2023 EDITION

Investing in Society

The state of corporate purpose: How companies perform on ESG issues

CECP

About Chief Executives for Corporate Purpose

Chief Executives for Corporate Purpose® (CECP) is a trusted advisor to companies on their corporate purpose journeys to build long-term sustainable value and tell their impact stories. Working with CEOs and leaders in corporate responsibility, sustainability, foundations, investor relations, finance, legal, and communications, CECP shares actionable insights with its CEO-led coalition to address stakeholder needs.

Founded in 1999 by actor and philanthropist Paul Newman and other business leaders, CECP is a movement of more than 200 of the world's largest companies that represent US$7.7 trillion in revenues, US$37.4 billion in total community investments, 14 million employees, 22.5 million hours of employee engagement, and US$21 trillion in assets under management. CECP helps companies transform their strategy by providing benchmarking and analysis, convenings, and strategy and communications in the areas of societal/community investment, employee engagement, environmental social governance/sustainable business, diversity equity inclusion, and telling the story.

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Preface

Dear Colleagues,

Chief Executives for Corporate Purpose (CECP) is pleased to share the sixth edition of CECP's *Investing in Society*. This report highlights the most topical paradigms for corporate leaders and their teams to consider, as well as potential courses of action for companies aspiring to foster a more purpose-aligned and prosperous future. Unique in the industry, *Investing in Society* provides a quantitative and qualitative examination of the current state of corporate purpose.

This year's report analyzes the latest trends in Environmental, Social, and Governance (ESG) metrics for companies in the Fortune 500® and Global 3,000 and summarizes these findings through a quantitative tool: the CECP ESG Scorecard. The scorecard breaks down each Key Performance Indicator (KPI) and analyzes the three-year (2019-2021) median performance on each metric. The report also provides CECP's thought leadership review of sector-wide opinion and research related to the biggest storylines in ESG.

Past editions of *Investing in Society* have demonstrated how companies have transitioned away from adhering solely to the principle of shareholder primacy to a more stakeholder-focused approach that addresses the needs of employees, customers, communities, suppliers, and investors equally. There is now almost universal acceptance of ESG as a foundational pillar of good business and this report provides a direct analysis of ESG KPIs and performance trends as well as a deep dive into the state of corporate purpose. ESG backlash made headlines in 2022, and increased attention to greenwashing, which spurred a new related trend known as greenhushing. But any critical or resistant reactions to the idea that ESG is integral to today's business paradigm were met with a doubling down on ESG by the largest companies and investors. Indeed, in the face of opposition these companies have recommitted themselves to the basic principles of stakeholder capitalism, affirming that purpose as a value-creating business strategy is here to stay. As Larry Fink, CEO of BlackRock, succinctly noted in his 2022 letter to CEOs: "Stakeholder capitalism … is not 'woke.' *It is capitalism*."

CECP's ESG Scorecard is used by corporate leaders to benchmark their performance against peers in the Fortune 500 and Global 3,000. In each of the Environmental, Social, Governance, Corporate Purpose, and ESG Disclosure sections of this report, we guide the reader through an analysis of salient KPIs and provide a wide view of the corporate sector's performance on those metrics overall, while identifying some of the major underlying trends impacting each KPI. Your company should use these findings to explore what trends in ESG, corporate purpose, and disclosures have the most relevance to your company's ESG strategy and any necessary recalibration thereof.

Russia's invasion of Ukraine forced companies to examine their role in international affairs and their global ESG policies. How companies responded to the invasion of Ukraine and how their responses were perceived by their customers and employees amounted to a major test of corporate purpose, bringing new expectations for corporate influence on geopolitics. Companies are no longer perceived as neutral actors in international relations.

This report is evidence that companies are continuing to evolve their approach to business and in many instances taking the lead in redefining society during these tumultuous times. We are confident CECP's research will contribute to the integration and standardization of ESG metrics at all companies and help you address the needs of all your stakeholders over the long term. We welcome your feedback to make *Investing in Society* better every year. CECP is proud to work alongside the companies featured in this report and we look forward to partnering with you as we collectively advance the state of corporate purpose.

Sincerely,

Jenna Moore
Manager, ESG + Sustainable Business Insights
Chief Executives for Corporate Purpose (CECP)

CECP ESG Scorecard

CECP's ESG Scorecard evaluates changes in corporate sector ESG performance and measures how well companies in the Fortune 500 and Global 3,000 embrace the principles of stakeholder capitalism. Using Bloomberg ESG data, CECP conducted an analysis of companies' Key Performance Indicators (KPIs) from 2019, 2020, and 2021 in Environmental, Social, Governance, ESG Disclosure, and Financial metrics. The scorecard indicates the change in median values of these KPIs over the three-year period of 2019-2021 within a matched set of companies that disclosed data for all three years.

There are many publications that offer a detailed analysis of financial KPIs. For this reason, these key financial metrics are included in the scorecard for context but not analyzed in the report. Each of the four remaining categories of metrics (Environmental, Social, Governance, and ESG Disclosure) are analyzed in detail later in the report.

Companies included in the analysis consist of companies in the Fortune 500 as ranked by *Fortune*™ Magazine and the top global 3,000 companies by revenue as listed in the Bloomberg Terminal (the Global 3,000). The Fortune 500 data are also reflected in the Global 3,000 data set. Monetary figures are measured in nominal U.S. dollars. Data are retrieved from CECP's dataset and the Bloomberg database. Fortune 500 and Global 3,000 companies include companies from all nine industries in the Bloomberg Terminal.

Median KPIs that moved in a positive direction over the period from 2019 to 2021 are denoted in green (e.g., reduction in greenhouse gas emissions and more women on boards). KPIs that moved in a negative direction over the period 2019-2021 are denoted in red (e.g., reduction in amount of waste recycled). Movement is denoted by either the overall percentage change over the three-year period of 2019 to 2021 or by the number of percentage points (pp) a single metric moved up or down over the three-year period. Year-over-year calculations used a three-year, matched set of companies that reported metrics in 2019, 2020, and 2021.

When choosing which KPIs to include in the scorecard, some data points were omitted due to a low number of company responses. To be able to draw conclusions with a reasonable level of accuracy, only KPIs that had data for at least 130 companies from the Fortune 500 were included.

Performance Snapshot of Fortune 500 and Global 3,000 Companies

	FORTUNE 500				GLOBAL 3,000			
DISCLOSURE	**N**	**2019**	**2021**	**Δ**	**N**	**2019**	**2021**	**Δ**
ESG Disclosure Score (Median)	453	51.08	54.25	**6.21%**	2212	46.29	49.94	**7.89%**
Environmental Disclosure Score (Median)	453	34.01	38.66	**13.67%**	2212	30.44	35.28	**15.90%**
Social Disclosure Score (Median)	453	28.48	31.23	**9.66%**	2212	25.92	29.38	**13.35%**
Governance Disclosure Score (Median)	453	87.48	91.24	**4.30%**	2212	83.02	84.98	**2.36%**

	FORTUNE 500				GLOBAL 3,000			
ENVIRONMENTAL	**N**	**2019**	**2021**	**Δ**	**N**	**2019**	**2021**	**Δ**
Total GHG Emissions (Median, in Millions of Metric Tons)	308	680.52	644.07	**-5.36%**	1388	352.84	323.54	**-8.30%**
Net-Zero Emissions Target (% of Companies with)	445	10.34%	48.99%	**38.65pp**	2106	8.74%	44.16%	**35.42pp**
Science Based Targets (% of Companies with)	446	10.76%	36.77%	**26.01pp**	2023	8.65%	28.77%	**20.12pp**
Total Water Use (Median, in Millions of Cubic Meters)	170	5,001.96	5,661.56	**13.19%**	894	3,174.23	3,279.73	**3.32%**
Waste Recycled (Median, in Thousands of Metric Tons)	147	33.40	30.34	**-9.16%**	689	22.95	21.76	**-5.19%**
Offers Waste-Reduction Policy (% of Companies with)	455	81.32%	90.55%	**9.23pp**	2173	78.14%	87.53%	**9.39pp**
Offers Biodiversity Policy (% of Companies with)	455	35.16%	43.74%	**8.58pp**	2164	39.63%	48.57%	**8.94pp**

	FORTUNE 500				GLOBAL 3,000			
SOCIAL	**N**	**2019**	**2021**	**Δ**	**N**	**2019**	**2021**	**Δ**
Community Spending (Median, in US$ Millions)	167	17.63	20.00	**13.44%**	1206	3.40	3.90	**14.71%**
Women in Workforce (Median %)	291	36.90%	37.00%	**0.10pp**	1620	31.01%	32.30%	**1.29pp**
Women in Management (Median %)	136	29.00%	30.70%	**1.70pp**	726	24.00%	26.20%	**2.20pp**
Minorities in the Workforce (Median %)	102	34.00%	36.00%	**2.00pp**	277	16.42%	17.28%	**0.86pp**
Offers Human Rights Policy (% of Companies with)	456	74.56%	85.31%	**10.75pp**	2211	75.85%	83.27%	**7.42pp**
Offers Policy Against Child Labor (% of Companies with)	456	67.32%	78.51%	**11.19pp**	2208	68.07%	77.54%	**9.47pp**
Completed Supply Chain Modern Slavery Assessment (% of Companies with)	454	33.48%	46.26%	**12.78pp**	2163	21.73%	29.77%	**8.04pp**
Offers Social Supply Chain Management Policy (% of Companies with)	456	78.73%	87.94%	**9.21pp**	2405	74.39%	84.03%	**9.64pp**

FORTUNE 500 | **GLOBAL 3,000**

GOVERNANCE	N	2019	2021	Δ	N	2019	2021	Δ
Chief Executive Officer or Equivalent a Woman (% of Companies with)	463	8.86%	10.37%	**1.51pp**	2739	5.33%	5.33%	**0.00pp**
Women on Board (Median %)	458	25.00%	30.00%	**5.00pp**	2364	20.00%	25.00%	**5.00pp**
CSR/Sustainability Committee (% of Companies with)	458	50.66%	78.17%	**27.51pp**	2364	33.04%	46.91%	**13.87pp**
Executive Compensation Linked to ESG (% of Companies with)	458	29.26%	38.21%	**8.95pp**	2365	17.38%	23.00%	**5.62pp**
Consumer-Data Protection Policy (% of Companies with)	455	97.58%	99.12%	**1.54pp**	2186	83.21%	88.43%	**5.22pp**
Cybersecurity Risk Management Policy (% of Companies with)	301	20.60%	43.52%	**22.92pp**	1168	28.08%	44.69%	**16.61pp**

FORTUNE 500 | **GLOBAL 3,000**

FINANCIAL	N	2019	2021	Δ	N	2019	2021	Δ
Revenue (Median, in US$ Billions)	486	12.14	14.29	**17.71%**	2875	6.55	7.49	**14.35%**
Number of Employees (Median, in Thousands)	452	26,600.00	26,945.00	**1.30%**	2584	14,959.00	15,731.00	**5.16%**
EBITDA (Median, in US$ Billions)	439	2,222.00	2,953.00	**32.90%**	2558	856.80	1,077.30	**25.74%**
Historical Market Capitalization (Median, in US$ Billions)	455	19,778.30	25,720.10	**30.04%**	2782	7,901.00	9,419.00	**19.21%**
EBITDA / Revenue (Median Ratio)	439	16.40	18.80	**14.63%**	2558	13.38	14.45	**8.00%**
Cash Paid for Taxes (Median, in US$ Millions)	441	213.34	284.00	**33.12%**	2360	137.00	169.41	**23.66%**
Enterprise Value / EBITDA (Median %)	408	9.99	9.99	**0.00%**	1471	8.81	8.81	**0.00%**
ROI (Median %)	478	8.73	8.98	**2.86%**	2840	5.98	6.55	**9.53%**

Source: Bloomberg ESG data, CECP analysis.

ESG Disclosure

Key Takeaways:

GROWTH

ESG disclosure is increasing, with growth in environmental and social disclosures outpacing that of governance disclosures.

MANDATORY

ESG reporting is moving steadily from voluntary to mandatory, with new rules and regulations proposed and adopted within multiple jurisdictions around the globe.

STANDARD

A single ESG reporting standard nears reality as the newly formed International Sustainability Standards Board (ISSB)'s Integrated Reporting Framework moves forward according to schedule.

Performance Snapshot of Fortune 500 and Global 3,000 Companies—ESG Disclosure

CECP analysis of Bloomberg ESG Disclosure data of Fortune 500 and Global 3,000 companies shows positive performance of all four KPIs.

FORTUNE 500

DISCLOSURE	N	2019	2021	Δ
ESG Disclosure Score (Median)	453	51.08	54.25	**6.21%**
Environmental Disclosure Score (Median)	453	34.01	38.66	**13.67%**
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GLOBAL 3,000

N	2019	2021	Δ
2212	46.29	49.94	**7.89%**
2212	30.44	35.28	**15.90%**
2212	25.92	29.38	**13.35%**
2212	83.02	84.98	**2.36%**

Source: Bloomberg ESG data, CECP analysis.

Disclosure scores range from 0.1 for companies that disclose a minimum amount of ESG data to 100 for those that disclose every data point collected by Bloomberg. A consistent list of topics, data fields, and field weights applies across sectors and regions. Each data point is weighted in terms of importance, with data such as greenhouse gas emissions carrying greater weight than other disclosures.

Analysis and Key Takeaways: ESG Disclosure

ESG disclosure is increasing, with growth in environmental and social disclosures outpacing that of governance disclosures.

The ESG Disclosure Scorecard shows that, driven by investor demand, companies are increasing the disclosure of material ESG data year over year. The Bloomberg ESG Disclosure Score for Fortune 500 companies increased from 51.08 in 2019 to 54.25 in 2021, a 6.21% increase (N=453). The ESG Disclosure Score for the Global 3,000 increased by 7.89% over the same period, from 46.29 to 49.94 (N=2,212). These scores are based on the extent of a company's Environmental, Social, and Governance (ESG) Disclosure.

The Bloomberg Social Disclosure Score measures the social data a company reports publicly. Between 2019 and 2021, the median score increased by 9.66% among Fortune 500 companies, growing from 28.48 to 31.23 (N=453). In the Global 3,000, the Social Disclosure Score increased from 25.92 to 29.38, a 13.35% increase from 2019 to 2021 (N=2,112).

There has also been an increase in the disclosure of metrics related to governance. However, since companies were already disclosing governance data at a high level, the margins for increased disclosure in governance are much smaller than in the environmental and social factors. The Bloomberg Governance Disclosure Score rose by 4.30% between 2019 and 2021 (N=453), from 87.48 to 91.24 among Fortune 500 companies. Over the same period, the Governance Disclosure Score rose 2.36% among Global 3,000 companies, from 83.02 to 84.98 (N=2,112). The score is based on the extent of a company's governance disclosure. This score measures the governance data a company reports publicly.

The Bloomberg Environmental Disclosure Score among Global 3,000 companies increased by 15.90% between 2019 and 2021, from 30.44 to 35.28 (N=2,212). This score measures the environmental data a company reports publicly. The amount of environmental data disclosed by Fortune 500 companies and analyzed by Bloomberg also rose by 13.67% between 2019 and 2021, from 34.01 to 38.66 (N=453). Given the increased attention to a company's management of climate-related impacts and its transition to a post-carbon economy, this rise in environmental disclosure is unsurprising.

ESG reporting is moving steadily from voluntary to mandatory, with new rules and regulations proposed and adopted within multiple jurisdictions around the globe.

The number of ESG-related regulations is on the rise, increasing the likelihood of implications across geographies. The Securities and Exchange Commission (SEC)'s proposed rule amendments[1] will require American and foreign-registered companies to report on climate-related information in their registration statements and in periodic reports such as on Form 10-K. This includes climate-related risks and material impacts on the company's business, strategy, and outlook; the company's governance of climate-related risks and relevant risk management processes; their GHG emissions, which, in the case of large companies, would be subject to assurance; certain climate-related financial statement metrics and related disclosures in a note to audited financial statements; information about climate-related targets and goals; and decarbonization transition plans. The proposed disclosures are based on reporting guidelines from the Task Force on Climate-Related Financial Disclosures (TCFD), which many companies already report against.

The E.U.'s Corporate Sustainability Reporting Directive (CSRD)[2] became law in January 2023, impacting American companies and their subsidiaries. The updated rule requires subsidiaries of foreign corporations generating over €150 million in annual revenue in the E.U. to provide ESG disclosures and limited assurance of sustainability information.

In addition, further disclosure requirements related to the Sustainable Finance Disclosure Regulation (SFDR)[3] for financial market participants will come into play in 2023. The U.K. will also bring forward sustainability disclosure requirements at the investment product level.[4] These wide-ranging new rules and disclosure standards will mitigate the risk of greenwashing in financial markets by increasing transparency of the sustainability profile of investment products.[5]

Companies headquartered or operating in Asia-Pacific are also feeling regulatory pressure. The Hong Kong Guidance for Climate Exposure,[6] which follows the TCFD standards, is now mandatory for all companies listed in Hong Kong. The Singapore Climate Disclosure Rules are also TCFD-aligned.[7] Japan's Corporate Governance Code now obligates companies to follow TCFD requirements. In 2021, the Securities and Exchange Board of India issued a requirement for the top 1,000 listed companies in India to prepare Business Responsibility and Sustainability Reports.[8]

Even if a company does not have direct operations in a country with ESG reporting regulations, that company may face pressures based on the regulatory requirements of other jurisdictions in which it has suppliers or investors. The new regulations require greater transparency and complexity in how companies disclose material ESG issues. The trend lines are undeniable, and companies need to prepare for the inevitable transition from voluntary to mandatory disclosure of ESG-related risk, threats, and impacts on their core business operations and value chains.

A single ESG reporting standard nears reality as the newly formed International Sustainability Standards Board (ISSB)'s Integrated Reporting Framework moves forward according to schedule.

The ISSB framework[9] will provide consistent and simplified ESG standards, replacing several overlapping and competing standards. This consolidation will significantly reduce cross-framework mapping and facilitate the reporting process. Whereas before a company may have prepared multiple disclosures for several widely used standards, the ISSB Integrated Reporting Framework[10] will combine all standards into one disclosure, streamlining the process for companies and allowing for better comparative analysis by investors and other stakeholder groups. CECP's report *Global Impact at Scale,* which surveyed 134 companies across CECP's Global Exchange network, found that in 2021 98% of companies used some form of voluntary standards for ESG reporting. In the absence of a single reporting standard, when asked to indicate all standards their company uses, 63% of 107 surveyed companies used the Global Reporting Initiative (GRI) standards, 45% used Carbon Disclosure Project (CDP), 37% used Task Force on Climate-Related Financial Disclosures (TCFD), and 29% reported against the Sustainability Accounting Standards Board (SASB).[11]

The proposed ISSB framework[12] will also form the basis for numerous proposed mandatory ESG reporting requirements, with standards for climate and carbon to be released in 2023. Beyond providing a single global ESG reporting standard, the ISSB standards are expected to elevate ESG reporting to a similar level of rigor and comparability as that of the financial reporting standards supplied by the International Financial Reporting Standards (IFRS).

