HIGH MEADOWS
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The Role of Industry Associations and Civil Partnerships in Corporate Responsibility

Preliminary Findings

Contents

Introduction – The Purpose of This Report

This paper explores the role of industry and multi-stakeholder initiatives in supporting business leadership and responsibility in our global economy. The analysis in this report is drawn from over 200 initiatives High Meadows Institute has identified that collectively are an increasingly important contributor in setting a framework for corporate responsibility and leadership in the 21st century.

While the number of these "civil" and industry-level corporate social responsibility and sustainability business initiatives is rapidly growing, there is currently no central resource for tracking these initiatives or understanding their relative impact and effectiveness. To help address this challenge, HMI has created a publicly accessible database of leading Partnership and Industry Initiatives. The database is designed to be a comprehensive platform for tracking and assessing leading industry and multi-stakeholder initiatives working on promoting and supporting business leadership and responsibility in society. The objectives for this platform and our research are to:

- Provide a resource for academics, investors, the media and business leaders to gain perspective and insight into the current state of play, trends, impact and best practices in the evolution of business leadership and responsibility initiatives
- Provide a resource for businesses and business leaders looking for opportunities to collaborate with others to increase their impact in terms of responsible business practices and leadership in society
- Provide a platform to identify which companies are participating in leading initiatives and which issues and industry sectors are most and least active

The report that follows provides a summary of initial findings from our research and areas of impact we will be exploring further. It also includes a more in-depth exploration of the two categories of initiatives included in the database and eight case studies demonstrating the scale and range of initiatives underway. Our objective was to track the rise of these initiatives and pose the following questions: In what sectors are these initiatives most active? What has been the direct impact of these coalitions? How are these initiatives governed and are these governance models optimal? What constitutes best practice in the field? What kinds of broader systems change can we see as a result of these initiatives?

We welcome your feedback to our findings and suggestions of other initiatives we should add to the database and research themes we should explore. We also want to thank and recognize the contributions of Deborah Leipziger, Sakis Kotsantonis and Chloe Cardinaux in building the database and the analysis in this report.

Chris Pinney
President & CEO, High Meadows Institute

Executive Summary

Over the last 50 years, globalization has dramatically increased the influence of business in society. Seventy of the top 100 economies in the world are now global companies, with a reach and power that exceeds many nation states. As the influence of business on society has grown, so have public demands and expectations for firms to take greater responsibility for their impact on society and provide resources and leadership, working with governments and other stakeholders to address systemic social challenges.

In response to this environment and in the absence of a clear global regulatory framework for corporate social responsibility, global companies are entering into an increasing number and variety of voluntary "soft law" agreements and social responsibility initiatives to manage stakeholder expectations and safeguard their license to operate. These "private and civil" initiatives engage the private sector with non-government and market-based regulatory organizations to develop codes of conduct and standards for corporate social responsibility, as well as to involve business in helping address systemic social challenges, from climate change to income inequality.

The variety and number of these kind of initiatives has grown rapidly in the last few decades. Today, there are few large global firms that are not engaged at some level in one or more of these kinds of "self-regulatory" and social responsibility initiatives. The range of initiatives currently underway includes:

- Industry-led CSR/Sustainability standards - These are often developed by leaders in the industry as a response to an industry-wide crisis in credibility. One of the most sophisticated examples of this is the Responsible Care initiative,[1] developed by the chemical industry in 1985 after several disastrous chemical spills. Responsible Care now requires independent auditing of member companies to certify their compliance with RC standards, and membership in Responsible Care is a prerequisite for membership in the American Chemistry Council. More recently, we have seen the growth of social responsibility standards for financial markets, supported by leading institutional investors, such as the Investment Stewardship Group's Framework for U.S. Stewardship and Governance.

- Multi-stakeholder-led CSR/Sustainability standards for industries - These "voluntary" codes of conduct and standards target specific industries and are usually negotiated between business and a variety of external stakeholders that may or may not include governments. The Forest Stewardship Council[2] and the Apparel Industry Partnership Agreement are examples of these types of multi-stakeholder-led industry-level standards initiatives. More recently, these have begun to target investors as well as companies, with initiatives such as the Principles for Responsible Investment and the Sustainability Accounting Standards Board[3] setting standards for corporate reporting to investors.

1. See case study in Appendix B: Analysis: Industry Initiatives **2.**Ibid **3.** See case study in Appendix A: Analysis: Multi Stakeholder Partnerships

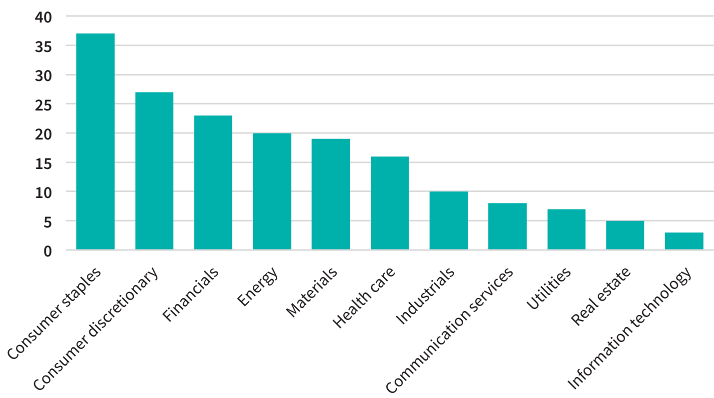
- Business and Multi-stakeholder-led social responsibility initiatives – These initiatives engage business as an active or leading partner working with other stakeholders to address critical social challenges. These include the World Business Council for Sustainable Development[4], The World Economic Forum and Climate Action 100+.

As David Vogel, the former Professor of Business Ethics at the Haas School of Business and leading commentator on the emerging civil regulation field, observes, "On balance, in their effectiveness as well as in their limitations, global civil regulations have had an impact roughly comparable to that of many international treaties, which also make extensive use of 'soft' law." In sum, civil regulations and initiatives have partially reduced the governance deficits that affect many global firms and markets. They are not a panacea, but neither are they an unimportant component of global governance. Moreover, many initiatives have been established relatively recently, which means their impact and effectiveness could increase, especially as some codes become more stringent, comprehensive and better enforced.

4. See case study in Appendix A: Analysis: Multi Stakeholder Partnerships

The Growth of Partnerships and Industry Initiatives Working on Sustainability

Over the past three decades, Partnerships and Industry Initiatives that promote social and environmental goals have become commonplace in most industry sectors. These coalitions in turn create new networks and collaborations that have led to action at many levels: sectoral, national, regional and global. Figure 1 one below shows data that we have collected for over 200 leading initiatives. The majority we identified are within the consumer discretionary and consumer staples sectors. For example, Bonsucro promotes the production of sustainable sugar cane and the International Tourism Partnership encourages environmental and social responsibility within the hotel industry.

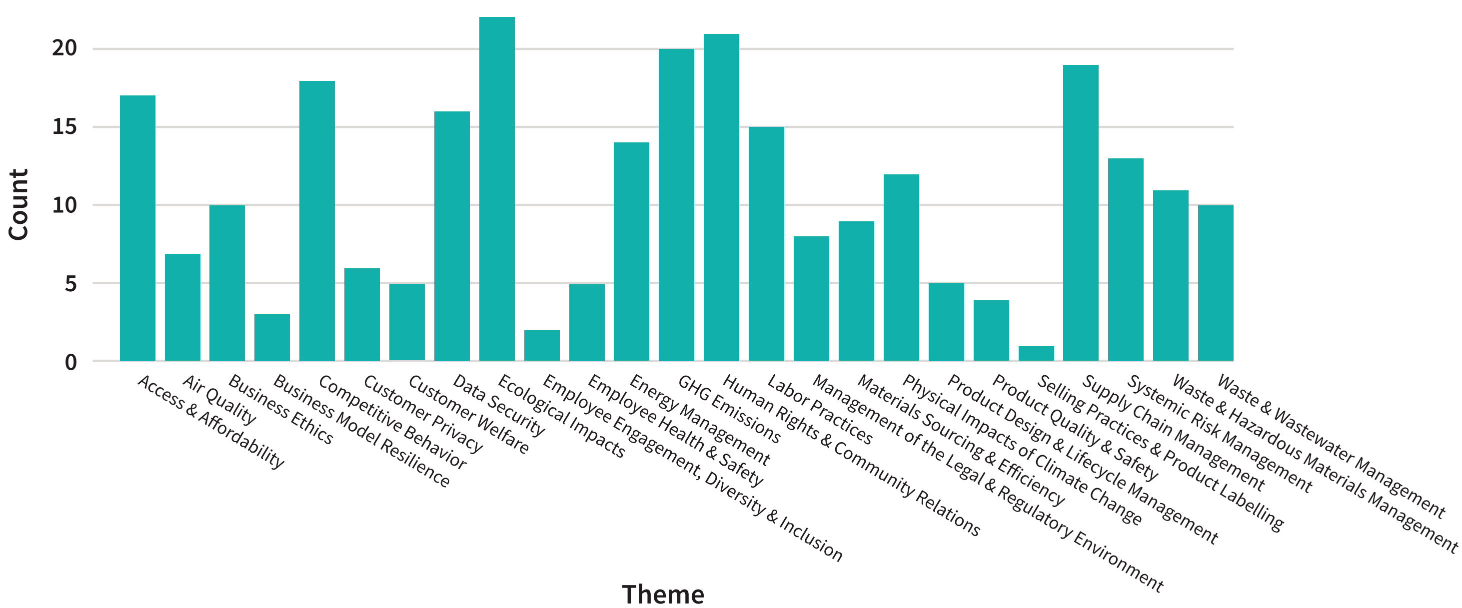


GICS Sector	Number of initiatives	Percentage
Consumer staples	37	21%
Consumer discretionary	27	15%
Financials	23	13%
Energy	20	11%
Materials	19	11%
Health care	16	9%
Industrials	10	6%
Communication services	8	5%
Utilities	7	4%
Real estate	5	3%
Information technology	3	2%

Figure 1. Number of initiatives per GICS sector (includes initiatives with a specified GICS sector only)

Key Issues Addressed

Figure 2 below provides a breakdown of different Environmental and Social issues and the number of initiatives that are actively trying to address these issues. This analysis clearly shows issues that have attracted "overcrowding" of initiatives and issues that have received less attention.



