CORPORATE CITIZENSHIP 2024:

REPUTATION AND RISK MANAGEMENT IN THE GREAT TRANSFORMATION

FLEISHMANHILLARD

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EXECUTIVE SUMMARY

Corporate Citizenship 2024 examines the state of responsible business in Europe. The study analyzes how European corporations think about, and communicate, the impact their business operations have on society. Looking at eleven corporations headquartered in Europe, we found a trend to a more holistic understanding of corporate responsibility. This holistic view includes the environmental, social, and governance dimensions of business that underpin "ESG" reporting, as well as the geopolitical impact, and domestic political consequences, of corporate actions.

The most sophisticated corporations, we found, assess and transparently communicate the impact their business conduct has on society and the world at large, and deeply integrate corporate responsibility into business strategy, creating business models that are measured against their societal impact as much as the profit they generate.

This study opens with a brief introduction to the history of corporate responsibility, **Introduction: The Question of Corporate Responsibility.** With this chapter, we aim to explain why the public today is turning to corporations for solutions to shared problems. We discuss the concept of limited liability under which market forces, and especially businesses, have operated in the past and strived. But since technological advances have reached a stage where mankind now has the tools to destroy the entire world within minutes, conventional ideas of liability are anachronistic.

This is particularly true with regards to the latest technological advances of the 21st century, including artificial intelligence, genome editing, and human cloning, many of which are driven by private enterprise, and not controlled by governments. Historically, risk technologies such as these—like nuclear research—were under government control. As a civilization, we are facing a new **Oppenheimer Moment**, this time with the controls in the hands of the private sector. The public confrontation and debate of business practices worldwide is on the rise and here to stay.

In the next chapter, **Opposing Currents: The Dynamics of Progress and Backlash**, we examine recent criticism of more responsible business practices. In liberal democratic societies, with strong protection of free speech, vested interests have the right and the ability to, in effect, defend and pursue irresponsible business practices. Yet the challenges that more responsible business are trying to address will not disappear simply because certain political actors are denying their existence.

We follow this discussion with **Developing Corporate Citizenship: What Executives Must Know,** providing questions executives should ask when thinking about their business's societal impact, and essentially forming a checklist for the successful development of Corporate Citizenship. In the following chapter, **Navigating the Green Reporting Transition: A View from Brussels**, we offer further guidance for executives and explain how corporations can best navigate existing and coming EU regulation in the corporate responsibility sphere.

In **On the Rise: The Future of Corporate Responsibility in Europe**, we lay out the framework of this study. We first explain what drives stakeholder demand for more responsible business, then lay out the function of Corporate Citizenship in business strategy, and its use as a management principle, before we examine different types of Corporate Citizenship. In the **methodology** chapter, we detail how we are assessing the Corporate Citizenship in this study: We examine how broadly they define their corporate responsibility, as well as how deeply they have integrated this concept of responsibility into their business strategies. The model allows us to compare companies of any sector and size.

With the **Case Studies**, we then detail how the individual corporations conceptualize and express their responsibility, while in the conclusion, **Corporate Citizenship as Risk Management**, we summarize the findings and provide further guidance regarding the value of Corporate Citizenship. Despite the backlash, the questions asked of companies will not dwindle—they will only increase. We are convinced that Corporate Citizenship creates the resilience that companies will need in order to retain their license to operate in the future.

PREFACE:

CORPORATE CITIZENSHIP. AN INSURANCE POLICY FOR A WORLD IN CRISIS

When Emmanuel Macron warned that Europe is in mortal danger, in an interview with The Economist in April 2024, he expressed a sense of crisis gripping the continent. A "triple existential risk" was threatening Europe: "a military and security risk; an economic risk for our prosperity; an existential risk of internal cohesion and disruption to the function of our democracies." In short, the French President warned, the life most Europeans take for granted—one of safety, wealth, and self-determination—is in jeopardy: "Things can fall apart very quickly."[1] The outcome of the European Election in early June underpinned this sentiment, not least in France and Germany.

Today, a sense of crisis is pervasive in Europe: The Russian war of aggression against Ukraine brought full-scale industrialized warfare back to the continent. The resulting energy crunch fueled already persistent inflation and added price-pressure on European industry. Escalating wars in the Middle East drive geopolitical insecurity and ignite tensions elsewhere, creating significant risks for supply chains, fueling global migration, and stretching, if not breaking, the social fabric.

The climate crisis is yet unanswered, while average temperatures are rising, glaciers are melting, and extreme weather events are becoming more frequent, and more severe. But the responses to the climate crisis further middle-class anxieties, exacerbated by the high levels of inequality that have been a product of the neoliberal era since the 1980s and that accelerated with the end of the Cold War and subsequent globalization. Increased industrial action, with more and longer strikes, adds to a sense of paralysis.

The European social model is in question. The threat is real. Europe's geopolitical position is eroding, with limited domestic natural resources, if compared with the U.S. and China, and inadequate defense capabilities.[2] And with no answer to these challenges on the horizon.

Citizens born around the turn of the Millennium have grown up in what seems like constant turmoil. When 9/11 and the "war on terror" dominated the global agenda, the threat of terrorism created a perception of a perpetual security crisis in Europe: Think of the attacks in Madrid (March 11th, 2004), London (July 7th, 2005), Paris (November 15th, 2015), Brussels (March 22rd, 2016), Berlin (December 19th, 2016), Vienna (November 4th, 2020), and Solingen (August 23rd, 2024) by Islamists, and in Norway (July 22rd, 2011) by a far-right extremist, to name only the most egregious ones.

The rise of the Islamic State, the terror group, after the invasion of Iraq and the Civil War in Syria, as well as the Western failure in Afghanistan, the unspeakable brutalities in the aftermath of these events, the Russian war of aggression, and the October 7th, 2023, Hamas attack on Israel and the ensuing war, have further added to this sense of security crisis. With the financial crisis (2007/8), the European sovereign debt crisis (2012 onwards), the so-called migration crisis (2015/16), and the Covid crisis (2020/21), Europe seems to have gone from one crisis to the next.[3]

The Western system of liberal democracy seems to have lost its appeal. Countries in other parts of the world are increasingly reverting to authoritarian governance. Examples include the systematic destruction of the rule of law and democratic participation in Hong Kong; the political and cultural oppression of Uyghurs in China; the ever-more authoritarian, if not totalitarian, government in Russia, with its murderous silencing of critics; the brutal crushing of peaceful protests in Belarus, Iran, and large parts of the Arab world; and the resurgence of military juntas in Africa's Sahel zone. The world's democratic moment after 1989 is clearly over. Authoritarianism is back on the global stage, this time in capitalist clothes.[4]

The increasing geopolitical polarization is mirrored by changes in the free, democratic societies of the West that are often, perhaps unsatisfactorily, described as a rise in "populism." Shifts in democratic preferences, the disintegration of the post-1945 party systems, and the increasing polarization of politics have led to electoral successes of far-right (and sometimes far-left) parties that aggressively question the elites and the legitimacy of the existing political order. Today, countries like Hungary—or for a different geopolitical flavor, Italy—are governed by far-right parties that actively oppose liberal democracy. In France, the Rassemblement National won the European elections. In the Netherlands Geerd Wilders Partij voor de Vrijheid is in government. And in Germany, the AfD has established itself in the political system. Programmatically often incoherent, these political parties profit from the disintegration of the public sphere, creating their own publics through owned channels on social media and off-the-mainstream publishing.

[1] https://www.economist.com/europe/2024/05/02/emmanuel-macron-in-his-own-words-english.
[2] Thompson, H. (2022). *Disorder: Hard Times in the 21st Century*, Oxford University Press.
[3] Tooze, A. (2021). *Shutdown: How Covid Shook the World's Economy*. Penguin UK. Also (2018). *Crashed: How a Decade of Financial Crises Changed the World*. Viking.
[4] Milanović, B. (2019). *Capitalism, Alone: The Future of the System that Rules the World*. Harvard University Press.

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Trailblazer of the shift to the right through media-powered populism, in a sense, was Silvio Berlusconi in Italy, who used his media empire to promote him, and his policies, to become prime minister. But the structural change behind this is pervasive in Europe. As political milieus disintegrated, mainstream political parties—the institutions that underpinned Europe's post-war recovery—lost their base, and charismatic leaders either seized power in these hollowed out institutions, or outright destroyed them by building their own political machines.

Former German Chancellor Gerhard Schröder used his personal popularity to take over the SPD. Sebastian Kurz gained control of and revamped the ÖVP in Austria to support his claim to power. And in France, President Emmanuel Macron won power with his movement En Marche. The approach was arguably perfected across the Atlantic by former President Donald Trump, who has drawn support for his presidential bid from media and business as well as hijacked the Republican party. Caesarism, and the associated destruction of the established parties, paved the way for the "populist" right.

The crisis of the party system rendered the political process's output increasingly unsatisfactory. Citizens' activism, whether in non-governmental organizations or in more loosely organized action-groups, spread throughout Europe. Radical organizations such as Extinction Rebellion focus on single issues such as climate change. But the trend is larger: Citizens are taking, and demanding, responsibility for society and its development. They are painfully aware of the political system's declining capacity to solve ever more complex problems and call on other actors to contribute—most notably corporations.

In this increasingly polarized, and rapidly transforming, environment, Corporate Citizenship is an insurance policy for business. It helps identify risks, understand the issues, and develop an awareness of stakeholder demands. It provides actionable insights about the corporate impact on society and creates a clear view of corporate prospects. Corporate Citizenship helps create, and underpin, business models that generate profits and a positive impact on society. It helps to drive the transformation that is necessary to overcome the crises.

Dr. Sebastian Schwark

The key learning is very simple: Where a need arises, corporations must step up. Those that do will be rewarded.

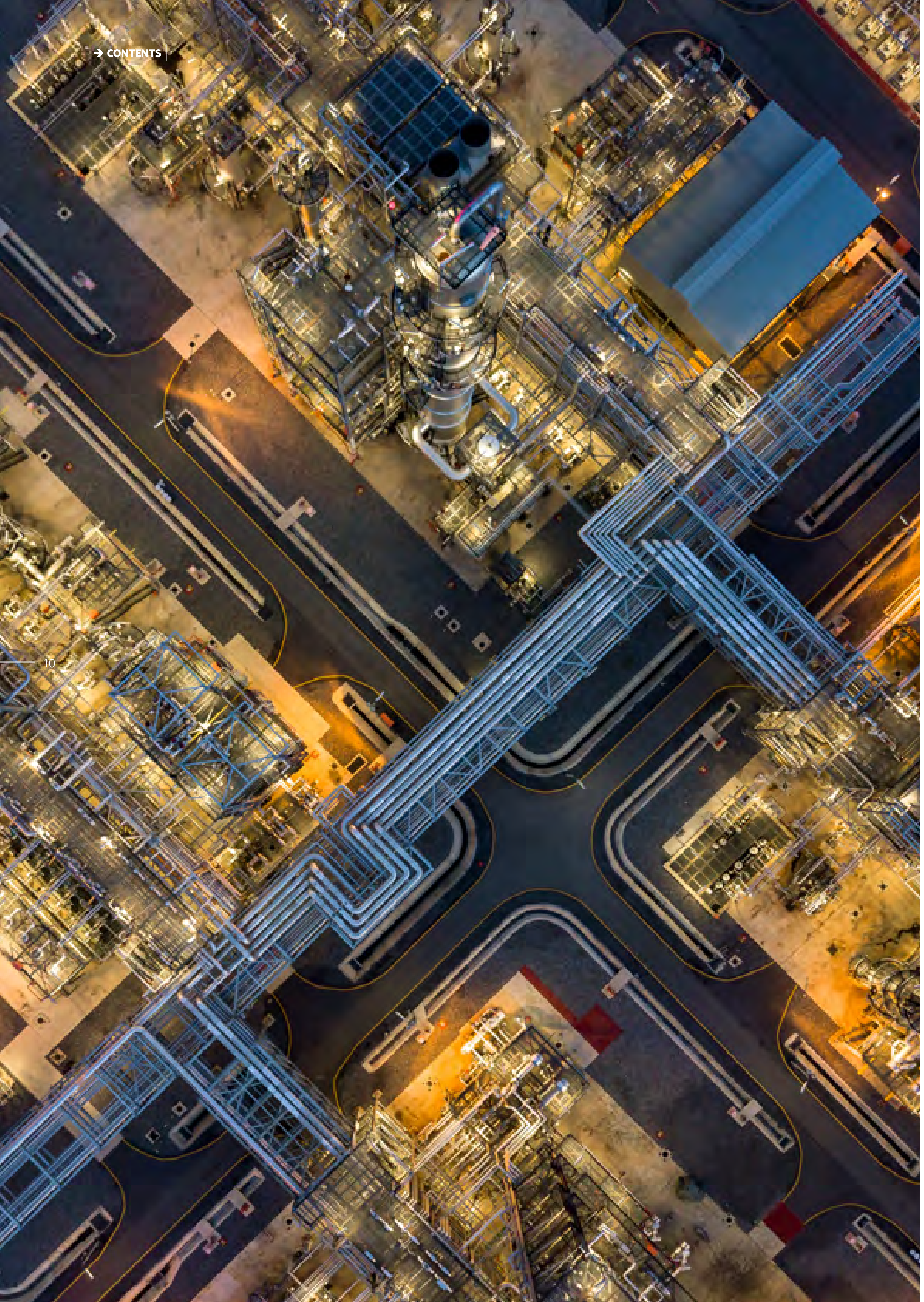
This study builds on our previous work about Corporate Citizenship.[5] In 2022, we looked at the sustainability strategies and sustainability communication of thirteen German companies and developed an analytical framework for examining Corporate Citizenship. With the study at hand, we are now taking stock of best practices in Europe. We intend it to be a guideline for the way forward.

Thank you for reading. Please do not hesitate to contact us with any feedback, questions, or ideas.

Sincerely,

Dr. Sebastian Schwark

[5] Schwark, S., & Napierala, N. (2022). *Corporate Citizenship 2022: Unternehmerische Verantwortung in der großen Transformation*. FleishmanHillard.



INTRODUCTION:

THE QUESTION OF CORPORATE RESPONSIBILITY

In June 2023, a county in Oregon sued Exxon, Chevron, and other major oil and coal companies and industry groups for more than $50 billion for harm resulting from climate change. The lawsuit claimed the industry had spent decades deceiving the public "with pseudo-science, fabricated doubt, and a well-funded, sustained public relations campaign."[6]

The case became a minor story on the news, which was dominated by the war in Ukraine, reports about the hottest summer ever recorded on Earth, and Donald Trump's indictments. But despite not making much of a stir, it marked a tremendous shift: Societies have begun asking more—and much more piercing—questions about corporate responsibility.[7]

This trend uses a well-known tactic from the environmental movement's playbook. It is most obvious today in the fight against climate change. But battered by a "polycrisis,"[8] where environmental degradation is still not comprehensively addressed and convincing action on climate change remains lacking, escalating geopolitical rivalries, challenges to democracy, and technological disruption all leading to a proliferation of litigation against corporations.

Such litigation has taken on many different forms. In New York, ExxonMobil was taken to court for securities fraud brought on by their excessive emissions.[9] In the Netherlands, Shell became the first company that was legally obligated to ensure compliance with the Paris Climate Accords, needing to reduce their emissions by 45%.[10] More recently, the Advertising Standards Authority (ASA) has banned airline advertisements for misleading environmental claims.[11] Even countries themselves are now beginning to be called out, with Switzerland being condemned by the European Court of Human Rights (ECHR) for not having sufficient climate protection measures in place.[12]

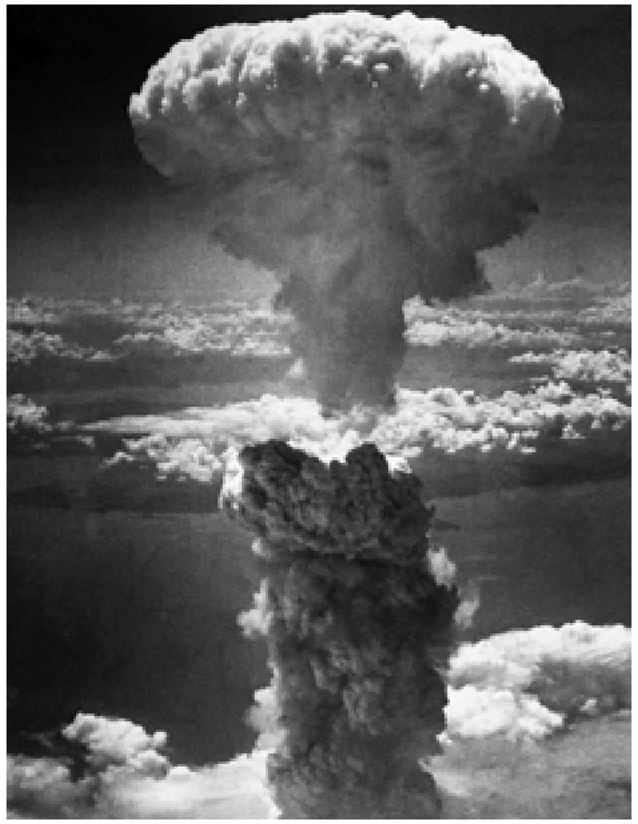
It becomes evident that corporate responsibility has fully arrived in the legal system.[13] Companies must bear the consequences of their actions, the costs of which would otherwise have been externalized. The legal system is now processing what activism, originally from the far fringes of society, has brought to the wider public's attention, sometimes over decades. The "classic" activism of civil society is by no means being replaced by the legal system. Rather, the two complement each other, and the legal system is increasingly becoming a tool in the hands of activists. Either way, the ability to place companies at the center of attention and scandalize them for their actions remains the core element.

Environmental activism, meanwhile, has long outgrown its origins at the fringes of society and become a phenomenon in its middle—see, for example, the widespread celebration of Earth Day or the many spin-offs of the Fridays for Future protests. Beyond that, members of society or organizations show again and again their alertness vis-a-vis corporate missteps and do not hesitate to voice their opposition to them. Some more recent examples include the mobilization against Nestlé advertising on Belarusian state television, thereby funding the authoritarian regime.[14] Or the so-called Hall of Shame,[15] a list maintained by the Yale School of Management detailing which Western companies have stayed in Russia after the start of the full-scale war of aggression against Ukraine. Other instances are easily found beyond geopolitics and include the public reactions of Corporate America after the January 6th riot at the U.S. Capitol,[16] as well as the public campaigns against car manufacturers[17] and fashion retailers[18] with active operations in Xinjiang, China, accused of being complicit in human rights abuses. The public confrontation and debate of business practices worldwide is on the rise and here to stay.

The Oppenheimer Moment

When J. Robert Oppenheimer, the physicist who led the Manhattan Project, had developed the first atomic bomb during World War II, his achievement was accompanied by a deep sense of remorse over the potential consequences of his work. The Oppenheimer Moment, on July 16th, 1945, during the Trinity Test, the first successful detonation of an atomic bomb,

[6] https://www.reuters.com/world/us/us-climate-change-lawsuit-seeks-50-billion-citing-2021-heat-wave-2023-06-22/.
[7] Numerous state and local governments have recently pursued similar litigation against oil companies seeking climate-related damages (https://www.reuters.com/business/energy/us-supreme-court-rebuffs-exxon-chevron-appeals-climate-litigation-2023-04-24/).
[8] https://www.ft.com/content/498398e7-11b1-494b-9cd3-6d669dc3de33.
[9] https://www.npr.org/2019/12/10/780317799/exxon-wins-new-york-climate-change-case.
[10] https://www.bbc.com/news/world-europe-57257982.
[11] https://www.businesstraveller.com/business-travel/2023/12/07/air-france-etihad-and-lufthansa-ads-banned-over-misleading-environmental-claims/.
[12] https://www.zdf.de/nachrichten/politik/ausland/urteil-menschenrecht-klimaschutz-gericht-europa-100.html.
[13] There also exists a respective counter-trend, on which we focus in the chapter "Opposing Currents."
[14] https://rsf-ch.ch/de/belarus-offener-brief-an-nestle/.
[15] https://som.yale.edu/story/2022/over-1000-companies-have-curtailed-operations-russia-some-remain.
[16] https://www.vox.com/the-goods/22227717/brands-corporate-response-capitol-dc-riot-insurrection-mob-pac-donations.
[17] https://www.voanews.com/a/report-global-carmaker-supply-chains-exposed-to-xinjiang-forced-labor-/7466133.html.
[18] https://www.theguardian.com/global-development/2020/jul/23/virtually-entire-fashion-industry-complicit-in-uighur-forced-labour-say-rights-groups-china.
[19] https://youtu.be/lb13ynu3lac.



saw Oppenheimer struck by the sheer magnitude of the force he had helped unleash. In that moment, he famously quoted the Bhagavad Gita, an ancient Hindu scripture, saying, "Now I am become Death, the destroyer of worlds."[19]

While his scientific achievements were groundbreaking, he was acutely aware of the devastating potential of nuclear weapons and the ethical implications of their use. The Oppenheimer Moment refers to the collision of scientific progress and moral responsibility, where the pursuit of knowledge intersects with the potential for unimaginable destruction.

The struggle to embrace a new generation of weapons as destructive as nuclear ones was also prevalent on the other side of the Atlantic. The "Anti-Atomtod"-Bewegung ("Anti-Nuclear-Death" movement) unsettled Germany in the 1950s, when the West German army was supposed to be equipped with tactical nuclear weapons. The mere thought of nuclear weapons in the hands of the German army and on German soil gave rise to unprecedented societal mobilization, which included a manifesto published by leading West German nuclear researchers (i.e., the Göttingen Manifesto) and large nationwide protests against nuclear advances, which repeatedly flared up during the following decades.[20]

While there is currently no comparable protest movement against artificial intelligence (AI) in civil society, the fears, exaggerated as they may be, are comparable to those of the past. In an interview, Sam Altman, the CEO of OpenAI and a key protagonist of the current "AI Revolution," compared his efforts to the Manhattan Project:

"I think the development of AI should be a government project, not a private company project—in the spirit of something like the Manhattan Project. But given that I don't think our government is going to do a competent job of that anytime soon, it is far better for us to do that than wait for the Chinese government to go do it. (…) We face a lot of very complex issues at the intersection of discovery of new science and geopolitical and deep societal implications that I imagine the team working on the Manhattan Project felt as well. It feels like we spend as much time debating the issues as we do actually working on the technology, and I think that's a great thing."[21]

Altman was referring to the enormous global buzz and dramatic blowback his flagship product ChatGPT had received immediately upon its release. An open letter, signed by over 1,000 prominent tech leaders and thinkers, had warned AI systems could soon "flood our information channels with propaganda and untruth," "automate away all the jobs," and "might eventually outnumber, outsmart, obsolete and replace us."[22]

It was fitting that a few weeks later, an epic thriller about Oppenheimer as the leader of the Manhattan Project was released with great fanfare. Our culture has reached a new Oppenheimer Moment—posing the question if the potential of new technology could, as the open letter signed by Elon Musk, Apple co-founder Steve Wozniak, and author Yuval Noah Harari put it, lead to a "loss of control of our civilization."[23] Beyond this new Oppenheimer Moment, we are facing similar inflection points within other areas: Man-made climate change, the biodiversity crisis, the threat to democracy posed by disinformation, populists and right-wing extremists and the geopolitical conflicts, which could further be escalated with seemingly insignificant triggers, all have the potential to have devastating effects on the world, and the possibility of life as we know it.

While we are experiencing these crises, the political system has lost governance capacity. The responsibility for the use of nuclear weapons lay with governments and thus within state control. Today, artificial intelligence is just one of the technologies and possibilities over which private actors have control. Corporations command not only exactly how such technology is applied, but also how and when it is disabled—two very powerful decisions.

There is a lack of democratic, or at least political, legitimacy as to why these corporate actors have such power, and governments are still looking for ways and means to regain some sovereignty. Whether it is the fight against disinformation or climate change, or the consideration of artificial intelligence, governments are always dependent on the cooperation of private actors.

[20] https://engelsbergideas.com/notebook/anti-nuclear-bomb-germany-changing-its-mind/.
[21] Weiss, B. (host) (2023, April 27th). Episode: "AI with Sam Altman: The End of the World? Or the Dawn of a New One?". In "Honestly with Bari Weiss" podcast. https://podcasts.apple.com/us/podcast/ai-with-sam-altman-the-end-of-the-world-or-the-dawn-of-a-new-one/id1570872415?i=1000610848256.
[22] https://futureoflife.org/open-letter/pause-giant-ai-experiments/.
[23] https://futureoflife.org/open-letter/pause-giant-ai-experiments/.

No valuation can be derived from this, since neither unconditional rationality nor the unconditional will to act on behalf of the greater good can be imputed to state actors. Nevertheless, the framework conditions under which potential inflection points must be managed change enormously as a result: The influence and thus the responsibility of corporate actors is increasing enormously.

Offloading Responsibility

Should private companies be allowed to manage projects with profound societal or political implications? And if they do and a crisis results, should they be held responsible?

This question is not only relevant with regards to the force of technology and its destructive potential, but also when corporations are doing business with autocrats that are indiscriminately abusing human rights or actively undermining democracy. Or when corporate leaders are funding anti-democratic currents in society. Or maybe even if companies are engaging in business models that are proven to be unsustainable in obvious, and scientifically proven, ways.

Today, the modern corporation operates in a legal framework first developed in the first half of the 19th century. Before then, the most common ways to invest in business were as a sole trader or as a member of a partnership. If the business failed, creditors could pursue investors into bankruptcy, which often meant going to debtors' prison and seeing their families sent off to a workhouse.

Such consequences were widely regarded as natural. Rewarding success and punishing failure, the well-known Scottish economist J. R. McCulloch argued, was a form of divine justice: "In the scheme laid down by Providence for the government of the world, there is no shifting or narrowing of responsibilities, every man being personally answerable to the utmost extent for all his actions."[24]

The invention of the joint-stock company, closely interrelated with European colonial expansion, introduced limited liability of the shareholders for the high-risk/high-reward expansion of European dominiums. Ships that sailed around Africa to India, or the Americas, often did not return. To raise the capital, and limit exposure, the joint-stock company was the perfect institution.

But the privilege of the joint-stock company was limited to only a few, which were seen in the interest of governments. Until the mid-19th century, many businesses operated as associations or partnerships without incorporation. For a while, this worked in the public interest because it encouraged entrepreneurs to work efficiently and conscientiously.

But with the dynamic of the Industrial Revolution, the companies needed capital to finance new technologies and rapid growth. Unrestricted liability made investing unattractive—especially for passive investors, for whom punishments could come seemingly out of nowhere.

France was the first country to respond and limit liability for external investors. In 1807, it created the Société en commandité par actions. Britain later mirrored and extended the French system in the British Companies Acts of 1855 and 1862.[25] Other countries followed suit and developed even more varieties, such as the American Limited Liability Company (LLC, 1877) or the German Gesellschaft mit beschränkter Haftung (GmbH, 1892).

The modern corporate legal form is inextricably linked with the needs of finance. It shifts risks and responsibilities away from shareholders and marks a "victory for the investing classes over the industrialists."[26] That shift was highly controversial at the time, as a comment by the editor of The Law Times in 1856 exemplifies:

"Limited liability (…) permits a man to avail himself of acts if advantageous to him, and not to be responsible for them if they should be disadvantageous; to speculate for profits without being liable for losses; to make contracts, incur debts, and commit wrongs […without] remedy (…) beyond the limit, however small, at which it may please him."[27]

Despite the contemporary criticism, limited liability remains integral for the modern corporation in the 21st century.

Pushing the Limits

Awarding limited liability was based on a cost-benefit calculation: The company was expected to deliver prosperity and innovation—and, in return, shareholders were absolved from full responsibility for the negative externalities of their economic activities.

That deal worked exceptionally well for much of the late 19th and the 20th century. Companies produced more, better, and cheaper goods, heralding an era of unprecedented economic growth. "Conveniences and amenities that were previously the exclusive prerogative of the rich and powerful"[28] became available to wide populations. Progress came through the rapid adoption of new technologies and the swift scaling of entire industries, even if social upheaval and environmental degradation were outsourced and tolerated, if not romanticized: The famous London fog, in fact, was mostly smog, with exhaust from industrial production and coal burning—which is why the term "smog" itself was invented in London in the early 20th century.[29]

[24] Ireland, P. (2010). Limited liability, Shareholder Rights and the Problem of Corporate Irresponsibility. Cambridge Journal of Economics, 34(5), 840.
[25] Hamill, S. P. (1996), The Limited Liability Company: A Catalyst Exposing the Corporate Integration Question, Michigan Law Review, 95(2), 393–446.
[26] Jeffreys, J. B. (1938). Trends in Business Organisations in Great Britain since 1856, with Special Reference to the Financial Structure of Companies, the Mechanism of Investment and the Relations between the Shareholder and the Company. Diss. London School of Economics and Political Science.
[27] Cox, E. (1856). The Law and Practice of Joint Stock Companies. London: Law Times Office
[28] Friedman, M., & Friedman, R. (1980), Free to Choose. Melbourne: Macmillan Company of Australia, pp. 147–148.
[29] https://www.britannica.com/event/Great-Smog-of-London

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The social question was addressed by the workers' movement. And impelled by unions (and sometimes violent clashes), companies eventually increased wages, raised living standards, and contributed to a flowering of individual freedom and possibility difficult to previously imagine.

But with nuclear technology—first unleashed by Oppenheimer's Manhattan Project—limited liability was pushing its limits (so to say). The reason is simple: It contains "the horror of an energy that came from the universe," as Hannah Arendt put it,[30] capable of destroying entire cities—like Hiroshima and Nagasaki—and ultimately threatening human civilization.

Even in its peaceful use, there is the obvious risk of accidents, and the question of who would cover the damages. These risks—including the obligation to prevent the proliferation of weapon-grade plutonium and to store radioactive waste for hundreds of thousands of years—raise the cost of liability insurance.

To make nuclear energy viable, the risks must be socialized. In the U.S., the Price-Anderson Act, which became law on September 2nd, 1957, placed a ceiling on the liability for nuclear power plant accidents, which currently stands at more than $13 billion.[31] Beyond that, the state accepts responsibility as an insurer of last resort. Similar legislation exists in other countries with nuclear power plants. And since radioactive clouds won't stop at national boundaries, conventions had to be created to deal with the international fallout.

That led the Australia Institute to conclude in a 2019 report: "If nuclear power operators were made to adequately insure against the risk of nuclear accidents, the insurance premiums would make nuclear power completely uneconomic."[32]

Operating Licenses in Peril

Nuclear catastrophes such as in Harrisburg (1979), Chernobyl (1986), or Fukushima (2011) represent such an existential risk that they challenge the very notion of limited liability—and, with it, the basis of the modern corporation. From its inception to its everyday use, utility companies relied on state power to make nuclear energy work. That exposed them to the caprice of elected officials, who, driven by ever-changing public sentiment, could challenge, extend, and abridge their operating license at any moment.[33]

Against this backdrop, Sam Altman compares his situation to Oppenheimer's, wondering if the development of AI should be a government or private company project. Asked about the best- and worst-case scenarios for the technology, he said, "I think the best case is so unbelievably good that it's hard for me to even imagine," and later added: "The bad case—and I think this is important to say—is, like, lights out for all of us."[34]

Some researchers have criticized such positions as a form of dark PR.[35] They see them as grandiose overstatements—or at least wild extrapolations—of what ChatGPT and similar

[30] Arendt, H. (1977). The Promise of Politics.
[31] https://www.nrc.gov/reading-rm/doc-collections/fact-sheets/nuclear-insurance.html.
[32] https://australiainstitute.org.au/post/nuclear-power-uninsurable-and-uneconomic-in-australia/. An unrelated 2011 study for the German Renewable Energy Association found similar results: https://grist.org/wp-content/uploads/2011/06/110511_bee-studie_versicherungsforen_kkw.pdf.
[33] That is exactly what happened during Germany's nuclear phase-out. https://journals.sagepub.com/doi/pdf/10.1177/0096340212464359.
[34] https://www.businessinsider.com/chatgpt-openai-ceo-worst-case-ai-lights-out-for-all-2023-1
[35] https://www.scientificamerican.com/article/we-need-to-focus-on-ais-real-harms-not-imaginary-existential-risks/.

software can do. To them, current large language models are nothing but "stochastic parrots"[36]—capable of generating remarkably fluent and coherent-seeming text but incapable of understanding what it means, let alone possessing the ability to reason. Suggesting that they are a "superintelligence" just a step away from wiping out humanity is a form of "criti-hype" that exaggerates AI's power and swipes its actual bad effects under the rug.[37]

But even without dramatic leaps, humanity's technological capabilities are growing. The magazine **The New Yorker** recently portrayed another contemporary Oppenheimer: The Chinese biophysicist He Jiankui.[38] He was selected as a "Pioneer" for "Time100: The Most Influential People of 2019" after creating the first genetically edited human babies. When opinion turned, he was condemned for "irresponsible, unethical and dangerous use of genome editing technology,"[39] got fired, imprisoned, and sentenced to a three-million-yuan fine. George Church, a geneticist at Harvard University, has called He Jiankui the sacrificial lamb for gene editing, "willing to be the martyr that came first."[40]

Companies' Rising Political Role

When scientists are imprisoned, energy companies lose their nuclear operating licenses, and tech leaders face a new era of antitrust,[41] it may seem like the balance of power has tipped towards governments.

But that would be a misconception. Altman is not alone in doubting that "our government is going to do a competent job" and wondering if states like China might not be more effective. In fact, democracy has been going through a serious crisis and has come under worldwide attack.[42] Even former strongholds have seen the rise of populist leaders who question basic democratic tenets like free and fair elections, freedom of the press, minority rights, and the rule of law.

One reason for the growing instability of democratic governments is their diminishing ability to "deliver the goods" and provide encompassing economic security to their citizens ("output legitimacy"). It is worrying that a series of crises has put democracies under pressure in the past two decades. The financial crisis reminded citizens that the spoils of prosperity are unequally distributed, and that financial dominance easily translates into political dominance. The refugee crisis after the wars in Syria, Iraq, and Afghanistan showed that globalization had not worked equally well for everyone and that the willingness of better-off countries to share their advantages had its limits. Spurred by the spread of targeted disinformation through a disrupted media ecosystem, divisive identity politics rose to a fever pitch. Progressive protests like the Women's March or Black Lives Matter were answered by reactionary movements like the "Unite the Right" rally in Charlottesville, the January 6th attack on the U.S. Capitol, and the rise of far-right parties across Europe. Then came a global pandemic, new tensions with China, the attack on Ukraine, inflation, and further signs that an ecological catastrophe was unfolding.

Even if, ultimately, democratic systems fared much better in the COVID pandemic than authoritarian China and Russia, the current "polycrisis"[43] has led to social anxiety. It revealed the limited capacity of democratic states to govern effectively and how existing institutions may be ill-suited to deal with the onslaught of challenges. This relative weakness of the state put companies in the spotlight and raised expectations for them. They and their leaders are now viewed either as **culprits** responsible for the crisis or as **good managers, problem solvers, or even saviors** who can fill the void left by governments and step in to save the day.[44] Or, in the famous words long used by political activists the world over: "You either have to be part of the solution, or you're going to be part of the problem."[45]

Shattering the Corporate Veil

It could be said that climate change and environmental degradation are **limited liabilities** coming back to haunt us. Terms such as "ecological footprint" and "carbon footprint" only came into use in the 1990s and early 2000s;[46] by 2010, few companies measured, reported, and managed their emissions;[47] and the more comprehensive concept of "planetary boundaries" was quantified in September 2023.[48] Before these developments, any but the most glaring forms of pollution and overexploitation of natural resources went mostly unaccounted for.

[36] https://dl.acm.org/doi/pdf/10.1145/3442188.3445922.
[37] https://sts-news.medium.com/youre-doing-it-wrong-notes-on-criticism-and-technology-hype-18b08b4307e5
[38] https://www.newyorker.com/magazine/2023/09/11/the-transformative-alarming-power-of-gene-editing.
[39] November 26th, 2018, China Orders Investigation after Scientist Claims First Gene-Edited Babies. The New York Times. Reuters. Archived from the original on November 27th, 2018.
[40] Spitznagel, E. (December 10th, 2022), How one scientist lost big trying to genetically 'enhance' unborn babies, New York Post. Retrieved on January 11th, 2023.
[41] https://hbr.org/2023/02/microsoft-google-and-a-new-era-of-antitrust.
[42] https://freedomhouse.org/report/freedom-world/2018/democracy-crisis.
[43] See Lawrence, M., Janzwood, S., & Homer-Dixon, T. (2022), What is a global polycrisis? And how is it different from a systemic risk? Cascade Institute. Retrieved from: https://cascadeinstitute.org/technical-paper/what-is-a-global-polycrisis.
[44] A striking example of the changing power dynamics between state and private enterprise is Elon Musk. According to The New Yorker, Musk now oversees companies valued at more than a trillion dollars—and every day, these companies "control more of the Internet, the power grid, the transportation system, objects in orbit, the nation's security infrastructure, and its energy supply." The article tries to explain "How Elon Musk Went from Superhero to Supervillain." That underlines how, in the newly prevailing conditions, company leaders can quickly turn from perceived saviors into culprits. (See https://www.newyorker.com/magazine/2023/09/18/elon-musk-walter-isaacson-book-review).
[45] Unknown. Eldridge Cleaver quotation. Roz Payne Sixties Archive. Accessed September 16th, 2023, https://rozsixties.unl.edu/items/show/567.
[46] See https://www.footprintnetwork.org/about-us/our-history/ and https://www.etymonline.com/word/carbon.
[47] See https://www.wemeanbusinesscoalition.org/blog/the-evolution-of-corporate-climate-targets/.
[48] See https://www.stockholmresilience.org/research/planetary-boundaries.html.

