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# **RISING ISSUES IN SOCIAL RESPONSIBILITY AND SUSTAINABILITY**

## ***PUBLIC AFFAIRS COUNCIL***

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## LEVEL SETTING - TERMINOLOGY

- What is CSR?
- What is Sustainability?
- What is ESG?
- How do CSR and Sustainability intersect with Public Affairs?



“To create and maintain conditions under which **humans and nature** can exist in productive harmony, that permit fulfilling the social, economic and other requirements of present and future generations.”

Definition of Sustainability, the US National Environmental Policy Act of 1969

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISING ISSUES

Population

⇒ Resource consumption



⇒ Waste (plastics in oceans)  
⇒ Air emissions  
⇒ Water discharge



Climate change

Inequality



Threats to biodiversity and food supply  
Water stress  
Poverty, hunger  
Extreme weather  
.....  
Social unrest



## Corporate Governance

Ownership/leadership  
Integrity  
Risk management  
Material ESG issues  
Customer relationship  
Supply chain  
Cybersecurity  
Product innovations  
Emerging Markets

## Environment

Energy/resource consumption  
Emissions/waste  
Water/waste management  
Climate change  
Biodiversity  
Deforestation

## Social

Employees/contractors – health & safety  
Diversity, equity & inclusion  
Labor laws  
Human rights protections  
Community welfare  
Philanthropy/volunteer  
Stakeholder engagement



# ALARM OVER PLANETARY BOUNDARIES IS TRIGGERING A CALL TO ACTION

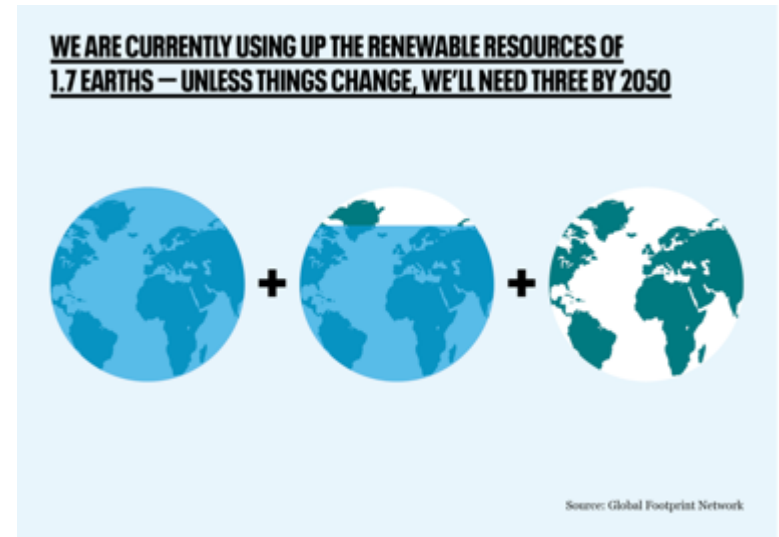
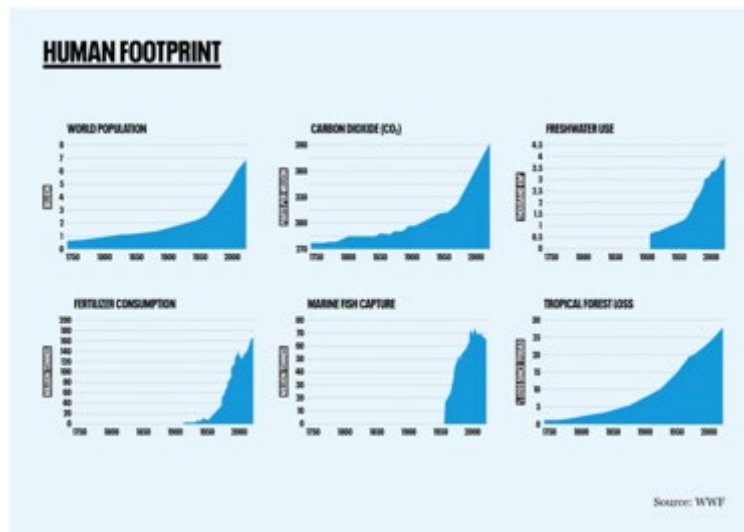
Population + Consumption  $\Rightarrow$  Resource consumption (rare earth metals, fresh water, marine fish)



