Responsible Business Summit (New York, 18-19 March 2019)

by Ornella Cilona

Over one hundred people, including participants and speakers, attended the Responsible Business Summit (http://ethicalcorp.com/content/responsible-business-summit-new-york-2019), held in New York from 18 to 19 March 2019 by Ethical Corporation (http://www.ethicalcorp.com/), a British company that provides consultancy services, prepares research and organises events on sustainability issues. The conference was mainly aimed at U.S. companies, with a very strong focus on environmental issues and less interest in social issues. Despite this limitation and the fact that there were no representatives of the US trade union, the discussion was very interesting and provided a lot of food for thought. The Summit was attended by Gabriele Guglielmi (FILCAMS) and Ornella Cilona (CGIL) representing the Open Corporation project (https://www.opencorporation.org/en)

GENERAL CONSIDERATIONS - Three general considerations can be drawn from the speeches and discussions that followed during the Summit. Firstly, some rapporteurs have said that it is up to large groups, rather than public administrations, to commit themselves to society and the environment, and this is very significant. This statement, which also reflects the North American context of the conference, implies that a (increasingly significant) proportion of financial investors and multinationals intend to take personal responsibility for implementing social and environmental sustainability policies. The risk is that this assumption of responsibility will put out of action the demands and uncomfortable positions of trade unions and NGOs, as well as part of the public administration, since the large groups "are already sustainable". Interaction with stakeholders, according to some of the speakers, seems, in fact, to be a formal act - even if advertised with emphasis - while almost no mention has been made of the relationship with trade unions, as if the company's policies of social sustainability did not need to be confronted with workers' organizations. An episode to prove this: I tried, through Sli.do (https://www.sli.do/ interactive application that allows the public to propose requests to speakers) to ask a large group leader a question about their relationship with the union about their diversity and inclusion initiatives. The question, however, was "censored" by Sli.do and never arrived at the interlocutor.

A second consideration concerns the interpretation given by the rapporteurs to the term "sustainability", which in most cases is understood as environmental and not also social. Many of the actions have, in fact, focused on reducing CO2 emissions or reusing waste for industrial purposes. Fewer people have spoken of sustainability as a defence of social and labour rights. Moreover, these interventions suggested that the problem of human rights violations concerned emerging countries and not even the most developed ones.

A third ("malignant") consideration is the suspicion that behind the real attention that the U.S. business community today shows towards sustainability there is the fear of losing the support of major financial investors. It seems like the times when Jack Welch, CEO of General Electric in the 1980s, was considered by the financial world an unsurpassed model of manager because he made profits to the detriment of workers with a questionable business ethic, are over. Today, the most discerning financial investors do not put money into opaque companies with a compromised ethical reputation, because only the most solid companies ensure substantial profits in the medium and long term. The suspicion therefore arises that for large groups, as well as for medium-sized enterprises, making sustainability is (also) a means of ensuring a peaceful future of investment.

The opening speech on the morning of March 18 was made by Lise Kingo, CEO and Executive Director of the UN Global Compact (https://www.unglobalcompact.org/). Kingo recalled that 9500 companies (28% of the 500 largest multinationals, employing 66 million workers) and 3000 organisations adhere to the principles of the UN Global Compact, linked to the UN's Sustainable Development Goals (SDGs). The reduction of transparency in the subcontracting chain, climate change, the increase in gender disparities and the fact that 22% of young people around the world do not work or study will be the four major challenges for Kingo in the coming years for the UN's sustainable development objectives (for the Italian Global Compact network see https://www.globalcompactnetwork.org/it/).

Jay Gould, managing director of Interface (https://www.interface.com/US/en-US/global), a multinational company (also based in Italy) that sells carpet tiles that are neutral in terms of their coal content, also took the floor. For Gould, we have to stop considering coal as an enemy and start thinking that it can be a resource instead. The argument that coal is not antithetical to environmental sustainability has returned in other interventions.

A round table on transparency in environmental, social and governance (ESG) indicators was held in the late morning of the 18th. The aim of the discussion was to demonstrate that financial investors today also require companies to disclose information about their governance and the impact of their actions and decisions on society and the environment. The absence or lack of transparency on these issues on the part of a company is increasingly becoming a reason for not investing on the part of investors. Examples of ESG criteria used by the latter to justify their decisions to invest or not to invest in a company include, for example, corporate initiatives taken on climate change, reducing water consumption, against corruption, in favour of respect for human rights and on the subject of diversity.

