



**BLUE-RIBBON
COMMISSION**

Corporate Impact



Changing Our Mindset About Corporate Responsibility

A Challenge to the Business Community

ABOUT ECI

ECI empowers organizations to operate with integrity. We help leaders create strong ethical workplace cultures and successful businesses that do the right thing. Visit ECI's website at www.ethics.org to learn more.

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Contents

ECI'S BLUE-RIBBON COMMISSION ON CORPORATE IMPACT	2
· Blue-Ribbon Commission Advisory Committee	2
· Special Thanks	3
EXECUTIVE SUMMARY	5
SECTION I: INTRODUCTION	9
· A Mandate for Change	9
· An Opportunity to Thrive	10
· Identifying Principles & Practices for Turning a Vision into Reality	11
SECTION II: PRINCIPLES OF BUSINESS INTEGRITY	13
· Principle 1: Business strategy is aligned with the business's corporate purpose and core ethical values.	13
· Principle 2: Consideration of stakeholder impact is embedded in management of opportunities and risks.	18
· Principle 3: Corporate purpose, values, and intended stakeholder impact are integrated into operations by design.	23
· Principle 4: Trust is built internally and externally through a culture of transparency.	27
· Principle 5: The company's values and purpose are upheld, even when the company faces unforeseen/novel challenges and conflicting priorities.	30
CONCLUSION	37
KEY TERMS/GLOSSARY	38
SOURCES	39

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Executive Summary

Perhaps now more than ever, business leaders are called on to address and manage a multitude of risks and opportunities on a global scale. With rapidly evolving technologies, urgent global issues, and stakeholders who expect more and have platforms for voicing their opinions like never before, being in business is increasingly complex. Complicating matters further, debate continues about the extent to which companies should act, particularly with regard to environmental and social challenges that arise in and beyond their operations.

While a myriad of important laws and regulations have emerged to encourage companies to define and address specific issues, these are not sufficient. Critical business decisions — particularly when it comes to strategy, risk, and stakeholder impact — fall into grey areas where rules, frameworks, and laws will never be clear enough. Instead, these are ethics questions which require responsible businesses to respond by looking beyond what they *must* do and identifying what they *should* do.

The Blue-Ribbon Commission and this report serve to pivot the discussion about corporate responsibility to a focus on the role of purpose and core values when doing business in today's world (and in the future). We are calling for business to move beyond mere compliance and aspire to integrity.

A company grounded in business integrity pursues excellence and financial success through a holistic commitment to its purpose. It operates in a way that upholds its core values in order to build long-term success and achieve its intended impact.

Embedding purpose and values is a complex, ongoing process, not a one-time effort. We offer the following Guiding Principles for Business Integrity and supporting Leading Practices in the hopes that they will help leaders turn vision to action, intention to impact.

PRINCIPLE 1

Business strategy is aligned with the business's corporate purpose and core ethical values.

Effective businesses know that the key to success is pursuing their purpose: what they do better than anyone else, who they are working to serve, and what difference they hope to make. Core values define how the company will achieve its purpose. Strategy should be designed around and success should be measured against corporate purpose, values, and impact.

Selected Leading Practices

- The business accepts that society's license to operate comes with responsibility to a broad set of stakeholders including employees, customers, communities, governments, investors and suppliers.
- The business clearly defines its purpose and intended impact.
- The business's core values are ethical, well-communicated, and relevant.
- Business strategy and goals align with and further organizational purpose while generating value.

PRINCIPLE 2

Consideration of stakeholder impact is embedded in opportunity and risk management.

Business leaders must make intentional efforts to think through their potential and intended impacts on stakeholders when evaluating opportunities and managing risks. Because no business can do everything, the company should identify its priorities and focus so it can use its resources for maximum internal and external impact.

Selected Leading Practices

- Outreach and relationship-building, with both internal and external stakeholders, are used to both evaluate and capitalize on opportunities and to identify and mitigate risk.
- Business decisions and developments are evaluated on both traditional fiscal factors, such as cost and risk, and on alignment with the company's core purpose, values, and intended impact.
- Opportunity and risk management incorporate ongoing efforts to identify changing business needs and drivers.

PRINCIPLE 3**Corporate purpose, values, and intended stakeholder impact are integrated into operations by design.**

Business integrity must be woven into the culture and fabric of what a company does, inspiring and directing business operations in all departments. While certain functions contribute much-needed, specialized expertise, no one department could, or should,¹ be expected to carry the full weight of driving business integrity activities and programs. Because the goals and intended impact of business integrity are far-reaching, activities and efforts will span a variety of functions and departments.

Selected Leading Practices

- Commitment to corporate purpose and values starts with a clear tone at the top, and is embraced and advanced by the middle, which stresses its importance and cascades that commitment throughout the business.
- Each functional area identifies how it can advance corporate purpose. Company structures support success, integration, and accountability.
- Performance evaluations and accountability systems can help keep business integrity priorities integrated across the company. However, it's important to recognize that companies with these systems in place can still experience ethical challenges.

PRINCIPLE 4**Trust is built internally and externally through a culture of transparency.**

External and internal communications must bring environmental, social, and governance efforts out from behind the curtain of annual reports and into a new culture of ongoing transparency.

Businesses with integrity are transparent about their purpose and intended impact, their plans for action, their progress, and where work remains to be done. Such transparency enhances the organization's culture as well as stakeholder buy-in and understanding, contributing to overall success.

Selected Leading Practices

- Recognizing that transparency carries risk, the business makes intentional decisions about what can and cannot be shared while understanding and pursuing the opportunities ahead. Valid considerations include confidentiality requirements, protection of proprietary information, potential for misuse of disclosed information, and more.
- Engagement and dialogue build cross-functional trust.
- Proactive transparency builds trust, internally and externally, so that when leadership makes decisions on how or when to engage with societal challenges, stakeholders understand their reasoning.

¹The ethics and compliance function brings particular expertise on the application, implications, and implementation of core values and plays an important role in developing a culture of integrity.

PRINCIPLE 5

The company's values and purpose are upheld, even when the company faces unforeseen/novel challenges and conflicting priorities.

If business leaders have employed the first four principles above, then, by definition, they have grounded their priorities in company purpose, strategy, and values, making them well-prepared and well-positioned to face emerging issues and unforeseen challenges. A company grounded in business integrity goes further, proactively identifying a roadmap for wrestling with and responding to novel situations, potential conflicts, or challenges, while remaining steadfast in a strategy informed by business integrity priorities.

Selected Leading Practices

- The business is vigilant about looking to the future and attuned to emerging trends and challenges particular to its industry.
- Systems have been implemented in advance so the business is ready to respond to emerging trends and current events as relates to purpose, strategy, materiality, impact priorities, or stated goals — and so stakeholders will understand the response and how it relates to the business's core purpose, values, and commitments.

Charge & Conclusion

Together, let us embark on a genuine and systemic effort by the global business community to reimagine the future of business. With this report, we challenge leaders to view success as not just financial gain, shareholder value, or operational excellence, but also as an opportunity for positive and enduring impact on stakeholders out of a genuine commitment to integrity.

SECTION I

Introduction

A MANDATE FOR CHANGE

These are extraordinary times to be in business. Even the most forward-thinking leaders of past generations could not have imagined the technological advancements, the societal shifts, and the environmental challenges that are present today. The rate of change is increasing, mores are shifting, and the complexity of doing business is growing, particularly in an increasingly interconnected and turbulent world. For businesses today, this is a moment of uncertainty and risk, but also promise and opportunity.

