

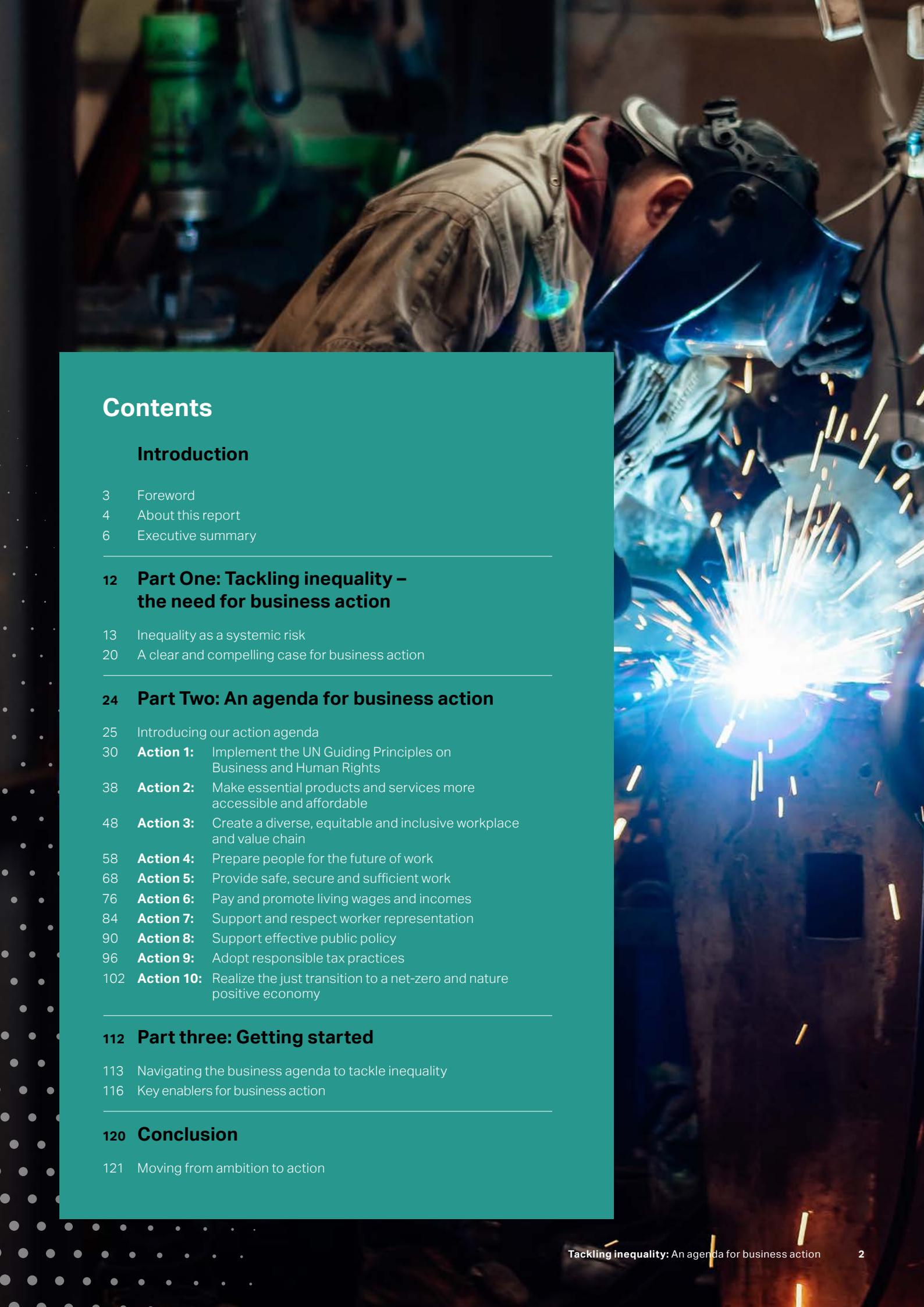


Tackling inequality: An agenda for business action

BCTI The Business
Commission to
Tackle Inequality

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FOREWORD

The topic of inequality is making headlines all over the world as the reality and challenge in front of us grows ever starker and harder to ignore.

At a time when the richest 10% of the global population earns more than half of the world's income and holds virtually all of the world's wealth, and when only a handful of countries have the right conditions in place for genuine upward mobility, people are losing faith that the political and economic systems business depends on will deliver for them, and their families.

At the same time, we stand on the brink of the largest cost of living crisis in a generation as the Russian invasion of Ukraine gives rise to a perfect storm of food, energy and financial crises that will impact the most vulnerable in our societies the hardest. These crises are further compounding inequalities and fragilities arising from the COVID-19 pandemic, as well as mounting pressures unfolding as a result of the climate emergency.

Against this backdrop, the UN Secretary General has called for urgent global efforts to "prioritize investments in people" in a bid to rescue the Sustainable Development Goals (SDGs).

Business has powerful levers at its disposal to be part of this rescue effort – as well as powerful reasons to use them. Inequality undermines human dignity and social progress. It also impacts business performance, limiting productivity and innovation, dampening consumer confidence and spending, destabilizing supply chains and increasing uncertainty in the political and regulatory environment.

At this critical juncture, as Co-chairs of the Business Commission to Tackle Inequality (BCTI), we are issuing a call to action for global business leaders to rally around a shared mission to work with governments to tackle inequality.

This report represents an important starting point. Developed collaboratively through inputs from the BCTI's cohort of over 60 Commissioners from business, intergovernmental organizations, civil society and academia, it puts forward a compelling case for business efforts to tackle inequality as well as a common agenda for action.

Alongside government, the private sector has a critical role to play in tackling inequality. Many leading companies are already embracing this role by working to level the playing field. The call to action now is for all businesses to maximize their potential to head off the risks posed by mounting inequality and ensure that equal opportunities and better outcomes are available for all.

We hope that you will join us in our efforts to broaden and bring a sense of urgency to this work, and that together we can mobilize the power of the private sector to deliver shared prosperity.

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ABOUT THIS REPORT

This report represents the flagship output of the Business Commission to Tackle Inequality (BCTI). The BCTI is a cross-sector, multi-stakeholder coalition of organizations and their leaders with the mission of mobilizing the private sector to tackle inequality and generate shared prosperity for all.

The BCTI is convened and powered by the World Business Council for Sustainable Development (WBCSD), and brings together more than 60 Commissioners – a group of global leaders from business, the investor community, intergovernmental organizations, civil society and academia. These Commissioners have committed to guide the development of the BCTI's work and spearhead a global movement, leveraging their internal decision-making power and external networks and influence to drive change.

This group is working to propel greater levels of business attention, investment and action in proportion to the scale of the challenge of mounting inequality. Its work is focused predominantly on: changing mindsets, so businesses globally recognize inequality as a systemic and urgent risk; creating shared vision and direction, so businesses have a clear action agenda they can leverage to tackle inequality; and catalyzing and coordinating action, so businesses have easy access to tools, networks and guidelines to support their efforts, as well as a platform that can incubate new resources, initiatives and partnerships.

This report, ***Tackling inequality: An action agenda for business***, provides the global business community with a clear and compelling business case for efforts to tackle inequality, as well as a common and holistic agenda for private sector action, grounded in opportunity and business reality. This action agenda is made up of 10 catalytic actions that companies can take as part of efforts to address mounting inequality.

CEOs and business leaders from all sectors can use this report and the agenda it puts forward for analysis and strategy setting, prioritizing the actions with the greatest potential for impact given their capabilities and geographic, political and cultural contexts. Confident of its legitimacy and potential to drive impact at scale, they can also utilize different parts of this report to provide guidance to internal teams from a wide variety of different disciplines from within their organizations, including human resources, strategy, sustainability, marketing, innovation, risk management, procurement and accounting functions.

Acknowledgments and disclaimer

This document has been developed in the name of the BCTI. It is the result of a collaborative effort by Commissioners and affiliated working groups. The full list of BCTI Commissioners who helped to steer this publication is included overleaf and details of the wider working group and contributors are presented at the end of this report. A wide range of organizations reviewed drafts, thereby ensuring that the document broadly represents the perspective of BCTI Commissioners. Input and feedback from members was incorporated in a balanced way. This does not mean, however, that every Commission member or participating organization agrees with every word.



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EXECUTIVE SUMMARY

Launched in September 2021, the Business Commission to Tackle Inequality (BCTI) represents a cross-sectoral and multi-stakeholder coalition of more than 60 organizations and their leaders – convened by the World Business Council for Sustainable Development (WBCSD). These leaders have come together to put addressing inequality at the heart of business' agenda for sustainable growth, recognizing that we will not have sustainable growth if we do not consider how the fruits of growth are distributed.

Through its Commissioners, the BCTI is working to mobilize the private sector to tackle inequality and generate shared prosperity for all by driving greater levels of business awareness, investment and action in proportion to the urgency and scale of the challenge posed by mounting levels of inequality globally.

This flagship report represents a culmination of these efforts. It establishes a clear and compelling case for business action, while also addressing a key constraint on business action to date: a lack of clarity and alignment on what it is that business can, and should, do. It provides a common agenda for private sector action, rooted in respect for human rights and a commitment to equity and social justice, that business leaders can leverage for analysis and strategy setting, confident of its legitimacy and potential to drive impact at scale.



Inequality as a systemic risk

Our world today is characterized by stark inequalities of income, wealth and wellbeing. For example, the top 10% of earners now take home 52% of total global pay, while the lowest-paid 50% receive just 8.5%. Meanwhile, the richest 10% of the world's population owns over three-quarters of all wealth, while the poorest 50% own a mere 2%. This distribution of income and wealth is leaving hundreds of millions of people struggling to meet their basic needs.

Even more fundamentally, behind these inequalities of income, wealth and wellbeing lie inequalities of opportunity: deep structural differences in people's prospects based on their personal characteristics and backgrounds – factors that are largely outside their control.

Meanwhile, a number of major trends and developments are making the situation worse. Climate change, the continued effects of the COVID-19 pandemic, conflict and cost of living crises are all hitting the most vulnerable the hardest.

The high level and structural nature of inequality today make it an urgent systemic risk – one that is threatening not only individual communities or companies, but entire societies and economies. Inequality is eroding trust in our political and economic systems, unraveling the social fabric, fueling civil and political unrest, increasing the damage that crises like COVID-19 and climate change cause, constraining economic growth and undermining our collective capacity to tackle complex global challenges. It also represents a significant and mounting business risk.

Fortunately, inequality is not a fact of nature but a product of our systems, which we can change. Reducing inequality will require concerted action across all sectors of society – and business has an essential role to play.

A clear and compelling case for business action

The business case for tackling inequality is a fundamental one. It is about mitigating both systemic and business risk and building a world of opportunity in which business can thrive in the long term.

At the same time, a shift is underway in the way business performance is perceived and measured by consumers, employees and governments. This shift is unlocking a variety of company-level benefits associated with efforts to tackle inequality. These include securing license to operate, attracting and retaining leading talent, winning consumers, staying ahead of policy and regulatory change, and even protecting and enhancing access to capital.

Of course, measures to tackle inequality will come with costs as well as benefits. The cost-benefit calculus is complex, and there will be trade-offs as well as win-wins, especially in the short term. However, the cost of action must be balanced against the cost of inaction – which can be expected to increase sharply as the consequences of inequality continue to emerge. Tackling inequality is a critical part of fiduciary duty and an investment in long-term business success.

The role of business

The inequality we see today is a systemic issue and therefore requires a systemic, multi-stakeholder response. Governments will have a central role to play in driving this agenda but other stakeholder groups including businesses, investors, and civil society more broadly will also have vital contributions to make.

For its part, business provides the lion's share of the products, services and jobs people need to sustain themselves

and their families around the world. In partnership with government, the private sector has fueled innovation, wealth creation and rising living standards over the course of centuries, while market economies have delivered – and continue to deliver – enormous benefits to huge swaths of the global population. However, in recent decades, the benefits and risks of business activity have become increasingly uneven, and certain business models and practices have contributed to widening social and economic gaps.

We must now harness the power of market economies to address these gaps and improve outcomes.

Business has at its disposal powerful tools that can be deployed to create and distribute value more equitably, bringing down structural and behavioral barriers and expanding opportunity for those who need it most. Many leading companies are already leveraging these tools to level the playing field. The call to action now is for all businesses to use these tools to their fullest potential to head off the risks posed by mounting inequality and ensure that equal opportunities and better outcomes are available for all.

Key categories of business action to tackle inequality



At a high level, this agenda incorporates six broad categories of intervention by business. At its core is a commitment to respect human rights in accordance with the UN Guiding Principles on Business and Human Rights. The agenda also encompasses endeavors to ensure that the underserved in our communities have better access to essential products and services; to create and sustain jobs and economic opportunities for all; to distribute value and risk equitably; and to support and encourage governments in playing their role effectively. Finally, the agenda for business action to tackle inequality must also include efforts to arrest climate change and nature loss, and mitigate their impacts on the most vulnerable.

Catalytic actions that business can take

Under these six overarching categories, the BCTI has identified 10 catalytic actions that individual companies can take, and that stakeholders increasingly expect them to take, to start to tackle inequality. Each one is an avenue through which business exerts significant influence over the opportunities people have and the outcomes they experience.

The potential for any given action to deliver change will differ from region to region and company to company, and it will be up to individual organizations to prioritize the actions with the greatest potential for impact given their existing capabilities, and geographic, political and cultural contexts. Most companies will find that they have already made strides in some of these areas, as many of them are long-standing sustainable business topics.

Other areas may represent relatively new and untapped opportunities. The lens of tackling inequality provides us with the opportunity to explore these action areas as part of a holistic and interconnected agenda.

An agenda for business action

Respecting human rights	Action 1: Implement the UN Guiding Principles on Business and Human Rights	Adopting policies and practices that put respect for human dignity at the center of how business gets done
Enhancing access to essential products and services	Action 2: Make essential products and services more accessible and affordable	Innovating and collaborating to ensure that all people have what they need to be healthy and productive
Creating jobs and economic opportunities for all	Action 3: Create a diverse, equitable and inclusive workplace and value chain	Fostering work environments and markets in which all individuals are empowered to participate, prosper and reach their full potential
	Action 4: Prepare people for the future of work	Building a workforce that is skilled and empowered to benefit from developments that are transforming the world of work
Distributing value and risk equitably	Action 5: Provide safe, secure and sufficient work	Ensuring that the terms and conditions of work protect and enhance the physical, mental, social and financial health and wellbeing of all workers
	Action 6: Pay and promote living wages and incomes	Eradicating poverty wages and ensuring that everyone who works earns enough to afford a decent standard of living
	Action 7: Support and respect worker representation	Giving workers greater ability to affect corporate decision-making about the terms and conditions under which they work
Enabling government action	Action 8: Support effective public policy	Helping to propel government toward greater and more impactful action on inequality
	Action 9: Adopt responsible tax practices	Approaching tax as an essential part of good governance and a fundamental investment in the societies where business operates
Accelerating climate and nature action	Action 10: Realize the just transition to a net-zero and nature positive economy	Acting in line with science to address the climate emergency and restore nature, while leveraging these transformations to advance shared prosperity

Getting started

Robustly identifying, assessing and strategically integrating steps to address inequality-related risks and opportunities across the full spectrum of a business' operating model represents a potentially complex process. Applying a sustainable business transformation framework in support of efforts to tackle inequality will help plan this journey. This report presents several important steps that should be part of such a framework, including:

- Baseline and maturity assessment
- Prioritizing action areas and setting targets
- Strategic integration and implementation
- Social performance review
- Communication on progress

In addition, as companies embark on the catalytic actions outlined in this report, there will also be a number of cross-cutting enabling actions that will be foundational to driving success in the long term, including:

Embracing mindset shifts: The transformations needed to ensure that the private sector is fulfilling its potential to help tackle inequality will not always be brought about by sticking to existing ideas and priorities. In particular, shifts in strategic business mindsets around reinventing capitalism to reward true value creation, building long-term resilience, and taking a regenerative approach to business sustainability will be important cornerstones when it comes to efforts to tackle inequality.

Stakeholder governance: Ultimately, any serious private sector endeavor to tackle inequality must be rooted not only in efforts to identify and proactively engage with stakeholder groups that are affected or may potentially be affected by business actions, but also in robust processes that serve to embed insights gained from stakeholder engagement into business decision-making.

Measurement and disclosure: Sustained progress on tackling inequality will hinge on the ability of companies to adequately identify, measure and disclose their direct and indirect impacts and dependencies on people.

Conclusion

While alarming statistics on declining trust and mounting conflict reflect deep divides in societies around the world, they also point to increasing unity behind calls for greater inclusion and equity – and higher expectations for governments and business to take action. It is time for business leaders to ensure that they are responding to these expectations to the fullest of their potential.

This report presents why it is in business' best interests to do so, and provides a holistic agenda to guide business action. However, it is just a starting point. It is now time to convert ambition into action. We must act proactively and purposefully to reinforce the "S" in ESG – a critical pillar of action that has too long been overlooked – and help to lay the foundation for an evolution toward a more inclusive form of capitalism in which the power of market economies is harnessed to deliver enhanced outcomes for all.



PART ONE

TACKLING INEQUALITY – THE NEED FOR BUSINESS ACTION

Tackling inequality is critical to building a world of opportunity in which business can thrive for generations to come.

Inequality as a systemic risk

Inequality has become a source of systemic risk – threatening the political and economic fundamentals that business depends on to operate, innovate and grow.

Inequalities of income, wealth and wellbeing

The world economy has grown exponentially over the past 200 years, from US\$ 1.2 trillion in 1820 to nearly US\$ 85 trillion today.¹ The prevalence of extreme poverty has dropped dramatically during this period, and measures of wellbeing have improved significantly. But the benefits of this growth have not been enjoyed universally. In recent decades in particular, many benefits have accrued to the few rather than the many, and inequality has been on the rise in our societies globally.²

Although income inequality between countries has generally declined over the past 40 years, during the same period inequality within countries has risen significantly. The gap between the average incomes of the top 10% and the bottom 50% within countries has almost doubled (Figure 1),³ with the top 10% of earners currently receiving 52% of total global pay, while the lowest-paid half of workers receives just 8.5%.⁴

The disparity in terms of wealth is even greater, and it is growing. The richest 10% of the world's population now owns over three-quarters of all global wealth, while the poorest 50% owns just 2%. Since 1995, the richest 10% has accumulated more than 20 times more wealth than the poorest 50% combined (Figure 2).⁵

This distribution of income and wealth is also translating directly into inequalities of wellbeing, leaving hundreds of millions of people still struggling to meet their basic needs. According to the International Labour Organization (ILO), 19% of all workers worldwide earn less than they need to escape poverty,⁶ and recent Oxfam analysis suggests that inequality-related issues are literally killing one person every four seconds.⁷

52% vs 8.5%

The top 10% of earners receive nearly 52% of total global pay, while the lowest-paid half of workers receive 8.5%

75% vs 2%

The richest 10% of the world's population now owns over 75% of all global wealth, while the poorest 50% owns 2%

The 10 richest men in the world now own more wealth than

3.1B people

Inequality is killing one person every

4 seconds



"The corrosive effects of today's levels of inequality are clear. We are sometimes told a rising tide of economic growth lifts all boats. But in reality, rising inequality sinks all boats."

António Guterres, United Nations Secretary-General

Figure 1: Inequality between countries versus within countries, 1820–2020

Source: World Inequality Report 2022

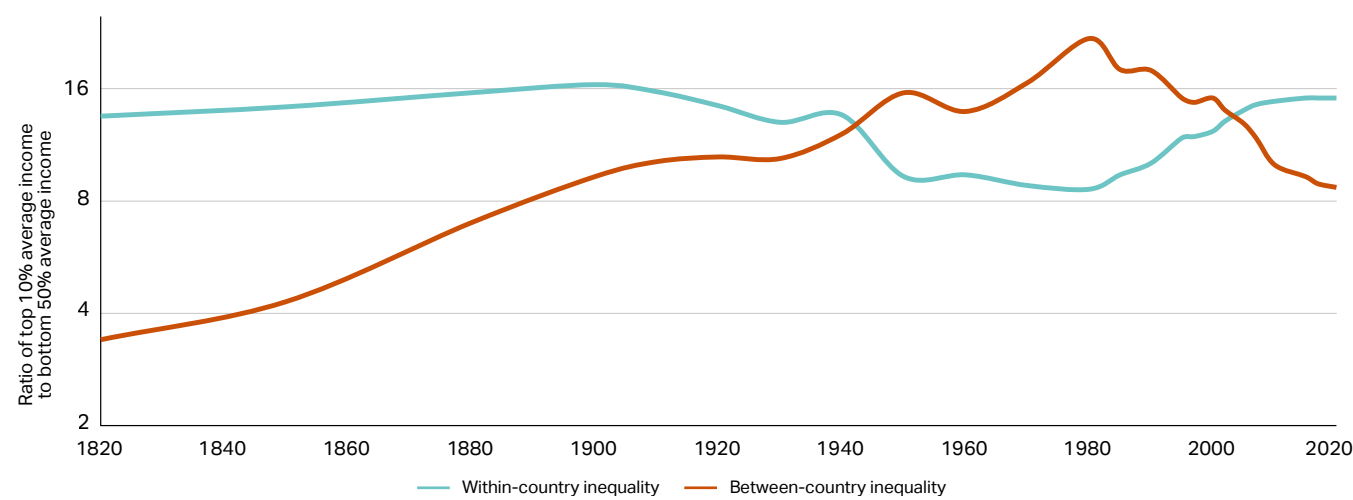
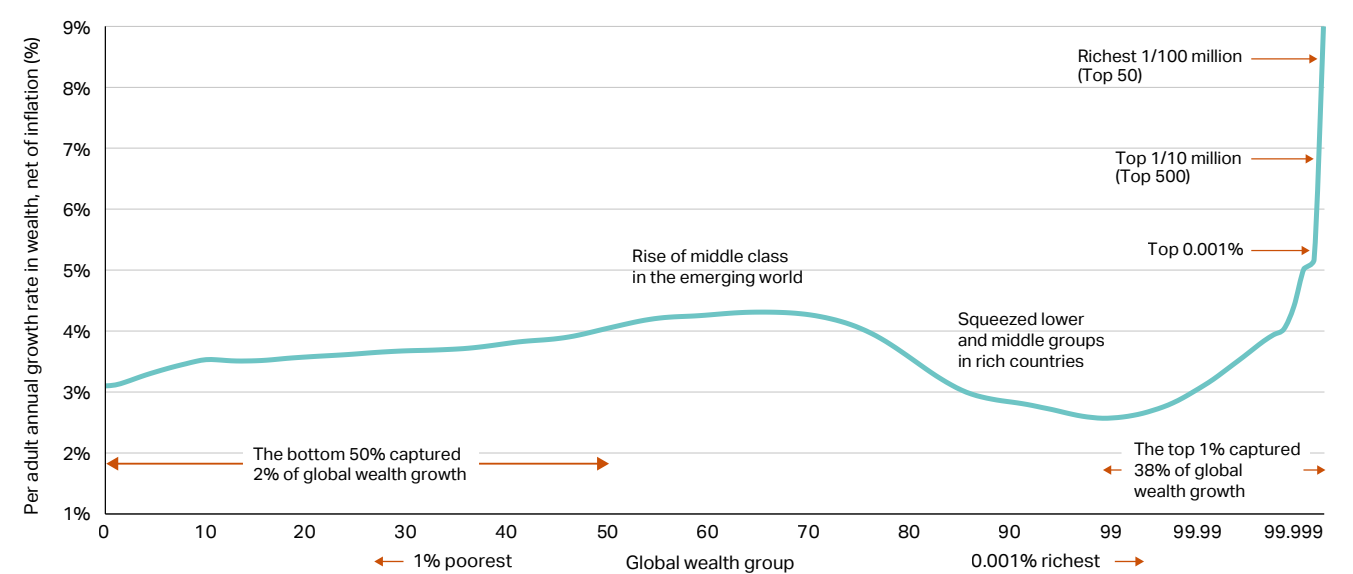


Figure 2: Average annual wealth growth rate, 1995–2021

Source: World Inequality Report 2022



Inequality of opportunity

The inequalities of income, wealth and wellbeing in our society (sometimes referred to as inequalities of outcome) are also underpinned by inequalities of opportunity: deep structural differences in people's chances or prospects based on their personal characteristics and backgrounds – factors that are largely outside of their control.

Race, gender, ethnicity, religion, disability, sexual orientation, place of origin, socio-economic background and other factors come with advantages and disadvantages in terms of:

- Access to education, healthcare and other services people need to fulfill their potential.
- Access to good jobs and career paths that allow people to meet their basic needs, fulfill a sense of purpose and build wealth.

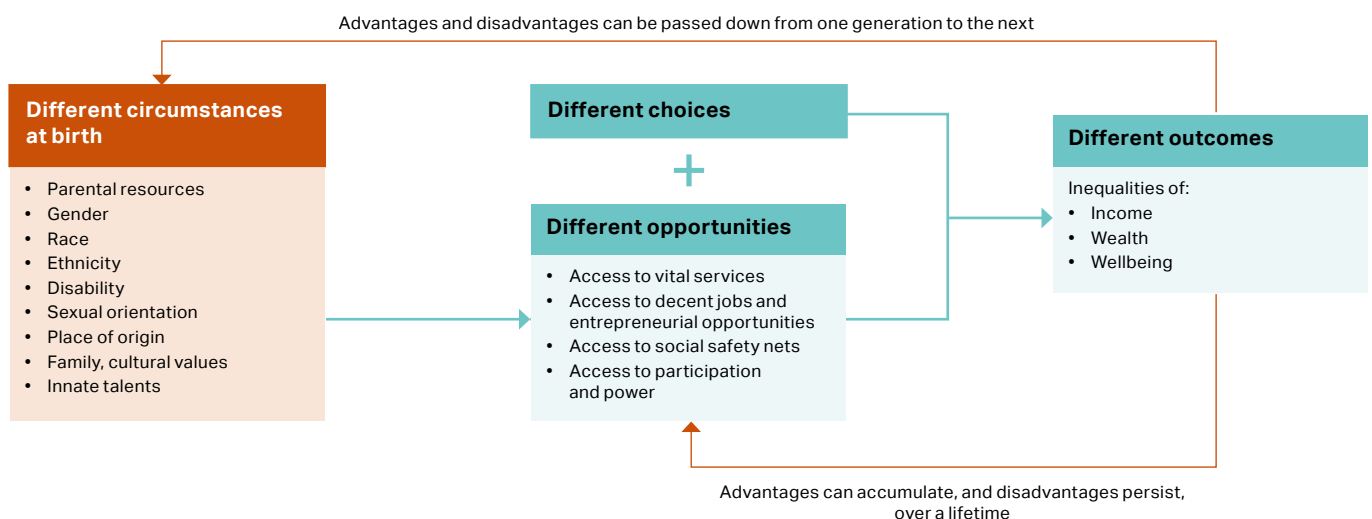
- Access to social safety nets.
- Access to power and participation in decision-making structures in business, government and other institutions.

