



Impact of Covid-19: A story of resilience and renewed commitment





Introduction

Overnight our world has been upended by Covid-19. Our priorities have shifted to protect public health. Business has manoeuvred to protect employees and to support customers. Now, as businesses enter their recovery phase, leading companies recognise that their actions during the crisis and decisions coming out of it, will determine their future value and credibility.

As a global consultancy, we are well placed to see common trends in terms of how businesses are responding. This is a snapshot of how some of our clients have been coping, and their strategic direction for recovery. It reflects the views of a range of clients, across multiple sectors,

about what Covid-19 has meant for their business: the immediate response; the impact on their climate and environmental strategy, and their thoughts on the impact on ESG investors and funds' performance going forward.

The findings give hope. They build to a story of not only doing what's best in the immediate aftermath, but encouragingly, of how much business is looking to change for the better. Far from taking the short-term, prudent course of action, the overwhelming feedback is of resilience and renewed commitment, to accelerate towards an economy and society that are more inclusive, fair and protective of our natural resources.

Immediate response

The key response phase can be characterised as ensuring employee connectivity, safety and mental wellbeing; supporting customers; protecting the supply chain, supporting the crisis effort directly and a move to localism.

Employee connectivity, safety and wellbeing. For many companies, the pandemic meant an overnight shift to having more than 80% of their workforce working from home, which for one meant about 64,000 people. For all, business continuity plans were stress-tested on every level, and IT access was mission-critical. But early on many clients recognised that the biggest employee challenge would be mental health.

For some this meant having one singular point of truth via a health and wellbeing hub. Supported by regular comms and regular surveys, these hubs have included the latest information on the virus and company plans, as well as guides for children, how to work remotely or with teams, and how to manage staff online.

Some provide unlimited access to wellbeing and mindfulness apps, as well as exercise and diet support. National Australia Bank and Zurich have also granted ten days' additional leave to care and support family, such as children's schooling and elderly family members, as well as implementing a financial support helpline.

Leadership has also been strong, with increased communications attuned to support employees.

“
Leadership has also developed a heightened awareness of employee needs and is more sensitive and compassionate to employees.”

Biopharmaceutical Company, US

For those working in critical sectors such as energy and food products, immediate

activation of strict protocols to guarantee the safety of all collaborators was the imperative, since they are a critical service for so many. But perhaps most impressive, has been the move to protect jobs.

“
As a Company we have made a solid commitment to ensure the job stability of our employees, an example of this is the support that our subsidiary is giving to its dealers so that they are not forced to suspend contracts.”

Industrial Holding Company, Latin America

Help and support for customers then became the priority. With online hubs able to create a single source of information for customers to access, with up-to-date information and contact details as the starting point, these have been supplemented by customer support lines, and online chat. Some have struggled to cope with the volume of contact, with all

reporting an increase of more than 50% quarter by quarter.

More practical support has also seen most respond with waived fees, payments deferred and improving payment terms to help cashflow, e.g. immediate payment or a maximum of five days. Financial relief has been a common feature across the markets, sectors and businesses interviewed.

The second stage of the customer-focused response, moving products and services to be digital and consistent, has of course proved trickier. For property companies such as Mirvac, this has meant ensuring payment options and plans were accessible, and included creating virtual tours for prospective residential property purchasers. For banks, this has included the redeployment of large numbers of staff into front-line positions to support customers, such as call centres.

Additional online training has become a major focus. From updating skills to handle customers who are more anxious than normal, to learning how to support customers online rather than in store or branch.

Protecting the supply chain has been an imperative. For food manufacturers it's meant extended operating hours in warehouses to serve customers – and massively increasing production to meet demand. It's required thinking outside the usual box, to use a combo of local and remote support to solve the travel constraint. It's also fast-tracked augmented technology solutions, to help see where service interventions are required.

“
Our focus has been how do we keep those customers running – Conagra, Kraft Heinz, Danone – the world needs them!”

Food Manufacturer, US

Liquid Foods, in Chile, established a portfolio of critical products, considering those with the highest consumption rate, in order to ensure their supply throughout the country. But for most, supply chain protection has been about working to improve payment terms. As

one respondent said, it is in their interest to ensure they stay in business, even pay forward. By doing this, they will build trust and credibility.

