind China and the United States.



Source: CHAMPIONS 12.3

Food waste accounts for 8% of global GHG emissions

CHAMPIONS 12.3 STRATEGY CALLS ON ALL BUSINESSES AND COUNTRIES TO:

GRAPHIC SOURCE: CHAMPIONS 12.3

GRAPHICS: PETER HOEY

BUSINESS CASE

For each **$1** invested... → ...the median company site realized **$14** of financial benefit

Source: CHAMPIONS 12.3, "THE BUSINESS CASE FOR REDUCING FOOD LOSS & WASTE"

ANALYSIS OF 700+ COMPANIES and 1,700 SITES in 17 COUNTRIES FOUND:

- 99 PERCENT OF SITES EARNED A POSITIVE RETURN ON INVESTMENT
- 14:1 MEDIAN BENEFIT-COST RATIO
  - Sites with the highest returns tended to be restaurants, hotels, and food service companies
  - Food retailers mostly had ratios between 5:1 and 10:1

BUSINESS ACTION

OF THE WORLD'S 50 LARGEST FOOD COMPANIES:

- More than 2/3 have set targets in line with SDG 12.3
- More than 40% are measuring their food loss and waste
- 1/3 are reducing waste at scale in their operations

TARGET

In 2018, **TESCO** announced that **10 of the world's largest food brands** had set targets to halve their food waste by 2030.

- **GENERAL MILLS**
- **WHITWORTHS**
- **UNILEVER**
- **COCA COLA**
- **LRSUNTORY**
- **PRINCES**
- **MARS**
- **NESTLÉ**
- **PEPSICO**
- **KP SNACKS**

MEASURE

In 2019, those 10 brands **published their food waste data** in line with Champions 12.3's best practices, as did **KELLOGG'S**.

OLAM, one of the world's largest agri-businesses, partnered with an academic institution to measure how much rice is lost in its rice farms and supply chains in Nigeria—and published those findings.

ACT

THE 10x20x30 INITIATIVE was launched in 2019, with the **world's 10 largest food retailers and providers** each pledging to enlist **20 priority suppliers** in working to halve food loss and waste **by 2030.**

- **AHOLD DELHAIZE**
- **CARREFOUR**
- **IKEA FOOD**
- **KROGER**
- **METRO AG**
- **PICK N PAY**
- **SAVOLA GROUP**
- **SODEXO**
- **TESCO**
- **WALMART**

PUBLIC-SECTOR RESPONSE

Governments representing ...

50 PERCENT of the world's population have set a national TARGET in line with SDG 12.3

12 PERCENT of the world's population are MEASURING food loss and waste

15 PERCENT of the world's population are ACTING at scale day. The livelihoods of 144 million small farmers depend on it—and it generates 16 percent of the GHGs originating from agriculture. But post-harvest losses are high. So, in 2019 the Sustainable Rice Platform, which is made up of the largest rice producers in the world, committed to the Champions 12.3 strategy, and also to halve post-harvest rice loss and waste by 2030. Achieving that could make a real difference to food security, farmers' incomes—and climate change.

Globally, is there enough action to meet the food waste goal?
No, not yet. While much of the good practice that's needed to achieve this exists out there, the commitment to action isn't. We urgently need more companies and more governments to set targets and measure and to take bold action—that will enable us to move much faster at scale.

You've made publishing data on food waste your call to action for Champions 12.3. Why is that your rallying cry?
For a systems approach, you have to have an element of transparency and consistency. The whole idea about publishing data is that you have the basis to share best practice.

People don't like to publish because it attracts scrutiny. It's painful initially, but we must. At Tesco, we were the first in the industry to publish our food waste data some years ago. Now all the grocers in the UK have signed up in principle. Publishing is still voluntary, but it's so important that we want government to make it mandatory.

Isn't it counter-intuitive for you as a business leader to be calling for regulation?
We need it or we can't get at the problem. I'd like every company and every government to publish their data on food waste—and publish on the same metrics. Regulation can make that happen.

Do your investors see this differently, with the rise of ESG?
We did a full capital markets day last year [2019] focused on ESG. We had a massive turnout. And people began to understand the business differently. We've all spent years measuring the reduction of negative impact. I'm not at all against that. But it only gets you to a certain place. So we're trying to move on from only measuring impact to thinking about it through a measure of dependence. When I think about the dependence of the business on soy, for example, I have to get intimately involved in how to maintain long-term value and create resilience. Then you start coming to different answers.

Originally, businesses were created as an economic vehicle to manage risk. It's in the language: limited liability. Now part of that risk is managing a broader set of stakeholders and issues. If I don't get involved and I keep my head down, that's not managing risk, that's avoiding it.

The way that I position it to the City is your investment in Tesco is dependent—key word: dependent—on a responsible sourcing strategy. If I don't source responsibly, I destroy that supply chain and weaken your investment in the long term. ◆

TESCO · FareShare · FoodCloud

Taking local community partnerships to scale

In 2016, Tesco set the goal that no food still safe to eat should be wasted. That became the basis of its Community Food Connection program.

The program's story began with two social entrepreneurs in Dublin, who had developed an app called FoodCloud, which helped local stores and restaurants donate food to charities and community programs.

Tesco got behind it and decided to invest in it to scale it across its UK operations.

The company brought another nonprofit partner, FareShare, into the program. FareShare matches Tesco stores with local charities and community groups, while FoodCloud provides the technology that links the company with those groups and charities.

Every day, Tesco employees use FoodCloud to alert local community organizations what food is going to be available for them to collect.

There are 7,000 projects running and it's live in every Tesco store across the UK. In 2019, Tesco reported that 85 percent of food that would otherwise have been wasted was redistributed into local communities.

Because it relies on open-source technology and is available to all food retailers—some of whom have already adopted the platform—the program is now expanding beyond Tesco.

ILLUSTRATION: LINCOLN AGNEW

Two-Faced on Climate

Data and analysis nonprofit InfluenceMap is helping investors keep corporations honest about their climate lobbying. Executive Director DYLAN TANNER talks to LUCY PARKER and SIMON MAINE.

SHINING A LIGHT ON THE PRACTICES OF INDUStry bodies might seem like an arcane activity in the cut and thrust of corporate activity today. But the nonprofit, InfluenceMap, is on a mission to bring transparency to corporate lobbying on the issue of climate change. It publishes rankings that show that many companies present one face in public, claiming to be in favor of accelerating the transition to a low-carbon future, while behind the scenes they fund industry bodies that inhibit climate policies that would make that possible.

InfluenceMap has developed a data-driven methodology to investigate the alignment between what companies say and what they do—and their clients are investment houses that want that information. We spoke to its Executive Director and Co-Founder, Dylan Tanner, to find out more.

Tell me how you see the purpose of InfluenceMap?

We pioneered the idea that companies need to be judged not just on their own operational performance on climate change, but also on the impact they have on the wider climate policy agenda. So that's what we measure: We investigate from a data-driven viewpoint to establish a true picture of the behavior of business and finance on climate, and what they're doing versus what they say they are doing.

The climate issue is one of the two or three most important issues facing mankind. And it is one where things can be done to tackle it, based on what science says, captured in the Paris Agreement. So there's a clear basis of what needs to happen, that is not happening. I wouldn't say it's an easy analysis, but it is an analysis that can be done and communicated. And with the power held by a small number of mega corporates, having the political advocacy of these companies be visible is really important.

How did this begin for you?

An old friend of mine is Paul Dickinson, co-founder Carbon Disclosure Project, CPD, and we were talking about how this has always been a passion of his. He invited me to a retreat in Scotland where I met Christiana Figueres. Talking to her about this, it became apparent to me that this was sort of the elephant in the room, that everyone could see but no one was addressing. It seemed an interesting topic to explore. I had just finished a PhD in Theoretical Physics, so we approached it from the analytical framework instead of the climate framework—which I think is part of the reason for its success.

We treated it like an experiment, with various criteria, implemented it not knowing what the outcome is going to be and proved it out—and we communicate it through the data.

Investors can be dismissive of nonprofits. What do you offer that they find credible and useful?
Well, we're data guys for a start. And we've developed a methodology that provides a hierarchical data structure where we give a top-line grade, and then a couple of matrices below that; then there's commentary showing some inconsistencies and issues; then there's a whole catalog of documents and mini-assessments archived. So, I think investors take comfort in knowing there's rigor behind this analysis and they can see clearly where the data comes from.

