

Actions for Business 2022



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Introduction

Welcome to Corporate Citizenship's Actions for Business publication, where we explore the topics that we believe will shape the responsible and sustainable businesses agenda in 2022. The year ahead is likely to be a fractured and turbulent one. Countries and regions are still dealing with and healing from the effects of the pandemic. Nonetheless, companies will be expected to continue prioritising bold action on climate change and biodiversity loss, while facilitating a socially just transition to a low-carbon economy.

Businesses have a clear role in addressing some of the societal inequalities that have been exacerbated in the last years, as they adapt to the fast-changing and diverse expectations of their multigenerational workforce. Human rights will also be in the spotlight this year. Corporate supply chain and due diligence practices will be under unprecedented scrutiny from stakeholders and regulators alike.

Leading companies have already begun to re-examine how they build and, in some cases, restore trust, by providing authentic, relevant and fact-based information to stakeholders. Information that covers

not only how environmental, social and governance (ESG) issues impact a company's ability to create value over time, but also how its operations impact the environment and society at large.

Against this backdrop, we look at how companies can respond to these shared global challenges with ingenuity, dedication and a collaborative approach. Putting the right resources and capabilities to work, these issues present real opportunities across many sectors. That is why our report includes key questions for your organisation to consider against each topic.

To learn more as we unpack the chapters throughout the year, we encourage you to sign up to our complimentary Monthly Corporate Citizenship Briefing, by visiting:

ccbriefing.corporate-citizenship.com



Enabling a Just Transition



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While crucial for the future of the planet, transitioning towards low-carbon economies will have far-reaching impacts in regions where jobs are dependent on carbon-intensive industries, particularly in the global south. Policymakers and corporations must promote a just transition towards an environmentally sustainable economy, to mitigate the negative impacts of change on vulnerable populations.

The International Labour Organization (ILO)¹ defines a 'just transition' as a process "towards an environmentally sustainable economy, which "needs to be well managed and contribute to the goals of decent work for all, social inclusion and the eradication of poverty." Despite an increasing focus on a just transition, a 2021 World Benchmarking Alliance (WBA) studyⁱⁱ of 180 companies in polluting sectors showed that only a minority of companies are actively tackling this challenge.

A just transition can present far-reaching opportunities for organisations, including accessing new talent pools, retention through skills development, and revitalised stakeholder relationships. As public expectation for climate action intensifies, business leaders must act quickly, to ensure that their companies prepare for a just transition and guarantee long-term sustainability and growth.

Business Implications



- **Taking Stock:** What is your company's current mindset towards a transition to a low-carbon economy? Would you say your business operations are working towards restoring our world, both socially and ecologically?
- **Getting Started:** Have you measured the social risks of your carbon reduction plans? Are there areas or regions of your value chain that could be particularly vulnerable to the shift to a low-carbon economy?
- **Considering Opportunities:** What potential opportunities could your business gain from meeting the challenges of a just transition? What actions would you need to take to make these opportunities a reality?



Being Inclusive with Five Generations in the Workplace



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The working population now spans a greater age range than ever before. In fact, it is estimated that today we are seeing up to five different generations in the workplace, spanning all the way from the Silent Generation, up to Gen-Z. According to Forbes, Millennials will be the predominant workforce in 2026ⁱⁱⁱ, and yet Baby Boomers and Generation X will still represent around 25% of the total. With a growing demand from many stakeholders for companies to manage diversity in various forms, this trend represents an opportunity for companies to build a vast and broad workforce.