SASB Dimension	General Issue Category	Number of initiatives
Environment	GHG Emissions	64
	Air Quality	20
	Energy Management	43
	Water & Wastewater Management	32
	Waste & Hazardous Materials Management	34
	Ecological Impacts	83

SASB Dimension	General Issue Category	Number of initiatives
Social Capital	Human Rights & Community Relations	82
	Customer Privacy	2
	Data Security	5
	Access & Affordability	55
	Product Quality & Safety	15
	Customer Welfare	16
	Selling Practices & Product Labeling	12
Human capital	Labor Practices	48
	Employee Health & Safety	16
	Employee Engagement, Diversity & Inclusion	13
Business Model & Innovation	Product Design & Lifecycle Management	16
	Business Model Resilience	14
	Supply Chain Management	61
	Materials Sourcing & Efficiency	25
	Physical Impacts of Climate Change	35
Leadership & Governance	Business Ethics	32
	Competitive Behavior	6
	Management of the Legal & Regulatory Environment	21
	Critical Incident Risk Management	0
	Systemic Risk Management	37

Figure 2. Number of initiatives per ESG theme

Figure 3 below shows the cumulative number of initiatives established since 2000 across the 5 SASB dimensions. We are currently analyzing major events that might have contributed to the increase of the number of initiatives across certain categories. For example, 2010 was the first time that climate change or climate-related issues occupied the top five spots of most likely global risks at the WEF in Davos.

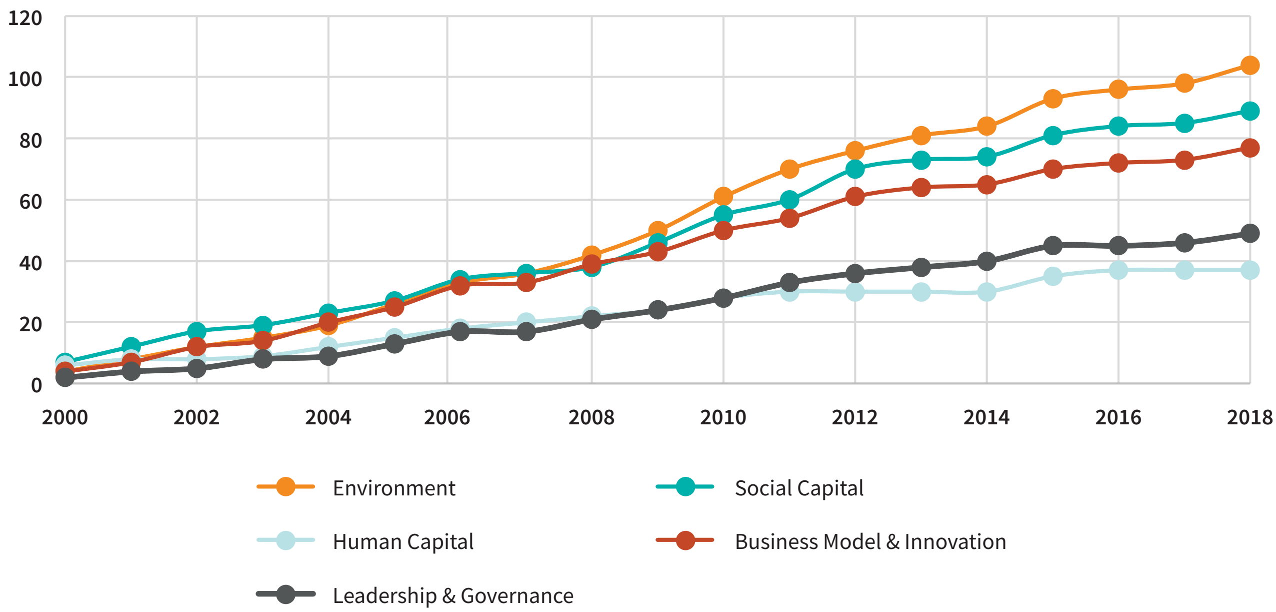


Figure 3. Cumulative number of initiatives per SASB Dimension 2000-2018

Achieving Impact

In the case studies presented in Appendix A and B, we profile a broad range of initiatives underway. Preliminary analysis of these has identified a range of factors that contribute to the ability of these initiatives to achieve impact. These can include:

Providing a safe space for conversation between diverse stakeholders

Partnerships such as the Ethical Trading Initiative, for example, include trade unions, companies, civil society, governments and academics. The UN Global Compact is another partnership that brings together diverse stakeholders during forums to communicate around implementing sustainability principles and taking steps that advance societal goals.

Piloting new approaches to addressing sustainability challenges

Many of these Partnerships have created blueprints for action that enhance environmental efforts, create social value, lead to new modes of governance and impact policy through legislation and new types of systems for labeling and certification The Forest Stewardship Council, for example, has created a publicly recognized labeling system for products made from trees, including paper, construction and clothing. Similarly, the Marine Stewardship Council developed the MSC label to safeguard seafood supplies for the future and protect the ocean. In the financial industry, the Principles for Responsible Investments created "a blueprint for responsible investment" and brings together investors to address unsustainable aspects of markets.

Embedding sustainability into business operations

Partnerships and Industry Initiatives often define strategic visions and road maps for action by creating frameworks, guidance and tools. These tools can build capacity at many levels, from managers and suppliers to workers and auditors. For example, the World Business Council for Sustainable Development[5] has developed several standards and resources to accelerate the transition towards a sustainable world. SASB[6] and GRI both promote sustainability reporting and provide guidance to companies.

5. See case study in Appendix A: Analysis: Multi Stakeholder Partnerships **6.** See case study in Appendix A: Analysis: Multi Stakeholder Partnerships

Raising awareness

These initiatives often come together in coalitions that can produce empirical evidence, research and indices to demonstrate the business as well as societal benefit case for change. By working with senior executives, these Partnerships and Industry Initiatives can raise awareness throughout the sector. Responsible Care and the UN Global Compact, for example, both require a CEO commitment. Climate Action 100+ is one of the leading initiatives raising awareness about climate change.

Scaling good practice

By leveraging private resources, coalitions can catalyze self-regulation by companies and the sector. They can build the capacity of a sector to promote nation building, influence policy makers and leverage investment. Responsible Care,[7] for example, is going beyond legislative and regulatory compliance for the chemical industry by enacting various voluntary principles. Better Cotton is another initiative promoting good practices and improvements to make cotton production better for the sector's future but also for the environment and society.

7. See case study in Appendix B: Analysis: Industry Initiatives

Trends

This section explores some of the key trends in the field:

The role of governments has evolved

Industry Initiatives were often developed in response to a governance gap left by governments who have failed to address social and environmental issues. Over the past decade, governments and intergovernmental organizations themselves have now become active "stakeholders" in many initiatives and are the second most involved leading stakeholders in partnerships in our database. According to Karin Kreider, the Executive Director of ISEAL, "increasingly, governments sees a role and want to be relevant."[8] It may be that the UN Sustainable Development Goals have given governments a common framework with which to engage the private sector in new ways.

The number of Industry Initiatives in emerging economies is growing

Industry Initiatives are emerging in Brazil, Chile and Hong Kong to address national considerations and create national sector frameworks. Likewise, Asian companies are becoming more involved in Industry Initiatives, including the Responsible Business Alliance.[9]

Adherence to ISEAL Credibility Standards is growing

ISEAL is a membership association of sustainability standards systems. There is an increase in the number of initiatives becoming ISEAL members and therefore following ISEAL standards. According to Karin Kreider, "there are no best practices in transparency, just better practice."[10]

Initiatives are integrating the Sustainable Development Goals (SDGs) into their frameworks

More industry initiatives are using the SDGs as part of their frameworks.[11] The Roundtable on Sustainable Palm Oil and the World Business Council for Sustainable Development are examples of the many initiatives addressing the SDGs.

8. Interview with Karin Kreider, December 17, 2019 **9.** See case study in Appendix B: Analysis: Industry Initiatives **10.** Ibid.
11. Draft Paper, The Role of Business in Society, p 23

Characteristics of Effective Partnerships and Industry Initiatives

The following characteristics distinguish the most successful Partnerships and Industry Initiatives in terms of effectiveness, impact, legitimacy and credibility:

Entry points for stakeholders: The most effective initiatives are designed to allow for stakeholder input. There are several access points for stakeholders in decision-making. These entry points include:

- The process of revising standards
- Complaints and appeals

In order to ensure transparency, the best initiatives share details on how and when standards are revised to ensure stakeholder viewpoints are included in the revision process. A clear mechanism for filing complaints and appeals is also important. According to Doug Cahn, who has worked in the field of workers' rights for three decades, the Fair Labor Association has one of the best complaints and appeals systems.[12]

The inclusion of organizations from the global south: North American and European organizations dominate the coalitions in the database. Building inclusive coalitions is key to promoting effective solutions. Including communities and groups impacted by the partnerships and initiatives is essential. Very few of the initiatives have engaged with indigenous peoples. The Forest Stewardship Council created a Permanent Indigenous People's Committee to advise the Board on issues impacting indigenous peoples. The Committee is made up of indigenous peoples from a wide range of countries, including Ecuador and Tanzania.

Translation into major languages: Many of the initiatives profiled in this report and the Database work exclusively in English or 1-2 other European languages. In order to ensure input from a diverse group of stakeholders, it is essential that coalitions translate key documents, such as standards, into key languages from the global south. The Responsible Business Alliance has translated its Code of Conduct 6.0 into over 26 languages.

A common terminology: Sector initiatives have been slow to create a formal glossary of terms for the industry. Bluesign has developed a useful glossary for the dye industry. The Responsible Business Alliance has a useful glossary around its Validated Assessment Process on first, second and third-party audits. However, we lack coherent and consistent language at the sector level, which leads to reporting that is vague and therefore of limited value.

Data sharing: Many of the Industry Initiatives have amassed significant amounts of data on social and environmental issues in their sector. This data should be made publicly available. A greater emphasis should be placed on sharing Key Performance Indicators (KPIs) and data insights. Focusing on common systems for reporting data will also be

12. Correspondence dated March 25, 2020, between Doug Cahn and Deborah Leipziger.

helpful, including common core indicators.[13] The Open Data Standard for Apparel Sector (ODSAS) is a great example of a mechanism for disclosing data that seeks to be transparent, accessible and usable.[14] The most effective initiatives also share information with affected workers and communities.[i]

Transparency: The best initiatives have made a commitment to greater transparency at all levels, including greater access to information about governance and supply chains. Stakeholders are demanding a greater commitment to transparency, including a commitment by industry initiatives in the apparel and footwear sectors to take the Transparency Pledge[15] and disclose the identity of their suppliers. A number of initiatives have taken measures to become more transparent. For example, The Fair Labor Association now requires its company affiliates to publicly disclose the list of its suppliers. This move is in response to campaigning by the Transparency Pledge Coalition, a group of labor unions and human rights organizations.[ii]

Investment in remediation: In addressing ESG issues in the supply chain, many companies invest heavily in monitoring and auditing processes at the expense of remediation. It is estimated that the vast majority of corporate resources directed at supply chains are focused on measuring and reporting, including factory audits and sustainability reporting.[16] Remediation involves taking corrective actions to address non-compliance, which can range from fixing buildings that are structurally unsafe to addressing issues of overtime to providing first aid kits and fire drills, etc. Collective action around remediation remains limited and represents an important area for expansion by both Partnerships and Industry Initiatives.

