



How Business Leads: A New Playbook for Sustainable Business in the United States

SEPTEMBER 2017

Introduction

In February and July 2017, BSR convened business leaders from global companies headquartered in the U.S. to explore the changing landscape for sustainable business and discuss potential company responses. The new landscape results from both underlying shifts in the economy, such as demographic change, automation, and new energy systems, and also from near-term political volatility, such as the new U.S. administration, the polarized political system, and the retreat into protectionism and economic nationalism taking place in many other countries.

During these discussions, participants raised four key perspectives about the role of sustainable business in the United States today:

- » **Sustainability enhances competitiveness:** The connections between sustainability, business success, and economic growth in the U.S. are strengthening. The short-, medium-, and long-term competitiveness of the U.S. economy requires investment in sustainable business models, technologies, and products.
- » **Business is staying the course:** For the most part, sustainable business leaders are “staying the course” on sustainability. They can continue to do that by reinforcing commitments to meaningful business action on climate change, human rights, and the UN Sustainable Developments Goals (SDGs).
- » **Business must demonstrate the relevance and benefits of sustainability to the public:** It is essential that sustainable business leaders become more effective at connecting sustainability challenges with priorities that resonate with the general public, through innovation, employment, and competitiveness.
- » **Sustainable business leaders can shape effective public policy frameworks:** Sustainable business leaders have a unique opportunity to shape the public policy and regulatory frameworks that will support the long-term success of sustainable business and the U.S. economy. By directly connecting sustainability to business success, sustainable business leaders can help bridge the political divide with a shared vision for U.S. economic prosperity.

The participants concluded that today’s unique political landscape, while threatening to interfere with progress on sustainable business on the surface, presents a unique opportunity to redefine the future of sustainable business. This playbook proposes a framework for sustainable business leaders to succeed in the current U.S. economic and political context—both as individual companies and in collaboration with each other and stakeholders.

A Playbook for Sustainable Business in the United States

To meet this moment, we believe that the elements described below should define company approaches to sustainability, with an emphasis on the intersection of underlying global trends and the unique circumstances present in the United States today. This playbook is intended to provide a North Star in turbulent times. We hope it offers a way to ensure that crucial stakeholders—especially a company’s employees and public officials—are clear about why business continues to see sustainability as an essential element of strategy.

We should also note that the political implications of the Trump administration, and the business response, are evolving rapidly, with an unusual degree of unpredictability. Despite Washington’s political upheaval, however, it has become increasingly clear during the first half of 2017 that there is substantial continuity of company efforts to advance sustainability. In preparing this playbook, we used insights from public and private dialogues that have taken place during the first few months of the new administration on matters directly and indirectly related to sustainability, and much of this reinforces the approaches developed in our convenings.

The core elements of this playbook are as follows:

- » Maintain and increase sustainability commitments.
- » Demonstrate the link between sustainability, value creation, and jobs.
- » Uphold principles and values.
- » Develop coalitions to advance progress.
- » Support public policy initiatives at the local, state, and national levels to advance sustainable business.

We have no doubt that each company will deploy approaches tailored to their specific circumstances.

MAINTAIN AND INCREASE SUSTAINABILITY COMMITMENTS

There is widespread evidence that companies are maintaining their sustainability commitments, despite political developments challenging progress on issues such as climate change and human rights. Some companies are not only maintaining commitments; they are increasing them. Examples include Walmart’s Gigaton Project, through which the company aims to remove one gigaton of emissions by 2030 by working with its supply chain, and HPE’s aim to avoid 100 million tons of emissions by requiring 80 percent of its manufacturing suppliers to set science-based emissions-reduction targets.

Moreover, the business community’s rapid and nearly universal response to the United States’ announcement of its intention to withdraw from the Paris Agreement—as well as interventions at the highest levels prior to the announcement—demonstrates the private sector’s high degree of commitment to climate action. The large number of companies already signed up to the We Are Still In network is also evidence of this.

Currently, continued commitments appear to be particularly important for the topics described below, although priorities will vary among different industry sectors and companies. In some of these areas, increased commitment will be the order of the day, given the importance of business taking a leadership role in the absence of government.