Financial incentives  
Economic development  
Global society

$\Rightarrow$  **Air emissions (GHGs and other)**  $\Rightarrow$  Climate change  
 $\Rightarrow$  Waste (plastics in oceans)  $\Rightarrow$  Changing weather patterns  
 $\Rightarrow$  Water discharge

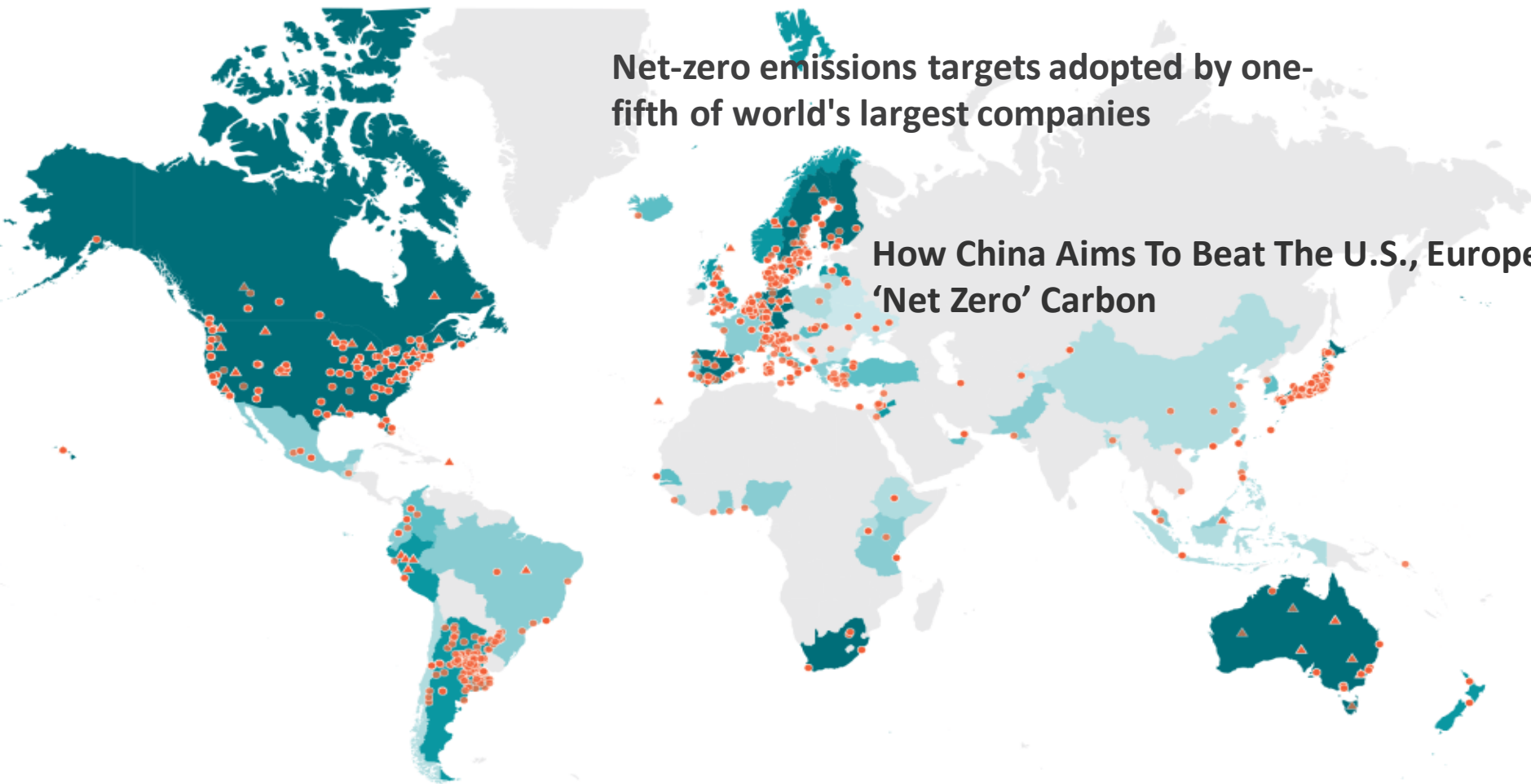
Water stress, stress on agriculture – food supply  
Threats to biodiversity – beauty, life, food supply  
Fairness, health, standards of living  
Threat to “social and economic” needs  
Social and environmental justice



# NET ZERO COMMITMENTS

Net-zero emissions targets adopted by one-fifth of world's largest companies

How China Aims To Beat The U.S., Europe 'Net Zero' Carbon



Note: NA refers to countries where we did not record actors pledging net-zero emissions targets

Source: New Climate Institute, Data source: Data-Driven EnviroLab (September 2020).

