TOP 10 STAKEHOLDER ENGAGEMENT TRENDS OF 2018
How do we make the sustainability movement sustainable?

This is a question at the heart of our mission at Future 500, and the theme of our Top Ten Stakeholder Engagement Trends report, now in its seventh edition. Each year, our team pools insights from our diverse stakeholder network to paint a vivid picture of the coming year in sustainability. Our goal for the reader is to view these trends not in a silo, but as parts of an evolving system of environmental, social and economic drivers — with real-world stakeholders at its foundation.

Last year demonstrated how sensitive to disruption this system can be. Flourishing digital economies opened new avenues of research, developed sustainable products and innovative advocacy campaigns — and deepened political and socioeconomic divides. Climate change and renewable energy are rising social issues thanks in part to advancements in research and data technology. National politics passed the buck to the private sector on most environmental issues, creating both greater awareness and historic demand for corporate transparency.

Indeed, inaction on the part of the United States government has mobilized citizens on every level — local, global and corporate — as the new leaders in our sustainable future. From Pittsburgh to Paris, state and local governments have aligned themselves with the Paris climate agreement and the United Nations’ Sustainable Development Goals to roll out ambitious environmental and social initiatives. And the business sector has followed suit — companies have quickly adapted the SDG framework and COP21 goals for their core strategies.

All of this makes 2018 a crucial starting point for the corporate sustainability road map. Greater visibility means a broader stakeholder audience along the supply chain — with diverse expectations and aggressive means for holding companies to their commitments. As we discussed in last year’s report, stakeholders now expect ‘sustainability’ beyond the walls of corporate HQs.” Brands spent the better part of 2017 learning how far this goes. Ask any of the energy firms learning how a “2 degrees” disclosure vote has shaped their shareholder dynamic.

Commitments aren’t relevant just to investors and sustainability champions — they must be framed for an evolving audience along the supply chain. With activists joining the investment fray and social justice groups driving mainstream environmentalism, it is on corporate CSOs to communicate the real-world impact of their efforts. The attempts are inconsistent for now, but we’re finding plenty of reasons to be optimistic as you’ll read in this year’s report.

Even as our government seems to be stuck in reverse, we realize there is much to keep us moving forward. From tackling plastic pollution to building data-driven resiliency standards, brands are in position to be true unifiers in the midst of growing divisions. The challenge, and the key measure for success, in the coming year is to turn bold commitment into bold action. CSOs must be ready to stretch their stakeholder inventories and re-evaluate their messages. Due diligence in materiality and industry benchmarks, for example, will almost certainly reveal new and unfamiliar issues, or new and unfamiliar stakeholders. Coupled with good engagement and a sneak peek into the pertinent issues, this is what makes companies resilient.

With all of this in mind, I hope you will find some interest and utility in our Top Ten Stakeholder Engagement Trends report for 2018.

INTRODUCTION

Bill Shireman, CEO, Future 500

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Environmental justice has finally earned a seat at the table. Traditionally overlooked in discussions on effective climate solutions, low-income and minority activists are leading policy discussions and environmental campaigns. As advocacy funding shifts to the local level, expect aggressive mainstream efforts to prioritize the communities most impacted by climate change and pollution.

State policy has been an area of mixed success for these groups in recent years. In the background of the 2016 election, Washington state’s Initiative 732 — a proposal for the nation’s first carbon tax — failed to pass amid pushback from organizations like the Washington Environmental Council, which argued that the initiative would “increase burdens on vulnerable populations and reduce dollars for enforcing existing environmental laws, not to mention preventing needed investments in transitioning to clean energy.” Advocates provided crucial support to scope California’s successful 2017 cap-and-trade bill, though for EJ communities AB-398 leaves much to be desired.

Leading environmental funders have placed their faith squarely in cities and states as federal climate policy withers on the vine. Local EJ issues are receiving enthusiastic philanthropic support from initiatives like the Democracy Alliance’s 2020 Climate Fund, which focuses on just transition strategies for low-income communities and communities of color. The fund has received backing from more than 20 donors, including Hewlett Foundation and Ellen P. MacArthur Foundation, since its inception in 2015. The Nathan Cummings Foundation refocused its strategy in 2014 to address racial and economic justice, political accountability and localized energy projects and has doubled down on its commitments in 2018.

