TOP 10 Stakeholder Issues Report 2016
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Each year, Future 500 releases a report of what we predict will be the most critical social and environmental issues driving corporate-stakeholder engagement in the coming year. This year, we anticipate that corporations will be challenged to go even further than last year, using their economic influence on policy and politicians while being asked to take a bigger stand on global issues. This dynamic will be showcased at COP21 in Paris, where stakeholder expectations of companies’ commitments to mitigate climate change will culminate.

In 2016, we predict that stakeholders will continue to organize around issues like chemicals, water scarcity and local control of resources, challenging the private sector to drive change in their supply chains, make more time bound commitments and be more transparent. We anticipate increased focus on women impacting the global economy and concern around global ocean health, an issue moving to the forefront of our list.

As presented in the following analysis, 2016 promises to be another exciting year to break through conflict and drive workable solutions through proactive stakeholder engagement opportunities. We hope that our annual report continues to help companies and their stakeholders see beyond conflict to find ways to collaboratively forge common ground solutions to our most pressing global problems.
BRAND POLITICS:
REIGNING IN GOVERNMENT AFFAIRS

By Brendon Steele, Director of Stakeholder Engagement

Last year, we highlighted the changing paradigm facing consumer-facing brands and their suppliers, where brands and retailers are now expected to both own the environmental and social impacts of their products and supply chains and stake clear, public positions on a myriad of hot political issues – even if immaterial to a company’s business.

Many issues – such as labor rights for an apparel company – are easy to anticipate, but some issues can blindside a company. What can be anticipated is that with the 2016 U.S. Presidential elections, a company’s political giving, the degree of income inequality between its executives and employees, and its record relating to any hot political issues, may all be placed in the spotlight, without warning.

Furthermore, new campaign tactics have been emerging in response to longstanding political gridlock. Version 1.0 was to encourage new supply chain standards – regulation by retail – by big brands and retailers such as Disney and Walmart. In the emerging version 2.0, advocacy stakeholders are now encouraging companies to take proactive public policy stances and even activate their political lobbying for certain solutions. Given the significant influence corporations have over politics and branding, this demand is no surprise. Taking a neutral stance of “we don’t lobby” or “we’re not involved in politics, period” will not inoculate a company from pressure to ultimately take a public position, particularly if a company’s leaders espouse a sustainability goal while their government affairs networks are subverting that goal.
As advocates of all stripes assert pressure, they will ask: What are your lobbyists telling legislators on climate? Why do you publicly support a public policy to price carbon while supporting groups (e.g. ALEC) that seek to undermine such efforts? If you are to associate with organizations that hold positions contrary to your public policy goals, how do you assert your power to influence that organization?

While sometimes divisive or distracting, the ability to anticipate and proactively and coherently answer such questions will separate future corporate leaders and laggards in the eyes of advocacy stakeholders as well as the general public.
THE RISING BLUE ECONOMY: VALUING OCEANS
By Shilpi Chhotray, Sr. Manager of Stakeholder Engagement

Commercialization of our oceans presents an array of growing problems for stakeholders and will only ramp up in 2016. The rise of the so-called “Blue Economy” has motivated government and industry alike to come to the table to discuss how to combine market based solutions, sound policy, and innovative technology to protect our oceans and coastlines. Yet even with these cross-sector strides, companies should expect increased stakeholder pressure in the coming year to accelerate solutions for marine protection and ocean pollution.

To safeguard marine resources, NGOs like The Nature Conservancy, Environmental Defense Fund, and Pew Charitable Trusts are pushing industry to integrate greater sustainability and human rights standards into their supply chains. Shipping vessels, fisheries and aquaculture operations, deep-sea mining companies, and the cruise industry are particular targets. Greenpeace ranks the top US seafood retailers annually based on their sale of “red list” seafood, storewide policies, and transparency information, driving greater consumer awareness. In its annual report card, Friends of the Earth assesses how well cruise lines are shifting to greener alternatives, helping push passengers to “cruise wisely” – factoring shipper’s human health and the marine environment practices into consideration when booking trips.

Brand-wise, in 2015 Whole Foods took the top spot for their efforts in confronting illegal fishing and for protecting sensitive marine habitat.
Plastic pollution, with its impacts on both marine life and human health, has also risen to the forefront as a top focus for stakeholders. Last year, we saw a number of groups – campaigners, activists, celebrities, and mainstream NGO’s – mobilize around this issue. Activist groups like 5 Gyres and Story of Stuff mobilized against progressive companies like Unilever and Johnson and Johnson, calling for a phase out of micro-beads in toothpaste and face wash. Mainstream NGO’s like Ocean Conservancy enlisted several industry players into the Trash Free Seas Alliance to take a stand against floating plastics.