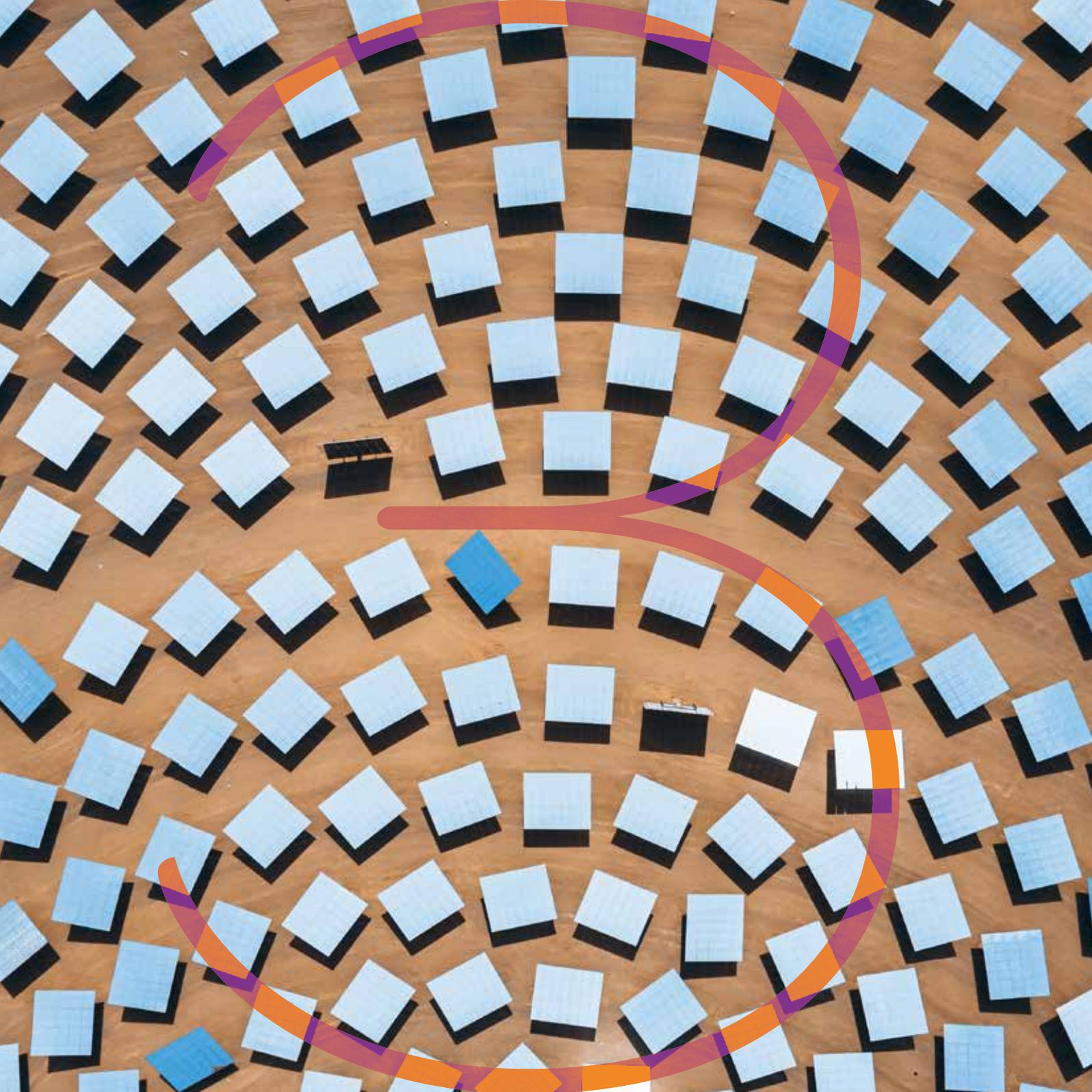
To tackle and stay ahead of this trend, businesses will need to pay closer attention to their diversity and inclusion policies, and support colleagues' differing needs. Organisations will need to understand their workforce demographics and identify if there are any unfair obstacles in the way of certain groups, as well as work harder to ensure their workplaces foster cohesion and empathy across generational divides.

While all this can pose a challenge for organisations, particularly when it comes to leading and motivating employees, when done correctly it presents an exciting opportunity to tap into the diverse perspectives and experiences that multigenerational teams can provide.

Business Implications



- **Taking Stock:** What is your organisation currently doing to promote healthy interactions between older and younger workers? How are you ensuring your business supports differing team member needs and desires?
- **Getting Started:** Are there collaboration opportunities you can implement, that help employees adapt to changing work environments in an inclusive way? Are you considering cross-generational mentoring opportunities?
- **Considering Opportunities:** What potential opportunities could your business gain from fostering a generationally diverse workforce? What actions would you need to take to make these opportunities a reality?