Long-Term Plan Framework

CECP and its coalition of companies, institutional investors, and professional services firms are committed to reorienting our capital markets toward the long term. At CECP, we believe sustainability and long-termism are synonymous and we encourage our companies to report forward-looking ESG metrics. CECP encourages publicly traded companies to leverage CECP's proprietary Long-Term Plan framework to communicate its sustainable value creation strategy and key forward-looking metrics over a three-to-five-year time horizon. Our investor-informed framework is concise, comparable, consistent, and connected to value. Data may be pulled from a variety of standards, though the framework itself is foundationally SASB, which transitioned to ISSB on August 1, 2022.

Environmental

Key Takeaways:

EMISSIONS

Corporate GHG emissions declined while global per-capita emissions continued to rise.

NET-ZERO

Companies are adopting net-zero targets at a remarkable rate. Yet, most companies continue to exclude Scope 3 emissions from their targets.

RENEWABLES

The Russian invasion of Ukraine accelerated investments in renewable energy projects globally.

WATER

As water scarcity fueled by climate change continues to intensify, reducing water use is a matter of urgency for companies to address. Solutions are hard to find, but the economic cost of inaction far outweighs the cost of preventative measures.

WASTE

Companies are committed to recycling and reducing waste, yet global recycling and product lifecycle management systems are unable to cope with the volume of plastic produced.

BIODIVERSITY

With humans now using resources 75% faster than the earth can regenerate, and those resources being essential for economic growth, biodiversity is moving front and center into the corporate consciousness.

Performance Snapshot of Fortune 500 and Global 3,000 Companies—Environmental

CECP analysis of Bloomberg Environmental data of Fortune 500 and Global 3,000 companies shows positive performance of five out of seven KPIs.

	FORTUNE 500				GLOBAL 3,000			
ENVIRONMENTAL	N	2019	2021	Δ	N	2019	2021	Δ
Total GHG Emissions (Median, in Millions of Metric Tons)	308	680.52	644.07	**-5.36%**	1388	352.84	323.54	**-8.30%**
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Offers Biodiversity Policy (% of Companies with)	455	35.16%	43.74%	**8.58pp**	2164	39.63%	48.57%	**8.94pp**

Source: Bloomberg ESG data, CECP analysis.

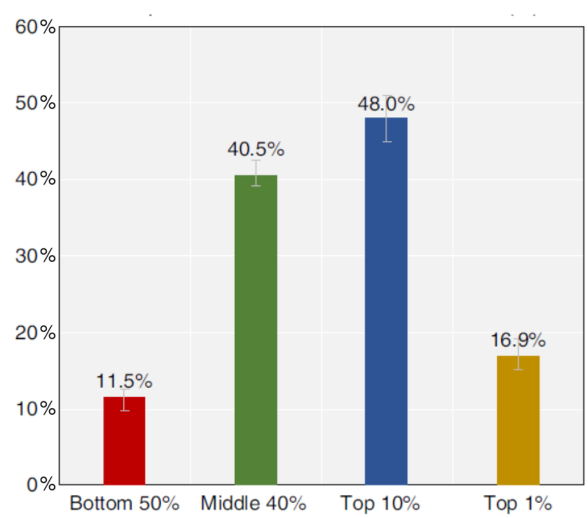
Analysis and Key Takeaways: Environmental

Corporate GHG emissions declined while global per-capita emissions continued to rise.

Total reported GHG emissions fell by 5.36% between 2019 and 2021 in a matched set of the Fortune 500, from 680.52 million metric tons (Mt) of CO_2e to 644.07 million Mt (N=308). Total GHG emissions in the Global 3,000 fell between 2019 and 2021, from 352.84 million Mt CO_2e to 323.54 million Mt CO_2e (N=1,388), an 8.30% drop. Global emissions rebounded sharply in 2021, surpassing the previous all-time high of 2019. This share increase was driven by emerging economies, particularly China and India, while the United States, European Union, and Japan all reduced emissions over the same period.[13]

The COVID-19 pandemic accounts for the large decline in corporate GHG emissions over the three-year period. As the economy has rebounded and travel and business operations have resumed, corporate emissions have also rebounded, but not to the same level as before the pandemic. Companies continue to utilize remote work and virtual meetings to mitigate costs and partial Scope 3 emissions.

FIGURE 1. Share of Global Emissions by Group



Source: Global carbon inequality over 1990–2019, Chancel et al.

According to an article published by *Nature Sustainability*, the wealthiest people tend to emit more GHG emissions, with the top 10% of global earners responsible for most global emissions (Figure 1). Since 1990, average global per-capita GHG emissions have grown by more than 2%. This growth however has not been consistent across countries and income levels. The top 1% of emitters increased their emissions by 26%

and the top 0.01% saw a rise of 80% per person. Meanwhile, the bottom half of emitters saw a more modest 16% increase in per-capita emissions and low- and middle-income groups in rich countries saw a drop in per-capita emissions of 5-15%.[14]

Seven hundred and seventy-five million people, most of them in sub-Saharan Africa, do not have access to electricity and that number rose by 20 million people last year.[15] The bottom half of emitters are responsible for just 0.5Mt CO_2e each year, while the top 10% emit around 7.5Mt CO_2e. In contrast, even the bottom 50% of emitters in North America have annual emissions above 10Mt CO_2e. Meanwhile, the top 10% of U.S. emitters are responsible for almost 70Mt CO_2e every year.

Global emissions inequality in 1990 was driven primarily by the difference in emissions between residents of the global north and south. Now it is driven primarily by the difference in emissions of people living within a country, rich or poor. Most people's consumption patterns emit carbon, but the wealthiest also own and invest in firms that produce carbon and those investments are the main source of emissions for the top 1% of emitters.

Companies are adopting net-zero targets at a remarkable rate. Yet, most companies continue to exclude Scope 3 emissions from their targets.

Undoubtedly, companies are more actively managing and dedicating greater resources to climate-related issues. The number of Fortune 500 companies that have set a net-zero emissions target rose by 38.65 percentage points between 2019 and 2021 (N=445), with almost half (48.99%) of the Fortune 500 now reporting a net-zero target. This rapid rise in climate-related goal setting is mirrored by the Global 3,000, where the number of companies that have set a net-zero emissions target rose by 35.42 percentage points between 2019 and 2021 (N=2,106), from 8.74% to 44.16%.

An increasing number of net-zero targets are using science-based methodologies approved by the Science Based Targets initiative.[16] In the Fortune 500, 10.76% of companies had set a science-based emissions reduction target in 2019, but by 2021 that number had risen to 36.77%, a 26.01-percentage point increase over the three-year period (N=446). A similar story played out among the Global 3,000, which saw a 20.12-percentage point increase in the adoption of science-based targets over the same three-year period (N=2,023). These increases in both net-zero goal setting and the use of science-based methodologies reflect the increased importance companies are placing on actively addressing their GHG emissions.

The Science Based Targets initiative reports that (at the time of writing of this report) 4,799 companies globally are acting on climate change, with 2,468 companies having set science-based targets and 1,748 having net-zero commitments.[17] But the question remains: will companies achieve their net-zero targets and will their actions lead to global emissions reductions?

Companies are setting emissions-reduction targets at record speed, complicating the ability to conduct a large-scale analysis. Researchers at Columbia analyzed 35 large companies in the highest GHG emitting industries and found 37% use absolute emissions reduction targets, 37% use both absolute and intensity-based targets, and 26% use only intensity targets.[18] Oil and gas companies are most heavily reliant on intensity targets, with none solely using an absolute reductions target. Reducing emissions per unit of product produced is certainly a start, but if economic growth is going to amount to more products sold and an overall emissions increase, it is not helping solve global temperature rise.

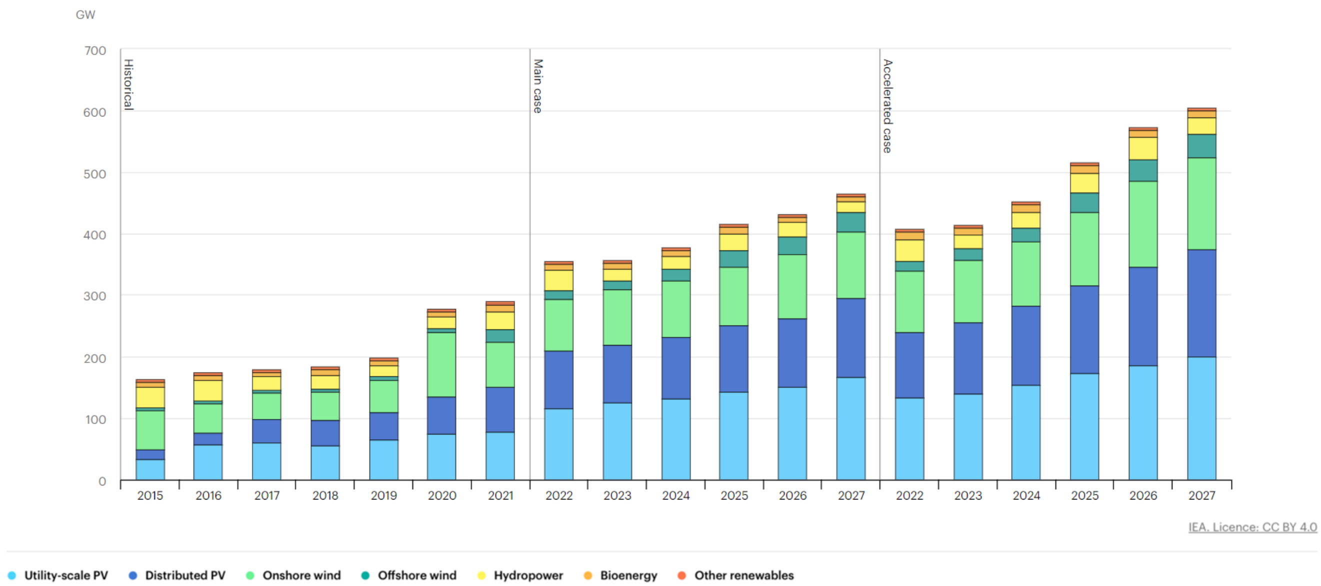
The researchers also found that while 94% of analyzed companies have set long-term targets extending over the next few decades, only 43% have set the short-term targets vital to achieving the long-term targets. Short-term targets provide a clear strategic plan to achieve the long-term targets. Companies that do not set interim goals are at risk of missing their long-term targets. Additionally, Scope 3 emissions are the hardest to reduce, as they include the emissions of a company's supply chain, into which the company may not have a clean sightline. Only 37% of the analyzed companies had included Scope 3 emissions in their reduction targets.

The United Nations Environment Programme's *Emissions Gap Report 2022* found that there was no credible pathway to limiting climate change to the 1.5°C currently in place, and that only a rapid transformation of global economies could change that outlook.[19] The 2022 United Nations Climate Change Conference (COP27) highlighted the role of business in meeting country-specific emissions-reduction targets. To adequately set net-zero targets, companies must set absolute emission-reduction targets, with short- and medium-term goals, and include Scope 3 emissions using a science-based methodology.

The Russian invasion of Ukraine accelerated investments in renewable energy projects globally.

The war in Ukraine marks an inflection point for renewable energy globally, with a concentrated push in Europe to replace energy sourced from Russian supply chains with cleaner sources of energy and move toward energy independence. According to the IEA *Renewables 2022* report, the amount of renewable

FIGURE 2. Renewable Annual Net Capacity Additions by Technology, Main and Accelerated Cases, 2015-2027



Source: IEA, *Renewables 2022.*

power capacity added in Europe in the 2022-2027 period is now forecast to be twice as high as in the previous five-year period, driven by a combination of energy-security concerns and climate ambitions.[20] The global energy crisis has triggered unprecedented momentum behind renewables, with the world set to add as much renewable power in the next five years as it did in the past 20. Global renewable power capacity is now expected to grow by 2,400 gigawatts (GW) over the 2022-2027 period. The IEA *Renewables 2022* report also predicts total capacity growth worldwide is set to almost double in the next five years, overtaking coal as the largest source of electricity generation. Figure 2 shows the projected growth in renewable energy annual net capacity, by the technology involved and in both likely and accelerated cases, through 2027.

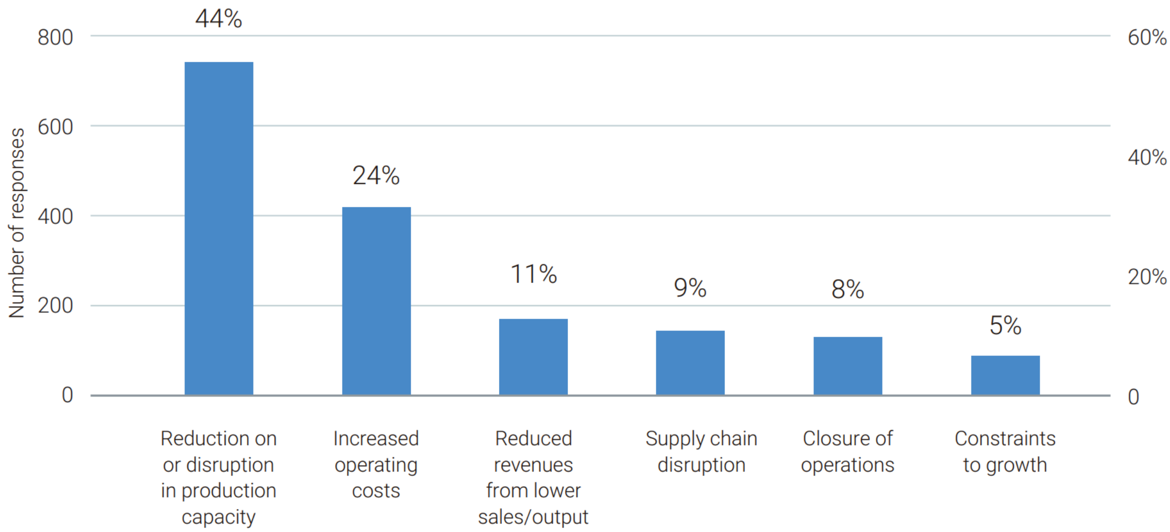
The Inflation Reduction Act in the U.S., the Green Deal in the E.U., and the 14th Five-Year Plan in China are also set to accelerate the energy transition in the world's largest economies. As a result of its recent 14th Five-Year Plan, China is expected to account for almost half of new global renewable power capacity additions over the 2022-2027 period. In the E.U., the European Green Deal seeks to make Europe the first climate neutral continent by 2050, reduce external energy dependence, and decouple economic growth from resource use.[21] Meanwhile, the U.S. Inflation Reduction Act (IRA) provides new support and long-term visibility for the expansion of renewables in the United States.[22] The IRA will stimulate growth in clean manufacturing, refurbish heavy industry, and build manufacturing capacity of clean energy technologies and components. It will encourage domestic U.S. production of batteries, solar panels, and wind turbines, creating millions of clean energy jobs. It provides tax credits for clean electricity, electric and fuel cell vehicles, buses, and trucks, as well as renewable energy tax credits for wind, solar, and biomass. It also provides grants for local agencies to engage in smart planning for clean-energy projects and provides consumer rebates for the purchase and installation of efficient appliances.

As water scarcity fueled by climate change continues to intensify, reducing water use is a matter of urgency for companies to address. Solutions are hard to find, but the economic cost of inaction far outweighs the cost of preventative measures.

The availability of fresh water and water quality are pressing concerns for many industries and both issues are being exacerbated by climate change. Although total water use dropped slightly in the early stages of the COVID-19 pandemic, total water use across all companies in both the Fortune 500 and Global 3,000 has increased over the three-year period from 2019 to 2021. In the Fortune 500, median total water use rose 13.19% (N=170), from 5 billion to 5.6 billion cubic meters per company. Water use also rose among the Global 3,000, by 3.32% (N=894), a median increase of 105 million cubic meters per company.

The United Nations predicts a 40% global shortfall by 2030 in water supply at current consumption rates.[23] Companies in water-stressed areas face the increasing risk of regulatory restrictions on water use, or fully losing access to water due to environmental stress. In 2021, Taiwan Semiconductor Manufacturing Corporation, the world's largest chip maker, had to truck water for miles to keep its chip-fabrication plants running when the local water supply dried up.[24] Mining company Barrick Gold is being forced by court order to close the Chilean portion of its US$8.5 billion Pascua Lama gold and

FIGURE 3. Top Six Potential Impacts from Water Stress, Reported by CDP Respondents



Source: CDP Water Disclosure dataset.

copper mine because the mine draws too much water from the local watershed.[25] The Colorado River, which supplies nearly 40 million people with drinking water and irrigates 5 million acres of farmland that feeds people across the U.S., is drying up. State water managers missed a federal deadline to propose ways to cut their use of water supplied by the river because they do not have a comprehensive solution to the problem.[26]

Reporting via the CDP Water Disclosure, 68% of companies state they are exposed to water risks that could generate a substantive change in their business.[27] CDP reports that water disruptions cost companies US$310 billion in 2020, five times more than it would have cost to address those risks in advance.[28] Globally, US$670 billion of annual investments are needed to meet water-related sustainable development goals.[29] Figure 3 shows the top six potential impacts from water stress reported by CDP respondents.