Yet the history of grievances dates back much longer—and so do calls for companies to take responsibility. As industrialization progressed, it became increasingly clear that corporations did not just generate wealth but could also cause detriment. Under-pinned by a growing scientific understanding, environmental movements began criticizing mass consumption, turning the former sign of prosperity into a case of environmental destruction.[49]

In 1972, the Club of Rome's first major report, **The Limits to Growth**, sold millions of copies worldwide. In the 1980s, a rise in business ethics scandals and disasters like the Union Carbide Bhopal explosion in India drew even more public attention to corporate wrongdoings. They propelled U.S. President Ronald Reagan to call upon the private sector to incorporate more responsible business practices.[50] By 1992, there were at least seventy different definitions for "sustainable development"—by 2007, there were over three hundred.[51]

But it took a while before this newfound awareness led to an adaptation of the legal framework. Instead, corporations increasingly exploited limited liability, outsourcing their risky ventures to poorly financed subsidiaries. They lobbied against regulation and responded to the growing social outcry with voluntary but largely performative CSR measures. Even these responses were demonized by neoliberal economists, who argued that CSR stood counter to a business's primary objective: making as much money as possible for the shareholders.[52]

But as the crisis began to escalate, legal and political frameworks finally responded. The United Nations Global Compact was established in July of 2000 to "insert universal values into the markets."[53]

It is a voluntary initiative encouraging businesses worldwide to adopt sustainable and socially responsible policies, based on ten universal principles in areas such as human rights, labor, the environment, and anti-corruption. The same year, the UN adopted the Millennium Development Goals. That started a period of increasingly strict sustainability regulation. Courts "pierced the corporate veil" more often, putting aside limited liability and holding shareholders or directors personally liable for corporate missteps.[54]

[49] A History of Corporate Social Responsibility, Oxford University Press 2014.
[50] For the business scandals of the 1980s, see https://hbr.org/1992/01/crime-greed-big-ideas-what-were-the-80s-about.
[51] See Latapí Agudelo et al. (2019). International Journal of Corporate Social Responsibility, 4(1), 9.
[52] Chan Smith, D. (August 15th, 2020). How Milton Friedman Read His Adam Smith: The Neoliberal Suspicion of Business and the Critique of Corporate Social Responsibility. Modern Intellectual History, https://www.cambridge.org/core/journals/modern-intellectual-history/article/intellectual-history-of-milton-friedmans-criticism-of-corporate-social-responsibility/C126A32BDDF35994207EA6141AAC7FA8#article. Available at SSRN: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3674604.
[53] See Latapí Agudelo et al. (2019) 4:1 International Journal of Corporate Social Responsibility, 9.
[54] See Akey, P., & Appel, I. (2021). The Limits of Limited Liability: Evidence from Industrial Pollution. The Journal of Finance, 76(1), 5–55. And Millon, D. (2006). Piercing the Corporate Veil, Financial Responsibility, and the Limits of Limited Liability. Emory LJ, 56, 1305.

The tide is turning. Today, ever stricter supply chain laws reverse the burden of proof and demand sustainable entrepreneurship.[55] The Oregon County lawsuit cited at the beginning was the first to name not just major oil and coal companies as defendants but also the consulting firm McKinsey & Company. McKinsey has worked for at least 43 of the 100 largest corporate carbon polluters since 2010. These companies, "when accounting for the customers who use their products, were responsible for more than 36 percent of the planet's greenhouse gas emissions from fossil fuels in 2018."[56]

According to Ben Franta, senior research fellow and head of the Climate Litigation Lab at Oxford University, targeting a consulting firm that works for fossil fuel clients may be just the beginning of efforts to hold those enabling the industry accountable through litigation.[57] Other examples, as mentioned above, include The Hague District Court ordering Royal Dutch Shell to reduce its CO2 emissions in 2021—the first climate change ruling against a company[58]—and another Dutch court ruling that a "greenwashing" lawsuit against the air carrier KLM could proceed.[59]

Increasing Societal Pressure

These developments are part of a major societal transformation. Rapid technological advances, charged-up geopolitical competition, escalating environmental degradation, and an ongoing crisis of democracy have led to a sense of turbulence, danger, and unpredictability often described as "VUCA"—volatile, uncertain, complex, and ambiguous.[60]

Companies are deeply affected by these developments. An often well-informed and -organized public—or, depending on your personal views and the specifics of each case, a disinformed, loosely coordinated mob—is putting their activities under intense scrutiny. That makes risk and reputation management more demanding as corporate licenses to operate can be called into question at any moment.

But it is not just companies with vast environmental footprints or pioneers of cutting-edge technology that are affected. Every company is subject to some form of negative externality. Candy companies beloved by children can come under attack because of changing dietary expectations. You can provide your services to the sick and the dying—but if your clinics are in the wrong country at the wrong political moment, your top executives and press officers will face some tough questioning.

Companies that lobby for their interests with a no-holds-barred approach or deceive the public are stoking these fires. Just like their critics, they are blurring the boundaries between the market, politics, and an outright culture war. But luckily, there is a far more promising, constructive, and sustainable path.

[55] e.g., for the EU: The Corporate Sustainability Due Diligence Directive (CSDDD), https://commission.europa.eu/business-economy-euro/doing-business-eu/sustainability-due-diligence-responsible-business/corporate-sustainability-due-diligence_en.
[56] See https://www.penguinrandomhouse.com/books/634029/when-mckinsey-comes-to-town-by-walt-bogdanich-and-michael-forsythe/.
[57] Franta, B. (2022). Weaponizing Economics: Big Oil, Economic Consultants, and Climate Policy Delay. Environmental Politics, 31(4), 555–575.
[58] https://www.clearygottlieb.com/news-and-insights/publication-listing/dutch-court-orders-shell-to-reduce-emissions-in-first-climate-change-ruling-against-company.
[59] https://www.reuters.com/business/aerospace-defense/greenwashing-lawsuit-against-klm-can-proceed-dutch-court-2023-06-07/.
[60] https://hbr.org/2014/01/what-vuca-really-means-for-you.

The Age of Corporate Citizenship

All companies have economic, social, and environmental effects on the world. Forward-thinking companies take responsibility for these consequences—the good and the bad, the intentional and the unintentional. They establish responsibility and sustainability as management principles and actively seek out their stakeholders to report about their societal contribution and the state of their transformation. We have a name for such companies that don't duck the demands of the "Great Transformation": We call them Corporate Citizens.

Research shows that companies that live up to these values are not just a force for good but also thrive in the marketplace. Asking questions like "Is my supply chain ethically sourced? Are my recruiting efforts inclusive and my policies compliant? Do my company's products have the potential to improve lives?" is not just a way to reduce risk and maintain your license to operate. It is a strategy to drive innovation, transform your industry, and gain a substantial competitive advantage.[61]

After all, the transition to a more sustainable economy is not just something a few companies might do if they are up for it and the weather is nice. In the words of the Boston Consulting Group, it "is a race—one that has already begun and is quickly accelerating."[62] Climate action alone will provide vast business opportunities as the green transition spans every region and value chain.[63] The winners will capture the value becoming available in this newly forming competitive landscape—while the losers are likely to fade into history.

And yet, many companies still have not made their way to the starting line. They think it is enough if they keep running their charitable foundations or their long-established corporate social responsibility programs. But it is not, as the Boston Consulting Group points out:

"Today, it's not enough for companies to pursue societal issues as a side activity. Instead, they must use their core business—and the scale advantages it offers—to create both positive societal impact and business benefits. The result can be a more reliable growth path, a reduced risk of negative, even cataclysmic, events, and most likely, increased longevity."[64]

That is what Corporate Citizenship does.

[61] https://www.bcg.com/alumni/rethinking-the-role-of-business-in-society.
[62] https://www.bcg.com/publications/2022/winning-strategic-race-to-sustainability.
[63] https://www.oliverwyman.com/our-expertise/insights/2020/oct/climate-change-is-an-opportunity-for-business-to-thrive.html.
[64] https://www.bcg.com/publications/2017/total-societal-ipact-new-lens-strategy.

RELATED CONCEPTS

Corporate Social Responsibility: A Preliminary Response

The roots of responsible corporate behavior stretch back as far as the 1880s, when the industrialist Andrew Carnegie, one of the richest Americans in history, began thinking about the last years of his life and giving away almost 90 percent of his fortune. Yet it wasn't until the 1940s that businesses, not their owners, could support charities. The American economist Howard Bowen is often cited as the "father of Corporate Social Responsibility." In his 1953 book **Social Responsibilities of the Businessman**, he writes that "[t]he unrivaled freedom of economic decision-making for millions of private businessmen, which characterizes our free enterprise system, can be justified not if it is good merely for the owners and managers of enterprises, but only if it is good for our entire society." Corporate Social Responsibility, however, was voluntary and largely focused on businesses "giving back" to society. The absence of any indication of what CSR could do for a company and its shareholders opened the concept to harsh critiques by authors like Milton Friedman. They felt CSR ran counter to a business's primary objective: making as much money as possible for shareholders.

Stakeholder Capitalism: The WEF Approach

Following the COVID-19 pandemic and the crises surrounding it, Klaus Schwab, founder and chairman of the World Economic Forum (WEF), asked how it would be possible to (re-)build a better global economy. He argued that the sole focus on shareholder returns advocated by neoliberal thinkers like Friedman had been a mistake. Instead, a company should consider all stakeholders its business. In his model, government, business, and individuals collaborate, longer-term planning replaces short-sighted presentism, and better measures of success allow the world to move beyond a myopic focus on GDP and short-term profits.

Total Societal Impact: Sustainability as Strategy

The method introduced by Boston Consulting Group establishes clear links between nonfinancial and financial performance and demonstrates how societal impact can benefit shareholder returns over the long term by improving margins and valuation multiples. Total Societal Impact captures the full economic, social, and environmental impact of a company's products, services, operations, core capabilities, and activities.

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OPPOSING CURRENTS:

THE DYNAMICS OF PROGRESS AND BACKLASH

In recent years, sustainability seemed to have become an established principle in the corporate world. Companies began to advertise the sustainability of their products, measure their own impact on the world, and develop measures to leave it as positive as possible. While Fridays for Future, as a mass movement from the streets, placed climate change at the top of the social agenda, politicians tightened regulations and standards for a more sustainable economy. Companies largely followed this path, often setting more ambitious targets than those demanded by regulators.

But now the zeitgeist has changed. The path to more corporate responsibility is not a straight line. Milton Friedman's paradigm is back from the dead. Some claim that ESG is bad for stock prices. But there is no solid evidence that sidelining ESG improves them.[65] This development originates in the U.S. In August 2024, fourteen Republican state treasurers asked the Business Roundtable[66] to "abandon the fatally flawed" stakeholderism mantra and "return to the purpose of maximizing value" for shareholders.[67] The question of corporate responsibility has become part of the culture war in the USA, and many Republican-led states, such as Texas, label anything that harm the interests of traditional domestic industries as "woke."

Management consultancy Bain & Company analyzed the 2030 emissions reduction targets of 1,883 international businesses, which disclosed commitments to reduce their Scope 1 and 2 emissions in 2023 to the Carbon Disclosure Project. Of these companies, 36 percent were "well" or "slightly" behind on plans aimed at allowing them to meet their targets. Meanwhile, of the 1,000 that disclosed Scope 3 commitments, 51 percent were "well" or "slightly" behind where they should be.[68]

Just as there was a bottom-up movement (Fridays for Future) and a top-down approach (stricter regulation) towards more sustainability and responsibility in companies, the backlash is also affecting companies in the form of a pincer movement. In Texas, for example, a law was passed that prohibits public contracts with banks and companies that have taken measures against oil companies. This includes anyone who commits to applying ESG criteria when investing money.[69] In addition to this movement from above, there is also a bottom-up movement. The most prominent example now is activist Robby Starbuck. He repeatedly identifies companies that he believes are too "woke" and harasses them online until they stop their "woke" activities. In particular, he focuses on the "Best Places to Work" index organized by the LGBTQ advocacy organization Human Rights Campaign.

This cultural battle is raging against the motorcycle manufacturer Harley-Davidson. The accusation that Harley-Davidson sponsored events for queer bikers and that employees allegedly had to attend training courses on topics such as diversity caused a stir in right-wing circles. In the wake of the campaign, Harley-Davidson announced that future sponsorships would be limited to the "loyal motorcycling community, rescue workers, soldiers and veterans."[70] The company Tractor Supply responded similarly to online criticism, and announced in a statement at the end of June 2024 that they would "[e]liminate DEI roles and retire our current DEI goals while still ensuring a respectful environment" and "withdraw our carbon emission goals and focus on our land and water conservation efforts."[71]

In addition to DEI issues, measures to combat climate change have also been targeted. Although companies are bowing to this criticism, they do not appear to be returning completely to Friedman's dogma. Tractor Supply has abandoned measures to reduce emissions, but it still defines land and water conservation as part of its responsibility. Topics labeled as "woke" may be rejected, but corporate responsibility is not abandoned as such.

But even this toned-down version of corporate responsibility is too much for some. Investors are currently working on the establishment of a new stock exchange in Texas, which is being advertised as the antithesis to Wall Street. "Less bureaucracy than NYSE and Nasdaq," promises Texas Governor Greg Abbott. The stock exchange in Texas "will be a place [where] the only agenda is capitalism."[72]

One of the companies involved in setting up the stock exchange is BlackRock, the world's largest asset manager. It was its CEO, Larry Fink, who in 2020 sent a letter to companies

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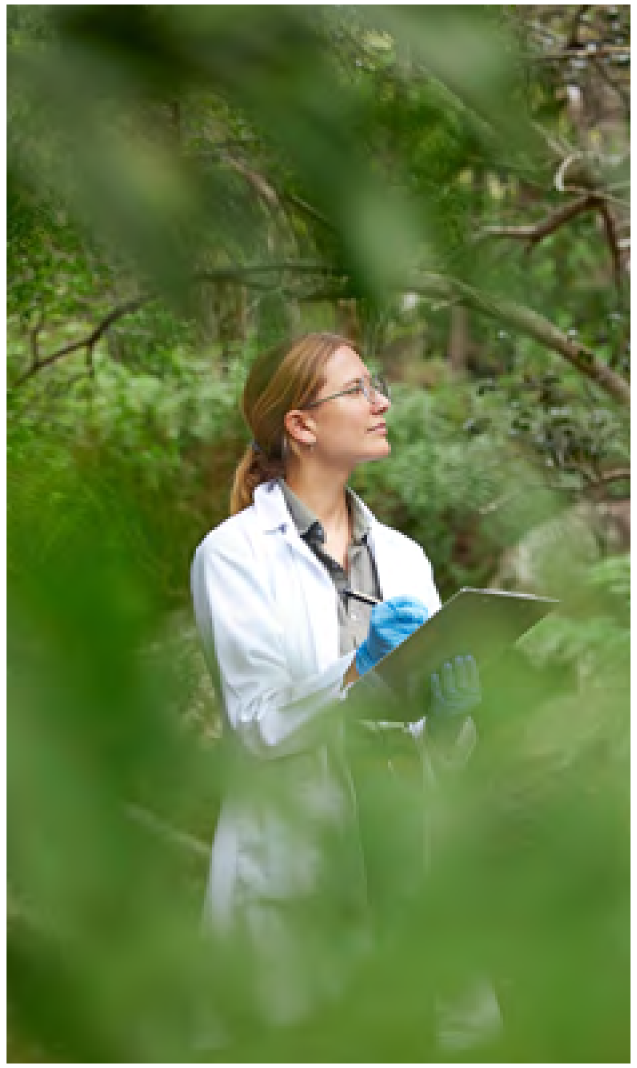
[65] Moving Beyond ESG (hbr.org).
[66] The Business Roundtable is a nonprofit lobbyist association based in Washington, D.C., whose members are chief executive officers of major U.S. companies. The Business Roundtable has stated in the past that companies should act for the benefit of all their stakeholders.
[67] State treasurers to Business Roundtable: focus on shareholders not woke activism | Fox Business.
[68] https://www.bain.com/globalassets/noindex/2024/bain_report_the_visionary_ceos_guide_to_sustainability-2024.pdf
[69] https://www.bloomberg.com/news/articles/2024-03-20/why-texas-is-banning-blackrock-citi-other-banks-over-esg-investing.
[70] https://www.capital.de/wirtschaft-politik/harley-davidson--deutscher-ceo-loest-shitstorm-unter-konservativen-aus-35000070.html.
[71] https://corporate.tractorsupply.com/newsroom/news-releases/news-releases-details/2024/Tractor-Supply-Company-Statement/default.aspx.
[72] https://www.spiegel.de/wirtschaft/texas-milliardaere-wollen-neue-boerse-in-dallas-aufbauen-gegen-wall-street-und-gegen-wokeness-a-d4f84bec-03ee-44fd-b279-15c3ede39beb.
[73] https://www.blackrock.com/corporate/investor-relations/2020-blackrock-client-letter.



in which BlackRock has a stake, explaining that sustainability would be at the heart of its investment approach.[73] At an event in 2023, however, he stated that BlackRock would move away from a focus on ESG.[74] In general, investors have shown a declining interest in ESG criteria.[75] Various surveys show that the topic of environmentally friendly investing no longer plays as big a role for many as it did at the height of movements such as Fridays for Future in 2019/2020.[76]

But even if some may rejoice, the issue of corporate responsibility, the integration of responsible practices into business models, and stakeholderism will not disappear. There is ample evidence that the allegedly "pure" capitalism of the past, always a mirage, was based on foundations, not least fossil fuels, that are being exhausted[77]. Most investors are aware of this too. After all, they must calculate the risks that geopolitical conflicts, climate damage, or protests pose to their investments. And ignoring your stakeholders poses enormous risks for a business.

What is true for investors also applies to managers. In a report by Deloitte, around 70 percent of senior executives expected climate change to have a major impact on their company's strategies and processes within the next three years. Accordingly, 85 percent of managers said they had increased investment in sustainability in the past year—compared to 75 percent the year before. An overwhelming majority of respondents (92 percent) believe that their company can grow while reducing its greenhouse gas emissions.[78]

ESG may be facing a backlash, and other issues may overshadow the socio-ecological transformation, but this will not stop it. On the contrary, the current backlash exacerbates the risks in the future. There is no ideal moment for a socio-ecological transformation: Political, social, and economic conditions could always be better and, unsurprisingly, such a transformation triggers counter-movements. But the underlying issues will not disappear. And comprehensive Corporate Citizenship is the best way for companies to deal with them.

[74] https://www.zeit.de/wirtschaft/geldanlage/2024-01/esg-nachhaltigkeit-investoren-finanzbranche/seite-2.
[75] https://www.handelsblatt.com/finanzen/maerkte/aktien/investieren-rendite-ohne-ruecksicht-interesse-an-nachhaltiger-geldanlage-gesunken/100067339.html.
[76] https://www.faz.net/aktuell/finanzen/geldanlage-ist-esg-zu-woke-geworden-19924443.html.
[77] https://www.faz.net/aktuell/feuilleton/debatten/nachhaltigkeit-und-demokratie-die-gestaltung-der-naechsten-moderne-19886524.html.
[78] https://www2.deloitte.com/content/dam/Deloitte/de/Documents/Deloitte-2024-CxO-Sustainability-Report_Global.pdf.

DEVELOPING CORPORATE CITIZENSHIP:

WHAT EXECUTIVES MUST KNOW

Corporate Citizenship is an open concept, not a cookie-cutter-approach. It must always be developed from the company in question and cannot be applied like a template. The concept must be applied to each company's individual realities.

To do this, companies need to define their position within the current transformation. The impact of the drivers of transformation (planetary boundaries, technological advancements, geopolitical and societal disruptions) on the company, and the impact of its business activities on the drivers, must be considered. Finding the corporate position in the transformation is not a choice, but largely determined by external factors, which should be approached from three directions:

- What effect does the transformation have on our business model?
- What effect does our business activity have on the transformation?
- What do our stakeholders expect from us?

Or, to break the questions down further:

- How can we take responsibility for ensuring that our business model continues to work in the future?
- How can we shape our business model in such a way that we take responsibility for a positive development of the transformation?
- What responsibility is attributed to us?
- What is our actual responsibility?

If these questions can be answered, you develop your Corporate Citizenship and identify relevant fields of action on this basis **(Where do we have a responsibility for a positive outcome of the transformation? Where do we have a responsibility for our business?)**. The starting point here is the actual effect that the drivers have on the business model and, vice versa, the effect the business model has on the drivers. Various methodologies must be applied for the analysis, which must, firstly, determine whether certain areas are affected and, secondly, to what extent **(How does the transmission affect our business model and how does our business model affect the transformation?)**.

A current example is the increasing number of political statements made by companies in the run-up to elections at the state, federal, or European level. Traditionally, elections were a field in which companies did not get involved. However, if we look at the societal drivers of the transformation, such as the crises of democracy, we can identify both the responsibilities of companies and also the challenges for their business models. For example, companies have a major influence on their workforce. In surveys, they regularly receive high approval ratings for questions about trust and leadership,[79] and programs to strengthen the democratic culture in companies are on the rise.[80]

However, as a central pillar of the social system, companies also have a responsibility to ensure that social inequalities, which are considered a risk to democracy, do not become too great. Moreover, it is true that employees from companies with works councils generally have higher approval rates for democracy than employees from companies without works councils.[81] Employers and companies therefore not only have a responsibility here in addition to their business activities, but also have a very direct influence through business decisions.

And companies are increasingly realizing that it is vital for them to use this influence. They need a political framework to do business. For example, they have an interest in ensuring that the country in which they operate is attractive for skilled workers. They can completely outsource the responsibility for this to the political system, but more and more companies are realizing that they also need to contribute (see below).

Corporate Citizenship should not be based on the areas in which a company already excels and feels comfortable, but on those where adjustment will produce the biggest result **(Where do we have the biggest impact?)**—either by reducing negative effects as much as possible or by trying to increase the positive effects. The associated implications may vary greatly and even lead to drastic adjustments to the business model. After all, the core business generally has the greatest effect on the transformation, but is also confronted with the greatest pressure to adapt **(How can we integrate this into our business model?)**. That is why comprehensive Corporate Citizenship does not mean making a positive contribution to transformation in addition to business activities, but rather achieving this with business activities.

This also creates consistency between communication and action. It allows companies to communicate goals and activities authentically and massively reduces the accusation of

[79] https://de.statista.com/statistik/daten/studie/1283706/umfrage/vertrauen-in-institutionen-in-deutschland/; https://www.stern.de/gesellschaft/umfrage--deutsche-haben-wenig-vertrauen-in-die-politik--34434518.html.
[80] https://www.bc4d.org/.
[81] https://www.boeckler.de/de/boeckler-impuls-betriebsrate-starken-die-demokratie-45778.htm.

greenwashing (or other types of false claims). It is essential to establish consistency between communication and actions and to demonstrate this transparently **(How can we prove our ambitions?)**. Not only does the public expect more from companies, but it is also more critical of the statements they make. Nevertheless: Transparency beats perfection and hurdles in the process can, and should, be communicated. It is not about acting immediately in an ideal way, but about recognizing how you can have the most positive influence possible on the transformation, understanding this as a (business) opportunity and implementing it.

Corporate Citizenship developed in this way is derived from a company's actions and therefore has a greater effect, greater credibility, and greater authenticity in communication. Ultimately, this is what a company's Corporate Citizenship must be measured against: Does it encompass the central fields of action of the transformation, and is it integrated into the business strategy as well as derived from it?

Practicing good and comprehensive Corporate Citizenship is thus not about being as "green" as possible. Such an assessment would ultimately make no sense, as companies that produce heavy emissions, for example, can also fulfill a societal function, but will never come close to the low emissions of a non-producing company. This is why a model is needed that measures how companies are positioned in relation to the transformation, irrespective of such indicators. A company that generates heavy emissions but has an ambitious plan that integrates all fields of action can thus be rated better than a company that generates no emissions but chooses to rest on its laurels.

In many contexts, a Corporate Citizenship may be too complex or too abstract to have immediate use in communications. However, as a platform for societal engagement, it serves as a starting point for corporate communication. From the positioning within the transformation, an identity, a mission statement, and a path for action can be developed, which incorporates all communications into the larger framework of citizenship. If it is then a matter of presenting a new product, for example, this can be accomplished with the help of a comprehensive Corporate Citizenship as a credible part of a company's path through the transformation. In the same way, positioning regarding issues is also derived from Corporate Citizenship. On the one hand, this serves to guide further action, but above all it ensures that one can also communicate authentically regarding such challenges.

Corporate Citizenship is therefore neither a pure communication tool nor an exclusive component of business strategy: It is the link between the company and the social context in which it operates. With its help, we can find answers to the questions that society is increasingly asking companies.

NAVIGATING THE GREEN REPORTING TRANSITION:

A VIEW FROM BRUSSELS

By Jane Gimber

The EU's leadership has been a driving force behind sustainable finance legislation. In less than a decade, sustainability reporting in the EU has shifted from a "nice to have" to a mandatory requirement: Companies must now report on sustainability metrics across a wide range of activities.

To give a sense of this sea change, just under 50,000 companies will now have to undertake a materiality assessment regarding over 80 sustainability ESG reporting standards and report on over 100 economic activities. Over the next few years, companies will also have to conduct detailed due diligence across certain parts of their supply chain, facing potential civil liability charges for a failure to mitigate negative environmental impacts.

These policies' names—such as the EU taxonomy and due diligence reporting—may be familiar.

The breadth of reporting requirements facing companies in the EU and beyond has the potential to build strong foundations of credible, authentic ESG data. The challenge now is helping companies to implement these changes in an efficient and value-driven way.

Where are We Today?

Let's rewind 7 years. At the time, the recently introduced Non-Financial Reporting Directive marked an important first step towards reporting on broad non-financial issues and represented a significant change from the long-standing EU voluntary approach to CSR reporting.

Fast forward to today. No fewer than 10 sustainable finance-related regulatory frameworks are being implemented or in the process of being legislated. The entirety of the financial services value chain—from data provider to end consumer—is impacted.

Zooming in on disclosure rules for the financial sector—the Sustainable Finance Disclosure Regulation (SFDR)
The SFDR focuses on product and entity-level disclosure of sustainability matters for the financial sector. It requires companies to disclose due diligence policies on potential negative sustainability impacts.

Establishing a common definition of sustainable activities—the EU Taxonomy
The EU Taxonomy is the framework that defines when an activity can be considered environmentally sustainable. In order to be considered as such, an economic activity must make a substantial contribution towards either climate change mitigation, climate change adaption, protection of water resources, promotion of a circular economy, pollution prevention and control, or biodiversity.

Broadening the choice of sustainable products—changes to MiFID, IDD, UCITS, AIFMD, and Solvency II
These changes strengthen product ESG governance requirements and outline specific criteria to meet clients' sustainability preferences. These products include certain thresholds, such as a minimum proportion of taxonomy-compliant sustainable investments and a minimum proportion of SFDR-compliant sustainable investments.

Strengthening ESG disclosure rules—the Corporate Sustainability Reporting Directive (CSRD)
The EU has introduced significant and ambitious changes to its sustainability reporting framework, by requiring more granular reporting (through sustainability reporting standards) on the impact of ESG factors on companies, as well as on the companies' impact on the environment and society, referred to as "double materiality." EU-specific sustainability reporting standards are being developed for which companies will need to make disclosures to fulfill their requirements under the CSRD.

Legislating ESG ratings
The demand for ESG ratings and related data products and services is increasing as awareness of sustainable finance grows. The EU's ESG ratings legislative framework increases transparency for ESG ratings and scores without aiming to interfere in the methodology used. Consideration is also being given to rules on conflicts of interest and pricing, and the introduction of fines when fees are not reasonable, transparent, non-discriminatory, and cost-based.

Strengthening due diligence across the supply chain—Corporate Sustainability Due Diligence Directive (CSDDD)
Under the CSDDD, companies will be required to identify, prevent, mitigate, and potentially put an end to their adverse environmental and human rights impacts across their value chain. Companies are also required to adopt a climate transition plan.

Channeling finance towards green investments—the EU Green Bond Standard (EU GBS)
The EU GBS framework aims to establish a "gold standard" which will contribute to the harmonization and further growth of the green bond market. The EU has come forward with a voluntary framework for the issuance of EU Green Bonds that links the use of proceeds to sustainable activities defined by the Taxonomy Regulation.

Challenges and Opportunities

Many see the introduction of decision-useful ESG data as positive and necessary. Yet given the size of the step change in a short space of time, it is unsurprising that many companies are looking upon the implementation of the ESG reporting landscape as a significant challenge and are increasingly calling for the streamlining of existing and future disclosure requirements.

The availability of ESG data represents a key consideration. Investors' initial focus on ESG disclosure has produced an informational asymmetry between the financial sector and corporates. The EU's Sustainability Reporting Standards will go some way towards alleviating this gap, yet we can expect a reliance on data estimates and third-party information providers in the short term as companies source the data now required.

The development of sector-specific standards will further help to close this gap. Expected for 2026, these standards will focus on more specific disclosure requirements across identified sectors, such as road transport, food and beverages, textiles, mining and energy production, and utilities.

There is an important consideration here for greater alignment between international reporting standards and the EU's framework, which can play a key role in helping to establish a global approach for sustainability reporting.

EU specific characteristics will of course need to be considered, taking into account the particular nature and demands of the EU's regulatory framework.

One example is the corporate disclosure requirements stemming from the EU Taxonomy. In a nutshell, any company within the CSRD's scope must report on the extent to which their activities are Taxonomy-aligned, across Capex, Opex, and turnover. Such disclosure requirements cannot be replicated at the international level and will need significant resources to ensure data availability and accuracy.

The complexity of compliance is in some cases rendered even more so, due to a lack of clarity concerning concepts relating to sustainable finance and sustainable objectives and characteristics. This is particularly relevant in the context of financial sector disclosure under the SFDR, where efforts to provide transparency over the investments underlying sustainability-related funds has resulted in divergent interpretations. Efforts to remedy this are underway with a proposal to review the EU Regulation expected in the next mandate.

Finally, the forthcoming measures on corporate sustainability due diligence (CSDDD) will require companies to take a more detailed look across their supply chain activities, in order to ensure that international conventions on human rights and environmental matters are not violated. Companies will also have to put in place transition plans to guarantee that their business model and strategy are compatible with the 1.5 degrees Paris Agreement scenario.

Challenges, however, present opportunities. The EU's sustainable finance framework has undoubtedly created a toolbox of measures that will go a long way to providing a comprehensive picture of sustainability trajectories and investment opportunities. Ensuring a practical, comprehensive approach to ESG data and reporting is a valuable step in helping assess the risks and opportunities that companies across all sectors face to decarbonize.

A Growing Focus on Transition Finance

The focus on corporate transparency takes on renewed importance as policymakers turn to the need for transition finance.

The example of the best-in-class Taxonomy framework has been a useful reminder that implementing a one-size-fits-all approach remains impossible. In fact, the detailed disclosure requirements have shown the importance of comparable and accessible information. This in turn can help both companies and investors to plot a realistic path towards decarbonization—one of the key roles of sustainability reporting.

The Commission's recent paper on transition finance recognized this fact. The need to set clear and credible transition targets based on science-based pathways is one of the pillars it recommended to companies seeking transition finance.

Supported by a focus on transition-related financing instruments, this is a vital opportunity to ensure that companies can meet credible targets being set for sectoral decarbonization pathways.

So Where Do We Go from Here?

ESG reporting is a strategic imperative. There is little doubt today that ESG-related risks and opportunities can have a concrete impact on a company's bottom line. It also goes without saying that not every company will be impacted in the same way. Recognizing the different challenges that companies within and across sectors are facing will help enhance the value of sustainability-related disclosure, and the actions that ensue.

Those shaping the future development of sustainability reporting should also strive for a common understanding of key terms and definitions. Closer alignment can facilitate the accessibility and usability of such information.

There is no doubt that the new reporting rules will require many global corporates to significantly increase their data collection and disclose more details on their sustainability journey than ever before. As the implementation of the EU's agenda-setting reporting frameworks gets underway, companies should prepare for the specific changes ahead, including how such increased disclosure will open a much larger window onto sustainability communication, risk management, marketing, and business strategies.

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ON THE RISE:

THE FUTURE OF CORPORATE RESPONSIBILITY IN EUROPE

To examine how the challenges described above are dealt with in corporate practice, the following section studies the Corporate Citizenship of companies based in Europe. This is based on the definition of Corporate Citizenship laid out below—even if different companies use different concepts and language. Corporate responsibility is evidently an issue for companies, and one of ever-rising importance. Even if many companies do not use the term "Corporate Citizenship" itself, they are demonstrably trying to develop it.

There is a need for corporations to position themselves as corporate citizens within society. They need to show stakeholders that they provide added value beyond profits. The more ambiguous a company's social added value, it seems, the more concerned said company is with demonstrating it.

In doing so, they often do not act strategically, but develop tactical CSR measures. Increasingly, however, these CSR measures are supplemented by activities that go beyond this concept. In the cases examined here, these are geopolitical factors that have become more important because of the Russian war of aggression against Ukraine. Political concerns are much more present than in our previous Corporate Citizenship study—though still not at the same level as environmental factors.

The Framework: Understanding Corporate Citizenship

All companies examined here recognize the requirements and demands that shape their environment. But the conclusions they draw from this differ significantly. This is not only due to different business models, but particular to whether and, if so, how companies define their own responsibility in various fields of action. Establishing a form of comparability here thus necessitates a detailed definition of Corporate Citizenship, as well as the framework in which companies must operate.

The context in which companies operate today is complex. The changes highlighted above are by no means merely theoretical but have serious and tangible implications for businesses (and everyone else). Corporate decision-makers are increasingly noticing that the external conditions under which they operate are changing rapidly and are affecting the daily business more and more, creating the need to adapt the business strategy accordingly.

Societal developments such as the reaching of planetary boundaries, advancing technological disruptions, geopolitical conflicts, and crises of democracy pose challenges for companies, forcing them to adapt their own business activities, review their own effects on these developments and society, and position themselves in relation to them. These developments are

driving our society's Great Transformation. They affect society as a whole and are felt by every individual.

The crises of democracy are visible as a corporate field of action that is becoming increasingly relevant. However, in the cases examined they play only a minor role. We made a similar observation in our last Corporate Citizenship study regarding geopolitical factors, which received little attention at the time before experiencing a massive, but also very ad hoc, increase.

Companies integrate dimensions of responsibility that are highly relevant in the public discourse, yet they are reluctant to integrate those that have a major impact on them, or on which they have a major impact, but which do not play an important role in the discourse. Such opportunism, however, poses a risk.

Companies are affected by this transformation while simultaneously having a huge influence on it. Such societal developments as a whole blur the boundaries between social systems. The economic system is becoming less and less capable of distinguishing itself from other social systems. Not only is the increased complexity reducing the political system's ability to manage these issues, but stakeholders are also demanding that companies fill this gap. Stakeholders expect companies to interpret their corporate responsibility beyond economic calculations. Companies must recognize these demands and design their business models to meet them. What happens in the economic system has more and more influence on other areas of society—and vice versa. Today's crises are dynamic and complex, rendering even established structures volatile.

To meet the increased social demands, companies need a strategy that defines their role within the transformation and guides the necessary changes. Companies need to understand the drivers of the transformation and its consequences for their own business model in order to adapt it in such a way that shareholders may benefit while the company's activities affect said transformation as positively as possibly. This is the only way companies can reconcile their pursuit of profit with their sociopolitical role.

Conversely, companies also need a sociopolitical framework within which they can pursue their business's goals. For example, companies are (also) dependent on good education for their employees, the protection of intellectual and material property, or, more fundamentally, being able to conduct their business in peace.

The Crises of Democracy

We wrote our previous study, published in 2022, in a context where genuine political issues played a secondary role to climate change on the public agenda. However, it was already quite evident that these issues would rise in relevance. This phenomenon can now be observed both in geopolitical conflicts and in the serious domestic and systemic threats to liberal democracy. According to The Economist Intelligence Unit's report "Democracy Index 2023," less than 8% of the world's population lives in a full democracy,[82] while almost 40% live under authoritarian rule. In 2023, the average global score fell to its lowest level since the index began in 2006.[83]

This democratic turmoil is evident wherever you look in the Western world. In 2022, Meloni's right-wing coalition won the Italian elections.[84] The Netherlands and Finland followed suit, with the Dutch anti-Islam PVV (Party for Freedom) rising to power[85] and the election of the most far-right Finish government since the Second World War.[86] Similarly, the Swedish government currently relies on support from right-wing populists to maintain power.[87] This steady growth of the right could also be seen in the European elections of June 2024 as well as state elections in three East German states in September 2024.[88] But this trend is more than just a European issue. Not only does the potential reelection of former President Trump raise concerns, but the phenomenon is equally noticeable in countries like Argentina, where right-wing anti-establishment candidate Milei won the presidential election in late 2023.[89] Corporations have occasionally responded to this turmoil, as when Dutch businesses began to advocate for an open labor market in the face of a rising PVV and public opinion turning against immigration.[90] On the European level, a notable alliance of airlines—comprising Lufthansa, Eurowings, Austrian Airlines, and Brussels Airlines—publicly demonstrated their commitment to the European idea with a campaign titled "Yes to Europe."[91] The campaign was launched ahead of the European elections in June 2024, featuring EU-branded airplanes as well as public statements supporting European ideals.