# BIDEN ADMINISTRATION – CLIMATE POLICY SHIFT



# COVID: COMPANIES' RESPONSIBILITY FOR HEALTH AND WELLNESS



## COVID-19 OPERATIONAL RESOURCES AND SHARED PRACTICE

A resource from the Manufacturing Leadership Council, a division of the NAM.



## COVID-19 WEBINARS

The National Association of Manufacturers and the Manufacturing Leadership Council are hosting COVID-19 webinars to help manufacturers respond.



## GUIDE TO PPE PRODUCTION RESOURCES

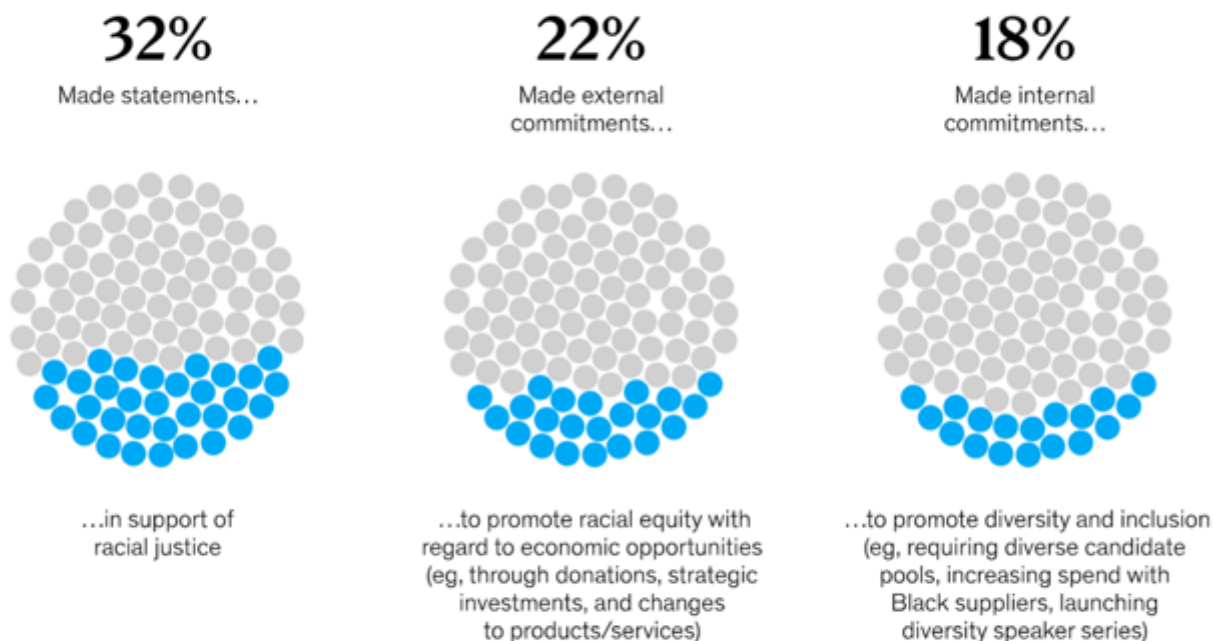
Resources for PPE and other emergency supply production.



# DIVERSITY, EQUITY & INCLUSION

Since the George Floyd protests, many companies have committed to reducing racial disparities.

Individual commitments by top 1,000 US companies, May 25–Oct 31, 2020<sup>1</sup>