Climate change is driving drought and water scarcity, sharpening corporate focus on water-related risks. The number and duration of droughts globally has risen by almost a third since 2000, illustrating the link between droughts and climate change. Global temperature rise also made the droughts that occurred in the summer of 2022 in the Northern Hemisphere at least 20 times more likely.[30]

Floods can be just as damaging as droughts. The floods that deluged Pakistan in August 2022[31] impacted 33 million people. The country received three times its normal rainfall for the month, with some provinces receiving seven times as much water as the average. Scientists found that the climate crisis had made the deluge up to 50% more intense.[32]

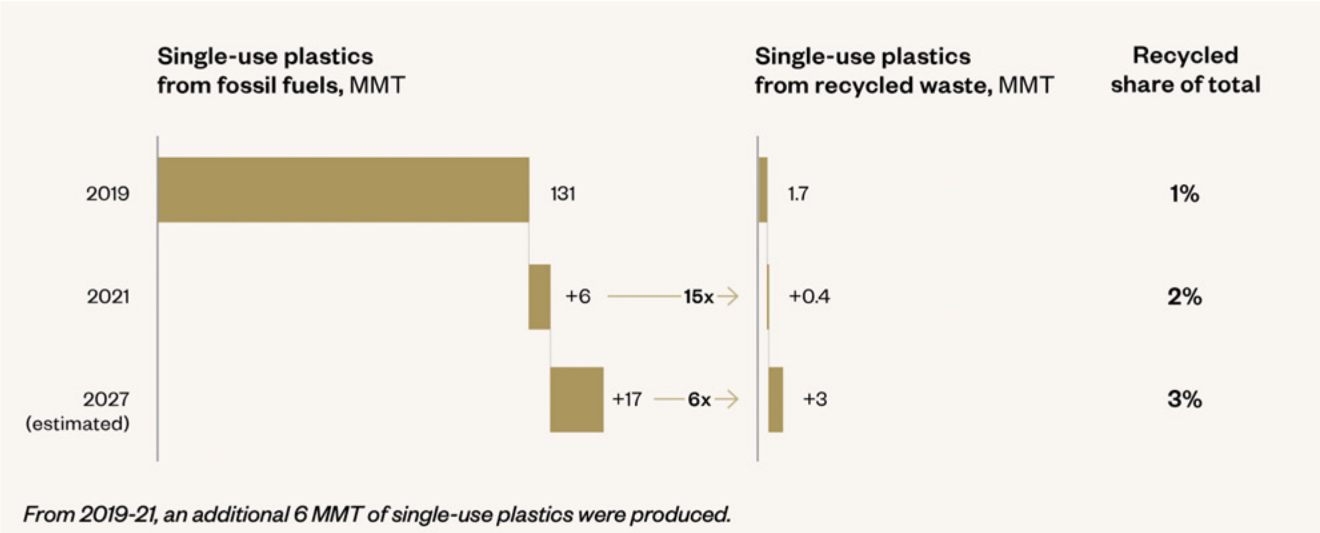
The U.S. Securities and Exchange Commission (SEC) has already proposed disclosure rules under which companies will be required to disclose the percentage of their buildings, plants, or properties that are in areas at risk of flooding and to disclose the amount of assets located in areas of water stress along with those assets' total water usage.[33]

Companies are committed to recycling and reducing waste, yet global recycling and product lifecycle management systems are unable to cope with the volume of plastic produced.

Despite 90.55% of Fortune 500 companies and 87.53% of the Global 3,000 having adopted a waste-reduction policy, the amount of waste recycled has continued to decrease. The COVID-19 pandemic had a negative impact on commercial recycling, due to disruptions in operations. In addition, recycling infrastructure needs greater investment to support companies more effectively in their waste-management efforts. Both factors contributed to the decline in waste recycling by Fortune 500 companies, who reported a decrease of 9.1% between 2019 and 2021, from a median of 33,400 Mt to 30,340 Mt per company (N=147). Similarly, the median number of metric tons of waste recycled per company in the Global 3,000 fell by 5.19% between 2019 and 2021 (N=2,173), from a median of 22,950 Mt to 21,760 Mt.

When it was first introduced in the 1970s, recycling the small volume of plastic was relatively manageable. Since then, the production of plastic has grown faster than any other material

FIGURE 4. Comparing Single-Use Plastics Made from Virgin Material and Recycled Material



Source: Plastic Waste Makers Index.

to about 400 million tons of plastic waste produced every year. The current recycling system cannot handle the volume, as well as the numerous types and shapes of plastic waste.[34] Less than 10% of the plastic produced in the last 40 years has been recycled. Increases in recycling have been eclipsed by much higher consumption rates.[35] People consume more than a million plastic bottles per minute, 91% of which are not recycled.[36] From 2019 to 2021, growth in single-use plastics made from virgin polymers was 15 times greater than those made from recycled feedstocks (Figure 4).

Reducing plastic waste requires superior product lifecycle management, which is unavailable in many parts of the world. Even in developed nations, fluctuating demand for recycled material and consumer confusion about what is recyclable make it harder for U.S. collection programs to remain economical.[37] If nothing changes by 2050, the world's oceans may contain more plastic than fish.[38] To prevent this from happening, industry and governments must invest in recycling and lifecycle management globally. The U.S. Emissions Reduction Action Plan[39] will impact companies' product lifecycle management plans. Since landfills are the third-largest source of human-related methane emissions, there will be added pressure to reduce waste going to landfills.

For the first time in 2022, the financial and material flows of single-use plastic production were globally mapped and traced back to their source.[40] Twenty companies produce more than half of all single-use plastic and 100 account for 90% of global production. GHG emissions from single-use plastics amount to 60 million Mt CO_2e per year.

Waste is a complex paradigm for companies to manage and each industry has its own areas of focus. For instance, every year, the world throws away around 931 million tons of food, most of it ending up in landfills, where it decomposes to produce 10% of global greenhouse gas emissions.[41] Inefficiencies from the farm to the kitchen make for a very difficult series of problems to solve. Fourteen percent of the world's food continues to be lost after it is harvested and before it reaches the shops.[42] A further 17% of food is wasted in retail and by households.[43] The food lost and wasted each year could feed 1.26 billion people.[44] Although little progress has been made on food waste (which results in 10% of all GHG emissions), in 2022, 148 countries held food-systems dialogues and are now developing national food systems pathways under the umbrella of the U.N. Food Systems Summit.[45]

The U.S. Environmental Protection Agency (EPA) announced in 2022 that it will designate the two most common forever chemicals (PFAS), which have been linked to cancer and have been found in everything from drinking water to furniture, as hazardous substances.[46] The proposed rule does not ban the chemicals but will require companies to report when the chemicals seep into water or soil and could make companies responsible for any cleanup costs. In a scientific ruling, the EPA found there is no safe level of the chemicals and lowered the health-risk thresholds to close to zero.[47] The Environmental Working Group last year identified 41,828 industrial and municipal sites in the U.S. that it said are known or suspected of still using PFAS.[48]

With humans now using resources 75% faster than the earth can regenerate, and those resources being essential for economic growth, biodiversity is moving front and center into the corporate consciousness.

Humans are now overusing the earth's resources by 75%, the equivalent of living off 1.75 earths as measured by our ecological footprint: the demand we put on the ability of the earth's ecosystem to regenerate.[49] With world wildlife populations having declined by 69% and freshwater fish populations having declined by 83% since 1970, multiple stakeholders, including customers, investors, and governments, are putting pressure on companies to address biodiversity.

Awareness of the value of biodiversity to business and society and the threats to its ongoing health on a global scale continues to rise among companies. Currently, 43.74% of the Fortune 500 (N=455) and 48.57% of the Global 3,000 (N=2,164) offer a biodiversity policy. This is an increase of 8.58% in the Fortune 500 and 8.94% in the Global 3,000 between 2019 and 2021.

At the U.N.'s Biodiversity COP15, governments agreed to a new 10-year, global biodiversity framework, with four goals and 23 targets. Because similar targets were set in 2010 and never met, it was agreed that all goals will be supported by robust measurement with the Taskforce on Nature-related Financial Disclosures (TNFD) as the standard reporting framework across initiatives. Countries also committed to identifying subsidies that deplete biodiversity by 2025 and then eliminating them, phasing them out, or reforming them.[50]

During COP15, the TNFD announced it will finalize a framework in 2023 to identify, measure, and disclose nature-related risks and impacts and the International Sustainability Standards Board (ISSB) announced that it will investigate the link between climate and biodiversity and incorporate nature into its disclosure standards.

Also at COP15, institutional investors led the formation of Nature Action 100, intended to drive biodiversity protection and reverse impacts. The initiative aims to identify and engage with companies that are systemically important in reversing biodiversity loss and to focus company executives and board members around initiative priorities. The investors also aim to identify actions that focus companies must deploy to protect and restore nature, track the progress of focus companies against KPIs, and engage with policymakers to ensure cross-sectoral synergy.[51]

Social

Key Takeaways:

COMMUNITY INVESTMENTS

Community spending rose overall from 2019 to 2021, but levels of community investments fell between 2020 and 2021 as companies scaled back on increased investments made in response to the COVID-19 pandemic.

WOMEN

Women have largely regained the workforce representation they lost during the COVID-19 pandemic and corporate efforts to increase the number of women in leadership positions are slowly paying off.

DIVERSITY

The disclosure of workforce diversity data is increasing, but key measures to gauge progress are still disclosed at a low rate, with few companies disclosing data on minority representation.

RETENTION

The resignation equation: Although compensation is the top issue for retention, employee wellbeing and work culture are also key factors in retaining employees.

HUMAN RIGHTS

Attention to Human Rights and modern slavery in corporate supply chains is growing and gaining traction as an issue. However, there is still a wide gap between policy and action. More corporate resources will be devoted to managing Human Rights impacts in supply chains amid new sustainability regulations.

FOOD

The Russia-Ukraine War will have a lasting negative impact on global food security, due to both constriction in global fertilizer markets and limitations on exports from a top food-producing region.

Performance Snapshot of Fortune 500 and Global 3,000 Companies—Social

CECP analysis of Bloomberg Social data of Fortune 500 and Global 3,000 companies shows positive performance of all eight KPIs.

	FORTUNE 500				GLOBAL 3,000			
SOCIAL	N	2019	2021	Δ	N	2019	2021	Δ
Community Spending (Median, in US$ Millions)	167	17.63	20.00	**13.44%**	1206	3.40	3.90	**14.71%**
Women in Workforce (Median %)	291	36.90%	37.00%	**0.10pp**	1620	31.01%	32.30%	**1.29pp**
Women in Management (Median %)	136	29.00%	30.70%	**1.70pp**	726	24.00%	26.20%	**2.20pp**
Minorities in the Workforce (Median %)	102	34.00%	36.00%	**2.00pp**	277	16.42%	17.28%	**0.86pp**
Offers Human Rights Policy (% of Companies with)	456	74.56%	85.31%	**10.75pp**	2211	75.85%	83.27%	**7.42pp**
Offers Policy Against Child Labor (% of Companies with)	456	67.32%	78.51%	**11.19pp**	2208	68.07%	77.54%	**9.47pp**
Completed Supply Chain Modern Slavery Assessment (% of Companies with)	454	33.48%	46.26%	**12.78pp**	2163	21.73%	29.77%	**8.04pp**
Offers Social Supply Chain Management Policy (% of Companies with)	456	78.73%	87.94%	**9.21pp**	2405	74.39%	84.03%	**9.64pp**

Source: Bloomberg ESG data, CECP analysis.

Analysis and Key Takeaways: Social

Community spending rose overall from 2019 to 2021, but levels of community investments fell between 2020 and 2021 as companies scaled back on increased investments made in response to the COVID-19 pandemic.

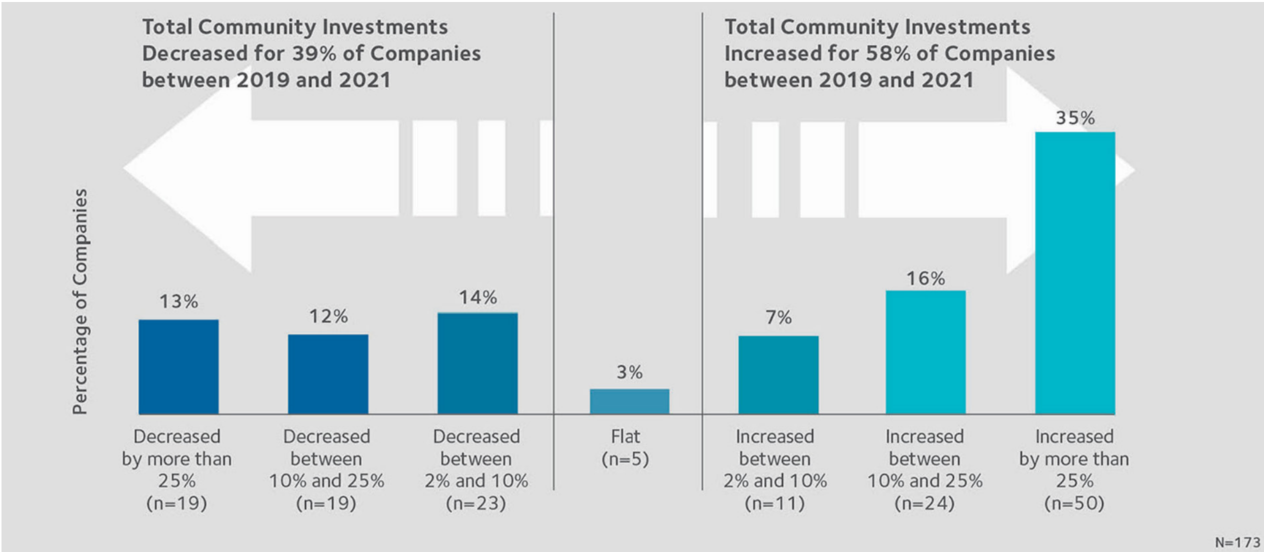
Bloomberg data show that community spend rose substantially between 2019 and 2021, by 13.44% among Fortune 500 companies (N=167) and by 14.71% among the Global 3,000 (N=1,206), driven by the corporate responses to the COVID-19 pandemic and the global racial equity awakening. In the Fortune 500, the median community spend per company rose from US$17.63 million to US$20 million.

CECP's *Giving in Numbers™: 2022 Edition* revealed that many companies transitioned away from increased community investments made in 2020 in response to the COVID-19 pandemic. There was a 42% increase in total community investments between 2018 and 2020, as reported by CECP affiliates; however, total community investments increased just 7% between 2019 and 2021 and decreased 20% from 2020 to 2021.[52] Total community investments is defined as corporate direct cash, corporate foundation cash, and non-cash, which includes pro bono and in-kind.

Figure 5 shows the distribution of companies by changes in total community investment between 2019 and 2021 as reported in CECP's *Giving in Numbers*. Total community investment decreased for 39% of companies and increased for 58% of companies in a matched set over the three-year period (N=173).

Social justice and racial equity movements have gained prominence in recent years, sparking both deeper and more impactful investments. Eighty-five percent of companies that participated in the 2022 *Giving in Numbers* Survey reported that DEI resources at their company were on the rise, including equity trainings, expanded teams to address DEI initiatives, and partnerships with community-based equity-focused organizations (n=209). The percentage of community investments designated to Social Justice and Racial Equity increased by 90% between 2020 and 2021.

FIGURE 5. Distribution of Companies by Changes in Total Community Investments, 2019 to 2021



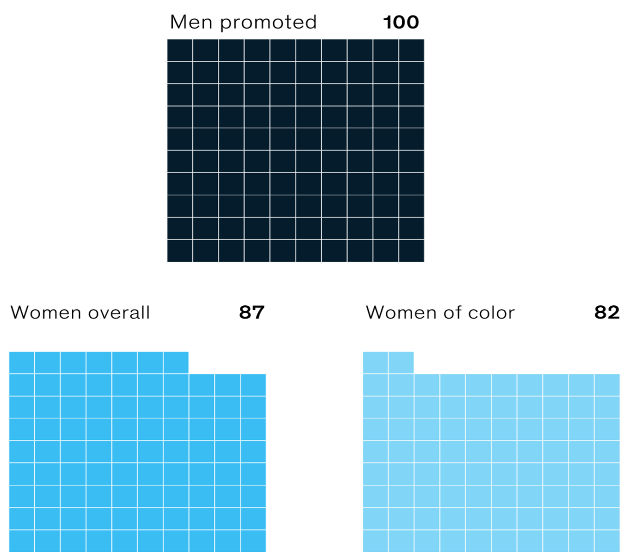
Source: CECP, *Giving in Numbers: 2022 Edition.*

Women have largely regained the workforce representation they lost during the COVID-19 pandemic and corporate efforts to increase the number of women in leadership positions are slowly paying off.

The median number of women working in the Fortune 500 rose marginally between 2019 and 2021, by just 0.1 percentage point to 37% (N=291), recouping the representation lost during the COVID-19 pandemic. Among Global 3,000 companies, the median number of women in the workforce also rose 1.29 percentage points to 32.30% over the same period (N=1,620). The median percentage of women in management inched up by 1.7 percentage points to 30.7% in the Fortune 500 between 2019 and 2021 (N=136), while in the Global 3,000 26.2% of management positions were filled by women during the same period, an increase of 2.2 percentage points (N=726). It is notable that only 27% of Fortune 500 companies publicly reported this number in 2019, 2020, and 2021 and only 24% of Global 3,000 companies did. Corporate efforts aimed at increasing gender diversity representation in senior positions are slowly paying off, yet companies and leaders continue to face obstacles, resulting in a pace that is slower than desired.

McKinsey's study (produced in collaboration with LeanIn.Org) *Women in the Workplace 2022*[53] reported that in corporate workplaces lack of progress in the first step on the path to leadership positions is holding women back. For every 100 men promoted from entry-level positions to manager, only 87 women overall, and 82 women of color, are promoted (Figure 6). Additionally, the gender pay gap is still persistent: according to the U.S. Bureau of Labor Statistics 2021 data, the median weekly earnings of full-time working women equaled 83.1% of the median weekly earnings by full-time working men.[54]

FIGURE 6. Women Lose the Most Ground at the First Step Up the Ladder to Manager



Note: Numbers assume an equal number of men, women, and women of color at the entry level. Source: McKinsey and LeanIn.Org, *Women in the Workplace 2022.*

Current college graduate trends could have an impact on gender representation in the workforce over the next decade. There is a growing gender gap both in enrollment and graduation rates in higher education in the U.S. At the end of the 2020-21 academic year, women made up 59.5% of college students and men 40.5%. U.S. colleges and universities had 1.5 million fewer students compared to five years ago and men accounted for 71% of that decline.[55] According to Pew Research, among those aged 25 and older, women are more likely than men to have a four-year college degree. The gap in college completion is noticeably wider among younger adults aged 25 to 34 and is increasing.[56] This trend is present not only in the U.S. but in every country in the Organization for Economic Co-operation and Development (OECD).[57] If it continues, the trend will have a transformative impact on the workplace and every company will need to adapt.[58]

The disclosure of workforce diversity data is increasing, but key measures to gauge progress are still disclosed at a low rate, with few companies disclosing data on minority representation.