In Germany, the developments following the Correctiv research collective's report on the meeting between right-wing extremist activists and politicians from the Alternative for Germany (AfD) and entrepreneurs at the beginning of January 2024[92] are a good example of this as well.

One of the meeting's participants was an investor in the catering sector and, among other things, a shareholder in the German "Hans im Glück" burger chain. However, the burger chain decided to part ways with him because of the reports. The company cultivates an image of mindfulness and openness that is incompatible with the plans discussed at the meeting.[93]

There may have been a time when companies could have followed Milton Friedman's motto—"The business of business is business." There would have been half-hearted explanations that the invitation to the event was a private matter and that it was neither on behalf of nor in the name of the company. But such a strict separation between business activity and socially relevant and debated topics can no longer be maintained, because the demands placed on companies go far beyond the quality of their products or the size of their turnover.

There was also a broad reaction from the entire business community.[94] Trade unions were already familiar with taking positions against right-wing extremism, but the number of statements from trade associations, employers, companies, and large corporations that have positioned themselves against right-wing extremism can be seen as a novelty. Many

[82] Norway, New Zealand, Iceland, Sweden, Finland, Denmark, Ireland, Switzerland, the Netherlands, Taiwan, Luxembourg, Germany, Canada, Australia, Uruguay, Japan, Costa Rica, Austria, United Kingdom, Greece, Mauritius, South Korea, France, Spain.
[83] https://www.eiu.com/n/campaigns/democracy-index-2023/.
[84] https://www.theguardian.com/world/ng-interactive/2022/sep/25/italian-election-2022-live-official-results.
[85] https://de.statista.com/statistik/daten/studie/1424806/umfrage/ergebnis-der-parlamentswahl-in-den-niederlanden-2023/.
[86] https://www.zeit.de/politik/ausland/2023-08/finnland-rechtsruck-ps-regierung-rechtsextremismus.
[87] https://www.sueddeutsche.de/politik/schweden-regierung-ulf-kristersson-schwedendemokraten-1.5676488.
[88] https://ecfr.eu/publication/a-sharp-right-turn-a-forecast-for-the-2024-european-parliament-elections/.
[89] https://edition.cnn.com/2023/11/19/world/argentina-vote-milei-massa-nov-19/index.html.
[90] https://www.bloomberg.com/news/articles/2024-03-27/netherlands-asml-chipmakers-unsettled-by-populism-typified-by-geert-wilders.
[91] https://newsroom.lufthansagroup.com/en/lufthansa-eurowings-austrian-airlines-and-brussels-airlines-say-yes-to-europe/.
[92] https://correctiv.org/en/top-stories/2024/01/15/secret-plan-against-germany/.
[93] https://www.bz-berlin.de/brandenburg/potsdam-hans-im-gluck-unternehmer-lud-zu-afd-treffen-nun-tritt-er-zuruck.
[94] https://www.fr.de/rhein-main/landespolitik/hessen-wirtschaftsverband-klare-gegen-idee-von-remigration-92798115.html.

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companies have concentrated on making a commitment to open-mindedness and diversity without directly naming a political party. This may be because they are worried about scaring off parts of their workforce or customers. But examples such as the action taken by Michael Lewis, head of the energy group Uniper, show that this perspective is continually shifting: He clearly named the AfD as a party whose positions he rejects outright.[95]

In the past, associations, entrepreneurs, and other business representatives have generally made political statements when certain policies directly impacted on their economic activities. This was the case, for example, when taxes and social security contributions rose, energy prices increased, or certain areas were regulated. Today, these groups recognize more and more that their role has changed, and they increasingly position themselves as sociopolitical players. This is because the developments pose risks for their business activities, which they also try to mitigate using such statements. Even if some entrepreneurs find certain parts of the AfD's radical, economically liberal approach interesting, the party's policy of national isolation and desire to reverse international agreements present an enormous risk for companies.[96] This is especially the case for Germany, as its economy is still largely based on exports, and it faces the pressing problem of a shortage of skilled workers, which cannot be adequately addressed without immigration.

Companies are also forming alliances that were previously hardly imaginable in this form. In the run-up to the European elections, for example, the alliance "Wir stehen für Werte"[97] ("We stand for values") was founded in Germany, bringing together large companies from different sectors. The alliance is campaigning for voter turnout and the defense of fundamental democratic values in the course of the 2024 European elections. Together with the trade unions, which expressly support it, the alliance has a wide reach and can generate attention. In addition, the companies together have enormous leverage through their employees. The alliance unites 1.7 million employees who can be reached directly, via mediums such as internal channels, and who have a trusting relationship with their employer. This influence underlines the political responsibility that companies have. The "Made by Diversity" campaign, in which more than 120 family businesses have now joined forces and which emphasizes the importance of employees from different backgrounds, is also comparable.[98]

Companies have a responsibility to the state and to society that goes beyond just providing jobs and paying taxes. It is no longer the case that companies can consistently demand improved economic conditions from politicians without being prepared to do their part and make a clear, unequivocal commitment to the values and conditions that are necessary precursors for these economic conditions. Business representatives are increasingly demanding such commitments.[99]

Geopolitics

In Germany in particular, a strict distinction was often drawn between political and economic interests. Despite numerous warnings from Western partners, economic ties with countries such as Russia and China were strengthened. This is particularly surprising given the fact that the entrepreneurial and reputational risks posed by geopolitical crises are immense. The necessary break with Russia was therefore not as unpredictable as many companies framed it. However, it only played a subordinate role in their risk assessment.

But even without raging war(s), companies are operating in tense environments.[100] While some stakeholders call for an end to cooperation with authoritarian regimes, the respective governments threaten to stop imports if companies position themselves too strongly against them. Hence, companies are faced with two opposing sides making strong demands that are politically motivated and cannot be satisfied simultaneously, putting them in a difficult position. The BASF partner company, Markor, is suspected of having spied on Uyghurs in China through its employees.[101] Although BASF claims to have no knowledge of this, the case exemplifies how companies can get caught between the demands of different stakeholders.

The comfortable separation of business and politics was very convenient for companies and approved by politics. This was also the case after the Russian annexation of Crimea in 2014, which made it clear that Putin is willing to enforce his interests with brute force. Nevertheless, the political dimension of the business relationship continued to be ignored, making reference to the "primacy of politics." This outlook completely turned on its head following the launch of the Russian war of aggression against Ukraine, on February 24th, 2022. This shift can be partly explained by the uncertainties stemming from sanctions and other legal gray zones. However, although a company's decision to continue its business activities in Russia may be legal under certain conditions, the argument that it is "just business" no longer seems to suffice. Strict legal compliance is no longer enough to protect a company's reputation.

Changes in Russian legislation or political measures could affect the business environment and increase the risk of companies losing their investments or encountering legal

[95] https://www.spiegel.de/wirtschaft/afd-und-rechtsextremismus-die-wirtschaft-wacht-auf-a-1ecacdeb-9e16-4aa4-9e87-ddb3b063496d.
[96] https://www.fr.de/wirtschaft/afd-vorschlaege-fuer-die-wirtschaft-wuerde-vieles-noch-schlimmer-machen-92447001.html.
[97] https://www.wirstehenfuerwerte.de/.
[98] https://madebyvielfalt.com/.
[99] https://www.zeit.de/wirtschaft/2023-12/afd-wirtschaft-unternehmen-bundesregierung-auswirkungen.
[100] https://www.ft.com/content/50c01dd8-0888-41dd-92b7-369ba80be3b2?accessToken=zwAGEX4h4uuYkc9QwB3YCIhB3dOStzabqAvjsg.MEQCIHk7ALvldARX-14AL8PPn2vyg4L9VLURYf6wvP2XdD1PmAiBEspvHqQa-UUEssRIrwZzQ22Ax3VHL61kTLzFEX_GCHQ&sharetype=gift&token=01a53d11-f030-421d-a009-1b1547d-8b4e5.
[101] https://www.zdf.de/nachrichten/wirtschaft/unternehmen/basf-uiguren-xinjiang-china-100.html.

problems. The unstable economic situation in Russia may cause companies to reduce their investments or withdraw from the Russian market in order to avoid losses and maintain their financial stability.

There are also ample reputational risks. Those who continue to produce, do business, and make investments in Russia are financing and equipping a violent regime. This view has become increasingly widespread among more and more stakeholders. Company responsibility has been clearly identified in this instance, as Russia is dependent on trade relations with the West in economic, technological, and (not least) military terms.

Shortly after the war began, the so-called Yale List attracted a great deal of attention. It details Western companies that have decided to continue their business relations with Russia.[102] Some companies manage to justify their continued involvement in Russia by stating that they provide medical products or food.[103] However, there are also several companies whose continued presence in Russia puts them in a position to constantly need to defend their stance.[104,105,106,107]

Technological Advancements

Accelerated technological progress presents companies with challenges that we discussed under the term "Oppenheimer moment." Companies have a responsibility to consider the potential social impact of their technologies. At the same time, they contribute to societal progress through their innovative strength and often develop the solutions that are needed to meet the challenges of transformation.

The use of artificial intelligence is becoming increasingly sophisticated, and we still cannot fully grasp the impact that technologies like this will have on our lives. Apple uses glasses to merge reality with virtual and augmented reality. Gene editing, i.e., the targeted modification of the genetic material of living organisms, continues to be a dynamic and rapidly developing field of biotechnological research. The increasing militarization of the world will further accelerate technological progress, and it will (also) be the responsibility of companies to ensure the technologies they develop are used for good.

Ideally, companies should ensure that their technologies have no harmful effects on people, societies, or the environment. They must guarantee that the development and application of these technologies is based on ethical principles. Companies should communicate transparently about the development, functionality, and potential impact of their technologies. In addition, they should implement accountability mechanisms to make sure that their technologies are used responsibly.

Technologies are morally agnostic: They are neither good nor bad[108] For example, digitalization can help to make knowledge more easily accessible, generate prosperity, and speed up processes. However, it also increases the opportunities for repressive measures such as surveillance and propaganda. The use of artificial intelligence is expected to lead to enormous progress in medical research. At the same time, AI used in surveillance cameras, already common in China, has led to the term "AI-tocracy."[109]

Something that has been discussed for some time and which is particularly relevant in a "super election year" like 2024 is the responsibility of large technology companies regarding the dissemination, identification, and labeling of disinformation. Although it has been an issue for some time, the increasing use of AI is making it even more pertinent.

Even if the technology companies have long been engaged in bitter battles with policymakers over how much responsibility they actually bear and how much regulation is needed, they cannot avoid recognizing their responsibility, at least in part, and implementing appropriate measures.

At the Munich Security Conference in February 2024, 20 leading technology companies signed the "Tech Accord to Combat Deceptive Use of AI in 2024 Elections."[110] In it, they commit to measures to counteract the spread of disinformation. However, it remains to be seen whether the commitment will ultimately lead to concrete results.

Planetary Boundaries

Climate change has long dominated the debate on planetary boundaries. Today, the focus is less and less on stopping climate change and more and more on mitigating the risks of the emerging climate crisis. In recent years, the debate on planetary boundaries has also expanded to include biodiversity. According to the World Economic Forum, more than 50 percent of the global gross domestic product is dependent on the services provided by nature and therefore also on biodiversity.[111]

Biodiversity and climate change are closely linked. Shifts in the climate can affect biodiversity by altering habitats, changing species distributions, and destabilizing ecosystems. Conversely,

[102] https://som.yale.edu/story/2022/over-1000-companies-have-curtailed-operations-russia-some-remain.
[103] https://www.hessenschau.de/wirtschaft/humanitaerer-spagat-so-rechtfertigt-b-braun-seine-geschaefte-in-russland-v1,russland-geschaefte-b-braun-melsungen-100.html.
[104] https://www.reuters.com/business/retail-consumer/auchan-denies-opening-new-store-russia-says-rebranding-existing-one-2023-03-12/.
[105] https://www.business-humanrights.org/en/latest-news/russia-auchan-allegedly-supports-soldiers-fighting-in-ukraine-despite-french-management-denials-recent-investigation-reveals-more-proofs/.
[106] https://www.reuters.com/markets/europe/ecb-pressures-austrias-raiffeisen-bank-quit-russia-sources-2023-03-23/.
[107] https://www.ft.com/content/0df0617c-bb98-4185-b57c-422c8d34d52f.
[108] Schwark S. (2003). Politische Macht und das Internet. In: Rogg A. (eds.). Wie das Internet die Politik verändert. Wiesbaden: VS Verlag für Sozialwissenschaften.
[109] https://news.mit.edu/2023/how-ai-tocracy-emerges-0713.
[110] https://securityconference.org/en/aielectionsaccord/.
[111] https://initiatives.weforum.org/financing-for-nature/home.

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biodiversity can help to mitigate the effects of climate change by making ecosystems more resilient to change. Biodiversity also plays a crucial role in the provision of ecosystem services that are essential for human well-being and the economy. This includes the provision of food, clean water, air quality, climate regulation, pollination of plants, and much more.

Now that the vast majority of companies have already positioned themselves in some way with regard to climate change, the importance of biodiversity has received increasing political and social attention in recent years. Overall, the debate on climate change has broadened to include biodiversity, as the understanding of the complexity and interdependencies between these two issues has grown. The integration of biodiversity into climate change mitigation and adaptation strategies is crucial to protect both ecosystems and human health and well-being. Expectations of companies are growing as climate change loses its dominant position and other challenges become relevant as well. Additionally, many companies have a substantial dependency on nature in their operations, highlighting the importance of considering biodiversity in business practices.[112]

In 2022, the consulting firm McKinsey conducted a study and concluded that 83% of the 500 companies with the highest turnover in the world have climate targets, but that only 5% have biodiversity targets.[113] This will not be possible for much longer, as the biodiversity crisis is moving up the agenda and will also increasingly entail regulatory intervention. Targets, measures, and reporting activities by companies can be expected in the near future, and new reporting methods have already been developed.[114]

[112] https://www.spglobal.com/esg/insights/featured/special-editorial/how-the-world-s-largest-companies-depend-on-nature-and-biodiversity.
[113] https://www.mckinsey.com/capabilities/sustainability/our-insights/where-the-worlds-largest-companies-stand-on-nature?stcr=C2BD34AAE49A42F687EB25AEE8BBB650&cid=other-eml-alt-mip-mck&hlkid=2f3041d1eb8749d599c0794703335f48&hctky=11329756&hdpid=d265c624-be2f-42ee-a28e-f2884e434f76.
[114] https://www.globalreporting.org/news/news-center/transparency-standard-to-inform-global-response-to-biodiversity-crisis/.

CORPORATE CITIZENSHIP AS

A GUIDING PRINCIPLE IN THE TRANSFORMATION

The Great Transformation is accompanied by a decline in the ability of politics to manage crises. The major social issues can neither be solved at the level of nation states alone nor exclusively by politics. Joint efforts by politics, society, and business are necessary to overcome these challenges. This changes the responsibility, and the demands placed on all actors in- and outside the political system. Companies must not only fulfill their responsibilities, but also provide transparent information on how they are doing so. It is not enough to adhere to the legal requirements. To an increasing extent, stakeholders expect more insight into the impact that companies have on the world, making them key players in tackling current and future challenges.

In circumstances in which the transformation is noticeable for everyone and the demands placed on companies are increasing, obtaining the license to operate is becoming an increasingly complex challenge. To gain and maintain the trust of stakeholders, companies must visibly position themselves as authentic players within the Great Transformation and assume responsibility for society as a whole. To achieve this, they must coordinate stakeholder expectations and demands, corporate identity, and the social and entrepreneurial challenges posed by the transformation. A fitting combination of sustainability measures, corporate and social responsibility, corporate identity, value creation, and communication strategy is essential in order to maintain the "license to operate."

Under these conditions, traditional CSR campaigns are no longer sufficient to maintain this license. Instead, the definition, implementation, and communication of Corporate Citizenship becomes business critical. It anchors the new challenges and opportunities arising from social developments in strategy and communication and establishes responsibility as a management principle.

Such a comprehensive Corporate Citizenship requires a comprehensive analysis and strategic focus on responsibility and the reporting of a company's overall impact on society. However, while almost all companies claim "responsibility" as a central element of their business activities, the implementation differs significantly.

The sector or size of a company is thereby irrelevant. The decisive factor is whether the company identifies the areas of activity in which it has significant impact on society and how well it succeeds in integrating the most positive, yet value-creating, effect possible into its business activities.

The model of Corporate Citizenship opens a perspective for corporate leaders that allows their company to define and position itself as an actor within society. It makes it possible to recognize moral, reputational, and long-term economic risks in advance. This requires a holistic perspective on corporate responsibility. Such a perspective does not start with the topics that are currently under discussion, but with those in which a company has a particularly large impact on society. It must permeate a company completely and therefore cannot be outsourced to a single department. Corporate responsibility is a management task.

One way of managing the resulting uncertainty is to use management commitments to guide decisions. Covestro, for example, uses the so-called "People, Planet, Profit" principle. All the company's decisions and activities should take the "three Ps" into account. All decisions should have a positive effect on at least two of these, and no negative effects on any.[115] Such principles may not be particularly precise, but they nonetheless provide a framework within which stakeholders can ultimately demand transparency from Covestro.

Corporate Citizenship is not a marketing tool but must be anchored in corporate identity. It requires an honest commitment to generate real effects. For this commitment to be seen as credible, it must be derived from the role that the company plays in the transformation. This means that a company must know its effect on the transformation as well as the effects that the transformation has on it.

On the one hand, the measures must cover all areas of action; on the other hand, they must focus on those aspects where the company has the greatest impact due to its business activities. They must be linked to measurable targets so that the efficiency of the initiated processes can be continuously monitored. Ideally, the financial effects can also be measured. It is not about implementing as many measures as possible, or the most spectacular ones—rather, it is about realizing those with the greatest possible effect.

[115] https://www.covestro.com/en/sustainability/what-drives-us/covestros-commitment/commitment.

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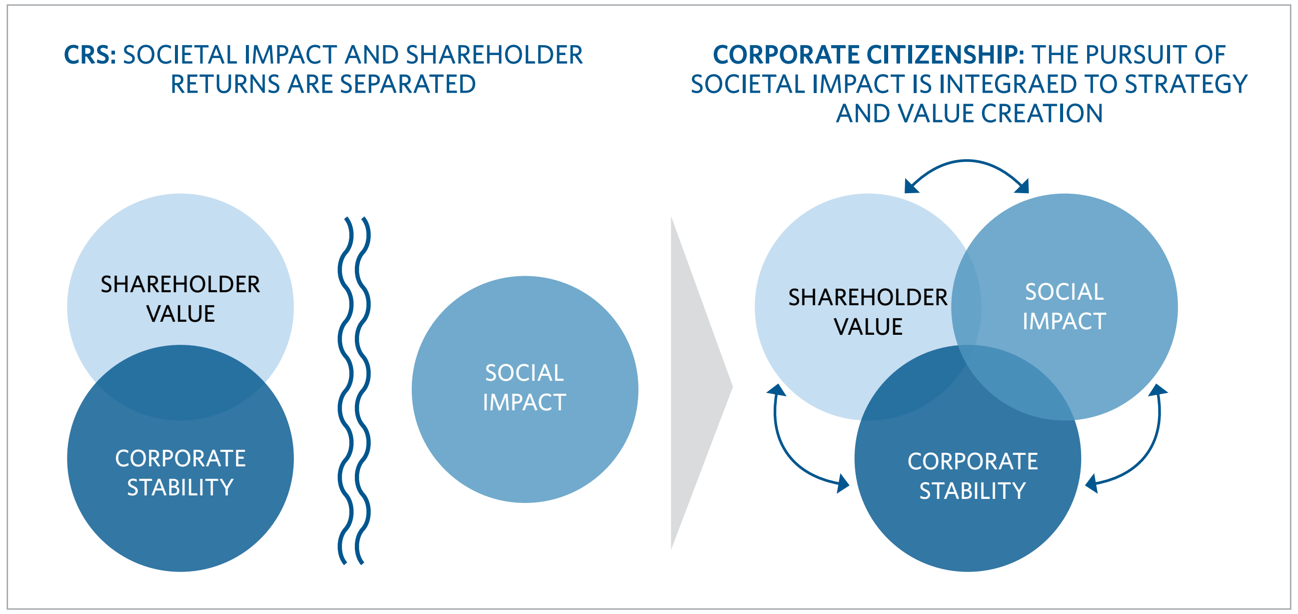
CORPORATE CITIZENSHIP AS

COMPREHENSIVE SUSTAINABLE BUSINESS MANAGEMENT

For a long time, sustainability and responsible business practices were terms that mainly appeared in niche discussions. This has changed fundamentally in recent years. They are now used as buzzwords in almost all economic, social, and political debates, and sustainability is seen as a proposed solution to the enormous challenges facing societies around the world.

In the following chapters, we use a concept of responsibility and sustainability that goes far beyond the ecological dimension. It seeks to integrate the developments of the Great Transformation mentioned above. Essentially, sustainability describes a company's ability to generate longterm profits by adapting to changing conditions. However, the company must shape its own influence on these conditions in such a way that the foundations for social prosperity in the present and future are not jeopardized but strengthened. The understanding of what corporate responsibility and sustainability mean is subject to constant negotiation processes and therefore requires communication. Sustainability communication of companies goes far beyond reporting activities and is always part of the practice of defining the understanding of corporate responsibility and sustainability.



https://media-publications.bcg.com/BCG-Total-Societal-Impact-Oct-2017.pdf

The Boston Consulting Group (BCG) has developed the concept of Total Societal Impact (TSI)[117] to measure a company's overall impact on its environment. The TSI does not measure this impact in specific dimensions, but rather how the overall positive and negative impact of a company and its entire value chain on society should be assessed. This operationalization goes beyond the usual ESG indicators and integrates, for example, the social benefits of products that a company offers. As a result, companies using this model do not focus on what is currently being discussed under the label of sustainability, but instead concentrate on those measures that have the greatest positive impact on society and their own value creation. In this way, the inherent contradictions of the concept of sustainability can be at least partially reflected. For example, the end of fossil energy production will necessitate a loss of jobs, and new storage technologies require rare raw materials, the extraction of which is associated with follow-up costs.

Only by looking at the overall effect does it become clear whether a company's activities generate a positive or negative balance for society. Sustainable action does not stem from the addition of dimensions—rather, it is located at the intersection of the various dimensions.[117] It is not about showing activism, but about linking entrepreneurial success and responsible and sustainable business measures. The TSI motivates companies not to focus on as many projects as possible, but to concentrate on those areas that correspond to their own expertise and business, offer potential for new value creation opportunities, and have the greatest possible positive impact on society. But

[116] https://media-publications.bcg.com/BCG-Total-Societal-Impact-Oct-2017.pdf.
[117] Elkington, J. (1997). Cannibals with Forks: The Triple Bottom Line of 21st Century Business. Oxford: Capstone.

the TSI is just one aspect that needs to be considered when determining a company's commitment to sustainable practices and shaping the transformation. Defining sustainable action and corporate responsibility and making them measurable and comparable by means of key figures is necessary to be able to adequately evaluate the extent to which companies are attempting to make a positive impact on society.

The WEF has formulated a comprehensive approach that interprets sustainability with a focus on long-term value creation and incorporates several of the vital dimensions detailed above. It identifies four fields of action: Prosperity, Governance, People, and Planet.[118] It is a comprehensive approach based on the GRI reporting standard that interprets sustainability with a focus on long-term, non-financial value creation and the use of clearly defined key figures.[119] In this study, just like in its previous edition, we use this framework to evaluate the commitment of companies to sustainability and the integration of this commitment into their business models.

We transparently detail the methodology used in this study—including case selection, data collection, and evaluation—in the methodology chapter. At this point, it suffices to outline the two dimensions along which we evaluate the case studies: the definition of responsibility and the strategic integration into the business model. Combining these two dimensions results in four ideal types of Corporate Citizenship, which we introduce in the following.

Four Ideal Types of Corporate Citizenship

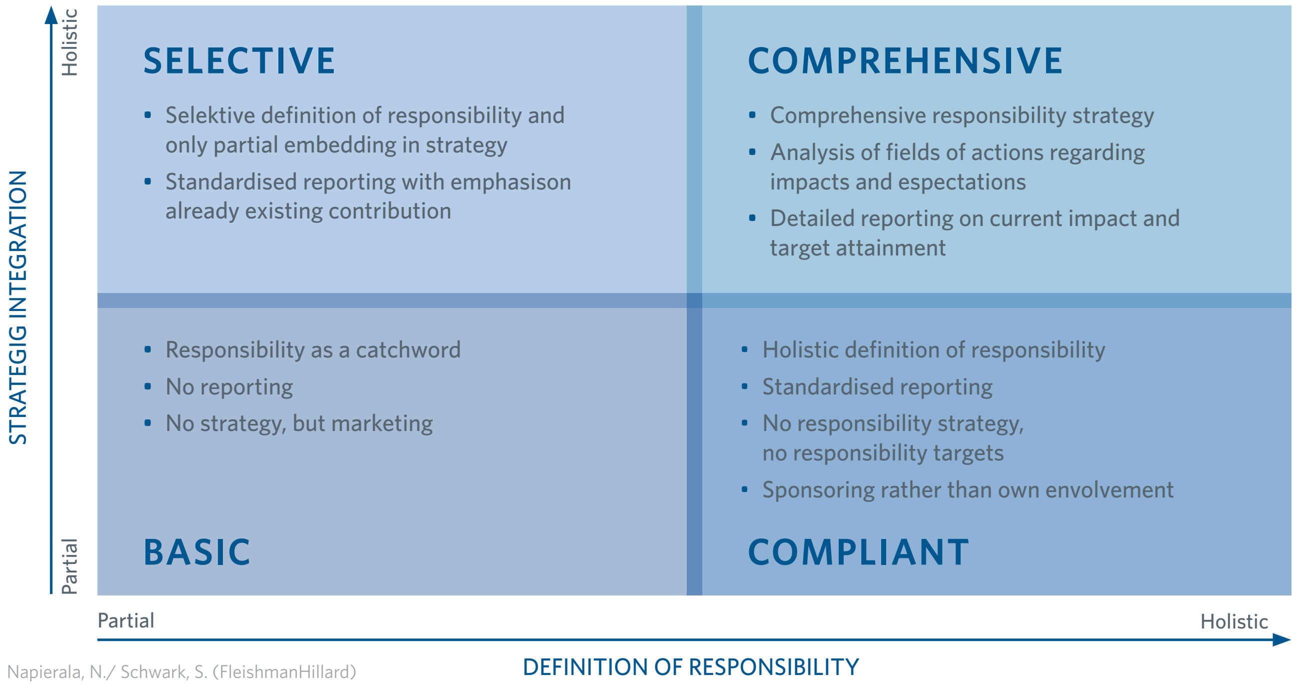
The purpose of the case studies is to examine how companies define, implement, and communicate their Corporate Citizenship in the framework of the current transformation of society. Based on our analysis, we have derived four distinct ideal types of Corporate Citizens. These types serve to provide a basis from which insights can be drawn regarding success factors, challenges, and positive and negative examples. These ideal types are discussed at this point for ease of comprehension, although we analytically developed them after our case analyses.

With this study, we have developed four ideal types to describe the degree to which companies are fulfilling their Corporate Citizenship responsibilities. The determining factor here is not what companies produce, but how they identify what their social responsibility is, how they define their Corporate Citizenship, and, finally, how they implement and communicate the corresponding strategies.

1. Comprehensive Corporate Citizenship

We give the designation of "comprehensive" Corporate Citizenship to those companies who approach the Great Transformation by taking responsibility and having the ambition to positively shape it. This includes ensuring that the impact of their business activities on society going forward will be as positive as possible. Responsibility in this sense is derived based on all the effects a company has on society (Total Societal Impact – TSI).

Companies that fall into this category pursue a business strategy that is derived from this responsibility, outlining clearly defined, measurable goals for all fields of action. These goals are not limited to individual areas of the company. Responsibility is also embedded into their overall business strategy, and incorporated into all areas of operation (e.g., production,



Napierala, N./ Schwark, S. (FleishmanHillard)

[118] For further details on the fields of action, see the methodology section.
[117] https://www3.weforum.org/docs/WEF_IBC_Measuring_Stakeholder_Capitalism_Report_2020.pdf.

supply chain). The implications of business activities on the environment are also considered in all these areas, with the effects on society recorded and measures taken to reduce as many of the negative impacts as possible.

The strategy and objectives are subject to regular adjustments. These alterations may be necessitated by changes in the company's environment or due to the attainment of goals. To shape the TSI in the most positive way possible, it is important for companies to see this as a goal that is never truly achieved. TSI, much like economic growth, does not just end at a certain point; it is essential to always keep improving it.

An overarching vision for the company's future and its contributions to the major transformation is essential as it serves as a narrative that links the measures and communication formats together. These companies do not see Corporate Citizenship as a supplement to their business activities, but rather ensure that it is integrated into their corporate strategy. The measures and goals, thus, become not just conditions for obtaining their "license to operate," but also create new potential for value creation.

These companies are not successful *despite* their efforts for responsibility, but because of them. Through linking responsibility and economic success, Corporate Citizenship gains credibility and the company gains resilience. The task, hence, is to identify how the TSI and the company's success can be positively shaped together. Ideally, the company constantly considers the drivers of the transformation and other crucial trends and developments. Part of the strategy focuses on influencing these drivers as positively as possible, insofar as they affect business activities. The goal is shaping the transformation by adapting business activities to it.

The basis for this is the creation of a reporting method that is initially based on established standards. Eventually, the company creates transparency and strategic decision-making abilities that extend beyond the norm. This is done by providing additional key figures that can more precisely determine the company's individual impact. These figures can either be industry or company specific and provide further information on the impact of the company's activities on society. Obstacles and negative effects are also communicated to recognize one's own potential for action and to make it clear that sustainability and responsibility are not just regarded as a marketing tool, but as essential for the company's trajectory.

Companies with a comprehensive Corporate Citizenship aim to shape the development of society amidst the Great Transformation. They are aware that this requires as many players as possible. Therefore, they participate in various networks to establish and develop industry-specific and independent standards that have a positive influence beyond the realms of their company. To ensure that the expectations of a company's own stakeholders are integrated into the strategy, these stakeholders are included in the drafting of the Corporate Citizenship concept. Their expectations and aspirations can be used to identify central fields of action in which both the company's own influence and reputational risks are particularly high. By identifying these expectations, it is also possible to develop ideas regarding how one's own business activities can help their stakeholders operate, produce, consume, or live more responsibly themselves.

To give as many stakeholders as possible the opportunity to use the information provided, reporting should take place in a form that appeals to broad target groups. Various channels and formats can be used for this purpose.

Based on our analysis, Santander emerges as an excellent example to illustrate Comprehensive Corporate Citizenship. The bank, which has significant international activities, is very advanced in its development of Corporate Citizenship. It has resumed responsibility for all fields of actions: They are holistically defined and meaningfully integrated into the core business strategy. But Santander goes further and also manages to create a multiplier effect, which allows it to help its stakeholders live more sustainably as well. That is to say, Santander has carved out the ambition to positively affect the transformation on the one hand and identified an effective way to do so on the other.

2. Selective Corporate Citizenship

Companies whose Corporate Citizenship is defined as "selective" are characterized by defining their responsibility in only one or two fields of action or within a single driver of the transformation. Their definition does not include all relevant aspects. Although their strategic integration can be high, not all fields of action that are relevant to the company are mentioned. Hence, the strategy fails to encompass all the company's areas of influence.

In their communication, their self-selected aspects are emphasized, while others are omitted or defined as less relevant. Hence, the strategic integration does not cover all areas of the company, but only those that are most relevant for the self-selected aspects. The business model of such companies may be strongly linked to their sustainability strategy. In fact, these companies tend to claim to be particularly sustainable, even if this claim can only be substantiated using the company's own definition. However, due to the substantial number of certifications schemes available today, some of which only focus on specific aspects, these claims can now increasingly be substantiated externally.

Additionally, although reporting can be based on current industry standards, the specific aspects chosen are those that the company has defined as the most important for the company in its endeavors, without making it apparent why this is the case. Since the focus is typically on an area of action in which the company is already well positioned, communication emphasizes the contributions that have already been made and says little about how the company will improve in other areas of action in the future. Thus, the strategic orientation can be remarkably high, but the holistic nature of the definition of responsibility is low. One of the primary reasons for this is the insufficient or selective weight of stakeholder input on definitions.

BioNTech is a good example of selective Corporate Citizenship, as the analysis of the company reveals. The university off-spin with its strong academic credentials has quickly risen to become a household name in Germany thanks to its successful vaccine development against COVID-19. Its high degree of specialization has led BioNTech to focus its commitment specifically on one selected field of action, Prosperity. In doing so, the company acts with high visibility and strategic intent. Regarding the other three dimensions of responsibility, it only shows an underdeveloped definition and level of integration. This makes BioNTech count as a selective Corporate Citizen, one who concentrates on its prime field of action—for now.

3. Compliant Corporate Citizenship

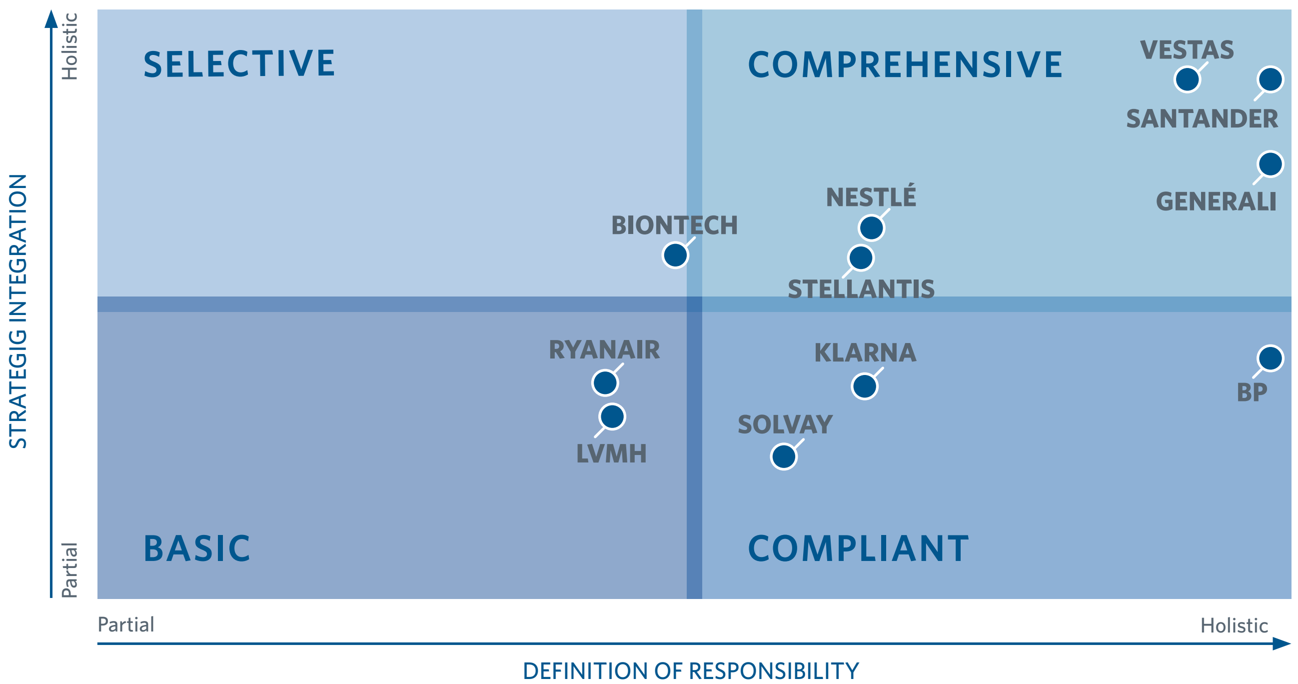
The Corporate Citizenship of companies that fulfill legal requirements as well as transparency expectations of stakeholders, but do not clearly define their responsibilities and, at best, derive and pursue a minimally recognizable sustainability strategy, one integrating only the very fundamentals, is considered "compliant."

These companies emphasize the importance of corporate responsibility and sustainability, report according to common standards, and in some cases even go beyond this. However, the company draws no conclusions regarding its strategic orientation from the key figures collected. It interprets its own role within the Great Transformation passively. Therefore, the definition of sustainability may be holistic, but the strategic orientation toward acting responsible remains rather low. Although the company conducts isolated measures and activities, they are not linked together, and (above all) are not the result of clearly defined goals that make the strategy readily apparent. The actions are thus transparent, but not goal oriented. The company meets basic expectations, but does not exceed them.

The company's own Corporate Citizenship is not clearly defined, and its own responsibility is not emphasized in its communications. The company does not see itself as an active shaper of the transformation, but rather as a promoter of activities that are intended to have a positive impact on society. As a result, they sponsor activities and programs to a greater degree than companies in other categories.