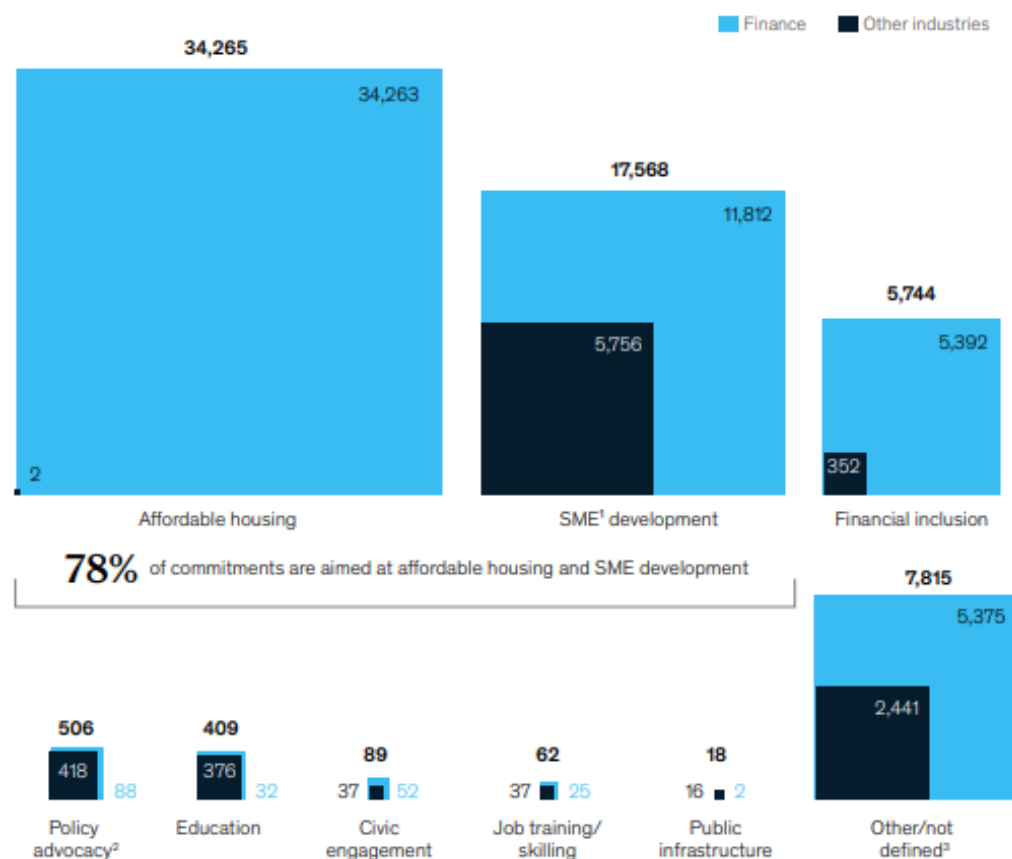
<sup>1</sup>May not reflect all commitments made by corporate roundtables, alliances, etc.  
Source: Outside-in profiling of largest US companies by revenue (May 25–Oct 31, 2020); n = 1,144, encompassing new and recently removed Fortune 1000 companies



# DIVERSITY, EQUITY & INCLUSION

Companies have committed \$66 billion to advancing racial equity.

Area of publicly committed investment, \$ million



Note: Dollar figures may not sum, because of rounding.