Where did the first investor interest in InfluenceMap come from?
Well, our first visitor when we began three years ago was Norges Bank, one of the largest pension funds in the world, who said they had been trying to figure out how to measure this for some time. We knew that they were interested in this already. We had been in touch with investors who had said this needs to be done in a robust way and made public.

Soon we had the pension funds and some of the big European Asset Managers, like Legal & General, and smaller impact-oriented asset managers, like Saracen. At first it was just us dealing with a few institutions individually. Now we deal with Climate Action 100, which is 350 investors worth $40 trillion collectively. We're working with them in Japan, India, the US and Europe.

And how has it built up since then?
The big catalyst was a group led by The Church of England's Pension Board, where we did a bit of work with them to identify the worst offenders among 50 European industrials. And they communicated their concern to those companies and, based on that, several of them received resolutions. And that experience surprised a lot of companies because of the extent of involvement and voting. And now BlackRock and JP Morgan have joined. I mean, we don't know what they're actually going to do yet. The ball is in their court, so to speak.

> "It became apparent to me that this was sort of the elephant in the room, that everyone could see but no one was addressing."

In a nutshell, what's your message to investors?
Our message to the investors is don't argue with the companies on the data points; argue with them about the governance of the issue—get them to disclose what they're doing. If you argue the detail of the data points, you'll get overwhelmed—leave that to us. If the companies want to dispute the detail, tell them to come and talk to us. These pension funds are invested, some of them, in a thousand companies and this is one topic within the climate space, so they can't get familiar with all those details. So, we want them to encourage a trend; a step up on the corporate governance on this.

Is this just about fossil fuel companies?
Well, it is fossil fuel value chains. The climate issue is that it's the demand side, as well as the compliance side. So, for example, in Japan there are no fossil fuel companies but you have a power sector that is very resistant to change. The automotive sector wanted to control the pace of change and was successful at that, but now is finding that change is running away from them. It's being forced on them.

Then there's land use and meat production where if there was real change it would have an impact equivalent to energy transmission. So increasingly campaign groups are targeting those sectors and we need to help governments deliver reform.

How big a blocker is lobbying compared to others—simple inertia, for example?
Institutional inertia is an issue. Certainly, governments are risk averse, and they have a steady drumbeat of messaging from the economists that they risk economic damage if they act on climate. Then, going back 20 years plus to Kyoto, there were two major issues preventing action: the immediate opposition from the fossil fuel sector on implementation of a carbon tax and the allocation of who bears the cost for this, with the balance between the rich countries and developing nations. And China was very oppositional, saying, why should we have per capita emissions? So, all of these have been a blockage and it's very difficult to isolate them. But they have been declining because governments have realized that something needs to be done. And now, in that context, corporate lobbying is a very important blockage.

So you're standing in the crosscurrent between investors and corporations: Do you see regulation as having role?

There's a direct correlation historically between improvements in environmental emissions and the degree of binding regulations. The Minamata Convention on mercury emissions; the Montreal Protocol on the ozone layer; the Basel Convention on hazardous waste; automotive regulation—and so on. I do believe there's a lot of evidence of the need for regulation to deal with toxic emissions.

What do you want companies to do to support the energy transition?

We want climate policy to evolve according to the Paris Agreement. Scientists have identified the goals, and broadly there is consensus about that. We believe that the path is being blocked, sometimes deliberately, sometimes inadvertently, by the lobbying of the corporate sector that is enormously powerful.

But we're not promoting any particular solution or telling companies what to do. We want them to take ownership of the conclusions. We're saying to investors, you should push companies to be clear and detailed on what they're doing—and we'll come in behind to check that. We have no idea what energy companies should do. There are loads of people, smart people, thinking that through. Our views on that would not be adding value.

Companies sometimes say they may not agree with policies of their trade bodies but they need to retain membership for other reasons. And they say, to help push things forward, it's better to be in than out. What do you make of that?

Climate is not just another business-as-usual topic, where you can pass the buck to somebody else. The trade association is connected to the company; they're funding it. It's not something you can disassociate from. These are powerful companies funding these groups, adopting positions on climate, a universal issue that affects all of us. So, it remains a problem and the problem is associated with those company members. And investors now have a set of expectations that are changing for climate as well.

What makes a gold standard company on this question?

I'm hesitant to answer that because I would say we don't have a gold standard yet. We might have a bronze standard and a lot of companies that are just inactive. So, we really need to raise the bar. You know, they've moved on Scope 1, Scope 2 and Scope 3 from where they were 10 years ago, and now we need to get everyone to move on lobbying. Companies are realizing that they don't want to be associated with negative lobbying positions.

This is really about large companies who need to move the needle. It's the big companies that people listen to and they pay more fees in these trade bodies. But they need to understand it is not just about their own company.

In the past few years, we've seen a rise in citizen activism on climate change—Greta Thunberg, Extinction Rebellion and many others. You seem to be the other side of the coin, using activism to target investors and boardrooms directly. Is that how you see it?

We like working with investment institutions because they have access at a higher level than the campaign groups. And the investors have greater appetite for the data. The media is interested as well now.

So where next? Has COVID slowed progress?

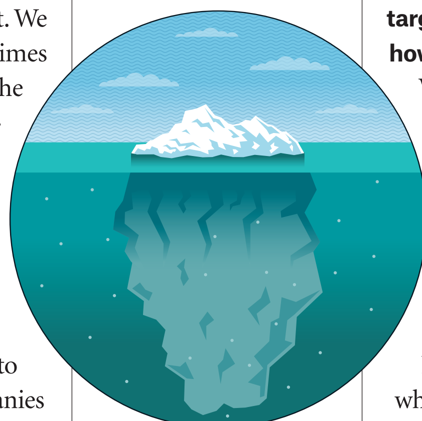
No, it's not slower. In the past year, I think the whole world has realized that the COVID crisis and the climate crisis are similar in being external threats that cannot be tackled by political speak; it has to be data-driven, evidence-based action, and it relies on global, or at least, regional cooperation. So, with these massive government interventions on COVID, we hope those learnings will transfer to climate when it reoccupies the central agenda of governments.

We have our original work program that looks at lobbying by companies, and we also have a more emerging program that looks at how the financial sector is performing on climate. Our platform, Recovery Map, calls out both sides. On the financial side, we're also looking at the central banks, which have been notoriously opaque—and in many cases are now going to be propping up companies in the real economy, including the fossil fuel sector. It's important to encourage greater disclosure here because this may end up essentially with using taxpayers' money on assets that present climate risks or may not be suitable for governments to own in the light of carbon commitments.

All our programs have a map as the platform. It's a neutral way of using our databases to drive more disclosure on how business and finance are really acting on climate policy. ◆

KNOWN
LOBBYING ACTIVITIES

Regulatory consultation comments
CEO messaging
Financial filings
Reliable media accounts
Advertising and PR
Trade association links



UNKNOWN
LOBBYING ACTIVITIES

Private meetings
Undisclosed political donations
Undisclosed advocacy groups links
Illegal activities (bribes, corruption)

LUCY PARKER leads Brunswick's Business & Society offer and is the co-author of *Everybody's Business: The Unlikely Story of How Big Business Can Fix the World.* **SIMON MAINE** is a former Brunswick Partner and now Director of Corporate Affairs for energy technology company OVO.

GRAPHICS: PETER HOEY

PHOTOGRAPH: DAVID M. BENETT/DAVE BENETT/GETTY IMAGES

THE LONG VIEW

MARTY LIPTON

The legendary foe of short-termism speaks with Brunswick's LUCY PARKER about his career-long push for business to serve all stakeholders.

IN AUGUST OF 2019, THE BUSINESS ROUNDTABLE'S annual statement for the first time since the 1970s described the purpose of a corporation as serving all stakeholders, not just shareholders. That watershed moment was brought about in part by the lifelong work of one man: Marty Lipton.