Getting your ESG Data in Order



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In the age of transparency and the race to net zero, a focus on ESG data is becoming increasingly important. To support the complex task of gathering this data, the number of digital platforms collating real-time data is ever-expanding. From established ESG data providers such as MSCI, Sustainalytics, RepRisk and S&P's Global Sustainable¹, to the disruptive, free-of-charge ESG Book by Arabesque, the demand and the availability of data providers and users has significantly increased in the past five years, with ESG data spend among asset managers growing in excess of 20% per annum^{iv}.

To get ESG data in order, companies first need to determine what issues and metrics are relevant and material for their business, by taking both internal and external stakeholder perspectives into consideration. Then, companies need to explore how they can measure and verify the data that they currently gather, and where the gaps are. Finally, organisations need to find efficient, engaging and accurate means to report and communicate their ESG performance.

Companies that are looking to become pioneers might consider going beyond standard ESG performance metrics, to collect and analyse more complex data. For example, looking at both positive and negative impacts across product value chains can support existing disclosures in a meaningful way. In turn, this information can provide added value to customers, and a real insight for employees and investors.

Business Implications

- **Taking Stock:** What metrics do you currently use to measure performance and progress across material ESG issues? What ESG data do your stakeholders find decision-useful?
- **Getting Started:** How do you collect, analyse and verify your ESG data? Could your organisation benefit from a data management platform that allows real-time collection of data?
- **Considering Opportunities:** How can you frame ESG data in a business context and present it in a compelling way to key stakeholders? What are the opportunities for reporting on impact metrics related to the business' operations and products?



Evidencing Upstream Change



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Access to corporate value chains have an enormous opportunity to improve social and environmental conditions around the world, particularly when it comes to policies and practices implemented upstream in the supply chain. Throughout 2022 and beyond, implementing human rights due diligence programmes in collaboration with suppliers will become essential to remaining legally compliant, meeting consumer expectations and maintaining a social license to operate.

This trend is largely attributed to the global shift we are seeing in trade regulations. The EU, as well as Canada and Australia, among other countries, is moving towards including human rights due diligence in reporting regulations. Through Withhold Release Orders, the US has blocked the import of certain products with credible allegations of forced labour, thus highlighting a very real business risk of not being able to get products to market. There are currently Withhold Release Orders in 53 locations around the world covering products across various industries.

Additionally, consumers expect more transparency from the brands they love and are asking questions about the origins of the products, their components and how they are made. A shift towards better information and reporting on raw material traceability and supply chain sustainability is therefore inevitable. Companies can establish their leadership position in the space, by adopting a systems approach to engaging with sub-tier suppliers and demonstrating that human rights risks are proactively addressed.

Business Implications

- **Taking Stock:** How are you currently engaging with suppliers beyond Tier 1? Are you deploying technology to get real-time worker feedback? Are you prepared to respond to findings from worker surveys?
- **Getting Started:** Can you credibly show stakeholders where your products come from? Have you mapped your supplier base? What traceability processes do you have in place?
- **Considering Opportunities:** How can high-risk commodities and sourcing countries be turned into opportunities for innovation and piloting new approaches? How can you establish a leadership position for managing human rights risks by collaborating with lower tier suppliers?



Using Tech for Good



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The digital revolution, or Fourth Industrial Revolution, as it is sometimes known, is forcing us to rethink how organisations create value.

Over the last decade, we have seen the positive impacts technology has created across the world. Not least in the conveniences it has afforded us since the pandemic forced us to “go digital”. But, alongside exciting advancements, technology has also created a new set of challenges.

As more basic services and goods – such as education, employment, commerce, and social interactions – become digitised, there are many individuals and communities, who are being overlooked or excluded. Many companies are well placed to help bridge this digital divide, by incorporating accessibility and equity into the design of products and services, and via their community investment or social impact programmes. This in turn will help expand their customer base and talent pipeline.

It is essential that organisations unlock the enormous potential in designing, redeveloping and scaling new tools, to help build a sustainable and digitally inclusive future.