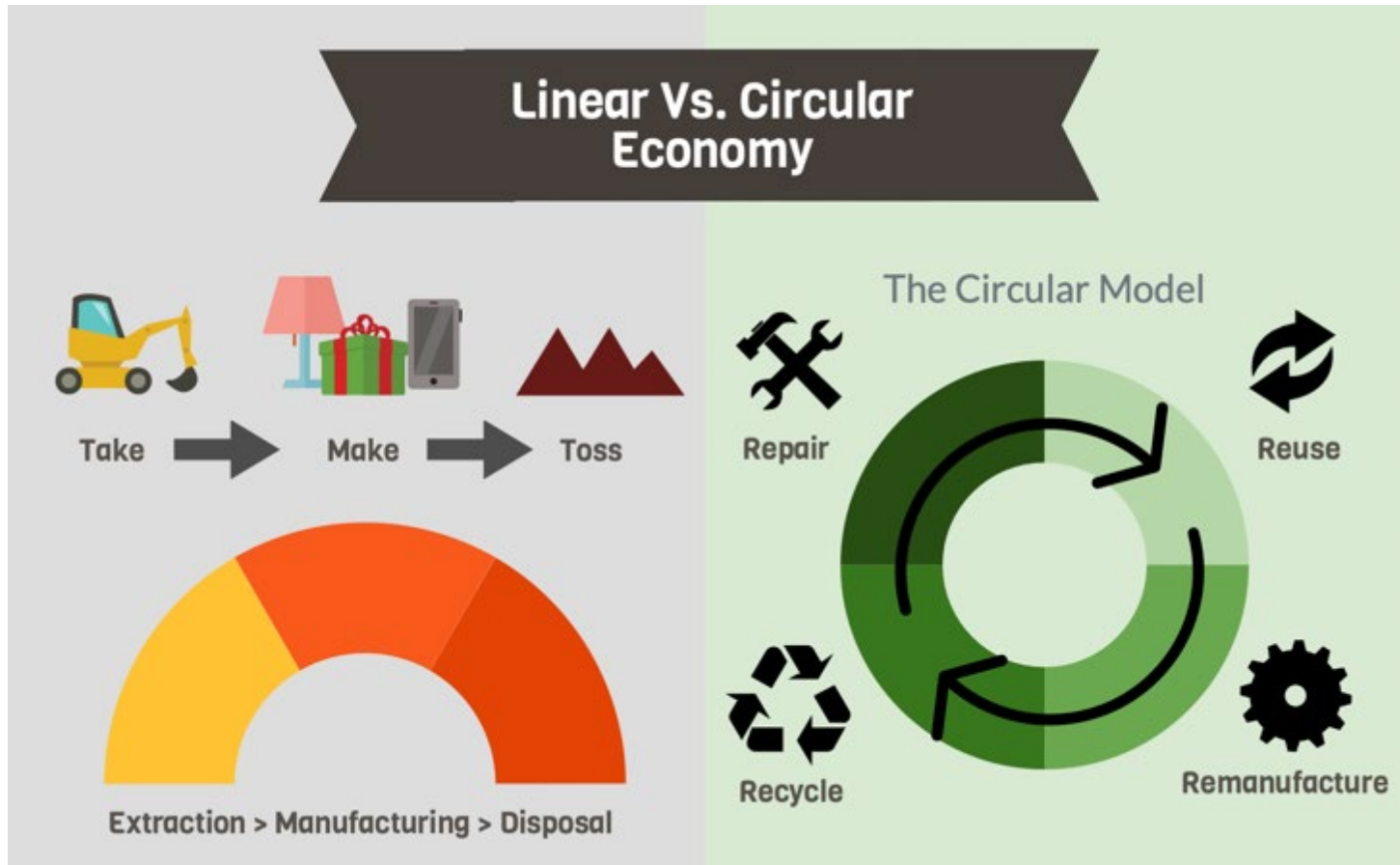
<sup>1</sup>Small and medium-size enterprises.

<sup>2</sup>Includes donations toward policy initiatives relating to civil rights, criminal-justice reform, etc.

<sup>3</sup>Other/not defined includes internal diversity and inclusion initiatives, as well as external company commitments that were not explicit.

Source: Outside-In profiling of largest US companies by revenue (May 25–Oct 31, 2020); n = 1,144, encompassing new and recently removed Fortune 1000 companies

# CIRCULAR ECONOMY



## HUMAN RIGHTS AND THE SUPPLY CHAIN



## THREE PILLARS of the UN GUIDING PRINCIPLES

## HUMAN RIGHTS

## PROTECT

**STATE**  
duty to  
protect

## RESPECT

**CORPORATE**  
responsibility  
to respect

## REMEDY

**VICTIMS**  
access to  
effective remedy

[illegible]

**TRAINING EVERY WORKER —  
TO COMBAT TRAFFICKING**



# SUSTAINABILITY GOVERNANCE

- Global



- Governments



European Environment Agency



- Companies/ Investors

- How do we know which companies are “good”?
- Industry-level
- Company-level
- Transparency => better performance



- Individuals



## LOOK FOR NEW ESG STANDARDS AND MANDATORY REPORTING

- EU taxonomy, mandatory supply chain due diligence, mandatory reporting standards
- IFRS to announce a roadmap for a new Sustainability Standards Board (September)
- Collaboration among GRI, SASB, IIRC, CDP
- SEC 15 questions for the public input on climate disclosure

*“The US\$4.1 trillion earnings listed companies generate for shareholders would fall by 55% to US\$1.9 trillion if all of the social and environmental impacts our research identifies crystallised as financial costs. One third of companies would become loss-making.” Schrodgers SustainEx Report, April 2019*