These topics are:

- » **Climate and energy:** Companies should continue to embrace science-based targets, enabled by carbon emissions reductions, expanded use of renewable energy, and closer engagement with supply chain partners to enable large-scale carbon reductions. There is much business can do, and is doing, to deliver the low-carbon investments that would ensure the United States meets its Paris Agreement commitments, even if the country ultimately withdraws from the Agreement. There is also an opportunity to focus on climate resilience, the public relevance of which is real, local, and immediately understandable. This may open new prospects for action, despite Washington's political environment. Green infrastructure is less contentious politically than other aspects of climate, and as extreme weather events, temperature changes, droughts, and floods become more common, business can play an important role in providing the electricity, transportation, agriculture, and water systems that are needed to address these new challenges.
- » **Respect for human rights:** By applying the UN Guiding Principles on Business and Human Rights, business leaders can position their social policy choices (on issues such as LGBTQ rights, immigration, and privacy) as decisions that are derived from international principles and values, rather than from partisan politics and alliances. And much like speaking out in favor of the Paris Agreement, it is important for companies to emphasize the business importance of the United States continuing to speak up in favor of international human rights as part of its foreign policy strategy. At the same time, there are emerging issues around new technologies (such as artificial intelligence, big data analytics, and the internet of things) that raise important new human rights challenges. Increased attention to these questions will be an important part of the sustainable business landscape.
- » **Women's empowerment and equal pay:** Companies can continue to pay considerable attention to issues related to gender equity in the workplace, such as board composition, pay equity, career advancement, and efforts to combat harassment in the workplace. These efforts can be based on both the strong business case for gender equity—such as improved decision-making and productivity—and the moral case that investing in women is the right thing to do.
- » **Capital market rules that respect and take account for long-term value creation:** In the near term, it is highly unlikely that the U.S. Securities and Exchange Commission will require increased sustainability disclosures or embrace other new disclosure models, such as integrated reporting. However, companies can increase disclosure on material sustainability topics in their Form 10-Ks, and they can implement the recommendations of the Financial Stability Board's Task Force on Climate-related Financial Disclosures. In doing so, companies will improve investor analysis of matters traditionally considered to be "nonfinancial information," and address the dysfunction that exists on sustainability issues in capital markets today. Companies should anticipate that investors and other stakeholders will continue to raise expectations on the relationship between sustainability and value creation, and also that boards will pay closer attention to sustainability matters, given their increasingly material relevance to business success.
- » **Supply chain labor practices:** Companies should anticipate little release on these issues, which, for the most part, have not been driven by Washington policy. There are emerging issues tied to legislation on human trafficking in states (California) and other jurisdictions (the United Kingdom and Australia), and a broad supply chain due diligence law applying to large French-headquartered companies. Heightened attention to how many products are made in America will also exert pressure on companies to demonstrate that their global manufacturing and sourcing models are politically palatable. In addition, changing

manufacturing models (such as automation and additive manufacturing) will present new supply chain labor challenges, and new information technologies enabling greater transparency and worker voice will continue to reshape the landscape.

- » **SDGs:** Many companies are identifying opportunities to contribute to the achievement of the SDGs. Companies operating in the United States can pay special attention to which of the 169 SDG targets should be the highest priority in America. This could include, for instance, increasing the number of youth and adults who have relevant technical and vocational skills for decent jobs in SDG 4, or upgrading infrastructure in SDG 9. Companies should integrate action on these targets into their U.S.-focused sustainability programs.
- » **Transparency:** There have been initial signs of a U.S. policy draw back on corporate transparency, with a retreat from Dodd-Frank (for example, on payments to governments by extractives companies, conflict minerals, and pay ratios), and rumors of an American withdrawal from the Extractive Industries Transparency Initiative. In this context, many companies can publicly express their intention to maintain their commitments, regardless of whether regulatory requirements remain in place. Transparency is also a “meta-issue” that, regardless of public policy changes, is considered a foundational element of a commitment to sustainability.
- » **Business ethics and anti-corruption:** It is important for U.S. companies to maintain an exemplary commitment to business ethics, integrity, and anti-corruption efforts. U.S. companies should also reinforce the narrative that these commitments are a competitive advantage, not a burden.

Tying these sustainability commitments together are an attachment to universal values, a global outlook, and a recognition that many of the long-term trends shaping the operating context for business—automation, energy systems, and disruptive technologies—are enabled and constrained by science. Rather than shifting with the rapidly evolving political landscape, it is important that sustainable business leaders stay true to factors that were prominent long before the current political climate took hold. These factors will remain critical long after politics change again.