Business Implications

- **Taking Stock:** Does your business have a robust approach to understanding the impacts of any technology it develops or uses, and how it affects different stakeholder groups? Does your organisation consider ethical and responsible technology use to be a priority and material issue?
- **Getting Started:** Are wider implications considered when setting your business strategy and product development, such as inclusive design and accessibility?
- **Considering Opportunities:** Have you explored how your organisation’s use of technology and digital tools can enhance your positive impact and future-proof your product offering?



Costing the Earth



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Nature loss gained prominence as a planetary emergency throughout 2021, and its importance as both a public and private sector priority looks only set to grow further in 2022. But, despite recent research showing that over half the global economy (\$44tn USD)⁶ is potentially threatened by nature loss, our ecosystems and wild species are still being degraded at a startling rate.

In addition to fundamentally supporting the global economy and millions of livelihoods, the interconnection between nature loss and climate change is becoming urgently clear. This was articulated more loudly than ever before at 2021's COP26 in Glasgow, with the Glasgow Climate Pact recognising the role of protecting and restoring nature in achieving the Paris Agreement climate goals.

Despite this backdrop of growing international commitments and alarm, until recently it has been challenging for companies to begin measuring their nature-related impacts in a standardised, business-relevant way. 2022 is set to be a pivotal year for corporate guidance on nature-related disclosure, with the Task Force on Nature-related Financial Disclosures (TNFD) set to release a beta version of its TNFD framework, and CDP set to expand its questionnaires to cover broader nature-related topics.

Heading into 2022, businesses must begin identifying and measuring nature-related risks across their value chains.

Business Implications

- **Taking Stock:** Have you assessed which nature-related risks are facing your business, across your operations and supply chain? Have you calculated the potential financial impact of nature-related business risks, for example through potential stranded assets, disrupted operations or nature-related instability in your market geographies?
- **Getting Started:** Have you explored tools that could help you map out your nature footprint and get an overview of nature-related risks, to inform where actions should be prioritised?
- **Considering Opportunities:** Are you preparing to align with a disclosure framework that can help your business set a nature-related benchmark and/or goals, such as TNFD, SBTN, or CDP's forest and water questionnaires?



Measuring the 'S'



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Despite the growing understanding of 'E'nviroⁿmental issues and corporate 'G'overnance, the 'S'ocial of ESG remains the awkward middle child: uncomfortable between its siblings, unclear about its definition and sometimes seen as unmeasurable. In truth, the social aspects of business include a long list of topics that are individually measurable, including human rights, diversity, equity and inclusion, employee health and wellbeing, and community impacts. The need for a wide angle on the 'S' is for instance reflected in how our established **B4SI** methodology for community investment has recently grown into a much broader tool.

The challenge in measuring the 'S', is that people are entitled to opinions, and therefore no suite of measures is ever complete without asking the people affected what they think. In other areas of business the company can choose the metric it uses, but here stakeholders determine the answer. In sustainability-speak, this is where "double materiality" plays a role. A materiality process asks "What matters?" but "double materiality" enriches this by ensuring that we consider not only the implications and impacts of ESG issues on a company, but also the impacts of the company on society and the environment.

Companies will face ongoing challenges if they continue to squeeze the square peg of the 'S' into the round holes of 'E' or 'G' measurement. Instead, measuring the 'S' and adopting approaches such as double materiality, encourages us to think beyond the metrics to the mission of the business and its impact on people.

Business Implications

- **Taking Stock:** Does your organisation consider its societal impacts through the lens of your corporate mission?
- **Getting Started:** Are you considering using a double materiality approach to better understand how your core operations impact stakeholders and wider society across the business' entire value chain?
- **Considering Opportunities:** Could a better understanding of ESG risks and opportunities increase your ability to communicate authentically with your stakeholders?

Regulation, Regulation, Regulation



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Regulation is often born out of a growing concern about companies' performance and disclosure practices when, in the eyes of policy makers, self-regulation and voluntary approaches are not working.

2022 will bring important developments in ESG reporting and disclosure standards. We expect the newly formed International Sustainability Standards Board, which brings together many key organisations, such as the Climate Disclosure Standards Board (CDSB) and the Sustainability Accounting Standards Board (SASB), to deliver a comprehensive global baseline of sustainability-related disclosure standards. In the EU, EFRAG will be providing updates on the standards underpinning the Corporate Sustainability Reporting Directive. Mandatory reporting against the recommendations of the Task Force for Climate-related Financial Disclosures (TCFD) will apply to more companies in more jurisdictions and ESG disclosure regulation will be a central focus for the U.S. Securities and Exchange Commission^{vi}. These changes, amongst others, will raise the bar on the quality of ESG data and disclosure that companies must provide.