In 2016, we see efforts to monitor the health and monetization of ocean resources expanding as more and more groups join stakeholder coalitions to increase pressure on business and government to protect our global oceans.
In 2016, we will continue to see the entrenched splintering of corporate asks on climate protection, a continuing long-term effect of the disintegration of the enormous environmental coalition that unified to back 2009 U.S. cap-and-trade legislation. However, with COP21, the new EPA Clean Power Plan and the upcoming U.S. Presidential election, climate activists are beginning to rally for the next round of climate policy battles, both globally and domestically.

The fossil fuel divestment movement gained steam in 2015, mobilizing a dedicated set of advocates and pressuring philanthropic organizations, universities, and pension funds to divest from fossil fuel companies. While development of unconventional sources like the Canadian tar sands and the Arctic have historically motivated significant activism, the downturn in global oil prices has left activists feeling like the market has finished what they started. Companies will continue to see opposition to fossil fuels across the board, from Oil Sands, to Arctic drilling to energy transport and fracking, but less targeted as campaigns shift to the federal and multi-national arenas.

Attention will now turn global, focusing on the Post-COP21 talks. Industry and government leaders will be making commitments to carbon reduction plans that various NGOs groups will hold them accountable to implement in 2016 and beyond. Companies that don’t take public climate positions (see Issue 1) will be seen as laggards, and targeted by global activist groups once the dust settles after COP21. From Canada, to Australia, Brazil, Indonesia, and China, businesses will be pressured by stakeholders to use their political influence to urge these governments to take action.
In the U.S., companies should expect pressure on two fronts: first, to support President Obama’s Clean Power Plan during the 2016 election, and regardless of who is elected, to communicate that support to the new president. Secondly, and more slowly-burning, we expect to see renewed pressure to support a federal climate policy – focusing on carbon pricing mechanisms like a revenue-neutral carbon tax rather than cap-and-trade. Pressure may take the form of public statements to private requests, to talking directly to lawmakers.

While a revenue-neutral carbon tax may sound far-fetched, the concept is attracting unexpected bipartisan support from increasing numbers of Republicans, from oil companies such as ExxonMobil, from traditional environmental leaders such as James Hansen, and from grassroots advocates like Citizens’ Climate Lobby. Understanding the nuance of carbon pricing now – especially revenue neutrality – will help companies align better with stakeholders in 2016 and beyond.
2016 will likely be the year when we begin to see the implementation of deforestation-free supply chain commitments, enabling transformative change in the health of the world’s forests and the people who depend on them.

We anticipate continued pressure on brands and suppliers to make deforestation-free supply chain commitments across commodities but also a marked increase in pressure on companies (signatories to the Bonn Challenge, the UN Declaration on Forests, the Consumer Goods Forum Deforestation Resolution) to follow through on their commitments. As NGOs and companies commit to the harder work of implementation, the focus will shift to distinguishing leaders and laggards, as typified by Greenpeace and RAN’s recent criticism of Cargill. Additionally, companies will feel heightening pressures to commit to large-scale landscape level conservation and restoration efforts.

In the midst of this battle are certification standards, criticized for not going far and fast enough, lacking stringent auditing and accountability to ensure compliance. FSC, generally considered the leading standard by NGOs and corporations for responsible forest management, is criticized for moving too slowly to meet demand while other standards bring more hectares under certification oversight that many feel are too weak. Will some standards innovate and strengthen quickly enough to pressure FSC? Is it FSC or none at all? Or will we see innovations in areas such as large-scale landscape conservation and restoration that leapfrog certifications?

Driving supply chain improvement will only get us so far in protecting forest and agricultural systems around the world. Many countries are also cracking down on dissent and the freedoms of civil society. There must be concurrent regulatory action to control corruption, patronage to elites, and shifting market distorting
incentives that drive deforestation. More leading companies will therefore be challenged to leverage their political and economic power to pressure governments to take stronger regulatory action and allow constructive dissent (see Issue 1).

Such actions will be increasingly important in 2016 as the global economy currently shudders from slowdown in China. Lynchpin countries in global efforts to protect forests, such as Indonesia, Malaysia, Brazil (will the soy moratorium be extended?), China (land grabbing), Canada, and Russia, will be called on to step up regulatory action. But these countries face competing economic and political pressure to unleash domestic resource development as Indonesia is doing in aggressively encouraging palm oil production for domestic biofuels use.