Perhaps now more than ever, business leaders face a constant sense of urgency in their decisions, fueled in part by stakeholders who expect more² and have platforms for voicing their opinions like never before.³ Complicating matters further, there isn't widespread agreement among influential groups⁴ about the core responsibilities of business. Debate continues about the extent to which companies should act, particularly with regard to environmental and social challenges that arise in and beyond their operations.⁵

While a myriad of important laws and regulations have emerged to encourage companies to define and address specific issues, these are not sufficient. Corporate responsibility should not be defined solely by rules, and corporate response to critical issues must be more than mere compliance.

The Blue-Ribbon Commission and this report serve to pivot the discussion about corporate responsibility to a focus on the role of purpose and core values when doing business in today's world (and in the future). In our view, the scope of corporate involvement is not just a conversation about risk, reporting, evaluation, or sociopolitical agendas — it is a matter of ethics.

Stakeholder

A key person or entity that is impacted by the actions and decisions of a company, including shareholders, employees, customers, suppliers, communities, and governments. Future generations and the planet are also now seen as stakeholders given how significantly they are impacted by the actions taken by businesses today.

As of 2022, KPMG's annual CEO Outlook report showed that **72% of executives surveyed anticipate continuing acceleration in stakeholder scrutiny of ESG.**

² KPMG. (2022). Great ESG expectations. <https://kpmg.com/xx/en/home/insights/2022/08/kpmg-2022-ceo-outlook/esg-and-diversity-trends.html>

³ Ferguson, N. (2019, November 5). "don't be the villain": Niall Ferguson looks forward and back at capitalism in crisis. McKinsey & Company. <https://www.mckinsey.com/featured-insights/long-term-capitalism/dont-be-the-villain-niall-ferguson-looks-forward-and-back-at-capitalism-in-crisis>

⁴ Groups include impact and institutional investors, social media influencers, government regulators, consumer advocates, industry associations, ratings agencies, public funds, and their political sponsors, to name just a few.

⁵ Kerry, J. (2023, August 18). Remarks on the urgency of Global Climate Action — United States Department of State. U.S. Department of State. <https://www.state.gov/remarks-on-the-urgency-of-global-climate-action/>

Ethics

Doing the right thing, particularly when rules, regulations or laws are absent, unclear, insufficient, and/or conflict.

Many business decisions — particularly when it comes to strategy, risk, and stakeholder impact — fall into grey areas where rules, frameworks, and laws will never be clear enough. The very questions undergirding corporate impact and responsible business require corporate decision-makers to ask themselves: What must be done in this moment and in the long-term? How should we balance the two? Whom should we serve, and how? What is the right thing to do? When and to whom should we disclose our actions? These are ethics questions.

Responsible businesses answer these questions by looking beyond what they must do and identifying what they *should* do. This is not easy; leaders are often required to juggle competing obligations and opportunities, to grapple with conflicting interests, and accept consequences for the direction they choose. Nevertheless, these businesses rely on their purpose and values for direction, define their stakeholders more broadly, and work with great ambition to make a positive difference as best they can. They take bold action to further their purpose. They hold themselves accountable to their values and assess their companies' broader impact. In other words, they demonstrate integrity.

But not all businesses share this commitment, and even those that are working toward this vision face increasing complexity and growing challenges. Our extraordinary times offer a clarion call. Now is the time for the private sector to answer not *whether* but *how* it should work toward sustainability and address critical social issues: in the global environment, in the communities in which it operates, and for its own strength and viability.

AN OPPORTUNITY TO THRIVE

There is an inherent business opportunity in this mindset shift. Employees want to work for companies that are guided by ethical values.⁶ Consumers want to buy products/services that do not harm the environment; many even report that they are willing to pay more if their money ultimately benefits others or the world.⁷ Business-to-business customers want processes and systems that are sustainable and resilient. Investors see real value in companies with conscience and resilience. Evidence is also emerging that companies that do good, as defined by a strong sense of purpose and core ethical values, are more successful. They benefit from employee loyalty, higher productivity, and more innovation. Companies that are committed to business integrity are also significantly less likely to suffer from the devastating financial and reputational consequences of misconduct or noncompliance with the law.

⁶ ECI. (2023) "The State of Ethics & Compliance in the Workplace: A Global Look." <https://www.ethics.org/gbes-2023/>

⁷ While a majority of customers in the U.S. say they are willing to pay more for sustainable products, the state of the economy influences whether those statements are reflected in actual consumer habits. See <https://nrf.com/blog/consumers-care-about-sustainability-will-they-pay-more> for more.

According to ECI's 2023 *Global Business Ethics Survey*®, employees who perceive that their organization is highly committed to environmental and social issues are **less likely to observe behaviors that compromise ethical workplace standards and are more likely to report behavior that appears to compromise workplace ethics standards.**

IDENTIFYING PRINCIPLES & PRACTICES FOR TURNING A VISION INTO REALITY

The Blue-Ribbon Commission and this report aim to crystalize the focus on corporate responsibility, so that the business community and its stakeholders can systematically prioritize values and integrity when doing business in today's world and in the future. In the remainder of this report, we will present guiding principles and leading practices to help leaders turn vision to action, intention to impact. We aim to seed a genuine and systemic effort by the global business community to redefine success as not just financial gain, shareholder value, or operational excellence, but also having a positive and enduring impact on stakeholders out of a genuine commitment to integrity.

Businesses *should* be expected to acknowledge, address, and thoughtfully manage their impacts: on the environment, on their employees, and on the communities in which they operate. **Businesses have a mandate — and an opportunity. Let us take up the charge.**

Sustainability

Sustainability ensures resilience and longterm viability by balancing consideration of the environment, equity (fairness), and economy. It consists of fulfilling the needs of current generations without (negatively) affecting the needs of future generations, while also maintaining a balance between economic growth, environmental care, and social well-being.



SECTION II

Principles of Business Integrity

A company grounded in business integrity pursues excellence and financial success through a holistic commitment to its purpose. It operates in a way that upholds its core values in order to build long-term success and achieve its intended impact. Embedding purpose and living values is a complex, ongoing process, not a one-time effort.

The remainder of the report outlines the principles and leading practices which make it possible for business to find success grounded in ethics and purpose. The principles are intended to guide business leaders in their efforts to ensure that they operate with business integrity. Each principle is accompanied by a description of what it is and why it matters, as well as how it has been and can be effectively implemented. Our recommendations are drawn from the example and practices of companies who have been working towards such integration for decades.

PRINCIPLE 1: Business strategy is aligned with the business's corporate purpose and core ethical values.⁸

WHAT

Effective businesses know that the key to success is in pursuing their purpose: what they do better than anyone else, who they are working to serve, and what difference they hope to make. Corporate purpose lies at the nexus of passion (what you care about), expertise (what you excel at), and need (the stakeholders you want to benefit and how). As Alex Edmans, Professor of Finance at the London School of Business, explains, "Purpose is why a company exists.... It's the answer to the question 'How is the world a better place by your company being here?'"⁹

Business Integrity

Holistic alignment of a company's purpose, corporate values, and intended impact with core business strategy, operations, and decision-making in order to meet the needs and expectations of its stakeholders.