Th most interesting speech during the roundtable was by Matthew Welch, President of the SASB (Sustainability Accounting Standards Board https://www.sasb.org/governance/). The SASB has the aim of putting together a series of sustainability indicators which on one hand may help companies to better communicate their strategies, on the other may better direct investors in taking the right decisions.

While the Global Reporting Initiative (GRI https://www.globalreporting.org/Pages/default.aspx) was created as an NGO with the aim of helping companies prepare their social reports (and has a Stakeholder Committee with a representative of the international trade union), the SASB Foundation has from the outset targeted the world of financial investors. The presence of many tools - in addition to those prepared by the GRI and SASB - for measuring the transparency of companies in the environmental, social and governance fields is leading in recent years to the search for global convergence on the indicators available to companies for non-financial reporting. For this reason, SASB and GRI announced in September last year a project - financed for two years by the Bloomberg company - aimed at aligning their standards as far as possible. This decision takes into account the recommendations to simplify reporting tools made by the Task Force on Climate-related Financial Disclosures (TCFD https://www.fsb-tcfd.org/), a global level group set up by the Financial Standards Board following the 2015 meeting of the 20 largest economic powers in the world (G20). These recommendations, published in 2017, provide a transparent framework on the information that financial operators need to understand how climate issues can affect their companies' activities or investments.

During his speech, Welch pointed out that the terms "corporate social responsibility" and transparency on ESG indicators" are interchangeable and that it is important to involve the different stakeholders. However, today those who deal with social responsibility do not deal adequately with financial issues, he added. Welch concluded by recalling that many companies now tend to include in their financial statements the indicators developed by GRI and SASB for non-financial reporting.

Subsequent morning interventions focused on the answers to one question: given that ESG indicators are now increasingly needed by financial operators too, can we think of identifying others that have so far been underestimated or can we just rely on those that already exist? For Louis Coppola, founder and executive vice president of GA (Governance and Accountability) Institute https://www.ga-institute.com/ - which also provides data to the GRI - it is sufficient to standardize data on social, environmental and governance criteria to promote comparability and transparency. However, he added, it is also important to interpret the result of the data correctly. Daniel Wild, co-director of Robeco SAM (https://www.robecosam.com/en/), a company specializing in sustainable investments, noted that stakeholders in Europe are pushing more than those in the United States on the issues of "green bonds" and, more generally, sustainable investments in finance. In fact, he concluded, the European Commission is about to make it compulsory to complete a questionnaire on the sustainability of financial investments, which will have to be completed by those who contact an asset manager. Founded in 1995, Robeco SAM evaluates the sustainability strategies and practices of 4,500 companies worldwide every year.

In the afternoon of March 18, I attended the session on communication aimed at objectives (purpose driven communication) where the most interesting speech was that of Mark Broadhurst, director of the U.S. company of Greek yogurt Chobani (https://www.chobani.com/impact/), founded by a Kurdish immigrant in 2005 and now the second largest producer of yogurt in the United States, with a turnover of about a billion and a half dollars. Broadhurst recalled that 10% of Chobani's share capital has been in the hands of two thousand employees since 2016, that wages have increased and that six weeks of parental leave have been granted to new fathers and mothers on full pay. The group also looks after the welfare of local farmers, whose incomes are threatened by the fall in milk prices, by implementing the policy of purchasing from farmers near their factories as a company policy. Broadhurst concluded by announcing that Chobani is about to publish a report on the impact of its actions and decisions on stakeholders, aimed at ensuring greater transparency in its subcontracting chain. In his speech, he never mentioned the company's relationship with workers' organisations, suggesting that decisions in favour of employees were taken unilaterally by the founder. Neither Broadhurst nor the other speakers at the session explained how to communicate the company's sustainability values to workers. At the end of the session, Kathryn Seck, associate director of the NGO The Nature Conservancy (https://www.nature.org/en-us/), summarized the discussion by saying that communicating social responsibility also means doing marketing and vice versa. This statement, made by a representative of an NGO, says a great deal about relations between multinationals and some of the environmental associations.

The second session of the afternoon in which I participated was on how to implement the climate-related financial disclosure (TCFD) indicators in companies. The indicators, developed by the task force led by US millionaire Michael R. Bloomberg, are applied voluntarily by companies that want to provide accurate information to their stakeholders on how corporate environmental strategies affect financial accounts. One of the few Italians present at the Summit, Giulio Bonazzi, president and CEO of Aquafil (https://www.aquafil.com/en/), a company that produces a special nylon called Aquafil from the recycling of plastic material and old clothes in synthetic fabric, took part in the session. In the United States, the problem of waste recycling has become so topical that there is an investment company called Closed Loop, which has been specialising in investments in the circular economy since 2015. The sectors of agro-industry, textiles, city waste and electronics are those where Closed Loop invests most.