A founding partner of the New York law firm of Wachtell Lipton Rosen & Katz, Mr. Lipton has been fighting short-termism and defending corporations against shareholder activism since the 1970s. He pioneered the so-called "poison pill" and other corporate defenses against raiders and helped write groundbreaking legislation in the 1980s. Appearing in 2016, his 19-page treatise, "The New Paradigm," spelled out exactly how businesses can and must be of benefit to all stakeholders, laying the groundwork for the Business Roundtable move a few years later.

For this issue of the *Brunswick Social Value Review* the legendary lawyer joined the head of Brunswick's Business and Society offer, Lucy Parker, herself a longtime proponent of social value in the corporate arena, to discuss the current outlook.

The last few years have seen dramatic change in the mindset of corporate leadership. Amid the growing calls for businesses to address climate change, the pandemic has pushed issues of inequality into the foreground for business leaders. In response, the conversation in boardrooms has decidedly turned, not to the detriment of shareholders, but to the inclusion of broader societal value.

Mr. Lipton has argued for decades that corporations must look beyond the C-suite, to focus on employees, and the resilience of the economy, capitalism and democracy, pushing back on the notion, popularized by Nobel Prize-winning economist Milton Friedman, that a public company should by rights be focused primarily on making a profit for shareholders.

"I was never a lone voice in the desert," he says. "The New Paradigm" was written simply "to overcome any continuing, lingering thought that the shareholders own the company and can run it any way they want. It has never been true that the shareholders own the company. It was a misconception that caught hold."

Lucy Parker is co-author of the book *Everybody's Business: The Unlikely Story of How Big Business Can Fix the World* and brings to the table more than 20 years' experience in helping global companies engage with the role they play in society. She and Mr. Lipton exchanged observations on the future of business, how the pandemic is shaping society's attitudes toward reforms, and the important role regulation, or the threat of regulation, can play.

Their conversation took place over Zoom, Ms. Parker from her home in London and Mr. Lipton from his in New York.

You've been a pioneer in this field forever, in trying to make companies understand long-term and multi-stakeholder responsibility as part of the essence of being a company. There have been lots of steps along the way since you started in the '70s, but now the issue seems to have become a focus in a way that even those of us who have been plugging away at it for years might never have counted on. Do you see that? What do you think has made it happen?

Well, there's no one answer to that, as you know. There are a multitude of things. In my experience, companies have always recognized that the path to success was through long-term investment in physical property, in human capital—a well-trained workforce—and in intellectual capital.

The problem arose starting in the 1960s with the increasing power of institutional investors to seek short-term value from the companies they invested in, putting pressure on the companies' ability to make the long-term investments in CapEx—both physical CapEx and intellectual and human CapEx. As that activity increased in the 1960s, the pressure on companies increased.

By 1966, the Williams Act had been introduced in Congress—it passed in 1968—regulating tender offers and so on. We've been on a path since the '60s of increasing the power of institutional investors to impose their demands for instant gratification on companies that can only operate if they have the scope to make the appropriate investments.

As you know, there's no way to increase profitability over the long run other than by increasing productivity. If shareholders pressure companies to not make the necessary investments for long-term success, you don't increase productivity and therefore you don't increase profitability. To increase profits for the benefit of shareholders, you have to take it from R&D, from CapEx investment, from human capital, and so on.

> "We've been on a path since the '60s of increasing the power of institutional investors to impose their demands for instant gratification."

It really wasn't until the financial crisis in 2007-2008 that there was the kind of recognition of the adverse impact of short-termism that was necessary to get a shift in attitude. There were those of us who had been trying from the '70s to get that recognition accepted. Unfortunately, Milton Friedman had come along in the early '60s and, by 1970, he was a god in the business schools.

It was really the financial crash that you feel was the inflection point?

That was a key inflection point. We had earlier ones, but they just sort of rolled over and we didn't get the kind of response that we finally got in 2008-2009.

And since then, we've been seeing these ideas move center stage in the corporate world in a way it may not have done before. Do you agree with that?

Oh, yes, very much so. There have been a number of reasons. I think the World Economic Forum has played a major part, for many years, even pre-dating 2008. In 2013, the International Business Council of the World Economic Forum came to me because of my writing in this field and so on, and basically asked me to create what we call "The New Paradigm."

It was published in 2016. It was the precursor to the Business Roundtable in 2019. Then, after the Business Roundtable, the World Economic Forum in January of 2020 came out with the Davos Manifesto, which is just another version of Business Roundtable recognition of stakeholder governance.

Now I should not leave out ESG. I view ESG as one of the stakeholders in stakeholder governance. In other words, the environment and the societal issues are all among the stakeholders of a corporation. So stakeholders, for me, is a shorthand that includes ESG and so on.

So, there you were with "The New Paradigm" for the World Economic Forum, then we see the Business Roundtable letter and then Davos follows up again with the manifesto. What was the shift, after the crash, that made it bite—that drew in a much broader base of people?

There were regulatory efforts, particularly in the EU and in the UK. Section 172 of the Companies Act of 2006 basically says the objective of a corporation is to consider the interests of all the stakeholders.

There was also a growing recognition by the business schools, particularly the Harvard Business School but in many of the business schools, that Milton Friedman and Michael Jensen and Eugene

Fama—the Chicago school economists who were being relied on to support maximizing shareholder value—were wrong. Robert Shiller came along, another Nobel Laureate, with behavioral analysis of economic situations. That got a lot of play. The major institutional investors, both the index funds and the active managers, began to feel pressure from the public, from their constituents.

Larry Fink at BlackRock initiated a series of January letters to CEOs basically focused on long-term investment. Slowly, over the last eight or nine years, those letters have shifted so that the most recent have been with respect to the purpose of the corporation, corporations recognizing all of the different stakeholders of the corporation and recognizing the environmental factors, particularly climate, which is such a key issue today.

You have an amalgamation of climate and other environmental issues, and inequality that grew up from the fact that there was a greater allocation of business profits to shareholders than employees. That led over a period of 35-40 years, to a considerable increase in inequality between providers of capital and the working people.

All of that has to be considered in the context of everything that was happening in this area in the western world. Various organizations grew up to promote the interests of one or another of the constituents. Activity grew, you have the momentum for the major changes that began to take place.

Do you think 2020 will prove to have been an inflection point as well?

Yes, indeed. There's just no question that with respect to racial equality and basic inequality issues and the recognition of the impact of the lockdowns on different groups of society, 2020 is a greater inflection point than any we've had in the past.

In the work that I do, I see that these big societal pressures, environmental issues and the societal issues, are now on the boardroom agendas of big companies around the world. Is that what you mean when you say ESG is a stakeholder?

Yes. In "The New Paradigm," we talk about governance, the relationship of corporations with their shareholders, the relationship of shareholders with directors and directors with management.

The way to rationalize the interests of the stakeholders on one hand and the investors as stakeholders on the other hand is through engagement so that they work together to come to an understanding as to the strategies that companies should follow.

"2020 is a greater inflection point than any we've had in the past."

Companies' leadership will sometimes say to me, "Oh, this stuff coming from index funds, whether it's Larry Fink or others, it has no teeth. They're just grandstanding." What's your take on that?

I don't think that's true. There are proponents of stakeholder governance that are really only supporting activists attacking companies for short-term profits. But there are those that truly mean it and follow through on it and I think that's the only way we're going to achieve it short of legislation.

As you know, two years ago Elizabeth Warren, here in the US, introduced the Accountable Capitalism Act, the key part of which was federal regulation of corporations and the rules of incorporation, with 40 percent of the board of directors being designated by employees. At the same time, Prime Minister May spoke out sharply in the UK for stakeholder governance and recognition of the interests of employees. The Financial Reporting Council started to amend the guidelines for both corporations and investors to the current focus on stakeholders. Both sets of guidelines now focus on stakeholder governance and ESG and long-term investment.

You've also had statutory changes in France and the Netherlands. There has been a great interest in this among economists in the business schools. And you have organizations that like focusing capital on the long term, under names like inclusive capitalism.

Yes, inclusive capitalism, responsible capitalism, stakeholder capitalism, ethical capitalism ... They're all there with different angles on this same theme. So if some of the business leaders I sit down with now literally say to me that the institutional investors raising these topics are just grandstanding, you're saying that's not true?