When helping the crisis directly, there has been an increased sense of purpose. Many clients have responded by turning part of their business efforts to directly helping make the equipment to address the Covid-19 crisis.

In the pharmaceutical space, most companies have expedited product development, for which they are rightfully gaining reputationally. Others have joined private funds to help to buy millions of rapid tests or, as Siemens has done, to help build mechanical ventilators. A subsidiary of Empresas Copec will deliver free fuel to the ambulances of the Emergency Medical Attention Service throughout Chile during the period of the health crisis.

Some have spoken about the crisis having galvanised momentum behind a sense of purpose. New projects have gained traction and employees have transferred their skills, which just wouldn't have been possible under business as usual.

“
We've started a new project that has empowered creativity across the company in terms of how employees apply their skills to 15 different things we can do for our community.”

Communications Company, US

The move to localism. Nearly all those we spoke to, are using the crisis to increase their role in society, in particular within their communities.

With supermarkets recognised as being on the frontline, in Australia, Mirvac created 'Essentials Express' at its shopping centres, to allow easy ordering and pick-up of essentials including groceries, fruit and veg, meat, poultry and seafood. It also partnered with OzHarvest, to assist in the delivery of hampers to international students, who were identified by all levels of government as needing urgent assistance. They acknowledge that areas they will continue to watch are mental health, rough sleepers and food security.

Philanthropic giving has also increased. AbbVie made a \$35 million donation to Covid-19 efforts, with many choosing to donate through organisations such as the National Emergency Trust (NET). But what's changed, is that the direct funding is increasingly focused on communities at a local level. Multiplatform retailer, Qurate, committed \$10 million to support urgent needs in its communities in seven countries worldwide. Over half of our respondents have committed to matching employee donations, which is often impacting on a more local level, as people are more inclined to support smaller charities. Volunteering policies have also been relaxed at PwC, Refinitiv and St James's Place, as these companies respond to employee requests to do more within their immediate communities.

And with food banks having become a lifeline for millions, donations of food products have increased via local NGOs. For instance, Empresas Iansa (food and agriculture business) through Desafío Levantemos Chile is supporting people in the Araucanía region, which has been strongly affected by the pandemic.



Committed to climate and environment strategy

The overwhelming response to the question about what effect the pandemic has had on a company's climate and environment strategy, is that it hasn't yet affected it. In fact, it is seeing stronger commitment from the C-suite. Respondents cited CEOs, C-suite and MDs being fully engaged, more vocal and even more ambitious.

Our respondents with 2030 commitments, indicated that all 2030 commitments to being net-positive remain. This is reinforced by group strategies released in recent months, including from National Australia Bank, whose refreshed group and social impact strategies – supported by feedback from institutional investors – back long-term thinking, including strengthening sustainable business practices and addressing climate change.

And with many respondents highlighting the intent to create stronger internal

and external stakeholder bonds to support the communities in which the companies operate, the result of coming out of Covid-19 looks stronger in terms of environment and climate strategy.

“
I feel very optimistic that the sustainability drum will beat more loudly. Nobody would be willing to walk backwards [from sustainability]. The sustainability agenda is 'not green theatre' – it delivers real value to lives, businesses and the bottom line.
”

Property Company, Asia-Pacific

The opportunity to improve and to increase trust. For about a quarter of the respondents, it remains too early to know if the pandemic will affect their strategy, due to the uncertainty about how long the pandemic will last. Or whether there will be a shift in resources away from climate and environment in the future. However, all were certain that the crisis has created opportunities to improve best practices. Thus, changes such as remote working, improving air quality, further industrialisation of construction projects and a shift to ecommerce, will continue into, and after, the recovery phase.

“
Inspired on the Covid-19 protocol we are committed to behave with higher standards; over what is mandated by law.
”

Construction & Engineering Company, Latin America

But the fact remains that business is still reeling from the drastic changes in the market. Aviation is gone right now. Hospitality is gone. Furniture isn't being manufactured.

