The workplace will never be the same again

Building supply chains fit for people and planet

The race to the top on diversity and inclusion

The working from anywhere revolution

How Covid-19 has transformed the office
Covid-19 has caused companies to have to bring in huge changes to how they operate, literally overnight. But how many of these changes will be short-lived, and to what extent will the virus be a catalyst for systemic change that will allow companies to not only build back better, but build forward better for a more sustainable business future?

It’s a burning question that we explore in this month’s briefing on the future of work in The Ethical Corporation magazine.

We start with Mike Scott’s assessment of the remote working revolution, and how the axioms by which companies have been doing business for the last 50 years have been upended by Covid-19, as have the desired skillsets. While prior to Covid-19, C-suite members were emphasising the need for technical skills like cybersecurity, data science and coding, the primary skill requirement today is now adaptability.

Caroline Palmer, meanwhile, looks at how companies have been turning to technology like wearables to help take care of their remote workforce’s health and welfare, but are running into privacy concerns.

Looking beyond companies’ own four walls, Oliver Balch reports on how the pandemic and advances in digitisation have accelerated the move by many towards more planet- and people-friendly procurement practices that will outlive the immediate crisis.

Mark Hillsdon zeros in on renewable energy
procurement, writing about how RE100 members like Google, Iron Mountain, Clif Bar, Chanel and Novo Nordisk are amplifying their impact by focusing on social and environmental co-benefits in clean energy purchasing.

And with the increasing awareness of the disproportionate impact of Covid-19 on black and immigrant communities in North America and Europe, James Richens looks at the companies that are extending their diversity and inclusion initiatives to increase resilience in their supply chains.

Helen Chan and Julie DiMauro of Thomson Reuters Regulatory Intelligence, meanwhile, look at how US companies are responding to investor and consumer pressure to promote race relations in their own operations. This is for solid business as well as social equity reasons, with McKinsey data from 2019 showing that boards that have racial and ethnic diversity perform better, with top-quartile companies 36% more profitable than those in the fourth quartile.

And I report on how UK companies are being told to walk the talk on bringing gender and ethnic diversity to boards, particularly in the finance sector. We hope you find this month’s issue a thought-provoking read. Next month, we will be looking at the companies that are leading on water risk, an overlooked subject that is becoming of increasingly critical importance in a rapidly warming world.
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Contents.

7 THE REMOTE WORKING REVOLUTION
Digital transformation post Covid-19

14 IN TECH WE TRUST?
Using wearables to support employee wellbeing

19 FOR SUSTAINABLE, READ RESILIENT
How the pandemic is leading to better procurement

28 A CLEAN AND INCLUSIVE TRANSITION
RE100 companies look for co-benefits

32 UNITY IN DIVERSITY
The firms increasing resilience in supply chains

37 BLACK LIVES MATTER
Walking the talk in the C-suite

40 RACE TO THE TOP
UK companies back diversity campaign

43 ON THE WEB
Lead the Clean and Just Transition

Climate Action • Social Equality • System Reset

Keynote speakers include:

STEVE HASKER
CEO
Thomson Reuters

ALISON MARTIN
CEO EMEA and Bank Distribution
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The Covid-19 pandemic has forced changes on everyone, and nowhere has that impact been greater than in the world of work. The enforced lockdown around the world meant companies had to adapt to remote working pretty much instantly, pushing them to implement solutions that should have taken years into just a few weeks.

“The pandemic has been like an enforced experiment on remote working for pretty much every company in the world,” says Ian Hallett, group managing director at IWG, the parent company of shared workspace provider Regus. “At a stroke, it removed many of the cultural hurdles about having...”

Mike Scott assesses how Covid-19 will reshape the future of the workplace
people in the same place so that managers can see them every day of the week.”

A recent IBM study found that the Covid-19 pandemic had accelerated digital transformation at 59% in the organisations it surveyed, with 66% saying they have been able to complete initiatives that previously encountered resistance.

The pandemic has changed managers’ view of what is acceptable and what is possible, agrees Andi Britt, senior partner, talent and transformation, at IBM Services. “People used to say things like ‘you have to be in the room to close the deal’, ‘this training can only happen face to face’, ‘you have to be up close to people to know what they are thinking’.

“These are all axioms by which we have been doing business for the last 50 years, and they have been upended by this enforced transformation.”

The coronavirus crisis may have come as a blessing in disguise for WeWork, which was forced last year to cancel a planned IPO and make thousands of workers redundant

As coronavirus cases receded over the summer, many companies started to plan for a managed return to the office for many workers, but the increase in cases in many markets has put that on hold. What is clear, though, is that when we do go back, the offices that we return to will not look the same as before, and will not be used in the same way.

Even before Covid-19, there was a shift towards a more agile model of working, based on how and where people work, according to the consultancy Arcadis.

The workforce of the future will be much more dispersed than pre-Covid, working to a distributed, hybrid model. Some people will never want to return to the office and will want to work only from home, while others will be desperate to get back as soon as they can. Others will want to go back to an office but not necessarily the one they used to work in, so there is likely to be an increase in the use of shared workspaces of the type run by Regus and WeWork.

IWG has recently raised more than £300m so that Regus can expand its network of offices. “We have seen demand rise in some unexpected places,” says Hallett of Regus. “There has been a 90% increase in Uxbridge, on the outskirts of London, and a 114% rise in Plymouth. We’re seeing the workforce disperse over a wider area. Second-tier cities and towns are becoming far more popular.”

And the coronavirus crisis may have come as a blessing in disguise for WeWork, which has a portfolio of more than 800 buildings in 35 countries. The company last year was forced to cancel a planned IPO and make thousands of workers redundant after would-be investors pulled back when they saw its loss-laden financials.

IWG has recently raised more than £300m so that Regus can expand its network of offices. “We have
Many jobs in healthcare, hospitality and manufacturing cannot be done from home.
Cushman & Wakefield has developed ‘the 6ft office’, which employs large circles and other visual cues to help employees maintain a 6ft distance.
"Large city centre locations will become increasingly difficult to own and manage," says Silvester. "This is not just because of access problems in a post-Covid world but because people have realised that the time they used to spend commuting can be more profitably spent on their own activities, whether that is exercise, time spent with their family or even getting more work done."

However, any savings from reducing office space should be reinvested in technology and virtual tools, he continues. "If you just take the savings and don’t reinvest, you will destroy your culture within six months."

Companies with commitments to cut their CO₂ emissions may anticipate benefits to their carbon budgets from less commuting and fewer offices, but the scientific research on the impact of teleworking on CO₂ emissions is very mixed, according to researchers at the Centre for Research into Energy Demand Solutions. Analysing 39 studies across US, Europe, Asia and the Middle East they found that while teleworking may reduce transport generated from the office commute, it may also lead to increased energy use due to greater use of home appliances, heating, cooling, and lighting, as well as a sharp increase in digital services such as videoconferencing and cloud storage.

In an interview with The Ethical Corporation, Vaughan Lindsay, CEO of ClimateCare, pointed out that internet and telecoms use is equal to
aviation in terms of CO2 emissions, something that will have dramatically increased with the surge in computer use due to home working. Whether that will outweigh the carbon benefits of less commuting is yet to be calculated, he said. “But what we have seen is that corporates run the risk of outsourcing their carbon footprints. By closing their offices their scope 1 and 2 emissions will drop down dramatically…. But they’ve just displaced that onto individuals” in their own homes, where the impact will be less visible.