At the root of environmental justice is the complex relationship between macro-level progress and micro-level impacts. Global society can easily overlook how our evolving relationship with fossil fuels will play out on a local level. EJ groups have tenaciously explored this dynamic, even squaring off against other advocacy groups on key environmental campaigns. As anecdotal and scientific data accumulates, these groups are finding greater success in building awareness and forging inroads to take their message mainstream.

Future 500 has intently followed the emergence of just transition in larger conversations about climate and corporate responsibility. As an issue, it has become a central component of every climate debate; as a movement, environmental justice is energized, well funded — and a critical area for proactive corporate engagement.

For the environmental justice movement, “good enough” no longer is. Here are a few steps companies can take toward a lasting, mutually beneficial relationship with neighborhood environmental justice advocates:

- **Explore** the real-life experiences and emotions of the communities represented by EJ groups. Focus on how climate change intersects with issues of race and income inequality.

- **Build** on the basics. EJ communities demand clean air, clean water and green jobs — basic needs taken for granted in better-served communities. Such demands can both start and end a discussion, so prioritize genuine, inclusive outreach.

- **Adapt** to the aggressive tactics and micro-level asks on the part of EJ campaigns. These can be complicated to fulfill, but worth the reward of building community trust.
Few ideas have mobilized corporate responsibility like the circular economy. Curated by business-savvy NGOs like the Ellen MacArthur Foundation, companies from Walmart to Dow Chemical are pioneering innovative business models that transition away from a linear “take-make-dispose” pathway to a framework of redesign and reuse that eliminates the concept of waste.

These nascent efforts promise wide-ranging benefits for business and the planet. But 2018 may be the year when the circular economy hits its first major snag: chemicals of concern.

At the core of the debate will be the tension between concepts of hazard versus risk. Though the current legal framework sets industry standards based on known risk, advocacy groups consider these standards to be inconsistent at best. Campaigns like Mind the Store instead emphasize hazard, calling on brands and retailers to reduce or replace chemicals that might cause harm at any stage of a product’s life cycle.

In the context of circular economies, the distinction between hazard and risk takes on a new, systemic importance. Most modern goods in circulation contain hazardous chemicals with varying degrees of risk along the supply chain. Chemicals-focused NGOs fear a “premature” circular economy will perpetuate chemicals of concern before being properly vetted and removed from supply loops.

Greenpeace issued a stark warning about the apparel sector: “The circular dream could well become a toxic recirculation nightmare.” The European Consumer Organisation (BEUC) suggests that the landmark EU REACH regulation is not yet suited to address circularity: “Chemicals of concern could become caught in the circle and be given a second — and third and fourth, ad infinitum — lease of life.” Even Sustainable Brands warns of the toxic threats of the circular economy, citing research by U.K.-based NGO CHEMTrust.

These two communities — circular economy advocates and chemicals-focused NGOs — are engaged in good-faith discussions and will require time to reconcile their approaches. As a business leader, how can you best navigate this dynamic?

- **Adopt** a consistent chemicals management policy—whether risk- or hazard-based—that accounts for the distinction. Educate your product design teams, and incorporate this policy into circularity models in your industry.
- **Identify** the data gaps in your chemical and product life cycles. Establish a comprehensive, repeatable process to detect chemicals of concern from feedstock to re-use.
- **Engage** product stakeholders on the differences between hazard and risk. Be transparent and invite regular feedback—the data you collect from different environmental sectors could inform future decision points in your circularity strategy.

**De-Polluting the Circular Economy**

The circular economy faces its first major test: chemicals of concern.

By Brendon Steele
Socially responsible investors sent a clear message to fossil fuel giants in 2017: shareholder activism is no longer a fringe movement. Last year’s historic round of climate disclosure votes demonstrated surging support for environmental transparency in the investment sphere. While Big Oil was the major example, this shift in priorities is by no means limited to fossil fuels. Dual forces of mainstream shareholder advocacy and NGO-led divestment campaigns are accelerating across the spectrum, making investor relations a major driver for corporate accountability in 2018.