Multiple factors play a role in the levels of income, wealth, and wellbeing people achieve, but opportunity is often the dominant variable. Upward mobility has become stagnant in many parts of the world and has actually declined across OECD countries.⁸ The World Economic Forum's Global Social Mobility Index, which benchmarks 82 global economies, has demonstrated that there are only a handful of nations with the right conditions in play to foster genuine social mobility. In almost all geographies, individuals' opportunities are tightly linked to their socio-economic status at birth.⁹ The result is that people at the higher end of the distribution tend to stay there, while those at the lower end typically have fewer choices and often struggle to get ahead.

"Inequality is to people what climate change is to the planet. Inequality is poisoning society – dire for people and dire for the economy. No business can solve it alone, but by collective action and leadership, companies can make a difference and change the path to a better future."

Tom Brown, ESG Special Adviser and Emeritus Head of Asset Management, KPMG International

Figure 3: Inequality is the product of different circumstances at birth and different opportunities and choices throughout life



Understanding equality and equity

equality

The state of being equal, especially in status, rights and opportunities

equity

The quality of being fair and impartial

The inequalities of opportunity inherent in our society mean that treating people equally is not the solution to inequality. When the playing field is uneven, treating people equally can perpetuate inequalities or even make them worse.

Rather, tackling inequality demands **equity** action. Equity action levels the playing field, taking people's circumstances at birth out of the equation, and making sure that people have access to the same levels of opportunity regardless of their personal characteristics, backgrounds and resources. With the same levels of opportunity, they can achieve more equal – and equitable – outcomes over time.

A tipping point in the face of multiple disruptions

The marked rise in inequalities of outcome and opportunity, particularly over the past four decades, has been fueled by a wide range of interwoven factors, including:

- **Decreasing job security and stagnating wages for workers** that are increasingly failing to cover decent standards of living.
- **The rising cost of essential products and services** that absorb ever-larger shares of family income.
- **Regressive fiscal policies** that allow the wealthy to pay lower tax rates than working families.
- **Failing public services and social safety nets** that cannot keep up with the needs of growing and aging populations.
- **Failure by certain governments to sufficiently strengthen governance systems** and address corruption.
- **Persistent discrimination** that perpetuates advantage and disadvantage based on gender, race, ethnicity and other factors.

We will explore the role that business can play in addressing many of these factors throughout this report. However, it is also important to recognize that, at this juncture, a number of other trends and developments are emerging that are serving to underline the inequality that has taken hold in many societies across the world, while also making the situation significantly worse. Conflict, climate change, technological disruption and the COVID-19 pandemic, for example, are all hitting the most vulnerable the hardest and have the potential to further escalate the scale and severity of inequality around the world in the years ahead.

“Business has a powerful role to play in reducing inequality and making it possible for all people to live the kinds of lives they aspire to.”

Sunny Verghese, Co-founder & Group CEO, Olam International Ltd.

“Sustainability has gone mainstream. Capital markets, consumers and governments are all in agreement that sustainability is the only future for business – as well as for our people and planet. However, despite this progress, many businesses continue to have an important blind spot when it comes to efforts to support genuinely sustainable development. Collectively, we are failing to address the systemic risk posed by mounting levels of inequality.”

Peter Bakker, President & CEO, WBCSD

Major trends and developments exacerbating and underlining inequality

COVID-19

The COVID-19 pandemic has at once fueled inequality, fed upon it and made it impossible to ignore. Income has been a stronger predictor of death due to COVID-19 than age.¹⁰ The World Bank estimates that COVID-19 has already pushed approximately 100 million people into extreme poverty.¹¹

The climate emergency

The impacts of climate change are already falling disproportionately on the most vulnerable members of society, who lack the resources to adapt and to recover from shocks such as droughts, floods and emerging health crises (while the rich contribute most to the problem with the wealthiest 10% of the population causing nearly half of all carbon emissions).¹² New research suggests climate change could push up to 132 million people into extreme poverty by 2030.¹³ At the same time, the critical transition that we must make toward a net-zero carbon economy will itself cause disruption that could heighten inequality if not managed fairly through a just transition.

Technological disruption

New technologies are constantly creating new sets of winners and losers; boosting demand and wages for workers with the skills to use them while threatening the livelihoods of those without. Bain & Company estimates that in just 10 countries (the US, Germany, France, Italy, Japan, China, India, Indonesia, Brazil and Nigeria), more than 30% of workplace tasks have the potential to be automated, accounting for approximately 600 million jobs.¹⁴ There is also evidence that artificial intelligence can embed and amplify existing bias if not properly managed.¹⁵

Conflict

Armed conflict is another form of disruption that hits the most vulnerable the hardest, fueling major increases in inequality. For example, the Russian invasion of Ukraine is displacing millions of people and disrupting global supply chains, affecting jobs, incomes and the prices of products ranging from energy to wheat – precipitating a major cost-of-living crisis and stoking civil unrest and political turmoil. Other conflicts around the world are having similarly devastating effects.



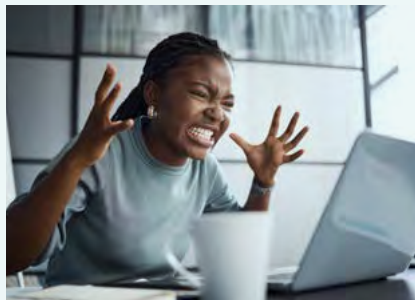
The consequences of inequality

While inequality has been a part of our societies over the ages, we have reached a critical juncture. The high level and structural nature of inequality globally, coupled with several historic disruptions that look set to inflame the situation, make mounting inequality a systemic risk – one that is threatening not only individual communities or companies, but entire economies and societies. Inequality is:



1 Eroding trust in our political and economic systems

Increasing concentration of wealth at the top combined with limited opportunity to catch up through choice and hard work alone are driving people to ask whether our systems actually serve their interests. People are increasingly dissatisfied with their circumstances and pessimistic about their prospects. The United Nations Development Programme reports that 85% of all people worldwide feel insecure, including more than 75% of people in very highly developed countries.¹⁶ According to Edelman's 2022 Trust Barometer, less than half of people believe they will be better off five years from now in 14 of 27 countries surveyed. Responses in nine countries are at all-time lows.¹⁷ In this context, it is no wonder that Edelman's research also shows low levels of trust in business, government, NGOs and the media throughout society. What's more, these already low levels of trust are underscored by a marked difference along class lines, with wealthier, more educated respondents expressing far more confidence in business and government than the general population. This "trust gap" has more than doubled over the past decade and reached a record level in 2022.¹⁸



2 Unraveling the social fabric

Along with a loss of trust in our key institutions and systems, inequality is contributing to divisions among citizens themselves – with increasing differences in people's lived experiences and outlooks taking precedence over what they share. Over time, people have grown more polarized and less tolerant of dissenting views.¹⁹ Studies have shown that where inequality is higher, people are less trusting of each other,²⁰ less willing to take action to improve the living conditions of others,²¹ and more likely to commit crimes²² and believe in conspiracy theories.²³



3 Fueling civil and political unrest

Dissatisfaction, disillusionment and division are driving increased civil and political unrest. Between 2011 and 2019, there was a 244% increase in riots, general strikes and anti-government demonstrations around the world.²⁴ In 2020, civil unrest rose by 10%, even with COVID-related lockdowns in force in many parts of the world.²⁵ Globally, violent demonstrations are now more frequent and severe than at any time since 2008, with 77% of countries having seen an increase.²⁶ The trend shows no sign of abating. Risk intelligence firm Verisk Maplecroft has gauged an uptick in risk from civil unrest in 101 of 198 countries, and predicts that with rising prices, fears of recession and the impacts of climate change, "the worst is yet to come."²⁷

“Inequality destroys trust in institutions including businesses, it fractures society and it holds back economic progress.”

Alan Jope, CEO, Unilever



4 Increasing the damage that crises cause

Inequality acts as a threat multiplier, increasing the impact of crises ranging from pandemics to climate change. Research by New York University has found that higher inequality correlated closely with higher COVID-19 infection rates.²⁸ Inequality is also driving the climate crisis. The latest text emerging from the Intergovernmental Panel on Climate Change (IPCC) is unequivocal that inequities linked to gender, ethnicity, income and other factors increase vulnerability to climate risks and impacts. It also calls for action to tackle inequality as a key lever in achieving climate resilience and adaptation.²⁹



5 Constraining economic growth

Inequality impacts a number of economic growth drivers, such as consumer spending and human capital investment. For example, people with low incomes tend to spend a greater percentage of each additional dollar they earn, while people with high incomes tend to save more because their consumption needs are already met. People with low incomes also have less to invest in education and training that would boost productivity. Research by the International Monetary Fund (IMF), along with that of the OECD and others, has found that income inequality has a chilling effect on growth – especially where opportunity is also unequal.³⁰ The OECD estimates that rising inequality may have reduced GDP growth by more than 10 percentage points in Mexico and New Zealand and between 6 and 9 percentage points in Italy, the United Kingdom and the United States between 1990 and 2010. By contrast, declining inequality helped increase GDP per capita in Spain, France and Ireland prior to the financial crisis.³¹



6 Undermining our collective capacity to realize sustainable development

The transformational change we need to put the world onto a more sustainable, resilient path critically depends on shared vision, collective effort and mutual accountability across all sectors and segments of society – all things that we cannot expect to materialize in a world of sharp disparities in income, wealth and wellbeing. Inequality is already threatening our response to perhaps the most important challenge of our time: the climate emergency. Differences in assets, resources and access to power increase the risk that the costs and benefits of climate action will be distributed unfairly, with disadvantaged populations likely to incur the biggest costs and realize fewer benefits.³² Communities around the world will not be onboard with the transition to net-zero if they fail to see opportunity in it. Ultimately, our efforts to address the climate emergency will need to be rooted in efforts to tackle inequality if they are to be successful. Reducing inequality is a central part of the 2030 Agenda, and we must achieve it – both for its own sake, and for the sake of achieving all other Sustainable Development Goals.

A clear and compelling case for business action

The systemic risks associated with mounting inequality also represent significant risks to business. The business case for tackling inequality is about mitigating these risks while also building a world of opportunity in which business can thrive in the long term.

Emerging business risks

Mounting inequality and the unfolding systemic risks that it is giving rise to are translating directly into an array of business risks. These risks include:

1 An increasingly volatile operating environment

At an overarching level, inequality is giving rise to a more challenging and volatile operating environment that is not only punctuated by political, social and economic instability but is also increasingly susceptible to emerging disruptions and crises. This represents an environment where long-term strategic planning by business is difficult and where significant market opportunities are falling by the wayside due to the constraints that inequality is placing upon economic growth. As the consequences of inequality continue to be felt more acutely across society, the situation is becoming ever more difficult for business to navigate. Just as with the climate emergency, there is an urgent need to invest now to avoid the emergence of significant costs and disruptions further down the line.

2 Supply chain insecurity

Companies are only as resilient as the ecosystems, communities, economies and societies in which they operate. When workers and farmers in supply chains are unable to meet their basic needs and are vulnerable to shocks, companies run the risk of supply shortages, price swings and other disruptions.

3 The erosion of productivity and innovation

Inequality is also stifling innovation and productivity within companies themselves. Wide disparities in income and wealth impact worker motivation while also limiting access to education and skills – reducing labor productivity and contributing to significant skills shortages. What is more, when people with diverse backgrounds are not represented in business at the same level as in the population at large, companies miss out on their talent and perspectives in developing new products, services and business models.

“Inequality has serious consequences for social stability, economic progress and business’ license to operate, innovate and grow. Corporates have a unique opportunity to fashion innovative business models that enable systems transformation to tackle inequality.”

Sanjiv Puri, Chairman & Managing Director, ITC Limited



4 Regulatory and compliance risks

In the face of mounting systemic risk, many governments around the world are facing calls to take decisive action on inequality in ways that will change the context for business in the years to come. This looks set to pave the way for more progressive fiscal policies, rises in minimum wages, social protection transfers and public services that specifically target people living in poverty.³³ China's "Common Prosperity" policy and the US administration's "Build Back Better" framework are two recent examples. Meanwhile, major reform of the international tax system is underway and governments are also tightening regulations around unacceptable labor practices, such as forced labor and child labor, through mandatory human rights due diligence initiatives and import restrictions.

5 Reputation risk

As the systemic risk of inequality becomes more acute, so too does the scrutiny around corporate conduct and the role of business in society more broadly. According to recent analysis by Moody's and CSR Europe, social controversies now account for 67% of all ESG controversies faced by companies globally – by far outpacing environmental and governance controversies.³⁴ If business is not perceived as being part of the solution, then it will be seen as part of the problem and will face mounting challenges in terms of its long-term license to operate, innovate and grow. At the individual company level, those businesses that are not seen to be taking action in support of efforts to tackle inequality will struggle to attract and retain talent, and may also be held to account by consumers. 86% of respondents to the 2021 Edelman Trust Barometer indicated that CEOs need to lead on societal issues, and 68% said that CEOs need to step in when governments are not doing enough.³⁵

6 Access to capital

Investor focus on the "S" in ESG has ballooned in recent years as COVID-19 and an unfolding cost of living crisis have shone a spotlight on a range of social vulnerabilities and systemic risks. Over 220 investors have now signed up to UN PRI's Advance initiative, which seeks to promote respect for human rights and positive outcomes for people through investor stewardship. Meanwhile, topics such as living wages and diversity, equity and inclusion are increasingly emerging as key areas of focus for shareholder resolutions. With institutions such as the International Sustainability Standards Board (ISSB) set to develop a converged set of social performance metrics in the years ahead and the emergence of a new Taskforce on Inequality-related Financial Disclosures (TIFD), corporate performance on inequality-related matters appears set to become an increasingly robust pillar of investor decision-making and therefore also a central consideration when it comes to the cost of equity and debt.

Unlocking opportunities

While the rationale for business action to tackle inequality is about mitigating risk, it is also about building a world of opportunity in which business can thrive in the long term. Tackling inequality can strengthen the operating environment by building trust, enhancing social and political stability, and containing crises. There is also mounting evidence that tackling inequality is an important driver for long-term, sustainable economic growth.

Furthermore, as momentum builds behind a shift in the way business performance is perceived and measured, tackling inequality is also about unlocking a variety of company-level benefits associated with efforts to tackle inequality, including attracting and retaining talent, winning consumers, building resilient supply chains, and staying ahead of policy and regulatory change. Company-level benefits such as these will be explored in more detail in the context of specific corporate action areas in the pages that follow.

Of course, measures to tackle inequality will come with costs as well as benefits. The cost-benefit analysis can be complex, and there will be trade-offs as well as win-wins, especially in the short term. However, the cost of action must be balanced against the cost of inaction – which can be expected to increase sharply as the consequences of inequality continue to unfold. Tackling inequality now is a critical investment in sustained business success.



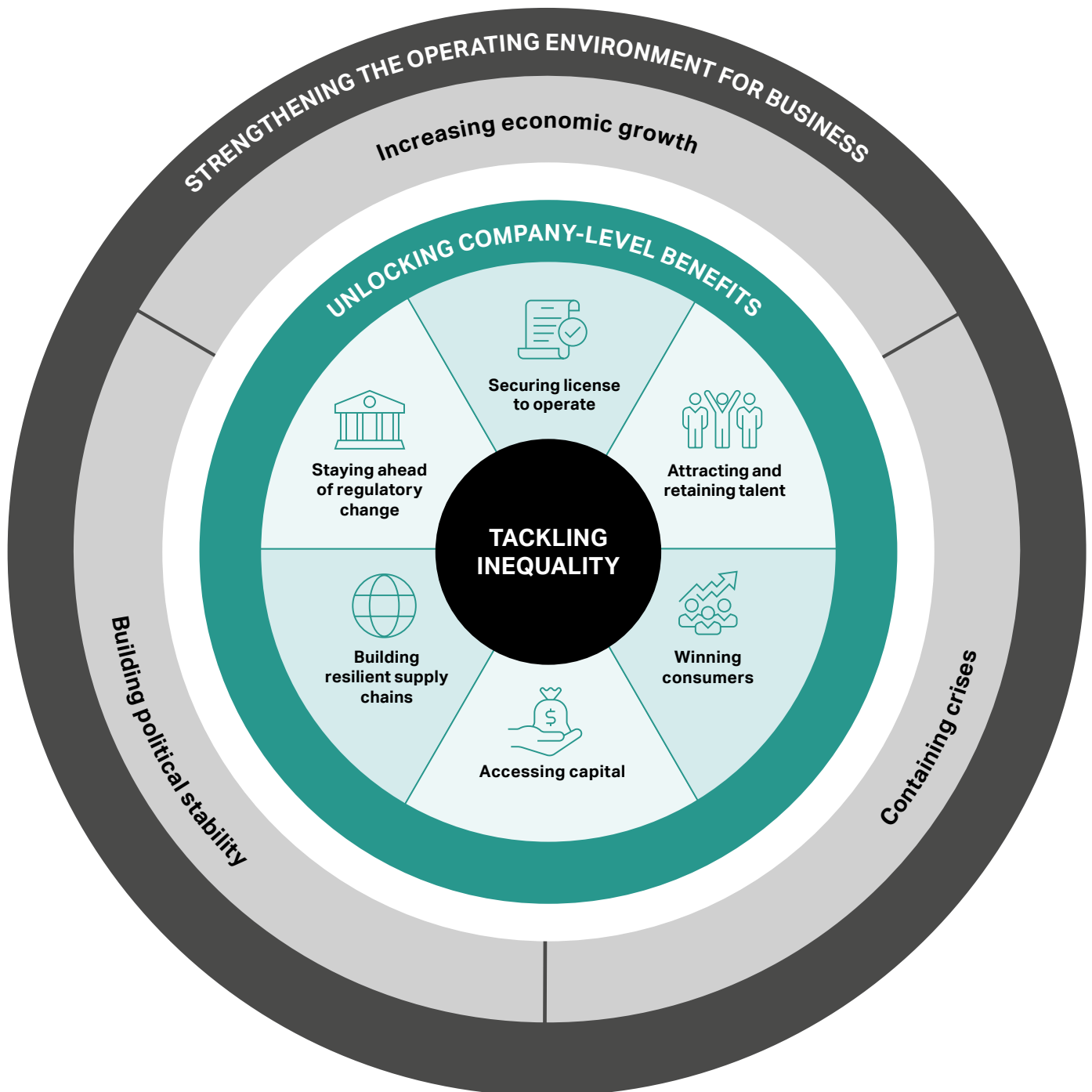
"Inequality is a threat multiplier. It erodes social cohesion, fuels conflict and undermines our collective capacity to tackle complex challenges like climate change."

Anna Lungley, Chief Sustainability Officer, Dentsu

“Businesses have the power and ability to do very well as enterprises, while doing a tremendous amount of good for their stakeholders and communities. Corporate longevity is inextricably linked to how relevant a company is to its stakeholders – and I believe that the most powerful, innovative and enduring businesses are those that provide financially sustainable solutions to adequately serve the underserved.”

Fernando Zobel de Ayala, Special Advisor to the Board, Ayala Corporation

Figure 4: Tackling inequality strengthens the business operating environment and unlocks company-level benefits



PART TWO

AN AGENDA FOR BUSINESS ACTION

With powerful tools at its disposal for creating – and distributing – value and opportunity, business has an essential role to play in tackling inequality.

Introducing our action agenda

Exploring the role of business in tackling inequality and generating shared prosperity for all

The role of business

The inequality we see in the world today is a systemic issue and therefore requires a systemic and multi-stakeholder response. Governments will have a central role to play in driving this agenda; however, other stakeholder groups including businesses, investors and civil society more broadly will also have vital contributions to make.

For its part, business provides the lion's share of the products, services and jobs people need to sustain themselves and their families around the world. In partnership with government, the private sector has fueled innovation, wealth creation and rising living standards over the course of centuries, while market economies have delivered – and continue to deliver – enormous benefits to huge swaths of the global population.

However, in recent decades, the benefits and risks of business activity have become increasingly uneven as globalization, technological progress and policy changes have unfolded. There are certain business models and practices that have contributed to widening social and economic gaps – a number of which are outlined in Figure 5. We must now harness the power of market economies to address these challenges and improve outcomes.

Business has at its disposal powerful tools that can be deployed to create and distribute value more equitably, bringing down structural and behavioral barriers, and expanding opportunity for those who need it most. Many leading

companies are already leveraging these tools to level the playing field. The urgent call to action now is for all businesses to use these tools to their fullest potential to head off the risks posed by mounting inequality and ensure that equal opportunities and better outcomes are available for all.

“Today we are seeing the consequences of inequality unfold around the world. But inequality is not a fact of nature; it is a product of our systems and practices, which we can change.”

Ilham Kadri, CEO, Solvay

Figure 5: Selected business practices considered to contribute to inequality

Workplace	Paying low wages that fail to cover decent standards of living. Trimming benefits that workers need to complement their wages. Shifting to non-standard work arrangements that offer little stability or financial security. Discouraging workers from organizing to increase their bargaining power and negotiate for higher wages, better benefits or greater stability. Discriminating based on gender, race, sexual orientation, age, disability or other factors in hiring, promotion and compensation.
Marketplace	Under-investing in innovative products, services and business models that are inclusive and enable consumers to meet their needs at prices they can afford. Advertising and using data in ways that perpetuate harmful stereotypes and reinforce the barriers people face across the economy and society.
Supply chain	Putting pressure on suppliers with low prices, short delivery times and extended payment terms that reduce their ability to offer living wages and decent working conditions.
Policy advocacy and tax practices	Lobbying for looser regulation, weaker protection for workers and consumers, and lower taxes that deprive governments of the funding they need to level the playing field and provide social safety nets for their citizens. Avoiding or minimizing tax payments through practices such as shifting profits to subsidiaries in tax havens where companies conduct little meaningful business activity.

Catalytic actions that business can take

At a high level, the agenda for business action to tackle inequality incorporates six broad categories of intervention (Figure 6). At its core is a commitment to respect human rights in accordance with the UN Guiding Principles on Business and Human Rights. The agenda also encompasses endeavors to enhance access to essential products and services for underserved communities, to create and sustain jobs and economic opportunities for all, to distribute value and risk equitably, and to support and encourage governments in playing their role effectively. Finally, the agenda for business action to tackle inequality must also include efforts to arrest climate change and nature loss, and mitigate their impacts on the most vulnerable.

Figure 6: Key categories of business action to tackle inequality



"Inequalities intersect and reinforce each other across generations as a speed bump to human and sustainable development. Businesses must seize the social momentum, which is currently gathering pace, catching the opportunity to drive systems change by addressing the root causes of this global challenge and acting boldly as a driving power to tackle inequality."

Michele Crisostomo, Chair of the Board of Directors, Enel

“The days of businesses trying to maximize shareholder value to the exclusion of broader social objectives like social welfare, environmental protection and sustainability are behind us. There is a growing realization that businesses help themselves and do better when they uplift lives and communities.”

Cezar Consing, President & CEO, Ayala Corporation

Under these six overarching categories, the BCTI has identified 10 catalytic actions that individual companies can take, and that stakeholders increasingly expect them to take, as part of efforts to address mounting inequality (see Figure 7).

While this list is not exhaustive, together these actions represent a collection of some of the most impactful levers that businesses can use to exert influence over the opportunities people have and the outcomes they experience.

The lens of tackling inequality provides us with the opportunity to explore these action areas as part of a holistic and interconnected agenda, and as such these actions are not presented in any form of hierarchy. The potential for any given action to deliver change will differ from region to region and company to company, and it will be up to individual organizations to prioritize the actions with the greatest potential for impact given their existing capabilities and geographic, political and cultural contexts. This prioritization process is explored more in Part Three of this report. Most companies will find that they have already made strides in some of these areas, as many of them are long-standing sustainable business topics. Other areas may represent relatively new and untapped opportunities.