Another underlying theme is the importance of the U.S. government expressing its commitment to widely supported international frameworks, such as the Paris Agreement, the SDGs, and the Guiding Principles. Business has an important role to play in emphasizing the significance of these global commitments to the commercial success of American companies. It will be critical for CEOs, boards, and industry coalitions to demonstrate leadership by highlighting this message.

DEMONSTRATE THE LINK BETWEEN SUSTAINABILITY, VALUE CREATION, AND JOBS

There is considerable opportunity to elevate the importance of sustainability as an enabler of business strategy, value creation, and quality jobs. Despite the intense focus on short-term political dramas, extremely significant changes are reshaping business and the wider economy, and attention to the sustainability implications of these changes is crucial. There are four important angles to this business and economic case for sustainability:

- » **Ensure that quality jobs are generated in the era of automation:** There is little doubt that the nature of work is changing, and while there are multiple drivers of change, increased automation is a core element. While it is not yet clear whether automation will result in less work, more work, different work, or, more likely, a combination of all three, it is clear that a thriving economy depends on ensuring that people and

communities are able to make a transition that preserves and enhances income, quality of life, and security for the longer term. Businesses can take many steps to promote and enable skill development and reasonable transitions for workers, and to find ways to balance new employment models that help people thrive in more automated work environments. Creating good jobs (defined by the OECD as earnings quality, job security, and the quality of working life) is important to the economic and political future of the United States and other mature economies, and companies can help ensure that workforce transformations of the future distribute positive impacts more evenly. Studying the evolving impact of automation over time and adjusting strategies accordingly will be especially important.

- » **Invest in resilient and sustainable infrastructure:** There is an opportunity to develop political consensus on infrastructure development. The sustainability community can influence how this infrastructure is developed by applying principles of climate resilience in terms of design, materials, and siting. There ought to be a drive to build infrastructure (such as electricity, transportation, agriculture, and water systems) that responds to climate modeling for the second half of the 21st century. The insurance industry has an especially important role to play—and a business interest in embracing that role—in shaping the resilient and sustainable infrastructure developments of the future.

- » **Create the green and low-carbon jobs of the future:** There is considerable evidence that employment is growing rapidly and significantly in areas such as renewable energy and energy efficiency. According to the U.S. Department of Energy, renewable energy jobs in electric power generation reached 572,881 in 2016—more than oil and gas (101,082) and coal mining (86,035). Companies in all sectors are therefore contributing to the development of new jobs as they expand their purchase of renewable energy. In addition to renewables, employment in energy efficiency is also booming, with 2.2 million Americans employed in the design, installation, or manufacturing of energy-efficient products or services.

- » **Invest in U.S. regions that need employment and economic opportunity:** There are opportunities for business to invest in communities that are most vulnerable to economic decline, or which have already been experiencing such decline. The angles referenced above—quality jobs in the era of automation, sustainable infrastructure, and green jobs—can all be targeted at the U.S. regions most in need of the next generation of economic opportunity and success. This emphasis on local economic development in vulnerable communities is especially important, as the communities that stand to benefit from the green jobs of the future are not necessarily the same communities that are losing out from major economic transitions.

An essential theme for this section is proactively establishing the mutually reinforcing link between sustainability, the business success of individual companies, and the long-term economic success of the United States. These links won't be established automatically; they require a deliberate investment from the business community in new business models and approaches to value creation. While priorities will vary among different industry sectors and companies, understanding the collective whole will be important.

UPHOLD PRINCIPLES AND VALUES

In today's political climate, many businesses have chosen to make statements reinforcing their core values and principles. While some companies have been cautious as the new political environment emerges, there has been a flowering of business statements in support of core principles and targeted populations, as well as private dialogue behind the scenes. Whether and how companies engage varies widely, based on a diverse range of factors, including business model, employee base, government affairs agenda, and also the discretion of senior executives.

Regardless, a range of principles are generally common to most companies, and companies and individual leaders can unite around ideals such as the respectful treatment of all people, open societies and open borders, maintaining a global outlook, the wise use of natural resources, science-based approaches, and a commitment to transparency. Key international agreements—such as the SDGs, Women’s Empowerment Principles, and the Guiding Principles—provide touchstones for a business agenda to defend principles and values. Opportunities include:

- » **Communicating internally about the company’s mission, vision, and values:** This can include examples of how these are being applied throughout the business, in areas such as the equal treatment of employees, investments in quality jobs, or ongoing sustainability commitments.
- » **Identifying opportunities for CEO and senior executive statements and/or speeches to reinforce values publicly:** A recent Povaddo LLC survey of nearly 1,300 U.S. employees of Fortune 1000 companies found strong support for employer environmental and social action across age, gender, region, employment level, ethnicity, income, and company size, with little real difference between red and blue states. For example, 65 percent of employees (including 56 percent of Trump supporters) said they wanted their companies and CEOs to publicly support renewable energy efforts.
- » **Examining opportunities for social investment capital to be deployed in ways that meet current needs in communities:** This can include partnerships with civil society organizations (especially those focused on underserved communities in need of economic regeneration) or organizations focused on increasing economic opportunities for vulnerable populations.
- » **Exerting policy influence to reinforce the importance of U.S. government engagement on sustainability issues:** Important priorities for continued international engagement include human rights, rule of law, women’s empowerment, freedom of expression, and support for civil society. Business leaders have an opportunity to emphasize the importance of this engagement to the global commercial success of American companies. This engagement can take the form of private dialogue in addition to, or instead of, public statements.

DEVELOP COALITIONS TO ADVANCE PROGRESS

In the current political environment, many companies have made it clear that there is renewed attention to coalitions. Not only do coalitions ensure that no business is singled out for appearing to oppose political leaders, they enable broader and deeper impact. There are many examples of companies banding together on various issues. Notably, many technology companies and others stated their opposition to the initial executive order on immigration and demonstrated their continued support for the U.S. Clean Power Plan. We believe that when a “coalition of the willing” comes together to express a viewpoint on the intersection of public policy and key sustainability issues, this approach is both more effective and can mitigate the risk of conflict with policymakers.

For example, several climate change coalitions emerged during the first six months of the new administration. These include the We Are Still In network, which declared continued action on climate change in the absence of federal leadership; the America’s Pledge effort to tally the climate actions of states, cities, colleges, and businesses to submit to the United Nations a package of what non-federal actors can contribute to the climate change response; and the Climate Leadership Council effort to promote a carbon tax and dividends framework. Several complementary coalitions could emerge over time, such as coalitions of cities, states, and companies

supporting investments in resilient and sustainable infrastructure or opposing regulatory changes that are inconsistent with climate action.

Coalitions need not be limited to climate change, and could be formed to advance other important sustainable business priorities. These might include emphasizing the important role played by the U.S. government in defending human rights, decent labor, and high standards of business integrity on the global stage, or collaborations to support quality jobs in the era of automation.

Coalitions also reinforce the value of collaboration in the context of political leadership that has been opposed to multilateralism. This issue is of direct commercial interest for business: The shift away from multilateral trade arrangements and the lack of U.S. support in G20 meetings for an open trading system has the potential to interfere with the market rules upon which American businesses depend. Business has a key role to play in showing the value of an open, collaborative international architecture, and collaborations on sustainability issues are one powerful example of how this can be demonstrated.

SUPPORT PUBLIC POLICY INITIATIVES AT THE LOCAL, STATE, AND NATIONAL LEVELS TO ADVANCE SUSTAINABLE BUSINESS

In the first half of 2017, we have seen multiple examples of business leaders engaging on public policy questions relevant to sustainability. Despite a broad sense that some degree of caution is warranted in an uncertain environment, companies have engaged on climate, transparency, immigration, and other topics.

For example, many companies urged the Trump administration to keep the United States in the Paris Agreement. They used a range of methods, including open letters, newspaper advertisements, and direct engagement at the highest levels. GE published a blog from then Chairman and CEO Jeff Immelt stating support for continued action on climate change, and several tech companies (such as Google, Apple, Microsoft, and Amazon) made clear their interest in expanding purchases of renewable energy. CEOs of companies such as Lockheed Martin, Dow Chemical, and GM all expressed support for continued constructive engagement in climate policy, and, at the time of this writing, the We Are Still In network had obtained support from more than 1,500 companies of all sizes.

In the current environment, companies have a diverse array of approaches to public policy on sustainable business issues available to them, especially given the meaningful policy innovations underway at the U.S. city and state level and in important jurisdictions outside the United States. This presents multiple challenges for companies committed to sustainability, but it also creates opportunities for public policy innovation and new public policy coalitions, including the use of the business voice to promote public policy frameworks that strengthen the relationship between commercial success and the achievement of a just and sustainable world for all.