The social benefits of home working are similarly ambiguous. On the one hand it can reduce barriers for many to engage in the global workforce. “If you are a new parent and you don’t have to commute, you can go back to work earlier; and at the other end of the spectrum it can help older people to remain in the workforce as well.”

To be productive, people need to be connected to a community, to feel they can concentrate and have access to technology

FLEXIBLE THINKING

Nonetheless, home working does not suit everyone. “A lot of the people in favour of working from home live in nice houses with lots of space to create a nice working environment,” Silvester points out. “If you’re a recent graduate and you’re living in a house with three or four other people who are furloughed and spend all day on the Xbox, it’s quite a different experience.”

If you only work from home, it can be bad for mental health and productivity, Hallett adds. “At some point, people become less productive and less happy because they feel isolated. To be productive, people need to be connected to a community, to feel that they can concentrate and have access to technology.” There is also a danger that people working from home will feel under pressure to work longer hours.

For those companies that do bring people back into the office, the first step is to understand the current state of knowledge about Covid-19, says Parrish of International SOS. “For example, if you want to run a screening programme, you need to test your staff every two weeks to reduce the risk. But in some countries, it is hard to get a test. In some places, any test request has to be signed off by a doctor. It’s quite complex and it changes quite often. There is a cost element that you have to weigh up as well.”

The organisations that are managing best are those that have a plan but are also flexible, he adds. “You need a good communications policy that gets the information to employees that they need about Covid and what the company is doing about it.”

What companies should not do is to force people back into the office, says Silvester. “Businesses that drive people back into the office will cause a huge breakdown in trust with their people.” It is important to recognise that people have valid concerns about returning to the workplace, he adds. “The first issue is about using public transport, but the second-biggest concern we found was that people did not trust their colleagues to socially distance to their satisfaction.”

Those that have done well in the current climate are those that trust their employees rather than tracking what they do, agrees Britt of IBM Services. “We’re saying that our employees are resilient, smart and adaptable enough that if we give them the tools, they will work out what they need to do, and they will be as productive as they were in the office.”
“The evidence is that productivity has not dropped, even when it is working parents who have to do home schooling or people who have to care for other relatives. Our people are more adaptable and resilient than they thought. If we trust them to do a good job, they will.”

Regardless of where your staff are working, adaptability and technology will be key, he adds. “You need the tools and clear processes, but you also need the right culture to enable you to work effectively in a digital environment.”

“Today’s business environment is volatile, uncertain, complex and ambiguous. Academics were talking about it before lockdown and the pandemic has accentuated that. It has destroyed supply chains and the demand that drives our businesses. In that context, a static, rigid organisational structure where everyone has a clear, fixed role is not what you need. Speed and adaptability are the new business competences.”

These characteristics will help companies prepare not just for the next pandemic but for any “black swan” events, Britt stresses. “All organisations will have to build some organisational muscle to deal with this. Two to three years ago, in our Enterprise Guide to addressing the skills gap, C-suite members were emphasising the need for technical skills like cybersecurity, data science and coding. In our most recent study, the primary skill requirement was adaptability – the ability for any employee to respond to the situation in which they find themselves. Workers need to be prepared to reinvent their skillset and to cope with fast-moving situations.”

Mike Scott is a former Financial Times journalist who is now a freelance writer specialising in business and sustainability. He has written for The Guardian, the Daily Telegraph, The Times, Forbes, Fortune and Bloomberg.
IN TECH WE TRUST?

Caroline Palmer reports on how companies’ use of wearables and other technology to support the health and wellbeing of remote workforces is running into privacy concerns.

O

n July 1, in the US state of Indiana, it became illegal for companies to forcibly microchip their employees. The devices, the size of a grain of rice, have raised such concerns that more than 10 other American states have also gone down the path of legislation to ensure their containment.

Despite the fact that these RFID (radio frequency identification) tags have generally been used for nothing more sinister than starting a computer, entering a building or paying for food in the workplace vending

ONE UK COMPANY ASKED EMPLOYEES IF THEY SUPPORTED USING A TRACKING DEVICE:

- A majority felt positively about wearing one to support their health
- 21% would want data shared with their employer
- 45% would share data with their doctors

VIEW ONLINE
machine, the fear of surveillance from government or corporations runs deep and the line between using technology for good or ill is getting ever finer and more complex to navigate.

This has been thrown into stark relief during the Covid-19 pandemic, as many companies turn to technology to support the health and wellbeing of a suddenly remote workforce attempting to adapt to new working conditions.

A recent study found that exercise regimes were falling away amongst employees newly working from home.

Yet technology such as wearables is also playing an increasingly important role in helping companies support employees, both physically and mentally. This was the case before the pandemic but now has become more urgent.

According to the interim findings of a study by the Institute for Employment Studies, carried out in the UK during the first two weeks of lockdown, employees newly working from home were suffering. There was a significant increase in musculoskeletal complaints, alcohol consumption was rising while exercise regimes fell away. Poor sleep and an increased risk of exhaustion were also a concern for the 500 respondents, half of whom reported being unhappy with their work-life balance, while a third felt isolated.

In June, Nuffield Health reported that around 80% of British people working from home feel lockdown has negatively affected their mental health, and 25% of those said they were finding isolation emotionally challenging.

Another study, carried out by Microsoft on 350 or so of its newly remote workforce, and published in July in the Harvard Business Review, found that workers’ days were getting longer by around four hours per week, work-life boundaries had become blurred and there was more weekend working.

Concerns about how its workforce were coping under lockdown led PwC, the professional services

Some companies have used technology to see how quickly employees are typing, to assess stress levels, even monitor the length of their coffee breaks

Brian Kropp, chief of human resources research at Gartner, says: “The vast majority of companies use technology appropriately, but some have used it to see how quickly employees are typing, to analyse images of employees at their keyboards to assess stress levels, track how often workers go in and out of the building and even check the length of their coffee breaks.”
group, to extend a health and wellbeing trial that began with 50 employees last summer. All participants, including the 1,000 volunteers who joined the programme in mid-May, were given a Garmin Vivosmart 4 fitness tracker to wear 24 hours a day.

**MONITORING ‘MENTAL READINESS’**

A group of data scientists in PwC’s artificial intelligence team are working with a human performance boutique from the elite sports world, IHP Analytics, to interpret the biometric and cognitive feedback from the trial. “The daily cognitive tests consist of five minutes of daily ‘mental readiness,’” says Euan Cameron, PwC’s UK artificial intelligence leader. These measure concentration, short-term memory and task-switching.

“There is also a suite of baseline tests that are performed at the start of the programme, which measure more fundamental characteristics such as adaptability, team working style and creativity,” he adds.

The firm stresses that all the participants are volunteers and that at no time will their individual data be revealed to anyone else. But Cameron says PwC is “exploring the option of making individual data available to the clinicians who support our firm” if participants consent.

Now PwC is contemplating the next step. “We think the trial will provide a range of valuable insights around wellness to our participants and to our business. We are actively looking at taking this offering to clients.”

Alongside the data from wearables, the trial will also collect information such as diary load and workload and will be applying machine learning to the outputs of these in order to understand links between, for instance, sleep levels and cognitive function or diary load and energy levels.