Pressures for quick fix economic development measures threaten the success of broader countrywide commitments at COP21 to control carbon emissions through more systemic level protection of forest and agricultural lands, suggesting the world will again prove incapable of firmly committing to solutions to address the growing costs of adapting to a warming planet.

Will early implementation leaders like Wilmar and Asia Pulp and Paper maintain their position? Will Cargill, ADM, McDonalds, and PepsiCo, slower in their implementation, catch up? What form will NGO pressure on these companies take given the high stakes? As some of these questions get answered in 2016, it will be another interesting year for forests.
WATER IS FOR FIGHTING OVER

By Kellen Klein, Sr. Manager of Stakeholder Engagement

With record-setting heat waves and droughts now regularly making international headlines, many stakeholders are seizing the opportunity to capitalize on growing public awareness of global water stress. For companies, that means moving beyond basic conservation and watershed cleanup projects. As highlighted in Issue 1, advocates and funders now want businesses to build on public attention by advocating for more responsible water policy, funding for aging infrastructure, and discussing how society values water resources.

In North America, all eyes are on California's resiliency given the state houses the majority of many U.S. crops for domestic and overseas consumption. California is staggering from a fourth year of record-breaking drought that has led to increased fires across the state, emergency restrictions for water users and fines for those who waste. Stakeholders have also been active on this important issue, collectively adopting a “good cop-bad cop” approach that mirrors tactics seen in other water-stressed regions around the world. For example, campaigners and the media have publicly called out industry sectors and businesses perceived as lagging on water stewardship, hoping to “drought shame” them into better practices. Simultaneously, business-friendly NGOs have implemented new voluntary conservation programs, multi-stakeholder dialogues and task forces, while policy advocates have attempted to garner support for more proactive efficiency and monitoring regulations.

This combination of crisis and activism may finally be yielding water reductions in California, but global stakeholders remain largely unimpressed by the private sector's efforts to protect water resources.
A dearth of water monitoring and limited transparency mean that many companies have little to substantiate their efforts, particularly when it comes to truly knowing the practices of their developing world suppliers. The lesson is one that spans issues and geographies – full disclosure is now the new norm and companies should fear that “gotcha” moment that could arise anywhere within their supply chain. Companies operating in water stressed regions should expect particular scrutiny and should be prepared with data (or better yet, have already shared it) if they hope to avoid becoming a campaign target. To reduce risk, companies should be engaging even their fiercest critics, who share understanding of the immensity and complexity of the challenges, to find ways to advance mutual solutions.

While the growing threat of water stress should be enough to scare most industry sectors into action, many stakeholders in thirsty regions fear progress will halt when (or if) rains return. Consequently, we anticipate a strong early-2016 push by western U.S. and EU water funders and NGOs to secure new policies, safeguards and best practices capable of outlasting even a “Godzilla” El Nino. Brands with a presence in Southeast Asia and China should be especially wary – the combination of drought, pervasive water pollution, and growing social activism could spell scandal for those linked to dirty or gluttonous suppliers.

As societies across the globe grow more concerned about their water resources, water-related campaigns and initiatives are rapidly climbing in importance. Recognizing the complex intersections of our food, water and energy systems, organizations across sectors can expect more nuanced asks from stakeholders and more robust expectations for how they should interact with water systems far beyond company walls.

Throughout 2016, we anticipate that major water users should expect increasing pressure to lend their voice in support of progressive water policy measures, such as simplified water markets and better pricing mechanisms. Those operating in wetter climes should capitalize on reduced attention by proactively identifying collaborative water stewardship opportunities – such as the Alliance for Water Stewardship and Water Action Hub – that reduce both reputational and operational risk.
Concerns around the toxicity of chemicals used in consumer products will remain a key focus for a diverse set of stakeholders worldwide in 2016, especially as brands jockey to be viewed as chemically conscious industry leaders. From “Mommy bloggers,” to mainstream NGOs and foundations, advocacy groups are calling for the decrease to outright omission of chemical hazards that can negatively impact human health as well as ecosystems. Many groups continue to push for stricter laws (e.g. Toxic Substances Control Act – TSCA), while others are pressuring brands to minimize particular chemicals of concern in their products.