Purpose

The business's reason for being, how it defines and what it does with excellence, and the difference it intends to make in the world.

⁸ Many of the ideas in this section were first inspired by *Grow the Pie* by Alex Edmans (2022) and also draw on the National Association of Corporate Directors' report, *The Future of the American Board* and C. Bailey and A.L. Sandoghar's research on "What Makes a Great Corporate Purpose Statement."

⁹ Edmans, A. (2020). *Enterprises: The Power of Purpose and How to Make it Real* [Print]. *Grow the Pie* (pp. 259–310). <https://doi.org/10.1017/9781108860093>

Values

Ideals that guide people on how to act ethically. Values should inform daily decisions and actions, and govern how community members are expected to treat one another.

Core values are an important complement to purpose. While purpose tells a company and its stakeholders why it exists, core values define how the company will achieve its purpose. Values, which are a reflection of the company's vision and priorities, help employees make decisions about how to act, especially when rules, regulations, and standards are unclear. Values allow leaders to carefully evaluate the impacts of business decisions, and actively pursue positive outcomes for stakeholders. Because of this, core values must be ethical in nature, consistent with the company's priorities, and reflective of the company's worldview, while addressing the challenges and realities of actual work, including its industry. Such values inform and empower employees to act in such a way that they benefit others, by demonstrating behaviors like respect, responsibility, courage, and integrity.

Corporate strategy and goals should flow from and consistently align with purpose and values.¹⁰ While purpose is the ultimate reason for the company to exist, strategy and goals are the vehicles that transform vision into reality.

Strategy is a company's answer to the question, "How does your company execute your purpose in day-to-day operations and long-term planning?"

Strategy is the roadmap, and goals are the steps along the way. KPIs that are developed based on purpose and values can focus efforts and ensure accountability at every level. Reporting processes help determine how closely the company is adhering to its purpose and values and what adjustments are needed.



Case Study

A large, privately held American outdoor recreation clothing company integrates their values and ethics into every level of their operations.

Their commitment to environmental stewardship is evident in their commitment to using 100% recyclable or renewable materials in all of their products by 2025, minimizing their own impact. The company also has a trade-in/repair program and, by offering their customers the option to trade in their old clothing, they have implemented product circularity processes that value sustainability over continuous consumption — just one example of how values can be embedded both internally and externally.

WHY

Corporate purpose is the bedrock of a business. A well-articulated and effectively-communicated purpose serves as a North Star in the face of changing circumstances and unforeseen crises.¹¹ A clear corporate purpose serves to engage, inform, and prioritize stakeholders. Purpose also serves to inform strategy and decision-making when unexpected opportunities or challenges arise.

Corporate purpose propels the business forward, drives engagement, and inspires loyalty.¹² Moreover, when shareholders are adequately informed, leadership is empowered to act decisively, trusting in purpose as their guide. Employees rally around, are inspired by, and innovate based on a shared sense of mission. Customers and buyers invest and engage with the organization fully aware of its reason for being, core competencies, and long-term vision.¹³ Financial success often follows from such clarity, even while it is not the sole goal of a corporate purpose.

According to JUST Capital, **the majority of Americans lose trust in companies that walk back their support for important societal issues.**

HOW: LEADING PRACTICES

The company accepts that society's license to operate comes with responsibility to a broad set of stakeholders, including, of course, shareholders.

Excellence is no longer defined exclusively in terms of the bottom line; rather, excellence is a long-term effort involving resilient systems and processes that lead to enduring success and flourishing for all stakeholders. Corporations must do their part to actively pursue not only the reduction of harm, but also novel solutions, critical innovations, and creative processes that advance corporate purpose while upholding ethical values.

The business clearly defines its purpose and intended impact.

A company's purpose lies at the nexus of its expertise and the needs of the primary stakeholders that company leaders have identified. Clarifying purpose requires a deep understanding of the company's core competencies and history, along with an articulation of which stakeholders the company should serve and what their needs are. Any business's purpose must also be consistent with the core ethical values its employees profess.

As best explained by Alex Edmans, purpose should be:

- Furthered by core competencies, when practiced with excellence.
- Defined, focused, and selective.
- Clear in target, or who it's for (materiality).
- Clear in intention, or why it exists (comparative advantage).
- Both deliberate and emergent.¹⁴
- Communicated externally and embedded internally.

Several of these aspects of purpose are furthered by supporting business integrity principles which address materiality, integration and enculturation, and communications.

The NYU Stern CSB 2022 Sustainable Market Share Index™ finds that products marketed as sustainable are responsible for nearly a third of the growth in consumer-packaged goods (CPGs) from 2013 to 2022, and market share growth continues year over year. **Products marketed as sustainable grew ~2x faster than products not marketed as sustainable and achieved a 5-YR CAGR of 9.43% vs. 4.98% for its conventional counterparts.**

¹⁰ Shoenwaelder, T., Silverstein, A., Mennel, J., Beery, S., & Pereg, B. (2020). Leading with Purpose. In Deloitte. Deloitte Development LLC. Retrieved September 21, 2023, from <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/process-and-operations/purpose-strategy-leading-with-purpose.pdf>

¹¹ Purpose: Shifting from why to how. (2020). McKinsey & Company. <https://www.mckinsey.com/capabilities/people-and-organizational-performance/our-insights/purpose-shifting-from-why-to-how>

¹² Oh, J. (2020, January 15). *How to engage millennial and gen Z talent in the Workplace*. World Economic Forum. <https://www.weforum.org/agenda/2020/01/millennial-gen-z-talent-workplace-leadership/>

¹³ Sustainable Market Share Index™ - NYU Stern. (n.d.). <https://www.stern.nyu.edu/experience-stern/about/departments-centers-initiatives/centers-of-research/center-sustainable-business/research/csb-sustainable-market-share-index>

¹⁴ Edmans, A. (2020). Enterprises: The Power of Purpose and How to Make it Real [Print]. *Grow the Pie* (pp. 259–310). <https://doi.org/10.1017/9781108860093>

Every employee, and especially those in leadership, can explain the values-driven purpose of the business and how it relates to their job function.

Even the best, most relevant purpose is merely an idea. It only makes a difference if it is communicated to stakeholders and if people within the company buy in and know how to apply it to their work. Goals and strategy must be owned and applied, a concept that will be explored at greater length in Principle 3.

The business's core values are ethical, well-communicated, and relevant.

The focus of core values is individual behavior, and the ways in which individual behaviors influence organizational culture — not corporate processes. Ethical values encourage actions that result in good conduct and avoid unintended consequences. Because core values are meant to shape and inform individual decision-making and action, they must be communicated externally and embedded internally alongside messaging about corporate purpose. A statement of values is more useful if it is accompanied by pragmatic examples of common ethical decisions that employees/stakeholders make, and the ways that those decisions shape organizational culture.

Business strategy and goals align with and further organizational purpose, while generating value.

Just as core values are designed to be the guiding principle for individual action, purpose is the driver of strategy. Purpose will not be achieved without goals, targets, and plans. Strategy should support purpose and consistently be measured against it.

Success is defined and measured in terms of alignment with corporate purpose, values, and impact.

Purpose is the company's intended impact and contribution, and values are the standards it upholds along the way. Accordingly, success is no longer defined in merely monetary terms. Accountability and measurement systems gauge progress towards purpose and adherence to values.