Overall, the fields of action are narrowly defined and are not developed holistically. Essentially, social responsibility is interpreted as a supplement to the company's business model and is not directly linked to corporate strategy. There is no clear strategy as to how value can be successfully created through the company's responsible and sustainable business activities; instead, sustainability management is seen as an independent process within the company.

A real-life example of Compliant Corporate Citizenship is BP. The company satisfies legal reporting requirements and in fact reports rather comprehensively, but seemingly stops there: BP is satisfied with meeting legal requirements. As one of the biggest oil and gas companies in the world, BP must feel the public pressure to adapt its business in a meaningful way to curb its obvious effect on climate change. While BP does indeed grow its renewable energy business, the strategic integration into the business model is lacking. BP stays within the legal remits but does not go beyond that. It even scaled back more ambitious climate goals, testifying to a certain degree of compliance but lack of will to lead amongst BP's Corporate Citizenship.



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4. Basic Corporate Citizenship

Companies in this category recognize the importance of sustainability for consumers and use it in their communications for their own advantage. However, they do not have a sustainability strategy, and have very minimal or no reporting. Sustainability serves as more of an abstract concept to which a company commits itself to without clearly defining its own responsibility.

Communication emphasizes the aspects of business activity from which a positive effect on society can be derived, without it being possible to prove this on the basis of any key figures or indicators. Additionally, there are no corresponding targets defined for any of the areas of action.

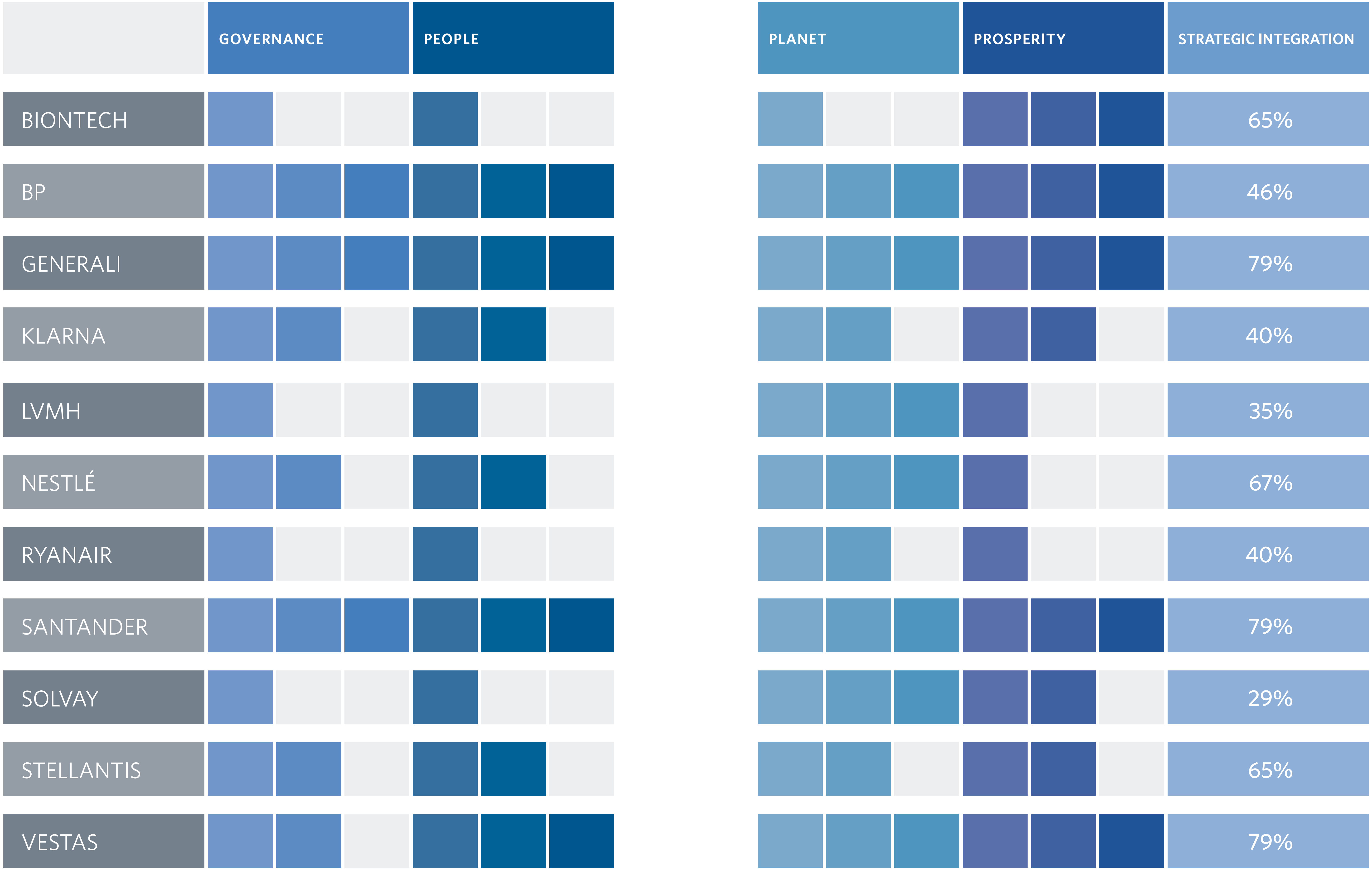
These companies do not invest in measures to increase their sustainability. Any decisions and developments are part of their marketing tactic rather than their corporate strategy. They want to profit from the high demand for "sustainable" products but are unable to provide transparent evidence of how they are or are planning on doing so.

Their reporting is not based on standards and does not allow for the drawing of any conclusions regarding its company TSI. The only available information is what the company claims are positive impacts stemming from their activities. Corporate Citizenship, thus, is not derived from the responsibility and influence of the company, but rather is communicated without a solid foundation. This results in high reputational risk due to large informational gaps.

An example of Basic Corporate Citizenship in this year's study is Ryanair, one of the largest low-cost airlines in Europe. It constitutes a prime example of a patchy definition of sustainability as well as negligible strategic integration. Ryanair can be said to use responsibility claims merely as a marketing tool. As an airline, the company undoubtedly has its greatest impact in the Planet area. Although the company aggressively describes itself as "the greenest and cleanest airline in Europe," it relies primarily on offsetting measures to justify this claim without addressing the massive criticism attached to such methods. Its actual impact plays a subordinate role—especially in other fields of action where controversies are plentiful and reoccurring.

Applied to the companies analyzed in this study, we note a broad distribution across all four ideal types. We have examined some of the largest companies in Europe (or those with sufficient profitability)—those who should feel the growing stakeholder demands the most while also having the necessary resources to respond to them—and they have all developed some form of Corporate Citizenship. While the sample may thus not be representative of all corporations on the continent, it certainly reflects the state of Corporate Citizenship among some of its biggest, most impactful firms across different sectors.

OVERVIEW OF ALL CASES



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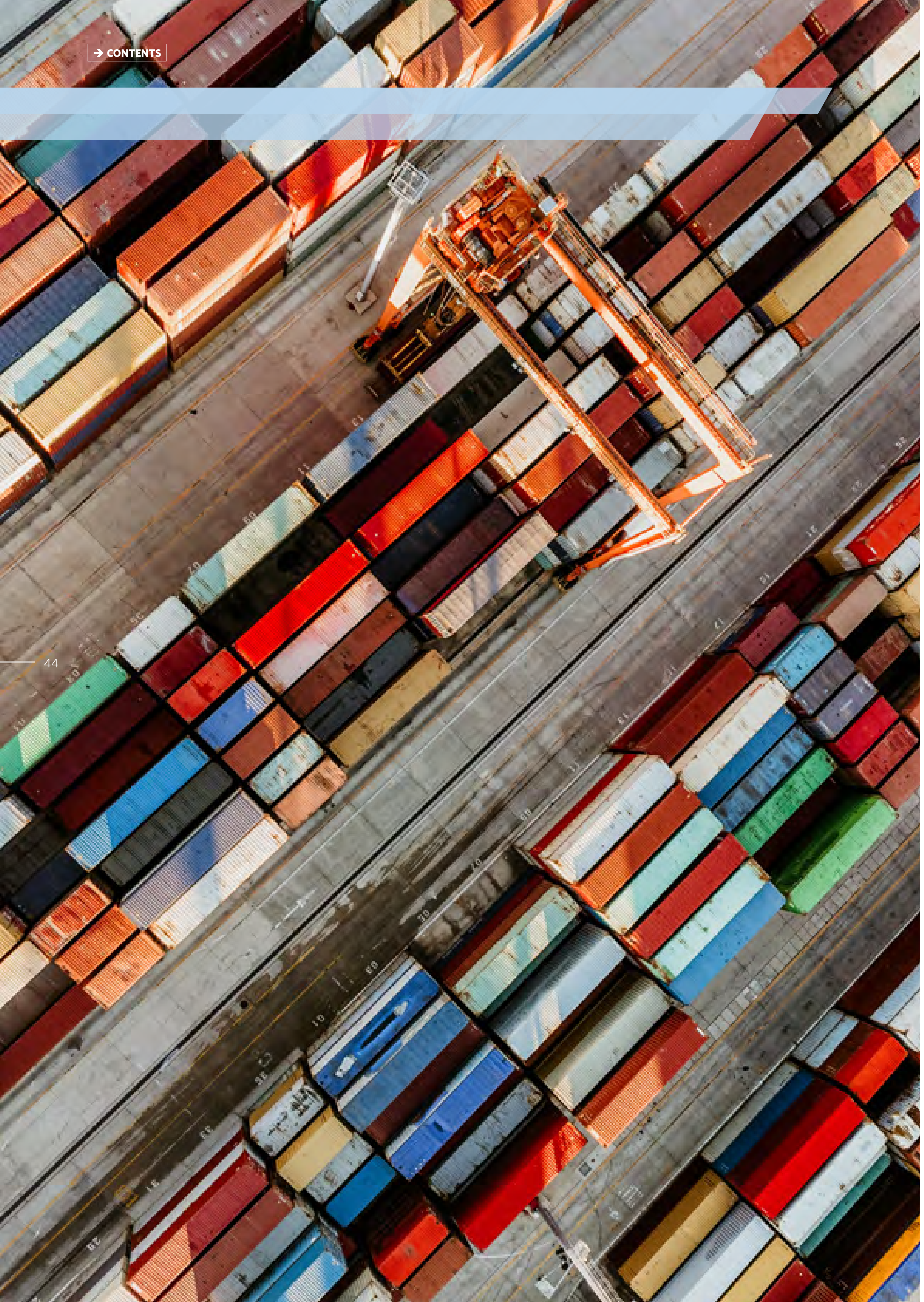


METHODOLOGY:

MEASURING CORPORATE CITIZENSHIP

We conducted our case study analysis using a qualitative approach. The aim was to ascertain how the companies position themselves in the Transformation and how they communicate about it. We assessed the depth and success of their activities based on documents and communication from the companies themselves, like annual reports, but also on external evaluations through different stakeholders and the company's corresponding reputation.

We assigned points to the companies according to pre-defined metrics in two dimensions: their definition of responsibility and its strategic integration into the business itself. The comprehensiveness of their definition of corporate responsibility, i.e., whether it covers all relevant dimensions, and its strategic integration, i.e., whether corporate responsibility is linked to business activities or managed separately from them. From this, we could deduce how a company's Corporate Citizenship is defined and how it is managed. This allowed us to broadly assess which procedures, strategies, and methods have proven to be successful approaches to Corporate Citizenship.

To ensure intersubjective plausibility, we discussed the basis for assessment in detail in the individual case analysis. In addition, each case was reviewed at least by two staff members to check for comprehensibility.

Case Selection

We selected these cases with the goal of representing a wide range of characteristics and industries. The 11 chosen companies are headquartered throughout (Western) Europe and vary not only in country of origin, but also regarding size, ownership model, industry, B2B and B2C business orientation, and the importance they place on Corporate Citizenship issues. The following countries of origin are represented in the sample: Belgium, Denmark, France, Germany, Ireland, Italy, the Netherlands, Spain, Sweden, Switzerland, and the United Kingdom. The industries represented include chemicals, food and beverage, retail, transport, machinery and automotives, biotechnology, financials, insurance, and energy. They represent some of the most meaningful economic sectors and give an illustrative overview of the prevalence of Corporate Citizenship. Despite the obvious differences, we examined all case studies using a uniform analytical model that allows for a direct comparison of these seemingly disparate companies, demonstrating the model's versatility.

Data Collection

The majority of data, collected between August 2023 and April 2024, stems from the official corporate websites and the documents made publicly available on them. These range from material such as annual sustainability reports, annual reports, and environmental reports to topic-specific documents, project reports, and press releases. We use these documents to create condensed descriptions of the strategy towards corporate responsibility, the respective measures so far implemented, and the communication of the strategy and measures for each respective company. These descriptions include identified fields of action, the form of reporting, the goals set for themselves, and the creation of a strategic process for implementation. We also pay close attention to how the company defines corporate and social responsibility, how consistently it links this responsibility to its corporate identity, and which stakeholders it addresses.

We supplement our evaluation of a company's success in implementing its Corporate Citizenship with assessments of external stakeholders and rating agencies. To this end, we collect comparable key figures, such a company's inclusion in a sustainability index, the most recent grade a rating agency has assigned it, or the number or significance of lawsuits brought against it for topics related to Corporate Citizenship. In addition, we conduct desktop research to ascertain how relevant stakeholders position themselves in relation to the companies under analysis. When interpreting the assessments of rating agencies, it should be noted that their inconsistent definitions lead to different credit rating agencies rating the same company differently.[120]

Evaluation

Assessing the Corporate Citizenship of such a wide variety of companies requires the use of categories that are independent of the size or industry in which the company operates. This makes key figures regarding a company's social impact just as unsuitable of a metric for evaluation as the comparison of budgets allocated for this purpose.

To account for this, we do not start our assessment at an operational level; rather, we perform a qualitative content analysis at a strategic one. As mentioned above, two categories are of particular interest in this regard: firstly, the definition of

[120] Berg, F., Kölbel, J. F., & Rigobon, R. (November 2022). Aggregate Confusion: The Divergence of ESG Ratings. Review of Finance, 26(6), pg. 1315–1344, https://doi.org/10.1093/rof/rfac033

[121] https://www3.weforum.org/docs/WEF_IBC_Measuring_Stakeholder_Capitalism_Report_2020.pdf.

responsibility underlying the corporate strategy and action, and secondly, the degree of strategic integration of responsibility into the overall business model.

We derive the criteria used to determine the extent to which a company's definition of responsibility is comprehensive from four fields of action identified by the World Economic Forum (WEF): Prosperity, Governance, People, and Planet. The WEF has formulated a comprehensive approach based on the GRI reporting standard that interprets sustainability with a focus on long-term, non-financial value creation and the use of clearly defined key figures.[121] To this end, the four pillars emerge, each of which can be understood as fields of action for companies that are made measurable on the basis of various aspects. This includes the selection of key figures that are relevant to the company in each specific case, which can be supplemented by self-imposed targets. Commercial goals can also play a role, as profit-orientated aims can increase the credibility of commitments.

GOVERNANCE

Governance focuses on how well the company's management is positioned to find solutions to economic, environmental, and social challenges while at the same time creating added value for shareholders and stakeholders. This includes the extent to which the company is able to monitor risks and opportunities and engage stakeholders, and the number of measures they put in place to foster and fight corruption. Transparency and regular disclosure are also important metrics for this pillar.

PLANET

This pillar is used to determine a company's impact on the environment. If the company fails to provide key figures that can be used to measure this impact, such as CO2 emissions or energy efficiency, this leaves room for stakeholders to fill the information gap with their own estimates. Ideally, companies will provide not only outputs, but the concrete impact these emissions have. Another important aspect here are the risks and opportunities for possible climate scenarios on future value creation for the company.

PEOPLE

A distinction is made here between human and social capital. The former primarily describes the value created by a company's own employees, manifested through their knowledge, skills, and expertise. The latter outlines the quality of a company's relationships with stakeholders. Key figures on health and safety, training, equal hiring opportunities, and renumeration, among other things, are collected to evaluate this category.

PROSPERITY

This pillar differentiates the WEF's approach from others as it includes prosperity and corporate success in achieving the United Nations Sustainable Development Goals (SDGs). The aim is to determine how a company contributes to prosperity in its environment through shared success, innovation, and resilience. Key figures here include tax performance, investment portfolios, and expenditure on research and development.

CORPORATE CITIZENSHIP

GOVERNANCE

Companies are expected to pursue a vision that has a positive impact on society. Corporate management should be guided by this.

SDGs 12, 16, 17

PLANET

The aspiration to protect the planet from degradation through sustainable management and to safeguard the basis of life for present and future generations by taking measures against climate change.

SDGs 6, 7, 12, 13, 14, 15

PEOPLE

The goal of ending poverty and hunger in all its forms and ensuring that all people can realize their potential with dignity and equality.

SDGs 1, 3, 4, 5, 8, 10

PROSPERITY

The goal is to guarantee prosperity and a fulfilling life for all people and to achieve economic, social, and technical progress in harmony with nature.

SDGs 1, 8, 9, 10

Own representation according to http://www3.weforum.org/docs/WEF_IBC_Measuring_Stakeholder_Capitalism_Report_2020.pdf

STRATEGIC INTEGRATION

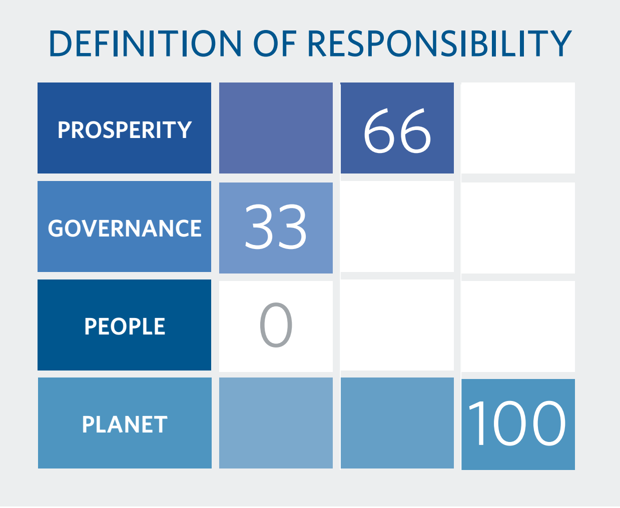
Regarding the integration of responsibility into the business model, the most important aspect is identifying whether the company has a respective strategy that relates to any of its business activities. Implementing individual measures is not enough for a company to achieve high scores for strategic integration. A strategy that consistently links all measures and translates them into a vision for the future of the company is necessary. The idea here is not to think of corporate responsibility as an entity distinct from corporate strategy, but to intertwine the two. This will make evident how companies can use it to generate future profit. Taking this to its logical conclusion, it becomes apparent that the responsible measures must be derived from the company's business activities in all areas of operation (production, administration, etc.) to achieve the greatest positive effect on society.

Assessment

Almost every company today claims to operate responsibly and/or sustainably. The question, therefore, is no longer whether they are, but how. Reporting must also reflect any claims regarding the integration of responsibility and sustainability into business activities. The key assessment criterion is the extent to which a company defines and implements Corporate Citizenship holistically. Identifying one's responsibility, acknowledging it, and living up to it through the implementation of concrete changes can be evaluated and meaningfully compared across industry type and company size. We begin this analysis by examining the manner in which these activities are communicated as an expression of corporate strategy. For both the comprehensiveness of the definition and strategy, we award points for the integration of all relevant fields of action, deriving this assessment from the activities described in the relevant reports and any objectives and measures listed by the company.

To give companies a score for their definition of responsibility, we award points based on their adherence to the fields of action defined by the WEF. We award points separately for each field of action. There are 4 possible scores to be achieved in this regard. If there is no information regarding a field, we award a company 0 points for that sphere (no box). For selective reporting in the field of action, a company receives 33 points (1 box). Selective reporting here refers to the company failing to mention indicators to evaluate its effects in a relevant field of action, or reporting indicators but not treating them as part of the strategy. For reporting that covers all key standardized indicators, we award 66 points (2 boxes). We award the maximum of 100 points (3 boxes) to companies that have a comprehensive report integrating key, standardized indicators and supplementing them with well-defined and meaningful indicators. The points awarded are displayed in a graphic at the beginning of each case study.

Strategic integration is the next dimension considered. We measure it on the ground of three parameters: measures implemented, targets set, and integration into corporate strategy.



For further illustration, we here give a sample case. This diagram represents a company that deals comprehensively with the field of action Planet, addresses the Prosperity sphere in accordance with current industry standards, identifies the Governance sphere as somewhat relevant to their operations, and completely disregards the People field of action.

For each parameter, a total of 100 points can be awarded. For measures, at best 25 points can be awarded per field of action (so a maximum of 100 points for a company with comprehensive measures in all fields of action) and another 25 for comprehensive goals in each field of action (so another maximum of 100 points for a company with comprehensive goals in all fields of action). Selective measures are awarded 12.5 points, and 0 points are awarded to fields of action that do not have any measures or goals in place.

Additionally, 100 points can be awarded for the third parameter, integration into corporate strategy. This is assessed based on how well the areas of action are integrated into the overall corporate strategy. It focuses on the link between measures, targets, value creation, and future investments. Each field of action allows for a total of 25 points; if the field of action is not present in the strategy at all, the case will receive zero points in that category.

Therefore, a company can attain a total of 300 points in the strategic integration dimension. We convert the number of points in this section into a percentage out of the maximum 300 points and then present this in the form of a single bar chart alongside the chart mentioned above at the beginning of each case study.

We award points based on qualitative and quantitative insights. For example, the integration of stakeholders leads to a higher score.

In a final overall assessment, we relate the findings from the individual case studies to the requirements for companies developed in the theoretical framework in order to identify success factors for the development and implementation of Corporate Citizenship. The theoretical examination of the challenges posed to companies by the Great Transformation and the analysis of various case studies show how Corporate Citizenship can be convincingly defined, implemented, and communicated.

THE CASE STUDIES

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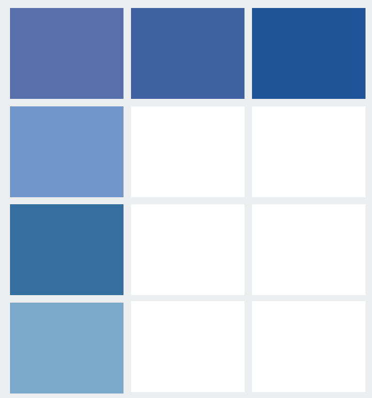
BIONTECH

Company size (employees/revenue)	4,500 employees/€ 17.3 billion (in 2022)
Company headquarters	Mainz, Germany
Industry	Biotechnology
Business relations	B2B
First sustainability report	2020
Reporting format	Own sustainability report

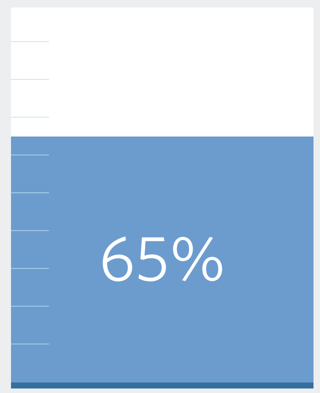
MEASURES & GOALS

PROSPERITY	Comprehensive reporting measures and goals
GOVERNANCE	Reporting, measures and goals
PEOPLE	Reporting, selective measures and goals
PLANET	Reporting, selective measures and goals

DEFINITION OF RESPONSIBILITY



STRATEGIC INTEGRATION



Introduction

Founded in 2008 as based on the work of two researchers at Johannes Gutenberg University of Mainz, BioNTech SE has grown to become a household name since the onset of the COVID-19 pandemic. The three co-founders Uğur Şahin, Özlem Türeci and Christoph Huber, all medical doctors by training, created the company with the ambition to research nothing less than the world's most pressing health challenges and to harness the untapped potential of the human immune system. Jointly, they have extensive experience in the immunotherapy that underpins BioNTech's scientific drive. Topically, BioNTech conducts scientific research primarily into oncology and individualized cancer treatment, as well as communicable or infectious diseases and their prevention. In doing so, BioNTech seeks to re-invent medical approaches and ideally change the treatment paradigm, for example paving the way in individualized cancer treatment, off-the-shelf mRNA-based therapies, or targeted cancer antibodies.[122]

Putting the first fully approved COVID-19 vaccine and the first ever mRNA-vaccine on the market a mere ten months after the viral sampling has undoubtedly catapulted the company to new heights. The anecdotal proverb could not be more fitting: It takes 20 years to make an overnight success. The researchers at BioNTech, including the founders themselves, have been researching mRNA-based vaccines for decades, which allowed them to achieve this breakthrough. Indeed, the vaccine officially named COMIRNATY® and developed jointly with U.S.-American partner Pfizer was the first commercial product that BioNTech has launched.[123] Thus, the year 2021 marked its first year of pharmaceutical large-scale production, which has changed the face of the company. The leading pandemic relief effort is self-evidently, and rightly so, connected to BioNTech's brand recognition and reputable standing as a societal actor— especially in its home market Germany and throughout Europe.[124] With the present analysis we take the opportunity to investigate beyond BioNTech's single-product image and toscrutinize the company's Corporate Citizenship at large.

Corporate Citizenship Activities and Goals

BioNTech's comfortable standing with Corporate Citizenship is from the outset certainly linked to its higher raison d'être of pursuing cutting-edge research into unresolved but widespread medical challenges that affect people worldwide. The perception that the company is driven by a higher purpose, and effectively addresses a real-life public health emergency, makes commentators sympathetic towards BioNTech's Corporate Citizenship approach. The more it is interesting to see how the company fares in a holistic Corporate Citizenship assessment.

BioNTech began to systematically address its corporate responsibility in late 2019, and has been releasing annual sus-

[122] https://www.biontech.com/int/en/home/about/who-we-are/vision-and-mission.html
[123] Sustainability Report, p. 8
[124] In the U.S., the vaccine is more closely linked to the U.S. company Pfizer and BioNTech is not nearly as well-known there.

tainability reports since 2020.[125] The 2022 report is informed by the standards of the Global Reporting Initiative (GRI) in its core option and refers to the ten principles of the UN Global Compact[126] and the Sustainable Development Goals (SDGs). It particularly singles out is the third guiding SDG: "Ensure healthy lives and promote well-being for all at all ages"[127]. This goal unequivocally resonates with BioNTech's business purpose and, more generally, reflects its extensive definition of two of the spheres of sustainability.

The last materiality assessment stems from 2019/2020, in which where BioNTech mentions a total of 13 relevant "CSR topics," out of which it prioritized five as fields of action[128]. As the company itself admits, BioNTech did not foresee the immense corporate success it began experiencing in early 2021 which of course transformed stakeholder expectations towards the company.[129] A systematic update of the materiality assessment is there-fore urgently needed. BioNTech BioNTech has already detailed the timeline for a new, more elaborate materiality assessment. The new assessment began with a series of expert interviews in 2021 and will be concluded with a double materiality assessment in 2024.[130] For the 2022 report, however, it had to resort to five more or less freely constructed fields of action and fitted the previously identified priorities into them: **Access to Novel Medicine, Corporate Citizenship, Responsible Governance, Environmental & Climate Protection, and Attractive Employer.**[131] BioNTech's take on Corporate Citizenship differs significantly from how this study conceptualizes the term. For BioNTech, Corporate Citizenship only comprises its donations, sponsorships, and volunteer work,[132] which are somewhat reminiscent of CSR activities and fall significantly short of what this study understands as a Corporate Citizenship framework.

Substantively, the spheres People and Prosperity are the most well developed. BioNTech's focus on People is twofold. On the one hand, it cherishes its employees which ties in with a sustainable workforce development. Human resources are arguably the most important resource powering the biotechnology industry.[133] BioNTech has experienced a jobs surge and hired 1,944 new employees in 2022 alone while keeping the turnover rate at a single-digit figure (8.8% in 2022)[134]. To ensure continued job creation, BioNTech expands its employment offer through benefits, the Culture Campus for better employee connectedness, and the newly introduced program tHRive. The competition in attracting STEM talents also leads BioNTech to engage in university partnerships, which aim to generate a positive knock-on effect on the educational landscape, and to commit itself to a diversity, equity and inclusion (DE&I) agenda, for example by becoming signatory to the "Charta der Vielfalt".

On the other hand, BioNTech emphasizes its commitment to patient needs as well as patient safety. BioNTech is of course in the business of providing medical solutions to health problems, but the company very much works at the frontier of patient-centric healthcare. It spells out its belief about individualized cancer treatment and patient-centric bioinformatics to pave the way for better treatment options.[135] Most notable is BioNTech's company-wide mandatory training on pharmacovigilance and the fact that BioNTech exceeds internationally mandated transparency standards when it comes to disclosure.[136]

In line with this patient-centered approach stands the contribution BioNTech makes to societal prosperity. It is undeniable that death by infectious diseases is a huge barrier to achieving collective prosperity, especially in low- and middle-income countries (LMICs). BioNTech pledges to not only offer treatment and prevention solutions to deadly diseases but also to democratize their access. For BioNTech, this involves planning to make cancer immunotherapies more affordable in vulnerable regions of the world.[138] Practically, this also translates into making a contribution to vaccine equity in the framework of the COVID-19 immunization effort. Together with Pfizer, BioNTech has pledged 2 billion doses for LMCIs between 2021 and 2022, out of which 1.7 billion have been delivered.[139] Moreover, BioNTech has gotten its first modular mRNA production facility off the ground. The so-called BioNTainer arrived in Rwanda during the first quarter of 2023, where it will guarantee local vaccine production and a certain transfer of knowledge in the field.[140]

With regard to the planetary dimension, BioNTech has acknowledged that its first full-scale production started in 2021, which led its energy consumption to skyrocket.[141] Despite its commitment to the Paris Climate Agreement to limit global warming to 1.5 °C and become a climate neutral company by 2030, BioNTech is confronted with a jump in its environmental impact. BioNTech recognizes this as a challenge, potentially creating two conflicting goals (i.e., sustaining a growing production and helping to mitigate climate change). Beyond BioNTech's participation in the Science Based Target Initiative (SBTi), the stepping stones it plans to travel down to achieve climate neutrality are rather vaguely laid out, with many indicators not showing advanced quantification.

Communication

BioNTech's Sustainability Report goes to some lengths to tell its readers about the previous year's progress. It is very dense with written information and an overall well-prepared document. The report mostly focuses on descriptive accounts of BioNTech's current activities and undertakings, less so on goals and

[125] https://investors.biontech.de/esg.
[126] https://unglobalcompact.org/what-is-gc/mission/principles.
[127] Sustainability Report, p. 7.
[128] Sustainability Report, p. 12.
[129] Sustainability Report, p. 12.
[130] Sustainability Report, p. 14.
[131] Sustainability Report, p. 14.
[132] Sustainability Report, p. 23.
[133] Sustainability Report, p. 70.
[134] Sustainability Report, p. 70.
[135] Sustainability Report, p. 8.
[136] Sustainability Report, p. 46.
[137] Sustainability Report, p. 18.
[138] Sustainability Report, p. 20.
[139] Sustainability Report, p. 17.
[140] Sustainability Report, p. 6 and 20.
[141] Sustainability Report, p. 59.

targets to be achieved in the future. The Management Board's members make an appearance in the report: all in the form of an endorsement and show of support, some in the form of an interview, like Sierk Poetting, Chief Operating Officer, who comments on the environmental and climate protection strategy.[142]

When covering a flagship project like the delivery of the first BioNTainer to Rwanda, the report makes use of storytelling, employing highly effective imagery. The event attracted several African heads of state and ministers, notably but not exclusively from Rwanda.[143] Likewise, BioNTech benefitted from similar high-profile events as displayed in the Newsroom on its website,[144] which features meetings with German Chancellor Olaf Scholz, World Health Organization (WHO) Director-General Tedros Adhanom Ghebreyesus, and several representatives of African Union member states. This is welcome proof that showcases BioNTech's commitment to public health care and private-public multilateralism. In fact, BioNTech could probably make even better use of the information aggregated in the report if it were to illustrate them on its website. For now, the ESG tab is hidden in the investor section of the website, from which one can download the Sustainability Report.145

External Perspective

BioNTech recalls the external assessment of its Sustainability Report by ISS-ESG, which rated the company's report "Prime" in 2021 and 2022. This status puts BioNTech among the top 10% of all companies rated in the Pharmaceuticals and Biotechnology sector.[146] In contrast, S&P Corporate Sustainability Assessment (S&P CSA) at first assigned a much lower score, giving only 20 in 2021 and then ameliorating that to a score of 32 in 2022, where 100 represents the best result. As of 2022, BioNTech is actively engaged in the S&P CSA rating and has pledged to repeat its active participation.[147] The S&P Global ESG score suggests a further improvement when it awarded a 47 (out of 100) to BioNTech as recently as 2023.[148] Another outlet, ethos ESG, gave BioNTech a "B" rating (73.4) for overall impact.[149] In most of these assessments, BioNTech consistently ranks above the industry average, although the different outlets vary on BioNTech's exact positioning. An illustrative sustainability analysis of the top five COVID-19 vaccine producers places BioNTech second, just behind Moderna, with both companies receiving markedly high scores.[150] Interestingly, the same analysis remarks that all five vaccine producers give special emphasis to the SDGs 3 (i.e., good health and well-being), 5 (i.e., gender equality), and 9 (i.e., industry, innovation, and infrastructure).

COMIRNATY® was the first commercial BioNTech product, which has arguably transformed the company beyond recognition. The success naturally left a mark on its founders too. The founding couple Özlem Türeci and Uğur Şahin now belong to the top ten richest Germans with an estimated, net worth of €14 billion.[151] Membership in this small community may bring its own set of external expectations and demands, which may need to be mitigated if they arise. Although this has not yet occurred, it is possible that the founders may be confronted with their new social standing at some point.

Case Assessment

BioNTech is a company with a vision. It believes in being a global powerhouse for biotechnology, a multi-product company, democratizing access to medical care and harnessing the untapped potential of the human immune system. BioNTech's agenda will not become slimmer anytime soon. The last few years have drastically changed BioNTech, from conducting specialized research to becoming a household name. The company is right when it states that stakeholders' expectations have grown with the commercial success of the mRNA vaccine. In the upcoming years, BioNTech's sustainability approach and corresponding communication will have to adapt to the new reality. A first necessary step, which BioNTech has already announced, is an updated materiality assessment. The crucial step, however, will be its translation into practical measures and, even more importantly, concrete targets against which these measures can be evaluated.

For now, it can be said that the Prosperity dimension overpowers the other three. With that being said, Prosperity is admittedly the field of action where BioNTech has the greatest impact. In the future, however, BioNTech will likely need to bring its entire sustainability approach up to speed. While it claims to apply a "strategic filter"[152] (with no further elaboration) to its sustainability activities, this study finds that the overall strategic integration of sustainability considerations into the corporate strategy still has room for improvement. Particularly, the lack of concrete and measurable goals has a negative impact. Generally, BioNTech is not yet a comprehensive Corporate Citizen, but might be ideally placed to turn its commercial success into a frontrunner position in terms of corporate responsibility.

[142] Sustainability Report, p. 63
[143] Sustainability Report, p. 21
[144] https://www.biontech.com/int/en/home/newsroom.html
[145] https://investors.biontech.de/esg
[146] Sustainability Report, p. 78.
[147] Sustainability Report, p. 78
[148] https://www.spglobal.com/esg/scores/results?cid=5164480.
[149] https://www.ethosesg.com/companies/5610.
[150] https://www.elevatemoney.com.au/insights/sustainability-analysis-covid-19-vaccine-providers.
[151] https://www.businessinsider.de/wissenschaft/gesundheit/axel-springer-award-ugur-sahin-und-oezlem-tuereci-werden-ausgezeichnet-c/.
[152] Sustainability Report, p. 24.

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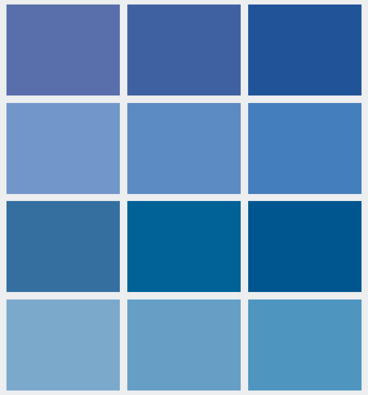
BP

Company size (employees/profit)	67,600 employees/ € 28 billion (in 2022)
Company headquarters	London, United Kingdom
Industry	Energy
Business relations	B2B/B2C
First sustainability report	2004
Reporting format	Own sustainability report

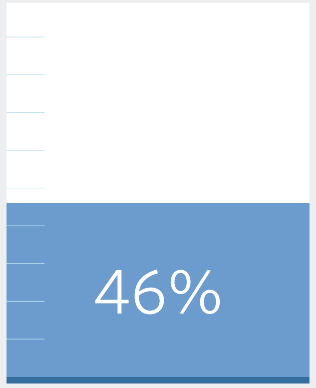
MEASURES & GOALS

PROSPERITY	Reporting, selective measures
GOVERNANCE	Reporting, selective measures and goals
PEOPLE	Reporting, comprehensive measures, selective goals
PLANET	Comprehensive reporting and measures, selective goals

DEFINITION OF RESPONSIBILITY



STRATEGIC INTEGRATION



Introduction

Traditionally, BP's core business has revolved around fossil fuel discovery, extraction, and processing. More recently, however, BP has indicated a shift towards a transformational image, signaling a strategic pivot towards sustainability and seeking to reshape its narrative, presenting itself as a beacon of sustainability. With a refreshed logo and a slogan aspiring to move "Beyond Petroleum," BP has publicly aimed to align itself with the global trend towards cleaner energy. However, a critical eye has been cast upon BP's revised goals, which now reflect a scaling back of its 2021 ambitions for reducing carbon emissions from an initial 35–40% down to a more restrained 20–30%.[153]

This recalibration of its climate targets, unveiled against the backdrop of record profits, prompts a reevaluation of BP's commitment to a greener business model. While its public facade and communication online speak of a transition towards renewable energy, the adjustments in its policy indicate a more cautious approach to change. This juxtaposition of proclaimed intent and practical engagement raises questions about the true extent of BP's dedication to environmental progress.