In the past two years, several retailers have responded to growing NGO and consumer pressure to adopt green chemistry purchasing policies. This has fostered innovation as producers developed and refined alternatives to phthalates, heavy metals, fluorinated chemicals, antimicrobials, flame-retardants, and others. With 2016 being the 25th anniversary of the term “Green Chemistry,” we expect stakeholders will step up their effort to mobilize consumer pressure on companies to both adopt sustainable alternatives to chemicals of concern and be more transparent about chemicals in their products and the potential dangers they pose.

Relatedly, we expect brands and NGOs to continue battling over marketing terms like “natural” or “preferred chemical.” Without a strong governmental or widely accepted self-regulating body to rank the safety of particular chemical classes, activists and brands will bludgeon the public on the merits (or dangers) of particular chemicals, with a potential risk of either side resorting to legal attack if they see cause to mislead consumers through green-wash marketing.
Despite this potential rancor, we are seeing efforts to produce chemically safer consumer products led by coalitions of major brands monitored by watchdog NGO groups. In 2016 and beyond, we see these coalitions increasing their requests of brands to employ their influence to encourage legislative action leading to the stricter regulation of chemicals (see Issue 1).
Conscious-minded consumerism based on brand trust will grow in 2016. One factor leading this trend is how women continue to drive a majority of household purchasing decisions and the main factor influencing women’s trust is their perception of how well a brand incorporates environmental and social standards into their supply chain and product line (look out VW!). And as women enter more executive and board level positions within companies and organizations, environmental, social and governance – or ESG – factors will more likely be elevated, enhancing both internal and external corporate behavior.

The 30 Percent Coalition, a group comprised of over 70 members, including women’s organizations, institutional investors and corporate governance experts, is committed to placing women in 30 percent of board seats across public companies by 2016. Already, efforts by the 30 Percent Coalition have resulted in 20 major companies, including big names with big dollars like Walmart and Avon, adding more women to their boardrooms.

The efforts of the 30 Percent Coalition and others are reinforced by growing consumer support for companies committed to gender diversity and equality. The Buy Up Index, for example, is mobilizing consumer awareness through an innovative app that rates brands and the companies behind them based on gender diversity in the boardroom, C-Suite, workforce, philanthropy, and how they market to women. The Buy Up Index highlights companies making stereotype-busting ads and disclosing information about companies, such as paid maternity leave.
In addition to gender diversity, stakeholder focus on gender equality in corporations will also grow in 2016. 2015 was an exemplary year for LGBTQ rights with 366 major businesses earning a score of 100% according to Human Rights Campaign’s Corporate Equality Index, the national LGBTQ benchmarking tool related to corporate policies and practices. Encompassing equal pay, paid maternity leave, diversification in the boardroom, LGBTQ rights are increasingly garnering the spotlight, forcing brands to take note.

With the recent release and rapid growth of the Buy Up Index and that of groups like the 30 Percent Coalition, in 2016, we predict that companies will continue to feel pressure to incorporate gender equality and diversity throughout their internal operations as well as their product lines.
For decades, recycling and packaging regulations have come in a recurring cycle of waves. Each wave of legislation, typically proposed by NGOs and government stakeholders, generates a counter-wave of voluntary initiatives led by industry. We see this approach shifting in 2016.

Industry’s current approach is to discuss packaging waste under the umbrella of the circular economy, promoting voluntary initiatives like the Closed Loop Fund and the Recycling Partnership. NGOs current approach from groups like UPSTREAM is to advocate for producer responsibility for all their products rather than pressuring government to advance product-by-product mandates and bans (e.g. Plastic Bag ban) at the state and local level. Lack of agreement on how to solve the core problem of waste minimization, further exacerbated with stagnant recycling rates, have created a chasm between the public and private sector, creating a need for corporate campaigners to activate to motivate progress. Groups like Make It, Take It have targeted Kraft Foods over flexible pouches while SRI’s like As You Sow continue to rank companies on their positions around certain recycling policies.

As noted in Issue 2, ocean campaigners are intensifying their focus on the impacts of plastic pollution. These groups have found a natural alliance with recycling campaigners working to stop post-consumer waste on land. Given plastic packaging is identified as among the top five types of marine debris, and with a forecast for large global increase in demand for plastic packaging, it is not surprising that responsible use of plastic will continue to be a target for activist campaigns in 2016.