And although e-commerce is doing well, from a sustainability standpoint, it's still wait and see. The product mix currently being sold, along with packaging and distribution requirements, means that questions remain about what will stick and be a permanent change. Still in the middle of responding, these companies can't yet understand what will bleed into sustainability goals. The focus on getting existing targets and messaging frameworks approved, while responding from a community standpoint, means it remains too early to tell. But there was an overriding sense of increased trust by consumers and customers in those companies that are committed to sustainability goals. Hence nobody is suggesting a slowdown on commitments.

More than one respondent flagged it's the end of huge carbon footprints to save the world through flying to environmental conferences. It turns out that there is a virtual way for the sustainability community to stay connected.

Largesse may well be a thing of the past as lockdown ends. Business as usual is not expected to return, with predictions for working from home being here to stay, as well as the demise of extensive building space.

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The days of having a flagship building with 7,000 employees are gone.
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Multinational Investment Bank, Europe



Impact on ESG investors and funds' performance

ESG performance will be more consistent and therefore attract more investment.

Responding to the question of the impact of the crisis on ESG investors and funds' performance, our snapshot of clients predicts that ESG investments will be even more attractive. Talking about the crisis as an acid test for sustainable investments, there was confidence that those investments made under ESG criteria will be more resilient and will do better than traditional investments. With the seismic shift in economies around the world, the crisis is seen as a body blow to those industries not nimble enough to move forward and innovate, with ESG playing a more central role.

Many predict an increasingly close relationship with their investors, and believe that social sustainability questions from investors will only continue to rise. Citing confidence in investments under ESG criteria having shown better resilience and risk management in times of crisis, respondents believe that companies with sustainable actions and commitments, that can showcase increased productivity and a resilient culture, will stand out as highly investable.

“ In our experience, environmental and social issues are increasingly clear objectives that investors want to better address. ”

Food & Agricultural Company, Latin America

For financial services respondents, this crisis is seen as an opportunity to earn back trust from customers and to meet increased expectations of investors. They highlighted their investors viewing both climate change and Covid-19 as significant challenges and have no wish to see any loss of momentum on addressing climate change.

“
This is an opportunity for banks to earn trust back from customers.”

Retail & Business Bank, Asia-Pacific

In the context in which it is not yet possible to say that the crisis is over, it is of course too early to quantify the impacts it will have on the performance of the different investment funds and how it will influence the evaluations carried out by ESG investors.

However, what our snapshot findings foresee, is that the actions that companies adopt in this period, will play a fundamental role in determining their present and future value. Furthermore, the scope that these actions have, their impact on business performance and their contribution to the environment, can make a difference in the results and in the credibility of the company.

Key Findings

- Leadership communication has been more visible, prolific and attuned to employee needs, with well-being a key focus.
- Protecting the supply chain through contract commitment and faster supplier payment has been a priority which in turn has provided job security.
- Companies cite galvanised momentum behind a sense of purpose alongside agile transferring of employee skills, which wouldn't have been possible under business as usual.
- The C-suite are fully engaged, more vocal and even more ambitious for their climate and environment strategy, and 2030 commitments to being net-positive remain.
- Companies feel a sense of increased trust by consumers and customers in those companies who are committed to sustainability goals
- There is confidence that ESG performance will be more consistent and therefore attract more investment.
- The crisis is an opportunity for banks to earn back trust from consumers.
- Leading companies recognise that their actions today will drive their future value and credibility.



If you would like to discuss your Covid-19 recovery plans and how to build resilience and long-term value, please contact us at mail@corporate-citizenship.com

London

Holborn Gate, 5th Floor
326-330 High Holborn
London
WC1V 7PP
United Kingdom
T: +44 (0)20 7861 1616

Melbourne

Unit 3, Level 7
60 Albert Road
South Melbourne
VIC 3205
Australia
T: + 61 (0) 3 8639 0548

New York

440 9th Ave
17th Floor
New York
NY 10001
United States
T: 1-212-226-3702

San Francisco

214 Grant Avenue
Suite 301,
San Francisco, CA,
94108
United States
T: 1-212-226-3702

Santiago

Av. Los Militares 5953
Oficina 402, Las
Condes
Santiago
Chile
T: +56 (2) 3224 3569

Singapore

39b Craig Road
Singapore
089677
T: +65 6822 2203

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