I don't think it's true. Over the course of a year, we meet with anywhere from 40 to 70 boards of directors. We are in a board meeting once or twice a week—all looking for advice in this area. I think my exposure is a reasonable reflection of what's going on in the business world today. I haven't run into a CEO or a board of directors that has not been concerned about this question. The reason I'm there is because they're concerned about it and have invited me to come and talk about it.

Do you think ESG goes far enough? Could you argue that ESG is about mitigating a problem, not actually changing the paradigm, to use your very good word?

It depends on what your definition of ESG is. The climate people will say, "Well, we're not happy with the GRI metrics, but we are happy with the SASB metrics," and so on. So you've got organizations focusing on E and on S from many different standpoints. Nordic companies think that 40 percent female directors is an appropriate societal goal. I'd say that most American companies and proponents think two or three would be just fine because we're still fighting to get one.

There's a lot of work on ESG metrics at the moment, isn't there?
Many different approaches. I know you're familiar with the metrics posed by the World Economic Forum and [Chairman of the International Business Council] Brian Moynihan. But it hasn't been universally accepted at all. And there are some 20 other sets of metrics still kicking around. Quite frankly, I don't think we're ever going to have a satisfactory set of metrics that are the equivalent of financial metrics. I think we're going to have to view ESG metrics not just from a financial standpoint, but from a goals standpoint that transcends impact on finance.

People want it to be tidied up in one package.
Exactly. And I'm just not sure that it can be. I think the single most important thing, what we advise our clients is, it's very important that you understand your constituents. Not just the shareholders, but your customers, the political organizations in the areas in which you operate and so on—understand exactly what they're interested in and your ability to deliver. Sometimes it's not even possible to deliver what people may want. But if you can't deliver exactly what's being sought, then explain to them how you can't do everything but you're trying to reach a goal that's mutually acceptable.

In part, it's about the company indicating that it's responsive to the idea that these things should matter, as opposed to only the financial metrics, yes? It's indicating you understand the question.
Exactly. You stated it better than I did.

If I have to put my finger on what is driving the purpose movement, it's actually externalities. People are looking at the big companies and saying, your footprint is now so big that you have to take into account that you can't deliver your financial profit at the expense of everybody else. Do you agree with that in part?
I agree with it in whole, not just in part. But I also think that business organizations are run by people. And they're anxious to be relieved of pressure from greedy shareholders. The problem is not corporate management. The problem is the greedy shareholder. And we have to focus on the greedy shareholder, not on corporate management. That's been true from the beginning.

> "What I frequently say [to investors] is, 'You do realize that unless you accommodate the stakeholder and ESG interest, you're going to be regulated?'"

I often meet, and you must meet them still more than I, the CEO who says, "Of course I want to do this, but my shareholders won't let me." What should they say?
The shareholder communities are not omnipotent. What I frequently say is, "You do realize that unless you accommodate the stakeholder and ESG interest, you're going to be regulated?" It's the fear of regulation that has motivated these major investors.

So the way to go after the investor is to speak up for regulation?
Absolutely.

What would you like to see by way of regulation?
I don't want to see anything. I want to see the "New Paradigm." I want to see well-advised investors work with well-advised corporations to achieve an agreed-upon strategy for operations that have the objective of long-term growth in the value of the company. You can reach that through profitable operations that take into account the interests of all of the different stakeholders so that your ultimate goal is long-term increase in the value of the company—not long-term increase in the stock price as such, but long-term increase in the value of the company. Hopefully stock price will come along with that, but the focus should be on the company, not on the price of the stock.

So, what can be done about the "greedy investor"?
I wouldn't mind having a statute that eliminated shareholder activism, but that's not going to happen. But just as pressure is put on corporations to achieve these goals, pressure has to be put on investors. And it is being put on them. Investors have to recognize they have the same obligation to service the public in these areas that corporate management has.

If the corporate community and the investor community do not adopt a real "New Paradigm," we're going to get very significant legislation. You see it in the EU right now. Much of this going forward is going to be more political than commercial.

I'm a strong believer in minimum regulation in this area because I think that business operates best in a market economy, where the market does the allocating and it's not done by a governmental agency and so on. It's the difference between what we call western capitalism and state corporatism—which can range from the quasi-capitalist approach to communism in China, for example, or traditional socialism, and variations in between.

Business works best in a minimally regulated market economy. Some regulation is always required, but let the broad outlines be filled in by the participants, the companies and the investors. That is the best structure that will create the most productive companies and that creates the greatest wealth that can be shared among all the stakeholders.

I know you're concerned about these issues with regard to the treatment of employees. Can you talk about that?

When you look at ESG, and the employee as a stakeholder, one of the most serious issues is the loss of the defined benefit pension plan. This goes a bit beyond ESG. But it goes to this whole question of employment in light of globalization, technological disruption and shareholder privacy.

No one of those is responsible for the current situation. But when you put them all together, that's why we're where we are today, with the rise of political populism.

No one likes to live with the threat of starvation in retirement. No one likes to be unemployed and so on. One of the most important things that we have to solve is really good jobs for everybody and an absolutely certain retirement.

In my view, this insecurity of the workforce is the most important socioeconomic problem we face today. It involves everything—education, healthcare, retirement. There's no reason why a country like the United States can't be run on a basis that everyone has housing, healthcare, a good job, education—really, there's no reason why the world can't.

The problem is that we seem never to be able to stay on the right path long enough. I mean something comes along to disrupt things. In the post-World War II period, the country was doing fabulously well. We had created an unbelievable balance in the economy.

And then we took the wrong turn in the '80s with financialization of the economy. And this is where we've ended up, with half the population of the country living at or below the poverty line. Which is a condition that bodes ill. If you went back in history, inequality has been the cause of one type of revolution or another throughout history.

"The problem is the greedy shareholder."

LUCY PARKER, a Partner, leads Brunswick's global Business & Society offer.

What should companies do about that?

Well, they can focus on improving the lot of the employees. I mean it's a question of wages, it's a question of training, it's a question of the working facilities that they are provided. And more than anything, it's a question of retirement. Shifting from defined pension plans to contribution plans, 401(k)s here in the US, has really created doubt in the minds of the average employee as to the stability of her or his retirement.

For me, that's another area of the externalities. People have been squeezing and squeezing and squeezing the front-line workforces. And that's totally non-sustainable, whether it's skills or wages or pensions.

I often say that the worst part of maximizing shareholder value is forcing companies to reduce employment in order to meet a quarterly guideline on profitability, that time and again corporations have announced restructurings—another word for reducing employment significantly—so that they can announce that the running rate of margin improvement from the reduction in employment will meet the future guidelines on quarterly employment. I think making employees the pawns in adjusting to meet profit objectives is one of the worst things that has happened and is the most significant thing that has to be reversed.

And I think it is being reversed. I think companies are more and more recognizing, or have recognized, that having a strong and happy, content workforce is probably the best asset a company can have.

And COVID has put it right in the front of people's minds, hasn't it?

It certainly has. COVID and the racial issues here in the United States. Those racial issues have become pervasive around the world, but here they have been of great significance.

Thank you. It's been wonderful to talk to you. What will ring in my ears from this conversation is that you've said, in the end, it's the greedy investor. I want to go into my next meeting thinking: what do we do about the greedy investor?

I recommend Alex Edmans' books and articles. He's of the London Business School. The most interesting is his book *Grow the Pie*. His view is that intelligent stakeholder governance does not in any way take away from the shareholders. What it does is it grows the pie so that everybody has a nice slice of it. That is the "New Paradigm" and I endorse it. ◆

The Path to HARMONIZATION

What's next for ESG disclosure?

Brunswick's **AMELIA PAN** talks to **JANINE GUILLOT,** CEO of SASB (Sustainability Accounting Standards Board), whose organization might hold the answer.

OVER THE LAST TWO YEARS, THE PACE of change on the critical topic of ESG disclosure has surprised even those closely involved in its progress. And there is every indication that momentum will continue in the coming year.

In 2020, I had three conversations with Janine Guillot, CEO of the Sustainability Accounting Standards Board, the San Francisco-based NGO more commonly known as SASB. We first spoke a few weeks before Larry Fink published his January 2020 headline-grabbing letter to CEOs: "A Fundamental Reshaping of Finance." Buried 18 paragraphs beneath the headline was a significant request that would shine a spotlight on her organization: BlackRock suggested every company in its portfolio "disclose in line with industry-specific SASB guidelines."