Putting data collected by wearables into context in this way is essential says Chris Brauer, director of innovation and senior lecturer at the Institute of Management Studies at Goldsmiths, University of London. “Wearables were not designed to support behaviour change. All they do is track behaviour;”

Microsoft carried out a study that found remote workers’ days were getting longer and work-life boundaries more blurred

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LEUNGCHOPAN/SHUTTERSTOCK
and organisations need to implement change. What wearables do is make behaviours visible.”

According to Brauer, pre-Covid “the conversation around wearables in the workplace was all about potential surveillance: efficiency and optimisation. It will take a culture adjustment to get the trust of the workforce for measuring and monitoring on a wide scale.”

While PwC was oversubscribed with staff wanting to join its trial, this level of trust does not exist across all companies or sectors. When the real estate services company, Savills, asked about wearables in its Office Fit survey carried out in April, the majority of employees felt positively about using a tracking device to support their health, but only 21% would be willing to share data with their employer and only 45% would share data with their doctor.

However, there are signs that enforced working from home caused by the pandemic could be breaking down barriers to sharing data. Brauer has detected a shift among employees of companies who encourage the use of wearables using motivation and incentives.

We are just getting started in digital tools. We will see greater personalisation become possible to deliver the right care at the right time

“Gamification – through a points-based system exchanged for rewards that create a competition within the workforce around who is eating the most healthily, sleeping well or getting fit – is also an opportunity to bring people closer together. It provides a space to come together to counter the often profound sense of loneliness and detachment employees are feeling. Wearables become the driving force and staff become less concerned about making data visible.”

Brauer says the most sophisticated wearables on the market, the ones performance athletes use to build their training schedules and help manage day-to-day stress levels, have been used by hedge funds for about the past five years. But their high cost means they are unlikely to be distributed to an entire workforce of most companies.

However, looking to the future, an international research network has received €3.9m of funding from the European Commission to develop a powerful yet low-cost wearable to work alongside its AffecTech platform to support people with mental health issues. The project is led by Corina Sas, professor in the department of computing and communications at Lancaster University.

The wearable, still at the prototype stage, is designed to be used in everyday life, including the workplace. “It will be helpful, for instance, during meetings to provide subtle awareness of one’s feelings and support people to calm down through rhythmic vibrations or during a short break for a brief meditation session with thermal-based neurofeedback on the body to help bring attention back to the present moment.”

She adds: “The global mental health crisis is impacting on all domains of life, and in particular on work practices, with significant societal and economic costs. Digital interventions are good candidates to be explored due to their low cost and increased accessibility.’

Dr Nick Taylor, chief executive of Unmind, which offers a digital platform to support mental health in the workplace, with clients including the UK cabinet office and retailer John Lewis, is optimistic about the future: ‘We are just getting started in digital tools. We will see greater personalisation become possible to deliver the right care at the right time.’

Sas points out that digital devices do not address the broader culture of high workload and poor work-life balance that characterises the environments that many knowledge workers experience.
There is, though, a growing awareness within companies that an unhappy workforce is an unproductive one.

According to the Financial Times, even before the pandemic, more than 600 companies were offering free or subsidised access to mindfulness app Headspace to their workforce, including Thomson Reuters, which publishes The Ethical Corporation, Adobe, General Electric and Unilever. Both Headspace and its main competitor Calm, named Apple’s app of the year in 2017, cater for their fast-growing corporate subscribers with content around business topics, such as difficult conversations with colleagues, prioritising time, and increasing emotional intelligence at work.

The trend that Gartner’s Kropp sees, certainly in the US, is of companies becoming increasingly involved in their employees’ lives to support not just their health and wellbeing but those of their families too, and that this trend has been accelerated by the Covid pandemic.

“Big companies are getting bigger and are employing an ever-larger percentage of the workforce,” said Kropp. In the US in particular they are having to compensate for failures of the state.

“CEOs are increasingly stepping in to take responsibility for employees to compensate for a dysfunctional government,” said Kropp. “Government cannot be counted on to solve problems and it is hard to see that change in the medium term.”

Even before the pandemic, more companies were offering employees free or subsidised access to mindfulness apps

Caroline Palmer is a freelance journalist specialising in business, health, sustainability and the artisan economy. She has worked for the Financial Times, The Guardian and The Observer.
For sustainable, read resilient

The pandemic and advances in digitisation have accelerated the move towards more planet- and people-friendly procurement practices that will outlive the immediate crisis, reports Oliver Balch
Supply and demand. As basic tenets of business go, it doesn’t get more basic. One party wants to buy something – a car, a carrot, a crowbar, whatever – and another provides it. So the world of trade and commerce goes round.

Or so it did before Covid-19, when border closures, travel restrictions and all manner of other lockdown measures threw the world’s global supply chains into near total disorder.

Initial fears that shelves would run dry have, for the most part, been avoided. But the impact on suppliers, particularly small and medium-sized enterprises (SMEs), has been devastating.

A new report from insurance firm Simply Business estimates the total cost of the pandemic to small UK firms at £69bn. Already, 234,000 have stopped trading, with around one in six (17%) fearing they won’t make it to the end of the year.

The wider outlook is equally grim. Despite spending on durable goods bouncing back “relatively quickly”, the OECD maintains its general prognosis that business is facing the worst economic crisis for over a century.

Its latest monthly assessment sets out the situation starkly: a 15% drop in global trade in the first half of 2020, average industrial output down by more than 20% (over 50% in the case of India), and a projected decrease in global annual GDP of 4.5%.

The effects on suppliers in developing countries have been particularly profound. Global value chains were already fragile prior to the pandemic, given their reliance on offshoring low-value and
wage-sensitive activities to poorer countries. Covid-19 has merely amplified the “profound fault lines” already in the system, observes Piergiuseppe Fortunato, economic affairs officer at Unctad, the United Nations body for trade and development.

The pandemic, he clarifies, has “exposed the fragility of a model characterised by high interdependencies between leading firms and suppliers located across several continents”.

“Fragility” is a term echoed by the Fairtrade Foundation in the UK, which reports devastating effects from the virus on the lives and livelihoods of farmers and other small producers in the Global South. The Kenyan flower industry was dumping 50 tonnes of flowers at the height of the lockdown, resulting in 50,000 workers being sent home without pay.

One of the most vocal supporters of suppliers throughout the crisis has been the International Chamber of Commerce (ICC), which represents more than 45m companies – mostly SMEs – in more than 100 countries.

At the outset of the crisis, the ICC launched a campaign to Save Our SMEs, warning that 40-60% of SMEs were at risk of permanent closure. Comprising around 80% of the world’s total businesses and employing 2.8 billion people, SMEs are the backbone of the world economy. The stakes, in short, could not be higher.

In an open letter to large corporations, the ICC pointed out that prior to Covid-19, big business was increasingly talking of the “pressing need” to embrace a more inclusive capitalism. Now is the time, the ICC suggests, for “global supply chain leaders to deliver on this purpose”.

It is a message echoed by Christian Ewert, president of the Belgium-based sustainable trade network, Amfori. According to its own survey of 400 producers in 10 top sourcing countries, 75% of firms have seen demand drop during Covid, and a further 72% has seen buyers cancel orders, often at the last minute.

“Responsible business conduct is the only route that will ensure business relations can be strengthened during a time of crisis. This will not only ensure business continuity where possible, but safeguard human rights and enable human prosperity across global value chains,” he argues.