While this may sound daunting, these developments also present opportunities for businesses. Organisations can use this shift to reprioritise their efforts and identify areas for innovation, as well as find ways to better communicate with a range of stakeholders. Mandatory requirements can also be the catalyst for shifting attitudes internally within a business around material ESG topics.

Business Implications

- **Taking Stock:** Does your organisation have processes in place to understand and meet the requirements of upcoming ESG disclosure regulations? Are your processes and systems for ESG data collection fit for purpose?
- **Getting Started:** How can you best navigate the complex landscape of increasing mandatory ESG disclosure requirements, voluntary reporting standards and changing stakeholder needs?
- **Considering Opportunities:** Are you capitalising on opportunities to improve your organisation's ESG data capabilities in preparation for increasing regulatory expectations?



Making Work Work for Everyone



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With the Great Resignation set to continue well into 2022, the challenge for employers this year will be not only attracting new talent to drive the business forward, but also retaining the talent they already have.

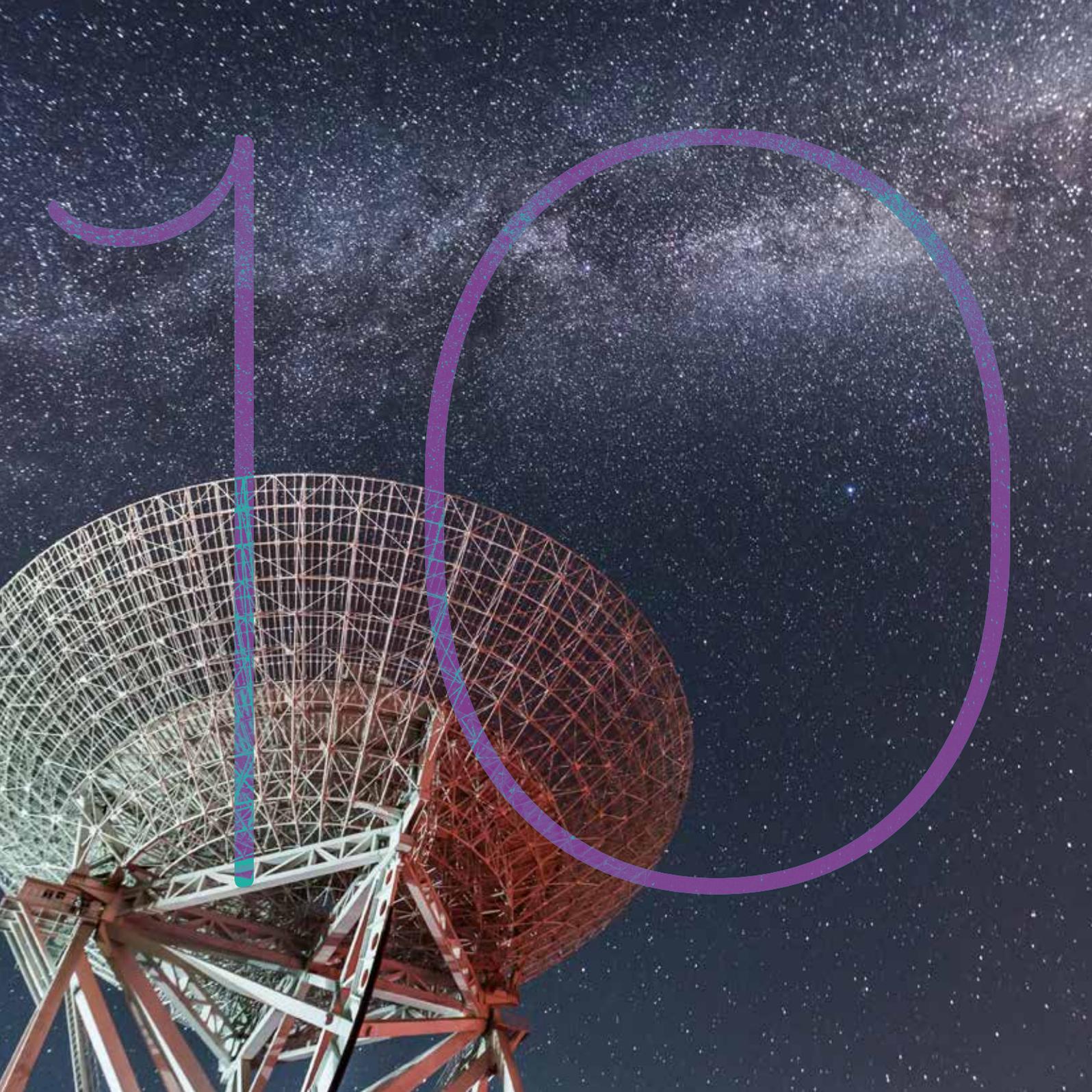
Recent research^{vii} has found that 35% of employees, particularly women and mid-level managers, intend to leave their current job this year. Some are moving away from industries heavily impacted by the pandemic, while others cite a culture of overworking and burnout as their reason for moving on. However, employers should not expect to see a great wave of workers exiting the workforce entirely. Instead, the mass movement of labour can perhaps be better referred to as the 'Great Reshuffle'^{viii}, with employees migrating to companies that better align with their values and offer greater work-life flexibility or higher pay.