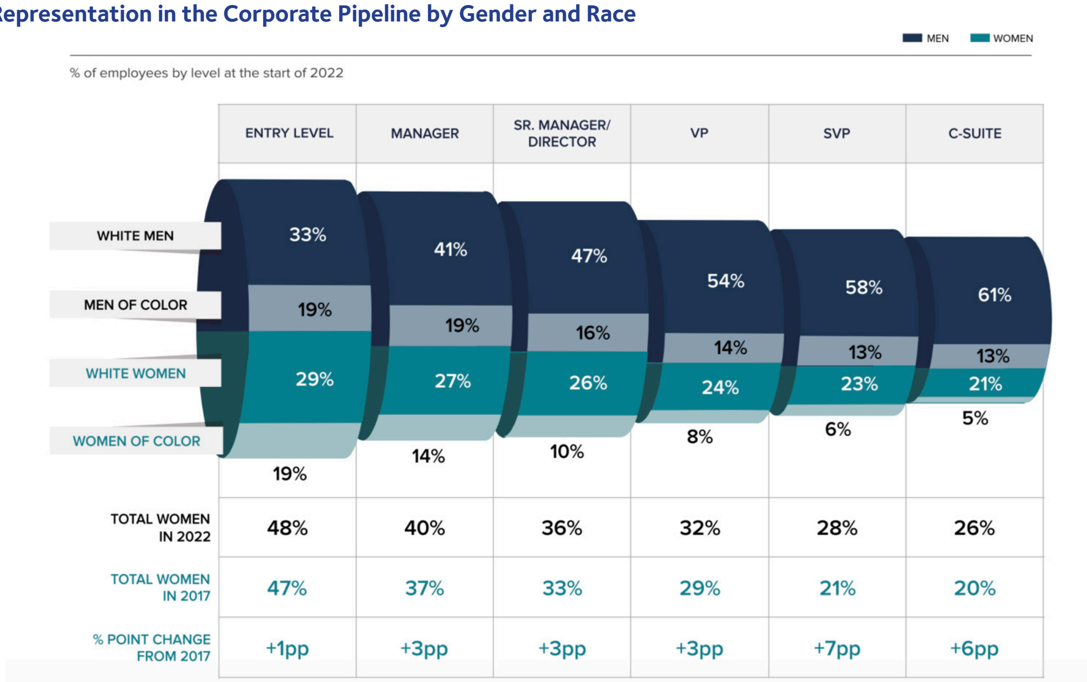
The percentage of minorities in the Fortune 500 workforce increased by 2 percentage points between 2019 and 2021, from 34% to 36% (N=102), but only 20% of the Fortune list publicly reported this figure. The same trend is observed in the Global 3,000. Only 277 companies (9%) reported on the number of minorities in their workforce. It could be argued that outside of western domiciled corporations, what constitutes a minority community can be more difficult to define or the data are still challenging for companies to collect. Companies that did report minority representation indicated a small increase of less than 1%, with workers from minority communities constituting 17.28% of the Global 3,000 workforce between 2019 and 2021.

The report indicates that women of color have greater leadership aspirations than white women, despite having less support. Latinas and Black women are less likely to have strong allies on their teams and managers supporting their career development. Despite marginal gains from 2017 to 2022, Figure 7 shows the increasing overrepresentation of white men as the talent pipeline narrows towards the top.

According to JUST Capital's 2022 Corporate Racial Equity Tracker,[59] across 85 companies that were tracked in both 2021 and 2022 workforce and board diversity data rose to 87% and 93%, respectively. Disclosure of pay ratios by race/ethnicity also increased. Yet, only 22% of companies disclose the actual results of the pay equity analysis. Additionally, only 21% of companies have anti-harassment training, despite 98% having an anti-harassment policy. Figure 8 shows the percentage of America's largest employers that disclose key metrics on racial equity.

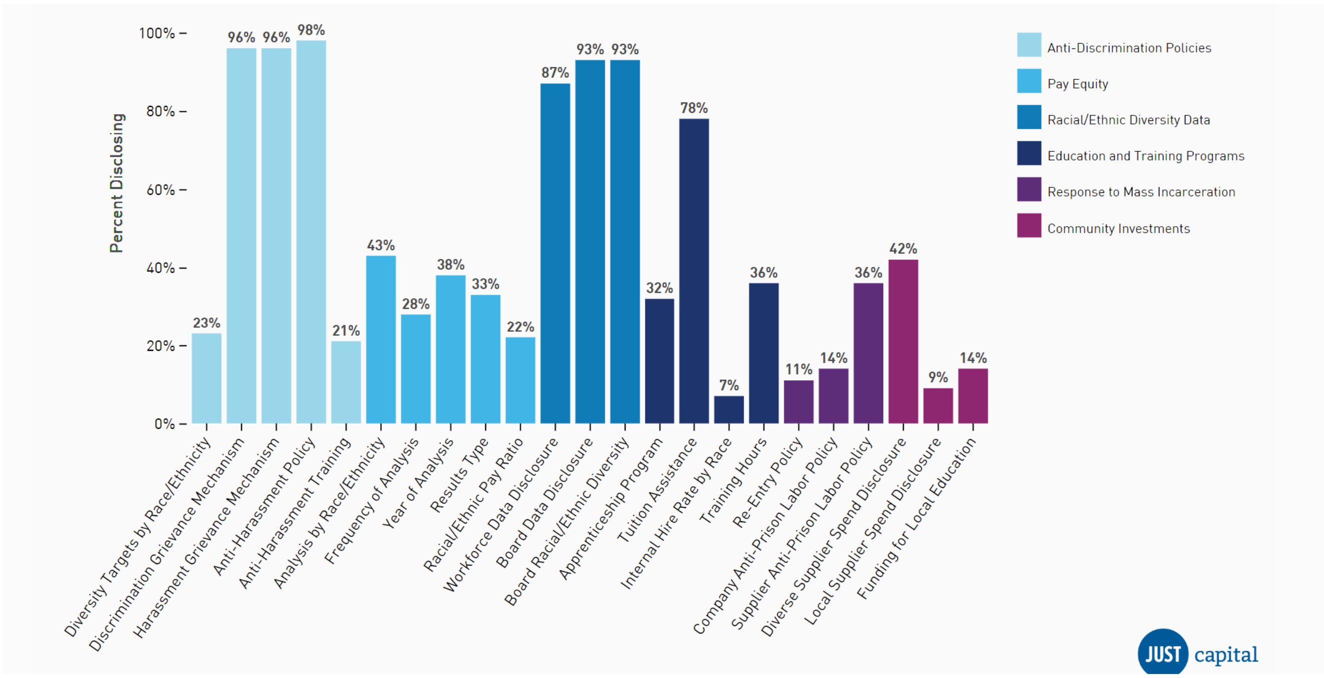
Researchers at the National Bureau of Economic Research found that, in 2021, job candidates who have "distinctively Black names" have a lower probability of hearing back from companies they applied to than job candidates who do not, by a margin of 2.1%.[60] A little more than half of Fortune 500 companies have published some sort of data on their racial and ethnic composition in 2021, but only 22 Fortune 500 companies have released full breakdowns of racial and equity-related data.[61]

FIGURE 7. Representation in the Corporate Pipeline by Gender and Race



Source: McKinsey and LeanIn.Org, *Women in the Workplace 2022*.

FIGURE 8. Percentages of America's Largest Employers Disclosing Efforts to Address Racial Inequity in 2022



Source: JUST Capital 2022 Corporate Racial Equity Tracker.

Among the many ESG developments on the agenda for boards of directors is the desire of investors to see companies address systemic inequalities. Shareholders have begun to request that companies conduct racial equity audits that seek an independent, objective analysis of a company's holistic efforts to combat systemic racism. Race-related shareholder proposals saw significant growth in the first half of 2022, with more proposals filed on racial issues than in all of 2021.[62] Shareholders have not stopped with racial equity alone but also proposed civil rights and racial-impact audit proposals. As of September 2022, 31 of the 43 proposals requesting companies to commission a third-party audit went to a vote and eight passed.[63]

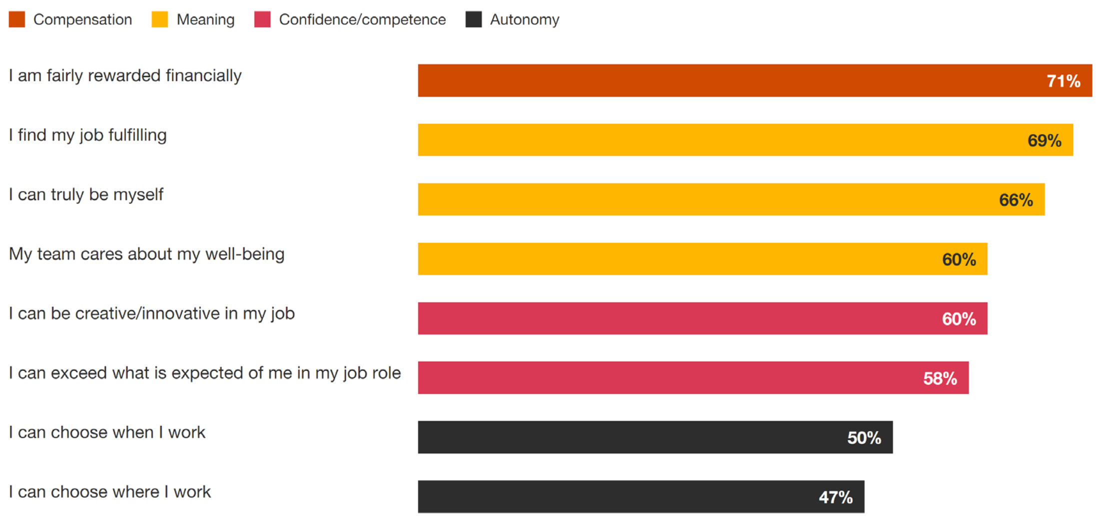
The resignation equation: Although compensation is the top issue for retention, employee wellbeing and work culture are also key factors in retaining employees.

As workplaces slowly gain footing on the future of the officeverse[64] post COVID-19 lockdowns and The Great Resignation, the retention of employees remains top of mind for many CEOs. PwC's Global Workforce Hopes and Fears Survey 2022[65] examined which factors were most important in retaining employees. Figure 9 shows that although, unsurprisingly, compensation (71%) was the top factor the next most important factors were related to work culture and wellbeing: finding your work fulfilling (69%), feeling you can be yourself at work (66%), feeling your team cares about your wellbeing (60%), and having the opportunity to be creative in your job (60%).

PwC also broke out the cohort of employees who said they are extremely or very likely to look for another job, one of the most critical groups for managers to understand. Their responses point to clear warning signs that companies should monitor. The biggest factors in determining whether an employee is at risk of leaving, in comparison to those who are happy at work, is that at-risk employees are more likely to find their job unfulfilling (-14pp), feel they cannot be their true selves at work (-11pp), feel unfairly rewarded financially (-9pp), feel their team doesn't care about them (-9pp), and feel that their manager does not listen to them (-7pp).

Women leaders are leaving their companies at a much higher rate than men. For every woman at the director level who gets promoted to the next level, two women directors are choosing to leave their company. When asked by McKinsey and LeanIn.Org, women gave three main reasons for their departures: 1) Women leaders want to advance but feel they face stronger headwinds than men.[66] 2) Women leaders feel overworked and under-recognized. Compared to men, women do more to support employee wellbeing, foster diversity and equity more effectively, and increase employee satisfaction—work that is not formally rewarded in most companies. 3) Women want to work for a company with a more satisfactory work culture, greater emphasis on diversity and inclusion, and more flexibility in where and when they work.

FIGURE 9. Most Important Factors When Considering a Change in Work Environment (Percentage of Respondents who Selected "Extremely" or "Very" Important)

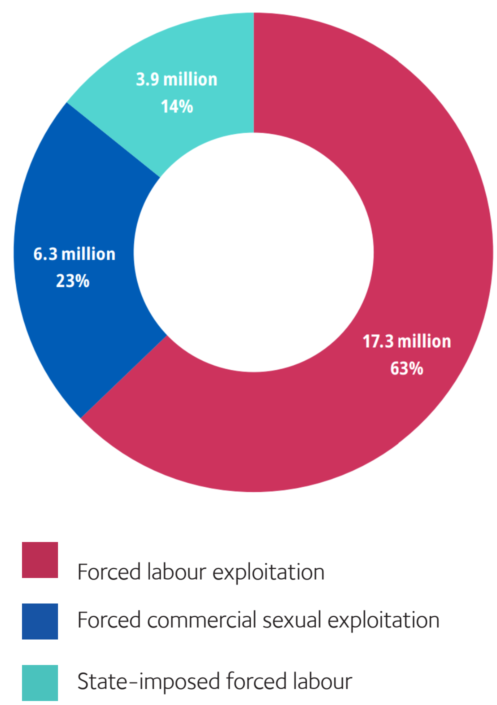


Source: PwC 2022 Global Workforce Hopes and Fears Survey.

Attention toward Human Rights and modern slavery in corporate supply chains is growing and gaining traction as an issue. However, there is still a wide gap between policy and action. More corporate resources will need to be devoted to managing Human Rights impacts in supply chains amid new sustainability regulations.

The global supply chain issues that occurred during the pandemic contributed to inflationary pressures on the economy and have been a pain point issue for many companies and consumers. Global supply chains also create potential social risk for corporations, placing an increasing demand on companies to mitigate exposure. Social supply chain management initiatives cover a wide array of activities and include efforts to improve working conditions, support Human Rights, eliminate the use of child or forced labor, and prevent modern slavery. Among Fortune 500 companies, each of the four key metrics on the CECP Scorecard that relate to social supply chain management showed significant increases between 2019 and 2021. Currently 85.31% of companies have a Human Rights policy, an increase of 10.75 percentage points over the three-year period (N=456); 78.51% offer a policy against child labor, an increase of 11.19 percentage points between 2019 and 2021 (N=456); 46.26% of Fortune 500 companies have completed a modern slavery assessment, a 12.78-percentage point increase between 2019 and 2021 (N=454); and 87.94% of companies offer a social supply chain management policy, an increase of 9.21 percentage points over the three-year period (N=456).

FIGURE 10. Distribution of Forced Labor by Category



Source: International Labour Organization, Global Estimates of Modern Slavery.

Among the Global 3,000 between 2019 and 2021, the number of companies that reported having a policy against child labor increased by 9.47 percentage points, to 77.54% (N=2,208); the number of companies that have completed a supply chain modern slavery assessment increased by 8.04 percentage points to 29.77% (N=2,163); the number of companies offering a social supply chain management policy increased by 9.64 percentage points to 84.03% (N=2,405); and the number of global companies that have a Human Rights policy in place rose 7.42 percentage points to 83.27% (N=2,211).

Corporate respect for Human Rights has gained momentum, as reflected in the large number of companies that had Human Rights policies in place: 85% in the Fortune 500 and 83% in the Global 3,000, according to a CECP analysis of Bloomberg data. But while 88% of the Fortune 500 and 84% of the Global 3,000 have social supply chain management policies, only 36% of Fortune 500 and 30% of Global 3,000 companies have completed a supply chain modern slavery assessment. This is reflected in the World Benchmarking Alliance's *2022 Corporate Human Rights Benchmark* report:[67] 33% of companies included the issues of child and forced labor, land rights, women's rights, and living wages in their supplier codes of conduct and contractual agreements, but only 11% worked with suppliers on these issues.

A report from the International Labour Organization showed that 27.5 million people were in forced labor in 2021, with 17.3 million exploited in the private sector (Figure 10). Forced labor can take various forms, and typically includes trafficking, sweatshops, or debt bondage. A simple comparison with the 2016 global estimates indicates an increase of 2.7 million in the number of people in forced labor between 2016 and 2021, which translates to a rise in the prevalence of forced labor from 3.4 to 3.5 per thousand people in the world. The increase in the number of people in forced labor was driven largely by forced labor in the private economy. More than half of all forced labor occurs in either upper-middle-income or high-income countries, with 63% in the private economy.

The systematic and deliberate withholding of wages used by abusive employers to compel workers to stay in a job out of fear of losing accrued earnings is the most common form of coercion, experienced by 36% of those in forced labor. This is followed by abuse of vulnerability through threat of dismissal.[68]

Research from Stanford University illustrates that common corporate procurement practices contribute to Human Rights issues in global supply chains. Procurement officers place high pressure on suppliers for expedited ship dates. They will delay payments to suppliers but impose stiff fines for any delay on the suppliers' end. Corporations often demand goods at rates less than the production cost and unpredictable ordering patterns make it difficult for suppliers to staff appropriately. These burdens encourage maltreatment of workers in corporate supply chains.[69]

Human Rights protection in free trade agreements is gaining attention, as it is estimated that 75% of governments participate in preferential trade agreements that contain Human Rights provisions.[70] The E.U. Parliament also declared that corruption is a major obstacle to Human Rights, with impacts often felt most strongly by the most marginalized members of society.[71]

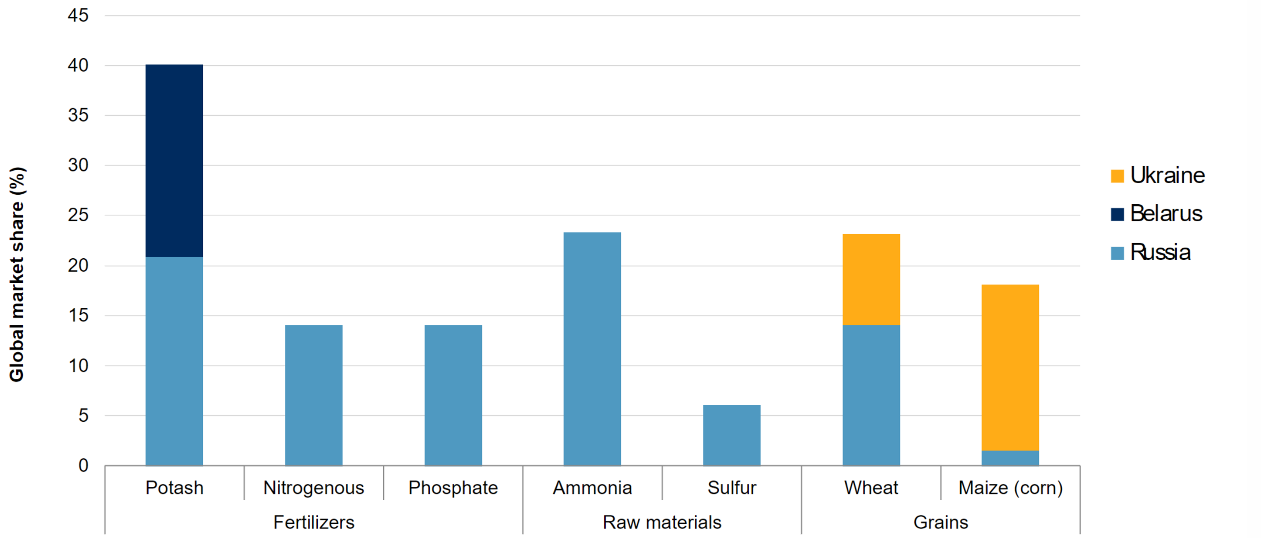
Regulatory trends point to a hardening of what were largely voluntary frameworks for how companies manage Human Rights in their upstream operations. In 2022 an E.U.-wide proposal was made for a Corporate Sustainability Due Diligence Directive (CSDDD) that may introduce significant due diligence obligations for companies with a large presence in the E.U. This would include requirements to eliminate Human Rights abuses in their supply chains and to mitigate GHG emissions of suppliers in their value chains, regardless of whether those suppliers are publicly held or located in countries that require emissions monitoring or reporting.[72]

In 2022, the U.S. increased the enforcement of laws aimed at restricting imports of goods believed to be made in whole or in part with forced labor. The U.S. Customs and Border Patrol is enforcing 53 active withhold release orders and targeted over 3,500 inbound shipments from 2021 to 2022.[73] The German Supply Chain Due Diligence Act[74] went into effect in January 2023 and requires covered companies to conduct Human Rights and environmental due diligence to identify risks, remedy issues, and establish grievance mechanisms.

The Russia-Ukraine War will have a lasting negative impact on global food security, due to both constriction in global fertilizer markets and limitations on exports from a top food-producing region.