Behind much of the successful NGO financial campaigning is the emergence of ESG data and analytics. Long a small but high-opportunity investment niche, ESG reporting tools have been the subject of surging demand and improvement in recent years. With S&P buying a stake in Trucost, Morningstar buying Sustainalytics, and ISS buying IW Financial and the climate data division of South Pole Group, industry insights are more robust than ever. This paves the way for aggressive, targeted advocacy campaigns—especially those calling for stricter ESG thresholds in mainstream capital market firms.

With investors flocking to lower fee “passive” portfolios like Vanguard, shareholder power is rapidly consolidating under the mainstream. Major firms like Fidelity, Blackrock, Vanguard and State Street have largely used their rising influence to advocate for greater ESG disclosure—a trend that will continue into 2018 and dominate through institutional investors like DFA.

Meanwhile, global markets continue their rapid march into the low-carbon future. This has both driven significant innovation and investor concerns over their companies’ ability to adapt and compete long-term—reflected in a series of climate-focused shareholder proposals that gained 32.6% average approval in 2017’s historic voting rounds. Pepper in recommendations on climate risk disclosure by the Financial Stability Board, and it’s clear the “2 degree scenario” is very real for management teams across sectors.

The social and political side to this trend must be noted as well. Our polarized political climate has brought brand advocacy ever closer to the company bottom line. From an investment perspective, bad policy is bad business. As more research sheds light on the real-world value of human capital, shareholders will pursue proposals on the issues attracting the world’s brightest—including gender pay, diversity, discrimination and health.

As brands continue to feel out their stewardship role in our global communities, they can expect their shareholders to hold them accountable. 2017’s shareholder voting proved that greater visibility leads to better data and more effective campaigns—not only will this continue into 2018, but corporate investor relations teams will find increasing breadth and depth in their roles.

- Take shareholder proposals seriously.
- Work with NGO campaigners to get better data + insight into your company’s challenges.
- Capital markets are on the hook as well—work with them to establish mutual accountability in ESG thresholds.
Corporate transportation fleets are finally going 100% electric—at least, that is the goal for ambitious stakeholders in 2018. As Tesla and its rivals begin taking orders for their new electric semis and online shopping ascends into ubiquity, environmental advocates will be focusing on transportation as a new (or revisited) frontier for activism. Addressing almost a quarter of energy-related greenhouse gas emissions worldwide, this renewed effort is seen by climate advocates as long overdue and ripe for legislative wins. Furthermore, as electric vehicles price parity with traditional vehicles, fleet electrification can become a reality in 2018.

Part of the appeal of tackling transportation is that it spans climate and energy issues across every sector, from courier delivery services to consumer goods. Recently, a coalition of ten major companies — including Unilever, Ikea, DHL and PG&E — launched EV100, a global initiative to accelerate the transition to electric transport and make electrification standard practice by 2030. The commitment to electrification has popularly taken the form of investing in Tesla’s electric semi trucks, which reportedly can travel 400 miles on a 30-minute charge. Pepsi, DHL, UPS, Walmart and Anheuser-Busch were among the first to put in their orders, which now total close to 500 combustion-free semis combined in the U.S. and Europe.

The electrification wave isn’t taking just the roads. China recently launched an all-electric cargo ship, the first of its kind. In the U.S., states are embracing programs to develop all-electric homes and commercial buildings.

International efforts aim to phase out gasoline and diesel cars by mid-century. China, the world’s largest auto market, introduced a 10% electric quota and joins the United Kingdom, Germany, France, India and Norway in looking to ban the production and sale of fossil fuel vehicles.

As these commitments reshape our global fleets, campaigners are also focusing on where these vehicles get their electricity. On top of greater calls to decarbonize energy sources, advocates will increasingly pressure electric utilities to lobby for stringent fuel standards and EV tax credits — both of which can boost the bottom line of the utilities and serve as a catalyst for fleet electrification.