Traceability is a key factor in successful supply chains and is vital to promoting quality and the health and safety of consumers. Traceability has improved dramatically. According to Karin Kreider, the Executive Director of ISEAL, ten years ago companies did not know where their products were made. Now they do. Companies have become very good at tracing and tracking items through the supply chain, especially in the food sector where issues like E-coli pose a threat and product recalls may need to take place. Traceability is also important to determine the provenance of goods from a social, ethical and environmental perspective, especially in sectors where there is certification, such as in the forestry and carpet sectors. Some of the certification efforts have seen counterfeit labels. According to Adrian Henriques, an advisor to the ISO traceability standard, a useful role for partnerships and sector organizations is to provide information and analysis on the extent to which there is traceability in the supply chain for their sector.[17]

Technology is creating opportunities to dramatically improve the lives of farmers, who can now use data inputs to allow for better crops, thereby enhancing their livelihoods.[18] In addition, technology is a way to enhance quality assurance. It can allow for greater traceability and trackability through the supply chain though the use of bio-tracing and block chain. Bio-tracing can be used to ensure that organic materials, such as cotton, are being sourced from countries with fair labor practices while avoiding Uzbek cotton, which is known to use child labor. Bio-tracing remains expensive and is still not a common practice. The FSC is an example of an initiative that maintains a chain of custody to ensure that the wood is harvested from sustainable sources, as are conflict minerals through the Responsible Minerals Initiative and diamonds through the Kimberley Process.

13. ISEAL has developed Common Core Indicators, https://www.isealalliance.org/about-iseal/our-work/common-core-indicators
14. https://odsas.org/ **15.** https://transparencypledge.org/ **16.** R3, The Responsible Remediation Resource.4 **17.** Interview with Adrian Henriques by Deborah Leipziger, UK **18.** Interview with Karin Kreider.

The Business Leadership in Society Database Series

In the following appendices, we provide further background on industry initiatives, partnerships and their respective practices. We explore in detail their governance structures, factors that drive success and specific case studies of initiatives that have gained significant traction and managed to catalyze change. These papers complement our online database of initiatives that can be found on our website.

Appendix A
Business Leadership in Society Database

Analysis: Multi-Stakeholder Partnerships

Introduction

For the purpose of our research, a Partnership or multi-stakeholder initiative is defined as a coalition of at least two stakeholders that works on issues related to sustainability. The coalition may be global, regional or national in scope. If it is global or regional, it should include at least three companies from the Global 500. National initiatives must include at least three companies from the top 100 in the country. The BLIS Database contains over 100 partnerships.

Partnerships provide common frameworks for addressing environmental and social challenges. These can take the form of a set of tools, such as a code of conduct, an auditing system or a certification or labeling protocol. For example, the Global Reporting Initiative has created a framework for reporting on social and environmental issues. The Rainforest Alliance has created a label for thousands of products, including coffee, tea, chocolate, bananas and other products, that certifies goods grown through sustainable agriculture.

Partnerships can take several forms. Some of the Partnerships profiled in the Database and this paper are coalitions of Partnerships. The ISEAL Alliance is an example of a coalition of credible sustainability standards that are accredited to meet ISEAL's Credibility Principles and Codes of Good Practice. For example, the Better Cotton Initiative, Bonsucro, GoodWeave and the Rainforest Alliance are members of the ISEAL Alliance. Partnerships often create spin-off projects that may become organizations.

One of the most valuable aspects of Partnerships is their ability to build capacity at many levels: at the company level, at the supplier level and sometimes within trade unions and among auditors and workers. Partnerships such as Social Accountability International and the Ethical Trading Initiative (ETI) have provided training to thousands of companies and suppliers on social issues.

Many multi-stakeholder Partnerships have made a difference in the policy arena. The ETI has advocated for the Modern Slavery Act in the UK and has worked to promote better workplace standards in Cambodia. The Sustainable Stock Exchanges (SSE) Initiative has led to regulations on CSR reporting by companies listed in stock exchanges.

Multi-Stakeholder Initiatives (MSIs) can also be a useful tool for conflict management. According to Peter McAllister, Executive Director of the Ethical Trading Initiative, the organization has resolved issues of unpaid wages and negotiated for hundreds of thousands of dollars of backpay for workers in Africa. The ETI has also resolved complex issues in India.[19]

19. Interview with Peter McAllister by Deborah Leipziger, November 14, 2019

Partnerships such as the Global Reporting Initiative[20] have led to better data collection and disclosure, allowing governments and watch-dog organizations to compare company performance against the United Nations Sustainable Development Goals and other standard measures. In addition, many of the MSIs promote reporting by companies and increased transparency. The Sustainable Stock Exchanges Initiative has led to enhanced reporting by companies as part of their listing requirements.

Generally, organizations can track environmental impact more easily than social impact. Bonsucro, which tackles both environmental and social issues in the sugar industry, reports that Bonsucro companies have avoided the emission of 1.7 million tons of CO2 and that wages are 22 percent higher in Bonsucro mills and farms than the national minimum wage. They also report higher yields, totaling 11.13 tons per hectare for certified farms.[iii]

Because social outcomes depend on variables outside the control of Partnerships and Initiatives, such as new legislation that may influence the outcomes, they prove much more difficult to quantify. Still, some projects show notable success. GoodWeave, for example, works with 350 companies to certify that their carpets are made without child labor. GoodWeave reports that:[iv]

- 6797 children have been rescued from child labor
- 32,231 children have been provided with quality education
- 77,328 workers have been reached in the supply chain

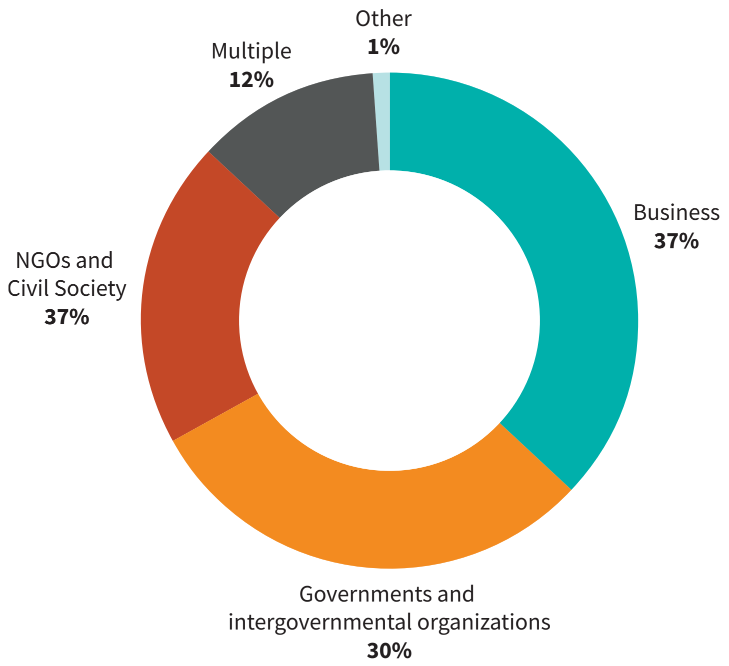
According to Better Work, enhanced social and environmental management practices on the part of companies can be correlated with enhanced product quality and/or greater productivity. It may be that the introduction of better management systems and auditing systems leads to better business results.[21]

20. See case study in Appendix A: Analysis: Multi Stakeholder Partnerships **21.** According to the ILO's Better Work programme, "Our research data indicates a clear correlation between improvements in factories such as compliance with labour laws, and increased productivity, profitability and resilience for enterprises. Workers in factories who enjoy a clean, safe and equitable working environment are also more motivated, loyal and less likely to leave their jobs—all of which can improve business performance." https://betterwork.org/our-partners/employers/

The Governance of Partnerships

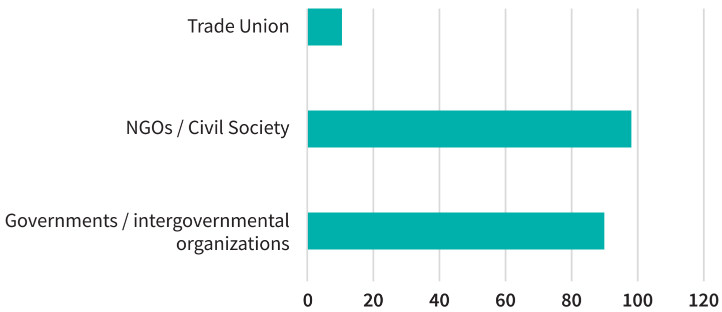
Many Partnerships are tripartite, meaning that they have representation from business, civil society and trade unions. This tripartite structure is often reflected in the composition of the Board of Directors. The representation of key partners at the highest level ensures the airing of different perspectives in all cases, protecting against conflict of interest. Examples of Partnerships with a tripartite structure include Better Work, the Ethical Trading Initiative and Social Accountability International. In the BLIS database, we observe that 37% of the partnerships are led by business (see Figure 1). While only 20% of the partnerships are led by civil society or NGOs, this stakeholder has the highest percentage of involvement (see Figure 2).

The governance model for most partnerships follows a similar pattern: an elected Board of Directors works closely with a Stakeholder Council representing many affected organizations. Most Partnerships have staff, sometimes in multiple countries. According to Jane Nelson, the Director of the Corporate Responsibility Initiative of the Kennedy School of Government at Harvard University, “governance should be agile,” a challenge with many stakeholders sharing vital and often differing perspectives.



Stakeholder leading the partnership	Number
Business	46
Governments and intergovernmental organizations	38
NGOs and Civil Society	25
Multiple	15
Other	1

Figure 1. Stakeholder leading the partnership



Which stakeholders are involved	Number	Percentage
Governments / intergovernmental organizations	90	72%
NGOs / Civil Society	98	78%
Trade Union	10	8%

Figure 2. Stakeholders involved in the partnership

Partnerships face many governance challenges. One geographic governance challenge is to incorporate perspectives from both the Northern and Southern hemispheres. An organizational challenge is including impacted groups, such as workers and communities. In the FSC governance structure, representatives from the North and South each hold 50 percent of the vote.