EMERGENCY RELIEF MEASURES
But, what does responsible business mean in the face of a potential meltdown in global supply chains?

It is a question that the World Business Council for Sustainable Development (WBCSD) posed early...
As part of its Covid-19 Response Project on Vital Supply Chains, it drew up a series of principles by way of a guide to buyers. Targeted primarily at the food sector, but applicable to all fast-moving consumer goods (FMCG) companies, the list runs from the very specific, such as protecting workers, adapting production facilities, and ensuring cash flow, through to the more general, like encouraging collective leadership, forging partnerships, and “building back better”.

As The Ethical Corporation has been reporting throughout the pandemic, large corporations have evidenced an impressive array of emergency responses to suppliers’ needs. French food manufacturer Danone, for instance, drew on its own cash flow to provide €300m in financial support to SMEs, farmers and small customers in its value chain. Anglo-Dutch FMCG, Unilever earmarked €500m in a similar move.

For small suppliers, the problem is not only whether they receive the cash owed to them, but when; arrive late and it might as well never arrive at all for some.

In response, many FMGCs committed to make payments early or to extend credit to suppliers. Innovations in digital payments have helped considerably here.

Early in the crisis, Danone contracted a specialist digital payment provider to expedite automated payments to its suppliers. The C2FO system, which is also used by the likes of Costco, Air France and Siemens, sees payments accelerated with no changes to the existing settlement process.

For small suppliers, the problem is not only whether they receive the cash owed to them but when. Arrive late and it might as well never arrive

Commodity broker Olam operates a similar mobile-based payment system that permits it to get cash into the hands of small, often remotely located farmers. The Olam Direct platform, which counts over 70,000 users in a dozen countries, also comprises digital procurement, digital warehousing, traceability and digital origination services.

Managed through a proprietary app, Olam Direct is also giving the commodity trader a direct means of communicating with its tens of thousands of suppliers about safety issues, another key aspect of companies’ supply-side responses to Covid-19.

“We have been able to issue health advisories and raise awareness about the virus through in-app...”
notifications and news in the farmers’ local language,” notes Siddharth Satpute, Olam head of digital.

Similarly, Zurich-headquartered Barry Callebaut has overhauled its supplier training programme during Covid-19 to focus on hygiene and other safety matters. As with many other big buyers, it also donated personal protection equipment and a range of hygiene products to vulnerable suppliers.

In a neat instance of circularity, the chocolate manufacturer ended up distributing soap to its workforce that it bought from community groups in cocoa-growing areas, formerly part of an income diversification scheme that Barry Callebaut had set up prior to the pandemic.

But the most significant support measures buyers can offer their suppliers is to keep buying from them. In some case, this has meant offering contract guarantees for the months ahead. French cosmetics giant L’Oréal took just such a step (in addition to “drastically reducing” payment terms).

Global supply chains will look very different in the near future, with Covid-19 accelerating existing trends and introducing new ones

“Having clarity on contracts [means] that they can go to banks and show that the L’Oréal contract is going to last for one year or two years. This is very important for them,” says Regine Lucas, the firm’s chief procurement officer.

“Pivoting” has also become a very much the in-vogue term, with many FMCG firms (L’Oréal included), switching their own factories to produce sanitising gels and other emergency equipment, and helping their suppliers do likewise.

“We’ve seen companies pivot almost overnight to keep production lines open, to retool factories and then to step in to support employees and suppliers and beyond,” says Euan Murray, chief executive of the Sustainability Consortium.

Not all business responses have been so exemplary. Abrupt cancellation of orders left many suppliers reeling.

In Bangladesh, local garment manufacturers were left with a €5bn hole in their pocket as clothing brands slashed or postponed orders and generally reneged on contract commitments. The result: 348 factories forced to close between April-May 2020 and more than one million people left without work.

Concerns have also been raised around a potential rise in corruption and other illicit practices as buyers take advantage of market confusion and weaker regulatory oversight. Usurious lending to struggling suppliers, trade-based money laundering and straight bribery are some of the risks flagged by the ICC.

POST-COVID: PROJECT RESILIENCE

Broadly positive as the report card of consumer goods companies has been to date, the future remains to be written.

What is certain is that global supply chains are going to look very different in the near future, with Covid-19 accelerating existing trends and introducing new ones, and an emphasis by both buyers and suppliers on the notion of resilience.

For starters, expect growth in automation and digitalisation to reverse today’s reliance on offshoring (so-called “reshoring”), says Unctad. The emergence of powerful regional value chains
is also a strong probability as developing countries seek to diversify risk and foster their own industrial development. Stricter state regulations aimed at guaranteeing “spillover” benefits for supplier countries could also be on the cards, the UN body warns.

If Covid-19 has taught us anything, it is the need to prepare against endogenous shocks. And not just those related to health. Disruptive events related to everything from climate change and inequality, to race relations and political populism, are driving companies to reconsider their risk matrices.

It would have been the easiest thing in the world to say ‘let’s pedal back on this, let’s pedal back on that’ ... but it’s important to stay focused on the bigger picture

The Covid boost for ideas of resilience is playing into the hands of those emphasising the importance of sustainable procurement. For years, such advocates have been pointing out the need to factor in threats such as sea-level rises or breakdowns in labour relations, often with little traction. Now, post-Covid, such arguments have an attentive audience.

What is clear is that those in the vanguard of the movement are doubling down on their commitments. Take L’Oréal, which recently set a raft of 2030 targets linked to procurement, including the provision of access to 78,000 people from underprivileged communities through its supply chain.

“Covid has shown us that proximity with suppliers is absolutely key. But it also taught us that we have to invent together the next models in order to face future crises,” says Régine Lucas, the company’s procurement chief.

A similar reassertion of its supply-related sustainability goals has also occurred at Unilever. Back in June, with Covid turmoil still raging, the Anglo-Dutch FMCG giant released a series of supply chain commitments, including a pledge to reach net-zero emissions from all its products by 2039, “from sourcing to sale”.

It has introduced a regenerative agriculture code for all suppliers, plus a €1bn fund for climate and nature-related investments, among other measures. As in corporate boardrooms the world over, the Covid outbreak sparked a “big discussion” in...
Unilever about whether to pause or accelerate its strategic goals, explains Marc Engel, the company’s chief supply chain officer.

“It would have been the easiest thing to say, ‘let’s pedal back on this, let’s pedal back on that,’” says Engel. Instead, the company pressed on. Why? “Because it is important to stay focused on the bigger picture, which is the climate and biodiversity crisis and social crises that we are continuing to see.”

US retailer Walmart clearly got the same memo, recently releasing a series of its own ambitious sustainability targets in which regenerative supply chains figure highly. Accompanying the new strategy, which includes a net-zero supply chain by 2040, was the announcement of an extension of its Gigaton PPA programme to all its suppliers. The programme, which is run in conjunction with Schneider Electric, helps Walmart’s supply partners aggregate demand for renewable energy and thus reduce costs. Since 2017, 2,300 suppliers from 50 countries have reported a cumulative saving of 230m metric tonnes of emissions through the initiative.