The Russia-Ukraine War will continue to have a ripple effect on politics, business, and communities around the globe. Russia, Belarus, and Ukraine combined provide 40% of the world's potash, 23% of its ammonia, 14% of phosphates, and 14% of nitrogen fertilizers (Figure 11), all essential crop nutrients that dramatically increase crop yields, especially in poor quality or overworked soils.[75] The war in Ukraine has had a dramatic impact on the ability of these three countries to export these key commodities, leading to global shortages that have pushed fertilizer to its least affordable level since the 2008-2009 credit crisis. High fertilizer prices, especially in emerging economies and on smallholder farms, could lead to farmers reducing fertilizer use or switching to less nutrient intensive crops, which could have negative impacts on global food security. Even in countries with developed agricultural systems, the impacts can be severe. For example, a 20% drop in potash use (a key crop nutrient) in Brazil, the world's top soy producer, could lead to a 14% drop in soy-bean yields.[76]

FIGURE 11. Share of Total Global Production of Fertilizers and Grains Provided by Ukraine, Belarus, and Russia



Source: S&P Global Commodity Insights, Our World in Data.

Ukraine, Belarus, and Russia also provide 23% of the world's wheat and 18% of maize, carbohydrates that fuel diets around the world. The ongoing conflict has destroyed infrastructure, contaminated soils, and impacted the ability of all three nations to harvest crops and export their harvests. International sanctions on Belarus and Russia have also impacted global supply. In July 2022, the U.N. helped broker an agreement among Ukraine, Turkey, and Russia that enabled Ukraine to resume shipping millions of tons of grain through the Black Sea, unlocking millions of tons of grain for export. Since then, over 380 ships have departed to 37 countries, transporting over 8.6 million tons of food.[77]

According to a modeling study led by the School of GeoSciences at the University of Edinburgh, the combined effect of export restrictions with increased energy and fertilizer costs could cause food costs to rise by 81% in 2023 compared to 2021 levels.[78] Their findings warn that there could be up to one million additional deaths and more than 100 million people undernourished if high fertilizer prices continue, with the greatest increases in deaths in Africa and the Middle East. Because fertilizers increase crop yields, without fertilizers more land is required to produce the same amount of food, increasing the amount of land needed to feed the world by an area the size of Western Europe, creating severe impacts on deforestation, carbon emissions, and biodiversity loss, in addition to food security and health.

It can take up to a year for changes in international food prices to pass through to domestic retail food prices.[79] To help ease supply tensions, countries should be encouraged to stimulate domestic food production and avoid stockpiling and using reserves to allow markets to rebalance. International cooperation is also needed. Food and beverage companies and those within the industry's value chain should seek ways to help minimize the rise in prices and ensure global equitable access to food.

Governance

Key Takeaways:

DIVERSITY

Representation of women in the corporate C-Suite and on boards is rising, but at a slow pace, with women much more likely to secure a board seat than a CEO title.

SUSTAINABILITY

Sustainability is now a priority for Boards of Directors, becoming integrated into the business decision-making process, with a majority of corporate sustainability committees reporting directly to the board.

COMPENSATION

ESG measures in executive pay are growing and board members feel that strong ESG performance contributes to organizational value.

LITIGATION

There is an increasing risk of litigation related to sustainability inaction, and in some cases action, as pro- and anti-ESG parties take their cases to court.

CYBERSECURITY

Consumer-data protection and cybersecurity are now issues to which every board and executive team must dedicate resources, to manage them holistically.

Performance Snapshot of Fortune 500 and Global 3,000 Companies—Governance

A CECP analysis of Bloomberg Governance data of Fortune 500 companies shows positive performance of all six KPIs. Global 3,000 companies reported positive performance on five of six KPIs, while one KPI remained static.

	FORTUNE 500				GLOBAL 3,000			
GOVERNANCE	**N**	**2019**	**2021**	**Δ**	**N**	**2019**	**2021**	**Δ**
Chief Executive Officer or Equivalent a Woman (% of Companies with)	463	8.86%	10.37%	**1.51pp**	2739	5.33%	5.33%	**0.00pp**
Women on Board (Median %)	458	25.00%	30.00%	**5.00pp**	2364	20.00%	25.00%	**5.00pp**
CSR/Sustainability Committee (% of Companies with)	458	50.66%	78.17%	**27.51pp**	2364	33.04%	46.91%	**13.87pp**
Executive Compensation Linked to ESG (% of Companies with)	458	29.26%	38.21%	**8.95pp**	2365	17.38%	23.00%	**5.62pp**
Consumer-Data Protection Policy (% of Companies with)	455	97.58%	99.12%	**1.54pp**	2186	83.21%	88.43%	**5.22pp**
Cybersecurity Risk Management Policy (% of Companies with)	301	20.60%	43.52%	**22.92pp**	1168	28.08%	44.69%	**16.61pp**

Source: Bloomberg ESG data, CECP analysis.

Analysis and Key Takeaways: Governance

Representation of women in the corporate C-Suite and on boards is rising, but at a slow pace, with women much more likely to secure a board seat than a CEO title.

Investors, both in the United States and globally, have become more focused on ensuring gender diversity on boards. The median percentage of women on boards increased by 5 percentage points among Fortune 500 companies, rising to 30% by the end of 2021 (N=458). Global 3,000 companies also enjoyed a similar 5-percentage point increase, with the number of women on boards rising to 25% between 2019 and 2021 (N=2,364).

However, the most senior executive position, the CEO, is still male-dominated, with very little improvement in gender diversification over the past three years. By the end of 2021, only 10.37% of Fortune 500 companies employed a woman as CEO, a 1.51-percentage point increase over 2018 (N=463). There has been no movement in gender diversity at the CEO position in the Global 3,000 over the past three years, with the number of women in the CEO chair remaining static at 5.33% (N=2,739).

Although there has been a slight improvement in the number of women on boards, there is clearly still much work to be done to achieve gender parity on Boards of Directors and within the C-Suite. To drive change at the top, companies also need to focus on ensuring gender parity at all levels of the organization, starting with the first step up the ladder to manager. As discussed in the Social section of this report, women lack the same promotion opportunities as men, causing the representation of women to narrow sharply as the talent pipeline approaches the top leadership positions.

Additionally, the equity awakening during the summer of 2020 following the tragic murder of George Floyd spurred companies to reexamine their racial and ethnic diversity policies. Investors simultaneously pushed for greater transparency from the companies they invest in, with a strong focus on board composition. Subsequently, many U.S. companies instituted board diversity requirements, leading to the percentage of Russell 3000 companies with at least one racially or ethnically diverse board member climbing to 90%, from 62% in 2020.[80]

Sustainability is now a priority for Boards of Directors, becoming integrated into the business decision-making process, with a majority of corporate sustainability committees reporting directly to the board.

By the end of 2021, 78.17% of Fortune 500 companies formally managed ESG through a dedicated committee that reported directly to the board, an increase of 27.51 percentage points over 2019 (N=458). The Global 3,000 also saw a large increase of 13.87 percentage points in the number of companies employing a high-level Sustainability Committee to manage ESG issues. By the end of 2021, 46.91% of Global 3,000 companies had such a committee (N=2,364).

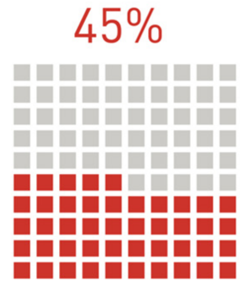
Additionally, more companies are establishing a separate board committee with comprehensive ESG oversight. High-quality corporate governance requires the oversight and integration of sustainability into core business decision making. The OECD is undertaking a review of the G20/OECD Principles of Corporate Governance, and part of the proposed changes includes the elevation of sustainability to its own section within the Principles of Corporate Governance.[81]

Board advisory firm Exequity's *Board Committee Oversight of ESG* Memorandum[82] points out that ESG is so broad that oversight responsibilities are often split among existing board committees. Their research on board charters indicated that 75% of nominating and corporate governance (NCG) committees maintain ESG oversight responsibilities, as do 61% of compensation committees. Seventeen percent of companies have a committee with "sustainability" in the title. The inclusion of specific ESG areas into committee charters demonstrates a board's commitment to this management area.

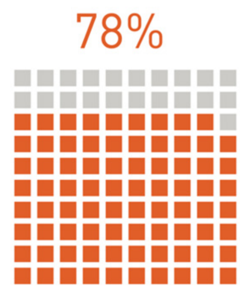
ESG measures in executive pay are growing and board members feel that strong ESG performance contributes to organizational value.

The Governance Scorecard shows that the increasing positive correlation between material ESG factors, a company's corporate purpose, and its financial success are being reflected in how companies are approaching corporate governance. Including ESG metrics in executive pay packages is fast becoming the norm and Boards of Directors are increasingly tying ESG performance to executive compensation. By the end of 2021, 38.21% of Fortune 500 companies and 23% of Global 3,000 companies tied ESG performance to executive compensation packages, increases of 8.95 percentage points (N=458) and 5.62 percentage points (N=2,365), respectively, between 2019 and 2021.

FIGURE 12. FTSE 100 Companies that Have an ESG Measure in Executive Pay and the Number of Board Members of FTSE 100 Companies that Agree Strong ESG Performance Contributes to Organizational Value and Financial Performance



of FTSE 100 companies now have an **ESG measure in executive pay**



of board members and senior executives agree that **strong ESG performance** contributes to organizational value and/or financial performance

Source: PwC and London Business School.

McKinsey's "Five Ways that ESG Creates Value"[83] analyzed more than 2,000 studies on the impact of ESG propositions on equity returns and found 63% positive correlations and only 8% negative ones. Board members are aware of these connections as well as the expectations of stakeholder groups interested in ESG performance and are adjusting compensation targets for executives accordingly.

PwC's study of FTSE 100 companies[84] found that 45% of FTSE 100 companies have at least one ESG measure in executive pay (Figure 12) and that 55% of these ESG measures were tied to bonuses and 50% were linked to long-term incentive plans (LTIP). KPIs that were easy to calibrate annually, such as safety goals or investments in green technology, were tied to bonuses. GHG emissions-reduction goals that take longer to realize were tied to LTIP.

PwC warns that focusing on a narrow aspect of an ESG issue (e.g., management diversity) may distract from the broader goal of an inclusive company. There is a risk of hitting the target but missing the point. Care must be taken to find balance in approach and execution.

There is an increasing risk of litigation related to sustainability inaction, and in some cases action, as pro- and anti-ESG parties take their cases to court.

Climate-change litigation is growing as a tool to advance or delay action on climate change. In 2022, the Intergovernmental Panel on Climate Change (IPCC) recognized the role of litigation in promoting greater climate governance. Globally, the cumulative number of climate change-related cases of litigation have more than doubled since 2015, bringing the total number of cases to over 2,000[85] (Figure 13). Around one-quarter of these were filed between 2020 and 2022.[86] There have been briefs filed before courts in 43 countries and 15 international or regional courts and tribunals to date.[87] Briefs filed against companies outside oil and gas now outnumber those filed against the oil and gas industry, with agricultural companies and the plastics sector in the lead.[88] Litigation risk has also given rise to a new trend named by some as "greenhushing," whereby companies may refrain from disclosing details of their sustainability goals and practices for fear of being penalized for inaccuracies in the information released.[89]

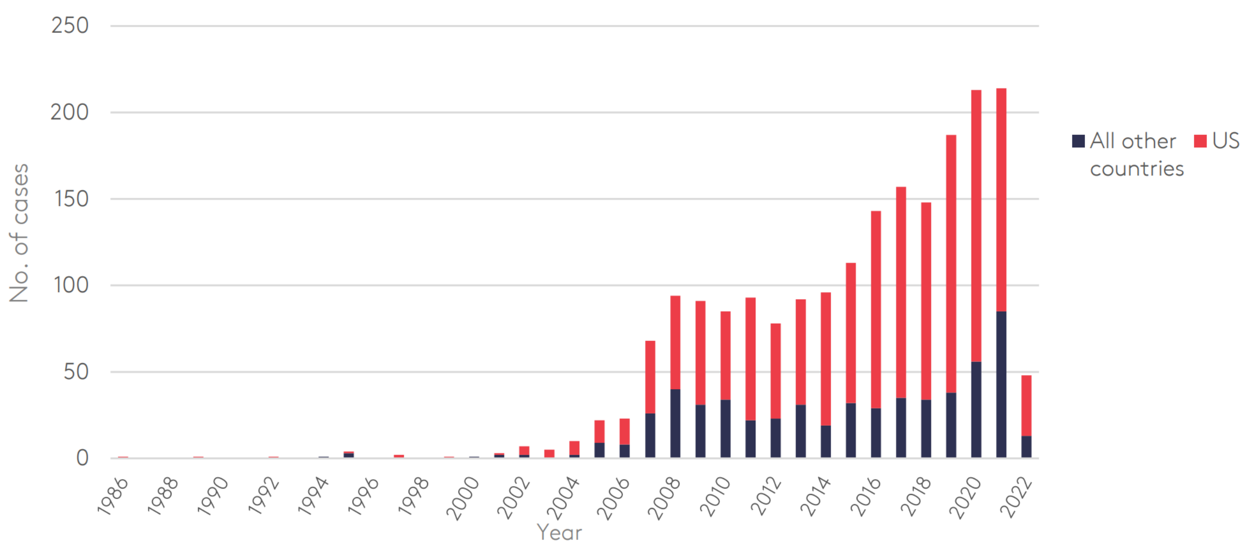
Globally, accusations of exaggerated claims have led to corporate office raids and created instability for executives. Regulators and NGOs criticized banks for claiming they offer ESG-screened investments with little data or proof behind their processes.[90] According to a report by the US SIF Foundation, a trade group for the sustainable investment industry, the U.S. market for ESG products is less than half the size once reported. Assets in U.S. sustainable investments fell 51%, from US$17.1 trillion in 2020 to US$8.4 trillion at the start of 2022, because of changes in the methodology used and fear of exposure to future regulation.[91]

Consumer-data protection and cybersecurity are now issues to which every board and executive team must dedicate resources, to manage them holistically.

The Governance Scorecard illustrates the increasing company oversight of data and cybersecurity. Over 99% of the Fortune 500 (N=455) and 88% of the Global 3,000 (N=2,186) have consumer-data protection policies in place. Cybersecurity is quickly gaining as a preeminent management issue, reflected by growth in the adoption of formal Cybersecurity Risk Management policies. Currently, 43.52% of Fortune 500 companies have such a policy in place, up 22.92 percentage points between 2019 and 2021 (N=301), while 44.69% of Global 3,000 companies have a cybersecurity policy, up 16.61 percentage points over the past three years (N=1,168).

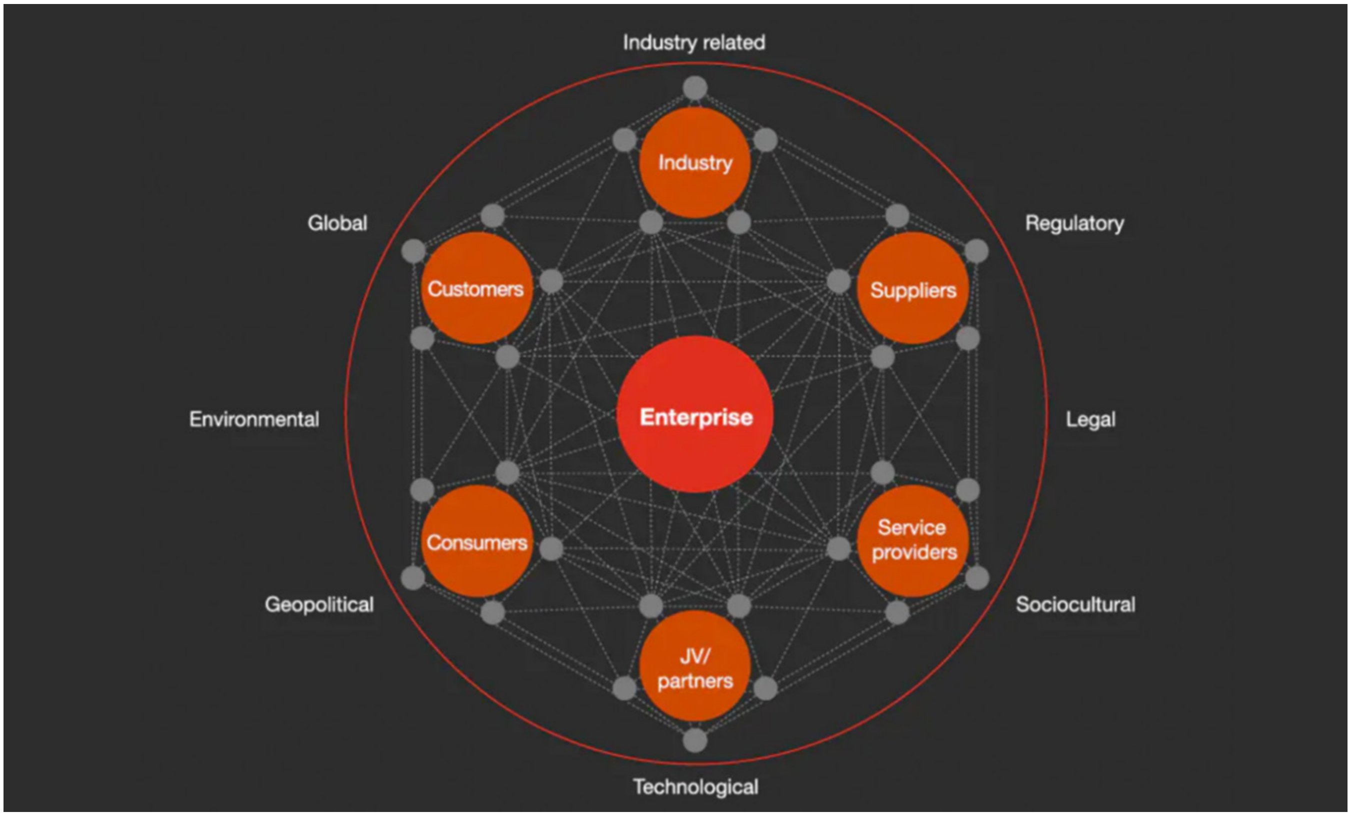
Companies that existed before the digital era and adopted technology as it became available have legacy IT structures, built gradually and later extended, often sprawling and riddled with open seams and soft connections that can be exploited by attackers. Digital-native companies have an advantage over their older counterparts' more complex systems, having built integrated systems from the get-go.

FIGURE 13. Total Climate Change Litigation Over Time through May 31, 2022



Source: Grantham Research Institute, Columbia University Law School, Global Trends in Climate Change Litigation.

FIGURE 14. Cybersecurity Risk is a Network of Interconnectedness



Source: PwC, "Simplifying Cybersecurity."

In "Simplifying Cybersecurity,"[92] PwC argues that as senior leaders revisit their growth strategies in the wake of the pandemic it is a good time to assess where they are on the cyber-risk spectrum and how significant the costs of legacy-system complexity have become. How many vendors have access to customer information through a legacy partnership? Is there legacy technology in the core payment systems where customer financial information could be compromised? Figure 14 shows the web of connections that PwC believes should be analyzed for cybersecurity risk.