Lessons Learned: Factors That Drive Success

Diverse and independent sources of funding

Partnerships require a significant commitment of resources over time to allow for an effective and competent secretariat. Governments and foundations can provide a critical base of support for initiatives. The Gates Foundation has provided stable funding to a number of partnerships, including GAVI, the Vaccine Alliance. This support has helped them to remain effective and free of the conflicts of interest potentially associated with funding from corporations alone.

Specificity

According to Jane Nelson, the more specific the challenge, the place and the platform, the more likely these cooperative organizations can produce direct impact and systems level change.[22] An excellent example of this is the International Cocoa Initiative, which focuses on addressing child labor in cocoa-producing regions, mostly in the Ivory Coast and Ghana. With its specific mission, it has engaged in systems change by addressing structural issues in the Cocoa Board of Ghana while also addressing cultural factors that can lead to child labor.

Incorporating viewpoints from emerging economies

One of the challenges facing MSIs is incorporating the voices and viewpoints of the South. According to McAllister, the Accord on Fire and Building Safety in Bangladesh, known as the ACCORD,[23] is a solid partnership that has made a difference in the lives of workers – but building national level buy-in, especially at the parliamentary level, has been difficult.[24] According to a 2017 study of MSIs by MSI Integrity and the Duke Human Rights Center at the Kenan Institute of Ethics, the majority of MSIs are failing to engage in meaningful ways with communities impacted by member companies and their operations.[v] An exception to this is the Forest Stewardship Council, which has developed governance mechanisms to consult indigenous and other communities impacted by forestry projects.

22. Interview with Jane Nelson, J. F. Kennedy School, by Deborah Leipziger, November 26, 2019 **23.** https://bangladeshaccord.org
24. Correspondence with Dr. Shareen Hertel, Associate Professor of Political Science and Human Rights, UConn, March 23, 2020

Case Studies - Partnerships

Case Study: Sustainability Accounting Standards Board (SASB)

Founded 2011

Geographic reach Global

GICS Sector/Industry Not specified

ESG Issues Wide range of ESG issues

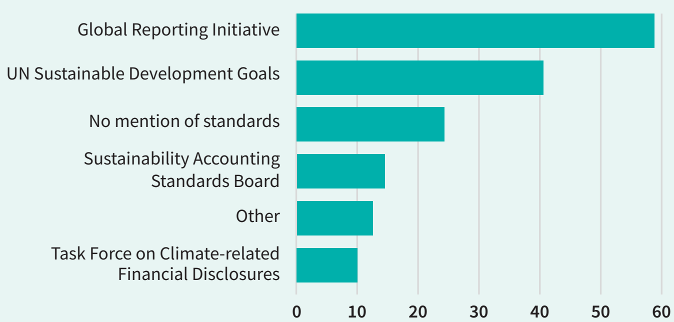
Driving sustainability reporting

In a world where the demand for ESG disclosure is increasing, SASB emerges as one of the leading organizations effectively driving change in corporate reporting on a global scale. Founded in 2011 with the primary aim of enabling investors to have access to material sustainability information,[vi] SASB has rapidly evolved and refined its mission to help businesses identify, manage and report on sustainability topics that are of the greatest concern to investors. In order to achieve its goal, SASB collaborated with investors, corporates and experts[vii] to develop industry standards and credentials. SASB identifies "financially material issues" or issues that impact the financial condition and operating performance of a company. Most importantly, SASB standards allow for comparison between companies within a sector. As the organization has achieved one of its goal – developing standards – it is now focused on increasing their adoption and driving awareness.[viii]

SASB supporters and reporters

Since its inception, SASB has continually expanded and gained traction among various industry leaders. The organization differentiates between investor and company uses.[ix] On the one hand, companies can report according to the SASB standards, while on the other hand, global investors rely on SASB standards to make investment decisions. In recent years, the investment community has not only acknowledged the importance of integrating ESG factors into the investment process but has also requested more ESG disclosures. In line with this trend, investors have demonstrated their support for SASB standards. The SASB Investor Advisory Board is expanding and counts among its members 49 asset managers and owners representing over $34 trillion in AUM, including large investors such as Vanguard and State Street.[x] In January 2020, BlackRock CEO Larry Fink took a major step in his CEO letter by asking companies they invest in to disclose according to SASB guidelines by the end of the year.[xi] SASB Alliance Members are primarily investors, although there are a few companies and service providers as well. On the corporate side, SASB has emerged as one of the leading reporting frameworks in the U.S. (see Figure below)[xii], bridging the gap between investors' requests and corporates disclosures.

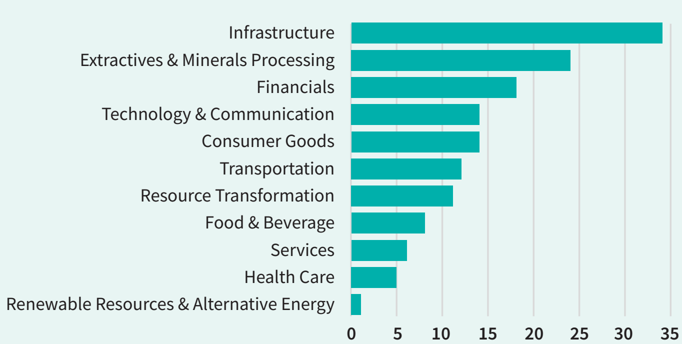
The leading reporting frameworks in the US
% of company reports which mention the following governance standards



Sample = 119 reports from 96 companies Source: Sheraman ©FT

Over 140 companies across 11 sectors (see figure below) are reporting with SASB Standards as of December 2019.[xiii] Although a majority of SASB reporters are based in the U.S., companies in at least 16 other countries use the standards and signs are showing a growing reach.[xiv]

SASB Reporters by sector



Many industry leaders and Forbes 2000 companies are using the standards, which might lead the way for smaller companies. In addition, the number of SASB reporters could also see a sharp increase in the near future if companies adhere to BlackRock's recent request and if other large asset managers follow a similar approach.

How is SASB driving change?

By developing 77 industry standards and identifying sustainability-related material issues for business in these industries, SASB is effectively working towards improving industry practices. The SASB standards help companies and investors understand the risks that ESG issues pose. As a result, they allow for more informed investment decisions and facilitate investment due diligence. In addition, SASB has created a credential, known as the FSA credential (Fundamentals of Sustainability Accounting). This two-level training provides consultants, lawyers, investors and other managers with the ability to understand the impact of ESG issues on corporate performance. Companies can use SASB standards alongside other ESG standards, including the Global Reporting Initiative (GRI), International Integrated Reporting Council (IIRC) and the Task Force for Climate-related Financial Disclosures (TCFD). The standards are not only important to satisfy the needs of investors and communicate ESG data, they also allow companies to identify risks and opportunities that impact their operations, thus providing valuable information to improve risk management and enhance long-term value creation.[xv]

Governance

SASB is governed by the SASB Foundation, which finances, oversees, administers and appoints members to the Board and oversees the Standards. The Standards Advisory Group, with over 200 members, is involved in revising the standards. Sixty percent of its membership is comprised of corporations, with investors making up another 20 percent and subject matter experts the remaining 20 percent.

Challenges

SASB was developed in the U.S. and, like many of the partnerships and initiatives in the BLIS Database, seeks to become more global. SASB does not have regional offices and the COVID crisis has made travel more challenging, which, by limiting conferences and gatherings, could limit the global spread of SASB standards in the short term.

Another challenge facing SASB is a lack of understanding of the differences and interoperability of the various standards in the marketplace – one of the main challenges of ESG data. According to Sten White of SASB, companies ask where the differences lie in SASB's approach versus other initiatives. SASB works actively with other frameworks including the Global Reporting Initiative and the International Integrated Reporting Framework, among others,[25] further addressing issues in the corporate disclosure landscape.

Lessons learned

Transparency has been important to SASB from the beginning and this commit to transparency has inspired corporate engagement and trust. Opening up meetings for public consultation was key to getting more companies involved in SASB.[26]

25. Interview with Sten White, Communication Manager, SASB with Deborah Leipziger, April 8, 2020 **26.** Ibid.

Case Study: Sustainable Stock Exchanges (SSE) Initiative

Founded 2009

Geographic reach Global

GICS Sector/Industry Financials

ESG Issues GHG Emissions, Human Rights & Community Relations, Business Ethics, Management of the Legal & Regulatory Environment, Systemic Risk Management, Ecological Impacts

Encouraging sustainable investment and enhancing performance on ESG issues

The Sustainable Stock Exchange (SSE) Initiative was founded in 2009, when the first sustainable stock exchange dialogue was initiated by Ban Ki Moon, former Secretary-General of the UN. The initiative is a UN partnership and a "global platform for exploring how exchanges, in collaboration with investors, companies (issuers), regulators, policymakers and relevant international organizations, can enhance performance on ESG issues and encourage sustainable investment, including the financing of the UN Sustainable Development Goals."

How is the SSE driving change?

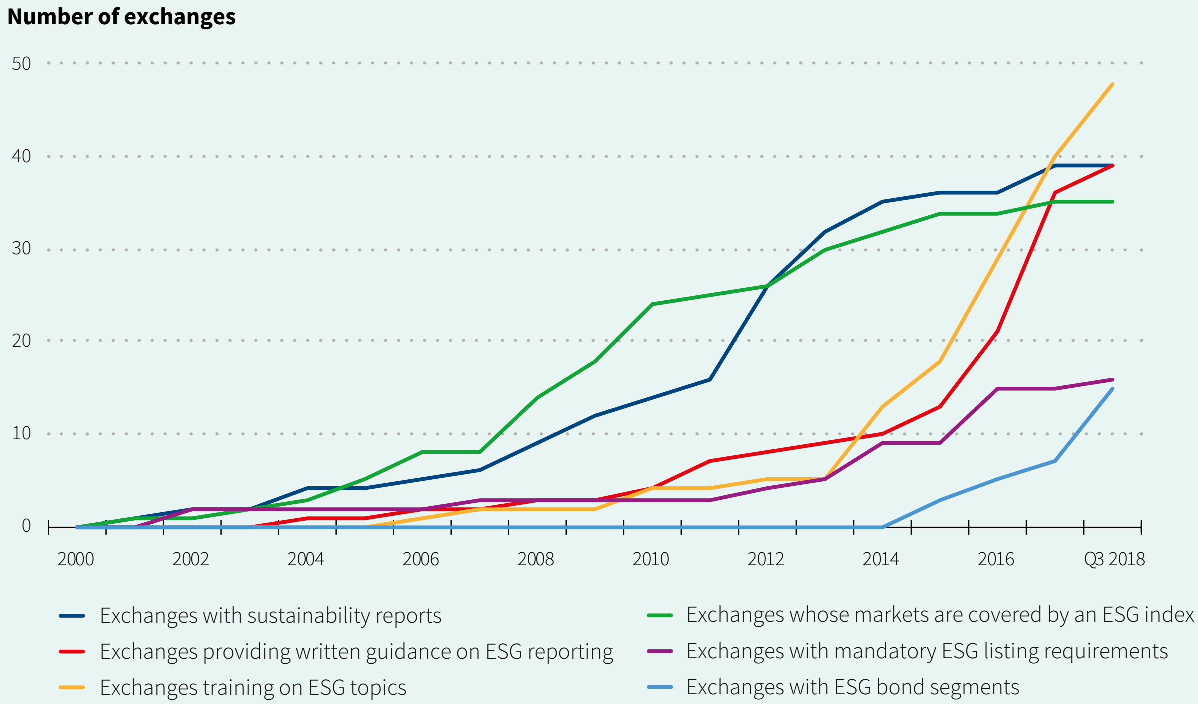
The vision of the SSE is a "world where capital market signals align with public policy goals on sustainable development."[xvi] Its mission is to "build the capacity of stock exchanges and securities market regulators to promote responsible investment in sustainable development and advance corporate performance on environmental, social and governance issues."[xvii] The SSE has used a global framework to create incentives for disclosure at the national level. The initiative promotes responsible investment by creating common platforms and systems.