Case Study

A global pulp and paper company with a significant presence in the US and Canada recognizes the importance of having a material sustainability program that addresses the fundamental concerns around forest management.

The company understands the need to promote sustainable forest management practices, by protecting water supply and biodiversity, and fighting against deforestation, all while reducing emissions. With many forests in Canada, with significant Indigenous populations, the pulp and paper company works with communities to ensure respectful forest management, highlighting their dedication to responsible business practices.

The pulp and paper company is also committed to ensuring that 100% of their products are FSC (Forest

Stewardship Council) certified. This certification is supported by the major environmental nongovernmental organizations, which underscores its importance. Additionally, they have partnered with the World Wildlife Fund and Rainforest Alliance to go beyond FSC certification. They have made significant strides towards addressing specific issues, such as caribou habitat protection in Canada. Their efforts demonstrate the company's commitment to a value-driven business focused on responsible and sustainable forest management. Furthermore, by committing to sustainability, the company is swapping a "race to the finish line" mentality (exhaust the business opportunity as quickly as possible to 'beat' others to it) to a "lengthen the race" mentality (make sure we have a viable business as long as possible).



QUESTIONS FOR LEADERS/READERS

1. Are your corporate purpose and core values:
 - a. Clearly articulated?
 - b. Ethical in nature?
 - c. Strongly stewarded and supported across every level of leadership?
 - d. An important consideration in major business decisions?
 - e. Effectively communicated across all corporate communication channels?
 - f. Understood by employees?
 - g. Incorporated into job descriptions at all levels of the company?
2. Is your corporate strategy:
 - a. Designed to serve your primary stakeholders?
 - b. Based in your business's area of excellence?
 - c. Aligned with and advancing your purpose?
3. To what extent do the senior leaders and managers in each of the below areas contribute, act, and make decisions on behalf of the business based on its purpose and core values?
 - a. Operations
 - b. Ethics & Compliance
 - c. Corporate Sustainability
 - d. Legal
 - e. Government/Public Affairs
 - f. Finance
 - g. Human Resources
 - h. Investor Relations
 - i. Risk Management
 - j. PR/Communications
 - k. Facilities
 - l. Research & Development
4. Do you measure and track progress on whether the values of your company are actively practiced in your workforce?
 - a. Employee survey
 - b. Culture survey
 - c. Performance reviews
 - d. Quantitative and qualitative measures
5. How closely is your organization's purpose connected to what you know drives business value or profitability in your specific industry?workforce?
 - a. Employee survey
 - b. Culture survey
 - c. Performance reviews
 - d. Quantitative and qualitative measures

PRINCIPLE 2: Consideration of stakeholder impact is embedded in management of opportunities and risks.

WHAT

The pursuit of profit is a mandate for every company by definition, but the manner in which profit is generated (and the environmental and societal impact of that pursuit) matters. Business leaders should consciously prioritize opportunities for innovation that align with their intended stakeholder impact. Likewise, risk management must address potential harm to stakeholders, along with traditional business considerations; failing to consider stakeholder impact when pursuing opportunities for efficiency or profit runs the risk of damaging a business's reputation.

WHY

In an increasingly complex and connected world, it would be illogical and unreasonable to argue that a business must take responsibility for every possible impact of its operations. Yet complexity does not absolve business leaders from examining and engaging with the significant impacts (both positive and negative) of their business operations, including their supply chains. Business leaders must make intentional efforts to think through their potential and intended impacts on stakeholders when evaluating opportunities and managing risks.

The presence of a core purpose and values alone does not safeguard a business from harming, knowingly or unknowingly, its stakeholders. However, by cultivating robust stakeholder engagement along with an integrated purpose, corporations have a solid foundation when acting on new opportunities or issues that may develop in a changing market. In difficult situations, when trade-offs are necessary, consistent stakeholder engagement gives business leaders a network of subject matter experts and peers to call on for advice, guidance, or even support.¹⁵

While a core purpose/values alone will not ensure that a business is having its intended, beneficial effect on relevant stakeholders, both elements make up the foundation of the structure that will ensure such effects. **A business must have a carefully articulated purpose, understood and espoused on every level, in order to effectively prioritize stakeholder impact alongside potential profit.**

¹⁵ Mathur, V., Price, A. D., & Austin, S. A. (2008). Conceptualizing stakeholder engagement in the context of sustainability and its assessment. *Construction Management and Economics*, 26(6), 601–609. <https://doi.org/10.1080/01446190802061233>



Case Study

A premium coffee brand has made a significant commitment to sustainability practices in the coffee industry, recognizing the importance of delivering high quality coffee in an environmentally, socially, and economically sustainable way that aligns with the interests of their stakeholders. They implemented several sustainable initiatives, including the AAA Sustainable Quality Program with the Rainforest Alliance, collaboration with coffee traders and farmer associations, agronomist training, dashboard systems to evaluate sustainability, reforestation programs, facility upgrades, farmer pension plans, climate-related crop insurance, and water conservation technologies.

By prioritizing stakeholder engagement and sustainability, this coffee brand can deliver premium quality coffee while creating value for customers, farmers, suppliers, and the planet. They are proud to lead a movement toward sustainable coffee production practices and aim to inspire other companies to join them in their mission.

**Please note: Case studies have been selected as exemplars of an aspect of business integrity, and specifics may not be applicable to all business models.*



Materiality

Important economic, environmental, and social issues or risks that have the potential to meaningfully impact the company and thus could influence the assessments and decisions of stakeholders.

Double Materiality

Extends the definitions of impact to include the company's impact, encompassing both issues that impact the company ("outside in") and company activities that impact society and the environment ("inside out").

HOW: LEADING PRACTICES

Materiality assessments are a foundational tool for surfacing impact and identifying the most salient issues and opportunities.

Materiality assessments allow leaders to identify the business' key stakeholders, surfacing both opportunities and risks. Stakeholder maps can be used to define key impact areas when discussing organizational strategy and allow the business to articulate roles and responsibilities inherent in the entire value chain (internal and external).

Additionally, the process of conducting an assessment serves as both a communications and onboarding exercise, driving stakeholder buy-in and engagement. Finally, the exercise of turning assessments into related goals "sharpens the spear," transforming ideas into manageable and measurable action.

Outreach and relationship-building, with both internal and external stakeholders, are used to both evaluate and capitalize on opportunities and to identify and mitigate risk.

It is essential to identify stakeholders who may be willing to collaborate or partner to make progress on a particular issue. Such connections add context, history, and critical insight when determining what must be prioritized when goals conflict, making trade-offs necessary.¹⁶ Furthermore, recent research¹⁷ suggests that action-through-partnership, i.e., working behind the scenes locally rather than grand public gestures, is more palatable to those hesitant or skeptical of corporate action.

Business decisions and developments are evaluated on both traditional fiscal factors, such as cost and risk, and on alignment with the company's core purpose, values, and intended impact.

Leaders, particularly those involved in the cross-functional governance structure outlined in Principle 3, should seek developments that provide both a competitive advantage to the business and its shareholders, and a positive impact on immediate stakeholders. For example, research & development (R&D) is a vital player in implementing business integrity, as business leaders



rely on this role to identify opportunities for growth. By putting core values front and center when conducting market research, opportunities can be identified that have a positive impact beyond the company's bookkeeping or shareholder payouts.