New, industry-wide supplier initiatives show the extent to which such thinking is breaking through. A notable recent example is the Forest Positive Coalition of Action, launched by the Consumer Goods Forum during the recent Climate Week. The initiative, which counts the likes of Mars, Nestlé, P&G and Carrefour among its 17 members, sets out to eliminate deforestation once and for all from controversial commodity supply chains such as palm oil and soy. Of the initiative’s four main areas of action, “engage with suppliers” is number one.

BRIDGING AND BUFFERING
Companies embarking on a resilience-based supply chain strategy would do well to acquaint themselves with a recent paper by HSBC and the Sustainability Consortium which focuses on this topic through the prism of climate risks.

The 22-page practitioner-oriented report sets out two basic approaches: “bridging”, whereby buyers work collaboratively with suppliers to help increase their capacity to withstand risk events and recover quickly; and “buffering”, which sees buyers employ inventory buffers, lead-time buffers, and similar measures to increase supplier resilience.

“Almost no company has planned for the extent to which Covid-19 has caused such extensive disruptions to daily life around the world, but companies that were thinking more strategically, ”

Post Covid, arguments about the need to factor in threats such as sea-level rises or breakdowns in labour relations have an attentive audience.
in the resilient, long-term framework will be the companies that survive,” the report concludes.

One of those “disruption-ready” organisations is the Fairtrade Foundation, whose equitable approach sees, among other benefits, a price premium passed to farmers, leaving them better-placed than many of their peers.

Michael Gidney, the foundation’s chief executive, points to multiple cases where social investments financed through the premium, such as water and hygiene facilities, have helped supplier communities reduce the risk of infection.

This month Fairtrade secured €80,000 from German development agency GIZ to provide food and income security for smallholder cotton farmers fighting the impact of Covid-19 in India. Gidney argues that future supply chain strategies must tackle the causes behind suppliers’ lack of resilience rather than the symptoms.

“There is a principle here about planning for these kinds of shocks across the long-term and making sure that there is enough investment at the weakest part of the supply chain to build that kind of resilience,” he adds.

His observation makes it clear that “fixing” the supply chain post-Covid will require more than clever management techniques and smarter procurement technologies.

Oliver Balch is an independent journalist and writer, specialising on business’s role in society. He has been a regular contributor to The Ethical Corporation since 2004. He also writes for The Guardian among other UK and international media. Oliver recently completed a PhD at Cambridge University, focusing on corporate ethics in foreign investment.

US retailer Walmart has included regenerative supply chains in its ambitious sustainability targets.
Be part of the world’s leading Responsible Business event, confirm your pass today!
www.reutersevents.com/events/rbs-usa/register.php
While an increasing number of businesses are committing to power their operations with 100% renewable energy, there is also a growing realisation that these pledges alone won’t speed the energy transition unless they lead to the creation of additional renewables capacity to displace fossil fuels.

Indeed industrial-scale renewable energy, from wind farms marching across landscapes, to solar arrays that can render huge swathes of land lifeless, can open companies up to reputational risk, and make them the focus of community opposition.

Amid the economic devastation wrought by the Covid-19 crisis, businesses are coming under more pressure to increase the environmental and social co-benefits of their renewables procurement. Some are already directly boosting local grids – previously dependent on fossil fuels – with new green energy, while others are having indirect impacts by championing social inclusion or reducing the...
negative environmental impacts of large-scale renewable development.

When Google announced it had eliminated its entire carbon legacy last month, the news made the headlines. But there was another story, too, about how the business is looking beyond its own emissions, with investment in renewable infrastructure that is set to have a significant social impact around the world.

Writing on the company website, CEO Sundar Pichai explained how Google is working with supply chain partners to create 5GW of new clean energy by 2030, which he expects to spur more than $5bn in clean energy investments, and create over 8,000 clean energy jobs.

The company is harnessing tech too, and expanding the free use of its Environmental Insights Explorer tool to help over 3,000 cities worldwide to track and reduce their building and transportation carbon emissions, and maximise their use of renewable energy.

Novo Nordisk is now working with 60,000 direct suppliers to help them move to 100% renewable power by 2030

According to Sam Kimmins, head of RE100 at the Climate Group, by reaching out beyond their own operations, companies can have an “amplification effect”. “If you’re inspiring others to act then you’re going to have an impact … greater than your own operations,” he said in an interview with The Ethical Corporation.

RE100 is a global initiative that brings together more than 260 of the world’s most influential companies, all of which have set a goal to source 100% of their global electricity from renewable sources by a specified year.

In September, as part of Climate Week NYC, the winners of the inaugural RE100 Leadership Awards were announced, recognising companies that had gone “above and beyond” in the transition to 100% renewable energy.

Among the winners was Novo Nordisk, which was named Most Collaborative Leader. In August, the pharmaceutical company achieved its target of running its own operations from renewable sources, and shifted its sights to its supply chain, where the majority of its emissions originate. Using the lessons learnt from embedding renewable power into its own business, Novo Nordisk is now working...
with 60,000 direct suppliers to help them move to 100% renewable power by 2030, and eliminate at least 300,000 tons of greenhouse gases from its supply chain.

It’s a move that is also integral to Novo Nordisk’s Circular for Zero strategy, which sets an ultimate ambition for the company to have zero environmental impact. As company CEO Lars Fruegaard Jørgensen says: “Achieving it requires that we look beyond our own organisation and collaborate across multiple sectors with suppliers to accelerate the transition to renewable power.”

Another award winner was information management company Iron Mountain, which shared the title Most Impactful Pioneer with Taiwanese semi-conductor manufacturer TSMC. The award recognises the best examples of a company bringing clean energy alternatives to areas previously dependent on fossil fuels.

In 2019, Iron Mountain built a 7.2MW roof-top solar system at its centre in New Jersey which, along with wind power, now meets all the site’s energy needs. The renewables are helping other businesses, too, and Iron Mountain has developed a Green Power Pass which enables co-located clients to recognise the power consumed at their data centres as their own scope 2 emissions, and claim that volume as 100% renewable in their greenhouse gas reporting.

“When we’re not talking about obvious added capacity, we have ‘additionality’ tests [which] we use when evaluating new projects,” Iron Mountain’s vice president of ESG, Kevin Hagen, told The Ethical Corporation. “Since we almost always contract for both the electricity and the ‘green’ attributes, we can help drive positive outcomes, especially pre-construction.

He added: “The grid is a pretty complicated market and is subjected to a lot of variables, and [we] strive to ensure that our actions add to the community good and are not the cause of cost-shifting or other negative side effects.”

RE100’s Kimmins believes its members are conscious about avoiding the mistakes of the past so that renewable energy remains a “massive growth industry, not tomorrow’s bad bogeyman”. “Power generation at scale has the potential to be quite messy, and what we are seeing is that companies are really taking this on board and saying that we want to make this as sustainable as possible, not just for carbon emissions but also for the bottom-line community benefits.”

One RE100 member, Idaho-based bakery Clif Bar, is helping to “dispel the myth that solar panels create a barren landscape of nothing but shiny glass.”

The increase in renewables take-up is creating thousands of jobs in the sector.
The Idaho-based bakery has introduced a rich pollinator habitat under and around its five-acre solar array, where different areas of light and shade can benefit different plants and animals. There is also an educational trail around the site.

“This isn’t just about generating power, there is a whole range of cross benefits,” says Kimmins, something which is also true of the luxury company Chanel, which was voted Best Community Changemaker at the RE100 awards.