In order to prepare for the coming campaigns, corporations with a stake in electrification should:

- **Gather** comprehensive data about your transportation fleets. Activists will expect companies to set emissions reduction targets, report on their oil sources and provide timelines for full fleet electrification.
- **Pursue** fuel standards and EV tax credits. Decarbonizing the grid is key to making EVs actually clean. This is rich common ground for partnering with utilities and policy-minded stakeholders.
- **Break the ice** with local and environmental justice communities. As a broad-appeal solution, electrification is a powerful starting point for negotiations—especially for industries where engagement with these groups can be slow or nonexistent, such as fossil fuel production.
Sustainable innovation has always been built on a foundation of strong data analytics. What sets 2018 apart for the business community is how their stakeholders are beginning to master its use. Accessible, robust datasets are paving the way for targeted environmental and social campaigns in a number of industries.

In late 2016, campaign group Amazon Watch launched its #EndAmazonCrude campaign, calling on companies to halt the sourcing of crude oil from the western Amazon Basin in South America. The organization worked with Borealis Centre for Environmental and Trade Research to locate Amazon crude oil sources, determine which crude streams were being exported to the U.S., and ultimately identify U.S. refineries purchasing and processing the oil. Their findings, published in a public report, From Well to Wheel, are now the basis for a campaign calling on major American corporations - like, unsurprisingly, Amazon - to deselect Amazon crude oil from their fleet fuel purchases. While the effort has yet to secure a significant victory, the relative ease with which this advocacy organization was able to map a notoriously complex global supply chain should have other companies scrutinizing their own suppliers for new reputational risks.

The #breakfreefromplastic Coalition, a global movement of over 1,000 grassroots environmental groups, has begun using coastal cleanup data to hold brands accountable for the ocean plastic pollution crisis. In September 2017, Philippines-based member organizations conducted an 8-day cleanup in Manila Bay, categorizing and counting branded packaging found on the beaches of the bay’s Freedom Island. The public results of their brand audit revealed that just six international brands, including Nestlé, Unilever, and Proctor & Gamble, were responsible for 54 percent of the plastic waste found on the island. The Coalition plans to conduct and report on similar brand audits on beaches around the world, drawing direct connections between CPGs and ocean plastic and accelerating dialogue around ways to phase out single-use plastics.

In January 2018, Natural Resources Defense Council (NRDC) and the Institute for Public & Environmental Affairs (IPE) in China launched the IPE Green Supply Chain map, “the only tool in the world to openly link leading multinational corporations to their suppliers' environmental performance.” The tool uses publicly available information from the Chinese government and IPE databases to map real-time air pollution and wastewater data for over 15,000 major Chinese industrial facilities. Recognizing the reputation risks if linked to consistent bad actors, several apparel brands like Target, Puma and Gap have proactively volunteered to share their suppliers and be featured on the map, putting pressure on industry peers to match their transparency.

Over the coming year, we expect campaigners across issues areas to lean on new data and research to rapidly improve their campaign sophistication and credibility. For major brands, the implication is clear—radical transparency is coming. The companies most likely to be praised will be those who collaborate to develop and pilot new tools, transparently communicate results, and then make the tools publicly available to scale their impact.

Companies looking to stay ahead of the sustainability data curve can:

- **Disclose** supply chain, life cycle and product content data early and often.
- **Align** with new data-driven sustainability initiatives. NGO-run data campaigns may offer a low-cost and industry-specific alternative to traditional sustainability consultancies and research powerhouses like McKinsey and PwC.
- **Learn** from emerging data sets. Visible, informed campaigns don’t just benefit the campaigners. Insights into your industry are always an advantage.
Marine Plastics Spur a Packaging Revolution

Companies have an unprecedented opportunity to lead on one of the more insidious environmental issues of our time.

By Gavriella Keyles

In the year 2010 alone, between 4.8 and 12.7 million metric tonnes of plastic waste made its way into the world’s oceans. Plastic production and consumption are expected to rise meteorically in the coming decades, and the overwhelming majority of the resulting waste will end up floating in the sea. In fact, the World Economic Forum projects that by the middle of this century, the world’s oceans will contain more tonnes of plastic than tonnes of fish.