The SSE's theory of change involves the following activities:

- Provide evidence-based policy analysis
- Facilitate a network and forum for building multi-stakeholder consensus
- Provide technical assistance and advisory services
- Maintain a database of member stock exchanges, identifying how they are addressing ESG issues.

Impact

The partner stock exchanges of the SSE have different programs around training and reporting. The SSE tracks its impact and reports on its activities on a yearly basis. Through its research capabilities and its database, the initiative provides detailed information on the state of the industry and progress towards sustainability. In the last decade, sustainability activities in capital markets and in stock exchanges have significantly increased, as illustrated by the following figure:[xviii]



Source : SSE database.

In 2019, of the 96 partner exchanges:

- 54 provided training on ESG issues
- 54 provided written guidance on ESG reporting
- 45 featured sustainability reporting
- 42 provided an ESG Index
- 24 had mandatory ESG listings
- 23 had ESG bond segments

SSE members and partners

SSE members are stock exchanges and there is also a working group for Regulators. The initiative has a global reach, including 96 stock exchanges on which 52,901[xix] companies are listed totaling $88,231,082 of market capitalization. In addition, the SSE is composed of several UN organizations, including the UN Global Compact (UNGC), the UN Environmental Program (UNEP) and the Principles for Responsible Investment (UNPRI), as well as the UN Conference on Trade and Development (UNCTAD). While the SSE primarily collaborates with these two types of stakeholders, it also engages with investors, securities market regulators, listed companies and policymakers, as they are key to advancing sustainability and transparency in capital markets.[xx]

Corporate involvement

Corporations are not direct members of the SSE, only stock exchanges may join. However, companies listed on the SSE member exchanges benefit from guidance, training and other ESG programs.

Governance

The SSEI is governed through the SSE Governing Body, which provides policy direction, operational guidance and technical supervision. The Independent Advisory Committee, comprised of capital market leaders, provides the Governing Body with advice and feedback.

The SSE Consultative Group represents stakeholders, such as stock exchanges, investors and regulators, who are represented by working groups.

In addition, an Operational Team of staff from the four UN organizations provides day-to-day support. The SSE receives supports from a wide range of Stock Exchanges, including the Borsa Istanbul, NASDAQ, the London Stock Exchange Group and the Korea Exchange, and companies such as Aviva and Bloomberg.

Case Study: The World Business Council for Sustainable Development (WBCSD)

Founded 1995

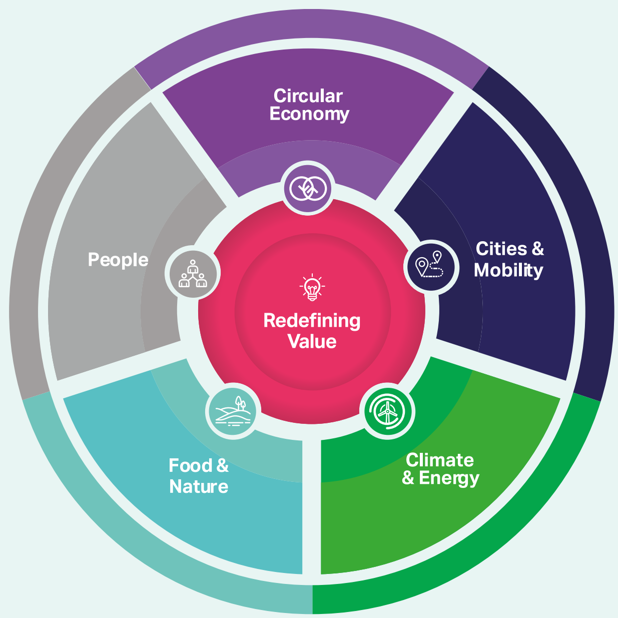
Geographic reach Global

GICS Sector/Industry Multiple

ESG Issues Access & Affordability, GHG Emissions, Physical Impacts of Climate Change, Systemic Risk Management, Ecological Impacts, Air Quality, Water & Wastewater Management, Supply Chain Management, Materials Sourcing & Efficiency, Human Rights & Community Relations, Employee Engagement, Diversity & Inclusion, Labor Practices

A compass for sustainable business solutions

Founded in 1995, the WBCSD was the outcome of a merger between the Business Council for Sustainable Development and the World Industry Council for the Environment. It is a CEO-led partnership based in Geneva, whose mission is to "accelerate the transition to a sustainable world."[xxi] Promoting the UN Sustainable Development Goals (SDGs) constitutes a key part of the agenda of the WBCSD. They seek to be an enabler for action at scale by focusing on the realization of the SDGs. The SDG Business Hub[27] and SDG Compass[28] are useful tools for companies. The vast amount of resources provided and the deep coverage of central sustainability themes makes the WBCSD a key starting point for companies in any sector and region.



How is the WBCSD driving change?

The Council drives change through the following six programs:[xxii]

Since its inception, the WBCSD has developed several standards and resources in these programs and areas, effectively delivering sustainable business solutions. In 1998, the WBCSD co-developed alongside the World

27. https://sdghub.com/ 28. https://sdgcompass.org/

Resource Institute in 1998 the Greenhouse Gas Protocol, which is the world's most widely used greenhouse accounting standard. It also launched the Measuring Impact Framework with the IFC in 2008, which is one of the first methodologies for assessing impact at any stage in the lifecycle of an operation. In addition, the WBCSD coined the widespread term "Inclusive Business" and in 2017 co-developed the Reporting Exchange, a free online platform that provides reliable, comparable information on sustainability reporting requirements, resources and indicators.[xxiii] More recently, the WBCSD launched a first-of-its-kind guidance for the chemical industry to assess sustainability across its product portfolio.[xxiv] The WBCSD's CEO Guides provide novel guidance to companies on issues such as the circular economy, food systems transformation, human rights, water and climate-related disclosures.[xxv]

In addition, the WBCSD has created several Industry Initiatives to bring together key players in an industry and foster sustainable practices in the whole sector. The following Industry Initiatives provide methodologies and guidance on sustainability, which are tailored to different sectors:

- The Chemicals Group
- The Global Agribusiness Alliance
- The Tire Industry Project
- The Forest Solutions Group

It also provides Hubs that brings together important companies for content and best practice exchanges:

- Business and Human Rights Gateway
- Future of Work Hub
- Leading Women and LEAP
- SDG Business Hub

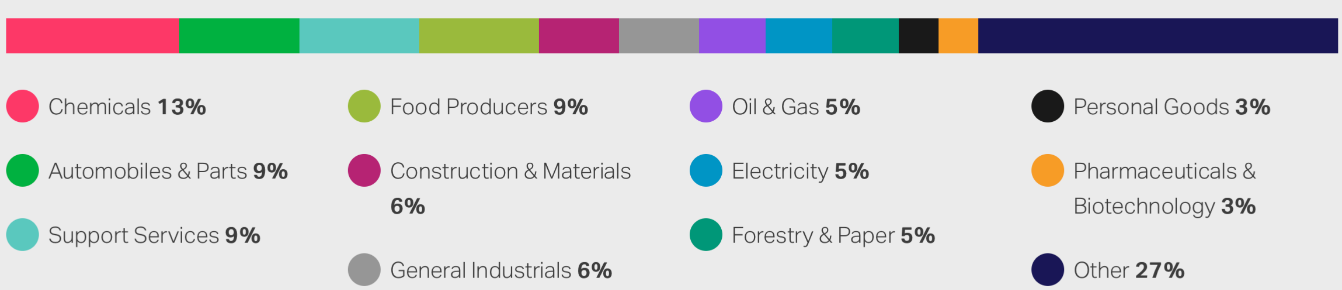
Membership and corporate involvement

The WBCSD has over 200 corporate members from around the world, covering a wide range of sectors (see figure below).[xxvi] The member companies have combined revenues of $8.5 trillion and 19 million employees.[xxvii] They also have a global network of almost 70 national business councils that encompass approximately 5,000 companies.[xxviii] Among the list of members figure Unilever, Verizon, Walmart, Veolia, Toyota, S&P Global, Philips, PWC, P&G, Nestle, Microsoft, Ikea, Latham & Watkins, Deloitte, Continental, BP and many others.[xxix]

Governance

Based in Geneva, Switzerland, the WBCSD has offices in China, United Kingdom, Singapore, India and North America. Their Executive Committee is composed of top management and chairmen of prominent corporations across the globe.

Membership by sector



Appendix B
Business Leadership in Society Database

Analysis: Industry Initiatives

Introduction

For the purpose of our research, an Industry Initiative is defined as an organization led by industry leaders that engages a significant group of companies within the industry and/or industry association. The Initiative is working to set guidelines or standards for an industry that are designed to ensure responsible industry conduct in minimizing the negative impacts of the industry on society and the environment.

Industry Initiatives create common frameworks for an industry or group of industries. These voluntary initiatives create mechanisms that can take a variety of forms, including one or all of the following:

- Guiding Principles
- Codes of Conduct
- Auditing systems
- Training
- Reporting systems
- Management systems
- Certification

Over the course of the past three decades, these initiatives have grown considerably both in number and in approaches taken. Globally-accepted frameworks and systems are helpful to companies with multinational operations, who can develop a unified strategy rather than address different national standards around the globe.

One of the best-known Industry Initiatives is Responsible Care, which was founded in 1985 in Canada and is now used in 65 countries. Responsible Care has created Guiding Principles, systems for open and transparent reporting and mandatory audits.

Industry Initiatives can cover one issue or a wide range of issues, as Responsible Care does, taking into account environment, health and safety and security issues.