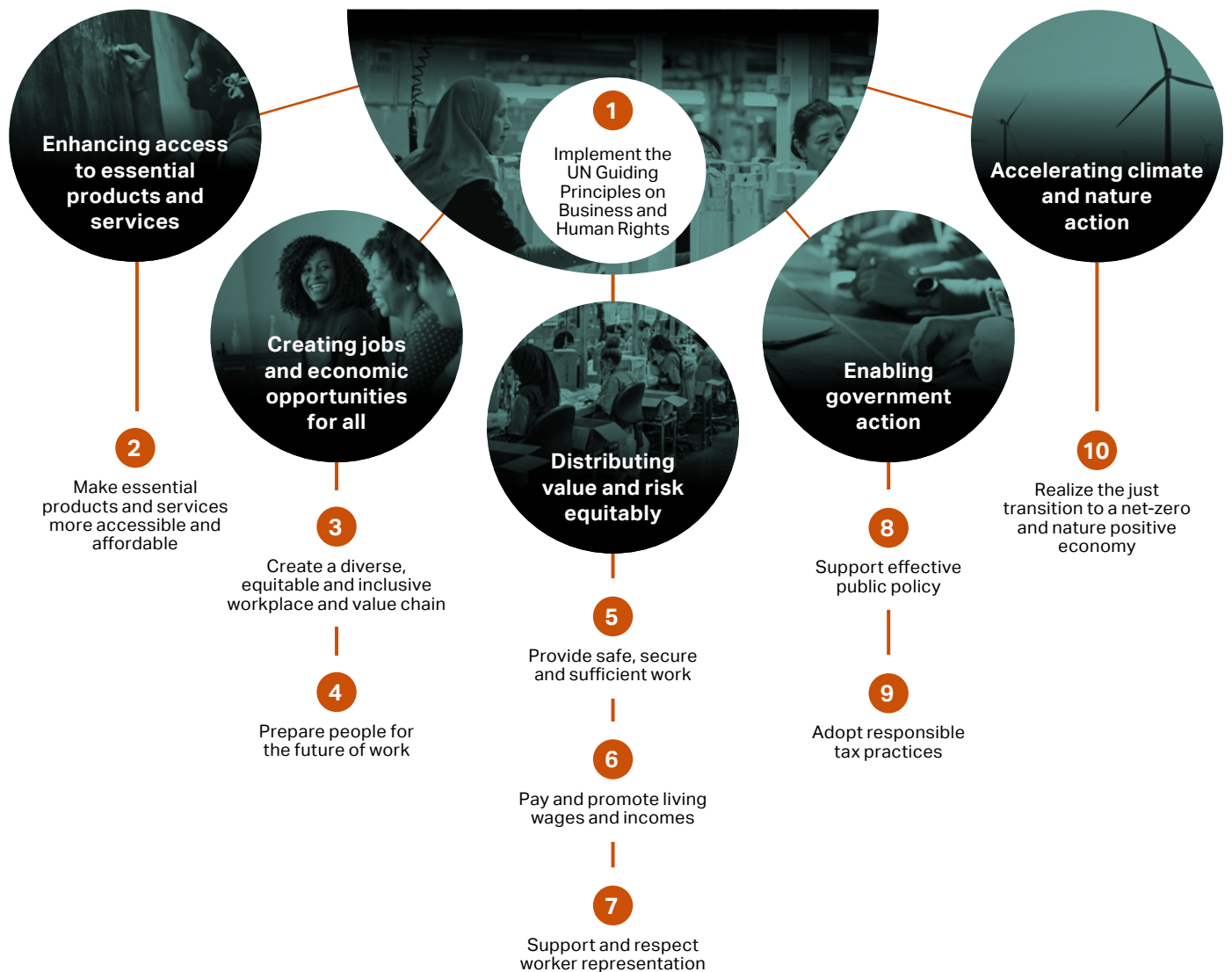
Each of these actions also brings with them an array of business benefits, and should ultimately be perceived as important investments in long-term business success. Each action and its associated benefits are explored in detail in the chapters that follow.



“Good corporate governance requires boards to ensure effective oversight of the risks to people’s rights and dignity caused by the company’s activities as well as understanding the company’s strategic opportunities to tackle inequality, through targeted investment, innovation, goal setting and stakeholder engagement.”

Jane Nelson, Director Corporate Responsibility Initiative, Harvard Kennedy School

Figure 7: Catalytic actions for business to tackle inequality



“For decades, the world has bet on business practices and economic models that thrive by externalizing costs and risks onto the most vulnerable workers, communities and consumers. The results today are unconscionable and unsustainable levels of inequality that we must urgently reverse. And it won’t be possible unless we make respect for people’s dignity integral to how business gets done.”

Caroline Rees, President and Co-founder, Shift

Different scopes for business action

When exploring this action agenda it is important to recognize that it fundamentally covers four different scopes of impact on people, including interactions with:

1. A company’s own workforce, including but not limited to employees.
2. Workers across the value chain, both upstream and downstream.
3. Consumers, or people affected by the use of a company’s products and services.

4. Communities at large, whether local to a company’s operations or within the value chain.

As outlined in Figure 8, many of the actions in this agenda have relevance and potential to deliver enhanced outcomes for individuals across multiple scopes. It is important to note, however, that companies will have different degrees of control and influence to deliver outcomes in the context of each scope, and that different types of engagement and collaboration will be needed in each case. For example, companies will have more

direct control over delivering outcomes for their own workers, whereas they will often have to embark upon a range of partnerships to drive impacts across the value chain. In particular, actions that help to deliver enhanced outcomes for communities at large will hinge on efforts to establish close and dynamic collaboration across sectors and with governments. The sorts of collaborations needed to advance each action area across multiple scopes are explored in more detail in the following chapters.

Figure 8: The business action agenda to tackle inequality interacts with four different scopes of impact on people

	Scope 1 (Own workforce)	Scope 2 (Workers in the value chain)	Scope 3 (Consumers)	Scope 4 (Communities at large)
Action 1: Implement the UN Guiding Principles on Business and Human Rights	X	X	X	X
Action 2: Make essential products and services more accessible and affordable			X	X
Action 3: Create a diverse, equitable and inclusive workplace and value chain	X	X	X	X
Action 4: Prepare people for the future of work	X	X		X
Action 5: Provide safe, secure and sufficient work	X	X		
Action 6: Pay and promote living wages and incomes	X	X		
Action 7: Support and respect worker representation	X	X		
Action 8: Support effective public policy				X
Action 9: Adopt responsible tax practices				X
Action 10: Realize the just transition to a net-zero and nature positive economy	X	X	X	X

A woman wearing a yellow hijab and a blue long-sleeved shirt is working on a white industrial sewing machine. She is looking down at her work. In the background, another woman wearing a blue hijab is visible, also working. The setting appears to be a factory or a large workshop with many sewing machines and some boxes in the background.

ACTION 1

IMPLEMENT THE UN GUIDING PRINCIPLES ON BUSINESS AND HUMAN RIGHTS

Adopting policies and practices that put respect for human dignity at the center of how business gets done

Why business action is needed

Human rights are fundamental rights and freedoms to which every human is entitled, without discrimination. Enshrined in a variety of international standards such as the International Bill of Human Rights and in the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, they span the civil, political, economic, social and cultural realms. They range from the fundamental right to life, to rights that ensure an adequate standard of living, such as the rights to food, education, work and health. They also include rights related to working life, such as the right to enjoy just and favorable conditions of work and the right to form and join trade unions.

Business activity affects human rights every day – both positively and negatively – as companies interact with employees, suppliers, contractors, consumers and communities. When a business fails to respect the labor rights of workers, delivers unsafe products and services, or pollutes the environment – or if the business is connected to harm through its relationships – it undermines basic human dignity and exacerbates inequality. At the same time, advancing the policies, processes and practices needed to ensure respect for human rights is one of the most fundamental things a business can do to help level the playing field and reduce inequalities of opportunity and outcome.

What it means for a business to ensure respect for human rights is laid out clearly by the UN Guiding Principles on Business and Human Rights (UN Guiding

Principles), which were unanimously endorsed by the United Nations Human Rights Council in 2011. They provide a universal roadmap for companies and states to prevent, address and remedy human rights abuses connected with business activities.

Corporate respect for human rights creates transformative change in people's lives and sits at the center of the BCTI's agenda for business action to tackle inequality. When companies apply a human rights lens to their business, human dignity moves to the center of how business is conducted, reinforcing the company's capacity to lift people out of poverty, discrimination and abuse. This helps to change the lives of the world's most vulnerable people, and makes a pivotal contribution to global efforts to tackle inequality.

"It's time we catalyze a new leadership model that places humanity at the heart of business purpose. I urge business leaders to implement the UN Guiding Principles on Business and Human Rights and carry out effective due diligence, through which companies map, understand and embed respect for rights in their actions and across their value chains. Respecting rights is not just about living our values – it's good business."

Halla Tómasdóttir, CEO & Chief Change Catalyst, The B Team

160M

children are currently in some form of child labor³⁶

49.6M

people live in situations of modern slavery³⁷

27.6M

people globally are victims of forced labor³⁸

76%

of the world's 1,000 leading companies do not currently disclose details of human rights due diligence³⁹

Catalyzing business action

Implementing the UN Guiding Principles means adopting policies and practices that put respect for human dignity at the center of how business gets done.

More than 10 years on from the adoption of the UN Guiding Principles, awareness of the business responsibility to respect human rights has grown, but the reality is that while many companies have made commitments to respect human rights, fully implementing the required due diligence processes, and remediating actual human rights harms, has proven more challenging. Moving forward, successfully implementing the UN Guiding Principles will involve overcoming a series of barriers that many businesses have encountered during the course of their efforts to translate human rights commitments into rights-respecting business practices. A number of these barriers are highlighted in Figure 9.

Figure 9: Common barriers to implementation of the UN Guiding Principles



“Elevating our employees’ understanding and action around human rights is key. We can only truly make progress when we foster an environment that is conducive to respecting human rights, wellbeing and diversity, equity, inclusion and belonging within our business and in the partnerships with our supply chain, clients and communities – contributing to solutions that meet the pressing social challenges of our time.”

Peter Oosterveer, CEO, Arcadis

ACTION 1: IMPLEMENT THE UN GUIDING PRINCIPLES ON BUSINESS AND HUMAN RIGHTS

When it comes to overcoming these barriers, there are three catalytic categories of action that companies can take:

1 Embedding human rights due diligence into business decision-making

Respecting human rights starts with decisions by boards and top executives about the company's business model, strategy and culture.^{40,41} The impacts of those decisions on all stakeholders – not just shareholders – should be considered before decisions are made. If a business is wired in ways that impose cost and risk onto vulnerable people and reinforce inequalities, no sustainability or compliance program will be able to mitigate those impacts. Respect for human rights is not an exercise in compliance but in building a culture of ensuring that people are treated decently as a result of business decision-making.

2 Collaborating to improve outcomes for people at scale

Many human rights risks are systemic, with root causes that include government policy, competitive market dynamics, social and cultural norms and values, power imbalances and resource scarcities. Real progress typically requires collaboration among business partners (including suppliers, customers, contractors, service providers and joint venture partners) and often with industry peers, governments, trade unions, civil society organizations or international organizations. It is collaboration and the collective, creative use of leverage, as envisioned in the UN Guiding Principles, that makes the difference in practice.

3 Meaningfully engaging with the people affected by business activity

As part of effective human rights due diligence, companies are best equipped to respect human rights when they understand the perspectives of the people their activities affect – particularly the most vulnerable. Engaging with those people who could be affected, with their representatives or – if neither is possible – with credible proxies to get insight into their perspectives, is essential to assess and address human rights risks. While talking *about* affected stakeholders can help change mindsets about whose interests should shape business decisions,⁴² talking *with* stakeholders is the key to improving the outcomes they experience.⁴³ Effective grievance mechanisms that provide affected stakeholders with a clear voice also have a critical role to play.



"All businesses have an obligation to respect human rights throughout the value chain. Integrating the UN Guiding Principles on Business and Human Rights into our operations is fundamental to addressing systemic inequality and eliminating discrimination."

Dr Netithorn Praditsarn, Executive Assistant to Group CEO, Senior Vice President of Global Partnership for Sustainability and Communications, C.P. Group

ACTION 1: IMPLEMENT THE UN GUIDING PRINCIPLES ON BUSINESS AND HUMAN RIGHTS

The table in Figure 10 expands upon these three categories of action, underlining concrete initiatives companies can take to advance the implementation of the UN Guiding Principles.

Figure 10: Initiatives to advance the implementation of the UN Guiding Principles

Embedding human rights due diligence into business decision-making	Collaborating to improve outcomes for people	Engaging the people affected by business activity
Ensure board-level accountability for human rights impacts. Invest in the capacity and capability to conduct human rights due diligence on an ongoing basis. Add human rights risks to enterprise risk management, keeping the focus on risks to people. Use quantitative and qualitative information to set targets and establish metrics to track human rights performance. Link compensation and incentives to human rights performance. Communicate internally and externally around human rights risks and progress.	Explore ways of increasing leverage through collaboration, for example, through partnerships to raise awareness and drive continuous improvement of human rights along the value chain. Join, or catalyze, multi-stakeholder initiatives focused on specific issues in specific contexts. Advocate collectively for government policies and effective enforcement that help to prevent human rights impacts and create a level playing field for rights-respecting business practices. Support business partners, particularly SMEs, in capacity building for due diligence processes.	Develop credible, trusted and transparent mechanisms for continual engagement with affected and potentially affected individuals and communities, or their representatives. Engage proactively with potentially affected groups early on and before decisions are made. Embed stakeholder voices into business decisions and actions, at both operational and board level.

Useful resources

[Board Duties in Ensuring Company Engagement with Affected Stakeholders](#)

World Economic Forum (2022)

[UNGPs 10+: A Roadmap for the Next Decade of Business and Human Rights](#)

UN Working Group on Business and Human Rights (2021)

[CEO Guide to Human Rights](#)
WBCSD (2020)

[Business Model Red Flags](#)
Shift (2019)

[Doing Business with Respect for Human Rights: A Guidance Tool for Companies](#)

Global Compact Network
Netherlands, Oxfam and Shift (2016)

[UN Guiding Principles Reporting Framework](#)
Shift and Mazars (2015)

[Frequently Asked Questions about the Guiding Principles on Business and Human Rights](#)

UN Office of the High Commissioner for Human Rights (2014)

[The Corporate Responsibility to Respect Human Rights: An Interpretive Guide](#)

UN Office of the High Commissioner for Human Rights (2012)

The business case

The business case for advancing respect for human rights is multi-faceted:

Reducing reputational risk in the face of mounting public interest

Implementing the UN Guiding Principles is essential for any company seeking to meet its responsibility to respect human rights, thereby protecting its credibility and strengthening its relationships with customers, employees, future employees, investors and governments. With information about human rights issues and impacts increasingly available and of interest to a range of stakeholders, implementing the UN Guiding Principles is critical to reducing reputational risk.

Strengthening business relationships

Communicating about a company's human rights performance, progress and even challenges can help to secure and strengthen a company's commercial relationships. Corporate customers

increasingly care whether the raw materials and products they purchase are responsibly sourced and produced. Many companies are now assessing the human rights performance of their suppliers and contractors with a view to pushing their own human rights policies down the supply chain, meaning that companies in B2B markets must meet new standards or risk being cut out of business relationships.

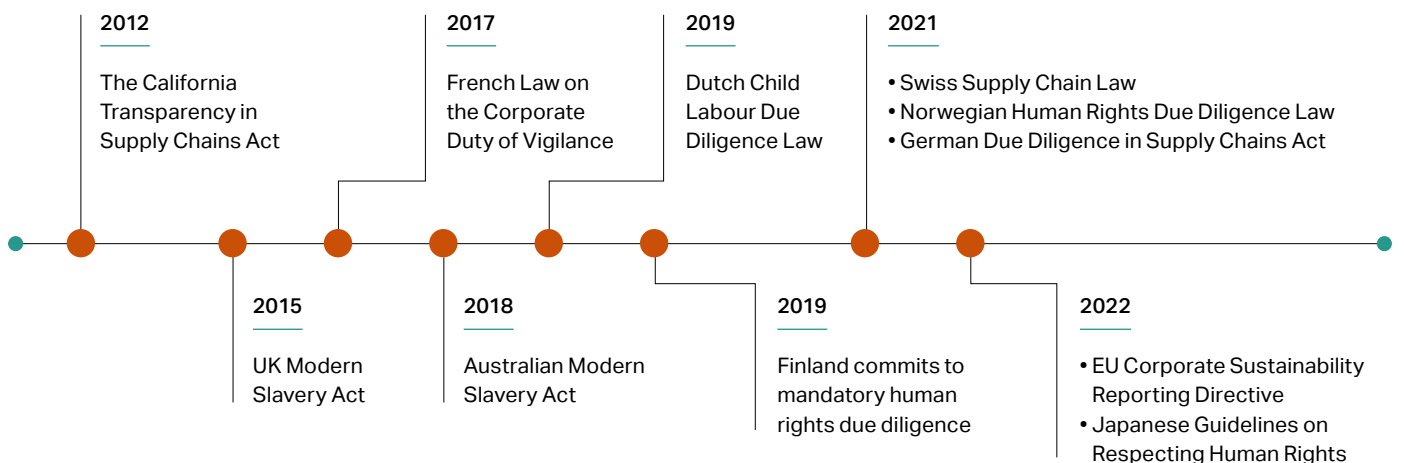
Meeting rising investor expectations

Companies disclosing their human rights approach will increasingly see greater access to and reduced cost of capital. Ratings agencies are incorporating human rights performance into their sustainability ratings, while investors representing US\$ 5.8 trillion in assets have called on companies to improve their rankings on the Corporate Human Rights Benchmark.

Staying ahead of rapidly evolving regulation

Legislation requiring human rights due diligence is now firmly a reality. New legislation is going beyond reporting requirements, with mandatory human rights due diligence already in place across a range of geographies (Figure 11) and set to be rolled out at the EU level across all member states in the coming years.

Figure 11: The accelerating emergence of business and human rights legislation



Business action in practice

Arcadis

Conducting human rights impact assessments

Arcadis has a range of human rights due diligence processes in place across its own operations and entire value chain to allow the company to understand, avoid and address harm to people and make a positive impact on society. This begins with conducting robust human rights impact assessments to better understand potential human rights impacts in different contexts and geographies – with the help of external consultants. Each assessment results in a series of follow-up recommendations, and efforts by the company to establish specific taskforce teams to prioritize and set actions for each recommendation.



ACT Initiative

Collaborating to drive impact at scale

International brands, retailers and trade unions in the ACT Initiative are collaborating to address systemic issues in the apparel sector. The Initiative supports capacity-building around freedom of association and collective bargaining among member brands' supplier factories, IndustriALL's affiliated unions, and governments in three target countries. ACT member brands have aligned their own purchasing practices by adopting Global Purchasing Practices Commitments and are supporting collective bargaining processes at the industry level in Bangladesh, Cambodia and Turkey.



MSC

Advocating for and advancing the rights of seafarers

The COVID-19 pandemic brought new challenges to the health, safety and wellbeing of seafarers, with impacts on crew changes and repatriation. MSC addresses seafarers' rights in its Code of Business Conduct and actively advocates for the need to integrate human rights standards for this category of workers into corporate human rights due diligence (HRDD) processes undertaken by all sectors using the services of maritime freight transport. Key considerations and concrete recommendations in this regard were shared with regulators, industry associations and the United Nations system during the ninth session of the UNCTAD Multi-year Expert Meeting on Transport, Trade Logistics and Trade Facilitation. MSC has also developed contractual requirements with a focus on emerging risks related to the human rights of seafarers, proactively promoting their inclusion into commercial service agreements with customers and business partners.



Neste

Embedding human rights into risk management processes

Human rights are embedded in Neste's Enterprise Risk Management (ERM) system and project-specific risk assessments. This ensures that human rights risks to people are identified and assessed as a part of Neste's systematic and regular ERM cycle, facilitated by the company's risk management team, and formally raised and directed to the business management and function management teams, the Executive Committee, the Audit Committee and the Board of Directors. It also means that human rights risks are automatically assessed in the standard risk register used for all major Neste projects. This creates a trickle-down effect for ongoing human rights due diligence across Neste's different business areas.



Philip Morris International

Identifying the root causes of human rights issues through participatory engagement

Philip Morris International (PMI) uses participatory evaluation tools to gather information in order to identify and address the root causes of some of the company's salient human rights risks, including child labor. As part of its Step Change strategy, the company has complemented its existing collection of data through regular assessments and farm visits, with efforts to gather complementary information about local awareness challenges, customs and societal attitudes by seeking out the perspectives and experiences of farmers, workers, spouses and children. To do this effectively, PMI has contracted third-party experts and local NGOs to conduct external verification using a variety of tools, such as household surveys, interviews and participatory observation. This has served to both reaffirm some of PMI's existing knowledge about the complex drivers of child labor while also creating an opening for dialogue with community leaders, families and workers about barriers to success of the program with a view to helping PMI achieve its target of eliminating child labor from its leaf supply chain by 2025.



“Safeguarding and promoting human rights within our value chain creates the conditions in which our stakeholders, including our employees and workers across our supply chain, can thrive and create value. Beyond assisting us to proactively minimize risks, meet evolving stakeholder expectations and stay ahead of policy and regulatory requirements, it provides the space and opportunity needed for our key business enablers of innovation, collaboration and continuous improvement.”

Jennifer Motles, Chief Sustainability Officer, Philip Morris International

A young woman with dark hair in a braid, wearing a white school uniform and a white bow, is writing on a chalkboard. The chalkboard has some faint writing on it. The background is a plain wall.

ACTION 2

MAKE ESSENTIAL PRODUCTS AND SERVICES MORE ACCESSIBLE AND AFFORDABLE

Innovating and collaborating to ensure that all people have what they need to be healthy and productive

Why business action is needed

People need products and services such as housing, healthcare, food, energy, digital technologies, financial services and more to grow, be healthy and fulfill their potential in society and the economy. Access to these essentials is critical to realizing equality of opportunity and, by extension, equality of outcomes such as income, wealth and wellbeing.

Today, many people lack that access, with hundreds of millions of households currently being underserved by or excluded from markets because of poverty, geographical remoteness or discrimination. More than 2 billion people are still without safe drinking water,⁴⁴ 1.7 billion lack basic sanitation services,⁴⁵ 1.4 billion lack bank accounts,⁴⁶ and 2.9 billion lack internet access.⁴⁷ 760 million people lack electricity and 3.45 billion face acute food insecurity worldwide.⁴⁸

Many more people experience access to products and services that are unreliable, of low quality or even harmful. For instance, in addition to the 760 million people who are essentially off-grid,⁴⁹ another 1 billion experience inconsistent electrical services, including erratic supplies and frequent power cuts.⁵⁰ One in four people worldwide live in housing conditions that damage their health, safety and prosperity.⁵¹

Furthermore, certain demographic groups often have particular challenges when it comes to accessing products and services that meet their needs. A recent study by the Business Disability Forum found that 65% of consumers with disabilities felt their purchasing choices were limited by various barriers on a daily basis.⁵²

In addition, people on lower incomes often pay a “poverty premium” for certain goods and services compared to their wealthier counterparts – for example, because there are fewer competitors in the areas where they live, or because they cannot access favorable bulk pricing.

The situation is growing even starker with the world now standing on the brink of the largest cost of living crisis in a generation. The Russian invasion of Ukraine is giving rise to a perfect storm of food, energy and financial crises that are being felt globally, and are impacting the most vulnerable in our societies the hardest.⁵³ These crises are further compounding inequalities and fragilities arising from the COVID-19 pandemic and the lack of vaccine equity that exacerbated it, as well as ongoing pressures unfolding as a result of the climate emergency.

At this critical juncture, the private sector has a vital role to play in helping to make products more accessible and affordable to the underserved in our communities. While some essentials are provided by the public sector in certain geographies, business is currently responsible for delivering the lion’s share through markets – and in many parts of the world markets are failing to deliver all that people need at prices they can afford. Public and philanthropic resources – already spread thin by ever more frequent and expensive relief efforts – are insufficient to bridge the gaps. Business has the power to deploy its creativity, capital, assets and reach to develop new solutions and bring them to scale. In cases where needs are not addressable commercially, business also has a key role to play in advancing creative public-private partnerships.

3.45B

people facing acute food insecurity worldwide

2.9B

people worldwide lacking internet access

>2B

people worldwide lacking access to safe drinking water

1.7B

people lacking a bank account

1 in 4

people worldwide living in harmful housing conditions

Catalyzing business action

Making essential products and services more accessible and affordable means working to ensure that currently underserved communities are able to access what they need to be healthy and productive – including nutritious food, clean water, modern sanitation, safe housing, reliable energy and transportation, digital technologies, financial services and more.

The last few decades have seen a flurry of business efforts to invent and test solutions aimed at enhancing the product and service offerings that are available to underserved communities around the world. While many have failed, this massive thrust of innovation has produced an impressive set of solutions. Unfortunately, many of these solutions are not scaling up to their full potential. The task ahead of the business community now is to work together with policymakers to drive forward solutions at a speed and scale commensurate to the urgency of the challenge ahead.

“How the world produces and distributes food is far from being just. We will not be able to produce enough food for everyone if we keep doing what we’ve been doing. A massive food system transformation is needed to provide access to healthy, nutritious and affordable food for all people.”

Geraldine Matchett, Co-CEO, DSM

Business action to enhance access to essential products and services includes:

1 Innovating to expand access in underserved consumer segments and markets

This includes product and service innovation to develop the right solutions for the right clients, dependent on their needs, as well as business model innovation to maximize access at affordable prices. Reaching underserved consumers, inclusively, profitably and at scale, will depend on rigorous identification and assessment of strategic opportunities as well as internal organizational structures and processes that are appropriate to the task (see Figure 12 for more details).

2 Embarking upon creative partnerships

In instances where bringing solutions to market is not commercially viable, it is also important for companies to explore creative partnerships to break down barriers. These collaborations may include interaction with governments to help foster more favorable policy environments, or to leverage public funding or blended finance models to offset investment risks. Companies can also explore collaborative efforts with social enterprises who in many cases are at the forefront of efforts to provide goods and services to underserved populations across the globe and bring unique perspectives of local needs.

3 Taking measures to protect access to essentials in times of crisis

Crises such as conflict, climate change and COVID-19 have disrupted and continue to disrupt access to essential products and services due to limited mobility or displacement, supply chain interruptions and rising prices. All too often it is those with the fewest resources that experience the worst impacts. Companies have a role to play in helping to protect access to critical products and services in times of crisis by mobilizing the innovation and financing needed to develop and scale solutions, and by partnering with governments, international organizations and civil society groups.

ACTION 2: MAKE ESSENTIAL PRODUCTS AND SERVICES MORE ACCESSIBLE AND AFFORDABLE

Figure 12: How to organize internally to build and scale up inclusive businesses

To develop products, services and business models that succeed at scale in underserved consumer segments and markets, many companies have to overcome assumptions about the viability of those segments, fears of jeopardizing their core business, and practical organizational constraints. Experience to date has generated a number of lessons learned about how to organize internally to lay the foundations for success:

Identify credible, well-connected, risk-taking leaders

Disruptive initiatives inevitably face internal resistance and must be championed by internally well-connected and recognized individuals with a solid track record, who are able to take risks, reassure core business executives on the economic soundness of their model, and build a dedicated team and gather supporters across the organization.

Make the pilot a success, both on the ground and at headquarters

On the ground, this requires placing the pilot in the hands of willing local teams, working with partners aligned on project vision and ambition, launching it at the right time, and measuring early positive results. At headquarters, this means getting both global and country teams' buy-in on initial business plans, building governance inclusive of all stakeholders required for the project's success, and securing early support from high-level supporters.

Create an adequate organizational space that balances the need for proximity to the core business with the need for independence

Inclusive businesses can be housed within an existing department, a collaboration between two departments, an independent structure such as a subsidiary or investment fund, or a joint venture with external partners.

Mainstream inclusive business efforts within the organization

This could include communicating the progress of inclusive business models internally, adapting the company's KPIs to give such efforts sufficient time to incubate and thrive, allowing their champion(s) to stay and grow with the project, and designing the appropriate mix of financial and non-financial incentives.