Cybersecurity and consumer-data protection should become an inflection point in business decision making right up to the board level, given the potential for lasting damage to customer relationships. A survey by Ping Identity found that 81% of people would stop engaging with a brand online following a data breach, including 25% who would stop interacting with the brand in any capacity. Sixty-three percent of people say a company is always responsible for protecting user data, even when users fall victim to phishing scams or use unencrypted Wi-Fi connections. Fifty-five percent of people say a company sharing their personal data without permission is more likely than any other scenario to deter them from using that brand's products.[93]

Corporate Purpose

Key Takeaways:

ESG BACKLASH

Companies and investment houses leading the way on climate adaptation came under pressure from conservative groups opposed to stakeholder capitalism in an ESG backlash.

GEOPOLITICS

The Russian invasion of Ukraine was a key moment for corporate purpose and brought new stakeholder expectations for corporate involvement in geopolitics.

TRANSPARENCY

The SEC's disclosure guidance, international cooperation on tax frameworks, and the widening global proliferation of digital tools to process and publicize detailed information about a company's actions all affirm the drive towards transparency.

INFLATION

High inflation has been accompanied by record-setting corporate profits that have squeezed consumers and financed stock buybacks.

TRANSITION

The Inflation Reduction Act (IRA) is an opportunity for companies to take advantage of a market transition, reduce GHG emissions, promote equity, build a workforce for the future, enhance their sense of purpose, and build higher levels of trust with stakeholders.

POLY-CRISES

Multiple concurrent social, geopolitical, and environmental shocks and eroded resilience over the coming decade could give rise to poly-crises, where separate crises compound each other until the overall impact exceeds the sum of them individually.

Every company has a purpose beyond simply making a profit and returning that profit to its shareholders. A company's purpose is the role it plays in society and how it creates long-term value for all its stakeholders, employees, customers, investors, society, and nature. Corporate purpose differentiates a company from its peers. Executive teams and boards should enhance their company's long-term success by adopting strategies to solve the problems society faces in a profitable way. For corporations still defining their purpose, 2022 was an especially challenging year, filled with risk, backlashes, opportunities, temptations, ambiguity, geopolitical shocks, natural disasters, war, division, inflation, profit, declining water tables, Human Rights abuses, and record global GHG emissions. A strong sense of purpose helps companies navigate such stormy seas.

Analysis and Key Takeaways: Corporate Purpose

Companies and investment houses leading the way on climate adaptation came under pressure from conservative groups opposed to stakeholder capitalism in an ESG backlash.

A so-called "ESG backlash" made headlines in 2022. ESG has been politicized by conservative leaders, with ESG backlash rejecting corporate purpose and stakeholder primacy and reverting back to a two-decades prior mentality of shareholder primacy and financial maximization of business, ignoring ESG risk factors. Proponents of ESG disclosures and strategies maintain that ESG is focused on risk mitigation, innovation, and forward-looking, long-term business decisions that should always be central to any investor's decision making.

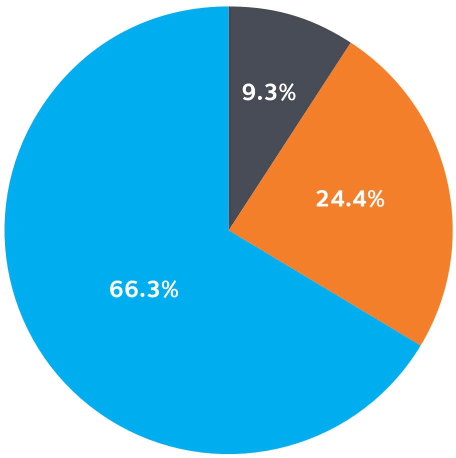
In the U.S., some state-level legislators and attorneys general, in collaboration with federal-level politicians, are seeking to impose restrictions on whether ESG can be included in investment decisions by state-level pension funds, or with respect to other financial institutions doing business with or in their states. Figure 15 illustrates those states seeking to restrict and those seeking to promote sustainable investing strategies. Texas Attorney General Ken Paxton wrote to the U.S. SEC in June 2022 with 23 other attorneys general in support, claiming that the SEC's proposed climate disclosure rule was out of scope for the agency and indicating they would bring a lawsuit against the final rule.[94] The State of Texas also moved to ban state contracts with banks that are reducing investments in fossil fuel companies or gun manufacturers.[95] Florida withdrew US$2 billion in assets from BlackRock to protest its support for ESG, climate action, and stakeholder capitalism and is proposing legislation barring state and local governments from using ESG factors in municipal bond investments.[96]

Conversely, institutional investors continue to express a strong belief that material ESG factors have impacts on a company's long-term financial health. BlackRock's CEO Larry Fink doubled down on his bullish approach to ESG in his annual letter claiming that stakeholder capitalism "is not 'woke.' *It is capitalism.*"[97] The world's largest sovereign wealth fund, in Norway, announced it would not invest in companies without net-zero targets.[98] AXA Investment Managers, the investment arm of insurance giant AXA and having US$900 billion in assets, said it would vote against board directors that did not have a proven track record of managing ESG priorities that drive value, and that it would also vote against the re-election of the leadership team at U.S. and British companies if there were no minorities on the board.[99]

FIGURE 15. State Decisions to Promote or Restrict Sustainable Investing Strategies

Source: Bloomberg, Ropes & Gray LLP.

FIGURE 16. What is the most effective action companies can take in light of the backlash against ESG?



(n=84)

- Do not speak up publicly in support of ESG so as not to attract attention from critics but keep investing in ESG strategies because it is good for the company and its stakeholders.
- Share company ESG-related impact data and future sustainability planning widely so that stakeholders know what's important to the company.
- Step back from ESG because it is too risky.

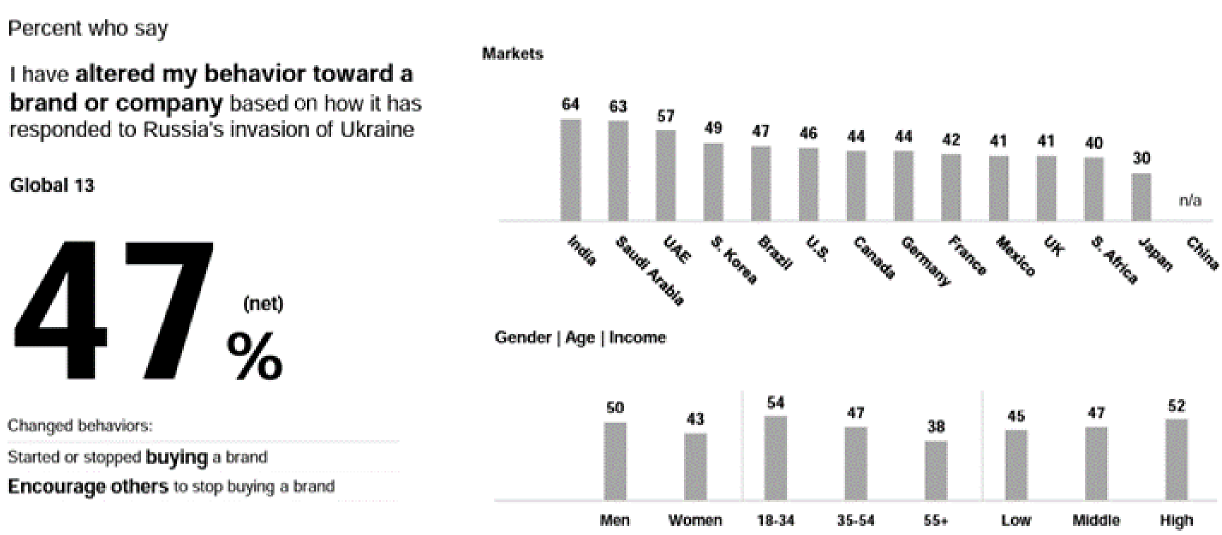
Source: CECP Pulse Survey, 2023.

The ESG backlash ignores the opportunities that exist for businesses to profit in the transition to a decarbonized economy and efforts by companies to mitigate real risks posed by climate change and water scarcity. What is clear is that despite the backlash the momentum of ESG as a corporate priority has not slowed. It remains to be seen how ESG backlash evolves, if at all, including whether it rises above the politicization of ESG to influence business strategy. With this uncertainty in mind, companies are split on how companies should respond to the backlash against ESG. In March 2023, CECP asked affiliates to identify the most effective action companies can take considering the backlash against ESG. Of the 84 respondents, 66% said sharing ESG-related impact data and future sustainability planning widely, so stakeholders are aware of what is important to the company. Nearly a quarter suggested companies should keep investing in ESG strategies, but not speak up publicly in support of them so as not to attract attention from critics. Only 9% said companies should step back from ESG because it is too risky (Figure 16). These results indicate that most respondents believe companies should continue to pursue ESG strategies, but also share data and planning to demonstrate why doing so is good for the company and stakeholders.

The Russian invasion of Ukraine was a key moment for corporate purpose and brought new stakeholder expectations for corporate involvement in geopolitics.

Russia's invasion of Ukraine was a defining moment for many companies. The 2022 Edelman Trust Barometer Special Report *The Geopolitical Business*,[100] conducted in 14 countries (N=14,000), reported that 59% of consumers believe that addressing geopolitics is now a top priority for businesses and 47% have bought or boycotted brands based on the parent company's response to the invasion of Ukraine (Figure 17). Consumers' trust in a business increased by 31% when they believed the company had stopped doing business in Russia, while their trust in a company declined by 38% if they believed it was continuing to do business in Russia. This equals an extraordinary

FIGURE 17. Nearly One in Two Consumers Buys or Boycotts Brands Based on Ukraine Response



Source: Edelman Trust Barometer, 2022.

69% swing in trust. Employees have also increased expectations of their own companies: 79% of employees said that if their employer is doing the "right thing" in its response to the Ukraine invasion they will be more loyal to the company. Even when a company is performing an essential service, customers are unwavering in their expectations, with 60% believing that health care companies should exit Russia because of its invasion of Ukraine and 66% believing educational providers should exit. Expectations have now extended beyond the war in Ukraine with 59% of respondents wanting business to add geopolitical issues to the corporate agenda and to punish countries that violate Human Rights and international law.

Additional geopolitical issues in 2022 forced companies to examine if where they conduct business is aligned with their corporate purpose and values. Conflict in Myanmar caused companies to exit the country[101] and France opened a war-crimes probe in connection with the beverages company Groupe Castel in the Central African Republic.[102] The International Red Cross stated that in conflict-affected contexts, companies will not be perceived as neutral actors.[103] The U.N. issued guidance on Human Rights expectations for companies in conflict zones.[104] It is clear that geopolitical shocks and the management thereof are firmly on the corporate agenda, and with 110 armed conflicts ongoing among 55 state actors and 70 armed non-state actors, extensive board focus is imperative.[105]

In 2022, many companies' commitments to purpose were challenged. Microsoft provided cybersecurity assistance to Ukraine within hours of the Russian invasion to disable Russian malware aimed at dismantling Ukraine's technology infrastructure.[106] Disney found itself at the center of a feud with the Florida Governor over Florida's Parental Rights in Education Bill, commonly known as the "Don't Say Gay" Law. Disney stood by its values of inclusion and corporate purpose, but found itself punished financially when the Governor revoked the company's autonomous "special district status" in the counties in which Disney World is located.[107] Disney has made additional changes to limit political influence, so the proceedings continue.

Forbes Magazine pointed out that corporate purpose is not a race to be first. Nobody will remember which brand took a stand first, but they will remember the stand (and actions) the company took. Companies now appear to be more willing to take a stand against questionable practices by politicians and rogue nations because they know that purpose-based branding is less about what you say and more about what you do.[108]

The SEC's disclosure guidance, international cooperation on tax frameworks, and the widening global proliferation of digital tools to process and publicize detailed information about a company's actions all affirm the drive towards transparency.

As discussed in the ESG Disclosure section of this report, the SEC's planned mandatory disclosures on GHG emissions, increased ESG-related regulations globally, and the ISSB's Integrated Reporting Framework will increase investors' ability to evaluate and compare company performance on ESG. The push toward transparency does not stop there. The SEC's newly adopted Pay Versus Performance Disclosure Rules make it easier for shareholders to assess a public company's decision making with respect to its executive compensation policies. Companies must now disclose executive compensation and financial performance measures for the last five years, along with total shareholder return (TSR), the TSR of companies in the company's peer group, net income, and select KPIs. The U.N. Secretary-General also asked for a plan to be prepared in 2023 on how to ensure transparency and accountability in companies.[109]

The OECD's Base Erosion and Profit Shifting (BEPS) frameworks require organizations to address reporting challenges in transfer pricing, indirect taxation, customer-tax operations, and tax controversy.[110] The customer-tax reporting (CTR) net, which requires companies that make customer payments to collect and share customer information with tax authorities and often withhold tax, is spreading wider and becoming more complex. This net is also starting to encompass many nonfinancial sector companies, including those from the digital economy. Tax authorities in more than 100 countries are now using CTR to drive tax transparency and collect more revenue.[111]

Digital tools are changing what it means to be transparent. Public databases such as Climate Trace,[112] which measures 80,000 sources of carbon emissions using artificial intelligence and satellite data, are making it increasingly difficult to hide material information. Companies are encouraged to embrace transparency in their corporate purpose disclosures and in their setting of targets; stakeholders will find the information and owning the narrative are better than being on the defense.

High inflation has been accompanied by record-setting corporate profits that have squeezed consumers and financed stock buybacks.

Corporate profits in the nonfinancial sector reached their widest margin since 1950 in the second quarter of 2022. This historic gain occurred even with the headwind of 40-year-high inflation, as companies passed rising supply-chain costs on to consumers.[113]

Some argue that concentrated corporate market power is contributing to inflation.[114] Others argue that the private sector is driving inflation by exploiting consumer expectations that prices would rise and that companies are taking advantage of societal circumstances to expand their profit margins.[115] Reuters argued in September of 2022 that prices of various goods have climbed as demand has increased for limited supply, but that companies have been able to keep profit margins high by cutting some costs and passing other ones on to consumers.[116]

The Economic Policy Institute notes that, between the beginning of the COVID-19 pandemic in the second quarter of 2020 to Q4 2021, prices in the nonfinancial corporate sector rose at an annualized rate of 6.1%. Over half this increase (53.9%) is attributed to increased profit margins, with labor costs contributing less than 8%.[117] This is contrary to what has happened historically. From 1979 to 2019, profits contributed about 11% to price growth and 60% to labor costs. Often in periods of high inflation it is wage pressure that is driving inflation. However, nominal wage growth lags far behind overall inflation, signaling that labor costs are still dampening and not amplifying inflationary pressures.[118]

The Federal Reserve in New York argues that what has happened post-pandemic is consistent with theories of strategic complementarities in pricing, whereby the knowledge that competitors are changing prices emboldens companies to change their own prices.[119] In general, increased prices in an industry are often associated with increasing corporate profits and the Federal Reserve believes that the current relationship between inflation and profit growth is not unusual in the historical context. What is clear is that inflation is high, corporate profits are hitting record highs, and those profits are being passed on to investors in the form of share buybacks (Figure 18).

While economists will continue to argue about the reasons for high inflation and record company profits, one thing is clear: the COVID-19 pandemic and the ensuing economic downturn and subsequent upturn have contributed to a transfer of wealth from consumers to investors.

FIGURE 18. ***The Guardian*** **Analysis of 100 Companies' Profit Growth and Announced Share Buybacks 2022**

Company	Quarterly profit growth %	Fiscal year profit growth %	Buybacks
Mattel Retail	+111,400%	*	$9.0bn
Freeport-McMoran Commodity - mining	+12,122	*	$3.0bn
BP Commodity - oil	+12,005	+88	$6.0bn
Nucor Steel Commodity - steel	+1,956	+467	$4.0bn
Trineso Materials	+1,950	+378	$200m
Clevend Cliffs Commodity - steel	+1,327	+924	$1.0bn
Boise Cascade Commodity - timber	+1,107	+790	$3.0bn
Caterpillar Construction	+958	+1,339	$5.0bn
Steel Dynamics Commodity - steel	+809	+377	$1.3bn
Albertsons Food - grocery	+671	N/A	None
Amazon Retail	+333	N/A	$10.0bn
Dollar Tree Retail	+269	+57	$2.5bn
Continental Resources Commodity - natural gas	+266	+106	$1.5bn

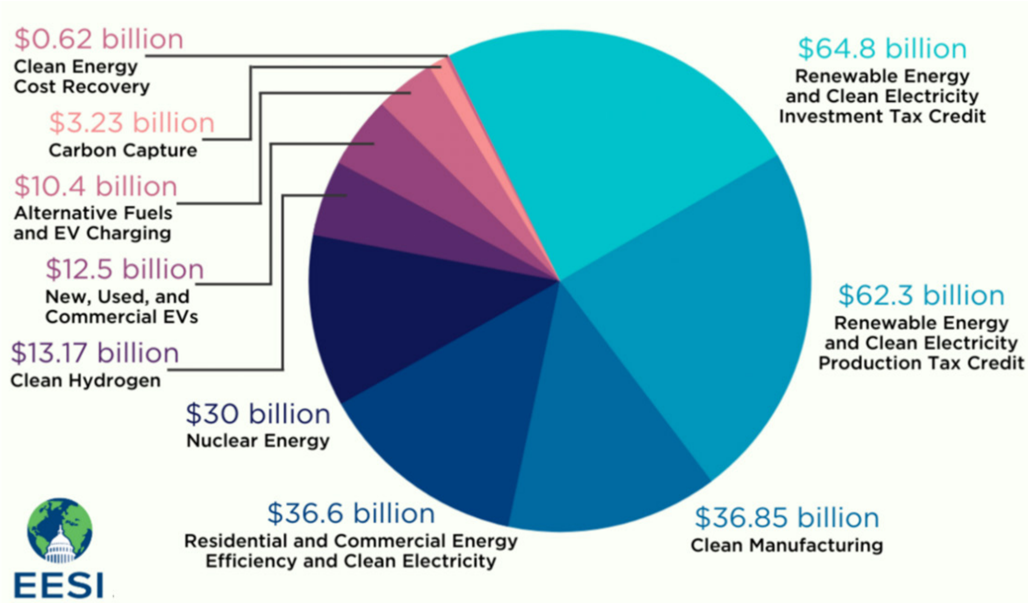
Source: *The Guardian* analysis of 100 companies' profit growth from March 2020 to March 2022.

The Inflation Reduction Act (IRA) is an opportunity for companies to take advantage of a market transition, reduce GHG emissions, promote equity, build a workforce for the future, enhance their sense of purpose, and build higher levels of trust with stakeholders.

In today's political climate, the U.S. federal government is limited in what it can do to spur an energy transition. The Inflation Reduction Act (IRA) is an economic opportunity for companies to have some of the costs of their own energy transition paid for by the taxpayer. The IRA incentivizes companies to take advantage of the tax credits (Figure 19) and the direct investment offered by the IRA.