Industry Initiatives can create incentives for long-term sectoral change. For example, some initiatives can connect producers of socially responsible or environmentally friendly products to buyers. An example of this is the Better Cotton Initiative, which has created a supply of cotton that is more environmentally-friendly than the industry norm. Since it takes years to launch new cotton production, it is useful to have a concerted effort on behalf of consumers (retailers) and cotton producers.

One of the challenges of socially responsible supply chain management is sharing data on suppliers who meet social, ethical and/or environmental standards. A number of sector-based initiatives have developed registries or databases of suppliers that meet their criteria. This avoids duplication of audits. The Responsible Business Alliance (RBA), the world's largest industry coalition for industries that require electronic components, is an example of an initiative that shares supplier data. In addition, the Responsible Minerals Alliance has worked to ensure that 231 smelters are certified as free of conflict minerals using OECD-aligned due diligence.[29]

Most of the initiatives set a minimum standard for the industry, which serves to protect the sector from incidents that can damage the reputation of the industry as a whole. There is a tension for members, in that the leaders of the industry may resent the laggards, which may hurt the reputation of the industry overall. In some cases, companies have left Industry Initiatives because the industry has not moved fast enough.[30] In 2019, Shell decided to pull out of the American Fuel and Petrochemical Manufacturers due to the group's failure to address climate change.

Over time, industry standards change, and industry associations can promote continuous improvement by adjusting expectations and moving the industry forward in terms of social, environmental and/or ethical matters. Conflict minerals provide a good example, with the Responsible Minerals Initiative adding additional conflict minerals over time. (See Responsible Business Alliance case study in this Appendix.)

Industry Associations allow members to share best practice on new technologies that can address social and environmental challenges. Conferences, books, seminars and webinars are all used by groups such as Business for Social Responsibility and the World Business Council for Sustainable Development to move the industry forward. By developing safe spaces for dialogue, these networks can create venues for joint problem solving and spin-off working groups and initiatives.

Like Partnerships, Industry Initiatives can promote legislation to address social and environmental problems. Many companies and industry associations, however, also have a record of lobbying against legislation to address issues like climate change.[xxx]

Industry Initiatives have created incentives to reduce the use of toxic chemicals and create safer work environments. The Better Cotton Initiative documents improved environmental impact, including:

- Reduced water use for irrigation (between 18 percent less in China and 4 percent less in Turkey)
- Reduced pesticide use
- More organic fertilizer use
- Higher yields
- Higher profits (25 percent higher in China)

According to Doug Cahn, a Former Board Member of the Fair Labor Association, factory audits have led to a reduction in the use of toxic chemicals in the production of footwear, as one example.[31]

A number of Industry Initiatives report the capacity to bridge the divide between conflicting parties. For example, the Responsible Business Alliance has ensured the return of more than $40 million in unlawful recruitment fees to workers since 2017.[32] In addition, through the result of the RBA's efforts, workers coerced into forced labor have had their confiscated passports returned.

29. Correspondence with Jarrett Bens of the Responsible Business Alliance, February 25, 2020 **30.** In 2019, Shell decided to pull out of the American Fuel and Petrochemical Manufacturers due to the group's failure to address climate change. [https://www.reuters.com/article/us-shell-afpm-idUSKCN1RE0VB] **31.** Interview with Doug Cahn, Former Board Member, Fair Labor Association, and Deborah Leipziger, October 29, 2019 **32.** Correspondence with Jarret Bens to Deborah Leipziger, February 25, 2020

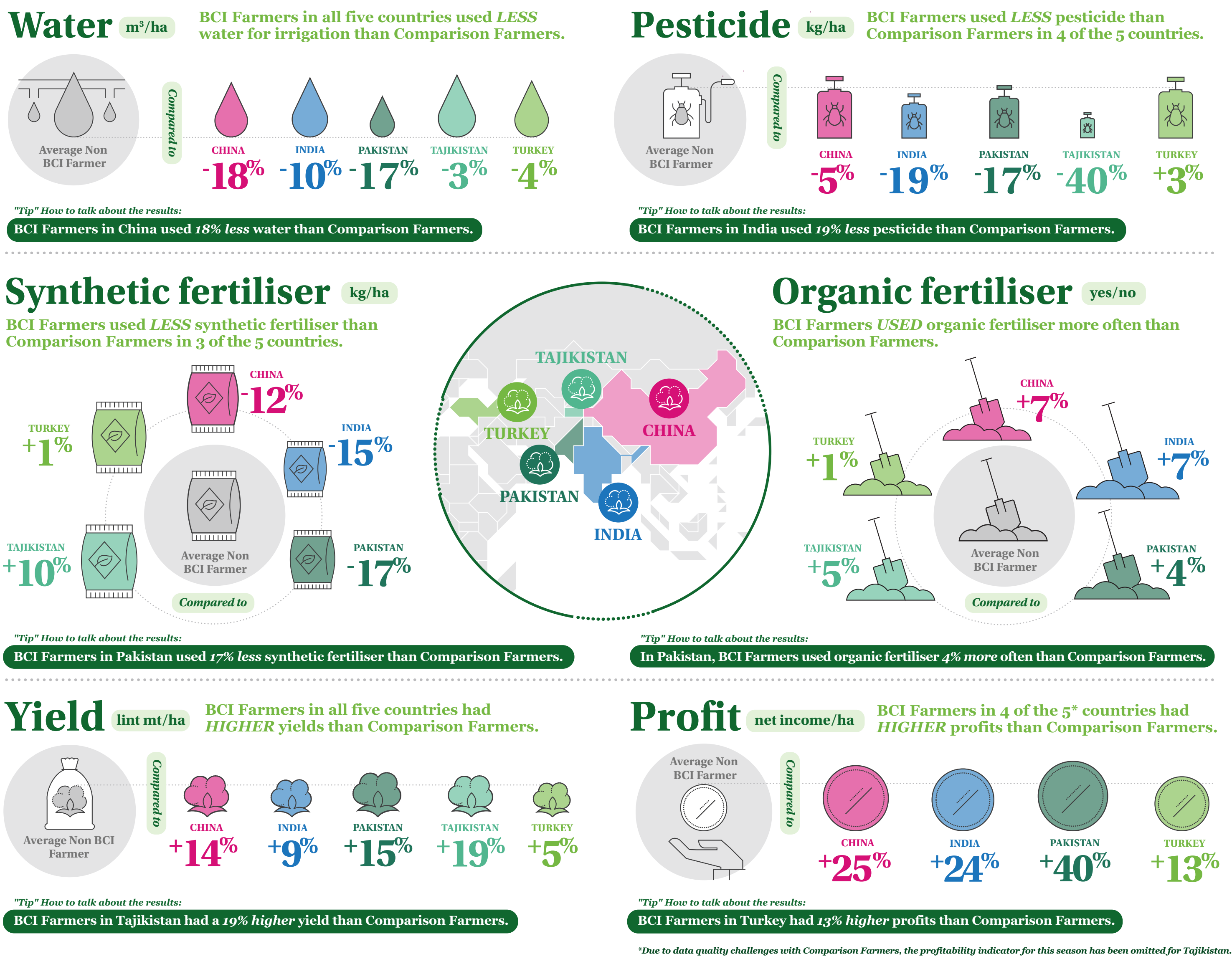


Table 1. Better Cotton Initiative -- Impact
https://bettercotton.org/wp-content/uploads/2019/10/BCI-Farmer-Results_2017-18_Combined.pdf

The Governance of Industry Initiatives

As with Partnerships, the governance of Industry Initiatives is evolving and complex. Most Industry Initiatives have a Board of Directors and a Stakeholder Council/Standards Committee. The Aluminum Stewardship Initiative provides a useful example of such a model. Its Standards Committee is comprised of elected members from its various membership categories:

- Production and Transformation (e.g.: Alcoa, Rio Tinto, etc.)
- Industrial Users (e.g.: BMW, Daimler, Nespresso)
- Civil Society (e.g.: WWF)
- Indigenous People's Advisory Forum

Clarity about the process for revising standards is an important method for assessing governance. This is critical because it is a key juncture for stakeholders to share input. It is also very useful to share meeting notes from Board meetings and at other gatherings where votes are taken.

Some stakeholders have expressed concerns about the credibility of Industry Initiatives and wonder if they are an example of the fox guarding the chicken coop. To address these concerns and to enhance the credibility of industry initiatives, the ISEAL Alliance, a coalition of sustainability standards, has created three Codes of Good Practice for Standard Setting, Assurance and Impact. ISEAL works to ensure that standard-setters meet the 10 Credibility Principles that include sustainability, transparency and truthfulness.

Lessons Learned: Factors That Drive Success

Leverage

One of the key factors that drives the success of Industry Initiatives is the leverage of retailers and public procurers that require membership in Industry Initiatives or adherence to strong codes of conduct. These drivers make participation in Industry Initiatives de riguer.

Cross-industry collaboration

Industry Initiatives are learning from one another to address issues that cut across sectors, such as living wage. A number of the Industry Initiatives collaborate with one another to create common systems and enhance their reach. We also observed that a majority of Industry Initiatives in the database address ESG issues beyond their specific industry risk defined by the SASB materiality map (see Figure 1).

Seniority

One of the key variables for success is having senior people involved in the Partnerships who are able to drive change and commit resources. According to Jane Nelson, an expert on CSR and partnerships, "if you have 20 CEOs from an industry, you can change the industry." The Global System for Mobile Communications and the International Council on Mining and Metals are both examples of organizations with CEO-level leadership.