Useful resources

[Impact Measurement and Management for Enterprises](#)
UNDP (2022)

[Mindset Drives Success: Selling Beneficial Products at the Base of the Pyramid](#)

Business Horizons (2021)

[Inclusive Business Features](#)
IBAN (2021)

[Reaching the Last Mile – Innovative Business Models for Inclusive Development](#)

World Bank Group (2018)

[Opportunities for All: A Framework for Policy Action on Inclusive Growth](#)
OECD (2018)

[Barriers and Opportunities at the Base of the Pyramid – The Role of the Private Sector in Inclusive Development](#)
UNDP (2014)

The business case

Taking action to improve access to essential products and services can deliver a number of business benefits:

Enhanced purpose and reputation

Taking action to improve access to products and services among those who need them most can help companies bring meaning to employees and investors seeking greater purpose in what they do. It can also strengthen reputation and help companies forge or strengthen relationships with stakeholders in government and civil society.

Access to new markets and driving innovation in existing ones

Action to enhance access to essential products and services is also a promising source of innovation and growth, unlocking access to broad new markets that will shape the economy of tomorrow. These market opportunities can be found across a variety of sectors and industries. For example:

- In the energy sector, the off-grid solar market has reached a US\$ 1.75 billion annual valuation in just over a decade, profitably serving 420 million users⁵⁴ who previously had limited or no access to electricity.
- In the banking sector, it is estimated that providing bank accounts to those without and meeting micro-enterprises' financing needs could generate US\$ 380 billion in revenue each year.⁵⁵ These markets have already begun to be tapped, with new digital financial services having opened up access to bank accounts for 1.2 billion adults worldwide between 2011 and 2017 alone.⁵⁶

- In the housing sector, UN-Habitat⁵⁷ estimates that 3 billion people will need access to adequate housing by 2030. This translates into an existing but largely unmet demand for 96,000 new affordable and accessible housing units every day.

Successes to date have been achieved not by reducing margins, but by challenging and reinventing traditional business models. This process of reinvention has proven not only to help companies tap into new and underserved markets, but also, in some cases, to provide an edge in existing markets (a phenomenon known as "reverse innovation").

A more prosperous operating environment

Finally, it is important to note that broad-based, consistent and reliable access to essential products and services is critical to social stability and the kind of operating environment that business needs to thrive, invest and grow.

"Without logistics, people cannot access the essential goods they need to really thrive. MSC's global maritime and inland network connects the world, delivering critical commodities and medical supplies to communities in remote areas around the world, particularly in times of crisis. We have a responsibility to help reduce inequality by connecting consumers and local businesses to global markets and supporting the growth and prosperity of societies."

Stefania Lallai, Vice President Sustainability, MSC

US\$ 380B

annual revenue potential from providing financial services to unbanked individuals and micro-enterprises

US\$ 1.75B

value of off-grid solar market serving 420M customers after just over a decade

96K

demand for affordable, accessible housing units every day by 2030



Business action in practice

C.P. Group

Creating a culture of innovation for social impact

C.P. Group holds an annual “innovation competition” for the group’s companies where employees come up with project ideas that have positive social or environmental impact and can give a commercial competitive advantage to the group’s business. Winning projects are provided with resources to pilot their initiatives, and employees receive compensation incentives based on “innovation scores.” One project that has developed from C.P. Group’s investment in innovation is the MorDee application, produced in response to Thailand’s urgent need to digitize its healthcare system. The MorDee app is now the number one E2E telemedicine platform in Thailand. It has established a network of over 500



doctors and healthcare professionals across over 20 specialties, and has now helped over 500,000 patients gain access to medical advice.

DSM

Overcoming malnutrition and food insecurity in Africa

More than 1.6 million people in East Africa benefit annually from healthy, locally sourced and produced fortified foods thanks to a unique public-private partnership: Africa Improved Foods (AIF). This collaboration between the Rwandan Government, DSM and others supports thousands of local smallholder farmers in producing mineral- and vitamin-rich products to help overcome regional nutritional deficiencies. The social enterprise is proving to be an environmentally and economically sustainable scalable solution to malnutrition. The International Finance Corporation of the World Bank Group estimates that if AIF was replicated just 75 times, lasting food security in Africa would be possible.



ACTION 2: MAKE ESSENTIAL PRODUCTS AND SERVICES MORE ACCESSIBLE AND AFFORDABLE

Enel

Leveraging existing assets to unlock inclusive solutions

Enel leverages its existing assets to provide additional essential commercial services on top of its traditional business as a utility provider. Their “Codensa Easy Credit” program in Bogota and “Microseguros” program in Peru provide credit and insurance services respectively to socially vulnerable populations. Bill payment history is used to substitute collateral, and payments are made as a small additional charge on the customer’s electricity bill.



Ayala Corporation

Mainstreaming digital banking services in the Philippines

Ayala Corporation first launched its GCash application via its telco subsidiary Globe Telecom in 2004. With increasing awareness and acceptance of digital financial services among the Filipino public, further accelerated by the COVID-19 crisis, this existing innovation served as a base to introduce a range of new services for middle- to low-income segments. Ayala launched an investment marketplace (GInvest), a digital savings account (GSave) and digital lending (GCredit) in 2018, followed by insurance products (GInsure) in 2020, and small cash loans (GLoans) and easy installment payments (GGives) in 2021. As of May 2022, 83% (60 million) of Philippines’ adult population uses the GCash app and its active user base is five times larger than the country’s next e-wallet.



IKEA

Innovating to expand access to affordable housing

BoKlok, a joint venture between Skanska and IKEA, aims to provide energy-efficient housing that lower-wage workers can afford to buy or rent. The company uses a detailed analysis of people’s salaries, cost of living and typical monthly expenses to establish ceilings on its sale prices. Factoring access and affordability into its investment decisions heavily influenced the company’s choices. For example, BoKlok homes are built in factories primarily from wood, enabling predictability, high quality and low costs while reducing carbon emissions during construction. Since 2010, BoKlok has built 14,000 homes in Sweden, Finland, Norway and the UK, while routinely outperforming Skanska’s conventional construction business on a return-on-capital-employed basis. In addition, BoKlok has now inspired SilviaBo, customized houses for clients with dementia and the elderly.



MSC

Enabling trade access and delivering essential goods

Shipping and logistics are the backbone of global trade. Through its expanding maritime and inland transportation networks, MSC contributes to tackling inequality by strengthening the resilience of SMEs through diversified export markets and ensuring people have the products they need. Redesigning networks and investing in the development of intermodal solutions to connect underserved consumers and markets – particularly those located in remote and vulnerable areas – is an integral part of the company's approach.

In Africa, MSC seeks to promote free, fair and affordable trade, connecting African farmers and small enterprises to markets around the world and ensuring their business continuity. Furthermore, during the pandemic, MSC defined new logistics corridors to ensure the delivery of essential goods, including medical supplies to support Ministries of Health in Cameroon, Democratic Republic of the Congo, Guinea and Senegal. The company has also quickly developed logistics solutions in response to challenges emerging from the conflict in Ukraine in terms of the accessibility of essential grain.



Vale

Setting ambitious targets around poverty alleviation

Vale has made a commitment to contribute to lifting 500,000 people out of extreme poverty by 2030. To achieve this objective, the company is partnering with other companies, governments and NGOs on projects in the fields of education, healthcare and nutrition, income generation and infrastructure. Initiatives on this front are exclusively focused on people in extreme poverty. A pilot concept project includes efforts to support the Babaçu Coconut Breakers in Brazil.



ACTION 2: MAKE ESSENTIAL PRODUCTS AND SERVICES MORE ACCESSIBLE AND AFFORDABLE

Unilever

Improving the lives of low-income households

TRANSFORM is a unique accelerator that unites corporates, donors, investors and academics to support visionary impact enterprises across Africa, Asia and beyond. Together, TRANSFORM tests and scales new solutions that tackle environmental challenges, improve health and wellbeing, and build inclusive economies. One project it has supported is MESH, which is innovating on the future of work in Kenya. MESH is an online community of over 80,000 young Africans who work in the informal sector. The platform allows entrepreneurs to connect and grow their networks, to boost their skills and earnings through a unique peer-to-peer training program, and to access services, funding and relevant business opportunities.



Olam Group

Delivering nutrition in Africa

With a view to helping combat micronutrient deficiencies in Sub-Saharan Africa, Olam has incorporated a range of micronutrient fortified foods into its product portfolio. These include fortified flour, biscuits, tomato paste and an innovative fortified rice recently introduced in Ghana. The company has set itself the target of making 1 trillion servings of fortified foods available in Africa in the decade to 2030. At the same time, in Nigeria, Olam also contributes to local food self-sufficiency and access to affordable proteins through its Integrated Feed and Protein business. The company produces high-quality fish and poultry feed, while also supporting downstream poultry and fish farmers to produce healthy, quality poultry for the local market.



A photograph of two Black women with curly hair, smiling and looking towards the right. The woman in the foreground is wearing a dark top, and the woman in the background is wearing a blue polka-dot top. The background is a warm, yellowish-orange wall.

ACTION 3

CREATE A DIVERSE, EQUITABLE AND INCLUSIVE WORKPLACE AND VALUE CHAIN

Fostering work environments and markets in which all individuals are empowered to participate, prosper and reach their full potential

Why business action is needed

Work plays a fundamental role in determining the levels of income, wealth and wellbeing people achieve. It is a critical source of opportunity not only for the worker but also for their families, with impact that can last for generations. Today, many people face limited opportunities to work and at work based on their personal characteristics and backgrounds – factors like race, ethnicity, religion, sex, gender identity, sexual orientation, age, ability, socio-economic status and more.

These limits show up in the numbers. First, members of certain underrepresented groups are less likely to be employed in the first place. For example, only 36% of people with disabilities of working age are in employment, compared to 60% for people without disabilities.⁵⁸ Second, members of underrepresented groups are less likely to be in higher-ranking roles. Globally, only 5% of CEOs are women,⁵⁹ and as of 2020, while 13% of the US labor force was Black,⁶⁰ only four Fortune 500 companies had Black CEOs.⁶¹

This has clear implications for pay. Globally, men are paid on average 16.1% more than women,⁶² with higher gaps across sub-groups: for example, Black women in the US are paid an average of 63 cents for each dollar earned by white men.⁶³ Members of the LGBTQI+ community in the US earn an average of 90 cents for every dollar earned by their heterosexual counterparts,⁶⁴ and in Latin America, the mean income of white individuals is at least twice as high as that of individuals with the darkest skin shades.⁶⁵

Business accounts for some 80% of all jobs worldwide and plays the deciding role in who gets work, of what kind, and at what level of compensation. Because work is so fundamental to people's opportunities and outcomes, it is critical for companies to provide equitable access to it – ensuring that all people can obtain fulfilling jobs, thrive and advance in their careers, and earn equal pay for equal work.

77 cents

The amount that women earn for every dollar earned by men⁶⁶

73 cents

The amount Black Americans earn for every dollar earned by white peers⁶⁷

2x

The official rate by which employment is higher for people without disabilities compared to those with disabilities⁶⁸

"Businesses have a responsibility to promote and improve social outcomes including diversity, equity and inclusion (DEI) in society at large. This includes working to promote equity for historically underserved populations and removing systemic barriers to dignity and prosperity. Firms will increasingly have to think about DEI and broader social outcomes beyond their workforce, including how they brand their products and to whom they are selling; who their suppliers are; and the local communities in which they operate."

Julie Coffman, Chief Diversity Officer, Bain & Company

Catalyzing business action

Creating a diverse, equitable and inclusive workplace and value chain means building an environment in which all individuals are empowered to participate, prosper and reach their full potential.

Many companies are already moving in this direction; a recent Korn Ferry survey found that 83% of 4,500 leading companies worldwide have accelerated their diversity, equity and inclusion efforts over the past two years.⁶⁹ However, there is still some way to go in terms of mainstreaming best practice, and certain forms of diversity are more likely to be addressed than others. For example, a World Benchmarking Alliance study of 1,000 leading global companies found that while 59% report on the gender composition of their workforce, only 17% report on its racial or ethnic composition and just 6% report on other dimensions of diversity such as disability or sexual orientation.⁷⁰

Many companies now face the challenge of implementing emerging diversity, equity and inclusion policies with the strategic and operational rigor and resources required to generate results. Moving forward, although addressing different types of diversity will require different approaches, at an overarching level, key business actions to create a diverse, equitable and inclusive workplace and value chain include:

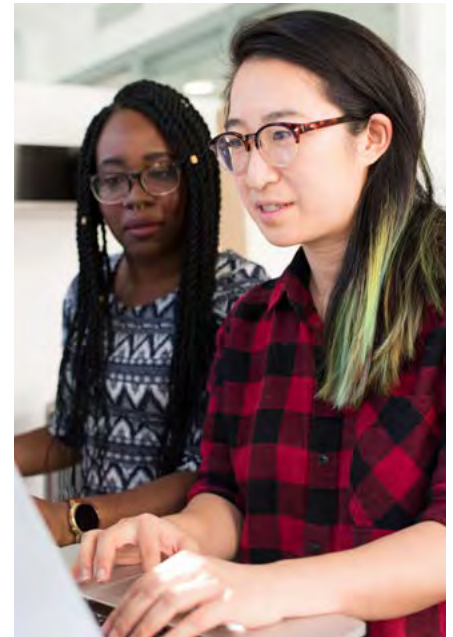
1 Ensuring diverse representation, equitable outcomes and an inclusive environment at all levels of the organization

This requires a proactive approach that spans three key priorities:

- **Building an equitable talent journey.** Companies should adopt a proactive approach to hiring, work assignment, performance assessment and promotion – focused on removing barriers and biases and providing members of underrepresented groups with additional support they may need. In hiring, for example, this might mean reaching out to different pools of talent and adopting skills-first hiring approaches. When it comes to promotion, it might involve articulating career pathways, being transparent on the skills and competencies needed to advance, training line managers

to develop their teams equitably, and introducing coaching, mentorship and sponsorship programs.

- **Ensuring pay and benefits equity.** Companies can commit to equal pay and bonuses for equal work and provide benefits that meet the needs of diverse groups, in accordance with the local legal landscape. This means defining standardized base salaries for all roles, auditing pay and benefits usage, and addressing the gaps. Companies may also explore salary certification schemes as best practice.
- **Fostering an inclusive culture throughout the organization.** This means creating an environment of belonging, support, trust and respect where people feel valued and able to contribute. Coaching, mentorship and sponsorship



programs can help with this, as can efforts to foster connections – for example, through affinity groups and allyship programs – and ensuring access to safe and effective grievance mechanisms.

“Disability has remained on the fringes of the diversity and inclusion movement due to a lack of understanding. Only by putting disabled staff and consumers at the heart of business strategies will companies rewrite the cultural narrative.”

**Joanna Pritchard, CEO,
The Valuable 500**

ACTION 3: CREATE A DIVERSE, EQUITABLE AND INCLUSIVE WORKPLACE AND VALUE CHAIN

2 Embedding diversity, equity and inclusion in the supply chain

Companies' business relationships and procurement spend are important sources of leverage they can deploy to help level the playing field outside their own four walls. Diversifying the supply chain can include efforts to encourage and support suppliers to engage in their own diversity, equity and inclusion efforts through various incentive schemes. It can also incorporate targeted efforts to source from suppliers owned or operated by members of underrepresented groups, or to invest in bespoke programs to integrate vulnerable groups more extensively into global value chains.

3 Supporting diversity, equity and inclusion in the marketplace and across communities

Businesses have a responsibility to carefully consider how their product and service offerings – and the way they advertise and deliver these to customers – may be perpetuating harmful stereotypes and entrenching inequality. At the same time, companies also have opportunities to promote inclusion through the brands, products, marketing campaigns and customer experiences they deliver. Initiatives such as diversifying the marketing channel mix, building and designing inclusive and accessible branding and marketing materials, and leveraging diverse customer and employee voices to ensure inclusive product design play an important part in supporting these efforts.

Furthermore, companies can also actively engage within their local communities to advocate for equity in the broader ecosystem in which they operate, by investing in and calling for local services and amenities that promote diversity, equity and inclusion.

Some definitions

Diversity refers to the dimensions that differentiate or make people alike, including but not limited to sex, race, ethnicity, religion, gender identity, sexual orientation, skills, ability, personality traits, age, socio-economic background and other characteristics that shape our identities. Diversity is not a spectrum or a measure but is created when people who are different from one another come together.

Equity is when everyone is provided with what they need in order to have access to opportunities and a fair chance to succeed. It includes the structures, systems, processes and initiatives designed to promote fair treatment for all people, recognizing that not everyone is starting from the same place.

Inclusion is a set of active and intentional practices and behaviors to address inequities and build a feeling of belonging to an organization, of being treated with dignity as an individual, encouraged to fully participate and able to express one's uniqueness at work every day.

Useful resources

[Inclusive Language Guide](#)
Oxfam (2023)

[The Women's Empowerment Principles Gender Gap Analysis Tool](#)
UN Global Compact (2022)

[LGBTIQ+ Standards Gap Analysis Tool](#)
UN Global Compact (2022)

[What is DEI?](#)
Rights CoLab (2022)

[Inclusive Sourcing Methodology](#)
Business for Inclusive Growth (2022)

[Operational Recommendations for Ethnic Diversity & Inclusion](#)
Business for Inclusive Growth (2022)

[Diversity, Equity & Inclusion in the Workplace](#)
WBCSD (2022)

[The Fabric of Belonging](#)
Bain & Company (2022)

[LGBT+ Workplace Monitor](#)
Workplace Pride (2022)

[CEO Blueprint for Racial Equity](#)
JUST Capital, FSG & PolicyLink (2021)

[Gender Balance and Inclusive Cultures: A Guide for CEOs](#)
The B Team (2020)

[Tackling Discrimination Against Lesbian, Gay, Bi, Trans, & Intersex People: Standards of Conduct for Business](#)
UN Human Rights Office (2017)

The business case

Diverse, equitable and inclusive workplaces and value chains are an important source of competitive advantage for a number of reasons:

Enhanced performance

Numerous studies show that organizations with strong diversity, equity and inclusion practices that are ingrained into their culture and purpose outperform their peers. For example, diverse teams, managed inclusively, have been found to be better at solving complex challenges, and to make better decisions 87% of the time.⁷¹ Fueled by a greater variety of perspectives, diverse and inclusive companies are more creative and innovative: studies find they report 19% higher innovation revenues⁷² and are 1.7 times more likely to capture new markets.⁷³ According to the ILO, companies tracking the impact of gender diversity in management in particular report 5–20% increases in profit.⁷⁴

Connecting with consumers

Moreover, brands with diverse, inclusive and socially conscious marketing strategies can build stronger long-term relationships with consumers. For example, Microsoft studies demonstrate that about 70% of Millennial and Gen Z consumers in the US are more trusting of brands that represent diversity in advertising.⁷⁵

Attracting and retaining talent

At a time when many organizations are facing unprecedented labor shortages, record levels of resignations, widening skills gaps and an increasingly competitive war for talent, diversity, equity and inclusion can significantly strengthen the employee value

proposition. Over 86% of job seekers across various countries say that they want to work for companies that value diversity and inclusion.⁷⁶ By the same token, failing to take action can undermine employee trust and loyalty.

Access to capital

Diversity, equity and inclusion indicators are increasingly gaining traction in the investor community as core components of environmental, social and governance (ESG) disclosure and ratings.

Staying ahead of regulation

Finally, a number of jurisdictions are enacting new laws governing corporate disclosure and performance on diversity and inclusion issues. For example, Norway, Spain, France and Iceland all now have laws in place requiring that women comprise at least 40% of board members at publicly listed companies.⁷⁷

"If you cannot be openly yourself at work, this is bad for you, bad for your employer and ultimately bad for economies due to productivity loss. With homosexuality still being criminalized in 70 countries, there is an opportunity for every company to positively impact the lives of either their employees and/or people in the communities they are connected with."

Bianca Nijhof, Co-chair, Workplace Pride

86%

of job seekers want to work for companies that value diversity, equity and inclusion

5–20%

increases in profit among companies tracking the impact of gender diversity in management

87%

of the time, diverse teams, managed inclusively, make better decisions

Companies with diverse management teams are

1.7x

more likely to capture new markets



Business action in practice

Arcadis

Advancing diversity, equality inclusion and belonging

Arcadis has created five global leader-sponsored employee forums to represent the needs and lived experiences of its people: Access & Neurodiversity, Age Representation, Ethnicity & Heritage, Gender, and PRIDE. The company also commits to diversity targets in recruitment, including its senior leadership, focusing on gender, nationality/ geographical provenance and background experience. Arcadis has also established a number of dedicated programs, such as its Woman of Color program, which works to understand the intersectional impact that gender and ethnicity have on experiences and career progression and to co-create solutions for equitable access to opportunities.



Bain & Company

Investing to drive meaningful, sustained change outside the company's own four walls

Bain & Company is actively engaging communities to promote positive ESG outcomes, including in the areas of DEI and Racial Equity / Social Justice. To bolster an existing 10-year, US\$ 1 billion commitment to deliver pro bono social impact projects focused on education, the environment and economic development, in 2020, Bain added an additional US\$ 100 million commitment specifically for racial equity work. One key example from that commitment is Bain's support of OneTen, a non-profit coalition focused on closing

the racial wealth gap. OneTen's mission is to hire and/or promote 1 million Black Americans without four-year degrees into jobs that pay family-sustaining wages by developing an ecosystem of committed employers and talent partners. Additionally, OneTen works with employers to ensure the long-term retention and success of their hired and/or promoted Black talent. Beyond being a founding member of OneTen, Bain has supported the coalition with continuous pro bono consulting services.



Enel

Harnessing innovation through disability inclusion

People with disabilities are playing a leading role in innovation at Enel. As well as working to deliver an inclusive workplace for the approximately 2,200 people with disabilities who work at the Enel Group, through its Valuability[®] model, the company has positioned disability as a source of inspiration for innovation. Leveraging insights from its Disability Inclusion Committee, made up of colleagues with disabilities and caregivers, Enel has been able to identify opportunities to fill gaps in the market that generate substantial social and economic value. One recent example is Enel X Way's JuiceAbility[®] project, which has combined a unique smart cable that electric wheelchair users can plug into public charging stations for electric vehicles to recharge their batteries, with an app that shares a network of over 11,000 charging stations to create a new smart battery charging system for electric wheelchair users throughout Italy.



SAP

Creating a diverse, equitable and inclusive workplace and value chain

SAP is committed to fostering work environments in which all individuals are empowered to participate, prosper and reach their full potential – not only as an employer, but also through the solutions it develops and delivers. The company's SAP SuccessFactors Human Experience Management Suite includes capabilities that help organizations around the world mitigate bias in their workforce decisions and promote a more diverse and inclusive culture. SAP SuccessFactors solutions support the full range of talent decision-making processes, including decisions around whom to hire, how

to manage, and whom to develop, reward and promote using powerful intelligent technologies and advanced analytics to enable organizations to detect and mitigate bias right where it occurs, at the point of decision. For example, a writing assistant and coaching advisor capabilities to help managers provide targeted and meaningful feedback that is equitable and actionable, regardless of employee demographic characteristics, and bias alerts that notify people managers about potential bias related to performance, compensation, or promotion before any decisions are made.



ACTION 3: CREATE A DIVERSE, EQUITABLE AND INCLUSIVE WORKPLACE AND VALUE CHAIN

ITC

Facilitating equitable growth and empowering rural communities

ITC's businesses and value chains support over 6 million livelihoods. To foster inclusivity and prosperity across the value chain, the company engages in a variety of grassroots-level social investment programs aimed at small and marginal farmers, women and those who come from socially and economically challenging backgrounds. The company's women-focused interventions include initiatives in areas such as economic empowerment, agri-entrepreneurship, maternal and child care, financial inclusion and skilling. These initiatives have reached over 5 million women.



ManpowerGroup

Supporting LGBTQI+ inclusion

ManpowerGroup is committed to helping its clients realize workplace cultures that are LGBTQI+ inclusive. In 2021, the company released Words at Work, a guide to pronouns to lead the conversation with its clients and employers everywhere about using inclusive language and behaviors at work. It also partnered with PridePass, a job site in Singapore that makes it easy for members of the LGBTQI+ community to find employment.



Masisa

Integrating gender equity

In 2020, Masisa introduced its companywide Corporate Diversity, Inclusion and Gender Equity Policy, which adheres to the Women's Empowerment Principles (WEP) developed by UN Women. In order to implement the policy, the company has established a diversity committee and defined an action plan with the aim of promoting cultural transformation centered around gender equity. This action plan has been rolled out accompanied by an in-depth diversity, inclusion and gender equity training program that targets all operations as well as the company's leadership through different modules.



PETRONAS

Top-level commitment and accountability for DEI

PETRONAS has established a Diversity & Inclusion Council, chaired by the organization's Executive Vice President of Upstream and comprising members from across the business. This council meets several times a year and oversees the company's efforts across a series of key DEI performance areas. PETRONAS has also incorporated DEI as part of the long-term incentive plan for its top management in 2022.



ACTION 3: CREATE A DIVERSE, EQUITABLE AND INCLUSIVE WORKPLACE AND VALUE CHAIN

PwC

Removing barriers to opportunity and being transparent about progress

As part of its 2021 Annual Report, PwC UK published its socio-economic background and disability pay gaps for the first time, in addition to existing disclosures around its ethnicity and gender pay gaps. PwC has also embarked upon an innovative Higher Apprenticeship program that provides a path for school leavers to train for a business diploma as they engage in paid work as accountants and risk management consultants in the company, opening up opportunities that were previously only available to university graduates.



Solvay

Setting ambitious DEI targets

In 2021, Solvay launched an ambitious DEI program called "One Dignity" that places DEI at the forefront of the company's strategy. The program has established nine concrete DEI action areas to be achieved by 2025, including around gender parity, disability equality, equitable pay and career opportunities, fair recruitment and an inclusive employee experience. To set a clear direction for this program, Solvay has established a well-defined governance structure, including a dedicated DEI taskforce.