Mr. Fink was referring to a set of ESG standards created by the nonprofit. I asked her at the time why SASB had been singled out.

"Today, the people actually making buy and sell decisions on securities increasingly believe that ESG issues can impact value."

Companies similarly benefit. SASB allows companies to communicate with all investors through a consistent set of ESG standards. "Often today, across the same industry, each company's disclosures on the same ESG topic will be different. The companies that are great performers can't get credit because their information can't be compared to their peers. If SASB's Standards can help companies report comparable, consistent and reliable ESG metrics, then companies can benchmark their performance and investors can allocate capital toward the best performers," Ms. Guillot told me. "That starts a virtuous cycle."

"Our mission is to help businesses around the world identify, manage and report on the sustainability topics that matter most to their investors," she told me. "We're trying to bridge the historical world of financial performance—which is perceived to be very short-term—and the long-term world of stakeholder impact. Both companies and investors need to understand how sustainability connects to long-term enterprise value creation. SASB Standards are a very powerful tool to do that."

The Standards to which Ms. Guillot alluded, and which Mr. Fink supported, are tailored for 77 different industries and focus on "financial materiality"—those ESG issues that directly affect a company's financial performance. That arms investors with the quantitative, industry specific, and financially material ESG data they crave—and which they are increasingly trying to weave into their investment decisions.

"Silos within investment management firms are breaking down, and governance and ESG teams are increasingly integrated with portfolio management and research teams," Ms. Guillot pointed out.

ILLUSTRATION: NIGEL BUCHANAN

That was January of 2020. By the time we caught up again over the summer, COVID-19 had upended the corporate world. I wanted to know if it had done the same for ESG disclosure. "The first week we were in lockdown I asked myself: 'Is what we're doing irrelevant, or more relevant than ever?'" Ms. Guillot said. "We've seen it is, in fact, more relevant. I look at all those elements of human capital—health and safety, leave, pay for hourly workers—and how crucial it is for companies to manage their workforces through this. We heard from our investor advisory group—who manage more than $40 trillion—that ESG disclosure isn't going anywhere."

I pressed her on this. Amid all the uncertainty of a pandemic, have investors' actions on ESG really aligned with their words? "There's no doubt we're at a stage where ESG implementation varies at investment firms, and you see that even across teams within the same firm. But I can tell you, investors are very, very focused on this. And for people in IR who aren't hearing questions about ESG: You will be hearing them in the future. I have no doubt about that."

If the pandemic reinforced the need—and investor appetite—for ESG disclosure, it hasn't clarified how companies should actually measure and report on those ESG issues. There remain at least a dozen ESG frameworks and standards that both companies and investors struggle to understand, let alone implement.

Ms. Guillot maintained that SASB's Standards were straightforward for investors to digest and for resource-strapped companies to deliver: "The SASB Standards are explicitly defined not to be an enormously heavy lift," she explained. "On average, each SASB Standard has six disclosure topics and 13 metrics. This is information you probably already have somewhere within your business—and if you don't have quantitative information, you probably have qualitative information about how you're managing the risk."

Given the Standards are cost-effective for companies and in high demand with their investors, why aren't more companies disclosing in line with it? "There's still skepticism," Ms. Guillot told me. "Do portfolio managers really care? Do sell-side research analysts care? There's also a question around risk, particularly legal risk. The default position has often been: Don't disclose information unless you have to. That's shifting a bit; do you run a greater legal risk by disclosing or not disclosing?

"Also, this field isn't as mature as traditional financial reporting. The metrics are newer. And because the metrics are newer, there are often concerns about the rigor, the controls over the information. How do companies get comfortable enough with their controls and governance over the information so they can put it into the public domain, especially in investor-focused communications?"

"If your company doesn't disclose, someone—whether that's a portfolio manager or index provider or sustainability rating provider—is still going try to reach a conclusion about your company's ESG performance."

In the autumn of 2020, five major players in sustainability disclosure, including SASB, announced a shared vision for how existing standards and frameworks can complement Financial GAAP and serve as a basis for a comprehensive corporate reporting system. A few months later, Ms. Guillot and I caught up once more, on the eve of yet another huge announcement: In mid-2021, SASB will merge with the International Integrated Reporting Council (IIRC), a global coalition of regulators, investors, companies, standard setters, the accounting profession, academia and NGOs. The move will create a new organization, the Value Reporting Foundation, which Ms. Guillot will lead as CEO.

The *Financial Times* rightly called the merger "an important development for ESG investing." That's because the IIRC provides a reporting framework that establishes what ESG topics companies need to report on; SASB's Standards mean that data will be reported consistently. "Bringing the two groups together should help make ESG investors' lives a lot easier," the *FT* concluded. By the of end 2021, SASB will operate within a new organization, but that won't affect the use or popularity of its Standards.

Such collaboration hints at what is likely to be the key trend of 2021: consolidation of different ESG standards and frameworks. Ms. Guillot predicted that "further harmonization" for ESG reporting is likely only a year or two away.

Where does all this leave companies? Why should they try to understand and report on ESG when there remains so much uncertainty about the best way to do so? "Control your story, control your story, control your story," Ms. Guillot said. "There's an entire landscape of ESG raters and rankings. Large global investors hold almost every listed company in the world. If your company doesn't disclose, someone—whether that's a portfolio manager or index provider or sustainability rating provider—is still going to try to reach a conclusion about your company's ESG performance. You're in a much better position putting some information out there than nothing at all," she advised. "Tell your story." ◆

AMELIA PAN is a Partner in Brunswick's London office focused on investor engagement, environmental, social, and governance (ESG) and shareholder activism. She is also the host of the firm's "ESG Agenda" podcast.

ENCAPSULATED BY AN ACRONYM, ESG IS ITSELF AWASH IN THEM: SDG, PRI, TCFD, SASB, GRI, MSCI … TO NAME A FEW. EACH CORRESPONDS TO A DIFFERENT ESG STANDARD, FRAMEWORK, RATING AGENCY OR INDEX, WHICH IN TURN HAVE DIFFERENT FOCUSES AND REQUIREMENTS. YET A GROWING NUMBER ARE COMPATIBLE AND COLLABORATING, CREATING A COMPLEX, CONSTANTLY EVOLVING LANDSCAPE. HERE'S AN OVERVIEW OF SOME KEY NAMES SHAPING THE ESG CONVERSATION:

THE AGENDA-SETTERS

Three organizations tend to come up in most discussions about ESG and act as reference points and agenda-setters:

UNSDG (United Nations' Sustainable Development Goals)

The SDGs are often a starting point for a company's ESG activities. Adopted by United Nations member states to tackle the world's most pressing societal challenges by 2030, the 17 SDGs range from ending poverty and hunger to providing quality education, gender equality and sustainable communities. Companies commit to address the key SDGs most relevant to their business (*see how a grocery giant targeted food waste, SDG 12.3, on Page 49*).

PRI (Principles for Responsible Investment)

Representing more than $100 trillion in assets, PRI is an investor initiative supported by the United Nations that sets guidelines for asset owners and asset managers when making investment decisions. PRI's 2,800 signatories must report on their responsible investment activities every year. It recently announced that it will begin removing investor signatories that do not adhere to its requirements.

TCFD (Task Force on Climate-Related Financial Disclosures)

The TCFD provides a global framework for reporting on climate in financial statements. It looks to give valuable information to investors, lenders and insurers on a variety of risks associated with climate change. Amid growing regulatory and public pressure, more than 1,000 organizations now support the TCFD. For now, the TCFD remains voluntary but that will soon change; the UK's latest Green Finance Strategy mandates that by 2022 all listed companies and large asset owners disclose in line with the TCFD.

STANDARDS & FRAMEWORKS

At a more granular level are ESG standards and frameworks, which essentially set guidelines to help companies measure and disclose ESG activities. There are at least a dozen such standards and frameworks, ranging from a focus on climate to financials to economic and social impacts. The two most commonly used are:

GRI (Global Reporting Initiative)

Founded in 1997, GRI is the most widely used ESG standard globally and allows companies to communicate their material ESG issues (self-assessed) to a broad range of stakeholders. As well as mapping to the SDGs, companies can align with the European Union's Non-Financial Reporting Directive (NFRD), which requires large companies to disclose information on the way they operate and manage ESG issues. The GRI Standards focus on the economic, environmental and social impacts of a company, and hence its contributions—positive or negative—towards sustainable development.