Opportunities exist to work in parallel with the US$27 billion green investment fund for companies to reduce their own emissions. Companies should position themselves to integrate

FIGURE 19. **Green Tax Credits in the Inflation Reduction Act**



Source: Congressional Budget Office.

with the IRA's worker training programs and the apprenticeships the framework supports, as well as focus on building a diverse talent pipeline. Corporations should take advantage of the financial incentives for high wages, while sharing some of the cost of superior compensation with the federal government. Additionally, working with communities of historically marginalized customers and neighbors on the US$3 billion provision for Environmental and Climate Justice Block Grants will help alleviate energy inequity and environmental injustice.[120] The IRA is a golden opportunity to build relationships with key stakeholder groups and to strengthen corporate purpose through action while supporting each of the pillars of E, S, and G.

Multiple concurrent social, geopolitical, and environmental shocks and eroded resilience over the coming decade could give rise to poly-crises, where separate crises compound each other until the overall impact exceeds the sum of them individually.

The World Economic Forum's *Global Risks Report 2023*[121] predicts that cost-of-living issues will dominate the global narrative over the next two years (Figure 20). High inflation, the erosion of consumer buying power, and the end of the low-interest rate era will have a significant impact on governments, companies, and consumers. The jolt will be felt most critically by the world's most vulnerable people and most fragile nations. Economic pressures could erode gains made over the previous decade in middle-income households.

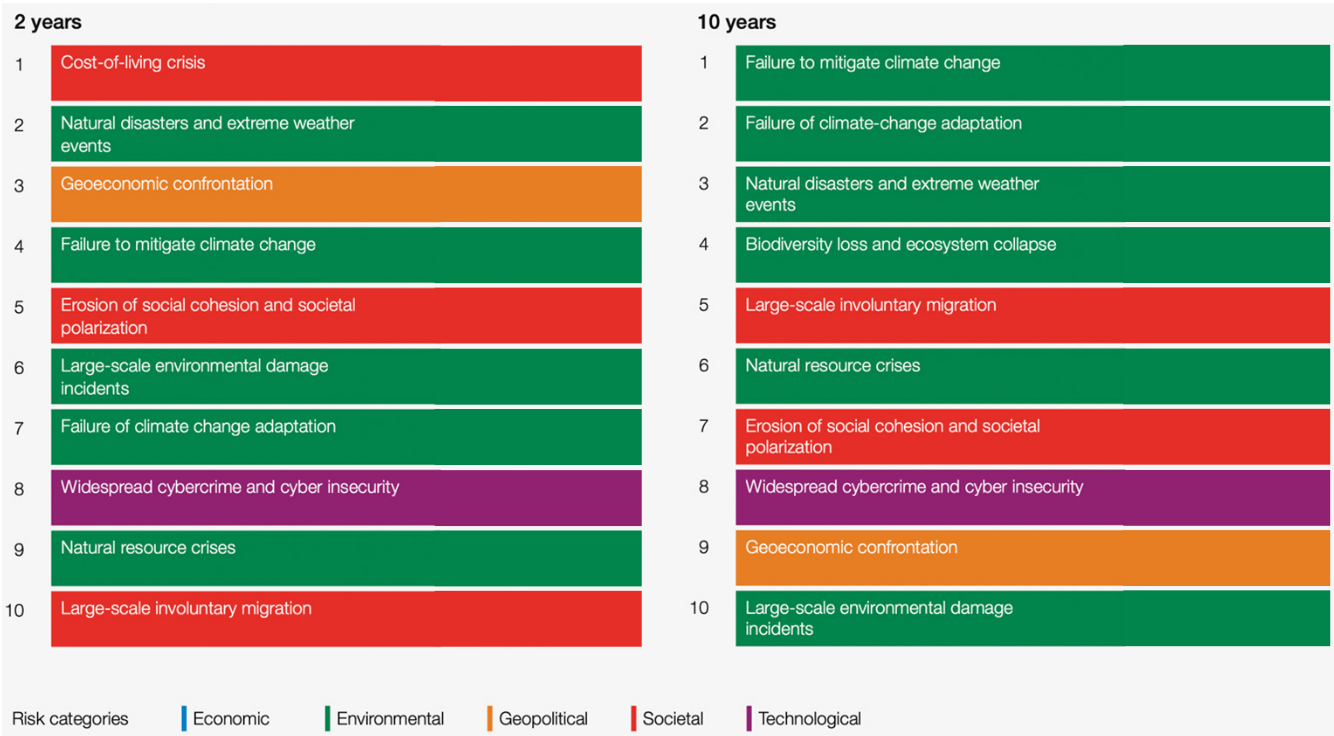
The report also predicts that climate and environmental risks will be the core focus of global risk perceptions over the next decade (again, Figure 20). The lack of concerted progress on emissions reductions has created a gulf between what is scientifically and environmentally necessary to achieve and what is politically feasible. There is a fear that growing demands on corporate and government resources from other crises will reduce the speed and scale of climate mitigation and resiliency efforts over the next two years.

Speaking Up and Out

CECP has developed a framework through which companies assess why, when, and how to take public positions on global issues by identifying five points for CEOs and their teams to consider.

1. Does the issue align with your company's strategy?
2. What is your *why* behind your strategy?
3. Will your stakeholders agree with you?
4. Seize opportunities to show impact.
5. Don't be afraid to take bold stands.

FIGURE 20. Global Risks Ranked by Severity Over the Short and Long Term



Source: World Economic Forum *Global Risks Report 2023*.

There is also a risk that as current crises divert resources from longer-term risks, the burdens on natural ecosystems will grow due to neglect. Since ecosystem loss and climate change are interlinked, failures in one sphere will cascade onto the other, threatening food supplies and livelihoods in fragile regions and amplifying the impacts of natural disasters. Multiple concurrent shocks, interconnected risks, and eroding resilience could give rise to poly-crises, wherein separate crises compound each other until the overall impact exceeds the sum of them individually.

As demonstrated by the Edelman Trust Barometer's insights previously discussed in this report, companies should anticipate being key players in the response to future crises. Employees, customers, and other stakeholders have come to expect corporations to act. Companies must clearly articulate their corporate purpose and values to ensure their responses are aligned.

Appendix

2021 Benchmarking Tables

Tools for Benchmarking

Using this report

Investing in Society is the must-read source for trends on the corporate sector's shift to be increasingly purpose-driven.

This section of the report includes:

- Instructions for benchmarking
- Industry benchmarking tables of key metrics from CECP's ESG Scorecard

The benefits of benchmarking:

- Present your company's performance on ESG metrics to key stakeholders.
- Contextualize ESG performance within broader industry and peer group trends to identify alignment and differences.
- Highlight opportunities for new programs or policies.
- Make the business case for increased levels or types of resources.

Step 1: Gather and Record Your Company's Year-Over-Year Data

The template on the next page helps you to create a high-level snapshot of your company's year-over-year ESG metrics and policies. Complete as many sections as are relevant to your goals.

Step 2: Identify Internal Trends

Many insights can be gleaned by simply looking at which elements rose or fell year over year. For example:

ESG Disclosure: *Has the management and/or disclosure of certain material issues affected your company's ESG Disclosure Score?**

Diverse Workforce: *What human capital management factors have influenced the increase and decrease of women and minorities in your workforce? Examine your company's policies and programs around DEI, employee resource groups, hiring, and promotion.*

*Contact insights@cecp.co to gain access to insights on your company's ESG Disclosure Score.

Step 3: Compare Against External Trends in the Report Findings

Use this template to compare against your company's ESG policies and performance against the industry benchmarking tables on pages 40–46.

Year-Over-Year ESG Benchmarking Template

Use the following template to create a high-level snapshot of your company's year-over-year ESG policies and performance. 2021 benchmarking data can be pulled in from 2021 Industry Benchmarking Tables beginning on the following page.

ENVIRONMENTAL

ESG/ENVIRONMENTAL METRIC	2020	2021	CHANGE	2021 FORTUNE 500 BENCHMARK	2021 GLOBAL 3,000 BENCHMARK
ESG Disclosure Score					
Environmental Disclosure Score					
Science Based Targets					
Net-Zero Target					
Biodiversity Policy					

SOCIAL

SOCIAL METRIC	2020	2021	CHANGE	2021 FORTUNE 500 BENCHMARK	2021 GLOBAL 3,000 BENCHMARK
Social Disclosure Score					
Percentage of Women Employees					
Percentage of Minority Employees					
Conducted Supply Chain Modern Slavery Assessment					

GOVERNANCE

GOVERNANCE METRIC	2020	2021	CHANGE	2021 FORTUNE 500 BENCHMARK	2021 GLOBAL 3,000 BENCHMARK
Governance Disclosure Score					
Percentage of Women on Board					
CSR or Sustainability Committee (Corporate Level)					
Cybersecurity Risk Management Policy					

2021 Industry Benchmarking Tables

Companies are categorized by industry following the Bloomberg Industry Classification Standard (BICS).

ESG Disclosure

FORTUNE 500
Median ESG Disclosure Score N=453

	2019	2020	2021	Δ 2019-2021
Communications (n=23)	43.94	46.75	49.52	12.70%
Consumer Discretionary (n=77)	45.83	48.56	51.35	12.04%
Consumer Staples (n=39)	54.82	55.91	55.98	2.11%
Energy (n=33)	54.62	56.51	57.44	5.16%
Financials (n=65)	42.17	44.76	44.80	6.24%
Health Care (n=43)	52.49	53.61	55.87	6.44%
Industrials (n=55)	51.63	52.34	55.93	8.32%
Materials (n=35)	59.27	63.33	66.72	12.57%
Real Estate (n=6)	55.57	56.76	59.17	6.47%
Technology (n=52)	51.52	53.67	54.27	5.33%
Utilities (n=25)	64.16	64.51	61.67	-3.88%
ALL COMPANIES	**51.08**	**53.14**	**54.25**	**6.21%**

GLOBAL 3,000
Median ESG Disclosure Score N=2,212

	2019	2020	2021	Δ 2019-2021
Communications (n=102)	48.18	49.31	49.93	3.64%
Consumer Discretionary (n=302)	42.39	44.37	47.27	11.52%
Consumer Staples (n=217)	45.43	46.15	47.86	5.36%
Energy (n=124)	52.34	55.21	55.67	6.36%
Financials (n=330)	46.08	47.78	49.66	7.77%
Health Care (n=118)	45.27	48.26	50.01	10.45%
Industrials (n=372)	46.07	48.09	49.89	8.30%
Materials (n=302)	48.05	51.35	54.11	12.61%
Real Estate (n=68)	44.05	46.78	49.48	12.32%
Technology (n=181)	46.36	47.37	49.30	6.34%
Utilities (n=96)	51.33	55.47	55.88	8.87%
ALL COMPANIES		**48.02**	**49.94**	**7.88%**

Environmental Disclosure

FORTUNE 500
Median Environmental Disclosure Score N=453

	2019	2020	2021	Δ 2019-2021
Communications (n=23)	23.86	26.73	30.47	27.71%
Consumer Discretionary (n=77)	25.07	31.17	31.86	27.10%
Consumer Staples (n=39)	42.46	42.46	48.05	13.17%
Energy (n=33)	34.31	35.40	40.74	18.74%
Financials (n=65)	15.55	20.54	21.96	41.20%
Health Care (n=43)	35.73	36.03	40.02	12.00%
Industrials (n=55)	36.42	35.85	41.62	14.27%
Materials (n=35)	53.79	58.83	62.58	16.34%
Real Estate (n=6)	35.58	36.29	43.39	21.94%
Technology (n=52)	34.76	37.24	39.85	14.65%
Utilities (n=25)	56.41	60.01	59.77	5.96%
ALL COMPANIES	**34.01**	**35.94**	**38.66**	**13.67%**

GLOBAL 3,000
Median Environmental Disclosure Score N=2,212

	2019	2020	2021	Δ 2019-2021
Communications (n=102)	32.17	34.20	34.93	8.59%
Consumer Discretionary (n=302)	25.17	28.21	30.66	21.78%
Consumer Staples (n=217)	28.45	31.26	34.40	20.91%
Energy (n=124)	38.34	42.16	43.61	13.75%
Financials (n=330)	25.64	28.12	30.26	18.02%
Health Care (n=118)	30.56	33.22	35.80	17.14%
Industrials (n=372)	31.17	32.86	34.91	12.00%
Materials (n=302)	41.23	44.46	48.35	17.28%
Real Estate (n=68)	24.46	30.32	37.81	54.57%
Technology (n=181)	28.18	31.17	33.22	17.90%
Utilities (n=96)	46.60	47.48	49.46	6.12%
ALL COMPANIES	**30.44**	**33.06**	**35.28**	**15.90%**

Social Disclosure

FORTUNE 500
Median Social Disclosure Score N=453

	2019	2020	2021	Δ 2019-2021
Communications (n=23)	20.77	23.34	21.55	3.78%
Consumer Discretionary (n=77)	22.91	26.51	27.39	19.55%
Consumer Staples (n=39)	29.99	32.44	28.33	-5.55%
Energy (n=33)	37.09	42.84	42.84	15.49%
Financials (n=65)	22.73	24.94	22.76	0.13%
Health Care (n=43)	29.02	30.89	34.52	18.95%
Industrials (n=55)	27.45	28.78	33.19	20.92%
Materials (n=35)	35.31	37.61	41.81	18.41%
Real Estate (n=6)	35.37	38.60	36.94	4.44%
Technology (n=52)	28.28	29.81	29.46	4.17%
Utilities (n=25)	41.57	40.72	36.43	-12.36%
ALL COMPANIES	**28.48**	**30.59**	**31.23**	**9.65%**

GLOBAL 3,000
Median Social Disclosure Score N=2,212

	2019	2020	2021	Δ 2019-2021
Communications (n=102)	29.78	31.17	33.30	11.83%
Consumer Discretionary (n=302)	21.16	22.91	26.35	24.50%
Consumer Staples (n=217)	23.61	25.94	27.57	16.77%
Energy (n=124)	34.70	37.30	38.42	10.71%
Financials (n=330)	26.51	28.51	29.63	11.74%
Health Care (n=118)	25.06	28.81	30.09	20.08%
Industrials (n=372)	25.18	26.42	29.14	15.73%
Materials (n=302)	27.28	29.55	30.24	10.86%
Real Estate (n=68)	25.26	25.51	27.66	9.52%
Technology (n=181)	24.94	26.90	27.93	12.00%
Utilities (n=96)	30.89	33.69	33.72	9.15%
ALL COMPANIES	**25.92**	**27.78**	**29.38**	**13.35%**

Governance Disclosure

FORTUNE 500
Median Governance Disclosure Score N=453

	2019	2020	2021	Δ 2019-2021
Communications (n=23)	84.98	84.98	84.98	0.00%
Consumer Discretionary (n=77)	87.48	87.48	87.48	0.00%
Consumer Staples (n=39)	91.24	91.24	93.74	2.66%
Energy (n=33)	91.24	93.05	93.74	2.66%
Financials (n=65)	87.48	87.48	87.48	0.00%
Health Care (n=43)	91.24	91.24	91.24	0.00%
Industrials (n=55)	87.48	91.24	93.74	6.68%
Materials (n=35)	87.48	91.24	93.74	6.68%
Real Estate (n=6)	90.61	92.49	92.49	2.03%
Technology (n=52)	87.48	91.24	91.24	4.12%
Utilities (n=25)	87.48	88.59	87.48	0.00%
ALL COMPANIES	**87.48**	**87.48**	**91.24**	**4.12%**

GLOBAL 3,000
Median Governance Disclosure Score N=2,212

	2019	2020	2021	Δ 2019-2021
Communications (n=102)	84.29	86.24	85.61	1.57%
Consumer Discretionary (n=302)	82.66	82.66	84.20	1.86%
Consumer Staples (n=217)	78.60	79.29	83.02	5.63%
Energy (n=124)	84.29	84.98	85.55	1.50%
Financials (n=330)	84.98	84.98	86.79	2.13%
Health Care (n=118)	84.98	84.98	86.79	2.13%
Industrials (n=372)	82.99	83.59	84.98	2.39%
Materials (n=302)	79.11	81.46	83.96	6.13%
Real Estate (n=68)	80.52	81.10	82.24	2.13%
Technology (n=181)	84.86	84.98	84.98	0.14%
Utilities (n=96)	80.70	81.10	83.31	3.23%
ALL COMPANIES	**83.02**	**83.59**	**84.98**	**2.36%**

Science Based Targets

FORTUNE 500

% of Companies with Science Based Targets N=446

	2019	2020	2021	Δ 2019-2021
Communications (n=23)	8.70%	21.74%	47.83%	39.13pp
Consumer Discretionary (n=76)	10.53%	23.68%	40.79%	30.26pp
Consumer Staples (n=40)	30.00%	47.50%	57.50%	27.50pp
Energy (n=33)	0.00%	6.06%	6.06%	6.06pp
Financials (n=62)	6.45%	9.68%	14.52%	8.06pp
Health Care (n=42)	7.14%	21.43%	45.24%	38.10pp
Industrials (n=53)	5.66%	22.64%	41.51%	35.85pp
Materials (n=36)	13.89%	27.78%	41.67%	27.78pp
Real Estate (n=6)	33.33%	50.00%	83.33%	50.00pp
Technology (n=50)	12.00%	26.00%	46.00%	34.00pp
Utilities (n=25)	12.00%	16.00%	16.00%	4.00pp
ALL COMPANIES	**10.76%**	**22.65%**	**36.77%**	**26.01pp**

GLOBAL 3,000

% of Companies with Science Based Targets N=2,023

	2019	2020	2021	Δ 2019-2021
Communications (n=105)	12.38%	25.71%	41.90%	29.52pp
Consumer Discretionary (n=263)	8.37%	19.77%	33.08%	24.71pp
Consumer Staples (n=185)	18.92%	30.81%	37.30%	18.38pp
Energy (n=123)	0.00%	4.07%	10.57%	10.57pp
Financials (n=306)	6.21%	9.48%	19.93%	13.73pp
Health Care (n=108)	11.11%	18.52%	34.26%	23.15pp
Industrials (n=344)	7.56%	17.15%	30.52%	22.97pp
Materials (n=263)	6.84%	15.21%	23.95%	17.11pp
Real Estate (n=59)	8.47%	15.25%	28.81%	20.34pp
Technology (n=167)	10.18%	20.36%	35.33%	25.15pp
Utilities (n=100)	8.00%	17.00%	27.00%	19.00pp
ALL COMPANIES	**8.65%**	**17.25%**	**28.77%**	**20.12pp**