As BP charts its course through the evolving energy landscape, the company's identity is at a crossroads. The challenge lies in harmonizing its enduring legacy in oil with the imperative to innovate for a sustainable future. How BP reconciles its economic ambitions with ecological responsibility will be telling, setting the tone not just for its own future, but also for the role it plays in shaping the energy standards of tomorrow. BP's climate decisions significantly influence global energy dynamics, affecting both consumers and producers who depend on their energy supply. For example, if BP continues to provide a steady supply of oil, it signals the maintenance of the current status quo. Stable oil prices under such a scenario could diminish the urgency for consumers to switch to alternatives like electric vehicles or to adopt more energy-efficient heating solutions. By taking a closer look into BP's approach towards corporate responsibility, we hope to shine a light onto this dynamic.

Corporate Citizenship Activities and Goals

BP's responsibility framework is informed by a materiality assessment that highlights 20 pivotal issues. This framework encompasses a range of topics, including safety, greenhouse gas emissions, human rights, and biodiversity conservation. Its activities and goals touch upon all four dimensions of Governance, Planet, People, and Prosperity. BP asserts that its core values—achieving net-zero emissions, enhancing human lives, and environmental stewardship—are ingrained in its corporate ethos.

BP's responsibility framework has been restructured to reflect a transition from its historical upstream/downstream operational model to a new system introduced on January 1st, 2021. The new system was set to involve a strong increase in investment in low-carbon energy, including biofuel and solar power, while

[153] https://www.bp.com/content/dam/bp/business-sites/en/global/corporate/pdfs/investors/bp-net-zero-progress-update-2023.pdf

concurrently reducing oil and gas production. By 2030, BP aims to invest $5 billion annually in low-carbon solutions, a tenfold rise from current levels, as well as to develop 50 gigawatts of renewable power capacity. This change, as reported in the ESG disclosures since 2022, indicates a strategic realignment with the broader aim of sustainability. BP states its commitment to safety and transparency, emphasizing principles of mutual care and open communication.

In reviewing BP's Corporate Citizenship activities, particularly the Governance dimension, it becomes evident that BP has defined a company mission that seemingly aligns with societal benefits but lacks precise strategic direction. The company professes a commitment to transforming the energy landscape for both people and the planet, and to providing the energy that the world demands, while simultaneously pledging to generate sustainable, long-term value for shareholders. However, this commitment features only passively within its operational strategy. The company's declarations suggest a reliance on market demands and shareholder interests, which indicate a reactive rather than a proactive approach to societal impact. A truly focused corporate purpose would articulate a clear vision, independent of market fluctuations. Additionally, there is a lack of transparent metrics indicating stakeholder awareness or consensus on the feasibility of BP's stated goals.

To prevent corruption, BP has instituted training programs for employees, particularly those in positions at high risk of bribery and corruption. In 2022, approximately 7,500 employees underwent anti-bribery and corruption training. Furthermore, as a founding member of the Extractive Industries Transparency Initiative (EITI), BP champions the fight against corruption, contributing to efforts that promote the disclosure of government revenues and other pertinent data to reduce corruption risks within the extractive industry. BP also enforces a strict policy prohibiting the use of company funds for any political contributions, whether to candidates or parties.

Regarding stakeholder engagement, BP has outlined various methods of interacting with employees, governments, investors, and the wider community. Yet there exists no detailed analytical assessment of who these stakeholders are, or how BP's activities affect them. Therefore, despite reported efforts at stakeholder engagement, the breadth of these interactions seems more superficial than comprehensive.

At the heart of its strategy, BP articulates a commitment to environmental sustainability, aiming for net-zero carbon emissions by 2050. The report outlines a strategic approach that includes reducing carbon emissions from operations and increasing investment in low-carbon technologies. According to the 2022 report, BP is aiming to reduce its operational Scope 1 and 2 emissions by 50% by 2030. Earlier this year, however, BP revised this goal and set its new target at a 20–30% reduction in emissions before 2030.[154] Yet to keep global warming to no more than 1.5°C—as called for in the Paris Agreement—emissions need to be reduced by 45% by 2030. Consequently, while BP articulates emission targets, the discrepancies between the objectives detailed in the report and those reported in the media cast doubt on the consistency and trustworthiness of the company's disclosures. BP CEO Bernard Looney has said that the British company was "helping provide the energy the world needs" while investing in the transition to green energy. BP claimed that it needed to keep investing in oil and gas to meet current demands.

Moreover, BP has outlined a five-part strategy for environmental stewardship that includes the launch of three biodiversity restoration projects, the completion of an initial water efficiency assessment with the aim of becoming water positive by 2035, and the establishment of a Carbon Credit Integrity Centre to oversee nature-based solutions. Furthermore, BP has introduced a circularity framework and waste metrics to promote recycling and reduce waste, although specific targets in this area remain undefined.

BP attempts to enhance quality of life and address the dimension of People in a variety of ways. The first sub-goal is the expansion of clean energy, where the company aims to develop 50GW of renewable energy capacity, thereby benefitting over 36 million people by providing them with clean energy.

Under the umbrella of a just transition, BP's objective is to ensure that the shift towards renewable energy is equitable, advancing human rights and education. The company supports programs that foster community resilience and regeneration, and it emphasizes skill development aligned with the energy transition. It is noteworthy that BP advocates for governmental leadership in addressing the challenges associated with the transition to alternative energy sources.

Another sub-goal focuses on promoting greater equality. BP has invested $1 billion to diversify its suppliers and is actively working towards gender parity in its leadership by 2025. Although there is a reported increase in women in leadership roles, BP acknowledges the need for enhanced ethnic diversity, noting that only a third of its group leaders come from outside the UK and US. The company has launched initiatives like the "Lift" program to support the advancement of Black and African American employees to senior positions. Despite these efforts, clear targets for promoting ethnic diversity and overall inclusion remain unspecified.

BP has also taken significant steps to support inclusion across various demographics, providing leadership training and backing employee-run advocacy groups focused on gender, ethnicity, sexual orientation, and disability. The company is recognized for its commitment to fair wages, having been accredited as a living wage employer in the UK and working towards fulfilling its global fair wage commitments by 2025. However, despite these initiatives, some metrics such as the total number of training hours for employees are not disclosed. BP's report details initiatives directed at improving quality of life and promoting inclusivity, such as advocating for human rights and supporting biodiversity. Investments in renewable energy and community-focused programs reflect a dedication

[154] https://www.washingtonpost.com/business/2023/02/07/bp-climate-emissions-oil-profits/.

to social betterment. However, the report could be strengthened by including specific, measurable objectives that enable tracking progress against these social commitments. The absence of defined benchmarks and performance indicators may limit the report's ability to convey the effectiveness of BP's social sustainability efforts.

When assessing BP's approach to prosperity, it becomes evident that while the company discloses the total number of employees and communicates the economic value it generates, it does not set explicit targets in these areas. BP mentions investments aligned with their objectives in transitioning to greener energy and social investment. However, there is an apparent lack of transparency regarding community investments. Despite operating in 70 countries, BP's communicated efforts, such as the electric vehicle (EV) infrastructure rollouts, are primarily highlighted in select European nations like Britain, Spain, and Portugal. The absence of clear targets and comprehensive reporting on community engagement and investment strategies across its global operations leaves a gap in understanding BP's impact on the prosperity of the communities it serves.

Communication

BP's sustainability reporting encompasses both a standalone ESG report and detailed sections within its Annual Report. In adherence to its reporting frameworks, BP publishes an ESG datasheet and utilizes its OneCSR system for robust data management, aligning with the TCFD recommendations and reporting in reference to the GRI standards. While the company's ESG datasheet communicates past achievements, it does not specify future ESG targets. External assurance is provided by Deloitte for key sustainability metrics, and BP received a "B" score from the CDP climate questionnaire in 2022. Furthermore, BP incorporates the SASB standards into its disclosures, responding to the demand for non-financial performance indicators. As a signatory to the UN Global Compact, BP commits to principles on human rights, labor, environment, and anti-corruption, planning to enhance its communication on progress in the coming year.

External Perspective

BP's ESG performance, according to Bloomberg Intelligence, is strong due to its comprehensive strategy toward net-zero emissions by 2050, increased green spending, and ambitious renewable energy goals. Bloomberg argues that despite leading with best-in-class ESG disclosures and a diverse board, BP faces challenges with high carbon intensity in reserves and occupational safety concerns. While it excels in areas like spill management, there are gaps in the reporting of investment in renewables and technical delays that need addressing. Overall, Bloomberg asserts that BP's proactive environmental and emissions strategies position it well among global oil majors, but that improvement in certain ESG aspects is necessary.[155]

Refinitiv's analysis complements this view, awarding BP a high ESG score of 86 out of 100, ranking it fourth among the 404 oil and gas companies evaluated. Refinitiv's assessment echoes the strengths and weaknesses identified here, highlighting BP's comprehensive environmental disclosures but pointing out the need for improvement in community engagement targets and reporting. This score reflects BP's commitment to ESG principles, while also identifying specific areas where it could further strengthen its practices.

Case Assessment

BP has made strides in aligning its operations with ESG principles, focusing on Governance, Planet, People, and Prosperity. The company's pivot towards sustainability is evidenced by its materiality assessment and commitment to net-zero emissions by 2050. In governance, BP's active efforts against corruption, as shown by its employee training programs and adherence to EITI standards, are commendable.

However, BP's recent scaling back of its carbon emission reduction targets from 35–40% to 20–30% has raised concerns about the firmness of its commitment to combating climate change. Despite its stated ambitions and participation in sustainability initiatives, this recalibration alongside record profits suggests a more cautious and perhaps conservative approach to its energy transition strategy.

The scarcity of future ESG targets in the area of Governance, People, and Prosperity in its reporting and the selective communication regarding community investments point to areas where BP could improve transparency and strategic clarity.
In summary, while BP has demonstrated a clear dedication to corporate responsibility, with clear communication and significant environmental initiatives, there is a need for more explicit and comprehensive goals with consistent actions to match the urgency of global challenges.

[155] https://www.bloomberg.com/professional/blog/bp-esg-outlook-solid-as-strategy-pivots-to-transition-emissions/.

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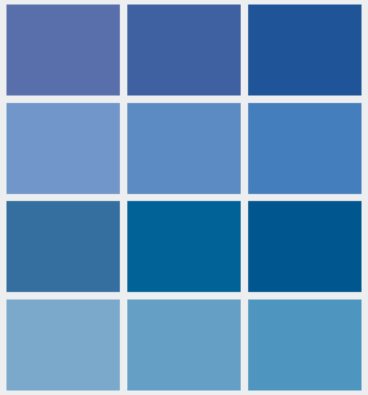
GENERALI

Company size (employees/sales)	82,000 employees globally/total premium income of € 81.5 billion in 2022[156]
Company headquarters	Trieste, Italy
Industry	Insurance
Business relations	B2B and B2C
First sustainability report	Sustainability Report 2004 (released in 2005)

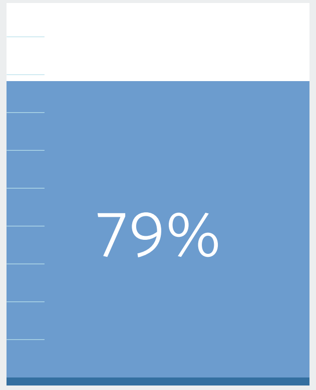
MEASURES & GOALS

PROSPERITY	Comprehensive reporting, selective measures, and goals
GOVERNANCE	Comprehensive reporting, measures, and goals
PEOPLE	Comprehensive reporting, measures, and goals
PLANET	Comprehensive reporting and measures, selective goals

DEFINITION OF RESPONSIBILITY



STRATEGIC INTEGRATION



Introduction

The Great Transformation has impacted the insurance sector to a high degree. The surge in both the frequency and intensity of natural disasters attributed to climate change has placed a growing burden on insurers. This has spurred a transition from reactive insurance practices to a more proactive approach. This shift enables the industry to wield significant influence on society by insuring companies that play a pivotal role in enhancing societal resilience.

Generali is an insurance and asset management company based in Italy that was established almost 200 years ago. Although the majority of their operations are in Europe, they have a growing presence in Asia and Latin America. They offer a wide range of services at both the individual and group level. The Group formerly operated in Russia, but as of March of 2022, decided to close its office in Moscow, and resigned from positions they held on the Board of Directors of the Russian insurer Ingosstrakh, of which they hold a minority investment stake of 38.5%.[157] They have also donated 3 million euros to support the humanitarian response to the conflict in Ukraine.[158]

Corporate Citizenship Activities and Goals

Generali emphasizes the importance of pursuing growth that is both sustainable and profitable.[159] The company's responsibility strategy is comprised of a four-pronged approach: being a responsible insurer, responsible investor, responsible employer, and a responsible Corporate Citizen. The first two focus primarily on the environment, with the goal of decreasing their coal portfolio, reducing the carbon footprint of their investment portfolio, providing insurance to companies that adhere to strong ESG principles, and investing in green solutions. Being a responsible employer focuses on the people aspect, including setting goals for gender diversity and upskilling employees, but also includes an environmental component. Another main priority in this quadrant is reducing emissions from group operations. Finally, being a responsible Corporate Citizen focuses on governance activities, such as partnerships with NGOs, volunteer work, and supporting refugees, which the company does largely through its Human Safety Net Foundation. There are measurable KPIs provided for most of these goals, showing the previous year's reduction in GHG emissions, the amount of money invested in green technology, and gender and training goals. The only area that is lacking in this regard is the governance sector, with fewer quantitative metrics making it more difficult to observe the company's progress in this sphere.

According to Generali, combating climate change is not just important because of the intrinsic value of saving the planet, but because failing to do so will have incredibly powerful negative social impacts.[160] In fact, the company has identified climate change as their most pressing issue.[161] The risks posed by climate change materialize themselves in two different ways: physical and transitional. The biggest physical risk is the higher

[156] https://www.generali.com/who-we-are.
[157] https://www.generali.com/media/press-releases/all/2022/Statement-03-03-2022.
[158] Group Annual Integrated Report 2022, p. 20.
[159] Group Annual Integrated Report 2022, p. 45.
[160] Strategy on Climate Change 2023, p.3; Group Active Ownership Report 2022, p. 33.
[161] Group Active Ownership Report 2022, p. 11.

mortality rates and frequency of natural disasters that will result in more insurance claims and higher costs.[162] Transitional risks stem from companies whose interests are concentrated in carbon intensive assets, as any company associated with these companies will likely be exposed to reputational risks.[163] Generali also acknowledges the opportunities presented to them by virtue of these risks: More people will want insurance because of the increased probability of extreme weather events, and an increasing demand for insurance products that support renewable energy.[164]

To mitigate these risks, the company has created a strategy to reduce the negative impacts of its investments with a three-pronged strategy: integrate, avoid, and influence. This means Generali will try to increase the weight of investment in assets with sustainable characteristics that can generate value for all of society, avoid exposure to carbon-intensive issuers, and engage with companies that follow the principles set out in the Just Transition.[165] Its goal is to reach net zero by 2040.[166]

Second to environmental concerns are societal ones. In 2022, Generali set the minimum threshold for board gender diversity as having 40% of the non-executive board of directors be women before 2026.[167] To date, the non-executive board is comprised of 46% women.[168] Generali is also particular about providing insurance to companies that have appropriate policies in place that target exploitation and human rights issues.[169] To do this, as a shareholder of several big companies, it consistently supports proposals to increase its social transparency mechanisms, for example, asking Meta to assess whether its policies are adequate in assessing the growing risk to children of child abuse and online exploitation.[170] Generali also recognizes that it must adopt a different approach to diversity and inclusion depending on the region. In the US, for example, it highlights pay equity as one of the major issues requiring attention, whereas in different countries, the priority is gender diversity in the board of directors.[171] The company also acknowledges that the gender pay gap is still an internal issue, with women being paid 14.9% less than men globally, which they seek to address by implementing specific mitigation actions at local levels before 2024.[172] The goal is to achieve a pay gap near zero in the 2022–2024 strategic cycle, but the company does not specifically define how it will do this.[173]

Generali discloses information concerning how it voted for proposals asking big companies to disclose tax information in line with the GRI 207 tax standards.[174] This is in accordance with its own tax practices, as it publishes tax transparency reports that address any jurisdictional tax risks and make information on taxes collected and taxes borne publicly available. It then compiles its tax risk management activities into annual formalized reports that it presents to the company's risk and control committee.[175] Additionally, to ensure that ESG targets are actually being met, the Group has recently introduced a new renumeration method for executives: Reaching ESG targets will be integrated into executive pay, with a focus on biodiversity risk.[176] The company is specific about the metrics it uses in terms of KPIs, as it points out that several companies have net zero targets and big commitments, but do not follow through, which impacts their credibility, especially in the absence of quantitative data to support goals achieved and future goals. Generali, the company says, does not want to end up doing the same thing.[177] For example, it states that its goal is to reduce Scope 1 and 2 GHG by 25% by 2025 with a 2019 baseline, and has reported a 21% reduction so far, as of its last report.[178]

Finally, the company further promotes prosperity with their Human Safety Net Foundation. The foundation's goal is to unlock "the human potential of people living in vulnerable circumstances, so that they can transform the lives of their families and communities."[179] The foundation does this by supporting families with children under the age of 6 and helping refugees integrate into their new environments through the provision of employment and promoting entrepreneurship.[180] The foundation works with 61 NGOs and is active in 23 different countries.[181] Generali aims to expand this program over the next three years by engaging with employees and customers, and continuing to partner with organizations around the world.[182] The company defines this foundation as more than just a charity, as it provides internship and employment activities to individuals. However, based on foundation's activities, the main goal seems to be supporting charitable work.

Communication

Generali's sustainability report is integrated into its **Group Active Ownership Report** and **Group Annual Integrated Report**. It also has a designated tab for sustainability on their website that provides easy access to all reports and key performance figures, and outlines the company's promise to be a responsible investor, insurer, employer, and Corporate Citizen. The specifics of its strategy are spread across various documents, so that detailed information can be diffused to specialized audiences. For example, Generali has an annual **Climate-Related Financial Disclosure** report that sets out to provide updated information to relevant stakeholders regarding the efficacy and adequacy of its method of addressing climate change and any opportunities for the future, which focuses both on the impacts of climate change on the company (incurred risk) and the impacts of the Group's activities on climate change (generated risk), both directly and indirectly.[183]

External Perspective

The company has scored very well on several sustainability indices. To name a few, Generali has been part of the Dow Jones Sustainability index for five years in a row, has received an "AAA" rating from MSCI (the highest score possible), and has been part of the FTSE4Good Index Series since 2011. The company has faced no significant recent controversy, other than calls by environmental NGOs for it to halt its support for the coal industry, particularly in Poland. Several NGOs claim that Generali is financing companies that contribute to premature deaths due to air pollution when it insures coal companies. Generali has responded to this criticism by claiming that there are countries in which the economy and employment are heavily dependent on the coal sector, and it is only in these countries that it continues to provide insurance to such companies—its aim, it claims, is to support the implementation of the strategic transition to activities with low environmental impact.[184] The company states that its ultimate aim is to fully phase out of insuring companies that work in the thermal coal sector in OECD countries by 2030 and the rest of the world by 2040.[185]

Case Assessment

Generali is quite cognizant of the issues the Great Transformation has produced. It mentions geopolitical instability (in reference to Ukraine and COVID), the digital revolution, climate change, extreme events, the risks they pose, and how the company is trying to manage them. Although Generali slightly prioritizes the environmental quadrant over the others (due to the extreme impact climate events can have on its business longevity and long-term profits), its sustainable outlook comprises all four quadrants pretty well. In most instances, Generali's use of precise numbers and measurable metrics strengthens the legitimacy of its goals and makes examining adherence to commitments relatively easy. For example, the Annual Integrated Report shows the percentage of renewable energy purchased and includes the percentage increase from previous years; it also reveals exact figures for the amount of money invested.[186] However, this is not always the case: Some goals are very broad, such as the metric of "sustainable finance," which lists "issuance of the first catastrophe bond embedding innovative green features" as an example of the result.[187] This is not really measurable or comparable and makes it difficult for someone working outside of the sector to recognize its significance.

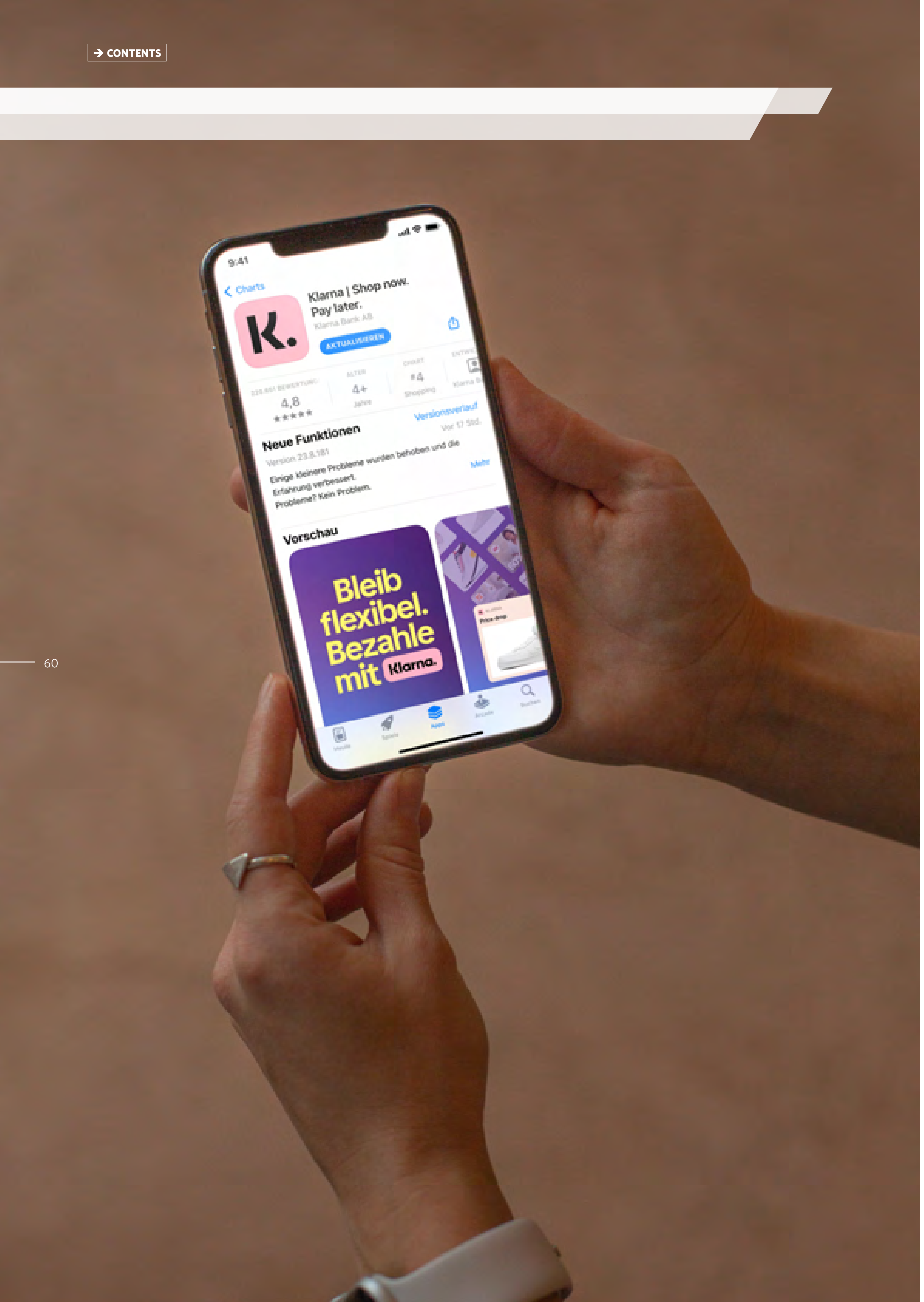
The environmental approach is detailed, and Generali is clear about both the impact that its operations and investments have had on climate change in the past and how the way it chooses to invest and provide insurance to companies in the future can impact climate change mitigation going forward. The company is transparent about how much funding it has contributed to projects to combat climate change, outlines its exclusion criteria for the oil and gas sector, and provides a list of sustainable products and services that it wants to support to encourage climate-friendly activities. It has even outlined opportunities that exist because of climate change that it intends to explore.[188]

The one drawback of Generali's environmental sustainability approach not entirely in line with the rest of its strategy is the exception it makes for countries in which energy is still dependent on the use of coal. It is difficult to make the argument that promising to stay away from coal only in countries that are already prioritizing alternative forms of energy makes a significant impact; realistically, investing in alternative forms of energy in these regions is a way to maximize long-term profits. The Group does address this in its reporting by stating that it is not withdrawing from these regions to limit negative social impact, but it is working with the companies it insures in these regions to help them implement the principles outlined in the just transition.[189] The efficacy of this approach will likely not be seen for a few years. Additionally, several reports make many mentions of supporting the principles outlined in the just transition when interacting with fossil fuel intensive companies, but list few specifics about how exactly this is to be done.

In terms of the People quadrant, the Group has made strides in diversifying its workforce and engaging with communities to ensure prosperity. It has even taken this to the next level by trying to make the companies to which it is a shareholder be more transparent about their human rights policies. This is important because it shows a commitment to eliminating human rights abuses in the value chain as a whole. Continuing to invest in the Human Safety Net Foundation to further support refugees and increasing engagement with employees not only strengthens social sustainability—it also shows good governance practices.

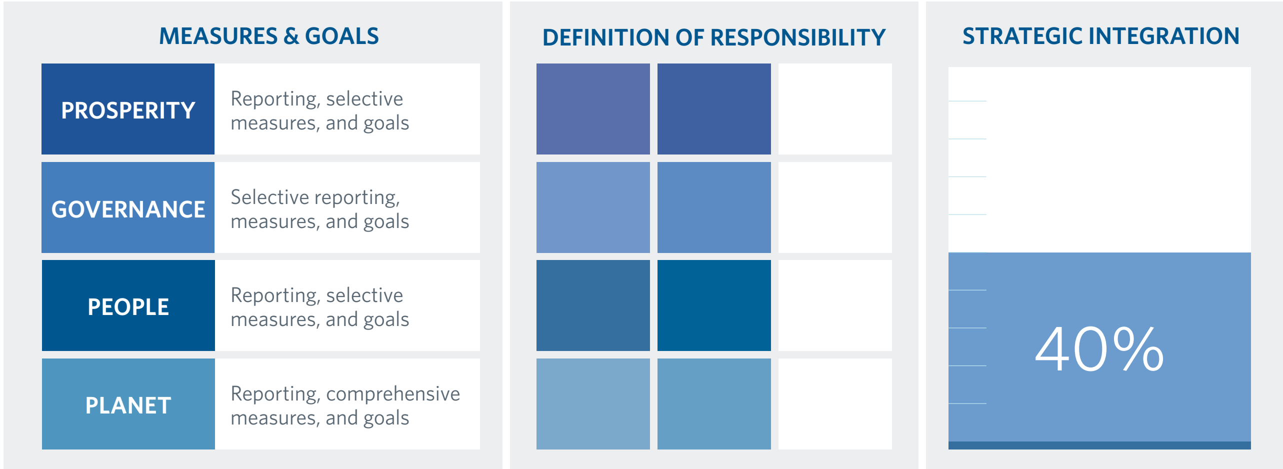
Generali's good governance is exemplified in its engagement with stakeholders and engagement as a shareholder of other companies. The company is very vocal about its governance activities and has taken great strides in ensuring transparency about its voting patterns, both internally and as shareholders of the companies it has stakes in. Additionally, its tax transparency reports make it simple for the public to be aware of who the company is doing business with and the legality of its interactions. Additionally, basing renumeration for executives on the attainment of ESG targets (specifically environmental ones) demonstrates the Group's commitment to achieving the goals it has set for itself and is a good attempt at incorporating its sustainability goals into its general strategy. Overall, Generali's sustainability strategy is comprehensive, describes the goals it has already achieved with quantifiable metrics, and sets seemingly attainable, measurable goals to expand its sustainability strategy in the years to come.

[162] Group Annual Integrated Report 2022, p. 20.
[163] Climate-Related Financial Disclosure 2022, p.6.
[164] Group Annual Integrated Report 2022, p. 31.
[165] Strategy on Climate Change 2023, p. 4.
[166] Strategy on Climate Change 2023, p. 11.
[167] Group Active Ownership Report 2022, p. 4.
[168] Group Annual Integrated Report 2022, p. 95.
[169] Group Active Ownership Report, 2022, p. 34.
[170] Group Active Ownership Report, 2022, p. 34.
[171] Group Active Ownership Report 2022, p. 41.
[172] Group Annual Integrated Report 2022, p. 55.
[173] Group Annual Integrated Report 2022, p. 55.
[174] Group Active Ownership Report, 2022, p. 34, 39
[175] Tax Transparency Report. 2021, p. 7.
[176] Group Active Ownership Report, 2022, p. 15.
[177] Group Active Ownership Report, 2022, p. 4.
[178] Group Annual Integrated Report 2022, p. 62.
[179] Group Annual Integrated Report 2022, p. 64.
[180] Group Annual Integrated Report 2022, p. 64.
[181] Group Annual Integrated Report 2022, p. 65.
[182] Group Annual Integrated Report 2022, p. 65.
[183] Climate-Related Financial Disclosure 2022, p .8.
[184] https://www.insurancebusinessmag.com/asia/news/breaking-news/generali-faces-criticism-as-coal-issue-rages-on-98302.aspx.
[185] Group Annual Integrated Report 2022, p. 56.
[186] Group Annual Integrated Report 2022, p. 62.
[187] Group Annual Integrated Report 2022, p. 62.
[188] Group Annual Integrated Report 2022, p. 31.
[189] Group Annual Integrated Report 2022, p. 32.



KLARNA

Company size (employees/revenue)	5,000 employees/ 19 billion kr (in 2022)
Company headquarters	Stockholm, Sweden
Industry	Fintech
Business relations	B2B and B2C
First sustainability report	2017
Reporting format	Own ESG Report



Introduction

Klarna is one of the latest examples of Sweden's innovation powerhouse. The Nordic country, despite its relatively small population of around 10 million, has not only carved out prosperity for its people, but has seen some global corporations start out from its territory. The fintech company Klarna, founded in Stockholm in 2005, has come to be a global payment provider, having extended its offering to other financial services after becoming a fully licensed bank in 2017. On its growth journey, it has gained several renowned investors including, among others, Sequoia Capital, Sliver Lake, Bestseller Group, and Visa. Today, Klarna is a public limited liability company licensed under the supervision of the Swedish Financial Supervisory Authority (SFSA). The Klarna Group counts a whopping 150 million total active consumers, works with 500,000 merchants, and processes 2 million transactions daily.

Klarna's central goal is to create a smooth shopping experience, both in regard to payment and (even more so) in terms of curating the ideal shopping environment. Thereby, it desires to construct a "Klarna ecosystem," which bundles customers' and retailers' interactions on its platform. The company's contribution to creating smooth shopping in general, and smooth digital payments in particular, is working towards "fairer, more sustainable, and innovative solutions [to] address consumer concerns and eliminate friction and doubt in the shopping experience"[190] as our lives increasingly move online. Klarna's added value is summarized by the catchphrase "Buy Now, Pay Later" (BNPL), which now also refers to an entire business model and is used to describe Klarna's competitors in the field of BNPL providers.

Corporate Citizenship Activities and Goals

Underpinning investments, economic activity, and consumption, finance and financial services are central to modern society. The financial sector arguably administers the resource that can be traded for most things in life—money. Moving this financial infrastructure online has been a by-product of the digital age and is one that arguably comes with a responsibility.

The banking sector has obviously come under closer scrutiny since the Global Financial Crisis (GFC) that began in 2007, with heightened attention being paid to banking conduct ever since. The fintech industry translates the old-age services of banking and payment to new online demands. Their relatively young age permitted fintech companies to have largely escaped the tumult of the GFC, massively expanding only afterwards. Nowadays, these companies connect two worlds: administering a part of the financial system and leasing out in the world of digital technology (aka fintech).

From Klarna's ESG report, it remains doubtful whether the company reflects the systemic role of finance in the wider economy and the responsibility that comes with it. It does, however, conceptualize responsibility in a broad way. The ESG report of 2022 shows a broad conceptualization of corporate sustainability along the conventional dimensions E, S, and G, and an introductory chapter on sustainability at large. Klarna makes explicit its awareness that sustainability is multifaceted and that its responsibility to stakeholders, society, and the

[190] ESG Report, p. 7

planet grows as the company grows.[191] Besides the multifaceted nature of sustainability, Klarna knows that its business model relies on high levels of trust as it handles customers', retailers', and partners' financial and personal information.[192] This sensitivity necessitates strong integrity to retain that trust necessary to run the business in the first place.

Following the threefold definition of sustainability, Klarna breaks them down into workable fields of action. The company singles out the following focus areas where it sees itself empowered to make a meaningful difference: Financial Wellness, Diversity and Inclusion, Climate Change Mitigation, Vote with Your Wallet, Effortless Donations, and Encourage Circular Shopping.[193] It derived these from a materiality assessment in 2021, then confirmed and refined them in another analysis in 2022.[194] One thing to note is that Klarna subscribes to the idea that a Corporate Citizen is predominantly called upon to act in areas where its impact is expected to be greatest.

The ESG reports particularly highlights the dimension of Governance, deeming trust, reputation, and integrity as central to the survival of any fintech business. Klarna therefore details its current governance structure, especially aspects such as risk management, decision-making, and transparency, but fails to contextualize the current state into its ongoing trajectory towards more corporate responsibility. It is at times difficult to discern which measures were newly implemented in 2022, and which have been firmly established at Klarna for a longer time. Similarly, Klarna echoes the widely heard statement that diversity in management is essential but reports rather disappointing figures for its own board composition, where only two (out of seven) directors are women (28.6%), and no targets are set for a more gender balanced board.[195]

Klarna's contribution towards creating or ensuring prosperity for the communities it operates in is also rather weakly developed. For instance, Klarna stresses that it fulfils its global tax commitment to adequately benefit the jurisdictions it generates profits in, stating: "We do not engage in any aggressive tax planning or tax avoidance."[196] Similarly, Klarna remains vague on the topic of detecting fraud, corruption, money laundering, and terrorist financing. The company cites completion rates of employee trainings and cooperation with the competent authorities to prove its commitment in that regard,[197] which seems to be underwhelming for a globally active payment processor.

Klarna engages in providing educational content of financial literacy to young people (18- to 25-year-olds), currently focused on the Scandinavian markets. In a similar vein, Klarna has signed up to participate in a research project by the Swedish Sustainable Finance Lab to study sustainable credit research over a period of four years.[198] The company is committed to spreading knowledge on the sustainable use of credit, as it rightly assumes that only people that use its services sustainably can become long-term customers.

Connected to this sense of empowerment, Klarna encourages users to "vote with your wallet."[199] Klarna's environmental footprint may be comparably small as a digital firm, but its Scope 3 emissions stemming from its customers are disproportionately large. With the above encouragement, Klarna tries to curb these indirect emissions by incentivizing more sustainable shopping habits, for example, by integrating a CO2 emissions tracker or featuring more sustainable products and collections more prominently.[200]

Regarding Scope 1 and 2 emissions, Klarna sets forth concise goals that it quantifies and tracks over the years. These include the reliance on 100% renewable energy in all offices by 2025 (achieved in 2022),[201] and net-zero operations by 2040. A novelty here is that Klarna distanced itself from climate neutrality claims, as it acknowledged their potentially misleading character. Instead, the company has introduced an internal carbon tax to be spent on "high-impact climate projects"[202] administered by the Climate Transformation Fund and funded by the "Give One" promise, pledging 1% of all funding rounds to planetary health initiatives.[203] The effectiveness of these projects, however, is equally as contestable as the offsetting certificates commonly used to back up neutrality claims.

Communication

Klarna's sustainability communication has some striking characteristics. The imagery the company uses in its ESG report departs from the traditional lush, green nature pictures, instead going for a flashy cover and illustrations featuring pink knitwear and extravagant, colorful posed pictures. The visual language departs from the traditional image of banking and payment providers in grey and white colors, glass and concrete materials, and linear shapes. The stylistic choices can easily be interpreted as a rebellion against the old finance establishment and serve to underline the company's purpose of providing a smooth online shopping experience. Visually, the ESG report thus represents the core business in a unique way.

When it comes to this reporting's level of detail, however, there is much room for improvement. While many indicators have some form of quantifiable measurement, the report generally contains little year-on-year tracking and even fewer fixed goals. The absence of such goals (apart from in the environmental dimension) makes it difficult to hold Klarna accountable for its progress. It is to be noted that Klarna dared to drop its climate neutrality claims as expert opinion has debunked its scientific roots and usefulness.