Because no business can or should do everything, the company identifies its priorities and focuses so it can use its resources for maximum internal and external impact.

Resources are finite, but appropriate management of time, money, and attention optimizes effectiveness. The company draws upon internal expertise¹⁸ to identify areas where important priorities for the business as a whole intersect with the priorities of stakeholders. Then, leaders are better positioned to identify and prioritize environmental, social, and governance opportunities and risks that create or preserve both financial and non-financial value for both the business and its stakeholders. Leaders should set impact goals, including for their supply chain, in the same fashion as they do for the business — with commitments, thoughtfulness, and accountability.

Opportunity and risk management incorporate ongoing efforts to identify changing business needs and drivers.

Business leaders must keep track of developing trends in whatever sectors the company operates, with the goal of better understanding their business's unique opportunities and risks. As will be discussed in greater depth in Principle 5, the unexpected will often happen. Clear purpose, tracking of relevant trends, and ongoing stakeholder engagement ensure that the corporate response to unprecedented situations is consistent and in line with the corporation's core purpose. Furthermore, close ties to stakeholders provide corporate leadership with access to a vast number of perspectives, all relevant (to varying degrees) in business decisions.

Materiality has been a common concept in the world of financial risk evaluation for nearly 100 years, but only recently have businesses and regulators begun to understand materiality as a helpful concept when determining a corporation's (non-financial) impact on the world. "Double" materiality posits that the same process used to assess risks should be used to evaluate opportunities, particularly those that positively impact the company's primary stakeholder groups beyond shareholders.

¹⁶For example, there is disagreement about the appropriateness of offshore wind farms that may interfere with indigenous populations, e.g., <https://time.com/6259144/greta-thunberg-norway-protests-climate-activists/>

¹⁷See in particular Eitan Hersh and Sarang Shah, "Who Wants Stakeholder Capitalism? Public and Elite Perceptions of the Role of Business in Politics," Working Paper, August 22, 2023

¹⁸In particular, E&C, CSR, risk, internal audit, and HR

PRINCIPLE 2: QUESTIONS FOR LEADERS/READERS

1. Have you identified and initiated conversations with key stakeholder groups?
 - a. If not, what additional steps (e.g., assessment) need to be taken to begin stakeholder engagement?
 - b. If so, are you building ongoing relationships with these groups through regular communication, collaborative problem-solving, and pursuing beneficial innovation?
2. Which stakeholders are, or could be, your partners? How can collaborating with these stakeholders drive opportunity and minimize risk?
3. How does your business respond when the facts and realities of your operations conflict with findings from materiality assessments?
4. What topics and global trends are material to your business? What business opportunities and risks do these trends present? How do the topics align with your strategy?
5. Have you evaluated these topics and prioritized them based on your business's purpose and core values? What are the three most important areas based on your purpose, core values, and findings from stakeholder engagement?

PRINCIPLE 3: Corporate purpose, values, and intended stakeholder impact are integrated into operations by design.

WHAT

Progress toward purpose requires intentional effort, and core values must be lived. Integrity, by definition, can never be an add-on. A company's core values and purpose should be a clear driver of the strategic fiscal¹⁹ and compliance practices and at the heart of how the company defines operational excellence. Business integrity must be woven into the fabric of what a company does, inspiring and directing business operations in all departments.

While certain functions²⁰ contribute much-needed, specialized expertise, no one department could, or should, be expected to carry the full weight of driving business integrity activities and programs. Because the goals and intended impact of business integrity are far-reaching, activities and efforts will span a variety of functions and departments. Once the C-suite and board have set the tone for business integrity, values, and practices should cascade down through the company via leaders from across functions and roles.



Case Study

A large shoe brand known for innovation moved away from the traditional way of manufacturing sneakers. Instead of the traditional method of stamping out pieces and sewing them together, the company decided to create knit strands of recycled plastic. This innovative approach has not only reduced the weight of the shoes, but it has also reduced waste generation by 80%. This process has grown to become a billion-dollar-plus business, and other businesses have followed suit. This shoe brand has truly made innovation a core component of their sustainability strategy.

Furthermore, the shoe brand recognizes the substantial waste associated with sneakers, especially considering how frequently people purchase new pairs. They have implemented ways to reuse the soles of the shoes, grinding them up into turf and playgrounds. They even held a competition across the country to generate additional ideas for repurposing sneaker waste into new products.

¹⁹ Unilever. (2023, September 7). Unilever's purpose-led brands outperform. Unilever. <https://www.unilever.com/news/press-and-media/press-releases/2019/unilevers-purpose-led-brands-outperform>

²⁰ The ethics and compliance function brings particular expertise on the application, implications, and implementation of core values.



TIP — Cascading communications can be challenging to implement in large organizations; if the mood in the middle is not right, cascading will fail. Large companies should consider employing a two-pronged approach where there is direct messaging from the top to all employees, as well as the cascading message to support it.

WHY

Purpose, strategy, and values that go beyond profit and performance will be hollow (and even counterproductive to a workplace culture) unless they become part of the lifeblood of the business. In order for corporate purpose, values, and intended stakeholder impact to be actualized, they must be integrated into operational processes. Building these practices into an existing, well-functioning operational model will not only enhance effectiveness, but will also likely cost less and be less of a burden on employees.

Focusing on business integrity can build and positively impact corporate culture, enabling success. As further discussed in Principle 4, it is important to take the time to ensure that employees understand organizational priorities and why they were chosen, what results will have value to relevant stakeholders, and how advancing this work connects to their own roles and outcomes. Employees at all levels are much more likely to embrace an evolution of their role, including changes to their work, if all layers of their leadership are aligned on the value of communicating effectively and routinely about expectations and success criteria.

HOW: LEADING PRACTICES

Commitment to corporate purpose and values starts with a clear tone at the top, and is embraced and advanced by the middle, which stresses its importance and cascades that commitment throughout the business.

Key priorities and goals must first be collectively adopted by the board of directors and executive leadership team; C-suite oversight sends a powerful message and helps ensure that purpose is an ongoing organizational priority. Company and departmental leaders should embrace their ownership and ultimate accountability for business integrity outcomes, just as they do financial accountability. Likewise, every employee, starting with but not limited to leadership levels should know, understand, and (by design) be accountable for how their work sustains and advances the company's purpose.

Each functional area must identify how it can advance corporate purpose.

Specific business functions (E&C, corporate philanthropy, risk, internal audit, and HR, to name a few) offer unique insight into how a company can holistically further its corporate purpose and be shaped by core values. These internal resources are an excellent starting point and may serve as the logical "home base" and driver of overall efforts. Nonetheless, before integrity can be embedded and lived, it is essential to identify and address how each organizational function can and will encourage and pursue corporate purpose. Operations, sales, R&D and every other business area has a critical role to play.

A pan-organizational, cross-functional team champions the company's commitment to its purpose, values and strategy; prevents siloing; and ensures integration and clarity with internal and external stakeholders.

It is important to establish a clear governance structure that not only oversees the work of leading and innovating with integrity, but also represents the

key internal groups involved in advancing initiatives and providing primary guidance. In some businesses, this may simply be an evolution of an existing council or committee that was created for other purposes, such as enterprise risk management. In others, it may be helpful to deploy a new body. Either way, it is vital to ensure the membership consists of the right level of leaders who are empowered to make decisions and drive progress.