Unilever

Building a more diverse supply chain

Unilever has committed to spending €2 billion annually with diverse businesses worldwide by 2025. The company defines a diverse business as one that is 51% or more owned, managed and controlled by members of diverse groups – including women, underrepresented racial and ethnic groups, people with disabilities and LGBTQI+ communities. The company is also expanding support for diverse-owned small and medium-sized enterprises with a comprehensive supplier development program that will provide access to skills, financing and networking opportunities. In Kenya, for example, Unilever has partnered with IFC on the Sourcing2Equal program to support women entrepreneurs to become "corporate-ready." Finally, Unilever is also asking its existing suppliers to be partners in driving positive change, encouraging them to look at where they source their goods and services with a view to supporting them to make their own supply chains more diverse.





ACTION 4

PREPARE PEOPLE FOR THE FUTURE OF WORK

Building a workforce that is skilled and empowered to benefit from the developments that are transforming the world of work

Why business action is needed

Work plays a fundamental role in the levels of income, wealth and wellbeing people are able to achieve. And today, the world of work is facing a series of complex disruptions that will change the kinds of jobs that are available, and where.

Perhaps the most significant of these disruptions are rapid technological innovation and the transition to a net-zero carbon economy, both of which will create and erode jobs at an unprecedented rate over the course of the next decade. The World Economic Forum estimates that, by 2025, 85 million jobs may be displaced by a shift in the division of labor between humans and machines, while 97 million new roles may emerge.⁷⁸ At the same time, it is predicted that the transition to net-zero will eliminate 185 million jobs while creating another 200 million.⁷⁹

Although these disruptions are generally expected to create more jobs than they displace, and those new jobs have the potential to be cleaner, safer and more fulfilling, it is important to note that those jobs are unlikely to emerge organically in the same geographical areas, in the same sectors or in the same timeframes as the ones that are lost. New opportunities will also require often radically different new skillsets.

To mitigate the risk that technological revolution, the transition to net-zero and other fundamental changes in the world

of work will exacerbate inequality – and to capture the opportunity they represent to provide higher standards of living and better prospects for millions of workers around the world – strategic, proactive, multi-stakeholder efforts are needed to prepare people with the skills they need to qualify for the jobs that are available in the places where they live. This is especially important in regions such as Africa, which is expected to account for over a third of all new entrants to the labor force by 2050.⁸⁰

In addition to reskilling existing workers, there is an urgent need to address the growing skills mismatch among youth populations around the world. Around 22.5% of young people globally are not in education, employment or training⁸¹ and if current trends continue, it is estimated that well over half of the 880 million children in low- and middle-income countries will not be on track to acquire the most basic skills they need to succeed in the workforce.⁸²

At the same time, the continued surge of the gig economy and the rise of remote work, which has been turbocharged by the COVID-19 pandemic, are also changing the way in which people work as well as the types of jobs that are emerging. As these practices continue to mainstream, they have the potential to interact both positively and negatively with efforts to tackle inequality and will need to be managed carefully.

185M

expected job losses in the transition to net zero by 2050 while...

200M

jobs will be created

3 in 4

workers believe they lack the digital skills their companies require⁸³

50%

of young people believe they lack the skills for an adequate job⁸⁴

Business has a critical role to play in ensuring that the workforce of today and tomorrow are skilled and empowered to thrive in the evolving world of work. Companies shape the way workers' skills develop over time and have unique insights into the skills that the workforce of tomorrow will need in order to prosper. Taking a positive and proactive approach to preparing people for the future of work is an essential ingredient of the business agenda to tackle inequality.

"We invest in education for young people from across society to fulfill their potential as progressive future leaders of Malaysia and the countries we operate in. We strengthen skills, and promote innovation and agile work methods to ensure our workforce is equipped to deliver business strategies in the context of the new energy landscape."

Farehana Hanapiah, Senior Vice President Group Human Resource Management, PETRONAS

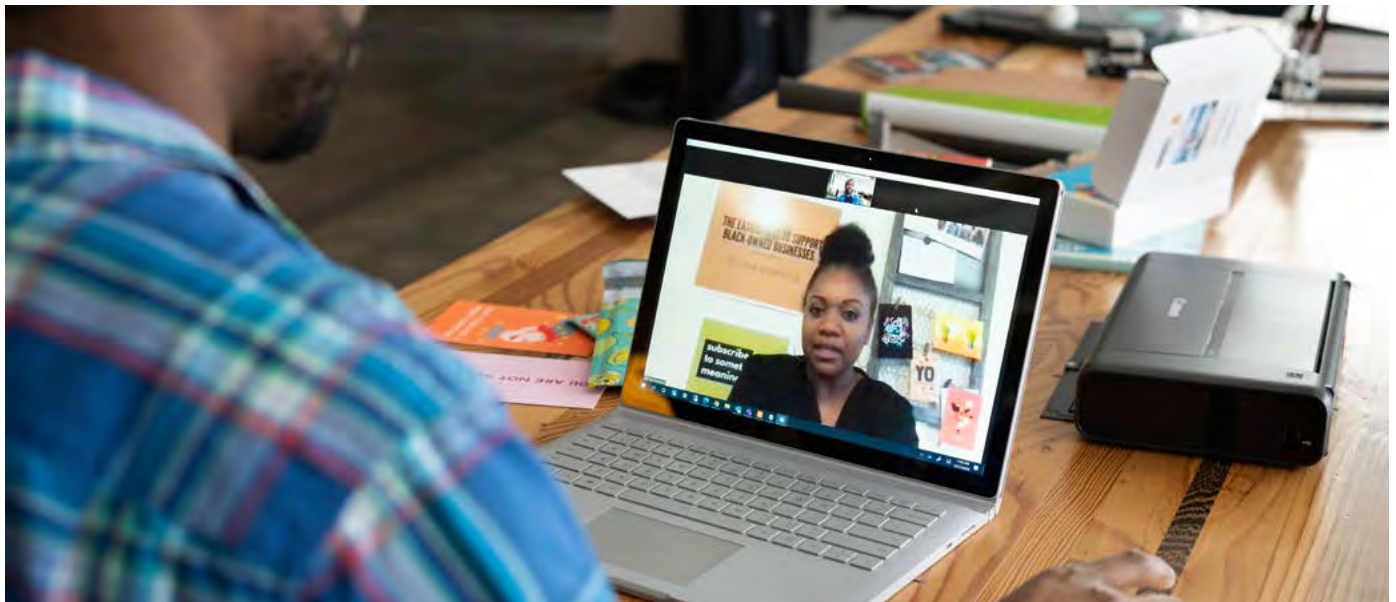
Catalyzing business action

Preparing people for the future of work means building a workforce that is skilled and empowered to benefit from the developments that are transforming the world of work – including technological evolution and the transition to net-zero.

In today's world, skills requirements are constantly evolving and competencies have an increasingly short lifespan. As a result, many companies have struggled to keep up with significant and widening skills gaps, often seeking to hire new employees rather than invest in the skills of the employees they have. Meanwhile, companies that are investing in skills programs can often disproportionately concentrate investment around higher-skilled employees, focusing on future leader programs that are designed to prepare junior managers to move up the corporate hierarchy.⁸⁵ For example, while 60% of the US population over 25 has college experience or a degree, this group receives 83% of employer tuition reimbursement and on-the-job training.⁸⁶

"We know that current trends are exacerbating the divide between knowledge workers, skilled and unskilled workers. Unless we act now, we will see a further bifurcation of opportunity and wealth creation by gender, race, education, skill set and now remote versus onsite workers, which is not good for business or society."

Jonas Prising, Chairman and CEO, ManpowerGroup



"Young people are central to the future of work. To ensure an inclusive and skilled workforce of the future, businesses must develop intentional and innovative strategies to prepare young people for the jobs of the future. When this happens everyone will benefit – businesses, communities, families and entire economies."

Carlos Sanvee, Secretary General, World Alliance of YMCAs

Moving forward, business actions to prepare people for the future of work include:

1 Building the skills that workers need to remain competitive in the job market and reach their career goals

This includes proactively anticipating the impact of emerging trends on jobs and skills and continuously assessing the workforce to identify emerging skills gaps. It also involves scaling continual learning approaches that upskill workers to advance in their existing roles, while also reskilling to prepare workers for new roles outside of their current career paths, and outskilling to help displaced workers transition to new jobs outside of the company. To reduce the risk that changes in the world of work will exacerbate inequality, companies must focus their efforts on those workers at greatest risk of displacement. It is also critical to establish listening mechanisms that enable the company to hear and take workers' needs and concerns into account. Upskilling programs should be recognized as opportunities to break down barriers to access to opportunity and to further enhance efforts around diversity, equity and inclusion.

2 Shaping the skills of the workforce of tomorrow

This includes proactively transmitting clear signals of demand for the skills companies need now and expect to need in the future, both to young people directly and to a range of stakeholders across the education system. Close collaboration between the private sector, governments, the education system and youth representatives themselves will be vital to more closely align skills demand and supply. Companies can also invest in initiatives that help to upskill young workers, including through career-connected learning experiences such as apprenticeships, and through multi-generational skills exchange programs.

3 Deploying flexible working models responsibly to meet the needs of workers

If deployed responsibly, remote work, hybrid work, job-sharing and other flexible working models can be useful tools in tackling inequality and helping to evolve the workforce in step with the needs of workers. Remote work, for example, can help to mitigate the effects of displacement as well as reduce geographic inequalities in labor market access by opening up a wider range of job opportunities for workers who are unable to relocate or commute regularly. Similarly, job-sharing can expand access to jobs that are traditionally only available on a full-time basis to people who need to balance work with other personal responsibilities. However, these flexible working models also come with their own set of equity considerations to manage. Explicit policies must be put in place to ensure all work is decent work and that line managers are trained to ensure that benefits are allocated equitably among on-site workers and their remote counterparts.

Useful resources

[The Good Work Framework](#)
World Economic Forum (2022)

[The Working Future: More Human, Not Less](#)
Bain & Company (2022)

[Skills Strategies for a Sustainable World of Work: A Guide for Chief Human Resources Officers](#)
WBCSD & GAN (2021)

[Empowering the Workforce of Tomorrow: The Role of Business in Tackling the Skills Mismatch Among Youth](#)

WBCSD & UNICEF (2021)

[Upskilling for Shared Prosperity](#)
World Economic Forum & PwC (2021)

[Just Energy Transition Framework](#)
Council for Inclusive Capitalism (2021)

[Just Transition: A Business Guide](#)
The B Team (2018)

[Guidelines for a Just Transition](#)
International Labour Organization (2015)

The business case

Preparing people to prosper in the future of work opens up a range of benefits for companies:

Access to talent and enhanced performance

Chief among these benefits is ensuring access to the talent companies need to secure business continuity, resilience and growth. The strategy of buying, rather than building, skills will not be sustainable as trends such as technological change and the transition to net-zero widen existing skills gaps. By 2025, half of all employees will need to develop new skills to remain employable.⁹⁷ A recent Korn Ferry analysis suggests that skills gaps could leave more than 85 million jobs unfilled by 2030.⁹⁸

Difficulty finding skilled workers to perform needed jobs has important repercussions for corporate dynamism, innovation, productivity, global competitiveness, growth and even survival. It also forces companies to fall back on short-term solutions that drive up costs and deliver significantly lower long-term benefits. For example, studies have shown that upskilling an employee costs an average of US\$ 1,300,⁹⁹ while the cost of hiring a replacement is around US\$ 4,425.⁹⁰ The only feasible solution is for business to play a greater role in building and nurturing the workforce – moving from being a “talent-taker” to a “talent-marker.”⁹¹ There is a virtuous cycle between investing in people

and productivity: investing in people increases their productivity, and higher productivity in turn allows companies to reinvest in their people.⁹² A 2020 survey found that 93% of CEOs who had introduced upskilling programs said these programs increased productivity.

Talent retention

In addition to ensuring access to talent, investing in skills development can help a company motivate, engage and retain that talent.⁹³ This reduces costs (the cost of replacing an employee is typically estimated at 33% of base salary⁹⁴) and protects firm-specific knowledge and culture. Skills development programs can also help a company attract new employees. Studies show that 70% of employees would be likely to leave their current job to work for an organization known for investing in employee development and learning.⁹⁵

Fostering economic growth and a prosperous operating environment

More broadly, investing in people helps to build a more prosperous operating environment for businesses worldwide. The World Economic Forum estimates that wide-scale investment in upskilling has the potential to boost global GDP by US\$ 6.5 trillion by 2030.⁹⁶

US\$ 6.5T

estimated increase in global GDP as a result of wide-scale upskilling

50%

of all employees will need new skills to remain employable by 2025

70%

of employees would consider leaving their jobs to work for organizations that invest in skills development

“Businesses can take the lead in shaping the future of work by proactively anticipating the impact of emerging trends on jobs and skills throughout value chains and building a strong competence agenda which is focused on developing the existing workforce while also nourishing the external talent pipeline. This is both a responsibility and a business opportunity.”

Lars-Erik Fridolfsson, Sustainability Transformation Manager, Inter IKEA Group



Business action in practice

Amazon

Upskilling at scale

In 2019, Amazon announced a plan to spend US\$ 700 million to retrain a third of its US workforce. Intending to upskill over 100,000 workers by 2025, the company developed numerous training programs to help workers build the technical skills necessary in today's and tomorrow's in-demand jobs. In addition, in line with the company's commitment to building a resilient workforce, Amazon tries to break internal silos and promote internal mobility toward necessary jobs through training, prepaid tuition programs and economic incentives.



Dentsu

Removing barriers and upskilling underserved young people

Multinational media and digital communications company Dentsu is diversifying its talent pipeline by sharing its skills and capabilities with the next generation of talent through its flagship global schools and early careers program, The Code. The Code opens the doors of the industry to students from

disadvantaged backgrounds, through immersive workshops, work experience opportunities and apprenticeships. The company is committed to providing work placements and internships for 5,000 underserved people through its investment in community based hiring.



Enel

Upskilling for older generations

Enel and the Università Telematica Internazionale Uninettuno have launched a “Re-Generation” training project to offer professional refresher training courses and academic training opportunities to the energy company’s employees on the issues of technological innovation and digitalization. The initiative is aimed primarily at Enel employees over 50 years of age, who are able to choose from a selection of 13 online courses across the fields of digital economy, law in digital society and new technologies.



KPMG

Partnering with the education system

KPMG provides a range of support to UNESCO’s Global Education Coalition, helping to advance its operations and to further its mission. The company has supported UNESCO in monitoring education financing, assessing to what extent education has been prioritized in governments’ fiscal responses since the COVID-19 outbreak. It has also joined a specific Global Skills Academy (GSA) initiative under the umbrella of the Global Education Coalition, whereby UNESCO and KPMG have forged an innovative collaboration that incorporates analyzing labor market opportunities, the skills required, successful approaches to addressing the skills gap and supporting students to transition into work.



Baker McKenzie

Rolling out flexible working globally

Baker McKenzie recognizes each of its people as individuals with lives and priorities beyond the workplace, and understands that people can be responsive, productive, committed and high performing while sometimes working in different ways and at different times. The company’s global flexible working initiative, bAgile, is designed to educate, inspire and facilitate a consistent global approach to alternative, more flexible and more agile ways of working – for partners, associates, business services and legal support alike – whether in a local or global role. bAgile facilitates different types of flexible working arrangements, including remote work, alternative working hours and non-standard leave arrangements.



Business action in practice

Mercedes-Benz Group

Embracing and benefiting from flexible work models

Mercedes-Benz Group supports employees with a wide range of flexible working options that make it easier for them to balance their work with their personal lives in the most effective manner possible. One of these options is the promotion of job-sharing for employees at all levels who want to share a task or position while working part time, through a tandem job-share model. Tandem positions offer benefits to employees, allowing them to allocate more time toward personal projects or family commitment, while also offering solid business results as they allow the company to dedicate the expertise of two employees to a particular task or function.



ManpowerGroup

Providing people with opportunities to enhance their earning potential through developing in-demand skills

ManpowerGroup's MyPath program provides personalized coaching and upskilling opportunities for its associates to help them move from low-skilled to mid-skilled roles. By creating clear career pathways and offering dedicated "talent agents" to provide motivation and guidance, ManpowerGroup is building employability and boosting earning potential. In particular, helping people develop tech skills is one of the fastest ways to future-proof their employability. As more and more organizations need

talent to design, deploy and drive adoption of their tech and transformation plans, the demand for tech talent is outpacing supply. ManpowerGroup's Experis Academy provides intensive "business-ready" tech training and coaching to people without tech degrees, as well as customized upskilling to develop existing employees for in-demand roles. The Experis Career Accelerator, which is driven by AI, also helps people understand their skills and most importantly their potential, guiding them to IT learning pathways and roles that are the right fit.

PwC

Investing in upskilling across the value chain

In 2019, PwC pledged to invest US\$ 3 billion in upskilling initiatives that will go toward both training the company's own people in the digital skills they need to thrive moving forward while also developing service offerings to clients to support their upskilling efforts. In addition, PwC has launched a multi-year collaboration with UNICEF in support of Generation Unlimited (GenU), which brings public, private and civil society stakeholders together to help young people build a productive future by acquiring the skills they will need to succeed in the future.



Reskilling 4 Employment

Collaborating to drive skills development at scale

Reskilling 4 Employment (R4E) was officially announced by the European Round Table for Industry (ERT) in May 2021. The initiative was devised over a period of sustained research, outreach and consultation, to identify how best to address reskilling and upskilling needs in the European Union. The goal of this pan-

European program is to serve as a hub that stimulates partnerships that provide reskilling opportunities to unemployed and “at-risk” workers, so they can find employment in new occupations that are in demand. R4E is aiming to ensure that 1 million people are reskilled by 2025 and 5 million by 2030.

Philip Morris International

Promoting a culture of lifelong learning

In 2020, Philip Morris International launched its Lifelong Learning program in its operations function to enable employees to expand their career horizons and be future-ready by equipping them with the top skills that will be required by the constantly changing job market. University and course certificates are offered for free, regardless of seniority, title, location and tenure, empowering employees to drive their careers and focus on innovative areas of expertise. Courses are online and accessible on company or personal devices, allowing attendance according to each individual's schedule. In 2022, the program reached 3,500 active learners who achieved 1,350 course certificates and logged a total of 42,100 training hours.



SAP

Addressing the digital skills gap by building future skills

SAP believes investing in young people's education is fundamental for a more equitable and inclusive economy and society and works to advance this through its partnership with UNICEF and Generation Unlimited (GenU). Since 2019, SAP, UNICEF and GenU have collaborated to provide essential hard and soft skills training to young people worldwide and have, to date, reached over 7.6 million young people in India, Türkiye and Vietnam. As part of this ongoing collaboration, a new initiative is now being piloted in Nigeria, Kenya, the Philippines and South Africa that will look

to provide young people with the skills and knowledge they need to thrive in the digital and green economy. The program aims to deliver training opportunities to over 500,000 young people in its first year.

Additionally, the partnership supports SAP Educate to Employ, a program that equips young people with soft skills and SAP-specific knowledge to help them succeed in their careers. This program provides valuable on-the-job experience and a pathway to a successful career in the SAP ecosystem.

ACTION 5

PROVIDE SAFE, SECURE AND SUFFICIENT WORK

Ensuring that the terms and conditions of work protect and enhance the physical, mental, social and financial health and wellbeing of all workers

Why business action is needed

Safe and secure work is the bedrock of upward mobility. It is critical to physical, mental, social and financial health and wellbeing – which people need to perform better, earn more, and invest in their futures. But while certain protections have been put in place over the years, for too many people, work still fails to provide this bedrock.

Work-related accidents and ill health remain commonplace for many. According to joint research by the ILO and the World Health Organization (WHO), nearly 2 million women and men around the world die of work-related accidents or diseases every year.⁹⁷ Hundreds of millions more suffer non-fatal work-related accidents and illnesses, and frequently lose time and income as a result.⁹⁸ Meanwhile, it is estimated that 15% of working-age adults have a mental disorder at any one point in time.⁹⁹

Unstable, unpredictable work schedules are also prevalent – affecting up to a third of civilian employees in the United States alone.¹⁰⁰ While the gig economy has drawn increasing scrutiny, the problem also cuts across a wide range of formal sectors, including retail, transport and logistics, production, construction, health and social care, and hospitality and entertainment.¹⁰¹ Unstable, unpredictable schedules cause financial insecurity, create stress and contribute to negative physical and mental health impacts.¹⁰² In fact, studies show that unstable and unpredictable work is more tightly associated with psychological distress, poor sleep quality and unhappiness than wages.¹⁰³

In addition, there has been a marked rise in “informal” and “non-standard” work that offers fewer benefits and protections than traditional employment – including

part-time, short-term, temporary and on-call work. In the European Union, for example, most net new jobs created between 2011 and 2016 were non-standard jobs,¹⁰⁴ while casual or temporary employment now accounts for one in four jobs in Australia, more than one in three jobs in Japan and two out of three jobs in India. People from underrepresented groups are often disproportionately represented in non-standard work. In countries such as Argentina, Germany, India, Japan, the Netherlands, Niger and Switzerland, there is more than a 25 percentage point difference in women’s participation as part-time employees when compared to men.¹⁰⁵ Meanwhile, in the US, Black workers make up 26% of temporary agency workers compared to 12% of the overall workforce.¹⁰⁶

Proponents of non-standard work highlight advantages such as flexibility and control over one’s schedule and the ability to balance personal and professional responsibilities or to combine work with education or training. However, at present, the disadvantages of non-standard work can often outweigh the advantages. For example, research shows that people in non-standard work are more likely to earn low wages than people in standard jobs.¹⁰⁷ They frequently earn less for equivalent work¹⁰⁸ and receive less employer-paid training than people in standard jobs.¹⁰⁹ Non-standard workers also often lack benefits such as sick pay, parental leave and insurance, and are often ineligible for government social protection schemes like unemployment compensation. This leaves them particularly vulnerable to setbacks as a result of health crises and job losses.

2M
people die every year
due to work-related
accidents and diseases

25x
higher growth in
part-time employment
than full-time in the
EU between 2009
and 2019¹¹⁰

41%
pay gap between
full-time temp agency
workers and standard
workers in the US¹¹¹

Catalyzing business action

Providing safe, secure and sufficient work means ensuring that the terms and conditions of work protect and enhance the physical, mental, social and financial health and wellbeing of all workers, across job functions and types.

Traditional occupational health and safety programs have been commonplace for decades. Increasingly, however, we are seeing calls for a shift toward a more holistic view of worker health and wellbeing that incorporates dimensions of physical, mental, social and financial wellbeing (Figure 13). This has been accelerated by the COVID-19 pandemic, which brought a variety of health issues impacting workers into sharper focus across jobs and sectors globally.

Meanwhile, unstable, unpredictable and non-standard work has become significantly more prevalent in recent years as many companies seek to reduce cost and increase flexibility in the face of uncertainty and risk. Companies have an important opportunity to address mounting inequality by providing secure work and engaging in multi-stakeholder efforts across sectors and value chains to ensure that more flexible work is still decent work.

“There has been a shift in thinking around occupational health and safety, with the pandemic awakening a wider concept of safety focused on total wellbeing. Despite this, stress and medical leave are on the rise. It is imperative that businesses bring to life programs, benefits and behaviors that support physical, mental, social and financial health and wellbeing for all.”

Tim Strawn, Regional CEO for Europe, Middle East & Africa, ERM

Some key actions that business can take to provide safe, secure and sufficient work are outlined below:

1 Ensuring workplace cultures that promote the highest standards of physical and mental health and wellbeing

This includes building on traditional occupational health and safety efforts to account for risk factors such as long hours and work-related stress, providing on- and off-site medical services as well as health insurance programs, and building healthy workplaces while also promoting and supporting healthy employee lifestyles. It also includes shaping an organizational culture in which business leaders seek to address psychosocial hazards, talk openly about mental health and make relevant training, tools and support mechanisms broadly available.¹¹²

2 Guaranteeing “living hours,” in addition to living wages

Living hours are just as important to financial security and upward mobility as living wages. This concept includes: a minimum number of hours that meets workers’ needs, within limits necessary to protect their physical, mental and social health and wellbeing; a decent notice period for shifts, and payments for shifts cancelled within that period; and a written contract that reflects accurate hours worked.¹¹³

3 Providing benefits that meet the needs of all workers in their local contexts

Benefits such as sick pay, family leave and health insurance are necessary to ensure that workers can manage routine life events – from an illness in the family to the birth of a child – without jeopardizing their financial security or social support structure. This, in turn, enables workers to return to work ready and able to perform at peak productivity.

Figure 13: Key dimensions of employee health and wellbeing

 Occupational health and safety	Occupational health and safety focuses on preventing injuries and negative health impacts that can result from the tasks that employees are performing in the workplace and from the quality of their work environment.
 Physical	Physical health relates to the overall wellbeing of the body. The significant amount of time that employees spend in the workplace means that their working life, habits and environmental quality of the spaces they work in interact closely with their physical wellbeing.
 Mental	Mental health is defined as a state of mental and psychological wellbeing in which every individual realizes his or her own potential and can cope with the normal stresses of life. Work-related stress, a lack of work-life balance and the quality of workplace interactions can all aggravate or cause mental health problems like anxiety and depression.
 Social	Social wellbeing encompasses the extent to which employees feel a sense of belonging, social inclusion and social stability.
 Financial	Financial wellbeing is the state of mental and physical wellbeing that derives from a set of finance-related conditions and capabilities. It can be largely influenced by the economic security provided by employment.