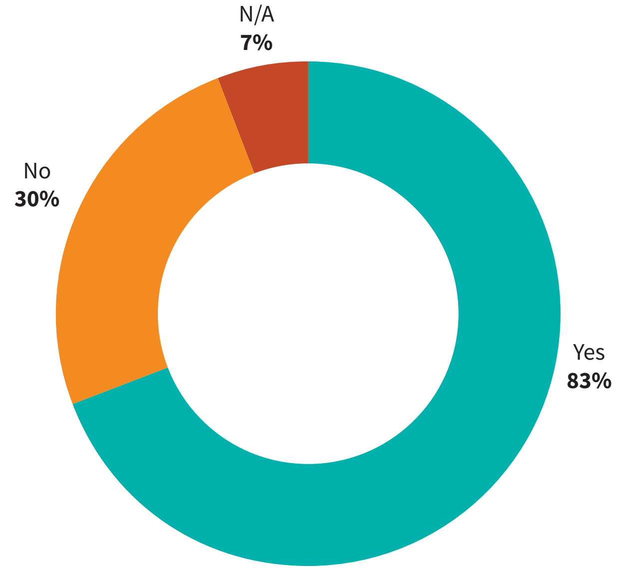


Figure 1. Industry Initiatives tackling ESG issues beyond industry risk

Beyond Industry Risk	Number
Yes	83
No	30
N/A	7

Efficiency

Industry Initiatives can create efficiencies. A single brand is not able to leverage its influence to affect positive change. An example of this is excessive overtime. If one brand cuts orders with the goal of reducing overtime, there is nothing that prevents a factory from accepting orders from other buyers that result in greater use of overtime. While these efficiencies can be created through bilateral dialogues between brands, they are most effective at the multilateral level.[33]

33. Interview with Doug Cahn

Case Studies - Industry Associations

Case Study: Responsible Care

Founded 1985

Geographic reach Global

GICS Sector/Industry Materials/Chemicals

ESG Issues Waste & Hazardous Materials Management

An ethical framework towards a safe, secure and sustainable chemical industry

Founded in 1985 by the Chemistry Industry Association of Canada, Responsible Care is one of the oldest initiatives included in the BLIS database.[xxxi] Originally founded to develop trust with the public and solve regulatory challenges without undermining the full potential of the chemical industry,[xxxii] the industry association did not lose sight of its mission to enhance environmental, health, safety and security performance. Responsible Care has adapted multiple times to its changing environment and has rapidly become a global initiative. In 1988, the American Chemistry Council (ACC) adopted Responsible Care and made compliance with its standards a condition of membership. Since then, RC has created Guiding Principles, systems for open and transparent reporting and mandatory audits. In 2020, Responsible Care is used in 68 countries and continues its expansion to other continents and countries.[xxxiii]

How is Responsible Care driving change?

The chemical industry is a risky sector under many regulatory pressures and incidents it is involved in can have a significant impact on the environment, society and workers. Responsible Care understands the industry risks and actively works on minimizing them.[xxxiv] It is mainly driving change by going beyond legislative and regulatory compliance by enacting various voluntary principles (see Milestones and Achievements map below[xxxv]). In addition, the initiative closely follows developments in the industry and revises its principles, codes or charters. For instance, the Responsible Care Global Charter, which seeks to "harmonize, govern and expand the Responsible Care ethic globally," was reviewed and revised in 2014.[xxxvi] Capacity building has played a key role since 2006 to advance chemical safety and share best practices in the industry.[xxxvii]

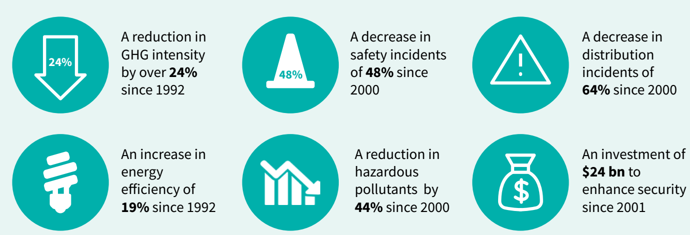
As regulatory environments differ worldwide, each participating country has its own chemical association that is responsible for implementation in that region. The International Council of Chemical Associations and the Responsible Leadership Group monitor and coordinate these activities. In addition, Responsible Care follows a unified approach and cooperates with governments, regulators, the UN Environment, distributors, the Organization for the Prohibition of Chemical Weapons (OPCW) and business.

Members

As of November 2018, the charter was ratified by 580 companies representing 96% of the largest chemical companies in the world.[xxxix] This is a sharp increase compared to 2015, when the 315 signatories represented 80% of the largest chemical companies.[xl] Industry leaders who signed the Global Charter include BASF, Dow and ExxonMobil. In the U.S., every member of the American Chemistry Council must adhere to Responsible Care and commit to open and transparent reporting and undergo mandatory headquarters and facility audits. In addition, each company makes a CEO commitment to Responsible Care. National associations and all signatories to the Global Charter have to report or provide updates on their progress in different ways, such as KPIs.[xli]

Impact

Responsible Care has driven changes in the chemical industry since its foundation and reports impressive results:



In addition, Responsible Care supported 172 capacity-building projects in 46 countries between 2006 and 2020.[xliii]

Case Study: Responsible Business Alliance (RBA)

Founded 2004

Geographic reach Global

GICS Sector/Industry Consumer Discretionary / Household Durables

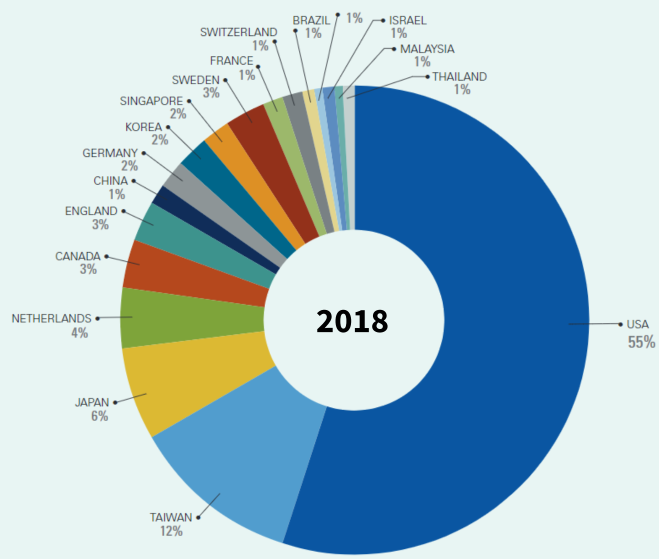
ESG Issues Supply Chain Management, Materials Sourcing & Efficiency

Improving corporate social responsibility in global supply chains

Founded in 2004 by industry leaders, the Responsible Business Alliance (RBA) is "the world's largest industry coalition dedicated to corporate social responsibility in global supply chains."[xliii] The non-profit organization addresses social, environmental and ethical issues in the supply chain of the electronics sector and other sectors using electronics, such as the auto and toy sectors. Originally called the Electronic Industry Citizenship Coalition, the non-profit became the RBA in 2017, as it became clear that companies from outside the traditional electronics sector were eager to join. The RBA aims to improve environmental and working conditions through collaboration as well as standards and practices.[xliv] The vision of the RBA is to promote "a global electronics industry that creates sustainable value for workers, the environment and business."[xlv]

Members

The RBA has more than 160 core members. Nearly 400 companies are members of the RBA and its three initiatives (RMI, RLI and RFI), which together have annual revenues of $7.7 trillion, employ 21.5 million people and source from factories with 3.5 million employees in 120 countries. In 2018, the reach of the initiative significantly increased and members from four new countries joined the initiative.[xlvi] While most of the members are from the U.S. (55 percent), the initiative is global, with members from Taiwan (12%), Japan (6%) and the Netherlands (4%), among many other countries.



RBA Members' Headquarters in 2018

The RBA has four member categories. Full Members are not only required to adhere to the Code of Conduct and pass it down their supply chain, but must also have requirements verified. Supporting Members or Affiliates are just starting the journey. Some Affiliate and Regular Members eventually become Full Members. There are some companies that cannot meet the requirements of a higher membership level but still want their suppliers to comply.

How is the RBA driving change and what is its impact?

The RBA's Code of Conduct has been a unifying force to its member companies in over 120 countries in a wide range of sectors that source electronic products and components. In addition, the RBA provides training and tools to the industry to allow for common systems and frameworks. The initiative engages and collaborates with various stakeholders, such as governments, workers and investors.

The Alliance contains three key initiatives:

- The Responsible Minerals Initiative (RMI)
- The Responsible Labor Initiative (RLI)
- The Responsible Factory Initiative (RFI)

According to an interview with Rob Lederer, the Executive Director of the RBA, the initiative has been able to create a systematic approach to due diligence, which is important to investors and governments. Their risk assessment and audit programs have created a global approach to addressing social, environmental and ethical issues. They have signed letters of intent with governments, including the Government of Malaysia, to address social and environmental issues. In addition, the RBA and its members have had dramatic results, with $40 million in recruitment fees being returned to workers. Passports have also been returned to thousands of workers who were hired under conditions that contribute to forced labor.[xlvii]

The multi-industry Responsible Minerals Initiative (RMI) addresses conflict minerals and has created systems change by developing a system to track traceability down to the source of the minerals, including a mechanism to validate the conformance of smelters and refiners to the Responsible Minerals Assurance Process (RMAP).

The RBA provides extensive capacity building for the sector through the RBA e-Learning Academy and in-person trainings around the world. Through the Validated Assessment Program (VAP), companies can share audit results, which avoids duplication of audits by companies. Over 1000 VAP audits were conducted in 2019.

In addition, the RBA continues to expand its requirements through continuous improvement. For example, cobalt was recently added to the list of minerals for which procedures need to be followed through the Responsible Minerals Initiative. Ethical recruitment has also been added as an important component of the work of the RBA.

Corporate involvement

The RBA is a total supply chain initiative, which means that member companies need to adopt the Code of Conduct throughout the next tier of the supply chain, at a minimum.

Governance

The RBA is governed by a Board of Directors, composed of corporate members. A Secretariat is composed of an Executive Director and staff based in North America, Asia and Europe. A Senior Executive Advisory Council also plays a role in advising the RBA. The RBA Code of Conduct is reviewed and updated every three years.

Case Study: Forest Stewardship Council (FSC)

Founded 1994

Geographic reach Global

GICS Sector/Industry Materials – Paper and Forest Products

ESG Issues Ecological Impacts, Human Rights & Community Relations, Labor Practices

Labeling sustainability

For 26 years, the FSC has used certification to mobilize the power of markets to protect forests. Today, the FSC has become the world's most respected and widespread forest certification system.[xlviii] The FSC has developed ten principles for companies to follow to promote the conservation of forests. The FSC labels appear on a wide range of products from wood, paper and textiles to rubber products such as latex. The FSC labels ensure that products are environmentally appropriate, socially beneficial and economically viable, ensuring equitable access to benefits.

How is the FSC driving change?

There are three types of labels connected to the FSC: FSC 100% indicates that the wood comes from entirely FSC-certified forests, FSC Recycled means that all the wood or paper in the product comes from reclaimed or re-used materials and FSC Mix denotes that wood used within a product is from FSC-certified forests, from recycled materials or controlled wood. These types of products cannot be from wood that is:

- Illegally harvested
- Harvested in violation of civil or traditional rights
- Harvested in forests where high conservation values are threatened
- Harvested in forests being converted to plantations or non-forest use
- Harvested in forests where genetically modified trees are planted
- The FSC accredits certifiers rather than issuing its own certifications. These accreditations are:
- Forest Management Certification
- Chain of Custody Certification
- Certification Body Accreditation

The FSC works with an independent third-party organization, Assurance Services International (ASI), which checks that FSC-certified bodies are in compliance. Both the FSC and ASI are members of the ISEAL Alliance, which provides standards on accreditation. Certification bodies can be suspended or terminated if non-conformances are not remedied. Amid the COVID-19 pandemic, the FSC collaborated with many organizations, including industry associations. Amid the COVID-19 pandemic, the FSC joined the Green Recovery Alliance.[xlix]

Impact

In almost ten years, the FSC has managed to more than double the number of hectares of forest overseen by FSC standards, from 100 million in 2008[l] to 209 million in 2019.[li] In order to assess its impact, the FSC has a monitoring and evaluation system based on the FSC Theory of Change, which identifies intended and unintended effects of the FSC system. The FSC also monitors and lists independent research that points at the impact of the FSC.