Looking ahead, we expect environmental NGOs to focus globally on efforts to stop trash in the developing world from entering oceans,
while recycling advocates focus locally in the developed world for increased materials recovery and reuse, particularly in the U.S., a nation lagging far behind other developed nations. While the local and global nature of these campaigns may appear separate, the overlap in problem and potential solutions are closer than they may appear and we look forward to tracking this progress in the coming year and beyond.
BEYOND COAL:
WHAT’S NEXT FOR ELECTRIC UTILITIES

By Brent Tarnow, Sr. Manager of Stakeholder Engagement

2015 was a dramatic year for climate change awareness building through multiple stakeholder and activist campaigns, including the momentum built off of the People’s Climate March in New York City.

We see this trend amplifying in 2016 as the push for clean energy intensifies. For example, the world’s biggest carbon emitters – the U.S. and China – began setting the tone for the run-up to COP21 with joint commitments that are intended to drive down carbon intensity of their respective economies, with significant long-term implications for coal powered electricity – still one of the most prevalent forms of electric energy production.

In the U.S., the EPA enacted transformative climate regulations limiting carbon pollution from power plants, the largest source of carbon emissions in the country. The passage of the Clean Power Plan has some advocates declaring victory in the “War on Coal,” yet we continue to see coal plants unfolding in the developing world. Though the Clean Power Plan has been robustly challenged by industry, it has withstood and maintained the rigor its proponents intended. Regardless, utilities will continue to face stakeholder pressure and a changing regulatory landscape that requires decreasing fossil fuel use and increasing more efficient and renewable energy sources.

After years of vitriol between climate activists and electric utilities, we are beginning to see positive, collaborative paths forward. Electricity providers should continue to expect activist opposition over issues like coal ash storage, water use, insufficient energy efficiency programs, social justice issues, and transparency in political spending, but what’s increasingly important is the noticeable shift away
from debating the “War On Coal.” Instead, stakeholders and companies are exploring net metering in utilities’ growing solar programs, greater incentives for rooftop solar, more involvement and transparency in a utilities PUC hearing, and enhanced energy efficiency programs. We see this marked shift in approach and open dialogue accelerating in 2016 and beyond.
LOCAL CONTROL:
IT’S NOT JUST ABOUT CLIMATE CHANGE

By Kellen Klein, Sr. Manager of Stakeholder Engagement

Over the past few years, we have repeatedly identified the energy sector and its infrastructure as hotspots for stakeholder activism (see Issue 9). We see this approach continuing into 2016 with a lens on battles to protect local water resources. We also predict that stakeholder focus will shift from a focus on the fossil fuel industry to more tangible, on-the-ground impacts to local land and water ecosystems, private lands, and social justice that can arise from energy production and transport.

Several key trends are fueling ongoing stakeholder concern about energy production across the globe, particularly as lessons are learned from challenges associated with North America’s dramatic fossil fuel energy growth. Most obvious is the mainstream media’s growing interest in covering the recent slew of spills, explosions and “bomb train” accidents. Such coverage elevates community concerns, particularly within areas abutting energy development and transport infrastructure. Community safety and rights are of the utmost concern in this case, and issues surrounding risks and exposure transparency only fuels mistrust.

The second, correlated trend is the advancement of a growing body of research assessing the health impacts of fossil fuel extraction. Recent reports by watchdog NGOs and universities are fueling debate about the extent to which oil and gas development threatens local residents and natural resources. Air pollution, exposure to toxic chemicals, water contamination, and land integrity (contamination, earthquakes) are of greatest concern to stakeholders, and have led to staunch opposition from California to Poland.
Stakeholders have historically focused on fighting energy sector expansion efforts in municipalities, but are now shifting to challenge the fossil fuel industry’s use of, and impact on, public lands. Emerging organizations are challenging the legal frameworks that allow energy companies to explore and transect these parcels at marginal rates, while local grassroots groups are battling to halt what they see as corporate land grabs of cherished wild places. From the national parks of the UK to the scenic rivers of the Pacific Northwest, companies should anticipate growing stakeholder opposition whenever they approach undeveloped natural landscapes.

The common theme linking these strands of energy activism is the concept of “local control.” Most frequently heard in academic circles, the concept is rooted in the belief that local residents are most knowledgeable of and invested in their community and are therefore best suited to make decisions about community development. Major funders and NGOs may operate at the national or international level, however, these groups are increasingly opposing energy development locally – fortifying preexisting grassroots efforts and elevating the concerns of local citizens who are aligning forces with national and multi-national organizations and funder networks.

Whether an LNG export terminal, fracking well, oil train, or tar sands pipeline, the energy industry should expect growing opposition at every turn in 2016. Stakeholders have proven the efficacy of the localized community-based approach to energy activism and campaign success to date suggests that this dynamic will persist well into 2016 and beyond.