Useful resources

[WHO Guidelines on Mental Health at Work](#)
WHO (2022)

[Healthy People, Healthy Business: Embedding a Culture of Employee Wellbeing](#)

WBCSD (2021)

[The Insecurity Complex](#)
Living Wage Foundation (2021)

[Mental Health and Employers: Refreshing the Case for Investment](#)

Deloitte (2020)

[The Future of Wellness at Work](#)
Global Wellness Institute (2016)

[Job Quality Tools Library](#)
The Aspen Institute

The business case

Benefits to providing safe, secure and sufficient work include:

Reducing the costs associated with poor health and wellbeing

Studies have demonstrated beyond doubt the enormous impact that workers' physical and mental health have on their employers. For example, poor health is estimated to cost employers in the order of US\$ 575 billion per year in the US alone,¹¹⁴ while globally, an estimated 12 billion working days are lost every year to depression and anxiety at a cost of US\$ 1 trillion per year in lost productivity.¹¹⁵ In this context, the business case for promoting workplace health and wellbeing initiatives is clear. The WHO has demonstrated that such initiatives can help reduce healthcare costs for companies by 26% and sick leave absenteeism by 27%.¹¹⁶ Deloitte's research has also found that for every £1 spent on workplace mental health interventions, employers saved £5 in reduced absenteeism, presenteeism and staff turnover.¹¹⁷

Attracting and retaining talent through health and wellbeing programs

Furthermore, at a time when many organizations are facing an increasingly competitive war for talent, strong strategies around employee health and wellbeing are a critical ingredient when it comes to enhancing the employee value proposition, and attracting and retaining leading talent. A recent survey found that 85% of US employees believe behavioral health benefits to be an important factor when evaluating a new job.¹¹⁸

Enhanced retention and productivity through secure work

At the same time, studies have begun to estimate the direct effects of secure work on business. For example, research has shown that unstable schedules reduce

the probability of employee retention at the two-year mark by 10 percentage points.¹¹⁹ A study of more than 10,000 stores showed that increasing employees' hours from 13 to 24 per week increased their productivity from 10% to 29%.¹²⁰ Similarly, an intervention to increase schedule stability yielded productivity increases of 5–16% and raised median average sales by 7%.¹²¹

Meeting investor expectations

Investing in safe and secure work positions companies to meet evolving expectations of investors. Investors are increasingly requesting data around companies' workforce practices, disaggregated by job type, so they can better evaluate the trade-offs being made between reducing labor costs and increasing other costs and risks. These include the 68 institutions with US\$ 10 trillion in assets under management that belong to the [Workforce Disclosure Initiative](#).

Staying ahead of emerging regulation

Governments, for their part, are adapting policies and regulations to the new reality of non-standard work in ways that may chip away at the cost advantages it currently offers, jeopardizing the business models of companies that rely on it too heavily.¹²² Dozens of governments across Europe, Asia and the Americas are taking action to level the playing field for gig and temporary workers, for example.¹²³ Worker health and safety is also in the regulatory spotlight. In a landmark decision in 2022, the ILO named a safe and healthy work environment as one of its Fundamental Principles and Rights at Work, committing all member states to respect and promote it.¹²⁴

US\$ 575B

Annual cost to US companies of poor worker health

>£40B

Annual cost to UK companies of poor mental health¹²⁵

US\$ 1B

Weekly cost of on-the-job injuries in the US¹²⁶

85%

of US employees consider behavioral health benefits when evaluating a new job

"Poverty and inequality are widespread in farming communities and often discourage young people from becoming farmers. We want to make farming more attractive and rewarding. This is why we are encouraging farmers, including through training and financial incentives, to use regenerative agriculture methods in support of a just transition to regenerative food systems."

Laurent Freixe, Chief Executive Officer, Zone Americas, Nestlé



Business action in practice

Arcadis

Supporting employee wellbeing

In recent years, Arcadis has sought to bring parity to physical and psychological health and safety at work. The company has commenced the integration of psychosocial workplace hazards within its existing global health and safety management system, and is working to identify/ manage workplace risks that negatively impact wellbeing. The company is shifting from reaction to prevention through data-driven approaches, amplified by the introduction of a global wellbeing and resilience roadmap that incorporates efforts to improve and expand the company's employee assistance program, as well as its mental health first aid offering, and its wellbeing training.



Gap

Providing workers with more predictable, better-quality schedules

In 2018, Gap put in place an intervention in 28 of its stores that established: (a) tech-enabled shift swapping: a mobile application that allowed employees to choose and swap shifts while store managers could post shifts that needed to be filled; (b) stable shift structures: establishing standard start and end times for shifts; (c) core scheduling: improving the consistency of the days and times individual associates were scheduled to work from week to week; (d) a "Part-time Plus" program: giving core teams a

guarantee of 20 or more hours a week, to increase schedule adequacy; and (e) targeted additional staffing: giving stores more payroll hours to provide managers with the room to structure greater consistency and predictability into work schedules. The intervention showed strong results – when Gap workers were provided with more predictable, better-quality schedules, store productivity improved by at least 5% on average and for stores with greater adherence by more than 16%.



Aviva

Becoming a “living hours” employer

Aviva was one of the first organizations to be accredited as a “living hours” employer, achieving this in 2020. This accreditation means that, in addition to paying all staff a real living wage, the company also provides them with a guaranteed and stable minimum of working hours each week. Employers who accredit with the program commit to provide at least four weeks’ notice for every shift, with guaranteed payment if shifts are cancelled within this notice period. They also provide a guaranteed minimum of 16 working hours every week (unless the worker requests otherwise), and a contract that accurately reflects hours worked.



Solvay

Embedding health and wellbeing through a multidisciplinary approach

Solvay has set up multidisciplinary committees that ensure the development, cascading implementation and local contextualization of health and wellbeing action plans for all employees. At both the corporate and local site level, cross-functional committees include representatives from the employee

body, as well as human resources, medical staff, health and safety, and sustainable development functions. This multidisciplinary approach ensures the sustainability of the wellbeing strategy within the company, drives higher participation and is fully backed by commitment from the top management.



A background image showing a close-up of hands holding several stacks of US dollar bills. The bills are fanned out, showing various denominations like \$100 and \$50. The image is slightly blurred, focusing on the texture and color of the currency. A teal-colored rectangular box is overlaid on the left side of the image, containing text.

ACTION 6

PAY AND PROMOTE LIVING WAGES AND INCOMES

Eradicating poverty wages and ensuring that everyone who works earns enough to afford a decent standard of living

Why business action is needed

A living wage or living income is the benchmark income level that allows people to enjoy a decent standard of living as stated in Article 25 of the Universal Declaration of Human Rights.

In recent decades, across many geographies, worker wages have failed to keep pace with executive compensation, contributing to increasing disparities in income and wealth, fueling perceptions of injustice, and in many cases leaving workers unable to meet their families' basic needs.

Today, over a billion working people worldwide earn less than they need to afford a decent standard of living, including sufficient food, water, housing, education, healthcare, transportation, clothing and other essential needs – an amount known as a living wage or income.¹²⁷

These people make up approximately one-third of all workers covered by ILO statistics¹²⁸ and more than half of all small-scale farmers worldwide.¹²⁹ And they include workers at some of the largest companies in the wealthiest countries in the world. For example, 50% of workers at the 1,000 largest publicly traded companies in the US – roughly 10.4 million people – earn less than they would need to support a family of three.¹³⁰

To tackle inequality and restore faith in our economic system, it is critical to ensure that work provides a path out of poverty and an opportunity for upward mobility and prosperity for all.

Minimum wages, as currently configured, are not delivering in many parts of the world. While most countries have minimum wages, they are not always consistently enforced, and are often set without extensive social dialogue. They do not apply to all categories of wage earners, or to people who do not earn wages, including small-scale farmers and the self-employed. And minimum wages are often too low. The rising cost of living in many parts of the world is likely to make the situation worse in the years to come.

Living wages and incomes are needed to lift the lower end of the income distribution and provide people with a foothold on the socio-economic ladder. By definition, living wages and incomes enable people to afford the products and services they need to stay healthy, acquire new skills, secure better jobs, or build bigger, more profitable businesses – ultimately attaining higher levels of income, wealth and wellbeing over time and passing better prospects on to future generations.

1/3
of workers worldwide
earn less than a
living wage

>50%
of small-scale
farmers earn less
than a living income

1,460%
The increase in US
CEO pay since 1978¹³¹

18%
The increase in US
average worker pay
over the same period¹³²

"Living wages are essential to ending poverty and inequality. We have an opportunity to change the way business models operate to benefit wider society, breaking the cycle of poverty and strengthening the foundations of the global economy."

Daan Wensing, CEO, IDH

Catalyzing business action

Paying and promoting living wages and incomes means eradicating poverty wages and ensuring that everyone who works earns enough to afford a decent standard of living.

The living wage movement is now gaining significant momentum, with businesses from a range of sectors starting to make commitments to ensure that their workers are paid at least a living wage. A number of leading companies are also now spearheading efforts to drive living wages throughout their value chains as well.

This can often be a complex undertaking, however, and for many companies, the journey toward a living wage still represents a daunting prospect. Currently, just 4% of the world's most influential businesses disclose targets or intentions to pay a living wage.¹³³ It is clear that various real and perceived barriers are holding some companies back. Chief among these is uncertainty around cost. Without a proper understanding of the actual costs of paying a living wage, its scale and scope can make it seem unattainable. Furthermore, calculating the living wage gap accurately and consistently for workers across different geographies can be a significant hurdle, with living wage benchmarks often proving expensive to access, confusing to navigate and inconsistent.

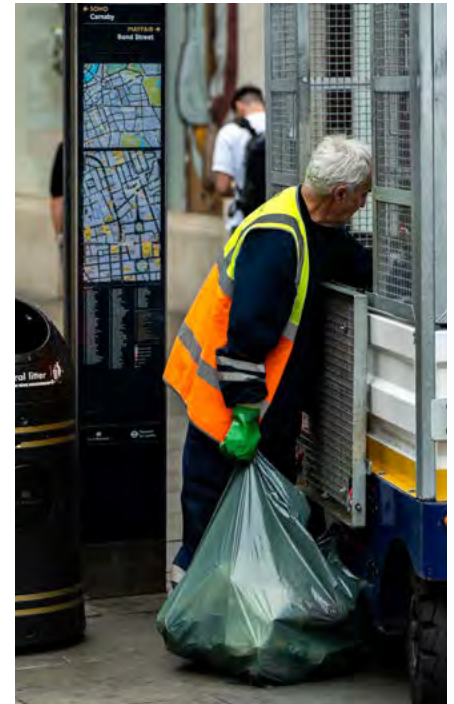
Moving forward, business actions to advance living wages and incomes include:

1 Paying living wages to all workers within a company's own operations

This includes full-time and part-time employees, gig or contract workers, and workers contracted through staffing agencies. It involves identifying living wage benchmarks for all relevant geographies, gathering data on actual wages across job families and employment types, and developing plans to close any gaps. As part of these efforts, companies can now leverage a number of robust publicly available guidelines, including IDH's [Roadmap on Living Wages](#).

2 Promoting living wages and incomes in the supply chain

Companies can influence suppliers to pay living wages and contribute to living incomes through incentives and requirements, awareness-raising, and training and capacity-building efforts. Aligning a company's procurement practices in support of these efforts is critical. Procurement practices often put pressure on suppliers to keep their costs, including wages, low. Helpful changes can include engaging in longer-term contracting, ringfencing labor costs in pricing discussions, and linking prices to production costs.



Ensuring living incomes is often more complex than living wages, as the concept of living income applies to people who do not earn a wage, such as farmers, or who combine wage income with income from other sources. To ensure that all those working within a company's supply chain earn living incomes, it is critical to begin with household-level economic analyses to identify and understand the household's income sources, costs, cash flows, financial resilience and potential to improve profitability. This allows the company to target different types of households with the most appropriate forms of support¹³⁴ – from training to increase productivity to income diversification, to interventions to reduce costs.

3 Advocating and collaborating to build critical mass and overcome barriers

Barriers to living wages may differ among supply chain actors, but the common thread to achieving them lies in collaboration. Businesses must work collaboratively while also coming together with a critical mass of other stakeholders, including policymakers, to drive action. Companies can convene and collaborate with these stakeholders to raise awareness, cultivate shared ambition, develop common tools and benchmarks, strengthen incentives for action, define responsibilities and hold one another to account.

Some definitions

What is the difference between a living wage and a minimum wage?

A living wage is different to a minimum wage. A living wage is the amount a worker needs to afford a decent standard of living for them and their family. It is determined by the cost of living in a particular place. A minimum wage, in contrast, is the minimum amount an employer is required to pay by law.

What is the difference between living wage and living income?

Both living wage and living income refer to the amount of money needed to afford a decent standard of living for a worker and their family. Living income applies to people who do not earn a wage, such as farmers, or who combine wage income with income from other sources.

Useful resources

[The Case for Living Wages](#)

Business Fights Poverty, University of Cambridge, Shift, (2022)

[Roadmap on Living Income](#)
IDH (2022)

[Living Wage Playbook](#)
AIM Progress (2022)

[Roadmap on Living Wages](#)
IDH (2021)

[Improving Wages to Advance Decent Work in Supply Chains](#)
UN Global Compact (2020)

[Living Wage Database](#)
Fairwage Network

[The Anker Methodology](#)
The Living Income Community of Practice

“With the cost of living rising, it has never been more important for employers who can to step up and provide a wage based on the cost of living. In doing so they will not just provide security and stability for their workforce, but they will boost the local economy too.”

Katherine Chapman, Director, Living Wage Foundation

The business case

Paying and promoting living wages and incomes can unlock a number of business benefits in a company's own operations, in the supply chain and in the marketplace.

Attracting, retaining and motivating workers

In a company's own operations, living wages help to attract, motivate and retain workers. This reduces the cost of turnover and ultimately improves productivity, quality and customer service.

More resilient supply chains

In the supply chain, promoting living wages and incomes reduces risk and increases quality, reliability and resilience.

Market benefits

In the marketplace, paying and promoting living wages and incomes protects and enhances corporate reputation and access to capital. For example, 86% of accredited living wage employers in the UK report reputational benefits.¹³⁵ Furthermore, a number of reporting and accountability initiatives now include living wages in their assessments, including the Dow Jones Sustainability Index, the Workforce Disclosure Initiative and the Platform Living Wage Financials.

A more prosperous operating environment

Paying and promoting living wages and incomes also enhances the purchasing power of consumers. For example, a recent Canadian study found that a 1% increase in the minimum wage translated into a 0.5% increase in real retail sales.¹³⁶ In the aggregate, the economic benefits of living wages and incomes are enormous: the BCTI's estimates suggest that closing the living wage gap could boost GDP by an additional US\$ 4.56 trillion every year through increased productivity and spending.¹³⁷

Research also demonstrates that rolling out living wages globally would have a negligible impact on inflation, with the bottom 50% of lower income workers earning just 8.6% of all income.

US\$ 4.5T

The boost that closing the living wage gap would give to global GDP

"Inequality is growing – especially among young people. By promoting living wages and incomes for all people, business can play a crucial role ensuring healthy, prosperous communities."

Priscilla Dunn, Youth Commissioner

"By paying living wages, companies enable workers not only to survive but to participate as full members of the societies they belong to. This matters to all of us. Investors have started in earnest to tackle the climate impacts of their investments. The challenge of this moment is to tackle the deep injustice of inequality."

Catherine Howarth, Chief Executive, ShareAction

**OVER WORKED
UNDER VALUED
EXPLOITED**



Business action in practice

ASN Bank (de Volksbank NL)

Collaborating to realize living wages in the garment sector by 2030

ASN Bank has identified living wages in the garment industry as an inequality-related risk in the context of its funds. As part of efforts to address this risk, the company has set itself the objective of helping to realize living wages across the garment supply chain by 2030. In support of this objective, ASN Bank co-initiated the Platform Living Wage Financials (PLWF) in 2018. Now consisting of 19 financial members with €6.5 trillion assets under management, the PLWF encourages, supports and monitors over 50 investee companies from the garment and footwear, agri-food and food retail sectors to enable living wages and living incomes in global supply chains.

Olam Group

Conducting extensive living wage gap analysis

Olam has baselined over two-thirds of its primary workforce in the past year. While all workers were found to be earning above minimum wage, living wage gaps were identified in a number of geographies. The company is now developing an internal roadmap to close these gaps moving forward.



Nestlé

Helping cocoa-farming families close the living income gap

Building on over a decade of work to tackle social and environmental issues in the cocoa supply chain through the Nestlé Cocoa Plan, the company launched its Income Accelerator Program in 2020. The program uses cash payments to incentivize farming families to take up practices intended to generate living incomes and keep kids in school – including school enrolment for all children in the household, good agricultural practices that increase productivity and climate resilience, and new business activities such as raising livestock, keeping bees or processing cassava.

During their first two years in the program, families can earn up to CHF 500 per year on top of what the company pays for their cocoa. The payment is made directly via secure mobile transfer, and split equally between the male and female heads of households to encourage gender equality. The program currently reaches 10,000 families and aims to reach all 160,000 families in the company's cocoa supply chain by 2030.¹³⁸



IDH

Uniting business behind a call to action on living wage

In 2021, IDH issued a call to action asking companies to sign on to its Roadmap on Living Wages and take a range of actions intended to ensure that all workers in their supply chains earn at least a living wage. To date, 17 companies have signed on, including Aldi, Fairphone, Hershey, L'Oréal, Mondelēz, Olam, Schneider Electric and Unilever.¹³⁹ The call to action has also been endorsed by the 30+ member companies of the Business for Inclusive Growth (B4IG) coalition.

Unilever

Committing to driving living wages in the supply chain

In 2014, Unilever launched their Framework for Fair Compensation, which kickstarted their living wage journey with a commitment to pay all employees in their own operations a living wage. Having achieved this target in 2020, they have scaled up their efforts with a commitment to ensure that everyone who directly provides goods and services to Unilever will earn at least a living wage or income by 2030. To achieve their commitment, Unilever's procurement function has built a phased implementation roadmap to balance cost and risk by portfolio and markets and ensure Unilever and their suppliers remain competitive.

The company commenced by focusing on collaborative manufacturing and contingent workforce in 2021, and has now started with local baseline assessments in "hotspot markets" – i.e. those where the gap between legal minimum wage and living wage is the biggest, the social safety net is the weakest and they have leverage through their spend. The company is working with suppliers, other companies, governments and civil society organizations to drive change through its purchasing practices, collaboration and advocacy.



ShareAction

Mobilizing the first living wage-related shareholder resolution

In March 2022, a £2.2 trillion investor coalition coordinated by the responsible investment organization ShareAction filed a shareholder resolution calling on Sainsbury's, the UK's second-largest grocery chain, to commit to paying living wages to all workers and become a living wage accredited employer. The coalition included the UK's largest asset manager, Legal and General Investment Management, and its largest workplace pension scheme, Nest. At the company's annual general meeting in July, the resolution achieved 16.7% support – a significant level of support for the first living wage-related shareholder resolution ever filed, and an indication of increasing investor scrutiny on this issue.

ACTION 7

SUPPORT AND RESPECT WORKER REPRESENTATION

Giving workers greater ability to affect corporate decision-making about the terms and conditions under which they work

Why business action is needed

Freedom of association and the right to collective bargaining are among the ILO's eight core labor standards, ratified by more than 160 countries around the world. In the workplace, freedom of association grants an explicit right for all workers to create their own organs of representation or trade unions in whatever form they decide is most effective.

Meaningful worker engagement is a key enabler for the action agenda to tackle inequality and to distributing value and risk more equitably. When businesses understand the various perspectives and needs of their workers, they are better positioned to drive enhanced and more sustained outcomes for all involved. At the same time, when workers organize and bargain collectively, they have greater influence on the terms and conditions under which they work.

Evidence shows that meaningful worker representation can improve occupational health and safety,¹⁴⁰ raise wages, narrow pay gaps, increase scheduling predictability and improve benefits.^{141, 142} In countries with policy support for collective bargaining mechanisms, such as Denmark, Finland, France, the Netherlands and Sweden, the gap between the highest and lowest wage earners is considerably lower.¹⁴³

Increasing income inequality in recent decades has coincided with a marked decline in worker representation across the developed world.¹⁴⁴ In OECD countries, the percentage of workers covered by collective bargaining agreements declined from 46% in 1985 to 32% in 2017.¹⁴⁵ Many countries have failed to uphold their commitments to freedom of association and collective

bargaining, failing either to implement or to consistently enforce legal protections or loosening them over time. At the same time, numerous companies have used a variety of mechanisms to suppress workers' efforts to organize, while business and economic trends – including outsourcing, automation, a shift from manufacturing to services and the rise of non-standard work – have also contributed to an unfavorable environment for worker representation.¹⁴⁶ Meanwhile, certain unions themselves have also failed to meet workers' expectations, and in some cases have even violated their members' trust through mismanagement or corruption.

To combat inequality effectively and ensure a more equitable distribution of value and risk, it is necessary to bolster representative structures. This should include a variety of mechanisms, including more traditional union structures as well as emerging platforms for worker engagement that allow workers to voice their concerns, advocate for their needs, and engage in negotiation and collective bargaining on decision-making.

13M

Decrease in employees covered by collective agreements between 2008–2016¹⁴⁷

US\$ 200B

Estimated additional income US workers would be earning every year if worker representation had remained at 1979 levels¹⁴⁸

Catalyzing business action

Supporting and respecting worker representation means giving workers a voice to affect corporate decision-making about the terms and conditions under which they work.

In recent decades, a number of companies have increasingly come to see collective bargaining as an obstacle to the flexible adjustment of enterprises and smooth functioning of business operations. A recent study by the World Benchmarking Alliance found that only 27% of leading companies report a commitment to respect the right to freedom of association and collective bargaining.¹⁴⁹

This focus on anticipated costs has often eclipsed the awareness of the potential return on investment and business benefits that worker representation engenders, as well as the fact that freedom of association and the right to collective bargaining are fundamental principles and rights at work.

Moving forward, there are a number of key actions that companies across industries can take to ensure that they are well positioned to respect and support meaningful worker engagement and representation:

1 Promoting a culture of worker representation within the organization

Companies should look to engage with workers' representative structures in good faith, dealing with them honestly and fairly, including by agreeing upon (and not undermining) an engagement process, and considering and responding to their positions. Engagement should also be conducted at a level that gives workers the ability to genuinely influence decisions rather than being tokenistic. Workforce representation in the boardroom is a complex but important issue, and companies should consider the best way to ensure that employee views are heard at management and director level.

2 Complementing (and not supplanting) existing worker representation structures with new engagement platforms

In recent years, many companies have deployed a series of different mechanisms – ranging from dialogue tables and focus groups to surveys and hotlines – with a view to capturing worker perspectives. These provide important avenues for workers to communicate their ideas and grievances to management, but should be conducted alongside – and not instead of – good faith engagement with workers' own representative structures.

3 Supporting worker representation throughout the supply chain

This includes committing to support collective worker empowerment throughout the supply chain by making freedom of association a critical component of contractual agreements with suppliers. It also involves planning and rolling out a robust due diligence process in support of this commitment. Complex political, regulatory, historical and cultural dynamics all play a role in the form and function of labor relations in any given country, and collaboration with suppliers, local or global trade unions, civil society groups and governments will often be necessary to effectively address and remedy issues in this area.

Useful resources

[Legal Guide to Grievance Mechanisms](#)

ITUC (2022)

[Why Unions Are Good for Workers—Especially in a Crisis Like COVID-19](#)
Economic Policy Institute (2020)

[Guide to Freedom of Association in Company Supply Chains](#)

Ethical Trading Initiative (2013)

The business case

Supporting and respecting worker representation can unlock a number of business benefits, including:

Workforce benefits

When companies respect, support and engage in good faith with workers and their representatives, they can build a more stable and productive workforce through improved talent acquisition and retention, better employee motivation, and more positive relationships between employer and employees.^{150, 151}

Managing risk

Workforce representation also enables businesses to better mitigate risk at early stages through clear channels for workers to raise issues with reduced fear of retaliation, including health and safety concerns, malpractice or wrongdoing.¹⁵² Companies can also adapt more effectively during crises through engagement with employees in strategic and operational decision-making.¹⁵³

Meeting public expectation

Public opinion and expectations around worker representation have also begun to change as worker wages have stagnated and inequality has increased – a trend that inflation and the cost of living crisis may reinforce. According to Gallup, for example, public support for worker representation in the US has reached 71%, a level not recorded in more than half a century, and up from 64% before the COVID-19 pandemic.¹⁵⁴



Business action in practice

Kaiser Permanente

Leveraging worker voice to turn around business performance

Kaiser Permanente, an American healthcare company, was considering closing down one of its sites, to the demise of its 500 employees. Instead of taking a confrontational approach, management and the workers' union adopted a mutually beneficial approach: the company informed its employees of the operation's

challenges and created focus groups and task forces at all levels of employment to explore solutions. Dozens of suggestions for improving the operation came out of the non-hierarchical task forces, and these new strategies turned the operation into a successful source of revenue growth.



Southwest Airlines

Commitment to unionization as a source of competitive advantage

Southwest Airlines, now the third-largest airline in the world, is 82% unionized, one of the highest rates of unionization in the airline industry. The airline actively engages in union negotiations under the company's principles of reaching agreements with and for employees that reward them for their hard work while supporting Southwest's operations. The global pandemic broke a record of 47 consecutive years (1973–2020) of annual profits and profit-sharing with Southwest Employees, but the carrier regained its footing in 2022.







ACTION 8

SUPPORT EFFECTIVE PUBLIC POLICY

Helping to propel government toward greater
and more impactful action on inequality

Why business action is needed

Public policy has a critical role to play in reducing inequality and in supporting the efforts of business to play its part.

Only government can make policy, but business has a profound influence on the policymaking process and its outcomes. Business uses a wide range of channels to influence policy, including lobbying, making political contributions, responding to policy consultations, seconding employees to political or governmental organizations, using politicians as consultants, shaping public opinion through mass media and social media campaigns, and providing financial or other support for grassroots, research, or advocacy groups.

Companies carry out these activities directly and through third parties, such as industry associations.¹⁵⁵ And their activities, expenditures and influence can far exceed that of other segments of society. For example, in 2021, business interests in the US spent US\$ 3.12 billion on lobbying alone, more than 80% of all lobbying expenditures in the country.¹⁵⁶

According to the World Economic Forum, corporate political influence represents “the greatest impact a company can have on protecting, or harming, the environment and society.”¹⁵⁷ Corporate political influence, in conjunction with public-private partnerships, can be used to encourage and inform effective public policy responses to inequality. Companies can bring data and insights that policymakers need to make effective decisions – for example, on emerging technologies, market trends and workforce needs.^{158, 159} They can also bring lessons learned from experience implementing innovative business models and practices to tackle inequality. Finally, and importantly, they can bring political capital that is critical to support decision-makers making trade-offs between short- and long-term priorities.

Conversely, certain companies have used their political influence in ways that run counter to the goals of sustainable development more broadly and tackling inequality specifically – sometimes in contradiction of their own values, sustainability commitments and programs.