Some important findings in the 2016 FSC Monitoring and Evaluation Report are:[lii]

- A 2015 WWF study, which looked at 11 forestry entities operating across four continents, found that, on average, the 11 companies earned an extra US$1.80 for every cubic meter of FSC-certified roundwood (or equivalent) due to financial incentives such as price premiums and increased efficiencies.
- When comparing two adjacent forest management units in Malaysia – one FSC-certified since 1997 and the other practicing unsustainable logging – WWF found that the asset value per hectare was twice as high for the FSC-certified unit as the neighboring noncertified unit. According to WWF, companies see benefits of the FSC because it assures a more sustainable resource base over the long term, given that certification encourages herbicide and chemical use reduction, good waste management and effective biological inventories.
- The FSC requirements to block and guard roads can reduce poaching and ensure the protection of fruiting trees, leading to a benefit to apes such as gorillas, chimpanzees and bonobos.
- The establishment of “social contracts” is “characteristic of responsibly managed concessions, especially those certified by the FSC.”
- Over a 15 years period in the Brazilian region of Paragominas, FSC-certified and conventionally logged forests were logged only once, a significant reduction when compared to forests with undefined logging practices, which were logged almost three times.
- FSC certification in Russia was linked to the incorporation of global norms into political discussion at the local level. Requirements for FSC certification and NGO pressure forced companies to adopt a closer relationship with local communities.

Moreover, an independent review of over 30 studies of FSC forests showed a positive impact on fauna as well, especially for vulnerable species.[liii]

BIOME	CATEGORIES	DEGREE OF IMPACT (Estimated)								
		Negative			Neutral			Positive		
		-1	-0,75	-0,5	-0,25	0	0,25	0,5	0,75	1
Boreal	FLORA					3	5	3*	5*	
	FAUNA									
	ECOSYSTEM SERVICES							1		
Temperate	FLORA					1			1	
	FAUNA								1	
	ECOSYSTEM SERVICES			1				1	1	
Tropical	FLORA			1		2	2	2	9	
	FAUNA							2	8	
	ECOSYSTEM SERVICES					1	1	2	2	

Table 2. From the research: This table shows the overall scores of the FSC for the indicators analyzed in each category (Flora, Fauna, and Ecosystem Services), in three biomes.

Membership and corporate involvement

FSC members can be either individuals or organizations. Currently, there are 1168 international members in 90 countries. Members apply to join one of three chambers (social, environmental or economic), which are further divided into Northern and Southern subchambers. Members agree to not engage in illegal logging or use genetically modified materials, and a wide range of other commitments.[liv] In addition, corporations can opt for different types of certifications.

Governance

The FSC is a non-governmental organization (NGO) and a membership organization. The General Assembly is the primary decision-making process and is held every three years. Delegates to the General Assembly include certification bodies, certificate holders, union representatives, NGOs and observers. Only members can vote.

The North and South each hold 50% of the vote. In addition, there is a Board of Directors composed of 12 individuals who are elected to 4-year terms. FSC International is composed of FSC AC, which is based in Mexico, and FSC International Center GMBH and the FSC Global Development GMBH, both located in Germany.

Challenges facing the FSC

Some of the challenges facing the FSC are quality, relevance, credibility and impact. According to Kim Carstensen, Director General at the FSC, the first three are inter-connected – "one can't move on one without moving the others:"[lv]

Quality: "We trust it's good and we accept that it's not perfect." The level of quality is constantly challenged, as some companies feel they cannot meet the high bar. For example: "should we allow the certification of converted forests? Our policy is that if it's been converted since 1994, it cannot be certified unless the owner can prove that he/she was not involved in destroying forest."

Relevance: It can be difficult for small holders to access FSC systems as it is hard to audit half a hectare. They are working to make the FSC more relevant to small holders. In addition, they are also trying to reward companies for continuous improvement – especially in cases where it may take 5 years to become compliant. According to Kim Carstensen, "there should be some rewards up front, rewards for commitment, rewards from the start." The FSC works with partners to create financial incentives, for example from governments.

Credibility: The FSC is well-known in the marketplace and that has led to some problems with fraud. For instance, they found problems with charcoal in Poland and Ukraine that had been mixed with other charcoal that was not certifiable.

Impact: They recognize that it is important to document achievement.

In the midst of the pandemic, the FSC also faces audit challenges, as those cannot be conducted on an immediate term. They are looking at ways to innovate, such as doing audits remotely, using drones and other types of technologies for meetings, rather than requiring in-person audits. Another issue arising from the pandemic is the surge in demand for personal protective equipment and toilet paper, which puts pressure on suppliers who are certified.[lvi]

Case Study: Sustainable Apparel Coalition (SAC)

Founded 2010

Geographic reach Global

GICS Sector/Industry Textiles, Apparel & Luxury Goods

ESG Issues Supply Chain Management, Labor Practices

A green fashion trend

The SAC is a network of apparel, footwear and textile companies working in partnership with civil society to address both social and environmental issues in their sectors. The Coalition seeks to create “an apparel, footwear, and textile industry that produces no unnecessary environmental harm and has a positive impact on the people and communities associated with its activities.”[lvii] The SAC’s goal is to deliver standardized value chain measurement to key decision makers in the apparel, footwear and textile industries to improve sustainability performance and increase environmental and social transparency. The Coalition had an unlikely beginning. In 2009, the CEOs of Patagonia and Walmart wrote a joint letter to CEOs of global companies to suggest the creation of an index. Today, the SAC’s Higg Index addresses a wide range of environmental issues including water, deforestation and animal welfare, and social issues such as health and safety, child labor, and bribery and corruption. In addition, the tools in the Higg Index measure social and environmental impacts across the value chain.[lviii]

How is the SAC driving change?

The Higg Index is the most important development of the SAC, as it is a suite of tools that enables and promotes transparency from brands, retailers and manufacturers.[lix] It provides tools for companies to develop scores that drive comparable and clear information about the industry and empowers them to improve the environment, local communities and the well-being of workers. The index entails the following tools:

- **Product tools:** can be applied during the product design stage as well as afterwards to predict or assess the impact of products on the environment. The tools are the Materials Sustainability Index, the Design & Development Module and the Product Module.[lx]

- **Facility tools:** measure the impact at facilities or suppliers and allow comparisons between peers. Facilities are evaluated once per year by assessors verified by the SAC and the tools give them guidelines for improvements. It includes the Environmental and Social & Labor Modules.[lxi]
- **Brand tools:** assess the life cycle stages of a product as it goes through a company's operations, identifying sustainability risks and impacts. It includes management systems, packaging, retail stores, transportation, distribution centers and others.[lxii]

The SAC is currently working on creating verification programs for all tools.

The impact of the tools

Over 14,000 facilities use the SAC tools to measure inputs. Some companies, such as C&A, have replaced their own internal auditing systems in favor of the Higgs facility modules.

Members' use cases show the impact of the tool, for instance:

- Prosperity Textiles, a China-based company, reports using the Higg Facility Environmental Module to review the results of its wastewater projects. It determined that critical metrics were significantly better at the facility than those set by Chinese national standards.[lxiii]
- An India-based company, Pratibha Syntex, has used the Higg Facility Environmental Module for years to measure the environmental impact of its value chain operations. By implementing the Index, it found it had enough data to baseline energy consumption in 2016 and set reduction targets. Its 2017 Higg self-assessment indicated a decrease in energy consumption of 8% per garment produced, compared to 2016.
- French company Salomon uses the Higg Materials Sustainability Index to track the impacts of the raw materials used in its footwear. By teaching major suppliers to enter and share information about materials through the Higg MSI, the company is building its own materials library with a goal to give all new products an environmental performance score by 2025.[lxiv]

According to a member, *"With the Higg Index, you get collective direction and harmonized, aggregated results. What is our overall supply chain footprint? What are all the products that make up that footprint? How do we prioritize potential opportunities to make these products in a better way to lower their footprint? If the entire industry works in that way, then we can set long-term strategic goals to make collective improvements and have significant meaningful change."*

According to a long-term expert on human rights in the workplace, *"the Higg Index is a great tool but then it is only as good as it is used to drive environmental improvements, both at the brand and the factory level. The SAC as an initiative will succeed to the extent that the brands and retailers who join will be willing to collaborate with competitors in meaningful ways and at the same time leverage their commercial relationships to drive improvements."*

Members

Over 200 companies have membership in the SAC, with global revenues totaling over $500 billion (2016).[lxvi] Members include brands and retailers, manufacturing companies, governments, NGOs, academics, Performance Improvement Partners, such as McKinsey & Co, and others. Importantly, all levels of the supply chain are involved, including small and medium-sized enterprises.

Challenges facing the SAC

One of the challenges facing the SAC is improving consumer-facing communications. While the Coalition has millions of data points, it is difficult to determine the right level of detail to share with consumers. According to the SAC's Executive Director Amina Razvi, it is a challenge to "display a complex issue in ways that are credible, trustworthy and decision-ready."[lxvii]

According to an executive from an upscale clothing company, one of the challenges moving forward for current measurement systems is that they are focused on incremental change rather than transformational change or the regeneration that many stakeholders are now seeking. For example, companies typically report on levels of carbon emitted and how that compares with the previous year. While this is useful, it fails to show how the company is improving lives and making a difference on a broader scale. The focus should not be just on net decreases in carbon and enhancing water quality. Another concern is the lack of data on gender dynamics. While companies report on the number of women in the supply chain, they are not reporting on how women's wages compare to the wages of men and how job roles are allocated between men and women. Brands also get more credit for using fabrics than can be recycled – such as polyester – rather than natural fabrics, which are more regenerative.

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The **High Meadows Institute** is focused on the role of business leadership in society. Our mission is to contribute to sustainable economic and social progress in a global economy and society. The High Meadows Institute was founded in 2013 by a small group of senior business and finance leaders with deep experience in the private and non-profit sectors. The Institute works in close partnership with other leading think tanks and academic and business organizations to advance its mission.

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