SASB (Sustainability Accounting Standards Board)

SASB connects sustainability issues to financial performance. It focuses on ESG issues that are "financially material" and "industry-specific," meaning its Standards are customized to 77 different industries. Companies voluntarily choose to report against their Standards, and also determine how they disclose that information, whether via stand-alone SASB reports, in regulatory filings, or embedding the data within an annual sustainability report.

GRI's and SASB's Standards are designed to fulfill different purposes and are based on different approaches to materiality, yet many companies use both sets of Standards to meet the needs of various audiences. TCFD Recommendations and SASB Standards are also compatible and frequently used together.

RATINGS AGENCIES

Most companies experience ESG through ratings agency surveys. Unlike standard setters, these agencies rate companies and compile rankings. Two of the largest and most commonly cited are:

MSCI

The firm ranks more than 7,500 companies and 46 of the 50 largest global asset managers pay for those rankings. MSCI ESG Ratings are designed to help investors understand ESG risks and opportunities and integrate these factors into their portfolio. They analyze data across 37 key ESG issues, and rate companies against sector peers on a AAA-CCC scale, which is retained through ongoing monitoring. Significant score changes trigger a full review and re-rating.

SUSTAINALYTICS

Its ratings are based on a "two-dimensional materiality framework" that measures a company's exposure to industry-specific material risks, and how well they are managing those risks. It also includes the company's approach to corporate governance. Those scoring poorly can access a report and purchase detailed feedback and support.

Companies view a draft report, to which they can respond before it is made available to Sustainalytics' clients, which include many of the world's leading pension funds and asset managers.

New Challenge

HENRY TIMMS, AUTHOR AND CEO OF NEW York's vast Lincoln Center cultural complex, was the guest of Brunswick's Chairman Sir Alan Parker at a recent webinar for the firm and invited friends. Their conversation took place on Giving Tuesday, a movement co-founded by Mr. Timms, and now the largest philanthropic event in the world.

Giving Tuesday is an example of what Mr. Timms calls "new power." His book *New Power: How Power Works in our Hyperconnected World—and How to Make it Work for You* was praised by David Brooks of *The New York Times*, who described it as "the best window I've seen into this world." Alicia Garza, co-founder of Black Lives Matter, called it "a must read, a gift to our movements." It went on to be named "Book of the Year" by the *Financial Times* and McKinsey Business.

Mr. Timms opened the webinar with three stories about how the world is changing—from the medical profession, business and politics. What all those stories illustrate is the idea at the heart of the work of Timms and his co-author, Jeremy Heimans—that the way to think about how the world is shifting is not a shift in technology but a shift in power. It is an emergent and new way to be powerful and those people who are understanding this power are those who are getting out on top.

First, in the medical profession. In 2019, the World Health Organization placed the risk of a pandemic among the top 10 greatest health challenges in the world—and hesitancy to be vaccinated right up there alongside it on that list. One of the interesting challenges we have ahead, Timms says, is "how can the medical profession—which is used to being much more of a top-down command-and-control world—out-communicate a community of people around the world who are decentralized and distributed, creating power in their own ways? There is no boss, no headquarters."

Wielded by a few, power in the medical community "tends to download," he said. Prescriptions written in Latin, that only fellow experts understand, are a symbol of that mindset—a closed language about contained power. "How different that is to the new power world," Mr. Timms says. "The anti-vaxxers are powerful because their power is made by many. It is about what you have uploaded. It is about what you can share."

In business, Airbnb only exists because of the properties that we place on it. It is very much about the crowd directing the business in terms of the content. In the face of pending state legislation, the company turned not only to its advisors and lobbyists but to its network of guests and hosts in California to mobilize. And through them, knocking on 250,000 doors, Airbnb successfully fended off the regulatory challenge.

In politics, former President Barack Obama's campaigns are examples of the power of a collaborative network that viewed itself as a movement. "Obama's presidency itself, the way he governed, was actually very traditional," Timms says. "All the energy of the crowd that got him elected, he left

PHOTOGRAPH: MICHAEL CREAGH/THE LICENSING PROJECT

to OLD POWER

On the same day that **HENRY TIMMS** talked with Brunswick Chairman **SIR ALAN PARKER** about how to harness "new power," the global, grassroots philanthropic movement he co-founded raised more than $2.4 billion.

behind when he got into office. And he essentially handed over that energy to Donald Trump.

"In the old power world, power is a currency. It is about what you had that nobody else had, that you could cling on to. Versus power as a current: that power which surges and moves and while you can never quite own it, you can direct that power," he explains.

#MeToo, Black Lives Matter, Extinction Rebellion, social movements that have defined our times, are all new power phenomena. So is the rise of President Trump and Brazil's Jair Bolsonaro. "You are seeing much more of these spikes of new power," he says. "New power is very good at surging up and then disappearing."

By itself, it can bring progress but also breed chaos, as the mob of Trump supporters inspired to storm the US Capitol in January demonstrated. The conversation with Mr. Timms took place before those tragic events unfolded, but his view was clear-eyed about the need for a balanced approach. "My argument to you is not old power is bad, new power is good," he said. "That is not the argument." What we need, he emphasized, are agents who have the right dose of both old power and new power to be able to get ahead. And he warns that that will require all of us to become better citizens.

Taking questions from Sir Alan Parker and the audience around the world, Timms elaborated on these ideas and how they figure into his work with Giving Tuesday and Lincoln Center, and the outlook for corporations around the world. Despite negative uses of new power, he remains decidedly optimistic that its rise is a force that can benefit society.

The reason I asked Henry to join us in this webinar for the whole firm is that I think the idea of new power is very important for our clients. They live at the nexus of new power and old power; it is the source of many of the challenges they experience around the world, and we aim to help them with. And it also has deep resonance for how we see ourselves as a firm.

And, Henry, what an exciting day to be meeting, on Giving Tuesday. It is all happening literally as we speak, all around the world today. So, first question: Thinking of your example of Obama, can you sustain new power once you've achieved a certain status? Have you seen many organizations that really manage to keep that up?

Yes, I think that is the big challenge. People have got very good at the surge of new power and not very good at the sustain. It is hard to embed it inside an institution, but I think it is definitely possible. Airbnb is one company that has done a good job of mobilizing the new power over time and continuing to build communities and offer new areas of engagement.

Colombia

Canada

Germany

As the Giving Tuesday concept travels, groups in each country have remade the heart logo used in the US to suit themselves. Being open to such free adaptation is a hallmark of "new power" leadership.

Australia

Israel

Chile

I think we are going to see a lot more organizations working out how to operationalize new power. If you look at KKR, the investment group in the US, they are increasingly favoring projects where more of the company's value is going to its employees. You are going to see more of the workers-on-the-board type of activity, more of how you share value with the people who are creating corporations, just in the way that Airbnb essentially is making its customers its owners.

A lot of corporate leaders are driven by an old power model of leadership. But there is a new crop of CEOs I am seeing around the world who are now fluent in new power, even if their organizations aren't actually new power organizations. Do you have any sense of that?

One hundred percent right. At all these organizations where the CEOs have a sense of the new power world, there is a group of senior leadership underneath them who are actually holding up change. You have got this sandwich problem: leadership who kind of get it and see that success has to be a more new power outcome, and a broad base of particularly younger staff who are completely expecting this agency. But then you have got the middle upper management who are really holding up change. The CEOs I know who have tried to make new power work and failed have often not taken on their senior staff, the old power guard.

I have a great question here from one of our Partners in Singapore. How do you turn something into a movement if it moves without you? What advice can you give us about the tension between letting it run versus shaping it?

I will give you an example from Singapore. With Giving Tuesday, early on in Singapore they wanted to do SG Gives—rather than a day, they wanted to do a whole week of giving based around volunteering and shopping malls. It was not really what we were trying to do. We were trying to do Giving Tuesday and establish that brand, but they wanted to do something different. On reflection, we decided, sounds great, go for it—and it worked out very well. That decision was us trying to get people to engage in our mission on their terms—this is a phrase we use in the office all the time. That

Volunteers in Liberia sport T-shirts adapted for the country's Giving Tuesday event during the pandemic.

is a new power idea. Old power, you get people to engage in your mission on your terms. The new power idea is you are creating a mission and people are doing things inside the boundaries of that mission but in their own ways, meaningful to them.