In March it launched its climate strategy Chanel Mission 1.5°, with a target of shifting to 100% renewable electricity across its own operations by 2025. A key principle of the strategy involves social inclusion and ensuring that clean and affordable energy is available to people who may otherwise be excluded.

Since we believe the transition to a low-carbon economy should be inclusive, we want to invest in projects that deliver in both environmental and social benefits

Chanel has partnered with Sunrun, a leading residential solar energy provider, as part of a $35m investment to bring free solar energy to 30,000 residents in low-income Californian families, as well as access to new green jobs.

Andrea d’Avack, Chanel’s global chief sustainability officer said: “One of the harsh realities of climate change is that it hits disadvantaged communities the hardest. We could focus our efforts on our own operations only, but that isn’t enough to accelerate a meaningful shift to clean energy. And since we believe that the transition to a low-carbon economy should be inclusive, we want to invest in projects that can deliver both environmental and social benefits.

“Social benefits could mean many different things, depending on the context of the project: access to clean energy for people or organisations who would not otherwise have access, job-creation and training, or energy cost savings for the local community.” Chanel is now looking to replicate similar projects in other parts of the world.

Allowing a community to share in renewable energy and benefit from low costs can have a dramatic effect on a company’s reputation, says Kimmins. “It gives them a social licence to operate.”

He believes there has been a shift in the way in which companies are interacting with energy and that it is no longer just another out-sourced commodity but “an integral part of their identify, their outreach and their place in the community”.

“Companies are taking control,” he says, directly sourcing green energy or even owning their own green power stations. “Renewable energy is no longer the plucky underdog – it’s in the transition phase, and is becoming a dominant force.” And with that power, comes responsibility.

Mark Hillsdon is a Manchester-based freelance writer who writes on business and sustainability for The Ethical Corporation, The Guardian, and a range of nature-based titles including CountryFile and BBC Wildlife.
Multiplying the benefits of diversity

While tightened budgets due to Covid-19 are causing some companies to row back on diversity and inclusion initiatives, some are extending their programmes beyond their own workforces as a way to increase resilience in their supply chains, reports James Richens

Most people are familiar with the concept of workplace diversity – that companies should provide equal employment opportunities for all, regardless of gender, race, disability or sexuality. Perhaps less familiar is supplier diversity, where larger companies ensure equal opportunities for smaller companies owned and managed by women, ethnic minorities, LGBT or disabled people to supply goods and services.

Supplier diversity has gained much greater traction in the US than the UK and Europe due to the civil rights movement of the 1950s and 60s, as well as its more racially diverse population. General Motors set up one of the first supplier diversity programmes in 1968 following race riots in its hometown of Detroit. In 1978, the US introduced a federal law requiring companies bidding for government contracts over a certain value to subcontract with diverse businesses.

“These programmes have been around for a long time,” says Alexis Bateman, director of the sustainable supply chains initiative at the

G-STOCK STUDIO/SHUTTERSTOCK
Massachusetts Institute of Technology (MIT). “It’s just been flying under the radar as a way to create economic opportunities for historically disadvantaged groups, and now it’s coming to light as a result of social unrest in the United States.”

In the UK, the only requirement set by the government is for 33% of spending by central departments to be with SMEs by 2022. Moreover, research by Minority Supplier Development UK (MSDUK), a non-profit advocacy organisation, found that only five companies in the FTSE 100 have supplier diversity programmes.

Mayank Shah, MSDUK’s founder and chief executive, would like to see the UK government target extended to explicitly include ethnic minority businesses. He also wants all FTSE 100 companies to commit to spend at least 1% of their annual procurement budgets (around £18bn) with diverse suppliers. Companies should mandate that every supply contract must have at least one bid from a diverse business.

“It’s basically good procurement practice to make sure that any sourcing process is transparent and allows everyone who is competent to bid for that work,” says Shah. “What we are talking about is access to opportunities for those under-represented groups.”

Few would contest the ethical argument that companies should provide equality of opportunity, both in their workplace and supply chains. Evidence also suggests that diverse companies are more successful businesses.

A survey of 1,000 companies in 15 countries conducted in 2019 by management consultants McKinsey found that companies with more women on their executive boards were 25% more likely to financially outperform their less diverse peers. For companies with more ethnically diverse boards this likelihood was 36%.

McKinsey says this is because diverse businesses have access to a larger pool of talented people.
who possess more of the attributes associated with good leadership and decision-making. Diverse teams are also better at anticipating shifts in consumer demand for new products and services, potentially generating a competitive edge.

These strengths make diverse businesses more resilient and adaptable, says McKinsey; qualities that are needed now more than ever as companies try to navigate a way through the Covid-19 crisis. It urges firms not to pull back from diversity programmes as they struggle to manage the impact of the pandemic on their businesses.

Shah says that Covid-19 has highlighted the risks of procurement strategies that focus on managing costs by packaging together contracts to get the benefit of scale and sourcing from low-cost regions such as China. This consolidation of supply chains has left many companies vulnerable to disruption, whereas a more local and diverse network of suppliers would have offered greater resilience, he says.

Kris Oswold, vice president of global supplier diversity at package delivery company UPS, explains that during the pandemic, her company has continued its long-standing commitment to

**IN NUMBERS**

- In the UK only 5 companies in the FTSE 100 have supplier diversity programmes
- Companies with women on their executive boards are 25% more likely to outperform their peers financially
- Those with ethnically diverse boards are 36% more likely to outperform
- 82% of women-owned businesses in a WEConnect International survey were negatively affected by Covid-19, while 12% were positively affected
- UPS says it spent $2.4bn with 5,400 small and diverse suppliers in 2019, creating 12,000 jobs and generating $4.3bn in local communities
- But 43% of companies don't measure return on investment of supplier diversity programmes

The focus on sourcing from low-cost regions like China leaves many companies vulnerable to disruption.
supplier diversity: “It’s not an area that we go to cut costs because we know we bring in more value than we cost.”

“Small and diverse suppliers are very often more innovative, more flexible and more efficient,” she says. “We want the best suppliers to compete for our business, so it is worth a little extra effort to go find these and help them develop.”

Diverse suppliers can seek support from a range of specialist bodies that provide training, certification and networking opportunities with global enterprises including MSDUK and WECOnnect International. “Our mission is to get more money into the hands of women-owned enterprises,” says Angela Walker, vice president of communications at WECOnnect International. Its membership includes more than 100 corporate buyers including Dell, Facebook, Ford and Kroger, and 10,000 suppliers owned and managed by women. MSDUK has 125 companies such as Accenture, Cummins and GSK, and 1,465 ethnic minority businesses in membership.

“This is not a charity case – this is good for a company’s bottom line,” says Walker. Further benefits are the boost to a company’s brand reputation by being able to show that you are supporting women-owned businesses.

She says that because diverse suppliers are usually smaller, they often are more adaptable than large companies. She cites examples of members that have started producing masks or hand sanitiser in response to the coronavirus. However, she also delivered a reality check. A survey of WECOnnect International members found that 82% had been negatively impacted by the pandemic, such as a

**UPS has helped its diverse suppliers win discounts on capital-intensive equipment and provides training on bidding for contracts**

For example, one of the barriers that diverse suppliers in sectors such as transportation and logistics face is the lack of capital to invest in expensive items such as vehicles. UPS has worked with a group of companies to help them win discounts on capital-intensive equipment. UPS also provides training to diverse suppliers in how to create and submit bids for contracts.