Implementation of a cross-functional team that consists of representatives from an organization's HR, investor relations, government relations, corporate communications, legal departments, and more also signals to employees and customers alike that the company is serious about making good on its commitments. Such a team is not only critical for successful implementation, but also demonstrates that business integrity goals are not a supplementary hope and instead play a key role in the business's evolving processes and strategies.

Company structures support success, integration, and accountability.

Once accountability and governance models are established then the implementation, or evolution, of key processes can and must happen. Implementation will vary in each area of the company as business integrity priorities and goals are being advanced. If the right leaders are involved in the governance structure and clearly understand how the priorities affect their company, then they can more effectively:

- Communicate business integrity priorities and goals to their team members, outline how that work correlates with the various roles and responsibilities within that team, and set clear performance expectations.
- Identify the requirements within their team to meet those expectations.
- Ensure alignment of those requirements to the existing processes, even if they have to be evolved and/or create pathways to new processes.
- Incorporate business integrity-infused processes into compensation and key performance indicators (KPIs) and other measures of effectiveness, efficiency, and progress.

Performance evaluations and accountability systems are utilized to keep business integrity priorities integrated across the company. However, it's important to recognize that companies with these systems in place can still experience ethical challenges.

Ensuring that business integrity is embedded into operational and all other decisions will become second nature if accountability is the standard. It is important to consider how leaders' and team members' performances are evaluated based on how well their work centers the company's corporate purpose and commitments. Finding ways to incorporate progress and impact measurements into performance evaluations from the top down can help drive desired behavior and outcomes.



TIP — Using a framework, e.g. RACI, is helpful on key topics to ensure leadership is aligned.

PRINCIPLE 3: QUESTIONS FOR LEADERS/READERS

1. Are members from (at minimum) the following functions involved in the pan-organizational team or counsel that guides the integration and clarity of your business' values and purpose?
 - a. Legal
 - b. Government/Public Affairs
 - c. Ethics & Compliance
 - d. Corporate Sustainability
 - e. Public Relations/Communications
 - f. Finance
 - g. Human Resources
 - h. Investor Relations
 - i. Research & Development
 - j. Environmental Health & Safety (EHS)
 - k. Sales
2. Has your business clearly identified the specific ownership, roles, and responsibilities of key business integrity areas to promote collaboration and not confusion across departments?
3. Has your business identified which stakeholders or stakeholder groups are core to business success?
4. Have you defined and assigned accountability and developed the relevant approach and processes within the organization?
5. Does your board²¹ have a committee dedicated to the work and goals of business integrity? Are the areas of environmental/social expertise and risk management represented in more than two of your board members' backgrounds (assuming that governance is already inherent to their work)?
6. Does the risk management structure in your business evolve and expand to include developing environmental and social risks (e.g., climate change risk²²)?
7. Are your managers evaluated based on their commitment to business integrity? Do management evaluations show improvement in this area over time?
8. Does your pan-organizational team meet regularly to act on their defined role in key business decisions?
9. Do related functions include business integrity priorities in their objectives and KPIs and report them periodically?

GUIDELINES FOR EMBEDDING INTEGRITY

The Board's Role

Many board members struggle with terms like ESG and sustainability as these terms are evolving and mean different things to different people. Our Commission intentionally adopted "business integrity" as the most appropriate and comprehensive lens to describe a holistic approach that includes corporate purpose, core values, and intended impact.

Board commitment to business integrity is paramount. The role of the board includes:

- Understanding this is a transformational time;
- Acknowledging there is an issue around clarity when it comes to the terms ESG/sustainability;
- Focusing on what ESG/sustainability means to the Board, management, and the unique organization;
- Determining what is material to the organization, using precise language when defining ESG/sustainability, and then endorsing that definition;
- Confirming that folks downstream in the organization adopt the same definition of ESG/sustainability; and
- Not leaving it to employees and other stakeholders to define what ESG/sustainability means to your organization.

²¹ Brown, S. (2023). ESG semantics: *What do we really mean?* [Video]. Diligent Corporation. Retrieved October 16, 2023, from <https://www.diligent.com/resources/videos/esg-semantics>

²² Climate change is too often treated as if it exists outside of the boundaries of enterprise risk management.

PRINCIPLE 4: Trust is built internally and externally through a culture of transparency.

WHAT

Corporate impact reports can serve as both a helpful accountability exercise and an external communication tool. But they are not, nor could they ever be, the primary driver of trust internally or externally. External and internal communications must bring environmental, social, and governance efforts out from behind the curtain of annual reports and into a new culture of ongoing transparency.

Trust is not born of a single corporate exercise. Trust is the result of commitments kept, of humility when mistakes are made, and of candor when targets are missed. It is the result of hard questions asked and answered — both internally and externally.

Within a company, leaders cultivate trust through their words, decision-making, and, most importantly, their actions. As a result, employees and other stakeholders learn whether corporate purpose is truly the driver and whether core values will be upheld.

Trust is fostered by a culture of transparency. Businesses with integrity are transparent about their purpose and intended impact, their progress, and where work remains to be done. Such transparency enhances stakeholder buy-in and understanding, thus contributing to overall success. People know what to expect and what their role is in the company's guiding purpose.

WHY

In every indicator of trust, transparency is foundational. A digitally connected world has made it nearly impossible for businesses to hide behind their outputs, with rising expectations that businesses openly share *how* and *why* they operate with their employees and consumers. An organization with a commitment to business integrity builds trust. Transparency on the issues that have proven to be material for a business's stakeholders is critical to long-term partnerships with customers, and to organizational learning and development amidst the many upcoming issues that are expected to challenge the business landscape to its very core. By fostering transparency and building trust, companies can navigate such challenges alongside their stakeholders.

Employee satisfaction and development, a strong reputation, and brand loyalty are all hallmarks of a company that has built trust with both its internal employees and external customers. Such trust is integral to long-term business viability, as both internal and external stakeholders will buy into the company's continued success. When businesses are transparent in their values and operations, stakeholders can make informed decisions about where they choose to engage as consumers, customers, employees, or shareholders.



TIP — One of the obligations of any board is to accurately weigh risks against the benefits of transparency. Litigation and commercial risks are and will continue to be critical concerns for the company, its stakeholders, and its ability to further its purpose. For example: Full disclosure of future plans for scope 2/3 emissions would more or less outline the entire business strategy to competitors. Additionally, for some issues, such as cyber, a degree of opacity provides an essential level of protection for stakeholders against cyber-criminals.

Brand loyalty, although rooted in product or service quality and customer relations, is fostered by a company's clear and public commitment to its values through business operations and communication practices. However, with the advent of social media virality and influencers, a company's reputation has never been more susceptible to sudden popularity or demise. When a company hits turbulent times, such earned trust pays itself forward as a support system and reliable feedback loop.

HOW: LEADING PRACTICES

Recognizing that transparency carries risk, the business makes intentional decisions about what can and cannot be shared while understanding and pursuing the opportunities ahead. Real, valid considerations include proprietary information, confidentiality concerns including for those who are considered stakeholders, competitiveness concerns, misuse of disclosed information and more.