[191] ESG Report, p. 13.
[192] ESG Report, p. 9.
[193] ESG Report, p. 16.
[194] ESG Report, p. 15.
[195] ESG Report, p. 62.
[196] ESG Report, p. 58.
[197] ESG Report, p. 42.
[198] ESG Report, p. 41.
[199] ESG Report, p. 28.
[200] ESG Report, p. 28.
[201] ESG Report, p. 25.
[202] ESG Report, p. 26.
[203] Climate Commitment, p. 5.

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External Perspective

As a start-up, Klarna has so far escaped thorough ESG assessments from established institutions. However, this does not exclude external stakeholders and analysts from voicing their stance towards the company. There is, in fact, one point of criticism that appears repeatedly, and directly relates to Klarna's efforts to become a good Corporate Citizen. The elephant in the room is Klarna's readily available private (micro)credit that has the real potential to lead customers to accumulate unsustainable debt. Customers—first and foremost Gen Z—cherish the flexibility that comes with the BNPL business model, but it has led many of them into financial missteps at best, and insolvency at worst.

This particular issue has come to be called Klarna's "Achilles heel,"[204] which it will have to address to counter ESG and reputational risks, especially since late payment fees are a direct source of company income. External analysts have recommended putting ESG considerations at the core of Klarna's future behavior and communication.[205]

The piecemeal inclusion of environmental signals into Klarna's platform—such as the curation of the "Conscious Collection," the collaboration with the Reddit community r/BuyItForLife (BIFL), or the awarding of so-called "conscious badges" to environmentally friendly products[206]—are all part of the strategy to incentivize customers to shop more sustainably. Klarna's business data, however, shows a different story: Those retailers who offer a Klarna payment option see a recognizable growth in online sales and check-out conversion,[207] indicating that most of Klarna's customers do not belong to the BIFL community but are enabled to buy more goods.

ESG analysts reckon that Klarna's most meaningful contribution towards a more sustainable future is precisely through its impact on consumers, as they expect the multiplier effect to be sizable, with roughly 150 million active users. For the time being, the tension between implementing true sustainability-generating features and business profitability remains unresolved.

Case Assessment

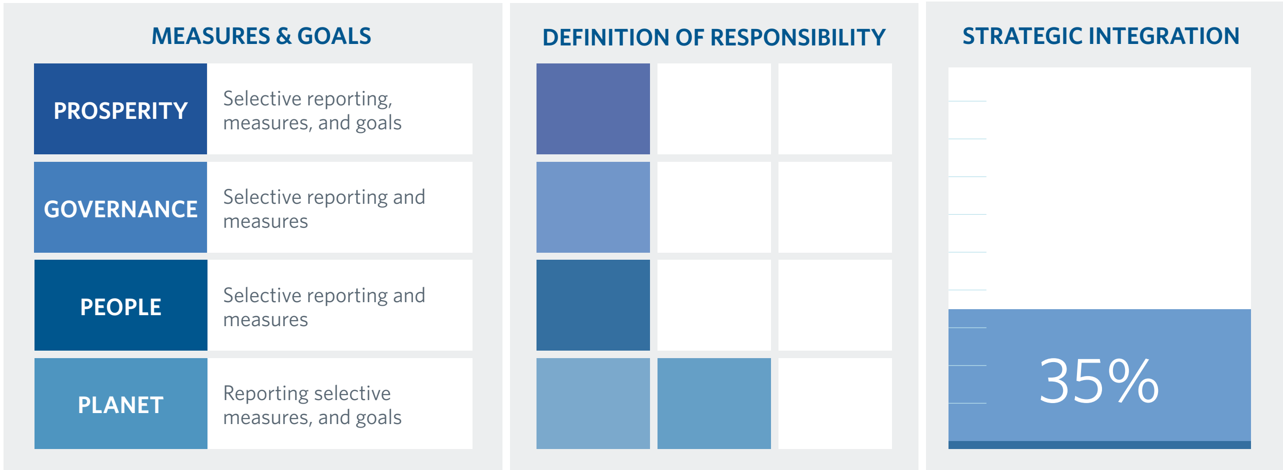
Klarna has seen fascinating economic success as a fintech start-up. Fintech companies are not necessarily associated with a hugely negative ESG impact, but the business model behind BNPL has certainly gained a tainted reputation. BNPL is symptomatic for an unsustainable behavior: excess spending on perishable goods, private debt accumulation, and the dubious reputation of fast fashion.

Klarna admittedly tries to limit the potential negative fallout from the misuse of its services by, for example, tweaking the dispatch of friendly payment reminders, providing educational content on financial literacy, or participating in a research study on sustainable credit. However, the meaningful integration of these measures into the company's business strategy remains to be developed. A first step could be the integration of precise numbers and measurable metrics.

[204] https://ffnews.com/newsarticle/klarnas-route-to-sustainability-as-easy-as-esg/.
[205] https://ffnews.com/newsarticle/klarnas-route-to-sustainability-as-easy-as-esg/.
[206] https://www.homepagenews.com/retail-articles/among-eco-initiatives-klarna-reddit-cite-brands-with-long-lived-products/.
[207] https://thenewglobalorder.com/world-news/klarna-tax-evasion-economic-growth-climate-change/.

LVMH

Company size (employees/sales)	Approx 196,000[208]/ € 79.2 billion of revenue in 2022[209]
Company headquarters	Paris, France
Industry	Retail (luxury goods)
Business relations	B2C
First sustainability report	2020 Social and Environmental Responsibility Report



Introduction

LVMH, short for Moët Hennessy Louis Vuitton, is a French luxury conglomerate. Comprised of 75 fashion and cosmetic brands, most of the company's voting rights are held by French billionaire Bernard Arnault and his family. Companies under the LVMH umbrella include Louis Vuitton, Tiffany & Co., Christian Dior, Fendi, and other acclaimed luxury brands. Not only is LVMH the largest luxury goods company in the world, but as of April 2023, it is the first European company to surpass $500 billion in market value.[210]

LVMH has suspended its operations in Russia since March of 2022, but continues to pay employees in the region. The group still holds material assets in the country in relation to fixtures, fittings, and right-of-use assets. The closing of these stores has not resulted in a substantial economic hit for the company.[211]

The clothing industry is often criticized for poor treatment of employees, especially in the Global South, as well as the negative impacts it can have on the environment—and for good reason. The textile industry is responsible for emitting the equivalent of 1.7 billion tons of CO2 each year, which is more than international flights and shipping combined.[212] The industry has also faced several accusations of child and forced labor, health and safety concerns, and overall poor working conditions.[213] This makes it essential for corporations in the industry to work toward achievable sustainability strategies that allow them to demonstrate their willingness to take responsibility in the Great Transformation.

Corporate Citizenship Activities and Goals

LVMH created its Environment Department after the Rio de Janeiro Earth Summit in 1992 and currently reports in accordance with GRI guidelines, with a designated sustainability report and sections on sustainability integrated into its annual report. Every few years, it also publishes various sustainability programs with long-term goals, entitled LIFE (LVMH Initiatives for the Environment), the most recent being LIFE 360, which builds off the previous LIFE 2020.

LVMH places a heavy emphasis on the environmental aspect of sustainability. The company builds its overall environmental strategy around four strategic priorities, which it splits into two distinct categories: creating products in harmony with nature (focusing on creative circularity and transparency) and the preservation of ecosystems

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[208] https://www.lvmh.com/talents/your-career-at-lvmh/be-part-of-lvmh/#:~:text=You%20become%20part%20of%20an,81%20countries%2C%20encompassing%20190%20nationalities.
[209] https://www.lvmh.com/investors/profile/financial-indicators/.
[210] https://www.cnbc.com/2023/04/24/lvmh-becomes-the-first-european-company-surpass-500-billion-in-value.html.
[211] https://r.lvmh-static.com/uploads/2023/01/lvmh_document-financier-2022_uk-final.pdf.
[212] https://www.ilo.org/static/english/intserv/working-papers/wp053/index.html#:~:text=The%20textile%20and%20garment%20sector%20accounts%20for%20a%20significant%20proportion,in%20carbon%20emissions%20per%20year.].
[213] https://www.reuters.com/article/us-global-fashion-slavery-idUSKBN1HU28N.

(biodiversity and climate).[214] The big goals under these headings for 2030 and 2050 are to integrate dedicated traceability systems into 100% of the group's "strategic supply chains" and for all new products be a result of eco-design by 2030. The company also aims to have zero sourcing from areas with a very high risk of deforestation or desertification, with 100% of strategic raw materials certified to the highest standards. Finally, LVMH aims to upcycle and repair as many products as possible and reduce greenhouse gases from energy consumption at sites and stores by 50% by 2026.[215]

LVMH states that Scope 3 emissions have the worst impact on its environmental footprint.[216] To combat this, the Group has developed an approach aimed at ensuring that its partners and suppliers adopt environmental, workforce-related, and social best practices, in addition to raising awareness and providing training on issues specific to its own activities. This is done through collaboration and offering support through audits and, where necessary, action plans. In 2022, over 1700 audits were conducted.[217]

The company also emphasizes its commitment to local communities and workers' rights, stating its dedication to ensuring proper working conditions for all employees throughout the supply chain, noting the importance of training employees about non-discrimination, and embedding a "zero-accident" culture by setting precise targets for 2025.[218] It has also pledged to double the number of people with disabilities working in its Maisons by 2025 and to work with suppliers to go beyond minimum wage.[219]

The company's governance and prosperity activities materialize through participation in a plethora of research programs to launch initiatives to lower the environmental footprint, with prosperity being very closely linked to its environmental aspirations. Much of the company's engagement with stakeholders also revolves around the environmental aspect, for example, partnering with malls and developers where its stores are located to reduce energy use, which contributed to a 10% reduction in energy usage between October 2022 and October 2023.[220] LVMH also mentions its Supplier Code of Conduct, which includes Fair Wage Principles that, in the event of non-compliance, can lead to terminating business relationships with the supplier.[221]

LVMH has partnerships with several stakeholders—including various foundations, NGOs, and the academic sector—to help it lower its environmental impact. Under its biodiversity plan, LVMH as a partner in the Circular Bioeconomy Alliance (CBA) announced two further action programs: restoring forest cover in southern equatorial Amazonia and northern Peruvian Amazonia and an initiative with Chad to roll out new sustainable and regenerative cotton production methods.[222] The individual brands have made progress by forging their own partnerships to make the materials used in their products more sustainable. Christian Dior, for example, created a collection in conjunction with the Parley for the Oceans NGO last year.[223]

Communication

The company's communications have not always been entirely transparent. LVMH claims that it has "made sustainable development a strategic priority since its founding," but initially felt the need to act in silence because it was not something that was of interest to its consumers.[224] The communication regarding the progress being made toward goals can also be difficult to come by, as reports are full of examples of what specific brands have done, but do not always state the progress made by the LVMH group as a whole.

Yet the group has made progress in this regard, currently providing brief summaries of its sustainability initiatives on its website, occasionally with explanatory videos. The website's setup makes it easy for consumers looking for information on specific aspects of LVMH's sustainability strategy to read up on just that without having to sift through the long sustainability reports. Still, LVMH is certainly not at the forefront of communicating its corporate responsibility well.

External Perspective

LVMH has faced its fair share of criticism throughout the years. One of the biggest critics of the company is PETA, who finds fault with the company's animal welfare practices. PETA argues that although LVMH claims that 100% of the animals used for the company's products are "humanely farmed," the practice of killing animals for their skin is intrinsically questionable.

To combat these claims, LVMH has certified 91% of its leathers with the Leather Working Group certification LWG, which is meant to certify leather goods that have a minimal environmental footprint, and has developed its own certification scheme for responsible crocodilian leather sourcing.[225]
Yet both these moves have come with their own criticisms, as the LWG certification involves auditing tanneries and not

[214] https://r.lvmh-static.com/uploads/2021/05/life_360_en_externe_def.pdf.
[215] https://r.lvmh-static.com/uploads/2021/05/life_360_en_externe_def.pdf.
[216] https://r.lvmh-static.com/uploads/2023/06/06-21_gb-_lvmh_rse2022.pdf.
[217] Annual report 2022, p. 38.
[218] https://r.lvmh-static.com/uploads/2023/03/lvmh_2022_annual-report.pdf, p. 31.
[219] https://www.lvmh.com/news-documents/news/lvmh-presents-animal-based-raw-materials-sourcing-charter/ p. 6.
[220] https://www.lvmh.com/news-lvmh/lvmh-publishes-2022-social-and-environmental-responsibility-report.
[221] LVMH Group Supplier code of conduct 2022.
[222] https://r.lvmh-static.com/uploads/2023/03/lvmh_2022_annual-report.pdf.
[223] https://r.lvmh-static.com/uploads/2023/03/lvmh_2022_annual-report.pdf p. 34.
[224] https://www.barrons.com/articles/going-public-on-sustainability-at-lvmh-1d1e4ac1.
[225] https://www.lvmh.com/news-documents/press-releases/lvmh-launches-first-standard-responsible-crocodilian-leather-sourcing-three-pilot-farms/.

farms and ranches (where critics argue much of the abuse and deforestation practices occur).[226] Although the LWG certification is often used to claim that there is no deforestation in the supply chain, the certification has not actually committed to phasing out deforestation leather until 2030.[227] The Crocodilian standard has been the subject of greenwashing claims as well, as it is one the company developed itself to certify its own goods.

LVMH has also been accused of failing to stop forced labor in its supply chain. It is one of several clothing brands sourcing their cotton from Xinjiang, China that were accused of taking part in what some critics argued amounted to a genocide, after reports that the people picking cotton on these farms were Muslim Uyghurs held in detainment camps.[228] LVMH has made no mention of pulling out of the region.

On the other hand, the company has also received praise for the strides it has made in sustainability. LVMH has used EcoVadis and Sedex for information on supply chain sustainability and received a ranking of 19 out of 205 from Sustainalytics in the textile and apparel industry. It has also been given an "A" rating by the CDP and MSCI, and in 2022 became one of 12 companies worldwide to have been awarded a "AAA" rating by the Carbon Disclosure Project. Individual companies within the LVMH umbrella have also received praise for their work—for example, the focus on implementing an exacting and transparent traceability policy has put Fendi in the top tier of businesses according to the Fashion Transparency Index.

Case Assessment

Overall, the company has made headway regarding its corporate responsibility. Continuing to involve stakeholders in discussions and promote research into alternatives for animal products could help LVMH stand out in the luxury industry. The company has set some ambitious goals for the next few years, and if it proves able to follow through with them, this will have significantly impact the reduction of its environmental footprint.

However, it is difficult to argue that LVMH is doing its best at combating animal cruelty and the environmental impact that this has when it continues to use animal products for its luxury goods because there is no good alternative with the same quality,[229] especially when other luxury brands are focusing their sustainable efforts on researching alternative materials. For example, luxury conglomerate Dolce & Gabbana has taken an anti-fur stance and pledged to stop using animal fur in its new collections; Gucci has created an animal-free leather alternative; and Chanel banned the use of exotic skins.[230] Although there are a few brands under the LVMH umbrella conducting research on this, it is not an explicit goal of LVMH itself.

In terms of the People quadrant, the approach to combating unfair labor conditions also seems to be lacking, as accusations of forced labor in the company's value chain persist. Nor is there much transparency in the auditing of the Supplier Code of Conduct that would provide insight into how effective this policy is in combating forced labor, or what areas still need improvement. LVMH's other goals in this category are also quite convoluted. There are mentions of the importance of training employees about non-discrimination and diversity, accompanied by percentages of people who have completed this, but there is no mention on whether this has led to changes in demographics (especially in terms of recruitment).

The explanation of initiatives that have been implemented can be similarly vague, featuring statements such as "80% of Maisons have a health and safety approach." This kind of vague language is used throughout the report. Future reporting must be improved with measurable, tangible evidence on the claimed sustainability success or failures of LVMH.

[226] https://thehill.com/policy/equilibrium-sustainability/583666-major-fashion-brands-may-be-linked-to-amazon-deforestation/.
[227] https://www.leatherworkinggroup.com/our-impact/traceability/deforestation/.
[228] https://www.ft.com/content/42cad61d-4672-48e9-867a-ae78d54233ee.
[229] https://www.vogue.de/mode/artikel/louis-vuitton-modehaus-luxurioese-designs-nachhaltigkeit-interview-christelle-capdupuy.
[230] https://world.dolcegabbana.com/sustainability/fur-free-policy ; https://www.peta.org/about-peta/victories/chanel-bans-fur-exotic-skins/.

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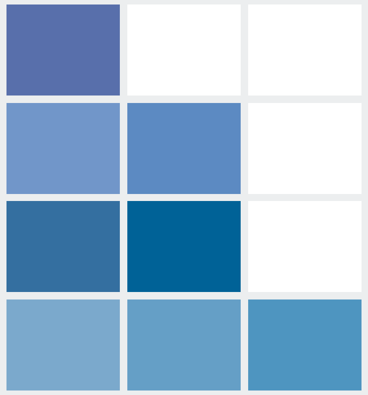
NESTLÉ

Company size (employees/sales)	approx. 275,000/ 94.4 billion CHF
Company headquarters	Vevey, Vaud, Switzerland
Industry	Food and beverage
Business relations	B2C
First sustainability report	“Creating Shared Value” 2008

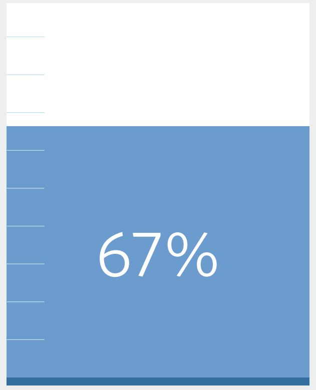
MEASURES & GOALS

PROSPERITY	Selective reporting, measures, and goals
GOVERNANCE	Reporting, comprehensive measures, and goals
PEOPLE	Reporting, selective measures, and goals
PLANET	Comprehensive reporting and measures, selective goals

DEFINITION OF RESPONSIBILITY



STRATEGIC INTEGRATION



Introduction

Nestlé is a multinational conglomerate corporation founded in 1866 with the opening of the first condensed milk factory in Europe. Today, it comprises over 2000 brands and is the largest publicly held food company in the world. Nestlé is no stranger to controversy: Not only was it the subject of boycotts due to its promotion of bottled water and baby formula over breastmilk in the Global South, but it has faced several allegations of forced and child labor practices. Calls to boycott Nestlé continue today due to social, political, and environmental concerns.[231]

Corporate Citizenship Activities and Goals

Nestlé’s corporate responsibility strategy focuses principally on climate and human welfare. It has set goals it plans to meet by 2025, 2030, and 2050, while annually reporting on its progress. The company provides key performance indicators for all its environmental ambitions, introducing transparency into the process.

Nestlé defines its sustainability strategy as “a climate-centred approach.”[232] The company recognizes the interlinkage between environment and prosperity, noting that livelihoods and human rights are at stake when environmental degradation is not properly addressed. Accordingly, it has introduced its Forest Positive Strategy, with which it aims to protect natural habitats while promoting human and land rights, with a focus on Indigenous communities’ and local communities’ land.[233] The company was also an early adopter of the UN Guiding Principles on Business and Human Rights. It routinely sends its experts to participate in major international conferences on the environment. In 2022 alone, Nestlé experts participated in discussions in support of the UN Treaty on Plastic Pollution, COP27, the UN Biodiversity Conference (COP15) in Montreal, and World Water Week.[234]

The company aims to cut its carbon emissions in half by 2030 (from the 2018 baseline) and is committed to achieving net zero greenhouse gas emissions by 2050.[235] It managed to decouple GHG emissions from business growth in the 2022 fiscal year, seeing increases in revenue with lower absolute emissions. The company has emphasized that this net zero commitment does not rely on carbon offsetting, but rather on emission reductions projects that transfer CO2 from the atmosphere into carbon stores.[236]

Much like several of the companies examined in this study, Nestlé names Scope 3 emissions as the main perpetrator of its negative climate impact.[237] It aims to address this by using alternative fuels and renewable electricity, as well as improving circular packing solutions.[238] The company is also vocal about participating in the shift toward regenerative farming, a goal that is mentioned throughout the sustainability report and is intertwined with its other goals. It has partnered with more

[231] https://thebutlercollegian.com/2023/02/letter-to-the-editor-a-call-to-boycott-nestle/.
[232] Sustainability report 2022, p. 5.
[233] Sustainability report 2022, p. 4.
[234] Sustainability report 2022, p. 9.
[235] Sustainability Report 2022, p. 3.
[236] Sustainability Report 2022, p. 12.
[237] Sustainability Report 2022, p. 4.
[238] Sustainability Report 2022, pp. 5, 14, 45.

than 600,000 farmers in its supply chain to provide them with the expertise and work to develop new approaches together to achieve this.[239]

The company defines stakeholder engagement and the consideration of external feedback as integral to its overall approach. It makes attempts to include employees, suppliers, consumers, customers, investors, and analysts in its decision-making processes.[240] It also enables its subsidiaries to combat their environmental footprint and social concerns in a way that works best for their individual companies; each of their brands is tasked with defining which areas they can best contribute to within the three core commitment areas: people in communities, people and planet, and people, families, and pets.[241] They must then develop goals and indicators that will allow for progress measurements.

Nestlé is involved in addressing human rights and labor standards. With the help of the **Nestlé Cocoa Plan**,[242] Nestlé was the first company in the cocoa sector to introduce a Child Labor Monitoring and Remediation System (CLMRS) into its supply chain, which prioritizes access to education, raising awareness, and surveying locations.[243] Several companies have adopted this tool to certify their cocoa. Nestlé also researches innovative strategies to tackle farm emissions and remove contaminants from wastewater, is working on increasing farmer and employee incomes, and is looking into ways of helping communities without access to safe, reliable water become more water secure.[244] It has also recently expanded its Nestlé needs YOUth initiative, which it created to provide employment opportunities to young people, and specifically to provide internships for young Ukrainian refugees and students in Europe and Latin America.[245]

The company takes its responsibility seriously by trying to integrate its goals for environmental sustainability into its business plans with the use of a materiality matrix. This matrix takes Nestlé's most material topics and weighs the company's respective impact on people and the environment against the topic's importance for, and impact on, Nestlé's business success. These topics are ranked on a scale of increasing salience from negligible risk, moderate risk, significant risk, to major risk.[246]

Communication

The company publishes annual sustainability reports and has a repository with several issue-specific reports available on its website. All issue-specific reports are available in several different languages, dating back to the first report on coffee farming from 2003. The company also has an annual corporate governance report that is available on its own as well as incorporated into the annual report. These reports prioritize transparency, defining global governance, climate advocacy, lobbying, and other terms of importance to the overall strategy, making it easy for those unfamiliar with the terms to understand the entire framework.

Nestlé's website defines its approach to sustainability in a concise manner, outlining the most important goals, making it easily accessible to consumers. The theme of making a difference for the environment and for people around the world is present essentially anywhere you look here, whether it be the About section, the Sustainability section, or even the tab showing which brands are Nestlé subsidiaries. There is also a plethora of information on the specific goals of each individual company on the site, and the progress they have made to date.

External Perspective

The company has been evaluated by several external auditors. Sustainalytics puts them at a medium risk for ESG exposure but believes that their ability to manage these risks is strong. Of Nestlé's sales, 10% are B-Corp certified. It has also received high praise from MSCI ratings, being awarded an AA, and is listed in the FTSE4Good Index. This past year, it even ranked first in coffee sustainability in the 2023 Coffee Brew Index. The company has also received positive reviews for the creation of Nestlé's Youth Entrepreneurship Platform, which provides free education to young people with the goal of generating ideas that will help the global food system.[247]

Nestlé took a big reputational hit in the 1970s for promoting infant formula over breastfeeding in the Global South, leading to a global boycott.[248] It has faced similar criticism regarding its extraction of water from communities where it is already scarce, and the promotion of bottled water.[249] It has also been heavily accused of using child labor in its cocoa production, even being featured in the 2010 documentary "The Dark Side of Chocolate."[250] Since then, Nestlé has created "Speak Up," a dedicated reporting channel for non-compliance concerns throughout the value chain, which led to the identification of 1944 concerns in 2022.[251] However, there are still several allegations of forced labor against the company, which include

[239] Sustainability Report 2022, p. 5.
[240] Sustainability Report 2022, p. 7.
[241] Sustainability Report 2022, p. 5.
[242] Sustainability Report 2022, p. 17.
[243] Sustainability Report 2022, p. 35.
[244] Sustainability Report 2022, pp. 11, 28.
[245] Sustainability Report 2022, p. 48.
[246] Sustainability Report 2022, p. 7.
[247] Sustainability Report 2022, p. 50.
[248] https://www.theguardian.com/business/2007/may/15/medicineandhealth.lifeandhealth.
[249] https://www.theguardian.com/global/2018/oct/04/ontario-six-nations-nestle-running-water.
[250] https://www.fawco.org/global-issues/human-rights/ending-violence-against-women-a-children/3008-the-dark-side-of-chocolate-child-labor-in-the-chocolate-industry.
[251] https://www.nestle.com/sustainability/human-rights/approach.

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legal proceedings that have made it all the way to the U.S. Supreme Court.[252] The company has also been subject to class-action lawsuits for price fixing in North America, and has pushed back against Australian tax transparency laws.[253]

Moreover, some NGOs critique the company for not following through with previous commitments, such as its 2010 pledge to use only deforestation-free materials within 10 years and for its failure to suspend relationships with oil palm plantations that have been accused of human rights violations.[254] This is partnered with concerns about the tremendous amount of plastic waste produced as a result of Nestlé's activities. Greenpeace has accused Nestlé of burning its plastic water bottle waste, creating toxic chemicals, rather than tackling the issue of its unsustainable packaging.[255] Although Nestlé has not responded directly to these claims, the plastic waste reduction strategy in its sustainability report mentions that the company plans to transition to plastic that is 100% recyclable and is currently working with 23 R&D centers and the Nestlé Institute of Packaging Sciences, in close collaboration with suppliers, start-ups, and universities, to accelerate innovation across all packaging types and materials.[256]

Case Assessment

Nestlé has shown a desire to contribute to both environmental and human prosperity. The company has several ongoing research projects to create innovative solutions to environmental problems with the support of external partners. In 2022, it even introduced its own research institute, The Nestlé Institute of Agricultural Sciences, which aims to research emissions reductions methods in the agricultural industry through regenerative agriculture and finding plant-based alternative ingredients.[257] The company also contributes to R&D programs that aim to make food safer, more nutritious, and more affordable.[258]

Nestlé makes several mentions of climate change and climate impacts—not only on its business but the world, underscoring the urgency of addressing the problem. Sustainable goals are reflected in its economic aspirations, which state that this transformation will allow the company to be more profitable in the future as regeneration will reduce costs long term.[259] Its non-financial performance KPIs are highlighted in the shareholder report, and the company clearly defines which SDGs it is most heavily contributing to and which ones it will be focusing on in the future. Nestlé's transition away from carbon offsetting toward research into carbon capturing shows a strong commitment to creating tangible environmental change, one that will not only benefit Nestlé, but could be used by various other companies around the world to reduce the overall presence of carbon emissions. This makes the company's environmental strategy to date seem promising.

However, although Nestlé has emphasized its commitment to protecting local communities and created programs to try to eliminate the use of forced labor in its supply chains, recent lawsuits against the company for child slavery show that its supply chain auditing methodology still has a long way to go. Although several of these cases have been dismissed, this is largely due to questions of jurisdiction rather than lack of evidence in support of the claims.[260] Nestlé has also not completely moved on from its formula scandal. More recent studies have been conducted that claim that the baby milk industry continues to advertise its product in a way that harms babies and communities in the Global South.[261] Both these accusations cast some doubt on the extent to which Nestlé is trying to create a strategy that focuses on human welfare. However, it is still important to recognize the progress that has been made in this quadrant.

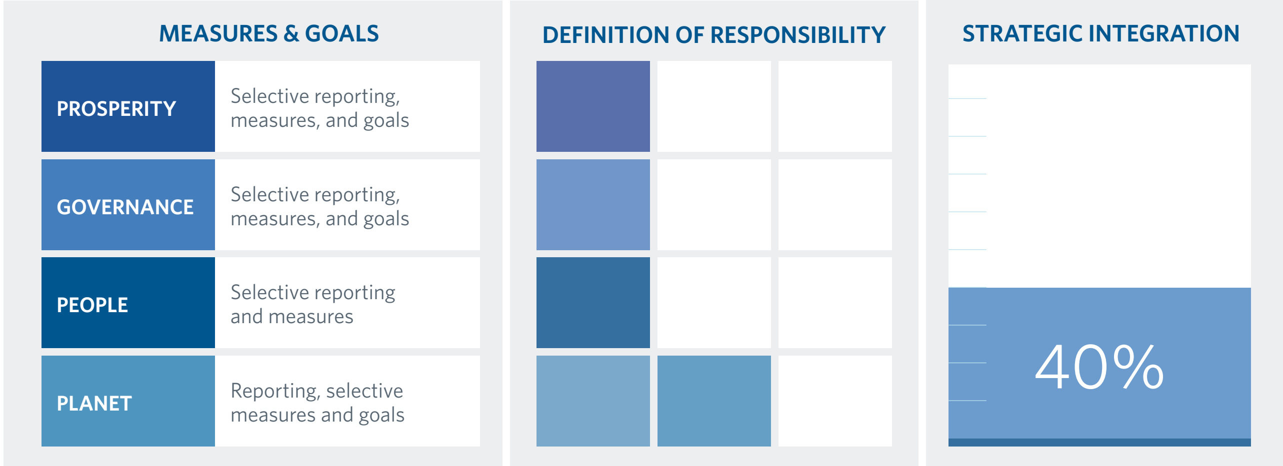
Nestlé has created policies and programs in response to these scandals. The Speak Up program—which was created with the help of many stakeholders and involved consultations with factory workers and local communities—has already identified weaknesses upon which the company needs to approve. Additionally, shortly after the formula scandal, the company created the Nestlé Policy for Implementing the WHO Code, which outlines the ethics surrounding the promotion of baby formula in countries where clean water is not readily accessible. It has continued to update this regularly. However, the policy does not specify how or whether local communities were involved in its creation, and there is no specific information on how effective it has proven.[262]

Overall, the company's sustainability report does a good job of acknowledging its corporate impact. Its strategy is strengthened by its attempts to engage stakeholders and integrate non-financial, sustainability oriented KPIs into its annual reports. The variety of research and development programs the company anticipates in working towards the aim of reducing emissions and addressing poor labor standards in its supply chain also gives it points. However, there are still improvements that can be made in the People quadrant that would improve the company's social sustainability efforts.

[252] https://www.reuters.com/business/us-supreme-court-rules-nestle-cargill-over-slavery-lawsuit-2021-06-17/.
[253] https://www.theglobeandmail.com/report-on-business/industry-news/the-law-page/crown-stays-price-fixing-charges-against-nestle-ex-ceo/article27316009/.
[254] https://www.rainforest-rescue.org/topics/palm-oil/nestle.
[255] https://www.greenpeace.org/southeastasia/press/45221/activists-send-plastic-waste-back-to-nestle-call-out-company-for-greenwashing/.
[256] Sustainability Report 2022, pp. 3, 44.
[257] Sustainability Report 2022, p. 21.
[258] Sustainability Report 2022, p. 37.
[259] Sustainability Report 2022, p. 5.
[260] https://www.bbc.com/news/world-us-canada-57522186.
[261] https://www.swissinfo.ch/eng/business/who-slams-baby-milk-industry-for-rampant--manipulative--marketing/47369706.
[262] https://www.nestle.com/sites/default/files/2022-12/nestle-policy-who-code-2021-en.pdf.

RYANAIR

Company size (employees/sales)	22,261 / € 1.314 million of profit, post tax as of March 2023[263]
Company headquarters	Swords, Ireland
Industry	Transportation
Business relations	B2C
First sustainability report	Nov 2021 (FY21), "Aviation with Purpose"



Introduction

Judging by passenger traffic, Ryanair is the largest airline group in Europe. Founded in 1984 by parent company Ryanair Holdings PLC, the majority of the company's shares are in free float, with HSBC Holdings PLC and CEO Michael O'Leary as the biggest shareholders (holding approximately 7.2 and 3.9% respectively). Its European shares are listed on Euronext Dublin, with its American Depositary shares listed on NASDAQ.

The company has experienced steady growth since its conception, making a name for itself as a brand that enables mobility at a comparatively cheap price, making it possible for people on a budget to get to where they want and need to go. As part of an industry notorious for environmental damage and its massive carbon footprint, however, this growth has necessarily led to massive increases in pollution—Ryanair was rated Europe's 10th biggest polluter in 2019.[264] This has led to a recent shift in the company's corporate responsibility, as it is forced to acclimate to changing stakeholder perceptions.

Corporate Citizenship Activities and Goals of the Company

Ryanair published its first sustainability report in November 2021, which it coined "Aviation with Purpose." The prime focus of the report, and of the company's overall sustainability strategy, is reducing Ryanair's environmental impact. The company emphasizes its support for the 2015 Paris Agreement, Destination 2050, the United Nations Global Compact, and the 17 UN Sustainable Development Goals. Although its environmental definition is relatively comprehensive, its strategy is lacking in the other three dimensions.

The focal point of the company's environmental strategy is the ambitious goal of achieving net-zero emissions by 2050, as outlined in its Climate Transition Plan. This includes the heavy use of carbon offsetting, and the setting of near-term carbon intensity targets for the 2026 and 2031 fiscal years to ensure its reduction strategy is on track.

The company's plan to reduce Scope 1 emissions relies on upgrading to a newer and more efficient fleet and the reduction of jet fuel usage through a transition to Sustainable Aviation Fuel (SAF), which is a non-conventional, renewable, or waste-derived alternative to fossil-based jet fuel. Yet SAF is also ripe with problems—its availability fails to meet aviation needs and it is around three times as expensive as conventional fuel,[265] two factors hindering SAF's take up in the industry. Regarding Scope 2 emissions, the company plans on making its buildings energy efficient, and has already begun using certified green electricity in buildings and hangars in Dublin, Stansted, Seville, and Vienna. Scope 3 emissions are to be reduced by switching from diesel-handling equipment to electric alternatives and by drafting supplier codes of conduct that require suppliers

[263] https://investor.ryanair.com/wp-content/uploads/2023/07/Ryanair-2023-Annual-Report.pdf.
[264] https://www.statista.com/chart/17582/megatonnes-of-co2-equivalent-in-the-eu/ ; https://www.transportenvironment.org/discover/ryanair-joins-club-europes-top-10-carbon-polluters/.

to have a net-zero carbon reduction strategy. The company claims that 40% of such equipment has already been replaced.

Since the reduction of Scope 1 emissions relies so heavily on a transition to SAF, Ryanair's governance and prosperity efforts are focused on engaging with stakeholders to address the barriers that exist in this regard. The company has put substantial time and effort into advocating for investments into SAF and implementation of financial measures that could make SAF more affordable and accessible in the future, including the establishment of its own research center.[266]

When it comes to the social aspects of sustainability, Ryanair has implemented several DE&I initiatives and schemes to get students and youth involved. It has also established committees and worked toward agreements that promote and support diversity in gender, inclusion, and anti-corruption. The integration of technological advancements has also played a role in its safety programs, with the creation of a safety alert app that makes it easier for pilots to communicate amongst themselves and CEFA Aviation: a cloud-based mobile service that enables pilots to replay their flights after landing so they can review them outside of the cockpit. Ryanair has also reinstated pay for employees post-COVID up to 28 months ahead of schedule.[267]

Another thing of note in Ryanair's sustainability strategy is the attempts to incorporate sustainability into senior management's short- and long-term variable pay, which is linked to the Group's ESG performance. The current KPIs include key environmental targets, including the achievement of a CDP "A" rating. There are also mentions of the benefits of CO2 reductions for shareholders, noting that investing in newer and larger fleets will not only reduce the CO2 emissions per passenger, but increase profits as more seats will be sold for each flight.[268]

Communication

Ryanair makes mention of its sustainability strategy not only in its sustainability report, but also in its annual report for stakeholders and on the company website. The website emphasizes how "green" the company is, with the slogan: "By choosing Ryanair, you're flying with the greenest and cleanest airline in Europe."[269] This communication has often been criticized for its lack of transparency, which we will expand upon in the following section. Another downside of the website's communication is that it makes no mention of sustainability goals outside of the environmental ones (other than a brief mention of supporting government policy and reform).

In terms of external communication, Ryanair has hosted a Sustainability Day in Trinity College Dublin to showcase the work done in the Ryanair Sustainability Research Centre and to share the Pathway to Net Zero. At this event, and through communication with external stakeholders, the company was sure to emphasize the hurdles that remain in reaching their environmental goals and their efforts to shape the political landscape regarding sustainable aviation fuel, ensuring transparency in terms of what can reasonably be done without continued advocacy and political change.

External Perspective

Ryanair has been rated by various ESG rating agencies. In 2023, Sustainalytics named it its number one rated airline in Europe, with an overall score of 23.4 (ranked on a scale of 0–100, with a lower score being better). The company has also recently obtained a "BBB" rating from the MSCI (on a scale of CCC–AAA), a score of 44 from S&P Global (on a scale of 0–100, with a higher score being better), and a "B" from the CDP (on an F–A scale). It is also a member of the UN Global Compact, the Sustainable Future Forum, Transition Pathway for Tourism, and JetZero.