The first session on the morning of 19 March in which I participated concerned the reduction, reuse and recycling of plastic, continuing in practice the discussion that had taken place in one of the afternoon sessions. Concentration of micro-plastics, food waste (affecting climate change) and excessive use of plastic bags were the problems reported by John Hocevar, director of the Greenpeace oceans campaign (https://www.greenpeace.org/international/), who reiterated that these issues are the responsibility of businesses rather than consumers. Companies, on the other hand, are not only aiming to reduce the amount of plastic used for packaging, but are also beginning to admit the need for them to assume greater responsibility for the issue of plastic waste. In particular, Judy Panayos, Sustainability Policy Director and Subcontracting Chain at Sodexo (https://it.sodexo.com/home.html), said that the company intends to reduce CO2 emissions and plastic waste globally (in collaboration with Greenpeace on this latter objective). The speakers did not talk about the role that both the needs of local communities and public incentives aimed at facilitating plastic recycling can play, but the participants in the session raised it in their questions.

In the afternoon, an interesting session was held on systems, collaborations and technologies that deal with risks in the field of human rights. The subtitle of this session was: "Beyond audits". Brent Wilton, director of Coca Cola's global workers' rights area (https://www.coca-colacompany.com/our-company/human-rights-policy), spoke at this session, recalling that the multinational company had begun work on defending human rights in its subsidiaries in 2003. Wilson said that in case of human rights violations in the subsuppliers chain there is a procedure to remedy, but admitted that it is difficult to implement in some countries. The technology - continued the director of Coca Cola - can facilitate the collection of data but the greatest help on the respect of human rights comes from the collaboration with some NGOs and audit firms. The multinational company cooperates with the International Labour Organisation (ILO https://www.ilo.org/) and with AIM-PROGRESS (https://aim-progress.com/), which groups together the main producers and suppliers in the Fast Moving Consumer Goods sector. AIM-PROGRESS, sponsored by major European and North American brands, aims to strengthen and promote responsible procurement practices and sustainable sub-contracting chains. Paul Lalli, a member of General Electric's Global Committee on Human Rights and Labour (https://www.ge.com/sustainability/human-rights-supply-chain), also spoke at this session. He said that his activity is concentrated in China, where 50% of the group's supply chain is located. Often, according to Lalli, when General Electric intervenes in the case of a violation of human rights in subcontracting, it discovers that there is no awareness on the part of suppliers that they have ignored rights. To help them eliminate, or at least reduce, the risks of human rights violations, the multinational company promotes special training initiatives for them, for example on recruitment.

In the afternoon, two other important sessions were held. The first, jointly organised by the International Paper company (http://www.internationalpaper.com/company/regions/europe-middle-east-africa/about-us/international-paper-in-russia/sustainability) and the WWF (https://www.wwf.org/), aimed to demonstrate how a company and an NGO can work together to save the world's forests. Sophie Beckham, manager of the International Paper company, insisted that incorporating environmental issues into a company's strategies creates long-term value. Beckham also stressed the importance of working on the subcontracting chain to improve the environmental impact of society. The second session focused on the benefits of a progressive approach to diversity and inclusion. Carol Surface, head of human resources at Medtronic (https://www.medtronic.com/us-en/about/citizenship/working-responsibly/sustainability-priorities-strategies.html), a company specializing in medical technology, pointed out that the company's CEO is Muslim and that 30% of the members of the Board of Directors are women. Surface said that the greatest benefit of diversity and inclusion policies is the reduction of staff turnover and that the company encourages girls in schools to study science subjects so that they can be hired as biomedical engineers.

The conclusion of the Summit was entitled "Moving from risk to opportunity". Caroline Rees, president and co-founder of Shift (https://www.shiftproject.org/), an NGO that aims to implement the UN Guiding Principles on Business and Human Rights, said that when companies begin to analyse the risks of human rights violations in some countries where they operate, they realize that a systematic approach is needed. Leadership skills and collaboration with stakeholders can turn human rights risks into an opportunity to improve people's lives. In Malawi, for example, Shift works with local trade unions to guarantee social rights, in particular to increase wages and encourage women's participation in the labour market. The weakening of social cohesion and stability is, according to Rees, one of the two tragedies of today's society, along with climate change.