More than ever, members of industry, government and civil society are waking up to the insidious problem of marine debris. In December, at a meeting in Nairobi, Kenya, all member nations of the United Nations Environment Assembly formally resolved that marine plastics pollution must end. The voluntary declaration is largely symbolic, but it points to a larger trend. Overfishing and marine conservation have been the focal points of oceans philanthropy and activism, though the focus is quickly shifting to plastic. And while recent moves to tax plastic bags and ban microbeads represent positive steps, they are just the tip of the proverbial iceberg when it comes to preventing plastic from making its way to the ocean.

Some companies are taking note. Nike, Adidas, Levi’s and Dell have all worked to incorporate recycled plastic into their products. Unilever is working to build a pioneering recycling plant in Indonesia. But others are facing increasing pressure from stakeholders, who are urging companies to take responsibility for their products and packaging.

Plastic activism is growing more coordinated and better resourced. In 2016, the Break Free from Plastic coalition—comprising members from Greenpeace, Five Gyres, Story of Stuff, and others—formed to focus action and attention on marine debris. The group worked to identify the type of plastics found in beach clean-ups, as well as industry or company of origin. One of their major audits of the Philippines this past year identified Nestlé, Unilever, and Procter & Gamble as the worst offenders. In response, these companies committed to assessing their supply chains for opportunities to reduce plastic waste.

Earlier this year, Coca-Cola and McDonald’s committed to making major changes in their packaging. The former pledged to make bottles with an average of 50 per cent recycled content by 2030, while the latter promised to make all of its consumer packaging from “renewable, recyclable and certified materials” by 2025. Both also committed to reform how they managed and collected their packaging after it is used.

Consumer packaged goods is not the only industry implicated in marine debris: a growing body of research has revealed the ubiquitous presence of microfibers, tiny plastic threads used to make clothing, blankets and towels, in the oceans and even tap water. Companies have been quick to respond to pressure from stakeholders to address microfiber pollution: this past fall, the Microfiber Leadership Summit convened researchers, policy makers, and brands from the apparel, outdoor, chemical and white goods sectors to chart a path toward solutions.

Marine debris is in the spotlight, and this year companies will be expected to address how their own products and practices impact the presence of plastic in our oceans. In 2018, we expect a few brands will take big bets on plastic waste reduction and stewardship, and others will become targets for stakeholder activism. Marine plastics offers companies an opportunity to position themselves on the cutting-edge of stewardship, and to proactively tackle a high-profile problem and push for solutions.

Companies that wish to engage proactively on marine debris might consider the following:

- **Investigate** what a circular supply chain might look like for your company. Identify the single-use products and small parts in your product ecosystem. Can they be replaced entirely?
- **Develop** a baseline understanding of the health and safety risks associated with your company’s plastic production. Internal assessments, made public, can help inform global understanding and position you for leadership.
- **Incorporate** plastic management into your overall sustainability strategy, if it is not already included.
Amazon’s aggressive growth in apparel retail growth in 2017 is drawing the eye of major retailers like Macy’s and Walmart, as well as fashion brands such as H&M. Projections may overstate its true market penetration, but current growth may put Amazon on a direct collision course with an entity it did not expect: Greenpeace.

The storied corporate campaigner has, since 2011, achieved some high-profile successes in targeting major apparel brands and retailers to phase out a bevy of hazardous chemicals, with perfluorinated compounds topping the list. As e-commerce giants like Amazon and eBay — as well as foreign rivals like Alibaba and MercadoLibre — elbow their way into retail, they should expect the full attention of advocacy groups seeking to preserve their momentum in the sector.

Future 500 has for several years now highlighted the dynamic shift between companies and civil service through “regulation by retail,” especially as public policymaking in the U.S. has come to a standstill. Groundbreaking initiatives like Walmart’s Project Gigaton represent efforts to collaborate with stakeholders throughout the supply chain. Brands and retailers face a growing expectation that they should take responsibility for the social and environmental impacts of their products, upstream and down.

However, retail regulation faces an existential challenge with novel e-commerce models. For example, rather than sourcing and selling products like traditional retailers, Amazon has as its core competency providing fulfillment between buyers and sellers on its commerce platform, at economies of scale. This is a fundamental distinction: Walmart is a retailer; Amazon is a service provider. Walmart can impose sustainability standards on the vendors that purchase its shelf space, but Amazon can claim only limited oversight over the buyers and sellers on its platform.