With a newfound sense of agency and space to redefine how they work, many workers are increasingly rethinking their careers and what they want from them. Therefore, organisations looking to remain competitive and win the war for talent in 2022, will need to prioritise their workforce and offer attractive workplaces that enable their diverse workforce to thrive.

Business Implications



- **Taking Stock:** How do you enable people within your organisation to do their best work? Do you understand what barriers individuals and teams are currently facing? What policies and initiatives are currently in place to improve physical and mental health, wellbeing, and work-life balance?
- **Getting Started:** Are you gathering anonymous employee feedback to understand colleagues' challenges? Is there a need to review and update digital tools and capabilities to enhance employee experience and collaboration?
- **Considering Opportunities:** Are you giving employees flexibility and autonomy over their work? What can you do to enhance employee engagement and internal culture to attract new talent?



Rebuilding Trust with Action not Words



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With trust in many institutions falling across the world^{ix} since the start of the pandemic, businesses' words on sustainability and social impact face greater scrutiny than ever. Jumping on a particular issue because it is topical now will not solve this crisis in trust. For this to happen, consistent and transparent messaging, and demonstrating meaningful real-life impact, are key.

2022 will bring a greater regulatory push for the disclosure of social and environmental data. Consumers want greater transparency^x and demand to know where a product's ingredients came from, who made it and how to recycle the packaging. This offers a great opportunity for brands that want to engage and help consumers make better choices. While this kind of transparency may sound like a challenge, there are tools, established processes and standards available to support the process.

Consumers and customers don't necessarily expect organisations to have all the answers and facts straight away. They are simply looking to begin a conversation with brands that are committed to understanding their own positive and negative impacts, while keeping their stakeholders informed on their progress.

Business Implications

- **Taking Stock:** Do you know which stakeholder groups and communities are most acutely impacted by your business? What mechanisms are currently in place to hear, amplify and act on their views?
- **Getting Started:** Do you have near term milestones and actions defined to meet long-term societal and environmental targets? What established third-party frameworks and product certification schemes could help validate your brand's product claims?
- **Considering Opportunities:** How can you differentiate as a market leading brand, set an example for transparency on impacts in your category, and advocate for wider change across your sector?



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If you would like to discuss how any of these Actions for Business will impact your business, and how to address the challenges that they present, please contact us on mail@corporate-citizenship.com. We are a global consulting firm operating from our regional hubs in London, New York, San Francisco, Santiago, Singapore and Melbourne.

We are proud to be one of the catalysts for change in business' attitudes, actions and ambitions towards sustainable and responsible business. We draw on over 20 years' experience of advising our clients on developing and implementing strategies that deliver long-term value for all stakeholders, accelerating change towards a future where our society and planet can thrive.



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