Supporting women-owned businesses has proven to be good for companies' bottom line.
significant decrease in sales and revenue, whereas only 12% report being positively affected.

**TIME TO REDOUBLE EFFORTS**

For Oswold, the greater impact of Covid-19 on disadvantaged groups, and growing recognition of institutional racism in the US, is all the more reason to recommit to supplier diversity: “We’re not stepping away – we’re leaning in to it,” she says. UPS recently committed to doubling its spend with black-owned businesses by 2021. It is also developing specific diversity strategies in all key spending categories such as fuel, automotive parts and professional services to better focus its efforts.

In 2019, UPS spent $2.4bn with over 5,400 small and diverse suppliers. About half the sum was spent with 1,200 certified diverse businesses. Analysis of the economic impact of this spend in local communities suggests it created 12,000 jobs and generated $4.3bn.

To implement an effective supplier diversity programme, make sure it’s aligned with the company’s overall business strategy, not just its values

Gathering good data on supplier diversity is one of the biggest challenges, says Oswold. This includes knowing which suppliers are diverse, validating current certifications, and tracking bid participation and spend with diverse suppliers. This is important as it enables buyers to match their procurement needs to supplies offered by diverse businesses.

MIT’s Alexis Bateman has reviewed many corporate reports and says she is surprised by how little information companies provide about supplier diversity, even among the leading companies. For example, a survey conducted in 2019 by CVM, a supplier diversity solutions provider, found that 43% of companies do not measure the return on investment of supplier diversity programmes.

She says this could be because these programmes have often been in place for many years and have been overshadowed by other sustainability issues. However, it could also be that some companies’ efforts lack depth and are the minimum needed to meet US government public procurement rules. With the Black Lives Matter movement and coronavirus now centre stage, supplier diversity is likely to get a lot more attention.

Bateman would like to see a lot more disclosure on the support programmes that large companies offer to suppliers. “It’s a business development opportunity that is surprisingly under-explored,” she says. “There are communities in the US and globally that are not on companies’ radars, and so by contracting with diverse suppliers you’re entering new markets.”

Oswold advises companies that want to implement an effective supplier diversity programme to make sure it is aligned with the company’s overall business strategy, in particular how it supports plans for growth, recruitment and customer relations.

“If it’s just about values – and values are important, and certainly we value supplier diversity and inclusion at UPS – but if that’s your only argument, you’re going to have a tougher road home,” she says.

James Richens is an experienced business journalist specialising in corporate sustainability, green finance and environmental policy. He was editor of The Economist Group’s World Ocean Initiative, sustainability editor of The ENDS Report and research editor at Trucost, part of S&P Global.
Black Lives Matter movement turns up heat for boards to walk the talk of racial diversity

Helen Chan and Julie DiMauro of Thomson Reuters Regulatory Intelligence look at how US and Canadian firms are responding to investor and consumer pressure to promote race relations in their own operations

Corporations with ties to the United States are being pressed by increasingly impatient investors and consumers to take tangible actions to address racial injustice in America. Over the past several months, businesses that have spoken out about race relations in the United States have been barraged with demands to do more than just pay lip service to solidarity.

The outcry for corporate contribution has included demands to increase workplace diversity and inclusion. At the behest of investors and regulators, boosting gender diversity has already been a focus for boards and C-suites at many North American companies in recent years. The activism and public discourse sparked by ongoing Black Lives Matter protests is putting pressure on corporate leaders to show visible progress in increasing black representation as well.

Although shifting demographics and growing investor pressure have called for more diverse
leadership at American companies in recent years, racial diversity at all levels of corporations remains elusive, especially in lucrative industries such as investment banking and technology.

A multi-year study published by the Alliance for Board Diversity and Deloitte on the diversity of boards of directors of Fortune 500 companies found that in 2018 only 11.1% of board seats were held by respondents who identified as African-American.

Kenneth Frazier, the CEO of Merck & Co, and one of just four black CEOs in the Fortune 500, said that businesses can lend a voice to such issues as police violence and minority communities’ access to capital.

In June, an email by a Goldman Sachs managing director detailing his experiences of racial injustice as a black man and criticising managers at the bank for not supporting junior bankers from diverse backgrounds went viral at the firm. The email coincides with other Wall Street executives and companies speaking out against racial inequality since the death of George Floyd and ensuing protests.

Bank of America recently pledged $1bn to help communities address economic and racial inequality; Goldman Sachs created a $10m fund for racial equity; and the CEOs of JPMorgan Chase, Citi, and Wells Fargo have also made statements denouncing racism and discrimination. Morgan Stanley recently announced the promotion of two black women to positions on its operating and management committees.

Banks have a long way to go. In 2019, only 2.2% of Morgan Stanley’s senior executives were black, while JPMorgan Chase said 4% of its top executives were black.

In a sign that corporations have somewhat accelerated their progress towards racial diversity, the study found that the percentage of Fortune 100 board seats held by African-Americans and Asians has increased at a “faster” rate of 1.2% between 2016 and 2018 than in previous two-year intervals, which showed gains of less than 1%.

In an online conference call between the chief executive officers of several large corporations, Ongoing Black Lives Matter protests are increasing pressure on corporate institutions too tackle diversity challenges.
by racial inequalities, including socio-economic disparity and racial discrimination in the workplace. A study by the non-profit Catalyst in 2019 found that between 33% and 50% of the study’s 700 subjects who identified as black or Asian reported feeling “on guard” against potential workplace bias. Some respondents attributed the feeling to anticipation of racial or ethnic bias, suggesting that there is a need for racial bias training and other anti-racism initiatives at Canadian companies.

Diversity initiatives and regulatory reform in Canada have predominantly focused on gender diversity, with gradual improvement over the past few years. This demand for tangible results could soon extend to racial diversity. At the start of the year, Canada became the first

CEOs who have spoken up may find an unrelenting public and persuasive investors determined to hold them to their pledges

jurisdiction to require diversity disclosure beyond gender to include race and persons with disabilities. Federally incorporated public companies, which include most financial institutions, are now required to disclose their policies and practices on diversity at board levels and within senior management. There are a few overarching objectives of the new disclosure requirements:

- to empower investors through information transparency;
- to press listed companies for continued advances in diversity;
- and to provide better data on the impact that diversity at senior levels can have on a company’s overall operational and financial performance.

Corporate accountability is at a high point right now, as stakeholders – including potential consumers and employees – arm themselves with information to better advocate for change. The same is true for businesses reacting right now to racial injustice, as they commit to donating to such causes and to creating greater advancement opportunities for people of colour inside their workplaces. Indeed, CEOs who have spoken up may find an unrelenting public and persuasive investors determined to hold them to their pledges.

Across the consumer goods sector, social media users have been quick to demand concrete actions and action plans from brands that have used popular hashtags to express solidarity against racism, with users threatening to boycott companies that don’t offer satisfactory responses.

It remains to be seen whether institutional investors and investment funds, which often wield immense influence over corporate boards and C-suites, will embody the same fervour to advance racial diversity initiatives. However, actions taken by such institutional heavyweights as BlackRock, State Street Global Advisors, and the Ontario Teachers’ Pension Plan to increase gender diversity in senior corporate leadership offer a glimpse into what could become more commonplace: lobbying for diversity quotas and even voting against board committee chairs that fail to make progress in improving diversity.