US\$ 3.12B
spent on lobbying by
business interests in
the US in 2021

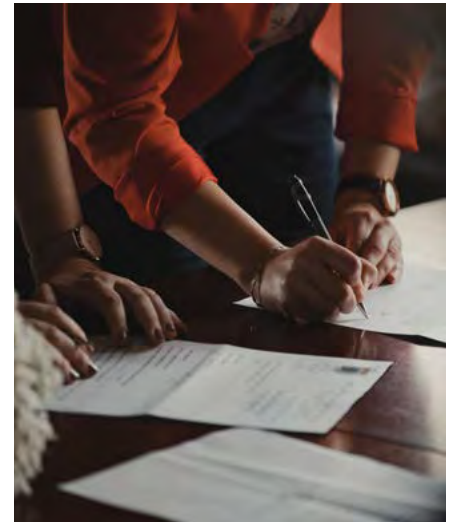
“Governments are key to tackling inequalities. By advocating for better policy, companies can create room for governments to get on with the job, and to be ambitious. With trust in business having been damaged in the past by regressive lobbying, it’s essential for companies to be fully transparent in their policy engagement, landing their messages openly and proudly in ways that demonstrate real benefits to stakeholders.”

Dr Jake Reynolds, Head of Client Sustainability & Environment, Freshfields

Catalyzing business action

Supporting effective public policy means helping to propel government toward greater and more impactful action on inequality – even when policy outcomes may raise costs.

Well-thought-through, evidence-based regulation can create the stable, predictable and level playing fields that companies depend on to invest, compete and thrive. While policies can only be developed and implemented by government, business must acknowledge that it profoundly influences the process and the outcomes. In addition to complying with the law, companies can go further to help shape the policy and regulation needed to unlock transformation toward a more prosperous and equitable society.



Proactive business action to support effective public policy includes:

- 1 Engaging with policymakers and other partners to shape and provide political support for measures to tackle inequality**

Businesses are ideally placed to provide relevant data, insight and lessons learned from experience that can support policymakers in their efforts to address inequality. Companies should also explore embarking upon policy advocacy partnerships with peers, civil society organizations, community groups, international institutions, and foundations. These sorts of advocacy partnerships can help to drive transformational policy change by combining distinct expertise and insights and by shifting entrenched mindsets as a result of unlikely partners working together.¹⁶⁰ Measures such as these can encourage policymakers to set their sights high enough to match the scale and urgency of the challenges we face.
- 2 Ensuring consistency between a company's political influence activities and the goal of tackling inequality**

Companies can also review the full range of their efforts to influence policy including lobbying; campaigns for or against policy proposals; political contributions; and funding for industry associations, research studies and think tanks. They should discontinue efforts that are not aligned with the goal of tackling inequality, including efforts to block relevant measures, push them down the policymaking agenda, or prevent them from reaching the agenda in the first place. Where industry associations are acting in ways that undermine progress on inequality, companies will need to decide whether they can use their membership to influence the association in a positive direction, or if they would be better off cutting ties.
- 3 Providing full transparency on corporate policy positions and political influence activities**

When it comes to corporate political influence, transparency is essential not only to be able to hold companies to account, but also to protect the integrity of the democratic process and public confidence in it. Companies can disclose the sums they are spending to influence government policymaking through various channels, as well as the policy positions their activities support and how those contribute to or conflict with the goal of reducing inequality.

The business case

For companies committed to tackling inequality, supporting effective public policy is a critical tool for achieving impact at scale, and for leveling the competitive playing field for new business models and practices. Specific benefits include:

Fostering trust and building reputation

Supporting effective public policy – including being transparent about a company’s positions and activities, and ensuring these are consistent with its values, goals and commitments – is also critical to protecting and strengthening corporate reputation, social license to operate, and trust among employees, consumers and society at large. Numerous surveys show that employees and consumers increasingly care about a company’s social purpose and authenticity. And corporate political influence is one reason that several Edelman Trust Barometer surveys show citizens believing the system does not work in their interests, or that their governments serve the interests of the few.¹⁶¹

Staying ahead of the regulatory curve when it comes to disclosure

Supporting public policies designed to tackle inequality can also help companies anticipate and be prepared to respond to increasing demand for disclosure in this area from governments. On the government front, an analysis of regulation and soft law on corporate political engagement in 17 countries

– including Australia, Brazil, Canada, France, Germany, Hong Kong, India, Italy, Japan, Korea, the Netherlands, China, South Africa, Spain, the UK and the US – found that demand for lobbying transparency is increasing around the world, with greater momentum behind certain forms of influence, such as contributions to political campaigns.¹⁶²

Meeting stakeholder and investor expectations

Similarly, civil society groups and international organizations are coming to see political influence as a core component of corporate responsibility and have begun issuing guidance for companies in this area. Notable examples include Transparency International, the UN Global Compact, the International Corporate Governance Network and the OECD. The Global Reporting Initiative (GRI), the most widely adopted sustainability reporting framework, also encourages reporting on public policy engagement. Meanwhile, investors are also beginning to pay attention to companies’ political influence activities, seeing lack of transparency and consistency as a source of investment risk.¹⁶³

Useful resources

[Responsible Lobbying Framework](#)

[Responsible Lobbying \(2020\)](#)

[Guidance on Political Lobbying and Donations](#)

[International Corporate Governance Network \(2017\)](#)

[Wise Council or Dark Arts? Principles and Guidance for Responsible Corporate Political Engagement](#)

[Transparency International UK’s \(2015\)](#)

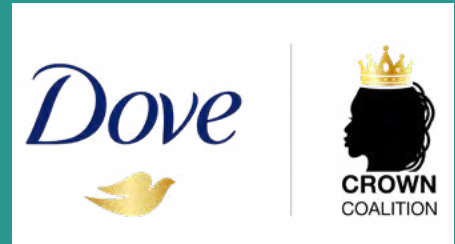
[Towards Responsible Lobbying AccountAbility and the UN Global Compact \(2005\)](#)

Business action in practice

Unilever

Advancing policy around anti-discrimination

Unilever aims to positively impact billions of lives by working with others to achieve wider systems change, shaping norms, policies and laws. That's why Dove, whose mission is to make a positive experience of beauty universally accessible, co-founded the CROWN Coalition to advance the CROWN Act. The CROWN Act, which stands for Creating a Respectful and Open World for Natural Hair, is a law that prohibits discrimination based on hair texture and hairstyle. The CROWN Act and laws inspired by the CROWN Act have helped change legislation in 20 US states and was followed by a launching of the CROWN Fund, to help end hair discrimination in the UK and the US.



Various

Business Coalition for the Equality Act

In the United States, more than 500 companies have signed on to a coalition in support of the US Equality Act, a sweeping civil rights bill that would provide the same basic protections to LGBTQI+ people as are provided to other protected groups under federal law. The 528 member companies of this [Business Coalition for the Equality Act](#) have operations in all 50 states, headquarters spanning 33 states and a combined US\$ 7.5 trillion in revenue, and employ over 15.9 million people in the United States.



Workplace Pride

Issuing guidance on LGBT+ rights advocacy

Workplace Pride's comprehensive white paper Corporate Advocacy for LGBT+ Rights: A Call to Action challenges internationally active businesses to have greater impact in non-LGBT+ friendly locations where they operate. This call to action looks in detail at basic questions of how to initiate, develop and implement successful LGBT+ corporate advocacy. The paper was created from extensive research and interviews with actual practitioners from business, diplomatic and civil society communities. It takes a practical approach by addressing organizational challenges and how to engage with the LGBT+ community itself while also including real-life examples of corporate advocacy initiatives around the world.



IKEA and others

Supporting EU mandatory human rights due diligence

In February 2022, IKEA came together with over 100 companies, investors, business associations and initiatives to release a joint statement urging the EU to swiftly adopt a legislative proposal on mandatory human rights and environmental due diligence. The statement, signed by companies and investors from various industries and countries, including many SMEs, outlines key principles to be included in the legislation to make it effective.



ACTION 9

ADOPT RESPONSIBLE TAX PRACTICES

Approaching tax as an essential part of good governance and a fundamental investment in the societies where business operates

Why business action is needed

To fulfill their critical role in reducing inequality, governments not only need the right policies – they also need the resources to implement them. Tax is a critical policy lever as it not only is fundamental to generating government revenue, but can be a powerful tool to influence social and economic outcomes.¹⁶⁴

For many governments, resources often fall short of what is required to tackle inequality, from the funding needed to educate and train citizens to succeed in today's rapidly evolving global labor market, to the investment needed to mitigate and adapt to the impacts of climate change. This funding gap has grown following the COVID-19 pandemic crisis. According to the OECD, additional annual investment worth at least US\$ 3.7 trillion is needed to meet the SDGs by 2030.¹⁶⁵

Sources for closing this funding gap include domestic public investment (government spending); foreign public investment (development aid, foreign government loans, etc.); and private investment (foreign direct investment, portfolio investment, etc.). Directly and indirectly, taxation impacts all three of these funding sources.

Despite this funding gap, the average corporate tax rate worldwide has effectively halved over the past 40 years, from 49% in 1985 to 23% today.¹⁶⁶ During this same period, it has become increasingly common for companies to engage in a range of strategies to avoid tax payments. Traditionally, tax has been seen as a cost to business and like most other business costs the focus has been on minimization. For many global businesses, this has involved the use

of tax-effective structures whereby companies adopt strategies to locate both active and passive business activities in low taxed jurisdictions. Many companies have also taken advantage of the fact that international tax laws are often not coherent between jurisdictions. While often the focus of international tax planning was geared toward reducing double taxation, in more recent times some planning has focused on producing double non-taxation. There are estimates that as many as 50% of multinationals' overseas profits may now be booked in low-tax jurisdictions.¹⁶⁷

In the wake of the Global Financial Crisis, international institutions such as the OECD and the IMF have highlighted perceived flaws in current international tax rules. Estimates have been made that the cost to government of corporate income taxation lost due to planning, where profits are taxed separately from where value is created, could be between US\$ 200 billion and US\$ 600 billion.¹⁶⁸ It has also been suggested that secondary impacts, largely arising from tax competition by governments, could be three times larger than this.¹⁶⁹

The traditional view of tax as a cost has been subject to challenge in recent times. Today, many from business, government, investment entities and other stakeholders have recognized these issues and have sought to embrace the wider role of taxation internationally. Responsible corporate tax practices are now perceived by many to be wedded to the manner in which governments can play a part in tackling inequality and overcoming other complex challenges our societies face. They are also seen as vital to public confidence and trust in the tax system.

US\$ 200B

Low-end estimate of government revenues lost to profit shifting each year

Catalyzing business action

Adopting responsible tax practices means complying with the letter and the spirit of tax law and supporting fair, effective tax systems – recognizing that tax is not simply a cost to be minimized, but a vital investment in the societies business depends on.

Businesses are increasingly aware that taxes are not just a source of cost, but are also critical to the functioning of competitive markets, new business formation, innovation and job creation. This shift in thinking is both subtle and profound. At present it also varies between jurisdictions and industries – but the direction of travel is clear. Increasingly businesses are participating in responsible tax practices and voluntary transparency initiatives. Examples include the Global Reporting Initiative's GRI: Tax 2019 and The B-Team's Responsible Tax Principles.¹⁷⁰ For some businesses, these and other codes have simply codified existing behavior; for others, consideration is being given as to how to adopt and integrate responsible tax practices into their business.

“Responsible tax behavior is simple in its ethos but nuanced and complex in its implementation. Good governance, increased transparency and most importantly multi-stakeholder dialogue are key in building trust between business and government and fostering a more stable society.”

Grant Wardell-Johnson, Global Tax Policy Leader, KPMG International



ACTION 9: ADOPT RESPONSIBLE TAX PRACTICES

The actions below summarize some of the core tenets that are present in most existing responsible tax practices, initiatives, principles and standards:

- 1** **Aligning the approach to tax with the business' corporate and sustainability strategy while also embedding it into corporate governance and enterprise risk management**

Companies are responsible for complying with the tax laws of the countries where they operate, paying the right amount of tax at the right time. This requires an approach to tax that is based on reasonable interpretations of applicable law in the regions in which entities are established and transactions are undertaken for substantive, commercial reasons. The board of directors is accountable for a company's approach to tax, which should be regularly reviewed to ensure it remains fit for purpose and supports the company's delivery of its corporate and sustainability strategy. The company should also ensure that mechanisms are in place to ensure integration and adherence to the tax policy across the whole business and that there are procedures to assess and manage tax-related risk.

- 2** **Engaging with tax authorities and other stakeholders in ways that protect the integrity of the tax system and strengthen its effectiveness**

Operating fair and effective tax systems is complex and challenging, especially as new business models and technologies test the boundaries of established rules and frameworks. Sustained dialogue and cooperation among business, government and other stakeholders are critical. Wherever possible, companies should seek to develop cooperative relationships with tax authorities based on mutual respect, transparency and trust. They should engage constructively in multi-stakeholder dialogues to support the development of effective tax legislation and administration.

- 3** **Reporting regularly and transparently about the company's approach and taxes paid**

In recent years, companies' tax affairs have been subject to unprecedented levels of scrutiny, debate and controversy. In many cases, there has been confusion where public expectations do not match the way the tax system has been designed, presenting significant challenges for companies. In other cases, there has been concern at what are perceived to be aggressive tax practices undertaken by some companies. To meet stakeholder expectations, build trust and contribute to informed public debate, businesses should consider taking a proactive approach to explaining their tax practices and results. Companies should consider making their tax strategy, and their progress against it, publicly available – while also being transparent about their policy advocacy activities related to tax. Transparency may achieve the best results when accompanied by engagement with stakeholders about the disclosures made. This will help companies to understand and define who they are as a responsible taxpayer, while also taking onboard different perspectives and insights that can help to foster better disclosures in the next reporting cycle.

Useful resources

[Best Practices for Good Tax Governance](#)
European Business Tax Forum (2022)

[Corporate Tax: A Critical Part of ESG](#)
KPMG (2019)

[A Blueprint for Responsible and Transparent Tax Behaviour](#)
CSR Europe (2019)

[Responsible Tax Principles](#)
The B Team (2018)

[Investors' Recommendations on Corporate Income Tax Disclosure](#)
UN PRI (2018)

[Guidelines for Multinational Enterprises, Chapter 11, Taxation](#)
OECD (2011)

The business case

Some of the benefits of adopting responsible tax practices are direct; building trust with tax authorities, reducing tax uncertainty and minimizing reputational damage. But there are also indirect benefits to consider. These include helping government to invest in and maintain a stable and favorable operating environment for business. Specific benefits include:

Protecting reputation

Adopting responsible tax practices may help companies reduce reputational risk, build trust, and protect their relationships with governments, customers, investors and other stakeholders at a time when corporate tax practices are under heightened public scrutiny. An Edelman Trust Barometer Special Report in 2021 found that “making companies pay their fair share of taxes” ranked fourth out of 15 issues respondents thought business should speak out on or risk losing trust – ahead of climate change and the environment.¹⁷¹ Responsible tax practices are also increasingly used as indicators of good governance and fair business practices and contribute to businesses’ credentials as good corporate citizens.

Responding to investor expectations

Showing a responsible approach to tax is increasingly required by investors who are seeking to understand the board’s appetite for risk or the extent to which future cash flows depend on factors that may be challenged in the future, such as the use of unstable tax arrangements.¹⁷² Even investors who are not overtly monitoring tax disclosures may determine whether to invest or not based on sustainability scores provided by rating agencies, which increasingly include responsible tax and transparency criteria.¹⁷³

Reducing legal and regulatory risk

Following responsible tax practices and principles may help companies reduce the legal and regulatory risk associated with gray areas; particularly those that have been and are being targeted by the Base Erosion and Profit Shifting (BEPS) Actions agreed in 2015,¹⁷⁴ and now potentially the landmark agreement reached on the two-pillar solution to addressing the tax challenges of the digitalizing economy (BEPS 2.0).

Meeting the growing demand for tax disclosures

Adopting responsible tax practices will assist companies in meeting the growing demand for tax disclosures including regulatory requirements from tax authorities – for example, the upcoming EU Public Country-by-Country Reporting (CbCR) requirements¹⁷⁵ (of taxes, revenues and profits) and the newly proposed Australian Public CbCR.¹⁷⁶ For companies that have already focused on their tax governance process, making mandatory disclosures is likely to be more straightforward as internal stakeholders become familiar and comfortable with the group’s narrative around tax and gain a greater understanding of the taxes accrued and paid positions.

Building trust with tax authorities

Another facet to this complex issue is the level of trust that businesses, and their advisors, have with revenue authorities. The OECD’s recent work on Tax Morale and Building Trust Between Tax Administrations and Large Businesses¹⁷⁷ identifies a trust gap between multinational enterprises and tax authorities. Where businesses, as a group, can improve their relationship with tax authorities through the adoption and integration of responsible tax practices, trust can be built both ways. This may increase a tax authority’s willingness to engage with businesses. Ultimately, a tax authority that understands the needs of businesses operating in its environment and that is not having to spend a significant amount of time pursuing tax audits due to lack of trust with its taxpayers is more likely to give rise to a stable operating environment that can offer the tax certainty and stability so critical to business operations.¹⁷⁸

Business action in practice

The B Team

Defining and promoting responsible tax principles

In 2017, The B Team brought together the heads of tax from nine multinationals to address responsible tax practice. Working with investors, international institutions and civil society, these companies developed a new framework for approaching tax with a set of [Responsible Tax Principles](#). These Principles were launched in February 2018, at the Tax & SDG Conference at the United Nations

Headquarters in New York. The Principles raise the bar on how business approaches tax and transparency and help forge a new consensus around what responsible practice looks like. They articulate best practice in seven key areas from corporate governance to relationships with authorities to transparency. Over 25 companies have now endorsed the Principles.



KPMG

Supporting the transition to a responsible tax system

In 2016, KPMG updated and made public its [Global Responsible Tax Principles](#) and continues to keep them under review. In 2022, the Principles were shortened and simplified to make them more accessible. At the same time, in 2016, KPMG launched its [Global Responsible Tax Project](#), which brings together diverse stakeholders to engage in a sustained and robust debate about the issues shaping globalization and taxation and what responsible practice in the field looks like. The Global Responsible Tax Project provides a perspective that KPMG can feed into its advice to clients, its engagement with regulators and other stakeholders, the arrangements of each KPMG firm, and its respective partners' tax affairs.



A photograph of several wind turbines in a field at sunset. The sky is a mix of orange, yellow, and dark blue, with the sun low on the horizon. The turbines are silhouetted against the bright sky. The foreground shows a field of tall grass or crops.

ACTION 10

REALIZE THE JUST TRANSITION TO A NET-ZERO AND NATURE POSITIVE ECONOMY

Acting in line with science to address the climate emergency and restore nature, while leveraging these transformations to advance shared prosperity

Why business action is needed

Today, the need for business action to arrest climate change and nature loss is irrefutable. The scientific community has clearly and unanimously documented a planetary crisis, driven by the climate emergency and biodiversity loss.

This planetary crisis is also having profound impacts on people – impacts that are expected to deepen. Simply put, these trends are eroding the foundations of human prosperity. Left unchecked, they will undermine human health, disrupt access to essential products and services, and destroy livelihoods.

According to WHO, an estimated 13 million people already die from health issues associated with an unhealthy environment each year,¹⁷⁹ and it is predicted that climate change will cause approximately 250,000 additional deaths per year between 2030 and 2050 through conditions such as malnutrition, malaria, diarrhea, and heat stress.¹⁸⁰

At the same time, the damage to man-made infrastructure and critical ecosystem services caused by climate change and nature loss stands to have significant impact on our capacity to deliver the essential goods and services that people need to live well. For example, projections suggest that the number of people at risk from malnutrition will increase by 20% by 2050 due to climate change, with 65% of this population in Sub-Saharan Africa.¹⁸¹

The impacts on livelihoods will also be acute. Climate change and nature loss represent the biggest long-term threats facing our global economy today. Natural disasters caused by climate change and human destruction of our ecosystems

already cost more than US\$ 300 billion per year.¹⁸² Meanwhile, the ILO suggests that 1.2 billion jobs – 40% of total world employment – depend on ecosystem services that are vulnerable to climate change.¹⁸³ The World Bank estimates that a perfect storm of factors such as health impacts, increased food prices, diminished livelihoods and displacement could push up to 132 million people into extreme poverty by 2030.

The effects of climate change and nature loss will be felt universally. However, as the IPCC makes clear, these trends are hurting the world's most vulnerable populations first and hardest – including women, other members of marginalized groups and those on low incomes.¹⁸⁴ This will make upward mobility harder and drive existing inequalities deeper.¹⁸⁵

It will not be possible to tackle inequality without robust efforts to mitigate and adapt to climate change and nature loss; however, at the same time, it will also be impossible to address the climate emergency and nature loss without putting people at the center of this agenda and working to ensure a fairer, more prosperous future for all.

The shift to a net-zero carbon economy is already having significant social and economic impacts on workers, suppliers, communities and consumers at both the local and global level. While we urgently need to transition to a net-zero, nature positive economy, we also need a transition that is equitable and inclusive, that drives positive social impacts, and in which everyone can see opportunity.

1.2B

people could be displaced as a result of climate change by 2050¹⁸⁶

132M

people could be pushed into extreme poverty as a result of climate change by 2030

“Insufficient climate and nature action will have severe impacts on millions of people. And the transition to a low-carbon and nature positive economy will only be possible if it includes solutions for workers and communities.”

Gerbrand Haverkamp, Executive Director, World Benchmarking Alliance

Catalyzing business action

Insufficient climate and nature action will have severe impacts on millions of people. And the transition to a net-zero carbon and nature positive economy will only be possible if it includes solutions for workers and communities. We must come together to address “Planet” and “People” concurrently; through business action and by holding companies accountable for their role in realizing a just transition.

Realizing a just transition to a net-zero, nature positive economy means following the science and taking the action that is needed to address the climate emergency and restore nature – while also leveraging these transformations to advance decent work, promote social inclusion and eradicate poverty.

Business action to arrest climate change and restore nature has gone mainstream. More than 3,000 businesses and financial institutions are now working with the Science Based Targets initiative (SBTi) to reduce their emissions in line with climate science. At the same time, more than one-third of the world’s largest publicly traded companies now have net-zero targets in place,¹⁸⁷ and over 1,000 companies from nearly 60 countries have urged governments to set policies that accelerate the clean energy transition. Similarly, more than 1,100 companies with revenues of more than US\$ 5 trillion have now called on governments to adopt policies to reverse nature loss in this decade.¹⁸⁸

Despite this progress, however, there remains work to be done to accelerate action. Moving forward, companies from all sectors will also need to come together with peers and stakeholders to develop an understanding of how they can put people at the center of the critical transitions ahead.

“As we shift to a greener economy, the world is going through transformational changes affecting people and business. By investing in re/upskilling and by creating green and decent job opportunities for workers, companies can not only build resilience in their own operations but also contribute to enabling a transition that is socially just and leaves no one behind.”

Maria Mendiluce, CEO, We Mean Business Coalition

“Energy transition strategies should include plans for new job creation and employee upskilling for people all around the world.”

Satoru Kurosu, Chief Sustainability Officer, Yokogawa Electric Corporation



ACTION 10: REALIZE THE JUST TRANSITION TO A NET-ZERO AND NATURE POSITIVE ECONOMY

Business actions to help realize a just transition to a net-zero, nature positive economy include:

1 Committing to reach net-zero GHG emissions no later than 2050 while also investing in adaptation

All companies must set an ambition to reach net-zero greenhouse gas emissions no later than 2050 and have a science-informed plan to achieve it. This commitment must span Scope 1 and Scope 2 emissions, as well as the most relevant and influenceable elements of Scope 3. Companies will also need to assess and evaluate climate-related physical risks throughout their operations, supply chains and the communities in which they operate, and put in place a set of adaptation policies to ensure both business continuity and the health and safety of workers and communities.

2 Embedding nature considerations and aiming for nature positive outcomes across spheres of control and influence

This involves measuring, valuing and prioritizing impacts and dependencies on nature so that the business is well positioned to act, and then setting transparent, time-bound, specific, science-based targets to put the company on the right track toward operating within the Earth's limits. Companies should aim to avoid and reduce negative impacts, while also restoring and regenerating nature.

3 Ensuring a just transition

Business action to reach net-zero, nature positive outcomes will have social and economic impacts on workers, suppliers, consumers and communities. Companies must act intentionally and collaboratively to mitigate negative impacts and ensure that the transition is equitable and inclusive. This includes ensuring: that any investment in infrastructure or new operations creates secure, high-quality jobs that respect labor rights, provide a living wage, and ensure worker safety; that jobs are created when and where they are needed; that workers have the skills they need to prosper; that opportunities are leveraged to recruit and invest in underrepresented groups; that consumers have reliable and affordable access to essential products and services; and that supply chain and local community resilience is also built up.

In developing plans for a just transition, it is vital that companies proactively identify the key stakeholders they need to engage, focusing on the most vulnerable and those who stand to be negatively impacted the most. Companies should also remain transparent regarding their efforts, disclosing progress against their plans in a timely and regular fashion.

Guidelines on good practices for business action in this space are beginning to emerge. The pillars of action outlined in the Council for Inclusive Capitalism's [Just Energy Transition Framework](#) (Figure 14) can serve as useful guidance for companies on some of the key categories of business action that should sit at the heart of efforts to ensure a just transition.

Useful resources

[The Business of Climate Recovery](#)
WBCSD (2022)

[Introduction to Just Transition: A Business Brief](#)
UN Global Compact (2022)

[Business and Climate Justice](#)
Business Fights Poverty (2022)

[Business for Just Transition](#)
CSR Europe (2022)

[What Does Nature-Positive Mean for Business](#)
WBCSD (2021)

[Just Energy Transition framework](#)
Council for Inclusive Capitalism (2021)

[Just Transition: A Business Guide](#)
The B Team (2018)

[Guidelines for a Just Transition](#)
International Labour Organization (2015)

ACTION 10: REALIZE THE JUST TRANSITION TO A NET-ZERO AND NATURE POSITIVE ECONOMY

Figure 14: Just transition pillars of action (taken from the Council for Inclusive Capitalism's Just Energy Transition Framework)

	Universal Net-Zero Energy	Workforce Evolution	Community Resilience	Collaboration & Transparency
Core Practices	Pursue an ambitious timeline to carbon neutrality targets Work toward universal energy access	Adhere to core labor and safety standards Promote diversity, economic inclusion and equal access to opportunities	Preserve biodiversity and regenerate infrastructure Support local development initiatives for communities dependent on assets	Ensure social dialogue with workers Engage stakeholders in decision-making
Just Transition Specific Practices	Advocate for policies and investments that support just energy transition Strive for consumer fairness, pre-empting or mitigating adverse impacts and sharing benefits Develop a responsible strategy for converting, retiring or sale of assets	Create decent jobs through low-emissions infrastructure Commit to retain, retrain and redeploy workers Design innovative social protection measures to combat adverse impacts of low-carbon policy	Engage and support suppliers in their just transition path Nurture competitive, local supply chains Work with educational institutions to bridge anticipated skill gaps	Develop a time-bound just transition plan and disclose progress against it Partner across sectors to scale new ventures with sustainable employment opportunities Share knowledge and best practices with industry peers and other organizations

"Transformation is necessary, but we need to ensure that our transition to a carbon-neutral world leaves no one behind. Actions to address the climate crisis must be considered jointly with actions to reduce inequality and biodiversity loss, in order to create better, fairer and more sustainable societies for present and future generations."