A similar conflict is playing out for social media companies like Facebook and Twitter. These are also platforms that do not originate content but rather enable its circulation. For the better part of 2017, they were taken to task for failing to regulate hate speech and misinformation, and perhaps even enabling foreign meddling. This year brings the same scrutiny to e-commerce technology companies. Civil society has begun to challenge companies like Amazon to account for potentially enabling the proliferation of irresponsible products, asking it to regulate fulfillment on issues from chemicals of concern to child labor. As one New York Times commentator put it recently, the “dawning realization” is that “a tech platform comes with real-world responsibilities.”

The Amazon of Campaigns
Tech is upending the retail model—and campaigners are watching.

By Brendon Steele

Without a doubt, e-commerce companies are grappling internally with these issues. Disruptive new retail models also necessitate innovative corporate sustainability models; the traditional “retail regulation” model might be akin to fitting a square peg in a round hole. So how do e-commerce and new retail set the bar?

- **Embrace** new disclosure methods. Transparency can be transformative, both in perception and practice. Prioritize partnerships and data that can put you ahead of financial and shareholder risks.
- **Cultivate** your network. Find ways to work pre-competitively with corporate rivals—including retailers—and NGOs on shared challenges. Join existing fora like The Sustainability Consortium. Find the right local, state, federal and global policies to support responsible products.
- **Develop** supplier codes of conduct. Build environmental and social standards directly into the platform. Prioritize enforcement, which is a familiar challenge shared with traditional retailers.
When the Trump administration withdrew from the Paris Climate Accord, policymakers, NGOs and business leaders were gripped with a mixture of anxiety and resolve. Would the US’ abdication of its role as a leader in the international movement to curb climate change lead to more defections? Would the private sector take this decision as a pass to pollute, or would it rise to the occasion and stay the course?

Answers emerged quickly as world leaders reaffirmed their commitments to the tenets of the accord. By November 2017, Syria and Nicaragua, the last two holdouts of the COP21 agreement (besides the United States) pledged their cooperation. Meanwhile, initiatives like America’s Pledge the Chicago Climate Charter codified city- and state-level support for U.S. carbon reductions—prompting former president Barack Obama to declare cities the “new face of leadership” on climate change. American multinationals—including members of Trump’s short-lived economic advisory council— were similarly vocal in their support, declaring “We Are Still In”— along with mayors, governors, university presidents and investors.

American multinationals are engaging with the world as substitute diplomats in a time when the government has chosen to withdraw itself from the international stage. In addition to taking a bullish stance on climate, companies are finally taking to the UN Sustainable Development Goals, which were released in 2015, incorporating the 17 goals into broader sustainability strategy. Despite a sluggish uptake, the Goals have gained traction as a detailed framework for a variety of sustainability commitments. In 2017, a survey by PricewaterhouseCoopers revealed that a majority of corporate sustainability reporting includes or closely align with the global goals. To Steve Schueth, President and Chief Marketing Officer at First Affirmative Financial Network, SDGs represent a shift in corporate governance from “avoiding the bad guys” to taking positive action. The major obstacle that remains is all too familiar to stakeholder activism: translating commitment to real-world impact.

While corporate commitment to the Paris Agreement or the SDGs is encouraging, it remains to be seen if these declarations will amount to anything more than grandstanding. Corporate leadership, more than ever, are aware of external pressures and social mandate for responsible governance, particularly following recent admonishments from major institutional investors to do better. However, a Deloitte survey showed only 17% of corporations participating in SDGs are confident in their path to achieving those goals: respondents cite conflicts with short-term deliverables, stakeholder expectation and existing company growth strategies as pain points. The pressure is on for companies to not only promulgate their commitment to doing well while doing good, but also to deliver on promises made. Luckily, more than ever before, resources to bolster these efforts are abundant. The Global Reporting Initiative’s SDG Compass updated in November 2017 allows companies to cross-reference key business indicators against SDGs by industry and organizational priority. CDP, UN Global Compact, WRI and WWF’s Science Based Targets initiative works to turn words into action. More than ever, as the urgency of global climate change continues to intensify, NGOs are willing and ready to partner with companies and provide resources.