Ryanair has been consistently criticized by the public for its use of ancillary fees to drive up the cost of flying for its customers, charging baggage fees, airport check-in penalties, and for in-flight food and beverages. Several viral articles have circulated about older passengers claiming they faced high penalties because they could not figure out how the online boarding pass system worked, or because they made innocent mistakes during the check-in process.[270]

The company has also faced criticism over suspected greenwashing, false sustainability claims, and failure to follow through with previous goals. Earlier this year, the Authority for Consumers and Markets (ACM) published a report on its investigation into false sustainability claims made by the company. The investigation found that Ryanair was misleading consumers about CO2 compensation making flying sustainable, stating that buying CO2 offset credits does not actually make the act of flying any more sustainable. Following this, Ryanair was forced to change its communication regarding sustainability on its website.[271]

Several of its past programs have also been discontinued or had funding pulled before any significant environmental impact could be felt. Ryanair suspended the funding for a tree planting project before any trees had been planted and pulled funding for a whale watching project. It is also apt to mention that such project funding comes from voluntary customer donations to help "offset" their carbon footprint. This failure to follow through makes the ambitious goals that Ryanair has for sustainability seem hollow.

[266] https://corporate.ryanair.com/wp-content/uploads/2023/07/Ryanair-2023-Sustainability-Report.pdf.
[267] https://corporate.ryanair.com/wp-content/uploads/2023/07/Ryanair-2023-Sustainability-Report.pdf.
[268] https://investor.ryanair.com/wp-content/uploads/2023/07/Ryanair-2023-Annual-Report.pdf.
[269] With the EU Green Claims Directive (proposed in March 2023, and could be adopted in the course of 2024), such claims, if they remain unsubstantiated, become outlawed. See https://ec.europa.eu/commission/presscorner/detail/en/ip_23_1692.
[270] https://www.theguardian.com/business/2023/aug/15/ryanair-charges-elderly-couple-110-after-they-download-wrong-boarding-cards.
[271] https://www.acm.nl/en/publications/ryanair-clearer-about-co2-compensation-following-acm-action.

Moreover, Ryanair has faced heavy criticism from external stakeholders. MSCI considered removing the company from its sustainability index in 2019 due to distortions caused by its share structure, though this has since been resolved.[272] More alarmingly, Ryanair fell victim to a racial discrimination scandal when it conducted Afrikaans tests for South Africans to prove their nationality.[273] To a lesser extent, Ryanair has faced controversy over its unique social media presence, but has been praised by some experts, who have called its approach revolutionary. The company's online presence stands out for being open and responsive to its millions of followers, and more importantly for interacting with them in a (self-)humorous and sassy tone, such as making fun of customers' experiences or Ryanair's own business practices, which lets these posts go viral beyond their organic reach.[274]

Case Assessment

Although Ryanair is ranked the number one airline in Europe, and consistently outranks other airlines in terms sustainability, this does not necessarily make the company as sustainable as it first appears. Being the best company in an industry famous for environmental degradation does not automatically make said company "green." Although the definition of environmental sustainability is elaborated on quite well in sustainability reports, some goals remain not out of line with comprehensive corporate responsibility.

The argument that Ryanair is Europe's greenest airline is questionable, because the metric used can be quite misleading. Ryanair makes this claim based on CO2 emissions per passenger per kilometer. This, however, is an international unit of comparison.[275] The planes in its fleet tend to be newer, larger, and have significantly more seating than those of other airlines. More passengers means that the emissions per passenger will be reduced, but this is not the result of any proactive actions by the company. In fact, Ryanair is still one of the biggest polluters on the continent according to the T&E (European Federation for Transport and Environment), who reported that Ryanair was Europe's top polluting airline last year.[276]

This, coupled with the fact that 25% of the company's net zero reduction strategy relies on carbon offsetting, necessitates increased scrutiny when looking at the progress toward environmental sustainability that has been made and the goals for the future. However, continued advocacy and a commitment to transition to SAF will certainly yield positive results and is something that should not be overlooked.

The continued dedication to communicating with stakeholders and the establishment of its own research sector gives Ryanair modest points in terms of governance and prosperity. Its goals here are not necessarily clear. The company states that it will continue to research and work with partners to support SAF in the EU, but there is an absence of clear, measurable aims, and no mention of new measures that are to be implemented. Similarly, although the company mentions the importance of employee turnover, with claims close monitoring, the reports offer no data in this regard. Nor do there exist tangible goals regarding the future of governance. Instead, the reports place a heavy emphasis on the recently updated Code of Business Conduct, and the Supplier Code of Conduct that is to be presented for review, but make no mention of how this will be taken further, or even how compliance with these codes will be monitored and addressed.

The importance placed on what has already been achieved is present in the People dimension as well. There is much discussion about how the company has prioritized safety and DE&I programs, addressed gender gaps and cyber safety, without much follow up about how these measures can be evaluated, improved, or taken further in the coming years. Future aspirations are usually mentioned in terms of following through with pre-established agreements, incorporating feedback received from workshops, and with very broad statements, such as stating that it is Ryanair's goal to improve customer experience as the number of passengers increase, with no specific roadmap on how this will be achieved.

[272] https://www.ft.com/content/41e567a2-4265-11e9-b168-96a37d002cd3.
[273] https://edition.cnn.com/travel/article/ryanair-slammed-for-issuing-afrikaans-test-for-south-africans/index.html.
[274] https://www.wildepine.com/blog/ryanairs-unique-and-hilarious-social-media-persona.
[275] https://ourworldindata.org/grapher/carbon-footprint-travel-mode.
[276] https://www.transportenvironment.org/discover/ryanair-and-wizz-air-pollute-more-than-ever/#:~:text=New%20analysis%20of%20aviation%20industry,million%20tonnes%20of%20CO2.

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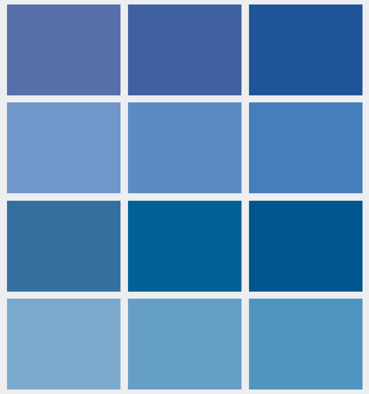
SANTANDER

Company size (employees/profit)	206,000 employees/ € 9.6 billion (in 2022)
Company headquarters	Boadilla del Monte, Madrid, Spain
Industry	Banking
Business relations	B2B and B2C
First sustainability report	First group-wide sustainability report in 2008 (reports on CSR activities since 2003)
Reporting format	Sustainability report integrated into Annual Report

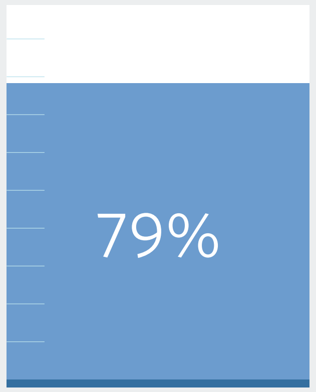
MEASURES & GOALS

PROSPERITY	Comprehensive reporting, measures and goals
GOVERNANCE	Comprehensive reporting and measures, selective goals
PEOPLE	Comprehensive reporting, measure,s and goals
PLANET	Comprehensive reporting, measures, and goals

DEFINITION OF RESPONSIBILITY



STRATEGIC INTEGRATION



Introduction

The Santander Group is a heavyweight in the world of finance and banking. It can lay claim to a long company history, as it was founded in 1857 under the auspices of Queen Isabella II of Spain to facilitate trade between the Port of Santander in Northern Spain and Latin America. The port city recognizably lends its name to today's bank. The company's 160-year-old history as portrayed on its website reads like a success story: It speaks of doubling the size of the balance sheet in its early years of existence, and of relentlessly expanding its network and operations on the European, South, and North American continents.

Fast forward to today, and Santander is a significant bank establishment with 164 million customers to date, more than 212,000 employees, and € 1.780 billion in total assets—to name just a few indicators.[277] It is active in the investment, retail, digital, and commercial banking business, predominantly on the three aforementioned continents, with an especially strong market position in Spain, the UK, Mexico, Brazil, and Chile.[278] Santander is deemed the most valuable Spanish brand in the world, and among the most valuable finance brands in the Eurozone.[279] Santander is proud of its brand reputation and puts it forward as a signal laying "testament to the fact that Santander is on the right path."[280]

This "right path" that Santander proclaims is inherently grander than just economic profitability. The company's purpose statement "To help people and businesses prosper"[281] already pays lip service to several responsibility dimensions under investigation in this study. As the finance sector underpins economic investment, which affects societal prosperity, it plays a critical role. Depending on how this role is filled, it has the potential to contribute greatly to a better future.

Corporate Citizenship Activities and Goals

Santander seemingly takes its corporate responsibility to society's overarching goals seriously. It adopts a comprehensive definition of all four dimensions—Governance, Planet, People, and Prosperity—as a basis for its activities. At the same time, Santander shows awareness that focusing on areas of activity where its positive impact is expected to be the greatest is likely to be the most meaningful. To that end, it conducts a materiality assessment on a yearly basis. In 2022, this resulted in it identifying fifteen priority topics, in turn ranking them into three categories ranging from Relevant (e.g., responsible procurement) and Major (e.g., diversity, equity and inclusion (DEI)) to Crucial (e.g., green finance & socially responsible investment (SRI), or environmental and social risk manage-

[1] https://www.santander.com/en/about-us/key-facts-and-figures
[2] https://www.santander.com/en/about-us/where-we-are
[3] https://www.santander.com/en/stories/we-are-proud-to-be-one-of-the-100-most-valuable-brands-in-the-world
[4] https://www.santander.com/en/stories/we-are-proud-to-be-one-of-the-100-most-valuable-brands-in-the-world
[5] https://www.santander.com/en/about-us/our-business-model

ment). The materiality matrix represents the ranking, illustrating that the crucial topics are all expected to have a high impact on the environment and society on the one hand and on Santander on the other.[282] The matrix gives a first tentative hint that Santander interlocks ESG considerations with its business activities.

When looking at the planetary dimension of sustainability, Santander sets forth a twofold approach to making a positive contribution. Firstly, it pledges to achieve net zero operations by 2050.[283] This overall goal is presented through the lens of direct Scope 1 and 2 emissions, which Santander tries to reduce by limiting CO2, reducing electricity consumption, and undergoing a complete switch to renewable sources. In these examples, Santander has already made respectable progress, with a 71% decline in CO2 emissions and a 33% decline in electricity usage since 2011, including the use of an electricity mix that is 88% renewable in origin.[284] For these and other benchmarks related to material resources, Santander releases clear intermediate targets and formulates strategies towards their attainment, which render the goals more tangible and actionable—for example, aiming for a 100% renewable electricity mix by 2025.

Secondly, the bank seeks to support the green transition by means of its investment capacity. Santander pushes itself to decarbonize its portfolio (i.e., notably in emission-intensive sectors such as aviation or steel, newly fleshed out in 2022), and increasingly channels capital into so-called green finance and SRI opportunities.[285] SRI, for Santander, is defined as "an investment philosophy which, as well as taking the profitability and the risk of an investment into account, assesses environmental, social and corporate governance factors."[286] While the exact conditions qualifying an asset as an SRI could be scrutinized, promoting such funds over others will not necessarily harm Santander's profitability, as returns can be equivalent but have the advantage of a boosted ESG standing.

In its social expression, Santander considers its employees, customers, and communities it operates in. The support program for employees is especially well-developed and includes in-house training, international assignments, swap programs, options to volunteer, a minimum standard for parental leave, and the promotion of a holistically healthy lifestyle through hundreds of initiatives throughout the year (i.e., the #BeHealthy campaign),[287] among other things. Santander refers to its efforts as employee value proposition (EVP).[288] Alongside its commitment to fostering "one of the world's healthiest companies," Santander aims to eliminate its equal pay gap (which stood at 1% in 2022) and occupy 30% of senior positions with women by 2025 (which stood at 29.3% in 2022).[290] At the same time, such social engagement naturally contributes to business goals like talent acquisition, retention, and a motivated workforce.

Outside the direct parameters of Santander's premises, the company runs some well-funded programs for society at large, which help promote prosperity. The main outlet is the provision of basic access to banking services, financing to underserviced groups, and financial education, which saw its target of financially empowering 10 million people between 2019 and 2025 met three years ahead of schedule.[291] To adjust to the over-achievement, Santander announced its goal of wanting to empower another 5 million people before 2025.[292]

As risk management is second nature for a bank, the Governance dimension should be prominent in Santander's case. The governance structures of the 160-year-old, publicly traded company are naturally well-developed, making the institutional innovations of 2022 all the more noteworthy. Santander thereby shows its readiness to adapt its structures to the present responsibility consideration. It has, for instance, updated its Corporate Behavior guidelines as a result of a series of employee workshops and other events with upper management,[293] created a new ESG risk function under the Chief Risk Officer,[294] and doubled its global, fully ESG-dedicated staff in 2022 without giving the absolute head count.[295] In the same year, Santander started to include ESG criteria in the long-term incentive structure, which makes for a subtle but noteworthy contribution to linking business success and sustainability at the highest level.

Communication

Shining a light on Santander's sustainability communication, the first observation must be that the company does not issue a separate ESG report but folds the detailed insights into its Annual Report. As far as Santander's ESG communication goes, it is rather timid in relation to the company's size and efforts. It appears that Santander is relatively active in a range of multilateral forums for coordination, like the UNEP Finance Initiative, Net Zero Banking Alliance, World Business Council for Sustainable Development (WBCSD), or Banking Environment Initiative (BEI),[296] and creates space for its staff to participate in events on wide-ranging ESG-relating topics.[297] These initiatives seem to be focused on substantial work to drive the "responsible banking agenda"[298] rather than public relations. Internally, Santander attempts to align its workforce with its ESG orientation through a number of formats, such as newsletters, the Climate Dialogues for senior managers, and company-wide ESG talks.[299]

[282] Annual Report, p. 23.
[283] Annual Report, p. 53.
[284] Annual Report, p. 65.
[285] Annual Report, p. 54.
[286] https://www.bancosantander.es/en/blog/ahorro-inversion/inversion-sostenible-responsable-isr.
[287] Annual Report, p. 40.
[288] Annual Report, p. 42.
[289] Annual Report, p. 40.
[290] Annual Report, p. 15.
[291] Annual Report, p. 69.
[292] https://www.santander.com/en/press-room/press-releases/2023/03/banco-santander-raises-financial-inclusion-target-to-15-million-people-by-2025.
[293] Annual Report, p. 31.
[294] Annual Report, p. 21.
[295] Annual Report, p. 68.
[296] Annual Report, p. 94.
[297] Climate Finance Report, p. 4.
[298] Annual Report, p. 94.
[299] Climate Finance Report, p. 18.

From the Annual Report, it is easily discernible how the company fares in terms of ESG measures and targets. Its public communication is in contrast surprisingly meagre, leaving the impression that Santander's public ESG communication falls behind its actual effort.

External Perspective

Santander is one of the companies that displays its rankings in external sustainability assessments on its company's website and in its Annual Report. It shows a select few, arguably renowned, indices. The obvious reason for Santander to showcase the rankings is that it does fairly well in all of them, proudly displaying its scores for 2021 and 2022, allowing for comparison. It currently lists nine different ESG rankings (ratings for 2022): MSCI (AA), Sustainalytics (22.4), CDP (A), S&P DJSI (83), ISS-ESG (C 55.6), Moodys (61), FTSE4Good (4.2), Bloomberg Gender Equality Index (BGEI) (92.87), and Shareaction (92). The year-on-year trend one can derive from the table is a very good rating in most, and good ratings in some, of the indices, some even showing improvement. Santander is quick to point out this positive evolution and briefly describe the progress it has achieved in some key indicators. It admits to using the indices to signal progress and demonstrate Santander's favorable standing in relation to competitors. A possible selection bias behind such a positively sounding sample needs to be questioned. Comparing the ratings with other indices, we find the CSRHub[300] (91 in 2023) and the World Benchmarking Alliance[301] (28.0 in 2023) also assigning good overall marks to Santander, while Sustainable Fitch[302] (3 in 2023) gave it a more mediocre grade, analogous to ISS-ESG.

Case Assessment

Santander presents itself as an extremely ESG-aware bank giving broad consideration to all relevant responsibility dimensions: Governance, Planet, People, and Prosperity. The comprehensive definition of responsibility forcefully informs Santander's business purpose as it is currently formulated. It speaks of Santander's recognition that finance in general, and banking in particular, sits at a critical position in modern societies. The company seems to have realized its potential to contribute positively to society's well-being and has carved out a comprehensive approach towards promoting responsibility in its business activities.

In that regard, Santander tightly integrates its approach towards corporate responsibility into its business goals. It makes smart connections between the two, and never presents them as incommensurable alternatives. As recently as 2022, Santander implemented significant changes to its approach and target setting to connect them even more closely than before. One can observe Santander tightening the screws between these two previously separate fields and increasingly thinking of them jointly, in a forward-looking approach.

The overall impression of Santander's Corporate Citizenship activities conveys a great sense of detail, as evidenced by meticulously prepared reporting. Santander seemingly takes its societal responsibility seriously, which has earned the bank very good ratings in indices to which this analysis can equally attest.

[300] https://www.csrhub.com/CSR_and_sustainability_information/Banco-Santander-SA.
[301] https://www.worldbenchmarkingalliance.org/publication/financial-system/companies/banco-santander/.
[302] https://www.sustainablefitch.com/corporate-finance/sustainable-fitch-assigns-esg-ratings-for-entities-17-05-2023.

→ CONTENTS

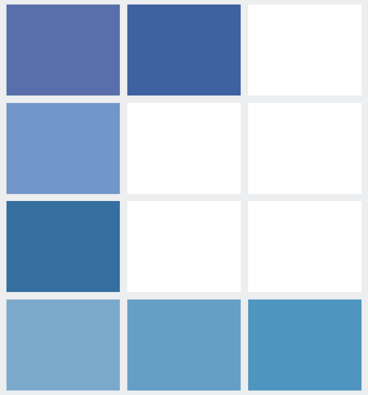
SOLVAY

Company size (employees/net sales)	22,000 employees/ €13.4 billion (in 2022)
Company headquarters	Brussels, Belgium
Industry	Chemicals
Business relations	B2B
First sustainability report	2013
Reporting format	Annual Integrated Report

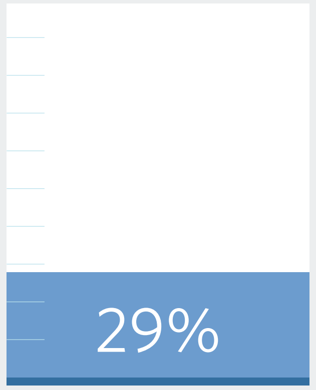
MEASURES & GOALS

PROSPERITY	Reporting, selective measures
GOVERNANCE	Selective reporting
PEOPLE	Reporting, selective measures
PLANET	Comprehensive reporting and measures, selective goals

DEFINITION OF RESPONSIBILITY



STRATEGIC INTEGRATION



Introduction

Solvay SA is a Belgian, publicly listed, multinational chemical company that functions, in their own words, as a science company. Founded in 1863 by Ernest Solvay,[303] who engineered a breakthrough in the soda ash process, Solvay has come a long way to turn the company into a worldwide leader in most of its activities. Today, Solvay works in the provision of chemical solutions for a whole range of different industries like agriculture, automotive, healthcare, aerospace, and consumer goods.

In December 2023, with the extraordinary backing of its shareholders, Solvay decided to split the company into two separate entities.[304] The partial demerger was planned 18 months in advance and formed part of Solvay's growth strategy.[305] The separation resulted in two publicly listed companies, Solvay and Syensqo, which specialize in essential chemicals and specialty chemicals respectively. It has been made clear that Solvay, by name and by nature, is to carry on the legacy of the 160-year-old business. According to the company, the split's aim was to accelerate the firm's reinvention and optimize growth potential.[306] For the purposes of this study, however, the analysis will focus on the unitary company Solvay and its Corporate Citizenship preceding the separation. This is partially because the Corporate Citizenship for the new entities can be assumed to still be in development. Nevertheless, analyzing the 2022 Annual Integrated Report will yield a detailed view on the Corporate Citizenship developed up to the separation.

Corporate Citizenship Activities (and Goals)

Solvay's "Purpose" is to "bond people, ideas and elements to reinvent progress."[307] The company claims this connects its past, present, and future and stands firmly at the center of everything it does. Solvay uses the term "Corporate Citizenship" in its communication and relates it to its Purpose in the following way: "Our approach to Corporate Citizenship follows similar ideals in line with our Purpose," which is to contribute to society in general and its stakeholders in particular.[308] Just like in other seasoned, well-established companies, Solvay's Corporate Citizenship approach seems to have sprung from its previous philanthropic activities—as a URL along with a reference to its "philanthropy strategy" can testify to.[309] Solvay transparently states that it has integrated its commitment to philanthropic endeavors into its "Corporate Citizenship program" with its three constituent chapters: Protecting the Planet, Nurturing Innovation, and Fostering Education.[310]

[303] Annual Report, 2022, p. 12.
[304] https://www.solvay.com/en/press-release/shareholders-overwhelmingly-support-creation-two-independent-companies.
[305] Ibid.
[306] https://www.sustainableplastics.com/news/solvays-plastics-business-will-be-part-new-firm-syensqo.
[307] https://corporate-citizenship.solvay.com/our-purpose.
[308] https://corporate-citizenship.solvay.com/our-purpose.
[309] https://www.solvay.com/en/our-company/philanthropy.
[310] https://corporate-citizenship.solvay.com/our-purpose.

Considering Corporate Citizenship as a program certainly allows the legacy of philanthropy to shine through, departing from a holistic understanding.

A materiality analysis informs Solvay's sustainability priorities, which it brings up to date every year. The sustainability reporting is said to generally follow the benchmarks set by both the Sustainability Accounting Standards Board (SASB) and the Global Reporting Initiative (GRI).[311] The analysis takes stock of the following four categories: Governance, Climate, Resources, and Better Life.[312] Therein, Solvay identifies the factors of high importance for itself, including the management of the legal, ethical, and regulatory framework (in Governance); greenhouse gas emissions (in Climate); air and water quality, product lifecycle management, and waste (in Resources); and employee health, safety, DE&I, corporate citizenship, and hazardous materials (in Better Life).[313] Corporate Citizenship's listing as a priority area is a curious finding, which not only diverts once more from the interpretation used in this study—in which we take Corporate Citizenship to be a guiding principle, not a sub-point in a materiality analysis—but also from the term's understanding as previously suggested by Solvay itself, demonstrating inconsistency.

Regarding the Governance dimension, Solvay does not seem to perceive its corporate governance structure as a vehicle to drive its sustainable transformation. The underlying definition is shallow. While Solvay complies with all legal requirements regarding company structure and disclosure obligations, it claims to uphold "the highest level of Belgian governance practices."[314] However, it presents no clear-cut evidence as to how it goes beyond the legal prerequisites. The two main forums, the Board of Directors and the Executive Leadership Team (ELT), seem to be primarily focused on operational decisions and business continuity in the face of COVID-19's new normal, high inflation, implications of the Russian war of aggression, and Solvay's separation into two companies, treating corporate responsibility as an afterthought and as one of many topics on the agenda.[315]

The Planet dimension is arguably the most developed in terms of scope and quantification. Solvay has a dedicated "Solvay One Planet sustainability roadmap,"[316] which gives structure to its mostly environmental goals to be achieved before 2030. Solvay supports the Paris Climate Agreement, hence pledging to be carbon neutral by the end of 2050, and has promised to support the COP15 biodiversity pledge. The roadmap features ten commitments, such as reducing Scope 1 and 2 emissions, phasing out coal in the energy mix, and lowering freshwater intake, industrial waste, and pressure on biodiversity. In 2022, Solvay additionally set itself a goal to reduce Scope 3 emissions, while proudly announcing that the reduction of greenhouse gas emissions so far follows "a pace that is almost twice that required by the Paris Climate Agreement."[317] However, most measures and targets in this category are aimed at the production process itself—meaning that they will reduce Solvay's own carbon footprint, but will do little to enable downstream partners, customers, and consumers to reduce their own environmental impact. The pass-on effect of sustainability can therefore be assumed to be limited. In that regard, Solvay entertains a couple of illustrative initiatives, such as a program with which it is trying to develop an open loop business model for single-use surgical instruments with the partner company Ostium.[318] Once the work on the Scope 3 emission target begins to show, it may be possible to observe a greater pass-on effect beyond the realm of Solvay's production plants.

With regards to the People and Prosperity dimensions, Solvay is discernibly running several projects to increase its positive impact on its employees, communities, and society. Since 2019, it observes and celebrates Citizen Day annually, which Solvay uses to promote its DE&I agenda, LGBTQ+ friendliness, and connectivity between employees.[319] The company encourages active employee involvement via Employee Resource Groups (ERGs). Moreover, Solvay presents direct benefits to its employees by newly offering the Solvay Shares program: During the program's first year, 27.7% of all eligible employees signed up to acquire Solvay shares with their personal funds.[320] Solvay hopes to promote an owner mindset where employees feel a stronger than average commitment to the company. Slightly more removed from the business, Solvay emphasizes its sponsorship of professional para-athletes (i.e., Solvay-4Sports) as well as a five-month expedition to Greenland by two Belgian nationals with the goal of collecting scientific data (i.e., Nanok Expedition).

The Solvay Solidarity Fund (SSF) is another strand of societal involvement that Solvay highlights. It was set up during the COVID-19 pandemic to support employees and their families facing hardship by providing days off or financial support.[321] The fund has remained active ever since, and has grown to be a permanent facility for both individual and collective support, for Solvay employees and the communities it works in. Projects of collective support include relief efforts for Ukrainians, funding COVID-19 research, and other humanitarian endeavors. Solvay discloses an Impact Progress Report on the funds it distributes through the SSF.

311 https://www.solvay.com/en/investors/toward-sustainable-investing-esg-information.
312 Annual Report, 2022, p. 178.
313 Annual Report, 2022, p. 178.
314 Annual Report, 2022, p. 112.
315 Annual Report, 2022, pp. 110-111.
316 Annual Report, 2022, p. 34.
317 Annual Report, 2022, p. 36.
318 Annual Report, 2022, p. 43.
319 Annual Report, 2022, pp. 10, 24.
320 Annual Report, 2022, p. 51.
321 https://corporate-citizenship.solvay.com/solvay-solidarity-fund.

Communication

Solvay is vocal about its sustainability efforts, which take on a strong presence on the website and in the Annual Integrated Report. The information is spread across different pages, riders, and multi-media formats. This may lend it an omnipresence, but also makes it hard to gain an effective overview of Solvay's corporate responsibility position. In addition, Solvay makes extensive use of storytelling to convey its positive corporate impact, recent program launches, and updates to the reader. For example, the story about the Nanok Expedition starting off the Annual Report pays tribute to the fact that Solvay does not shy away from giving its sponsorships a prominent place in its communication, but with the caveat of commenting on the projects and relating them to Solvay. Such is the case with the Nanok Expedition, where CEO Ilham Kadri congratulates the researchers on their success and says that it is an excellent example of Solvay Corporate Citizenship in action.[322]

Solvay's communication also stands out for the feature of turning every field of activity into a separate Solvay product. Its Corporate Citizenship activities are divided into separate packages, such as Solvay One Planet, Solvay One Dignity, Solvay4Sports, Solvay Solidarity Fund, the Solvay Prize, Solvay Awards, Solvay Institutes, the Solvay Conferences, or the Solvay Way. This strategy seems to stand in the way of Solvay speaking with a single voice, as a unified Corporate Citizen. Successfully communicating a Corporate Citizenship goes hand-in-hand with a unified approach to speaking about challenges, achievements, and goals. From its communication efforts, it is hard to believe that Solvay perceives itself as such when it consciously keeps its activities and communication thereof separate.

External Perspective

Solvay proactively cites several external ESG ratings on its website. Stemming from its time as a unified company, Solvay stated that such feedback in the form of ESG ratings and analysis of its ESG position constitutes valuable input for establishing benchmarks of its performance as well as reflecting stakeholders' main concerns. Elsewhere, the company shows understanding that ESG has become an important investment criterium looking at the company from the outside, notably that "investors increasingly challenge the chemicals industry to re-invent its sustainability agenda with high environmental, social and governance (ESG) expectations."[323] Such recognition can arguably drive a firm to improves ratings, which precisely link business considerations with sustainability ones. To name a few, Solvay has received an "A" rating from MSCI ESG (in 2022), an "A-" from the CDP Climate Change questionnaire (in 2022), a "B-" from ISS ESG (in 2022), and a score of 23.9 pts from Sustainalytics (in 2022).[324] These scores generally put Solvay in the top quartile of a given sample, which is a respectable placement in such indices, although the exact ranking is re-considered every year and measured against the progress of comparable companies.

Solvay reflects on the score given to it by ChemScore, an index administered by the NGO International Chemical Secretariat (ChemSec), which ranks the world's top 50 chemical companies in relation to their efforts to reduce their chemical footprint, with the aim of providing investors with better insight into the issue.[325] ChemScore has been published annually since 2020 and has included Solvay from the start. Over the years, there are two key aspects that characterize Solvay's position in ChemScore: On the positive side, its ambitious projects regarding circularity and sustainability—on the negative side, the company's involvement in a relatively large number of controversies.[326] Most recently in 2023, although Solvay only scored 21 points out of a possible 48, it ranked sixth place out of the 50 companies evaluated.[327]

The controversies in which Solvay is entangled in are a case in point, since they mostly pertain to environmental hazards coming from its factories and plants and are of direct concern to local residents and authorities. ChemScore lists a variety of controversies involving Solvay, ranging from a small chemical spill in England and a hefty quarter million dollar lobbying budget for the U.S. market, to the reoccurring problems around the use of per- and polyfluoroalkyl substances (PFAS) at different Solvay sites. The large group of chemicals gathered under the umbrella term PFAS has become notorious in recent years for its quasi-indestructible property, inability to biodegrade and, as a result, the steady accumulation in the environment. PFAS is theorized to be harmful, if not outright carcinogenic, to humans and may contribute to a range of health complications, such as different types of cancer, suppressed immune responses, fetal defects, or organ damage. In the EU, and the U.S. to a lesser extent, there was a 2023 regulatory push to ban some or all PFAS substances for the sake of public health. PFAS in a company's product portfolio is thus increasingly becoming a risk to investors, as the regulatory speed accelerates and liability risks to companies have materialized more frequently.[328]

Indeed, Solvay already had several instances where it stood out negatively in association with PFAS, which could cast a dark shadow over the company's reputation. In 2023, Solvay saw itself forced to reach a settlement with the U.S. state of New Jersey, for $393 million, because the state accused Solvay of having polluted the drinking water with PFAS.[329] The amount constitutes a large sum intended to fund the remediation efforts. However, it was pointed out that the settlement

322 Annual Report, 2022, p. 3.323 Annual Report, 2022, p. 178.
323 https://www.solvay.com/en/investors/toward-sustainable-investing-esg-information.
324 https://www.solvay.com/en/investors/toward-sustainable-investing-esg-information or Annual Integrated Report, 2022, p. 86.
325 https://chemscore.chemsec.org/about/.
326 https://chemscore.chemsec.org/reports/solvay-2022/.
327 https://chemscore.chemsec.org/reports/solvay-2023/.
328 https://chemscore.chemsec.org/reports/solvay-2022/.
329 https://www.reuters.com/sustainability/solvay-settles-drinking-water-pollution-claims-with-new-jersey-2023-06-28/.

"does not mean Solvay admits it is at fault."[330] In a similar row, Solvay's factories in the South of France were, as recently as January 2024, associated with an extremely high PFAS concentration: Local tap water was found to contain up to 38 times as much PFAS as the future European Drinking Water Directive, effective January 2026, will allow.[331] Although Solvay has announced its phase-out from fluorosurfactants (i.e., a PFAS compound) by 2026,[332] the management of PFAS is likely to become a legacy issue for chemical producers.

Case Assessment

Solvay finds itself in a curious position in the ongoing transformation and the changing societal expectations that are placed on the firm. It realized relatively early that societal sentiment was changing, as when the then-CEO Jean-Pierre Clamadieu expressed his strong support for sustainability in a 2013 interview and argued that chemical companies are not the nemesis of sustainability efforts.[333] This ties in well with what Solvay has recognized along the way, that "chemistry is both part of the problem and the solution."[334]

In comparison, the implementation of its Corporate Citizenship seems less up to date. It has become all too clear that Solvay has carried on its philanthropy legacy to the present day and struggles to meaningfully restructure it. Thus, Solvay's Corporate Citizenship remains rather shallow and at best minimally integrated into its business strategy. Its activities are mostly separated from its regular business operations, meaning that an economic expansion on Solvay's part does not automatically translate to a more positive effect on society. Distinguishing between a comprehensive Corporate Citizenship and a compliant one, as in this case, requires a closer look beyond the well-prepared surface of the sustainability reporting.

With Solvay's split into two companies at the end of 2023, the assessment of their respective Corporate Citizenship is once again open for analysis. It is certainly an opportunity for each company to base its sustainability approach on a more solid footing and rethink the integration of sustainability into its business strategy. The partial demerger already shows that Solvay has given its growth potential some thought. However, it would benefit further from giving the same attention to its integrated sustainability measures. In the longer term, and if Solvay and Syensqo were to copy their 2022 Corporate Citizenship activities, they would at some point stand out for their low level of commitment. Moreover, PFAS is most likely to remain a topic of high societal concern and has the potential to mobilize people against PFAS emitters. Any production processes that contain PFAS thus carry a high reputational risk going forward and even an exit from PFAS will not shield the companies from resuming responsibility for the damage that has already been done.

[330] https://www.reuters.com/sustainability/solvay-settles-drinking-water-pollution-claims-with-new-jersey-2023-06-28/.
[331] https://www.nieuwsblad.be/cnt/dmf20240206_94579366#:~:text=De%20fabriek%20van%20het%20Belgische,tot%20de%20PFAS%2Dfamilie%20behoort.
[332] https://www.solvay.com/en/press-release/solvay-phase-out-use-fluorosurfactants-globally.
[333] https://www.theguardian.com/sustainable-business/interview-ceo-chemical-firm-sustainability-survival.
[334] Annual Report, 2022, p. 20.

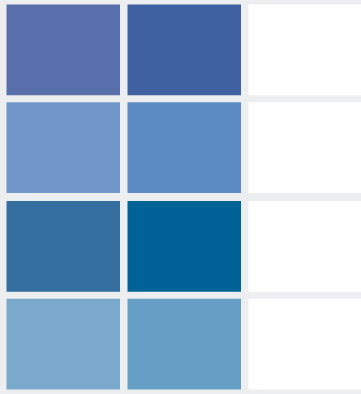
STELLANTIS

Company size (employees/profit)	270,000 employees / € 16.8 billion in net profit (in 2022)
Company headquarters	Amsterdam, Netherlands
Industry	Automobile
Business relations	B2B and B2C
First Sustainability report	First report with merger of PSA and FCA in 2021, previous reporting by FCA and PSA since 2017
Reporting format	Individual CSR Report

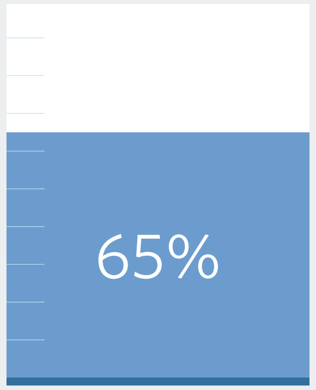
MEASURES & GOALS

PROSPERITY	Reporting, comprehensive measures, and goals
GOVERNANCE	Reporting, comprehensive measures, selective goals
PEOPLE	Reporting, comprehensive measures, selective goals
PLANET	Reporting, comprehensive measures, and goals

DEFINITION OF RESPONSIBILITY



STRATEGIC INTEGRATION



Introduction

Stellantis stands as a multinational automotive giant, born from the 2021 merger between Italian-American Fiat Chrysler Automobiles (FCA) and the French PSA Group. Currently, it ranks as the fourth-largest automaker globally, trailing behind Toyota, Volkswagen Group, and Hyundai Motor Group. Headquartered in Amsterdam, Stellantis trades its common shares on multiple platforms, including the New York Stock Exchange and Euronext Milan and Euronext Paris. Key shareholders include the Agnelli family, the Peugeot family (Etablissements Peugeot Frères), and Bpifrance.

In an era marked by profound shifts in the mobility industry, the merger of FCA and PSA into Stellantis aimed to tackle challenges head-on. The traditional combustion engine faces pressure from increasing demand and regulatory changes, driven by emerging players like Tesla and BYD. Simultaneously, geopolitical disruptions, supply chain vulnerabilities, and rising energy costs have impacted European production sites and sales.

To enhance competitiveness and adaptability, Stellantis focuses on a unified approach. Central to this strategy is the optimization of vehicle architectures to reduce costs—a principle also instrumental to Volkswagen's success with its diverse brand portfolio. Stellantis leverages its size, resources, diversity, and expertise to seize opportunities in the evolving mobility landscape. Notably, the company invests significantly in electric mobility, autonomous driving, and digital mobility services.