This is not chaos or anarchy. You are providing people a way to engage in your mission on their terms. That was the leadership decision with Giving Tuesday—not about giving up on leadership, but about framing leadership slightly differently. The kind of leadership that has worked in the new power world actually shifts from the kind of superstar model that we were all very used to, the dynamic individual whose force of personality can transform outcomes. Instead, we have this superconductor model, where the people who are most effective are the ones who are mobilizing people around their mission.

So, how do you shift an established company that has been so good at running the machine for so long, to be much more agile, much more nimble, to release power throughout the organization? I think there are two key parts of that. Part one is the signals you, as an organization, send. A lot of people are getting that right now. Part two is structure. How are you structuring the company differently to allow greater participation? Corporations often fall down because they are very good at the optics when actually the realities aren't very good. It will need more than a dynamic speech once a year and a nice veneer of purpose. It will need participation throughout the organization. That is the big corporate challenge.

"The way to think about how the world is changing is not a shift in technology but a shift in power."

A lot of new power works because of the new tech platforms. How will technology accelerate the next rise of new power?

I think there is a big reckoning to be had around technology. The great promise of all these platforms was we would be happier, the world would be more democratic. Things would be fairer. None of those things seem likely to be true. The danger of the platform space, in particular, is that the very thing that they train people to do, which is to mobilize and to share their voices, will turn against the platforms themselves. So, I think there is a big challenge coming.

We have to look at our own participation, particularly a group like this one for example, Brunswick, which has such expert credibility. What is the information you are putting out there into the world? What are the causes you are associating yourselves with? And then, what are the platforms you are spending time on? Who owns them and who do they benefit? That set of questions is coming thick and fast.

I think regulation will become a big deal for tech companies, in particular—both regulation from government and also from users. I think the new power regulation will be quite meaningful.

Do you think any politicians have managed to maintain new power? It might have got them there, but did they maintain it. I don't know if you consider Mr. Trump as maintaining it.

I do, sadly. I think Trump is a new power phenomenon. Everyone was saying this guy is crazy. He is not spending enough on TV ads. But he was building this intensity around his campaign which he then managed to keep going through four years. Even the way he thinks about his messaging, he plucks his names from his own crowd and then promotes them up. He literally takes content from this vast army of people and then uses it to engage. It is true now for companies as well as politicians that we have to value intensity more than favorability.

If you think about the way we used to think about products, toothpaste for example: Do enough people like it or not like it? That was essentially how you would think about success. If you are selling sneakers you want as many people as possible to like your sneakers. If you are a politician, you want as many people as possible to think you are a good guy. That was the old power equation.

What Trump realized is that intensity is worth trading off favorability for. So, Hillary's favorables throughout the campaign were higher than Trump's, but he had this intensity in his base, they would go harder for him when the time came. Also true of Leave and Remain in the Brexit debate. The Leave campaign didn't have the favorability but did have the intensity. But it's also true if you take an example like Nike, with their campaign around Colin Kaepernick: They knew full well they were trading off some favorability. They might have guessed some people would burn their shoes. But they also knew that that exercise would drive their base in a way that brought intensity.

One of the really interesting challenges for the corporate world now is recognizing that intensity is more valuable than favorability. How do you get into that world in a way that is in line with your brand values? Because the kind of vanilla campaign about how great you are to moms is just not going to work anymore.

Our Brunswick Arts team asks, does new power apply to the arts and culture? At Lincoln Center, for instance, are you prepared to trade some favorability for intensity?

I think we as an organization are going to have to stand for things. If our posture is just pure vanilla, then we will not stand out at in any meaningful way. This year, Lincoln Center became a polling place for the first time. We have been thinking a lot more about our role as a civic actor and as a pro-democracy actor. We are an arts organization, of course; our job is to put on arts performances. But we are also a proud democratic organization. And I think it is very important that we think about intensity in that kind of issue.

> "Certainly, the way I think about the future is that there is a battle for mobilization. Whoever wins is going to shape society."

One big campaign that we will be involved with next year will be around vaccinations—will enough people take the vaccine, especially in the US? One thing the arts community is very good at is actually transmitting messages to different communities, especially under-represented communities.

As you said, this isn't about good power or bad power. But how it is used becomes the issue, because it coincides in places with a move away from what people see as truth. How does one get the positive side of new power?

Certainly, the way I think about the future is that there is a battle for mobilization. Whoever wins is going to shape society. Will it be the climate denier or the environmental activists and scientists? The medical professionals or the anti-vaxxers? Will it be the crazies on the internet or the academics with reason and empiricism on their side?

All of those will come down to who mobilizes best. So, the big question for leadership is, how are you thinking about mobilizing people around the kind of world we want to live in?

Fake news, for instance, is not a new idea. The difference now is that fake news is you and me, in the sense that we all now have broadcast networks that we didn't used to, so we actually can transform things ourselves. So how do we think about our own roles online in a more civic way? We have all become users very quickly and not become better citizens. We aren't thinking particularly about how we are using these platforms. How are we contributing to a stronger, more cohesive society? I think we all get sucked up in how many likes we have had. And I count myself in that.

There are countless examples of very positive new power. If you look at a campaign like Black Lives Matter, which is perhaps the most stellar, it has affected change around the world in a very new power way. Very intentionally, its co-founders framed it as a "leader-full" movement, not a "leaderless" movement. The idea with Black Lives Matter is to create a space for other people's leadership, all around the world.

What is the most surprising response you have had to this idea when it is articulated? People hate it, throw things at you, applaud you … what is the biggest surprise you have had?

It has changed a lot from when we first started talking about this five or six years ago. People then really just thought it was about Twitter and were largely dismissive. Now, I don't think anyone disagrees that this is the right direction.

What surprises me now is how often you get real enthusiasm from people for this kind of work. You will often see very unexpected people being very good at this. It is not going to be the superstars or the old power world who are naturally the superconductors of the new power world. It is a different type of leader. And so, as leaders, if you look in the same places for people to solve these problems, you are probably looking in the wrong place.

You end the book making a case for us all to be better citizens, for everybody to take a better role in our society. It's not quite a manifesto, but there is a call, isn't there? Don't just be bystanders or consumers?

Yes, that is right. There are huge opportunities there. The BBC was a kind of a classic old power organization in every way. They literally controlled the channels—two channels was all there was. They had that kind of power. What is the new power version of the BBC, at a time that the world desperately needs the commitment to fairness and journalism and expertise that it represents? How does the BBC become a mobilizing organization? How would a social media network with the kind of values that the BBC represents look? So, I think the opportunities are going to be huge and definitely positive. The world can be made better and every day you are seeing examples of it.

This is really a great lens to look through. It makes a different kind of picture.

Thank you, Alan. Let me just finish with a call to action to your audience. Do something wonderful. Think about what this group can do today. Help Giving Tuesday out today. It would be great. ◆

SIR ALAN PARKER is the founder and Chairman of Brunswick Group and former Chair of Save the Children International. He is also Chairman of HRH The Duke of Edinburgh's Commonwealth Study Conferences. He was knighted in 2014 for his services to business, charitable giving and philanthropy.

THE FORCE BEHIND GIVING TUESDAY — BY HENRY TIMMS

THIS CHART SHOWS THE GRADUATED steps of new power behavior as you move away from an old power model. This was the game plan for Giving Tuesday. Number one, it was driven by sharing. Giving Tuesday ambassadors are not celebrities. They just want to change lives. The most important voices were the people who had small networks that were highly shareable. That is what gave it the buzz that it had.

Affiliation with Giving Tuesday is when people started to kind of join the community and make it about them. All around the world we saw people who would tie their public profiles to the Giving Tuesday framing.