New Diplomacy: Corporations & the Global Goals

As the US federal government withdraws from the world, companies step into the global stage.

By Gavriella Keyles

How do corporations connect the dots? As the private sector fills the stewardship vacuum, civil society is lending a hand. 2018 will present a wealth of tools and opportunities for corporations to engage in sustainability on the global stage:

- **Invite friends + collaborators.** Coalitions and initiatives are already in motion, providing resources and feedback for companies wanting to ramp up their international commitments.
- **Engage internal + external stakeholders.** How do your priorities align with your sustainability commitments? Detailed feedback from investors, employees and communities may shed new light on your sustainability roadmap.
- **Forge global partnerships.** A strong global sustainability network enables your organization to share opportunities and innovations with a wide array of diverse stakeholders. Communities like the UN Partnership for SDGs and the Future 500 network foster this kind of dynamic partnerships.
Brands Taking Stands
The public looks to companies and CEOs for moral guidance—creating a political tightrope.
By Matt Stites

Early in 2018, Burger King took a seemingly peculiar stance: support for Net Neutrality. Their viral YouTube parable explaining Internet throttling via Whopper sales was a marketing success, but it raised an obvious question: What’s their stake in a free and open Internet? More and more companies are reaching beyond their core business to take positions on human rights, immigration, climate change and online content, with varying tactics and motivations. This trend is not only evident in the news headlines—consumer demand for CEO and corporate activism has skyrocketed, along with increased corporate investment into CSR research and implementation.

The focal shift from core business to core values will become a strategic necessity in 2018 and beyond. CSR’s C-suite influence will be critical in order to form a concrete approach to acting on issues that matter most to their stakeholders—and framing a CEO’s increasingly public positions.

By and large corporate activism in 2017 centered around issues close to the bottom line. The high-profile clash between American businesses and the Trump administration over the Paris Climate Agreement was rooted in global competitiveness, innovation and job creation.

In Texas, corporate opposition is widely credited for the defeat of Governor Greg Abbott’s Bathroom Bill, seen as discriminatory against transgender employees. Companies including Apple, AT&T, American Airlines, Halliburton and IBM argued on grounds of protecting diversity and recruitment. Companies have followed a similar tack in support of DACA.

Other positions are not as economically driven. Merck Pharma CEO Ken Frazier initiated a mass exodus from the American Manufacturing Council in response to Trump’s handling of the white nationalistic protests in Charlotteville. He later explained his decision “as a matter of my own personal conscience.” Following the deaths at Stoneman Douglas, big name brands from airlines to sporting goods are weighing in on one of the most sensitive issues yet—gun control.

Vocal brands are both responding to and engendering vocal stakeholders. In a study by Edelman, a global corporate marketing firm, over 50% of global consumers make purchase decisions according to their beliefs. This includes 60% of millennials, who make and share brand perceptions via online channels and for whom authenticity is crucial. According to Edelman, these consumers are looking to their brands for issue leadership—and pushing brands into dangerous messaging territory.

Starbucks learned a tough lesson in picking its battles early last year when then-CEO Howard Schultz pledged to hire 10,000 refugees—the company faced boycotts and major backlash on social media both from supporters of the ban and opposition who criticized the move as disingenuous.

If it seems like a brand quagmire, it is. Brand activism can yield moderate rewards in terms of recruitment and market share, but the risks can’t be ignored—even brands that choose not to pick a stance must prepare for internal and external questions on these issues. As online commerce, sophisticated data analytics and demand for corporate transparency dissolve the veil between businesses and their stakeholders, top-to-bottom authenticity is paramount.