Net-Zero Emissions Targets

FORTUNE 500

% of Companies with Net-Zero Emissions Targets N=445

	2019	2020	2021	Δ 2019-2021
Communications (n=23)	13.04%	47.83%	73.91%	60.87pp
Consumer Discretionary (n=76)	9.21%	25.00%	36.84%	27.63pp
Consumer Staples (n=40)	7.50%	22.50%	37.50%	30.00pp
Energy (n=32)	9.38%	28.13%	37.50%	28.13pp
Financials (n=62)	6.45%	17.74%	43.55%	37.10pp
Health Care (n=42)	2.38%	28.57%	45.24%	42.86pp
Industrials (n=53)	9.43%	26.42%	49.06%	39.62pp
Materials (n=36)	11.11%	19.44%	50.00%	38.89pp
Real Estate (n=6)	0.00%	20.00%	40.00%	40.00pp
Technology (n=50)	5.88%	37.25%	56.86%	50.98pp
Utilities (n=25)	52.00%	72.00%	100.00%	48.00pp
ALL COMPANIES	**10.34%**	**29.21%**	**48.99%**	**38.65pp**

GLOBAL 3,000

% of Companies with Net-Zero Emissions Targets N=2,106

	2019	2020	2021	Δ 2019-2021
Communications (n=111)	15.32%	40.54%	59.46%	44.14pp
Consumer Discretionary (n=270)	7.78%	20.00%	41.11%	33.33pp
Consumer Staples (n=197)	6.09%	20.81%	37.56%	31.47pp
Energy (n=128)	10.94%	30.47%	51.56%	40.63pp
Financials (n=327)	7.95%	25.69%	47.09%	39.14pp
Health Care (n=110)	6.36%	23.64%	39.09%	32.73pp
Industrials (n=357)	7.00%	22.13%	40.90%	33.89pp
Materials (n=269)	8.55%	20.07%	44.24%	35.69pp
Real Estate (n=62)	1.61%	11.29%	27.42%	25.81pp
Technology (n=169)	7.69%	25.44%	43.79%	36.09pp
Utilities (n=106)	23.58%	41.51%	56.60%	33.02pp
ALL COMPANIES	**8.74%**	**24.50%**	**44.16%**	**35.42pp**

Biodiversity Policy

FORTUNE 500

% of Companies with a Biodiversity Policy N=455

	2019	2020	2021	Δ 2019-2021
Communications (n=23)	8.70%	26.09%	30.43%	21.74pp
Consumer Discretionary (n=76)	28.57%	32.47%	36.36%	7.79pp
Consumer Staples (n=40)	63.41%	70.73%	73.17%	9.76pp
Energy (n=33)	72.73%	78.79%	81.82%	9.09pp
Financials (n=62)	15.38%	13.85%	16.92%	1.54pp
Health Care (n=42)	18.60%	25.58%	25.58%	6.98pp
Industrials (n=53)	21.82%	23.64%	30.91%	9.09pp
Materials (n=36)	54.29%	68.57%	71.43%	17.14pp
Real Estate (n=6)	33.33%	33.33%	33.33%	0.00pp
Technology (n=50)	21.15%	25.00%	30.77%	9.62pp
Utilities (n=25)	96.00%	100.00%	100.00%	4.00pp
ALL COMPANIES	**35.16%**	**40.22%**	**43.74%**	**8.58pp**

GLOBAL 3,000

% of Companies with a Biodiversity Policy N=2,164

	2019	2020	2021	Δ 2019-2021
Communications (n=107)	28.04%	36.45%	35.51%	7.48pp
Consumer Discretionary (n=279)	33.33%	37.63%	42.29%	8.96pp
Consumer Staples (n=201)	54.23%	58.21%	61.69%	7.46pp
Energy (n=124)	67.74%	72.58%	77.42%	9.68pp
Financials (n=335)	21.79%	23.58%	29.25%	7.46pp
Health Care (n=114)	26.32%	32.46%	36.84%	10.53pp
Industrials (n=361)	39.06%	42.94%	45.71%	6.65pp
Materials (n=300)	55.67%	59.33%	62.00%	6.33pp
Real Estate (n=64)	35.94%	45.31%	46.88%	10.94pp
Technology (n=174)	23.56%	27.01%	30.46%	6.90pp
Utilities (n=105)	80.95%	83.81%	85.71%	4.76pp
ALL COMPANIES	**39.63%**	**43.63%**	**48.57%**	**8.93pp**

Women Employee Representation

FORTUNE 500

Median % of Women Employees N=291

	2019	2020	2021	Δ 2019-2021
Communications (n=12)	38.85%	39.60%	39.60%	0.75pp
Consumer Discretionary (n=38)	49.50%	49.25%	49.75%	0.25pp
Consumer Staples (n=25)	40.00%	40.00%	40.00%	0.00pp
Energy (n=26)	25.00%	24.00%	22.50%	-2.50pp
Financials (n=39)	53.64%	53.90%	53.00%	-0.64pp
Health Care (n=31)	52.00%	52.00%	52.00%	0.00pp
Industrials (n=29)	26.20%	27.00%	27.80%	1.60pp
Materials (n=26)	21.00%	21.00%	22.50%	1.50pp
Real Estate (n=4)	27.80%	28.60%	29.15%	1.35pp
Technology (n=38)	33.15%	33.71%	34.40%	1.25pp
Utilities (n=23)	23.70%	24.00%	24.00%	0.30pp
ALL COMPANIES	**36.90%**	**36.90%**	**37.00%**	**0.10pp**

GLOBAL 3,000

Median % of Women Employees N=1,620

	2019	2020	2021	Δ 2019-2021
Communications (n=82)	37.00%	37.83%	37.65%	0.65pp
Consumer Discretionary (n=177)	34.52%	36.00%	36.00%	1.48pp
Consumer Staples (n=157)	37.67%	37.00%	39.00%	1.33pp
Energy (n=106)	24.11%	23.85%	24.00%	-0.11pp
Financials (n=278)	51.38%	51.47%	51.45%	0.07pp
Health Care (n=89)	49.00%	49.00%	49.00%	0.00pp
Industrials (n=260)	20.70%	20.94%	21.73%	1.03pp
Materials (n=202)	17.57%	17.93%	18.05%	0.48pp
Real Estate (n=45)	38.00%	38.31%	39.55%	1.55pp
Technology (n=137)	32.20%	33.40%	33.80%	1.60pp
Utilities (n=87)	23.32%	23.07%	24.00%	0.68pp
ALL COMPANIES	**31.01%**	**31.15%**	**32.30%**	**1.29pp**

Minority Employee Representation

FORTUNE 500

Median % of Minority Employees N=102

	2019	2020	2021	Δ 2019-2021
Communications (n=8)	44.90%	46.00%	46.70%	1.80pp
Consumer Discretionary (n=12)	48.50%	49.00%	51.00%	2.50pp
Consumer Staples (n=6)	40.50%	43.50%	43.00%	2.50pp
Energy (n=16)	26.00%	27.45%	27.40%	1.40pp
Financials (n=17)	34.00%	30.20%	35.00%	1.00pp
Health Care (n=11)	43.00%	45.00%	45.67%	2.67pp
Industrials (n=9)	29.00%	35.20%	30.00%	1.00pp
Materials (n=3)	24.30%	25.10%	26.00%	1.70pp
Real Estate*				
Technology (n=3)	34.10%	31.00%	31.00%	-3.10pp
Utilities (n=17)	27.80%	27.00%	29.00%	1.20pp
ALL COMPANIES	**34.00%**	**35.00%**	**36.00%**	**2.00pp**

* Unreported values are due to a low sample size.

GLOBAL 3,000

Median % of Minority Employees N=277

	2019	2020	2021	Δ 2019-2021
Communications (n=19)	13.00%	13.00%	13.00%	0.00pp
Consumer Discretionary (n=18)	16.65%	18.25%	19.95%	3.30pp
Consumer Staples (n=12)	40.50%	43.00%	43.00%	2.50pp
Energy (n=34)	17.50%	17.88%	17.50%	0.00pp
Financials (n=71)	10.20%	10.90%	11.80%	1.60pp
Health Care (n=18)	38.00%	39.00%	41.00%	3.00pp
Industrials (n=37)	13.60%	14.00%	11.00%	-2.60pp
Materials (n=24)	7.83%	9.50%	10.57%	2.74pp
Real Estate (n=4)	19.50%	21.00%	22.25%	2.75pp
Technology (n=14)	16.76%	17.30%	16.82%	0.06pp
Utilities (n=26)	16.60%	16.70%	16.50%	-0.10pp
ALL COMPANIES	**16.42%**	**17.50%**	**17.28%**	**0.86pp**

Supply Chain Modern Slavery Assessment

FORTUNE 500

% of Companies with a Supply Chain Modern Slavery Assessment N=454

	2019	2020	2021	Δ 2019-2021
Communications (n=23)	39.13%	52.17%	56.52%	17.39pp
Consumer Discretionary (n=77)	27.27%	35.06%	37.66%	10.39pp
Consumer Staples (n=41)	39.02%	48.78%	46.34%	7.32pp
Energy (n=33)	21.21%	27.27%	30.30%	9.09pp
Financials (n=65)	30.77%	41.54%	41.54%	10.77pp
Health Care (n=43)	44.19%	53.49%	53.49%	9.30pp
Industrials (n=55)	25.45%	45.45%	50.91%	25.45pp
Materials (n=34)	26.47%	38.24%	44.12%	17.65pp
Real Estate (n=6)	50.00%	50.00%	50.00%	0.00pp
Technology (n=52)	63.46%	78.85%	80.77%	17.31pp
Utilities (n=25)	4.00%	4.00%	4.00%	0.0pp
ALL COMPANIES	**33.48%**	**44.27%**	**46.26%**	**12.78pp**

GLOBAL 3,000

% of Companies with a Supply Chain Modern Slavery Assessment N=2,163

	2019	2020	2021	Δ 2019-2021
Communications (n=110)	20.91%	27.27%	27.27%	6.36pp
Consumer Discretionary (n=281)	25.27%	33.10%	34.16%	8.90pp
Consumer Staples (n=206)	22.82%	30.58%	30.58%	7.77pp
Energy (n=125)	13.60%	23.20%	24.00%	10.40pp
Financials (n=337)	21.66%	27.89%	29.08%	7.42pp
Health Care (n=116)	37.07%	45.69%	48.28%	11.21pp
Industrials (n=352)	19.89%	25.85%	28.69%	8.81pp
Materials (n=294)	13.61%	19.39%	21.77%	8.16pp
Real Estate (n=62)	9.68%	11.29%	12.90%	3.23pp
Technology (n=177)	40.68%	46.89%	48.02%	7.34pp
Utilities (n=103)	7.77%	10.68%	12.62%	4.85pp
ALL COMPANIES	**21.73%**	**28.25%**	**29.77%**	**8.04pp**

Women on Board

FORTUNE 500

Median % of Women on the Board N=458

	2019	2020	2021	Δ 2019-2021
Communications (n=23)	27.27%	28.57%	30.00%	2.73pp
Consumer Discretionary (n=78)	25.00%	27.92%	30.00%	5.00pp
Consumer Staples (n=40)	27.27%	30.00%	32.05%	4.78pp
Energy (n=33)	18.18%	22.22%	22.22%	4.04pp
Financials (n=66)	27.52%	27.27%	30.77%	3.25pp
Health Care (n=43)	26.67%	27.27%	30.00%	3.33pp
Industrials (n=55)	25.00%	25.00%	27.27%	2.27pp
Materials (n=37)	25.00%	27.27%	30.00%	5.00pp
Real Estate (n=6)	28.64%	30.00%	34.85%	6.21pp
Technology (n=52)	25.00%	28.57%	30.38%	5.38pp
Utilities (n=25)	26.67%	28.57%	28.57%	1.90pp
ALL COMPANIES	**25.00%**	**27.27%**	**30.00%**	**5.00pp**

GLOBAL 3,000

Median % of Women on the Board N=2,364

	2019	2020	2021	Δ 2019-2021
Communications (n=116)	20.00%	22.22%	25.00%	5.00pp
Consumer Discretionary (n-310)	20.00%	22.22%	25.00%	5.00pp
Consumer Staples (n=229)	22.22%	25.00%	25.00%	2.78pp
Energy (n=139)	20.00%	22.22%	22.22%	2.22pp
Financials (n=357)	22.22%	25.00%	25.00%	2.78pp
Health Care (n=126)	25.00%	27.27%	30.00%	5.00pp
Industrials (n=391)	20.00%	22.22%	25.00%	5.00pp
Materials (n=321)	16.67%	20.00%	22.22%	5.55pp
Real Estate (n=70)	13.39%	14.29%	14.29%	0.90pp
Technology (n=183)	22.22%	25.00%	25.00%	2.78pp
Utilities (n=122)	20.00%	24.40%	25.00%	5.00pp
ALL COMPANIES	**20.00%**	**22.22%**	**25.00%**	**5.00pp**

CSR/Sustainability Committee

FORTUNE 500

% of Companies with a CSR/Sustainability Committee (Corporate Level) N=458

	2019	2020	2021	Δ 2019-2021
Communications (n=23)	21.74%	34.78%	60.87%	39.13pp
Consumer Discretionary (n=78)	34.62%	52.56%	75.64%	41.03pp
Consumer Staples (n=40)	67.50%	70.00%	80.00%	12.50pp
Energy (n=33)	72.73%	84.85%	93.94%	21.21pp
Financials (n=66)	50.00%	59.09%	72.73%	22.73pp
Health Care (n=43)	53.49%	67.44%	81.40%	27.91pp
Industrials (n=55)	47.27%	70.91%	78.18%	30.91pp
Materials (n=37)	56.76%	62.16%	78.38%	21.62pp
Real Estate (n=6)	16.67%	33.33%	66.67%	50.00pp
Technology (n=52)	46.15%	57.69%	76.92%	30.77pp
Utilities (n=25)	84.00%	88.00%	92.00%	8.00pp
ALL COMPANIES	**50.66%**	**63.10%**	**78.17%**	**27.51pp**

GLOBAL 3,000

% of Companies with a CSR/Sustainability Committee (Corporate Level) N= 2,364

	2019	2020	2021	Δ 2019-2021
Communications (n-116)	30.17%	37.93%	46.55%	16.38pp
Consumer Discretionary (n=310)	26.77%	36.45%	46.13%	19.35pp
Consumer Staples (n=229)	35.81%	37.99%	48.91%	13.10pp
Energy (n=138)	55.07%	59.42%	67.39%	12.32pp
Financials (n=358)	34.08%	38.27%	46.37%	12.29pp
Health Care (n=126)	34.92%	44.44%	53.97%	19.05pp
Industrials (n=391)	27.62%	33.76%	39.39%	11.76pp
Materials (n=321)	36.76%	38.94%	43.93%	7.17pp
Real Estate (n=70)	8.57%	20.00%	30.00%	21.43pp
Technology (n=183)	26.23%	32.79%	46.99%	20.77pp
Utilities (n=122)	48.36%	54.10%	58.20%	9.84pp
ALL COMPANIES	**33.04%**	**38.75%**	**46.91%**	**13.87pp**

Cybersecurity Risk Management Policy

FORTUNE 500

% of Companies with a Cybersecurity Risk Management Policy
N=301

	2019	2020	2021	Δ 2019-2021
Communications (n=23)	26.09%	43.48%	52.17%	26.09pp
Consumer Discretionary (n=69)	13.04%	30.43%	37.68%	24.64pp
Consumer Staples*				
Energy*				
Financials (n=60)	21.67%	26.67%	35.00%	13.33pp
Health Care (n=41)	12.20%	19.51%	34.15%	21.95pp
Industrials (n=30)	6.67%	33.33%	53.33%	46.67pp
Materials*				
Real Estate*				
Technology (n=47)	31.91%	44.68%	57.45%	25.53pp
Utilities (n=25)	40.00%	48.00%	52.00%	12.00pp
ALL COMPANIES	**20.60%**	**33.22%**	**43.52%**	**22.92pp**

* Unreported values are due to a low sample size.

GLOBAL 3,000

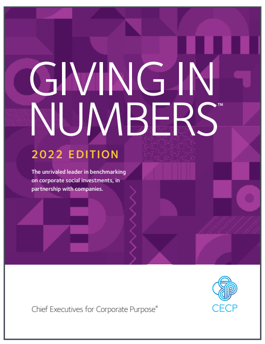
% of Companies with a Cybersecurity Risk Management Policy
N=1,168

	2019	2020	2021	Δ 2019-2021
Communications (n=98)	55.10%	60.20%	68.37%	13.27pp
Consumer Discretionary (n=229)	17.90%	26.20%	34.06%	16.16pp
Consumer Staples*				
Energy*				
Financials (n=319)	29.78%	36.36%	44.20%	14.42pp
Health Care (n=97)	17.53%	25.77%	31.96%	14.43pp
Industrials (n=163)	17.79%	29.45%	39.26%	21.47pp
Materials*				
Real Estate*				
Technology (n=151)	38.41%	49.67%	60.93%	22.52pp
Utilities (n=96)	33.33%	40.63%	47.92%	14.59pp
ALL COMPANIES	**28.08%**	**36.39%**	**44.69%**	**16.61pp**

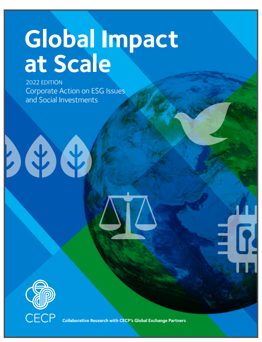
* Unreported values are due to a low sample size.

CECP Thought Leadership

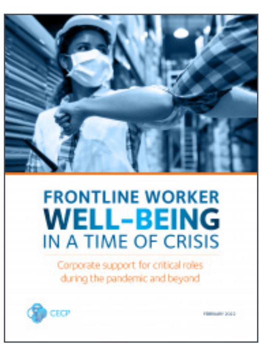
Corporate Foundations: Designing for Impact: This report provides a handbook for companies seeking to supercharge their foundation to be a social innovation incubator. From employee connector to change agent to relationship builder to global ambassador, corporate foundations create transformational value. Read the report today to learn how to start a foundation or be more strategic with your current design.



Giving in Numbers: The unrivaled leader in benchmarking on corporate social investments, in partnership with companies. For over 21 years, CECP has created the largest and most historical dataset on trends in the industry, shared by more than 617 multi-billion-dollar companies and representing more than US$388 billion in corporate social investments in that time span. *Giving in Numbers* is embraced by professionals across all sectors globally as a methodology for understanding how corporations invest in society, with topics ranging from cash and in-kind/product, employee volunteerism and giving, and impact measurement.



Global Impact at Scale: Developed through the collaboration and support of the CECP Global Exchange, *Global Impact at Scale* is a one-of-a-kind international research project that captures insights into global company actions related to their ESG issues, community investments, and how certain factors influence and inform the social strategies companies put forward.



Frontline Worker Well-Being in a Time of Crisis: In this report, produced with the support of the Ford Foundation, CECP explored the recent challenges faced by frontline workers employed in the manufacturing, processing, and warehousing of consumer staples, as well as the private sector's response to those challenges.

Click here to access these reports and other CECP insights.

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Download additional copies of this report at: https://cecp.co/home/resources/thought-and-leadership/.

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