Mercedes Alonso, Executive Vice President, Renewable Polymers & Chemicals, Neste

The business case

The business case for taking action on climate and nature, while also promoting equity and inclusion, is well established. Benefits include:

Mitigating a wide range of risks

On one hand, climate change and nature loss represent enormous risks to the world economy: Swiss Re estimates that climate change could cost the world economy up to 18% of GDP by 2050 if no action is taken,¹⁸⁹ while the World Economic Forum has found that US\$ 44 trillion of economic value generation – over half the world's total GDP – is moderately or highly dependent on nature and its services.¹⁹⁰

At the same time, negative impacts on climate and nature also open companies up to an array of firm-specific legal, regulatory, reputational and market risks.

In 2022, the United Nations General Assembly declared that everyone on the planet has a right to a healthy environment. This resolution looks set to further accelerate the growing trend of climate-related litigation. Globally, the cumulative number of climate-related cases has more than doubled since 2015, bringing the total number to over 2,000. Approximately a quarter of these were filed between 2020 and 2022, and there are a number of high-profile cases against corporates emerging.

Ratings agencies also now routinely integrate climate and nature-related disclosures in their assessments, while institutional investors are demanding greater accountability in terms of the environmental risks associated with business operations. This is already translating into higher costs of capital for companies with negative climate and nature impacts.

Tapping into historic market opportunities

Just as the cost and risk of inaction are clear, so too are the benefits of investing in climate and nature solutions. For example, a report from the New Climate Economy shows that shifting to a low-carbon economy could fuel US\$ 26 trillion in growth and create 65 million new jobs by 2030.¹⁹¹ Meanwhile, the World Economic Forum has identified business opportunities associated with creating a people and nature positive future that could be worth as much as US\$ 10 trillion each year and create 395 million new jobs.¹⁹²

Unlocking the benefits of a just transition

It will, however, not be possible to effectively mitigate climate and nature risks or unlock the opportunities that the transition to a net-zero, nature positive society represents if we do not create a movement that allows everybody to see opportunity in this transition. Ensuring a just transition with people at the heart of planning and implementation will help to ensure that the transition is leveraged as an opportunity to drive more inclusive and equitable outcomes, leading to economic and workforce stability, enhanced capacity for innovation and productivity, supply chain resilience and an enduring social license to operate.

US\$ 44T

of economic value generation is moderately or highly dependent on nature and its services

US\$ 26T

of value could be unlocked by 2030 by shifting to a low-carbon economy

2,000+

Number of climate-related litigation cases that have been brought globally

“By splitting out the ‘E’ from the ‘S’ in ESG, we’re missing the opportunity to design for system change, which is the only way we will address the root causes of spiraling inequality, catastrophic climate change and the loss of nature.”

Dr Sally Uren, Chief Executive, Forum for the Future

Business action in practice

Equinor

Community-driven development of the offshore wind industry in New York

Equinor has signed an agreement with New York's Economic Development Corporation to transform the South Brooklyn Marine Terminal, a 73-acre unused port at the Sunset Park waterfront. The transformation is part of a strategic 50-50 partnership between Equinor and bp with ambitions to develop New York as an offshore wind industry hub. The project is expected to generate 1,000 short-term jobs, and a further 200 long-term jobs by 2028. To effectively fulfill the demands of the project, Equinor has produced a workforce development plan to address the skills gap between local workers and the requirements of the project. The project has committed to establishing a first-of-its-kind Offshore Wind Learning

Center in close proximity to provide learning and workforce development opportunities to NYC residents and beyond. Equinor's collaboration with local unions is helping to promote these opportunities among low-income residents and those seeking employment. To ensure that the Empire Wind projects work alongside the local community and their representatives, Equinor has assembled a team of over 15 specialists to promote meaningful stakeholder engagement from early in the project. The company has also committed to building a workforce that is reflective of the local population and to addressing local needs such as the need for sustainable living wages.



ACTION 10: REALIZE THE JUST TRANSITION TO A NET-ZERO AND NATURE POSITIVE ECONOMY

ITC

Strengthening livelihoods amid climate challenges

Agriculture is a primary source of livelihood for nearly 60% of India's population, but is faced with significant challenges when it comes to climate change and depleting natural resources. ITC is working to transform Indian agriculture through the proliferation of climate- and water-smart sustainable agri-practices among small-scale and marginal farmers – helping them to maximize their earnings in good years and minimize their losses in bad. Interventions made by ITC span over 2 million acres benefiting over 700,000 farmers.



MSC

Collaborating for a maritime just transition

Decarbonizing shipping carries significant implications for the maritime workforce – both onboard ships and ashore – and engaging proactively with the world's 1.89 million seafarers will be key to ensuring a successful energy transition. Despite the uncertainty surrounding future fuels as well as a rapidly evolving regulatory landscape, MSC is committed to ensuring its maritime workforce is equipped with the ship-specific skills, education, training and familiarization needed to operate new technology systems and manage new fuels. As a member of the Maritime Just Transition Task Force (MJTTF) Global Industry Peer Learning Group, MSC has also been collaborating with peers across the maritime ecosystem to support a just and human-centered decarbonization of the shipping industry. At COP27, the MJTTF launched a [10-point Action Plan](#) mapping out a pathway for the training and upskilling of 800,000 seafarers by the mid-2030s, as part of the industry's energy transition, with practical recommendations for industry, governments, seafarer unions and academia.



“We have to equip businesses with the right tools to set strategies and methodologies for a just transition if we want to overcome inequality. Then, collaborative action between local, regional and global stakeholders is needed to ensure impact at scale. Only by bringing everyone onboard will we be able to reach equity, climate and nature ambitions.”

Stefan Crets, Executive Director, CSR Europe

ACTION 10: REALIZE THE JUST TRANSITION TO A NET-ZERO AND NATURE POSITIVE ECONOMY

“A just transition will ensure human rights are core to business operations, bring universal access to essential products and services, prepare the workforce of the future and engage in true social dialogue.”

Lynn Forester de Rothschild, Founder, Council for Inclusive Capitalism

Olam Group

Promoting climate-smart farming

To reduce methane emissions in smallholder rice production systems, Olam Agri has been working through public-private partnerships to introduce climate-smart agriculture practices, such as AWD (alternate wetting and drying), laser land leveling, site-specific nutrient management, and better straw and stubble management. Building on successes with rice farmers in Thailand since 2018, the initiative has expanded to Vietnam, India and now Nigeria, showing promising results for reduced emissions, improved yields and profitability.



bp

Advancing a just transition in Teesside

bp is working with partners to decarbonize the UK's biggest industrial cluster in Teesside, in the north-east of England. bp is developing several projects in the region that could transform it into a world-class hydrogen and carbon capture and storage (CCS) hub and provide low-carbon energy to decarbonize a range of industries. This includes Net Zero Teesside Power, which will be the world's first commercial scale gas-fired power station with carbon capture technology, and two low-carbon hydrogen projects – H2Teesside and HyGreen Teesside – which together could deliver over 15% of the UK Government's 2030 10GW hydrogen production target. Collectively, these projects could create almost 5,000 jobs annually during construction phase, and over 1,500 jobs annually once operational.

bp is working with local councils, authorities and educational institutions to create a legacy in the region. The company is consulting and engaging with the community to shape actions based on their needs. For example, bp is partnering with Redcar & Cleveland College to support the development of a new Clean Energy Education Hub, specializing in renewables industry training for school leavers, apprentices and adult learners. The industrial cluster is an example of bringing a just transition to life – working to protect jobs that are at risk without decarbonizing, to create new jobs in the low-carbon economy and to invest in skills and community development.



“Climate change has a transforming impact on the global economy, and on society, and will do so for decades to come. Net-zero plans and activities need to consider their impact not only on the planet but also on people, striving to ensure the benefits of economic growth are shared as fairly as possible among all members of society.”

Nicolas Moreau, CEO, HSBC Asset Management

SAP

Financing climate action with positive social impact

As an investor in the Livelihoods Carbon Funds (LCF), SAP has committed to invest ~€10 million to help finance projects that protect the climate, restore ecosystems, promote sustainable agriculture and improve the livelihoods and resilience of rural communities.

The LCF are impact investment funds that support carbon projects coupled with strong social and economic impact for local communities. Instead of financial dividends, investors receive carbon credits as a return for their investment, helping corporates, financial investors and cities accelerate climate action and deliver social impact at scale.



ManpowerGroup

Hiring for a just transition to net-zero

ManpowerGroup is committed to training and upskilling talent to support companies with the delivery of their net-zero commitments. The company has partnered with a global wind turbine company to attract, train and hire skilled workers in 52 countries for a variety of roles with particular focus on hiring 35% of diverse candidates among leadership roles. The approach centered around identifying adjacent skills for new emerging green roles, and partnering with colleges to create a global graduate program to identify high potential emerging talent to design, manufacture, install and service wind turbines and fuel the green transition.



PART THREE

GETTING STARTED

Every company has its own unique business model, activities, value chain relationships and operating environments, and therefore its own unique capacity to make practical contributions to tackling inequality. Companies must work to identify, assess and strategically integrate steps to address inequality-related risks and opportunities, while also leveraging key enablers for business action.

Navigating the business agenda to tackle inequality

Applying a sustainable business transformation framework

The potential for any of the actions highlighted in this report to deliver change will differ from company to company, and it will be up to individual organizations to prioritize and advance the actions with the greatest potential for impact given their specific capabilities and contexts.

Robustly identifying, assessing and strategically integrating steps to address inequality-related risks and opportunities across the full spectrum of a business' operating model represents a potentially complex process. Applying a sustainable business transformation framework in support of efforts to tackle inequality will help plan this journey, and represents a practical way of making real progress while cutting through complexity.

A framework, such as the one laid out in Figure 15 (co-created with PwC), can help business leaders identify, assess and deal with the risks and opportunities related to business practices relevant to inequality, ranging across the company's different scopes of impact and its levels of influence. Important steps as part of such a framework include:

1. Baseline and maturity assessment

It is critical at the outset to conduct an analysis of the status quo. It is important to establish how, and with what specific actions, the business is currently tackling inequality across different scopes of impact, what level of influence it currently enjoys across each scope, and what sort of collaborations it is already embarking on to deliver impact. There should be a thorough "stocktaking" of the level of progress being made by ongoing

initiatives that incorporates thoughtful stakeholder engagement in order to identify how effective current initiatives are. Companies can complement this with benchmarking analysis to also determine the maturity levels of sector peers.

Key questions to consider

- Which action areas are relevant to the business and what activity is already taking place?
- What existing policies, processes, systems, activities, skills and/or controls already exist to solve for inequality issues and what impact are they having?
- With whom is the company collaborating to drive impact?

2. Prioritizing action areas and setting targets

Building on this analysis and baselining, the next critical step is to identify which action areas the company should prioritize moving forward, and what sort of targets it should be setting. This prioritization should be based upon a thorough analysis of risks and opportunities; where does a lack of action represent the most significant risk (both to people associated with the company's operating model and value chain, and to the company itself), and where are the most impactful opportunities for the company to deliver transformative change in people's lives, improve social performance of the organization and unlock new business benefits. This prioritization process will help to highlight which parts of the business require priority changes, and provides the solid foundation needed to develop a robust strategic response.

Key questions to consider

- What are the most impactful opportunities for the company to take action to tackle inequality?
- What does the impact pathway (the route from input to impact) look like for each action area?
- What is the probability of this action delivering positive impact based on available facts and an impact-based decision framework?

3. Strategic integration and implementation

Having identified priority actions to tackle inequality, companies can then move ahead to develop a well-structured plan of action. The plan should be clear on the strategy for each scope of impact on people. When developing and delivering these strategies, it will be vital for companies to continually consult with affected groups and wider stakeholders and, in many cases, to activate new collaborations in order to deliver impact at scale. To build cohesive momentum, it will also be important to have appropriate internal governance controls in place.

Key questions to consider

- What are the ambitions of the business when it comes to efforts to tackle inequality?
- Who are the key groups of affected stakeholders?
- Who are the different actors in the business ecosystem required to help collaboratively address inequality? How will the business collaborate with them?

4. Social performance review

Companies should then consider what processes they can put in place to adequately and accurately track performance on desired outcomes to tackle inequality, as well as ensuring that targets and ambitions continue to evolve based on feedback from key stakeholders and affected groups. A range of measurable desired outcomes and milestones should be reviewed on a regular basis. This will help determine if they have been achieved, are on track to be achieved, are not on track to be achieved (and why not), or if they require reframing in line with evolving business targets and ambitions.

Key questions to consider

- *What are the measurable desired outcomes and corresponding business actions?*
- *What milestones and indicators can be used to measure progress on tackling inequality?*
- *How often will the company review performance and how will relevant data be collected?*

5. Communication on progress

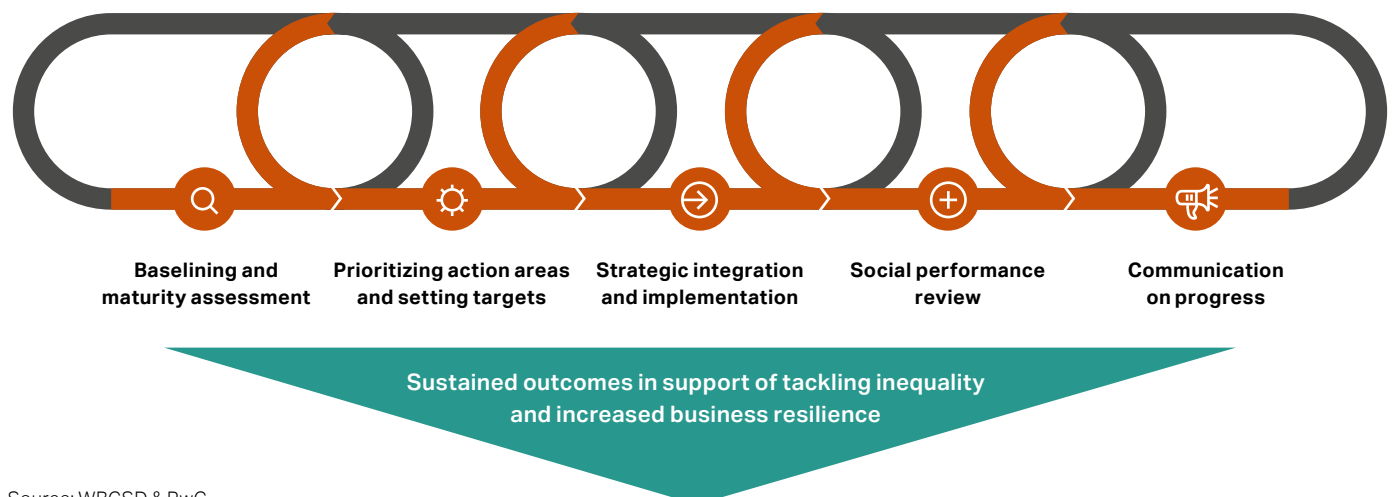
Companies will need to decide whether and how often to report on progress, and whether such communications are internal (and if so, at what level) or both internal and external. Companies should consider how to externally communicate

on progress in a way that the “say” and the “do” are aligned. Larger organizations may decide that progress should be independently reviewed and assured before communicating to stakeholders, especially externally.

Key questions to consider

- *Will communications on progress be internal, external or both?*
- *How does the company ensure that it doesn’t create a “say-do” gap?*
- *What stories can the company leverage to encourage peers and the broader business community to advance their efforts to tackle inequality?*

Figure 15: A sustainable business transformation framework for tackling inequality



Source: WBCSD & PwC

(NB: The list of activities above is non-exhaustive and provides a general view on the activities that a business may go through during their transformation journey.)

“Tackling inequality and creating shared prosperity for all must be at the heart of business’ agenda for sustainable growth.”

Andreas Eggenberg, Chairman, Masisa



Key enablers for business action

As companies embark on the catalytic action items outlined in this report, there are a number of cross-cutting enabling actions that will be foundational to driving success in the long term.

Embracing critical mindset shifts

It is important to recognize that the transformations needed to ensure that the private sector is fulfilling its potential to help tackle inequality will not always be brought about by sticking to existing ideas and priorities. As part of its [Vision 2050: Time to Transform](#) strategy, WBCSD recognizes that the changes needed to lead us to a world in which more than 9 billion people are living well, within planetary boundaries by mid-century, will depend on three shifts in strategic business mindsets, namely around: **reinventing** capitalism to reward true value creation rather than value extraction; building long-term **resilience**; and taking a **regenerative** approach to business sustainability. Business mindset shifts in these three areas will guide the way that decisions are made and ultimately will be important cornerstones when it comes to efforts to tackle inequality.

A reinvention mindset: Capitalism's combination of for-profit enterprise and competitive markets has contributed to innovation, wealth creation and rising living standards, and its innovative power and tremendous reach are essential if we are to tackle our toughest challenges. However, it is currently also generating outcomes that are unsustainable – socially, environmentally and economically. The core problem is that capitalism as

we know it today does not distinguish between value creation and value extraction. By privileging returns on financial capital over the preservation (let alone accumulation) of other forms of capital, our current version of capitalism has dangerously depleted the natural, social and human capital that underpins economic value creation.

At this juncture, we need a reinvented capitalism that generates true value. This will ensure that we see more well-run companies, making better decisions, delivering the necessary product, service and business model innovations that contribute to a flourishing society. It will also promote capital markets that properly value inclusive, sustainable business practices, rewarding the companies with the greatest positive social and environmental impact, while also mobilizing capital toward businesses, assets and solutions that create true value for society.

A resilience mindset: Resilience is not about having strong defenses and being resistant to change. It is about anticipating, embracing and adapting to changes and disruptions, while also recognizing that companies are only as resilient as the ecosystems, communities, economies and societies they operate in. When businesses recognize that they are part of a wider system, their understanding of resilience shifts from making themselves robust

and able to resist change, toward the mindset of adaptation, evolution and shared prosperity that is required for long-term success. Applying a resilience mindset shines a light on the enormous value found in skilled and healthy workforces and vibrant communities.

A regeneration mindset: Regeneration means moving beyond a “doing no harm” mindset to one in which we build the capacity of our social and environmental systems to heal and thrive. In the face of spiraling social tensions and ecosystem tipping points, we have to stop just trying to sustain the status quo and take on a more regenerative approach. Regenerative thinking can help us restore and nourish the social and environmental systems that our business success depends on. The [Compass for Just and Regenerative Business](#) produced by Forum for the Future in partnership with WBCSD provides further insights into how a regenerative mindset can be successfully incorporated into business decision-making.

Stakeholder governance

As highlighted throughout this report, companies are best equipped to respect human rights and address inequality when they understand the perspectives of the people their activities affect – particularly the most vulnerable. Ultimately, any serious private sector endeavor to tackle inequality

must be rooted not only in efforts to identify and proactively engage with stakeholder groups that are affected or may potentially be affected by business actions, but also in robust processes that serve to embed insights gained from stakeholder engagement into business decision-making.

In order for this to be realized, governance structures, both in the boardroom and across the company, must incorporate stakeholder inputs and focus on risks to people. Decisions that do not take account of the voice of key stakeholders and societal concerns could be later proven bad decisions.

The table in Figure 16, drawn from research by WBCSD and DNV,¹⁹³ presents a set of key questions as well as examples of leading practice, for corporate boards and management to consider as they explore the extent to which they are engaged with their material stakeholders and how that engagement supports decision-making.

Figure 16: Key questions and leading practice for boards to consider in support of stakeholder governance

	Key questions to consider	Leading practice
Step 1 Identify who your material stakeholders are	Have you identified which stakeholder groups are essential to value creation that drive and deliver your business model?	All stakeholders are identified and their relationships mapped to relevant parts of the business model.
	How well do you understand the expectations of and impacts on your material stakeholders?	Good understanding of the needs and expectations of all stakeholders.
Step 2 Understand and engage with those that are impacted by and influence your business model	To what extent do you consult with your stakeholders to understand their views and to ensure good quality information?	The board is regularly engaged with or provided with high-quality granular information on material stakeholders.
	How formalized is stakeholder engagement in your governance systems and processes?	Stakeholder engagement and feedback is formalized from the board level and cascades throughout the organization for all material stakeholders.
Step 3 Evaluate and embed those stakeholder views and opinions in decision-making and other business processes	How well embedded are stakeholder discussions into the board agenda?	All material stakeholders' views and feedback are included on the agenda and reviewed on a regular basis at relevant board meetings throughout the year.
	Are you confident that you are getting a fully representative view of your stakeholders' opinions?	The board is confident in its understanding of all material stakeholders' relevant opinions and that these are representative of the stakeholder groups.
	Do the views of stakeholders materially influence the board's strategic long-term decisions?	Stakeholder views always materially influence the development of long-term objectives, planning and decision-making at board level.
	To what extent is stakeholder engagement integrated into existing business practices or decision-making activities, for example, materiality and risk management assessments?	The board is incorporating all material stakeholder views into existing business practices, including strategic development, risk management, materiality and opportunity mapping.

Measurement and disclosure

Ultimately, sustained progress on tackling inequality will hinge on the ability of companies to adequately identify, measure and understand their direct and indirect impacts and dependencies on people. Across each of the actions highlighted in this report, it will be important for companies to account for the ways in which they create, preserve or erode value for different stakeholders over time so that they have relevant and useful information with which to make decisions.

This concept of valuation is critical. To improve decision-making, and therefore performance, companies need to evolve from measuring outputs to valuing impacts. For example, a business creating 1,000 new jobs may sound positive but it is void of context. We must understand the value of those jobs. If 80% of them involve precarious employment contracts and/or pay below the living wage, then this provides a very different understanding of the value of these new jobs, and therefore the consequences on people. In this context, the [Social & Human Capital](#)

Protocol provides important guidance for business on how to better understand their positive and negative effects on their people and on society at large.

At the same time, stakeholder expectations when it comes to the external disclosure of corporate social performance are very much in the ascendency. Focus on the “S” in ESG has increased dramatically in recent years, partly as a result of COVID-19 exposing a range of social vulnerabilities and risks so mercilessly. A number of landmark regulatory developments calling for enhanced levels of corporate transparency around efforts to address social risks are also emerging.

Widespread, consistent and comparable disclosure of performance in relation to the action areas laid out in this report will help to lay the foundations for enhanced trust between the private sector and other stakeholders as part of a renewed and enduring social contract. At the same time, this disclosure will also provide capital markets with the information they need to properly value and reward inclusive business practices – helping to harness the power of market economies to tackle inequalities and deliver improved outcomes for people.

The BCTI encourages companies to explore opportunities for enhanced social disclosure around the action areas highlighted in this report, and recommends leveraging established reporting standards and frameworks as a key first step. GRI standards and the [World Economic Forum Stakeholder Capitalism Metrics](#) provide useful guidance, while assessment methodologies produced by the [Workforce Disclosure Initiative](#) and the [World Benchmarking Alliance](#) also provide useful reference points.

Meanwhile, it will also be important for companies to follow the emergence of new standards and frameworks that will drive convergence and enhanced rigor in the social disclosure space. The International Sustainability Standards Board (ISSB) has indicated plans to establish a comprehensive global baseline of social-related disclosure standards in the coming years, while the launch of the [Task Force on Inequality-related Financial Disclosures](#) will provide guidance, thresholds, targets and metrics for companies and investors to measure and manage their impacts on inequality.

“The Capitals Coalition welcomes and supports the BCTI Flagship Report, as it provides a clear and meaningful action plan for business to address inequality. Understanding where value is created and eroded – and for whom – in a systematic way using the Social & Human Capital Protocol allows companies to track their progress over time and to measure their performance on inequality.”

Mark Gough, CEO, Capitals Coalition



CONCLUSION

Moving from ambition to action

The road ahead

While alarming statistics on declining trust and mounting conflict reflect deep divides in societies around the world, they also point to increasing unity behind calls for greater inclusion and equity – and higher expectations for governments and business to take action. It is time for business leaders to ensure that they are responding to these expectations to the fullest of their potential.

This report has presented why it is in business' best interests to do so, and provides a holistic agenda to guide business action. However, it is just a starting point. It is now time to convert ambition into action. We must act proactively and purposefully to reinforce the "S" in ESG – a critical pillar of action that has too long been overlooked. We hope that this report can kickstart widespread business action to head off the risks posed by mounting inequality and help to lay the foundation for an evolution toward a more inclusive form of capitalism in which market economies are harnessed to deliver enhanced outcomes for all.

Moving forward, the BCTI and its partners will be sustaining our efforts to work toward the implementation of the action agenda identified in this report – catalyzing and coordinating efforts to advance the tools, standards and collaborations that can support the global business community on this journey.

Call to action

The BCTI's Commissioners have chosen to lead our own organizations toward efforts to build a world of opportunity in which business can thrive as part of a more just and equitable society.

With this report, we are issuing a call for all business leaders to join us and to:

1. **Recognize mounting inequality** as an urgent systemic (and business) risk that all companies have a role to play in addressing.
2. **Step up efforts to ensure corporate respect for human rights** as a key foundation for reinforcing your company's capacity to tackle inequality and advance shared prosperity.
3. **Leverage the BCTI's action agenda** to prioritize, set targets and identify metrics around the most impactful opportunities your business has at its disposal to drive transformative change in people's lives.
4. **Identify and proactively engage with stakeholder groups** that are affected or may be affected by your business activity in order to design and continuously enhance impactful strategies for tackling inequality.
5. **Embark on creative collaborations** with policymakers, NGOs, investors and others to overcome systemic barriers and drive transformation at scale.



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