Whenever possible, business leaders act with transparency, sharing with employees and consumers how and why the business operates. Adhering to business integrity means that companies should have processes for determining both what information should be shared publicly and the method and timeline of information sharing as it pertains to their progress on environmental, social, and governance priorities. Ongoing and intentional efforts to be transparent create a climate of trust; such a climate can reassure stakeholders that when information isn't shared, it is for a critical reason consistent with the company's purpose and values.

Transparency, which begets accountability, comes from the highest levels of the company, so commitment to corporate purpose is integrated and effective.

Without the trust built on transparency from the C-suite and the board down to the staff, suppliers, and customers, there is little hope for this principle to take hold. By setting the tone at the top, leadership is accountable for a culture of transparency cascading through the business and does not leave this important work siloed in the space of communications.

Engagement and dialogue build cross-functional trust.

As business integrity priorities become increasingly integrated into a company's operations, their relationships with other key business functions must also be addressed. Setting meaningful goals inherently involves risk and compliance considerations. To maintain internal and external trust, functions such as ethics and compliance, risk, internal audit, and human resources must be active participants in the dialogue on how a company can reasonably fulfill its current commitments, while also striving toward ambitious goals and developments.

Proactive transparency builds trust, internally and externally, so that when leadership makes decisions on how or when to engage with societal challenges, stakeholders understand their reasoning.

No company can address every possible issue that may emerge in connection with its business. A company's engagement on each issue will depend on how it determines stakeholder and issue materiality and integrates anticipated business outcomes into the opportunity and risk management process. As part of those processes, it must also clearly communicate — especially to shareholders — how the business will be impacted by new challenges, how it plans to engage with them, and how its engagement is guided by the company's purpose and values. As we will see in Principle 5, such efforts build trust and stakeholder understanding, which is critical for successfully reacting to and addressing challenges that emerge.



TIP — A culture of transparency depends upon up-skilling managers to accept bad news properly. When leaders are skilled at this, they create a truly open culture where everything, including new ideas, missed results, misconduct and more are addressed quickly and the company is better able to respond thoughtfully, limiting surprises that destroy trust.

PRINCIPLE 4: QUESTIONS FOR LEADERS/READERS

1. In what ways do your current systems for sharing information internally and externally build trust with stakeholders? How might they unintentionally erode trust?
2. To what extent does your company communicate, both internally and externally, its corporate purpose, values, and impact commitments?
3. How does your company respond when targets or goals are not achieved? Whether you share good news and/or bad news, do you intentionally use your purpose and values to explain the context of your message(s)? Does your organization have a
4. What does cross-functional dialogue look like at your company? How can it be enhanced to further progress on company goals and maintain trust internally and externally?
5. How does your company measure indicators of trust, like employee satisfaction, brand loyalty, and reputation, if at all? In what ways could transparency and communication serve these trust indicators?

PRINCIPLE 5: The company's values and purpose are upheld, even when the company faces unforeseen/novel challenges and conflicting priorities.

WHAT

If business leaders have employed the first four principles above, then, by definition, they have grounded their priorities in company purpose, strategy, and values. They have conducted a thorough and effective assessment of both risk and opportunity, and chosen the right areas to focus their time, money, and talent. They have created governance and operational structures that are efficient, accountable, and drive actual progress. Employees and leaders alike understand the “what,” “why,” and “how” related to these priorities, and there is a high level of communication and engagement inside the company, which facilitates dialogue and transparency with external stakeholders.

Such a business is well-prepared and well-positioned to face emerging issues and unforeseen challenges. The business has a clear set of guidelines for how to proceed, ideally staying the course of its strategy. A business grounded in integrity is prepared to respond, and its response should not come as a surprise to stakeholders. If a hot-button public issue arises, the company will evaluate the situation in light of its purpose, values, and intended impact. If a change of direction is required, it is consistent with corporate purpose and upholds its core values; decision-making considers stakeholders and follows a process that has been well-communicated in advance.



Case Study

A large technology company upholds its values and mission, even when faced with unforeseen challenges. The company has made a commitment to become carbon negative by 2030 and remove all carbon they have ever emitted by 2050. This initiative is aligned with the company's goal of creating a more sustainable future. In addition to reducing their carbon footprint, the company has also undertaken initiatives to reduce water usage and improve the energy efficiency of their data centers, helping to mitigate their overall ESG risk.

They have also implemented a human rights due diligence framework to identify and address potential human rights risks throughout its value chain. The system is put in place to not only detect and mitigate risks, but to also identify opportunities.

WHY

This principle encourages companies to identify a roadmap for wrestling with and responding to novel situations, potential conflicts, or challenges, while remaining steadfast in a strategy informed by business integrity priorities. Such a roadmap will be different for every company, but by implementing each principle leading up to this, the company's leadership should be equipped to identify the best steps for responding to new challenges,²³ while maintaining the focus on business integrity.

A business that weighs in on controversial issues without carefully considering alignment with core purpose and values can face backlash from stakeholders who disagree with or do not understand why it is engaging with a seemingly unconnected societal problem. If an organization embeds and communicates the purpose and values that guide its priorities, leaders will have a solid foundation for responding to public backlash if it occurs. Too often businesses pull back from their publicly stated environmental, social, or governance priorities and goals at the first sign of resistance and without further study. Leaders who have a knee-jerk response to such backlash may not only alienate further stakeholders — who may hold fiscal power and/or sector influence — but could also call into question the business's credibility. This is why establishing business-wide processes for responding to conflict and unprecedented challenges is especially important.

Rooting a company's current and future decisions in the concept of business integrity ensures adherence to the stated path.

HOW: LEADING PRACTICES

The business is vigilant about looking to the future and attuned to emerging trends and challenges to its particular industry.

With the assistance of stakeholder relationships as referenced in Principle 2, leaders should “look around corners” to see how certain trends may develop and rely on a host of partners when trying to solve a novel or especially challenging problem.

Systems have been implemented in advance so the business is ready to respond to emerging trends and current events as relates to purpose, strategy, materiality, impact priorities, or stated goals — and so stakeholders will understand the response and how it relates to the business' core purpose, values, and commitments.

Corporate communications and public relations are often called to assist when conflict resolution skills are needed, especially when environmental, social, and governance (ESG) challenges are in play. However, these are just two of the functions that must be included in discussions and decisions when priorities conflict, as there can be implications that affect far more than reputation or brand value.

²³ There may be times when businesses are compelled to adjust their ESG priorities due to critical business needs that cannot always be predicted. In such cases, decisions are made out of necessity and with a mind to fulfilling purpose and upholding values, rather than out of fear.

Rushed decision-making can put the entire organization at risk for criticism, pushback, or even legal retaliation. Most companies approach these decisions proactively by bringing together an internal taskforce composed of key departmental leaders. This taskforce meets regularly to evaluate emerging concerns and their relation to the company's purpose and to make official recommendations to the CEO and board of directors. Leading organizations often have playbooks and response plans developed in advance to address various scenarios such as a cyber breach, product defect, etc.; it is essential that such playbooks are developed using an inter-departmental approach that involves key players including E&C and Sustainability functions. More moderate versions of this approach could require department leaders to collectively discuss decisions on co-signing official "letters" or memberships, collaboration partnerships, or even approving final marketing strategies in the name of being "green" or other higher-risk topics.

The company relies on its purpose and core values when making difficult (internal and external) decisions and empowers the pan-organizational team (addressed in Principle 3) to explore the complexity of such decisions and develop strategies/solutions.