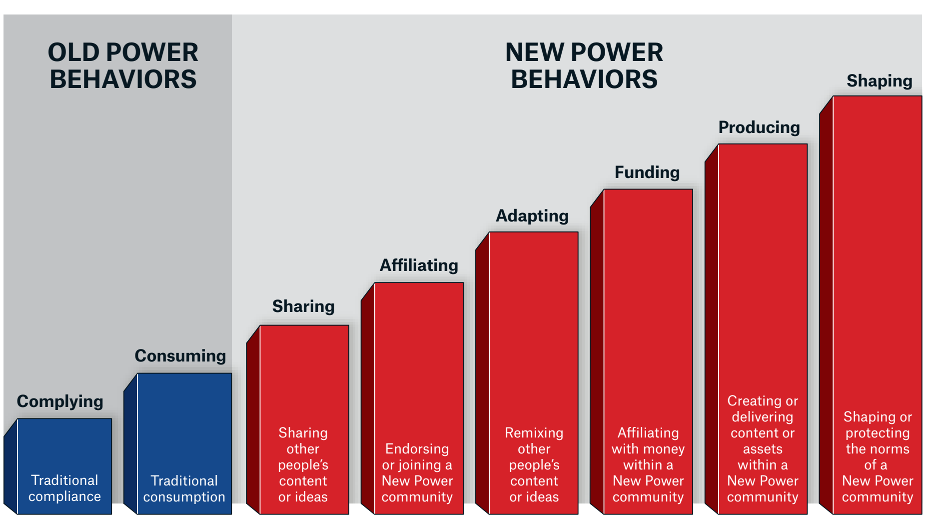
Adapting is where it gets tricky, especially for organizations who have done well in the old power world. Here you embrace getting people to take your ideas and change them. We had this amazing moment in the first year. New York City Mayor Bloomberg was going to pronounce it Giving Tuesday. We had it all lined up, and a PR campaign. Then, the day before it happened, the mayor of Batesville, Arkansas, a small city, became the first mayor in America to declare a Giving Tuesday. He scooped Mayor Bloomberg. In the old power world, this is a disaster. You have lost control of the narrative. But in the new power world this is success. It is only a movement if it moves without you, if it is doing something unexpected inside your mission.

The next two are harder. Producing is when people create assets that create value that you don't own. We saw a bus in Canada, where the driver had decorated it to celebrate the Giving Tuesday message. We didn't know them. There is no Giving Tuesday centralized team mobilizing this. People simply grab the idea and make it meaningful.

And right at the top of the scale, shaping, is what you are really trying to get to, which is co-ownership. People take your idea and make it better. They did a big campaign in Sierra Leone this year on Giving Tuesday where they did a pro masking campaign tied to the Giving Tuesday we did in May.

The heart logo for Giving Tuesday is something we created right at the beginning. No matter where they were in the world, people ended up designing their own version of the heart. So even without brand guidelines there was a brand community around an ethic-led campaign.

THE PARTICIPATION SCALE



GRAPHIC: PETER HOEY

Roula Khalaf

TOOK OVER AS EDITOR OF THE *FINANCIAL TIMES* ONLY A FEW MONTHS before the global pandemic, having to navigate not just a new role but how to create distinctive global journalism, remotely. Long seen as the "paper of record" for business, the *FT* in recent years has more openly questioned the role of business in society—including through the launch of Moral Money in 2019; its broader "Capitalism: time for a reset" brand campaign; and the launch of a Financial Literacy and Inclusion Campaign, its first charitable foundation. Roula spoke to Brunswick's Caroline Daniel about the impact of the pandemic and how it's accelerating the debate about the future of capitalism.

New Financial Times

When the global newspaper of finance and business calls for a reset of capitalism, it's serious. Roula Khalaf, the first female editor of the Financial Times since its founding in 1888, talks with Brunswick's **Caroline Daniel.**

Few would have expected the *FT* to ever call for a "reset of capitalism." What's behind the move?
The *FT* has always been pro-business and pro-markets and that will not change. What we do increasingly however is ask tough questions about how businesses and markets should be run and the purpose they serve. Many CEOs themselves are thinking about these questions in light of rising inequality, the climate crisis, and political instability. Our role is to help provide some of the answers but also to hold business and politicians to account.

Has there been any resistance from readers?
Our readers are a diverse audience. They don't all speak with one voice. Some have cheered us on, others certainly think that "responsible capitalism" is just a distraction and that the only solid way to judge a company is on its return to shareholders. We know that our readers are intelligent and we trust them to hear all sides and come to their own conclusions.

A number of *FT* pieces described the pandemic as a sort of "test of character" for business. Has business passed that test?
It's too early to say. We have to watch the recovery over a longer term to see if businesses live up to their statements during the crisis. The other question is the extent of government stimulus beyond emergency measures and the kind of conditionality attached.

PHOTOGRAPH: ANA CUBA

Which companies do you see as leading this agenda? Or indeed, not rising to it?
There are obvious players that have done more than others and we have written extensively on them. The more significant issue for me is how companies emerging from the pandemic perform: do they allow a more responsible agenda to slip back? Will the pandemic act as the excuse to delay the responsible agenda?

What geographic differences do you see in this ESG agenda?
There are clear political differences on the environmental issue. In the EU and the UK, governments are at least trying to lead the way and to give business a framework. In the US there is a glaring lack of political leadership on climate at the national level but less so at state level. But it's also important to look beyond the West, notably to India and China, where these issues play out very differently.

The UN Secretary General has said the world should aim to do more than recover, but to "recover better." Are you optimistic about this, or will it be back to business as usual?
It's very early in the recovery to judge. There will be a huge impetus to get back to normal. So I would look more at specific areas where hopefully we can see improvements post-pandemic. I wonder, for instance, if we will see changes in the labor market. The pandemic has shown how many vital workers are underpaid or precarious.

It seems to us that there aren't many business leaders left who think their sole job is to create value for shareholders; many will now tell you they also need to create value for society. Or do you worry this is just talk?
I agree. Many companies are talking the talk but not acting. However, the fact that they feel the need to make statements is a sign of the pressure they are under. I think that pressure—including from their own staff—will continue.

You have said "the *FT* is not unquestioningly pro-market and pro-business. We want to hold business to account and we've always held business to account." Obviously your work on the fraud at Wirecard is a great example of that. But what is it about business behavior more broadly that concerns you most as a paper?
In the case of Wirecard, our investigation has uncovered a fraud that ultimately made the company insolvent. When managers at a company are misleading their shareholders and the public, that is obviously a problem. Beyond that, we are very concerned about environmental behavior and labour practices. We are going to increase our coverage further in that area. We are also always watching for behavior that creates undue risks for investors or the wider financial system.

The *FT* has been reappraising the role of business and the capital markets in society. It launched Moral Money in 2019, a platform for "news and analysis on the fast-expanding world of responsible business and sustainable finance" and other such issues, from ESG to the UN's SDGs. A few months later, the *FT*'s new brand campaign, The New Agenda, carried a pithy message on the future of capitalism.

This year, some CEOs who spoke out in support of Black Lives Matter faced accusations of "virtue signaling"—talking about racial justice but having little to say on the economic inequalities that underpin it. How should CEOs respond?
I think for too long many executives assumed that being appalled by racism was enough and "best efforts" to achieve racial diversity were sufficient. Now every CEO I speak with knows that it is time for meaningful change, for action, in hiring practices, in promotions. The pressure is enormous and it comes from inside and outside companies.

McKinsey published a report earlier this year saying that progress on Inclusion & Diversity has stalled in many companies. Do you think the Black Lives Matter movement might reenergize the entire I&D conversation in business?
Absolutely, it's clear that the Black Lives Matter demonstrations have been a wake up call. It's unfortunate that it has taken a tragedy to open our eyes to the fact that "trying" to achieve racial diversity is not enough. It needs to happen.

As companies look to position themselves for recovery, we're finding that more and more are seeking to articulate a clear corporate purpose. Would you have any advice for such companies?
It's not just about coming up with a statement in the boardroom. It's about making sure that those within the company believe that there is a culture and a set of values that underpin your company and are shared throughout the organization.

The bar has been raised: these days almost every company has some form of social impact initiative. What does it take to be a real leader in creating social value today?
The pressure for more responsible business raises the bar for executives. You have to balance a number of stakeholders and obligations, which sometimes conflict. I think it's important to have a clear sense of your objectives and build consensus around them. It's also important to show meaningful change. ◆

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