Amid the policy flux, there is an opportunity for business to identify which policy frameworks are most desirable for the long term, and consider how these frameworks can be enacted in practice. There are opportunities to reimagine public policy in three ways:

- » **New public policy visions:** It would be wrong to assume that 2016 was the perfect moment in time for sustainable business and public policy. Rather than seeking to turn the clock back to 2016, companies can promote the development of fresh public policy frameworks that are more supportive of sustainable business. These new frameworks should be capable of harnessing cross-party support, and they should enable the long-term investments required for sustainable business success. As previous policies and

regulations are dismantled, there is an opening to envision new, more robust approaches that incorporate lessons from previous failures and reduce policy volatility and uncertainty.

- » **New public policy coalitions:** Sustainable business efforts do not exist in isolation, but are closely connected with other entities and sectors—such as civil society organizations, customers, investors, academics, and communities—that also have a deep interest in sustainable business success. Collaboration across sectors is essential, and this opens opportunities for new public policy coalitions with like-minded companies and external stakeholders with overlapping priorities. The success of the We Mean Business coalition on climate change could be replicated in other spheres.

- » **New public policy spaces:** The changing importance of Washington in the near term presents a need and an opportunity to increase focus on U.S. city and state governments, as well as international jurisdictions. Signature federal policy initiatives (such as affordable health care and energy policy) are often modeled after local, city, and state experiments, so now is the time to experiment with new policy frameworks, test new ideas, and seek new approaches that offer opportunities for scale later. That said, while there will be significant policy action at the U.S. city and state level, companies have a very strong interest in avoiding a patchwork of regulations, and efforts will be needed to ensure consistency and ease of implementation.

This approach can be taken across a range of important policy spheres where change is accelerating, including energy and climate change, environmental protection, employment, human rights, and business transparency. A critical precondition of this approach is alignment with and consistency between company sustainability and government affairs agendas. This will require both increased policy sophistication on the part of sustainability teams and increased sustainability awareness on the part of government affairs teams. It will require a commitment to prioritizing what is right for sustainable business in the long term, rather than being tempted by narrow or short-term commercial gains.

It is noteworthy that public policy efforts since the election of the new administration have been both public and private. There is little doubt that companies will give equally careful consideration when it comes to *how* and *whether* to engage. We believe that over time, stakeholders—very much including employees and NGOs—will look to businesses to see if they are taking responsible and consistent approaches to public policy engagement.

Regardless, there are several examples of vehicles companies can use to express a viewpoint on key policy questions related to sustainability:

- » Engagement through mechanisms that may replace the various CEO councils previously organized by the White House, recognizing the quasi-public nature of these engagements.

- » Work with state and local governments, many of which are focused on employment, infrastructure, and energy issues, and with a less ideological element than is found in Washington.

- » Constructive use of business associations, recognizing that many of these have been reticent to embrace sustainability issues with any degree of ambition.

Putting the Playbook into Action

This playbook will no doubt evolve as political events unfold. Enacting the playbook will involve coordination within the company, with other businesses, and also with other key actors (e.g., external stakeholders, communities, and public officials). Some elements of the playbook, particularly sustaining commitments, may be led by sustainability leaders, but the rest demand deep collaboration with other parts of the business. The leadership role played by CEOs, chairs, and boards will be especially important.

The elements of the playbook touch on multiple business decisions, including the following:

- » Strategy development
- » Capital allocation (e.g., siting decisions)
- » Investor relations (focus on long-term value creation)
- » Community investments
- » Procurement strategies (buy local)
- » Government affairs
- » Human resources

Alignment will be needed between the priorities of sustainability and government affairs functions, and the business case for sustainable development needs to be shared among investor relations, strategy, and sustainability teams. New alliances and coalitions will need to be built, be they policy-specific, such as advocating for a carbon tax, or broad, such as promoting principles for an inclusive economy. Most of all, this playbook relies on business developing its narrative and using its voice, either behind the scenes or publicly.

ABOUT THIS PLAYBOOK

This playbook was written by BSR between February and July 2017. BSR maintains a policy of not acting as a representative of its membership, so the views expressed in this publication do not necessarily reflect those of BSR members.

This playbook was informed by extensive discussions with companies with significant manufacturing, employment, and supply chain presence in the United States. These discussions were made possible with generous funding from Hewlett Packard Enterprise.

ABOUT BSR

BSR is a global nonprofit organization that works with its network of more than 250 member companies and other partners to build a just and sustainable world. From its offices in Asia, Europe, and North America, BSR develops sustainable business strategies and solutions through consulting, research, and cross-sector collaboration. Visit www.bsr.org for more information about BSR's 25 years of leadership in sustainability.

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