Julie DiMauro is a Regulatory Intelligence Expert for Thomson Reuters, based in New York. She writes on regulatory compliance topics for the company’s Regulatory Intelligence platform and speaks about these topics at events and as a guest lecturer at Pace University.

Helen Chan is a Regulatory Intelligence Expert for Thomson Reuters Regulatory Intelligence. She is responsible for authoring expert analysis and delivering regulatory commentary on risk and compliance-related developments in Canada and across the Greater China region.
UK companies told to lead race to top on diverse boards

Concern about failure by boards to match words with deeds on diversity and inclusion is not limited to North America. The Parker review into ethnic diversity on boards, commissioned by the UK government in 2016, found that more than 50% of FTSE 100 boards had no ethnic minority representation. The review made a series of recommendations, including that FTSE 100 firms set a target to have at least one racially and ethnically diverse board member by the end of 2021, with FTSE 250 firms required to do so by 2024. Yet a subsequent report published earlier this year found little progress, with 37% of FTSE 100 companies and 69% of FTSE 250 companies failing to have any ethnic minority representation.

Earlier this month, the Confederation of British Industry called for urgent action on the issue and announced plans to launch a Change the Race Ratio campaign, with backing from Aviva, Business in the Community, Brunswick, City Mental Health Alliance, Cranfield University, Deloitte, Linklaters, Microsoft and Russell Reynolds.

The campaign calls on FTSE 100 and FTSE 250 companies to publish a clear action plan to achieving the Parker recommendations in their annual reports or website, and to additionally disclose ethnicity pay gaps by 2022 by the latest.

CBI chief Lord Karimn Bilimoria said: “We believe that the time for change is now: business needs to take urgent action on black and ethnic minority
Too many investment professionals believe the issue to be more about political correctness than a driver of investment performance or long-term success

One 2018 report by New Financial found that only 4% of UK fund assets are managed exclusively by women, compared with 85% by men, while an Investment Association survey of 3,755 investment management staff found only 2% were from African or Caribbean backgrounds.

The PwC report said: “Too many investment professionals perceive the issue [diversity] to be more about political correctness than a driver of investment performance or the long-term success of their firm. There is resentment about special programmes designed to foster diverse talent, even where the motivation is to create the best investment teams.”

The report quoted Jane Welsh of the Diversity Project, a cross-company initiative championing a more inclusive culture within the UK savings and Investment profession, as saying the gender gap “has left a lot of women in the industry feeling pretty angry and demotivated as it can’t be easily explained. From a talent management perspective, participation at senior leadership levels.” He said there was a sound business reason to do so, pointing to McKinsey data from 2019 showing that boards that have racial and ethnic diversity perform better, with top-quartile companies 36% more profitable than those in the fourth quartile.

Gender equality is also faring badly in the UK, particularly in the finance sector. According to a PwC report last year, of the five sectors reporting the biggest gender pay gaps in 2018 – banking, investment management, insurance, real estate and travel – investment management, with a 31% pay gap, was second only to banking, and alone failed to record an overall improvement in 2019. It also has the lowest percentage of high-paid women (just 23.2% of the upper quartile, compared to banking at 24.9%)

In the UK, gender equality and diversity fare badly in the financial sector.

and talent recruitment perspective, it’s really important to take this seriously. Look at it from an external perspective, it really perpetuates the public’s view of the industry and can harm its reputation.”

In an open letter to CEOs of investment firms last month, Bhavini Shah, chief executive of City Hive, criticised the UK government’s decision to suspend mandatory gender pay gap reporting in March due to Covid-19, saying that the decision “and the choice by many companies to not publish these figures underscores the lack of prioritisation and commitment to close the gap by the government, CEOs and firms.”

She said while there has been an increase in awareness of the importance of fostering diversity through the #BlackLivesMatter and #TimesUp campaigns, “The lack of tangible, measurable results demonstrates where diversity and inclusion sit in terms of priorities. Improving diversity, be it gender, ethnicity, LGBTQ, education, socioeconomic, neurodiversity and so forth, should be embedded as a key business objective, not a nice-to-have once a year on International Women’s Day or when there has been a gross injustice.”

She said while chief executives regularly purchase tables at awards, sponsor events, and sign up to doctrines highlighting their commitment to improving diversity “Few, if any, can walk the walk.”

Terry Slavin
FUTURE OF WORK BRIEFING

Insights and analysis in 2020 to inform a decade of action

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JANUARY
- Calls to action
  Thought-leaders and the investment community, including John Elkington, Paul Druckman, Mindy Lubber, Lise Kingo, Sally Uren and Sunny Verghase, give their marching orders for business in the coming decade of action on climate change and the SDGs

FEBRUARY / MARCH
- Deforestation Risk
  In a two-part assessment of deforestation risk in supply chains we will do deep dives into palm oil and forest, and timber products in February and at soy and beef in March

APRIL
- Smart and resilient cities and energy efficiency
  How cities are adapting to climate change through the use of nature-based solutions and cooling technologies. Our second briefing will focus on the global drive to double energy efficiency

MAY
- How Covid-19 has changed sustainability
  Commentary and reportage on how companies are rising to the Covid-19 challenge, and the impact of the pandemic on ESG investment, biodiversity, the energy transition and workforces

JUNE
- Accelerating the circular economy
  Full-issue focus on how Covid-19 will affect the circular economy, looking at the impact of the pandemic on circularity in plastics, fashion, food and agriculture, e-waste and the automotive industry

JULY / AUGUST
- Powering the energy transition
  For our summer issue we look at the role of investors in speeding the energy transition, new energy storage technologies, and the rise of geothermal energy.

SEPTEMBER
- Sustainable seafood and healthy oceans
  Ocean-based solutions, from offshore wind and tidal power to sustainable seafood and cleaner shipping, could provide 21% of the solutions to climate change. This briefing will explore the new front in the climate battle

OCTOBER
- The future of work
  How has Covid-19 changed working practices, including managing employee well-being, supply chains, video conferencing and business travel

NOVEMBER
- Water risk and biodiversity
  We look at growing water risk as a result of climate change. Our second briefing will be on the business-led initiatives to protect biodiversity through more sustainable land use

DECEMBER
- Sustainable comms and marketing.
  How has Covid-19 changed messaging for consumers. Plus: Are science-based targets up to scratch, or do they need to be revised in a post-pandemic world?
ON THE WEB

‘The drumbeat of ambition on climate change is louder in many companies than in governments’

In an interview with Terry Slavin, the high-profile former UK energy minister Claire O’Neill explains what’s on her agenda as WBCSD’s new director for energy and climate.

GO TO ARTICLE

UN Global Compact’s Sanda Ojiambo: ‘There’s a lot of work to do in the Global North as well as the Global South’

‘If companies aren't serving all stakeholders, they aren't serious about sustainability’

‘Instead of training courses, let employees learn by doing good in the community’

GO TO ARTICLE

PLUS

How to unlock the banking sector’s potential to address climate change

‘Covid-19 has acted as an accelerator rather than brake on corporate climate action’

Carbon offsetting 2.0: A paradigm shift from free pass to accelerating climate action

GO TO ARTICLE  GO TO ARTICLE  GO TO ARTICLE