The importance of purpose and values when creating a process for responding to new challenges cannot be overstated. Yet purpose alone does not provide an answer to every new question, which is why the cultivation of a pan-organizational team is particularly important. Leadership should partner with that team to create a process that can be followed to identify balanced solutions that incorporate purpose, values, impact, and traditional fiscal factors. Crucially, this process should be established prior to the emergence of crises to avoid reactive responses that may damage stakeholder trust.



The company acts with consistency and courage both externally and internally when faced with unforeseen challenges that impact stakeholders.

Although some challenges can be identified early by tracking relevant industry trends and maintaining relationships with various stakeholder groups, every company will eventually be faced with a crisis that nobody could have predicted. Furthermore, a business that takes its core purpose seriously will almost certainly be faced with situations in which the risk of acting on an opportunity for profit conflicts with its commitments to key stakeholders. This principle's most important function becomes apparent in such situations and crises: to ensure that the business' response to conflicts and to unforeseen challenges furthers its core purpose and maintains its values.

Fiscal factors, stakeholder impact, and adherence to stated values and purpose should all be considered when making decisions that could influence the future of the business, and sometimes one factor should be considered above another — but purpose and values should always be paramount. This, in turn, sets up a virtuous cycle that benefits the company as a whole: Leaders that courageously follow the mandates of true adherence to the business' core values set the tone for all employees to act with similar courage, spurring on transparency and consistency throughout the business.

When making decisions that could influence the future of the business... **purpose and values should always be paramount.**



PRINCIPLE 5: QUESTIONS FOR LEADERS/READERS

1. How do you ensure that your leaders are:
 - a. Monitoring current trends;
 - b. Maintaining a focus on the future; and
 - c. Endeavoring to identify potential challenges before they become crises?
2. Do you have the proper infrastructure, including systems, personnel, and cross-functional engagement (e.g., through the pan-organizational structure referenced in Principle 3) to respond appropriately to challenges that arise?
3. How does your company decide when and to what degree to engage with emerging issues? What role does transparency and stakeholder trust play in those decisions?
4. When faced with a novel challenge or conflicting priority, ask leaders in each function questions that are specific to their expertise, such as:
 - a. Ethics & Compliance: What decision or action is most consistent with the company's core values? Does this decision counter the ethical culture which the business is working to build?
 - b. Communications: How will you address this issue to internal and external stakeholders? Will the messaging change depending on who you are speaking to, and if so, why?
 - c. Legal: What possible outcomes from this decision breach contracts or have statutory restrictions/exposure? Do any outcomes expose the business to lawsuits or other legal risks?
 - d. Government Affairs: What regulations are being formed which could be affected by this decision? Are the sociopolitical positions of any affiliated trade associations in conflict with this decision?
 - e. Investor Relations: Are shareholders and other investors (e.g., funding from foundations, donations, etc.) aware of the criteria used in this decision? Do any investors maintain positions that may conflict with the outcome of this decision?
 - f. Finance: What are the revenue and cost implications? Would the outcome affect financial disclosures, which now must include several ESG-related topics requiring input from across the organization?
 - g. Human Resources: How will this decision impact and be received by employees of all levels and backgrounds? How will it impact employee morale? Could it lead to consequences for the larger business, e.g., absenteeism, online activism or burnout?



Conclusion

We have come together as a Commission to urge business leaders to act with integrity, to strive for excellence, and to honor their obligation to the world in which they operate. We recognize that embedding integrity is a noble goal, but a difficult task. There will be risks and trade-offs, but the potential consequences of failing to move beyond the status quo are dire.

We have presented the Guiding Principles for Business Integrity and associated Leading Practices to provide insight on what integrity looks like in action and how it comes to be. Companies have an opportunity to look beyond what they must do and ask what they should do, press forward with great ambition, take bold action to further their purpose, and be accountable to core values and assess impact.

Business leaders must take up this charge and with firm purpose and clear eyes evaluate what difference they can and should make, where their company is equipped and beholden to act, and how best to implement or scale solutions that align with their intended impact, values, and expertise.

By embedding core purpose and values, companies will clarify complex decision-making and offer employees a clear vision of organizational priorities, inspiring them to dream, dare, and innovate. Companies will be equipped to build a foundation of trust, so customers and consumers know why they exist and what they value, fostering engagement and building loyalty that can weather challenges. Companies will have the tools to identify and address key risks, protecting the business and its stakeholders by having the courage to see problems and the will to address them. Their workforce will be ready to face the unforeseen challenges that always arise — because they know why their company exists, the impact they want to make, and the values that guide them.

Integrity isn't something new, and it isn't an add-on. It is the best of what business has always been, and it should guide how all companies operate, communicate, innovate, and move forward.

We challenge companies to commit to integrity, weaving purpose and values into strategy, goals, and operations. Such an endeavor will not be easy, but it will be worthwhile — for the world in which we operate, for the stakeholders we impact, and even for our own longterm success.

Now is the time.

Key Terms/Glossary

Business Integrity: Holistic alignment of a company's purpose, corporate values and intended impact with core business strategy, operations, and decision-making in order to meet the needs and expectations of its stakeholders.

ESG (Environmental, Social, and Governance): Management, tracking, and disclosure of the business's progress towards addressing risks and opportunities as relates to its impact on stakeholders, while upholding legal and regulatory standards.

Ethics: Doing the right thing, particularly when rules, regulations or laws are absent, unclear, insufficient, and/or conflict.

Materiality: Important economic, environmental, and social issues or risks that have the potential to meaningfully impact the company and thus could influence the assessments and decisions of stakeholders.

Double Materiality: Extends the definitions of materiality to include the company's impact, encompassing both external issues that impact the world ("outside in") and ways that the company impacts society and the environment. ("inside out").

Purpose: The business's reason for being, how it defines and what it does with excellence, and the difference it intends to make in the world.

Stakeholder: A key person or entity that is impacted by the actions and decisions of a company, including shareholders, employees, customers, suppliers, communities, and governments. Future generations and the planet are also now seen as stakeholders given how significantly they are impacted by the actions taken by businesses today.

Sustainability: Sustainability ensures resilience and long-term viability by balancing consideration of the environment, equity (fairness), and economy. It consists of fulfilling the needs of current generations without (negatively) affecting the needs of future generations, while also maintaining a balance between economic growth, environmental care, and social well-being.

Transparency: Transparency involves openly sharing information about a company's purpose, impact, progress, and challenges, in alignment with its core business strategy, operations, and decision-making. When practiced, it builds trust and supports a culture of openness and integrity.

Trust: Trust is the holistic assurance that a company's commitments and communications consistently align with its purpose, values, and intended impact, fostering long-term business success.

Values: Ideals that guide people on how to act ethically. Values should inform daily decisions and actions, and govern how community members are expected to treat one another.

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The background of the entire page is a photograph of a city street. On the left, a tall building with a glass facade is partially obscured by a large, leafy green tree. To the right, another tall building with a grid-like window pattern stands prominently. In the foreground, a sidewalk runs alongside a road where a green and white bus is visible. The overall scene is bright and clear, suggesting a sunny day.

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ECI is developing an online Business Integrity Library & Resource Center featuring implementation examples, lessons learned, key research, a glossary, and relevant regulations.

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