# USE DATA, AVOID GREENWASHING



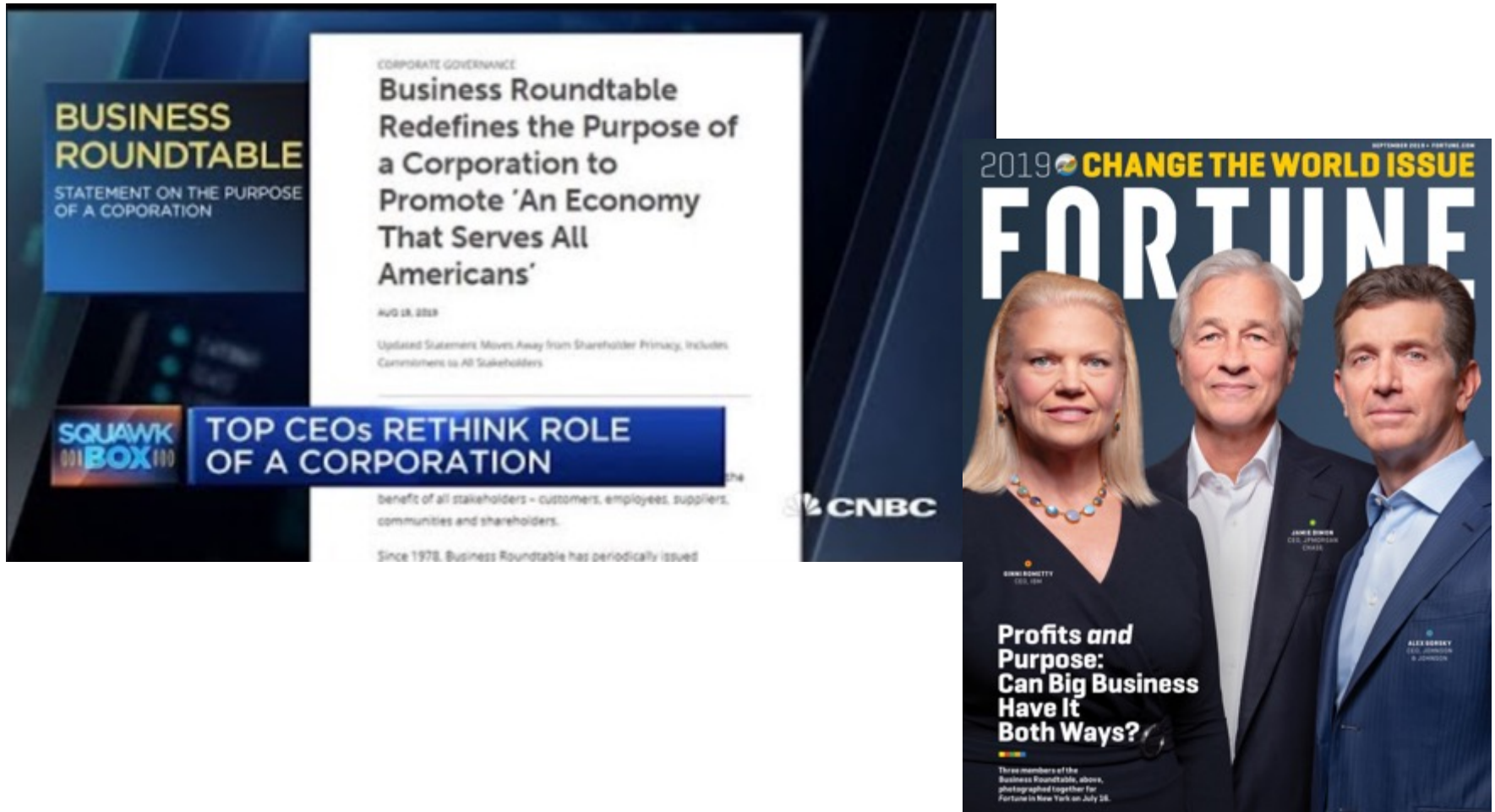
## Bringing Together a Taskforce on Nature-related Financial Disclosures

A Taskforce on Nature-related Financial Disclosures will provide a framework for corporates and financial institutions to assess, manage and report on their dependencies and impacts on nature, aiding in the appraisal of nature-related risk and the redirection of global financial flows away from nature-negative outcomes and towards nature-positive outcomes.





# FROM SHAREHOLDER CAPITALISM TO STAKEHOLDER CAPITALISM





# THE ROLE OF THE CORPORATION



When the government is absent, people clearly expect business to step in and fill the void, and the high expectations of business to address and solve today's challenges has never been more apparent. The heightened expectations of business bring CEOs new demands to focus on societal engagement with the same rigor, thoughtfulness, and energy used to deliver on profits.

## CEOs MUST LEAD ON SOCIETAL ISSUES

Percent who agree

**86%**

"I expect **CEOs to publicly speak out** on one or more of these societal challenges: pandemic impact, job automation, societal issues, local community issues"

**68%**

"**CEOs should step in** when government does not fix societal **problems**"