As online commerce, sophisticated data analytics and demand for corporate transparency dissolve the veil between businesses and their stakeholders, top-to-bottom authenticity is paramount. Here are a few steps companies can prepare for the risks and opportunities of taking a stand:

- Establish a clear brand identity linked to core company values. Use surveys, social media monitoring and audience segmentation to identify the key issues for internal stakeholders, consumers and potential hires.
- Elevate sustainability and communications roles in business development and long-term strategy. Think of brand and CEO activism as an ancillary product—how do they factor in to revenue projections, risk assessments, etc? How will you iterate on successes or failures?
- Frame issues according to brand goals. Are you trying to influence legislation, raise issue awareness, or pressure industry reforms? Craft your narrative to match audience segments, and prioritize genuine, thoughtful responses to feedback or criticism.
Disrupting the Digital Disruptors
Global governments set regulatory sights on the Big 5 and beyond.

By Erik Wohlgemuth

2017 was a tipping point for citizens and their governments thinking critically about the centralized control of personal data and how online platforms are manipulated to undermine the foundations of civil, open societies. Digital freedom, once hailed for creating new opportunities to spread democracy and freedom such as the Arab Spring uprising, is now increasingly criticized for threatening individual privacy being weaponized by authoritarian regimes.

The combined ubiquity of the tech “Big 5”—Apple, Amazon, Google, Facebook and Microsoft—was previously an indicator of strong innovation, public value and teflon branding. Now these brands are facing increasing scrutiny from global legislators and advocacy campaigners who seek to ensure greater protections for consumers and societies.

2017 was full of tech issues giving consumers pause in their personal life: Massive and widespread cyber-security breaches; election rigging via social media; predatory targeting in children’s apps; “listening” devices in the increasingly Wi-Fi connected household; society curating itself into echo chambers.

Technological innovation now scales faster than the adoption curve, limiting consumer choice as they become “locked in” to an ecosystem. Buying power decreases in service-based models like Facebook, Apple and Google where a viable, competitive substitute is just another locked ecosystem.

This feeds the notoriously enigmatic approach to engagement throughout the tech industry, including and especially those Big 5. Some would argue they prioritize efficiency over PR, or user experience over consumer autonomy. Whatever the motivation, their reputation for secrecy and hubris is largely an obstacle to collaborative, critical engagement, inviting healthy skepticism from policymakers and advocates.

This attitude toward accountability is a major reason why the heavy hand of government is beginning to step in to reign in these companies—and their data—around the globe. The EU levied a record antitrust fine against Google. With the iPhone yet again the world’s top-selling tech product in 2017, Apple has faced increased pressure from concerned parents and child advocates accusing the company of creating addictive products targeting young users. The CEOs of Facebook, Twitter, and Google were compelled to appear before the U.S. Senate over the role their platforms played in fomenting public distrust of mainstream media and disrupting democratic processes.

Senator John Kennedy’s line of questioning with Facebook counsel Colin Stretch in last year’s senate hearing illuminated the central issue in many of these cases: the paradox of scale at which these companies operate.

Tech companies have tried to voluntarily burnish their image, with mixed results. Their leadership has been praised for their crucial role in building renewable energy markets. Facebook’s crowdsourcing solution to identify fake news sources, while an important step toward rectifying its influence in the 2016 election, raises larger questions of private censorship and fair content curation. Similarly, Twitter is striving to combat malicious bot accounts, but this has drawn public scrutiny over the platform’s responsibility to free speech.

Short of a global meltdown, the pace of innovation will only increase. The long-term question likely to remain: Will our Democratic process disrupt the tech industry, or vice versa? In the meantime, policy makers will feel pressure from citizens to protect individual privacy and the integrity of democratic institutions. Tech companies will learn to frame the debate with regulators by using their influence for public benefit.

Here are three areas where these two forces could have the most systemic impacts in 2018:

- **ESG data explodes:** As Brendon Steele writes in "The Next Mega-Campaign," Amazon’s growth into retail has made ESG a primary stakeholder priority. Matched with recent recruitment in “sustainability software design,” we anticipate the Big 5’s increased investment in ESG data to transform supply- and demand-side sustainability—and set a precedent for future movers.

- **Protect Content and Electoral Integrity:** The Tech sector will seek to advance fair, balanced and real reporting to ensure a healthy debate and legitimize elections. Whether such efforts can both succeed and gain public trust is dubious but this objective will likely be welcomed by online users worldwide.

- **It’s My Data:** Legislators and tech firms will identify solutions for consumers to control their data—perhaps even profit from how it is used.