However, Stellantis faces substantial ESG challenges amid this transformative journey. As a contributor to 18% of global CO2 emissions from road vehicles in 2019, the company shoulders the responsibility to reduce its CO2 impact by transitioning the production focus from combustion engines to electric vehicles. Yet this shift is encountering fierce competition, particularly from China, which is rapidly gaining dominance in electric vehicle production and development. This scenario results from a dual trend: European and American manufacturers shifting production to China, and Chinese brands expanding their market share. However, Stellantis stood out with its most recent marketing move in favor of the electric vehicle (EV) transformation. This included offering its customers the full premium as a discount for a limited time when the German state subsidy for EVs came to an abrupt halt,[335] showing sensitivity to the topic.

The complexity deepens when considering Stellantis's societal impact. With 270,000 employees, the company directly influences countless lives and communities. This accountability clashes with the imperative to navigate structural shifts resulting from the shift from combustion to electric mobility and the merger synergies.

[335] https://www.spiegel.de/wirtschaft/unternehmen/stellantis-autobauer-garantiert-e-auto-praemie-fuer-privatkunden-a-8cb8c495-eaa9-4f7e-a47f-51f1031dfdff

In response, Stellantis is embracing its role as an outcome and driver of industry transformation. Recognizing the need for collective strength, FCA and PSA merged into Stellantis, enhancing their chances of sustainable profitability. Moreover, Stellantis is redefining its identity, transcending the traditional automotive realm to position itself as a mobility tech company. This strategic evolution underscores Stellantis's commitment to not merely surviving the industry upheaval but thriving in the face of these challenges.

Corporate Citizenship Activities and Goals

Stellantis, born from a merger driven by the necessity of remaining competitive in the rapidly transforming automotive industry, has made adapting to this change a core part of its identity. At the heart of the company's self-determined mission lies a commitment to long-term success achieved through the integration of economic growth with respect, financial performance with social responsibility, and industrial development with environmental stewardship.

Stellantis largely communicates its Corporate Citizenship activities through its corporate strategy and CSR ambitions on its website. In its pursuit of sustainable mobility, the company focuses on three key pillars outlined in the Dare Forward 2030 strategic plan: Care, Tech, and Value.[336]

Stellantis understands Care as a multifaceted concept.[337] It conceptualizes caring for the climate via its aim to achieve Carbon Net Zero by 2038 and reduce carbon emissions by half compared to 2021 levels by 2030. Stellantis is shifting towards a circular economy model, focusing on repair, reuse, remanufacturing, and recycling. In 2022, the company successfully recycled over 1.7 million parts, including catalytic converters, plastic bumpers, alloy wheels, and High-Voltage Batteries. Under its Dare Forward initiative, the Circular Economy Business Unit aims to generate €2 billion in total revenue by 2030 through these activities. Targets include implementing at least one recycling solution for each High-Voltage Battery sold in the EU, North America, and China by 2025, extending this to all countries with electric vehicle sales by 2030, and achieving full implementation worldwide by 2050. Additionally, Stellantis plans to introduce its first vehicles containing 25% Green Materials by 2025, increasing to 40% by 2030. Green Materials are defined as those comprising renewable and recycled content, along with materials that have a lower carbon footprint.

Care also extends to customer satisfaction, with the goal of becoming the leader in this area by 2030. Additionally, care encompasses the protection of employees. Here Stellantis prioritizes diversity, aiming to have at least 35% of leadership roles held by women by 2030.

The tech pillar underlines that innovation is key to Stellantis's business strategy.[338] The company is progressing in electrification, planning to offer over 75 full-electric models by 2030. Stellantis is also engaged in further developing hydrogen technology, leading the way in hydrogen fuel cell vans. Furthermore, as part of the aim to move away from a traditional car manufacturer towards a mobility tech company, Stellantis company is investing in software, deploying Artificial Intelligence-powered technology platforms to enhance vehicle performance and user experience.

Under the value pillar, Stellantis is embracing the digital revolution, enhancing e-commerce capabilities for personalized and flexible customer interactions. Entrepreneurship is encouraged through various business units, fostering innovation and value creation beyond vehicle sales.[339] Stellantis places a high value on its regional roots, demonstrating a commitment to fostering local value in each area of operation. However, the specifics of this commitment, including detailed targets and strategies, remain undefined.

Closely aligned with the Dare Forward 2030 strategic plan, Stellantis articulates its commitment to Corporate Social Responsibility, ensuring alignment with the UN Sustainable Development Goals.[340] The company addresses CSR through six key pillars, constituting the CSR Macro-Risks, identified in relation to the company's activities. These Macro-Risks are further delineated into 22 specific CSR issues, all of which are of material significance to both the company and its stakeholders. Every CSR issue is joined by a vision to solve the problem, a KPI to measure the problem, and a short-term, medium-term, and long-term commitment. The six Macro-Risks are as follows: 1. Generating a substantial impact on climate change, 2. Facilitating company transformation via the development of human capital, 3. Responding to evolving customer expectations regarding mobility, 4. Preventing ethical violations and fostering a culture of integrity, 5. Advancing the protection and responsible utilization of natural resources, 6. Upholding human rights and contributing to the economic development of communities.[341]

The identification of these six Macro-Risks underscores Stellantis's awareness of corporate responsibility, addressing the four fundamental dimensions of Governance, Planet, People, and Prosperity, forming the foundation of its business strategy and activities. Additionally, Stellantis correlates stakeholders' expectations regarding CSR issues with the company's economic performance, employing a materiality matrix to categorize the 22 CSR issues. Depending on the alignment of importance between Stellantis and its stakeholders, a CSR issue is classified as Substantial, Significant, or Strategic. For example, vehicle CO2 emissions, a CSR issue, is deemed pivotal for both the company's economic performance and stakeholders, earning it the classification of a strategic CSR issue. This demonstrates Stellantis's integrated approach to ESG and business operations.

[336] https://www.stellantis.com/en/company/dare-forward-2030.
[337] https://www.stellantis.com/en/company/dare-forward-2030/care.
[338] https://www.stellantis.com/en/company/dare-forward-2030/tech.
[339] https://www.stellantis.com/en/company/dare-forward-2030/value.
[340] https://www.stellantis.com/content/dam/stellantis-corporate/sustainability/csr-disclosure/fca/fca_2020_sustainability_report.pdf.
[341] https://www.stellantis.com/content/dam/stellantis-corporate/sustainability/csr-disclosure/fca/fca_2020_sustainability_report.pdf.

A closer examination of Stellantis's approach to the planetary dimension, particularly through the Dare Forward 2030 plan, highlights the reduction of CO2 emissions as a central goal. This objective is primarily pursued through Macro-Risk one, which aims to have a pronounced impact on climate change. Under this category, the three CSR issues identified are Vehicle CO2 emissions, Industrial and site carbon footprint, and the Carbon footprint of the supply chain. By doing so, Stellantis acknowledges its responsibility for emissions throughout the entire production and consumption lifecycle. Each climate-related issue is connected to a vision, strategic KPIs, and commitments spanning the short, medium, and long term, with transparent reporting on progress over the past two years. These specific commitments align with the overarching aim of the Dare Forward 2030 strategy: to achieve net-zero carbon emissions by 2038, with a single-digit percentage of offsetting.

With respect to the other dimensions various measures can be identified that Stellantis undertakes to address the Macro-Risks. For example, to empower diversity and equal opportunity, the company has set targets for gender balance in leadership positions, aiming for 30% by 2025, 35% by 2030, and 40% by 2040. Responsibility for achieving these targets is assigned to the Chief Human Resources & Transformation Officer, which may enhance accountability within the organization.

Regarding governance, Stellantis has linked its salary scheme for Chief Executives and other eligible employees to the company's carbon emission reduction goals. The key performance indicator for this initiative is the growth in production of EV. This approach suggests an effort to align the company's business objectives with environmental considerations. However, the effectiveness of this strategy and the direct impact on CO2 emissions reduction are not explicitly detailed, and the specifics of the compensation scheme are not fully transparent.

Subsequently, Stellantis evaluates the potential risks and opportunities associated with its environmental commitments in relation to the sustainability of its business model. The company identifies transitional opportunities in emerging mobility trends, resource efficiency, and increasing vehicle complexity, aiming to capitalize on these trends to create value. Concurrently, Stellantis acknowledges potential challenges, such as the insufficient profitability of Low Emission Vehicles, raw material scarcity, and shifts in the mobility market driven by changing customer preferences. To mitigate these risks, the company has formulated strategies including increased recycling and the development of alternative mobility services, aiming to buffer the impact of potential crises and ensure resilient business operations.

Communication

Stellantis primarily communicates its corporate responsibility efforts through its official website and a detailed Corporate Social Responsibility (CSR) report. Although the financial report and the CSR report are separate entities, the CSR report begins with a comprehensive integrated report. This integrated segment evaluates the company's CSR initiatives in relation to its business operations.

The CSR report is extensive, spanning 493 pages—a significant contrast to the average ESG report, which is typically around 70 pages.[342] It is noteworthy that the report provides details about the individual car brands under Stellantis. For instance, it includes a thorough listing of all the electrified models launched by each brand in 2022, offering a view of the company's development across its brand portfolio.

Additional resources include the SASB Transportation Standard Index, a Vigilance Plan, and a letter to FIR. For broader engagement, Stellantis uses social media platforms like LinkedIn, X (formerly Twitter), Facebook, and YouTube to disseminate information and interact with stakeholders. Although Stellantis is proactive in documenting its initiatives, such as the "Dare Forward 2030" strategic plan, its reach appears to be somewhat constrained. This is exemplified by the limited following on its YouTube channel, which has only about 7,200 subscribers, and the relatively low viewership of videos explaining campaigns like "Dare Forward 2030," with some garnering just 329 views. This suggests that while Stellantis is thorough in its documentation and communication efforts, the impact and awareness of these efforts are still limited. This can be partly attributed to the relatively recent formation of Stellantis and the ongoing process of establishing its brand identity.

In summary, while Stellantis demonstrates thoroughness in reporting its goals and achievements, there is a noticeable discrepancy in its public ESG communication reach. The success of the company's public outreach on these matters seems somewhat limited, creating that Stellantis's external ESG perception may not fully reflect its internal commitments and actions.

External Perspective:

Given the pivotal impact of automobiles on worldwide emissions, comprehensive ESG analytics have previously been conducted on Stellantis. Sustainalytics has deemed the ESG risks associated with Stellantis to be of a medium magnitude, scoring 22.4.[343] This score encapsulates the total of unmanaged ESG risks that the company currently faces. Consequently, this suggests that Sustainalytics acknowledges certain risks in the company's business model that might be challenging to mitigate. These could potentially include anticipated governmental regulations concerning engine technologies and

[342] https://corpgov.law.harvard.edu/2021/11/02/the-state-of-u-s-sustainability-reporting/.
[343] https://www.sustainalytics.com/esg-rating/stellantis-nv/2008220239.

various other mobility-related legislations. It is crucial to highlight, however, that Stellantis is proactively addressing these ESG risks, as evidenced in its Corporate Social Responsibility report, alongside developing comprehensive strategies aimed at minimizing their impact.

Delving deeper, MSCI has undertaken a thorough analysis of Stellantis's ESG initiatives and commitments.[344] The organization contends that the emission reduction targets set by Stellantis are congruent with a projected 1.6 °C increase in global temperatures. This alignment places Stellantis's ambitions in accordance with the Paris Agreement's minimum objectives. Despite this, Stellantis's MSCI ESG Rating stands at "BB," indicating that its resilience to financially significant ESG risks is perceived as moderate. This rating does not position Stellantis as a frontrunner in ESG risk management. Nevertheless, it is important to note that this rating does not imply an "average" ESG strategy. For comparison, Tesla, with an ESG Rating of "A," lacks a clear decarbonization strategy, and its business model aligns with a temperature rise ranging between 2.2-3.3 °C.[345]

Refinitiv's ESG rating further solidifies Stellantis's standing in sustainability, awarding it an excellent score of 91 out of 100. This places Stellantis second amongst the 283 Automobiles & Auto Parts Companies analyzed by Refinitiv.[346]

In summary, the external evaluations present a consistent narrative. While Stellantis's business model, heavily reliant on individual mobility and combustion engines, carries substantial risks, the company has unequivocally demonstrated its awareness of these risks and has instituted robust strategies to safeguard its future prosperity. Furthermore, Stellantis's actual performance in ESG aspects is perceived as exemplary.

Case Assessment

Stellantis actively incorporates CSR considerations across various aspects of its operations, aligning with the dimensions of Governance, Planet, People, and Prosperity. The comprehensive definition of responsibility informs Stellantis's business purpose as it is currently formulated. The company acknowledges the impact of mobility, especially the use of combustion engines, on society and demonstrates a commitment to contributing to societal and climate well-being through a structured sustainability strategy.

The integration of sustainability objectives with its business goals is a noticeable aspect of Stellantis's approach, reflecting an attempt to balance these elements. Detailed reporting and a strategic focus on corporate responsibility are evident, highlighting the company's attention to its societal and environmental responsibilities. Stellantis has received positive ratings in sustainability indices, indicating recognition of its efforts in ESG practices. The company's role in promoting sustainable practices within the mobility sector is acknowledged, demonstrating its participation in broader industry trends towards sustainability.

[344] https://www.msci.com/our-solutions/esg-investing/esg-ratings-climate-search-tool.
[345] https://www.msci.com/our-solutions/esg-investing/esg-ratings-climate-search-tool/issuer/tesla-inc/IID000000002594878.
[346] https://www.refinitiv.com/en/sustainable-finance/esg-scores?esg=Stellantis+NV.

→ CONTENTS

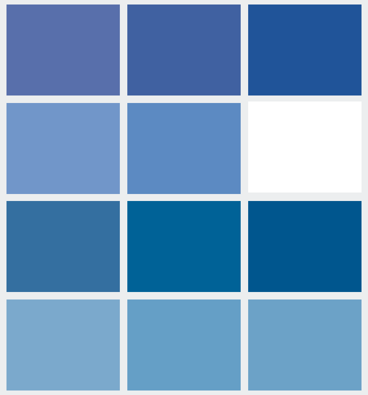
VESTAS

Company size (employees/sales)	28,438 (as per 2022 report)[347]/ € 13.6 million in 2022
Company headquarters	Aarhus, Denmark
Industry	Machinery (wind turbines)
Business relations	B2B
First sustainability report	1st sustainability strategy: February 2020 "Sustainability in Everything We Do"/ 1st report: "Environmental Statement 2000"

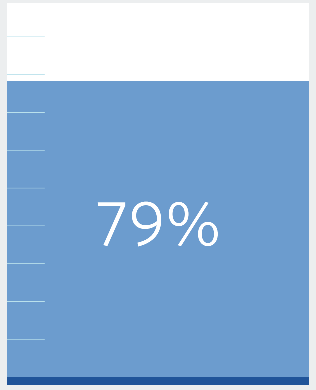
MEASURES & GOALS

PROSPERITY	Comprehensive reporting, selective measures, and goals
GOVERNANCE	Reporting, comprehensive measures, selective goals
PEOPLE	Comprehensive reporting, measures, and goals
PLANET	Comprehensive reporting, measures, and goals

DEFINITION OF RESPONSIBILITY



STRATEGIC INTEGRATION



Introduction

As the world is moving away from coal and fossil fuels and looking toward greener forms of energy, the renewable energy industry is steadily increasing in importance. Based on recent trends, including the fact that 2022 was the third-best year in history for the global wind energy sector, and that the wind industry is set to see 15% year-on-year growth, the industry has the potential to have a massive impact on our future.[348]

Founded in 1945, Vestas is the largest wind turbine company in the world, operating on five different continents, and holding over 16% of the world wind turbine market.[349] Originally producing agricultural machinery and hydraulic cranes, in 1987, Vestas decided to focus entirely on wind energy.[350] Today, Vestas is the global leader in wind energy manufacturing[351] and was named the most sustainable company in the world in the Global 100 Rankings in 2022.[352]

Corporate Citizenship Activities and Goals

Vestas follows the definition of sustainability given by the Brundtland Commission of 1987: "being able to meet the needs of the present generation without compromising the ability of future generations to meet theirs."[353] In order to ensure its business is in line with this definition, the company prioritizes the environment, calling the environmental scope its MWB (must win battle)[354] due to the necessity of responding to the climate crisis and addressing the issue of energy scarcity.[355] Its strategy to achieve this is guided by four main pillars: achieving carbon neutrality by 2030 without carbon offsets; producing zero-waste wind turbines by 2040; becoming the safest, most inclusive, and socially responsible company in the energy industry; and leading the transition towards a world powered by sustainable energy.[356]

In pursuit of the first pillar, Vestas has outlined an action plan for Scope 1, 2, and 3 emissions reductions.[357] The action plan for Scope 1 and 2 focuses on continuing to source 100% renewable electricity globally, phasing out cars powered by fossil fuels, decarbonizing offshore vehicles to sustainable biofuels in cooperation with other relevant stakeholders, and transitioning to renewable energy for their factories.[358] Its plan for Scope 3 focuses on targeting the carbon footprint of its supplier operations, as they are the source of 98% of the company's carbon footprint. Vestas aims to do this by working with its suppliers to help them commit to emissions reductions in line with its targets, including partnerships for low-emission steel, exploring alternatives to steel, and avoiding GHG emissions from products (Scope 4).[359]

[347] Vestas Sustainability Report, 2022, p. 76.
[348] https://www.nesfircroft.com/resources/blog/5-wind-energy-companies-innovating-the-renewable-energy-industry/.
[349] https://energydigital.com/top10/top-10-wind-turbine-manufacturers.
[350] Vestas Sustainability Report, 2022, p. 5.
[351] Vestas Sustainability Report, 2022, p. 5.
[352] 2022 Global 100 Press Release | Corporate Knights.
[353] Vestas Sustainability Report, 2022, p. 20.
[354] Vestas Sustainability Report, 2022, p. 22.
[355] Vestas Sustainability Report, 2022, p. 6.
[356] Vestas Sustainability Report, 2022, p. 8.
[357] Vestas Sustainability Report, 2022, p. 29.
[358] Vestas Sustainability Report, 2022, p. 29
[359] Vestas Sustainability Report, 2022, p. 30..

Progress toward the second pillar is comprised of slowly lowering the carbon intensity of the company's wind turbines. Vestas aims to reduce this by 45% by 2030 through changes in turbine design and decarbonizing its transport and servicing infrastructure.[360] To aid this transition, Vestas has created a Circularity Roadmap in which it outlines interim targets with clear numbers and percentages. It has already made progress toward this goal, improving its material efficiency by 20% in 2022, aiming to increase this efficiency by 90% by 2030, as well as increasing the percentage of blades being recycled each year so that every component of the wind turbine will be recyclable by 2040.[361] It outlines precise goals that it hopes to reach for 2020, 2025, 2030, and 2040 in this regard and the progress it has made towards meeting them.[362]

In terms of becoming the safest, most inclusive, and socially responsible company in the energy industry, Vestas wants to reduce its injury rate by 85% by 2030 and increase the share of women by 30% by that same year.[363] In addition, increasing ethnicity representation by defined percentage points by 2025 and 2030 is part of its Diversity, Equity, Inclusion and Belonging (DEIB) strategy.[364] Health and safety is also a core concern for Vestas. Considering the potential dangers involved with manufacturing, installing, and servicing wind farms, Vestas has developed a "safety first" principle that it hopes will result in the reduction of the Total Recordable Injury Rate (TRIR) to 1.5 by 2025 and 0.6 by 2030.[365] According to reports, its TRIR has stayed around 3 for the past few years after seeing a relatively steady annual decline between 2011 and 2018.[366]

Vestas also takes its commitment to social responsibility seriously throughout its value chain. This includes conducting Human Rights Assessments (HRA) to identify areas of concern.[367] Since its first HRA in 2018, Vestas has updated its policies to include enhanced due diligence measures, introduced a program focusing on conflicts minerals, and implemented new grievance and remedy measures to ensure adherence with the UNGPs.[368] It has also developed a supplier assessment framework to allow it to assess, monitor, manage, and mitigate potential risk to supply chain workers.[369] It conducts audits of both direct and indirect suppliers to ensure uniformity.[370]

In addition to improving human rights practices across the board, Vestas is committed to strong internal ethics. It has accordingly created a whistleblower platform that allows employees and partners to anonymously report violations to the Vestas Code of Conduct (CoC). The CoC is communicated to all employees at various points in time and reiterated through a series of mandatory topic-specific micro-learnings released sporadically throughout the year.[371] The number of cases raised and substantiated are clearly and transparently provided in the sustainability report.[372] A Social Due Diligence Process exists to ensure local communities are impacted as little as possible.[373] Several community engagement initiatives also exist in which the company invests in providing wind energy to communities around the world.[374]

Finally, to lead the transition to a world that is powered by sustainable energy, the company seeks to electrify new sectors by using Power-to-X technologies and publicly campaign for sustainable change.[375] Its governance is also closely linked to its environmental and social activities, as it works with public stakeholders to accelerate the energy transition and engage with governments to promote its interest in energy and renewables both through direct advocacy and indirect lobbying.[376] It is important to note here that Vestas can be seen as inherently sustainable because it is part of the renewable energy sector, an industry that has a net positive effect on society. However, Vestas does not focus its sustainability strategy solely on this aspect. Instead, it continuously attempts to make improvements in the areas in which it needs to do more, showing its commitment to corporate citizenship.

Vestas strives to create value by maximizing wind resources through the development of new wind energy projects, powering the renewable energy transition through innovation and scalable solutions, and maximizing sustainable energy generation.[377] However, its interest in the environment does not end with emissions reductions: It also has plans to prevent pollution and foster and conserve biodiversity.[378] There is a particular interest in biodiversity considering the potential impact of the use of wind turbines on local biodiversity. To address this, Vestas takes migration patterns and historical peaks of local bird and bat activity into account in both the construction and usage phases of the wind turbines.[379]

Further governance activities include the development of several committees and programs. For example, the Audit Committee assesses the effectiveness of the Anti-Bribery and Corruption Compliance programs and makes recommendations depending on its assessments.[380] The company's global and regional compliance programs ensure continued compliance with international legislation.[381] Sustainable tax initiatives also exemplify the commitment to strong governance practices. Vestas engages in dialogue with stakeholders to promote tax transparency, disclose taxes borne and collected in every region in which it operates, and participate in sustainability-linked financing, including the issuing of the first sustainability-linked bonds in Denmark.[382] This works by having the bond's fixed rate be directly linked to the company's sustainability performance in terms of Scope 1, 2, and 3 emissions reductions.

[360] Vestas Sustainability Report, 2022, p. 7.
[361] Vestas Sustainability Report, 2022, p. 34.
[362] Vestas Sustainability Report, 2022, p. 37.
[363] Vestas Sustainability Report, 2022, p. 7.
[364] Vestas Sustainability Report, 2022, p. 50.
[365] Vestas Sustainability Report, 2022, p. 44.
[366] Vestas Sustainability Report, 2022, p. 45.
[367] Vestas Sustainability Report, 2022, p. 39.
[368] Vestas Sustainability Report, 2022, p. 40.
[369] Vestas Sustainability Report, 2022, p. 54.
[370] Vestas Sustainability Report, 2022, p. 55.
[371] Vestas Sustainability Report, 2022, p. 43.
[372] Vestas Sustainability Report, 2022, p. 42.
[373] Vestas Sustainability Report, 2022, p. 59.
[374] Vestas Sustainability Report, 2022, p. 64.
[375] Vestas Sustainability Report, 2022, p. 7.
[376] Vestas Sustainability Report, 2022, p. 69.
[377] Vestas Sustainability Report, 2022, p. 19.
[378] Vestas Sustainability Report, 2022, pp. 31–32.
[379] Vestas Sustainability Report, 2022, p. 33.
[380] Vestas Sustainability Report, 2022, p. 67.
[381] Vestas Sustainability Report, 2022, p. 67.
[382] Vestas Sustainability Report, 2022, pp. 17, 73.

Communication

The four main goals guiding Vesta's sustainability strategy are displayed prominently on its website, making it easy to get a feel for the company's priorities. These goals, along with further information on company endeavors, are shared with stakeholders in various other ways as well, including through involving stakeholders in the creation of Vestas's materiality matrix, being part of major trade associations, and participating in political engagement at big events such as COP28.[383]

Throughout its sustainability report, Vestas very clearly organizes its definition, goals, and the progress being made toward each of said goals in terms of environment, social, and governance. It frequently also explains in the detail the reasoning behind these goals, making its decisional logic easy to follow and clearly highlighting why pursuing them is vital. The company also clearly explains how it derives its figures at the end of the sustainability report, in the notes on sustainability key figures.[384]

External Perspective

Vestas has received much external praise and validation for the work it does. It was named the most sustainable company in the world in the 18th annual ranking of the world's most sustainable corporations, published by Corporate Knights, and ranked in the top 3 for the following two years.[385] It also received an "A" rating from the CDP and a score of 68 in the S&P World Index, and was deemed low risk by Sustainalytics.[386] Additionally, it was honored with the highest prize from its industry association in Denmark for their circularity roadmap.[387] Vestas has also been recognized by several sustainable ratings agencies, including MSCI, ISS ESG, and EcoVadis.

The company was initially lauded for its introduction of Covento, a service created to connect buyers and sellers of parts and services across various renewable energy technologies to address the renewable aftermarket.[388] However, due to the market failing to develop as Vestas had expected, the service is set to be terminated.[389]

Despite the high praise, Vestas has received its fair share of negative press. The company has had several patent disputes with GE regarding patent infringement claims in the U.S.[390] Vestas was also the object of protests in 2009 when it planned to close production plants in Europe and move them to the U.S. because the turbines could be made more cheaply in North America, where the demand was higher.[391] More recently, Vestas's German subsidiary was the subject of a labor dispute, when hundreds of German workers went on strike to push for better working conditions, including regular pay increases, bonuses, and retirement benefits, which resulted in wage increases for employees.[392]

Moreover, Vestas is the subject of a legal dispute, as Fortum, a Finnish energy company, has begun arbitrary proceedings against the company for failing to uphold its contractual obligations after terminating its projects in Russia due to EU sanctions.[393] Vestas has responded to these allegations by claiming that it has not repaid its advanced payments because it had already manufactured a portion of the wind turbine components with a value that far exceeded the amount received before the sanctions were enacted.[394] These legal proceedings are ongoing and Fortum continues to seek 218 million euros in compensation.[395]

Case Assessment

In its sustainability report, Vestas mentions the main drivers of the transformation. It recognizes the importance of the threat of climate change and energy scarcity spurred by geopolitical tensions in Eastern Europe. It also acknowledges that it has a responsibility to accelerate the sustainable energy transition because of the urgency created by these two drivers.[396] It states that appropriately addressing this requires creating strategic partnerships with customers, suppliers, and competitors to mature the supply chain and local manufacturing capabilities. This shows its commitment to communicating with all relevant stakeholders.

Vestas also strives to link its sustainability targets with financial performance in two major ways. The first is through the introduction of its sustainability-linked bonds.[397] The fixed rate of these bonds is directly linked to their sustainability performance.[398] Performance is evaluated in three areas to determine whether or not the interest rate is favorable (reducing the carbon footprint of its own operations, reducing the carbon intensity of its own supply chain, and increasing the material efficiency of the its own operations).[399] By doing so, Vestas is essentially tying its financial success to its ability to reach its sustainability objectives, demonstrating its commitment to Corporate Citizenship. Secondly, circularity is a good financial investment for the industry due to the high initial expenditure of producing its products. Accordingly, the company's Circular Roadmap is important not only for achieving its sustainability goals but also for profit maximization, thus inextricably linking the two.

[383] Vestas Sustainability Report, 2022, pp. 10, 55.
[384] Vestas Sustainability Report, 2022, p. 83.
[385] https://www.vestas.com/en/media/company-news/2022/vestas-named-most-sustainable-company-in-the-world-c3488428#:~:text=Vestas%2C%20a%20global%20leader%20in,corporations%2C%20published%20by%20Corporate%20Knights.
[386] https://www.vestas.com/en/sustainability/reports-and-ratings.
[387] Vestas Sustainability Report, 2022, p. 11.
[388] https://www.vestas.com/en/media/company-news/2021/vestas-introduces-covento--a-new-digital-platform-to-bu-c3406005.
[389] https://energywatch.com/EnergyNews/Renewables/article16505769.ece.
[390] https://www.vestas.com/en/media/company-news/2019/vestas-and-ge-renewable-energy-settle-multi-patent-disp-c2963180.
[391] https://www.theguardian.com/vestas/vestas-closure-protest-workers.
[392] https://www.rechargenews.com/wind/vestas-german-workers-strike-in-call-for-sustainable-working-conditions/2-1-1347463.
[393] https://www.reuters.com/world/europe/vestas-says-fortum-seeks-compensation-over-russia-wind-farms-2023-04-12/.
[394] https://www.reuters.com/world/europe/vestas-says-fortum-seeks-compensation-over-russia-wind-farms-2023-04-12/.
[395] https://www.reuters.com/world/europe/vestas-says-fortum-seeks-compensation-over-russia-wind-farms-2023-04-12/.
[396] Vestas Sustainability Report, 2022, p. 6.
[397] Vestas Sustainability Report, 2022, p. 17.
[398] Vestas Sustainability Report, 2022, p. 17.
[399] Vestas Sustainability Report, 2022, p. 17.

The company's commitment to the environmental aspect of sustainability becomes even more clear when looking at the emissions reductions plan, as Vestas goes as far as to include a plan for Scope 4 emissions in its report. Vestas is the only company in this study that has a comprehensive plan for this scope of emissions. A company that produces and distributes wind energy has the advantage of being able to consider the reductions in emissions that occur because of the use of a product or service more than companies in other industries, but in combination with the concrete goals the company has set for emissions reductions, respect for biodiversity, and the desire to accomplish their goals without relying on carbon offsets, the environmental sphere of its sustainability strategy is comprehensive.

Additionally, Vestas's desire to ensure inclusivity and social responsibility is reflected in its policies, both in terms of the conducting of human rights impact assessments and in terms of internal policies focused on safety in the workplace. Its commitment to ethics and governance is similarly evident throughout its reports.

Yet despite these positive aspects to Vestas's strategy, others require more careful consideration. For example, the TRIR goal seems overly optimistic. Considering that the TRIR rate has not seen a steady decline for the past four years, it seems unlikely to be cut in half by 2025. Although Vestas claims it is still committed to meeting its 2025 targets, it has outlined no clear, step-by-step process explaining how this is to be achieved, or outlining the changes it needs to make to get back on track. It is hence unclear whether Vestas is continually adapting its sustainability goals to reflect reality.

Additionally, Vestas occasionally lacks specific goals for the future, and relies on information about what it has already done to date. This is especially clear in the governance sector, as the sustainability report sports much information about being part of several associations that help lobby and advocate for change in energy policy, but does not outline many specific, concrete goals for the next few years here. Overall, though, Vestas has a strong and comprehensive strategy for the environmental and social aspects of sustainability. The company shows its desire to advance prosperity through cooperation with others, allowing it to create new technologies that can further advance the development of green energy. Still, Vestas's sustainability strategy could benefit from some more precise future goals for its governance activities.

CORPORATE CITIZENSHIP AS RISK MANAGEMENT

With these case studies, we have shown that companies are getting serious about developing their Corporate Citizenship—despite the ESG backlash. But we are seeing a great variety in implementation strategies. The companies we analyzed have different understandings of their Corporate Citizenship, and they often diverge from our comprehensive definition.

All the companies examined here are concerned with their corporate responsibility and most go significantly beyond the level that would be necessary for compliance reasons. This can be attributed to their locations. Even if the backlash against responsible business is noticeable in Europe, it is nowhere near as strong here as in the U.S.

More importantly, all the companies are substantial enough to rank among the largest companies in the world. This means that they are more visible, and they attract more attention from external stakeholders. More importantly, however, their total societal impact (TSI) is enormous. They operate worldwide and have an important influence on the environment, people, politics, and even countries. As a result, they bear great responsibility and must pay attention to numerous factors to safeguard their business models.

Corporate Citizenship for All

The companies that received a particularly good rating in this study are also multipliers. Banks and insurance companies can use their business model to exert influence on other businesses and society at large, as they make projects possible for other companies and citizens. It is easier for them than others to develop a business model that fully reflects responsibility. A company like BP, on the other hand, which scaled back its ESG targets, is concentrating on demonstrating compliance but integrating very little responsibility into its business strategy. It is important to remember that the basic business model has no influence on the valuation. It would be entirely possible for an oil company like BP to receive a good assessment, but because its strategy is more focused on short-term profit, not a long-term sustainable business model, it does not. A company like Nestlé, on the other hand, integrates certain aspects of responsibility very strongly into its business strategy, but leaves others out. This allows Nestlé to achieve a high score for strategic integration, but only a low score for comprehensiveness.

Comprehensive Corporate Citizenship may not be equally easy for all companies to achieve. But the truth is that it is possible for all of them. The parameters are the same for all companies. Taking the responsible path is a question of entrepreneurial or managerial will—and courage. With the current backlash, this is even more true today.

A Missed Opportunity?

Corporate Citizenship, as we understand it, still needs to be mainstreamed, even if the term is now much more frequently used in the corporate world. In current practice, however, conceptual clarity is often lacking, and the benefits and necessity of a holistic understanding and implementation of Corporate Citizenship too often underestimated. The conceptual vagueness that has been criticized in the debate on sustainability—where everyone claims to be sustainable, but somehow the impact is minimal—also becomes evident in the discourse on Corporate Citizenship.

The lack of foresight regarding the usefulness of a comprehensively developed Corporate Citizenship and its strategic implementation is, in our view, largely due to a misinterpretation of the goals that can be pursued with this concept. Accordingly, this represents a major missed opportunity on the part of corporations.

In many cases, the understanding of Corporate Citizenship is still very congruent with that of CSR. CSR is an invention of the mid-20th century that purportedly offered a solution to the problems of the time—like pollution, extreme poverty, or infectious diseases. CSR is grounded in the idea that companies use a share of their profits to tackle social problems. Even today, people still benefit from some of the then-conceived CSR programs, but their effect is minimal compared to the challenges at hand, and the societal problems that have developed since. CSR involves going beyond legal obligations but does not link its social commitment to its business activities. It also does not consider that there is a correlation between social challenges and business activities, which both influence each other. As a result, engagement remains dependent on the company's goodwill and profits. In practice, CSR objectives often turn out to prioritize campaign capability over impact, and activations are predominantly designed from a marketing perspective.

Corporate Citizenship is advancing well beyond CSR, and philanthropy, to encompass a broader spectrum of ethical, social, and environmental considerations that stem from corporate actions. Corporate Citizenship can extend beyond coping with the Great Transformation. If done right, it contributes to the success of the business itself. **This strategic dimension is what truly sets apart CSR's goodwill from Corporate Citizenship's value.**

The Strategic Value of Corporate Citizenship: Risk Management

The problems associated with economic ventures have grown exponentially: The scope is widening, and the potential consequences are becoming increasingly harmful. As a result, as outlined above, the "corporate veil" has been shattered. Firms can no longer rely on extending their CSR initiatives; they will be judged on their actions and over-all impact on society. The demands placed on them are increasing and go beyond good products and low prices. This process is driven by a more informed and more demanding public, a political system less capable of steering transformational changes, and increasingly independent courts (as evidenced by the Hague court ruling). The call for companies to shoulder responsibility has grown increasingly louder. It will not go away.

But increased stakeholder demands are only one of the reasons for the development and conception of corporate citizenship. Corporate Citizenship can be a formidable instrument of corporate risk management—if it honestly reflects the corporate TSI, the corporate impact on, and in, the Great Transformation, and stakeholders' specific demands. Risk management focuses on identifying risks that are significant to the business strategy, strategic objectives, and strategy execution. This proactive approach allows businesses to identify vulnerabilities early on, mitigate threats preemptively, and capitalize on opportunities.

Corporate Citizenship is also part of risk management because the risks have changed. As companies' areas of responsibility and dependencies have expanded, so have the risks—their number has increased enormously. As a result, new methods of risk management are necessary. For example, compliancy is no longer sufficient. Although legal consequences can pose a risk if you do not have an overview of possible forced labor in supply chains, for example, these judicial dangers are by no means the only ones that arise.

It is, for example, not enough to ensure that your own supply chains function without forced labor; you must also ensure that stakeholders are aware of this. Political risks can also be identified and managed through comprehensive Corporate Citizenship. This applies to relevant fields of action as well as potential threats to the business model. And it does so not only at the level of specific policies, but also in the context of global and/or national political trends and developments. The integration of Corporate Citizenship with risk management is a strategic approach that aligns business practices with responsibility to mitigate risks and enhance overall organizational resilience and sustainability. This approach is crucial in today's dynamic business environment, where companies face increasing pressure to operate ethically, transparently, and in a manner that contributes positively to society. Companies with higher alignment with the SDGs have a lower probability of being involved in scandals, and the scandals they are involved in are less severe.[400]

Protecting Reputational Value by Mitigating ESG Risks

One key aspect in understanding Corporate Citizenship as risk management is its role in protecting reputational value. Reputation might be an abstract, more implicit asset of a company, but it can lend itself to more operative, tangible goals. Corporate Citizenship is a tool to safeguard reputation by developing ways to measure and control potential risks that could impact the company's standing in the eyes of stakeholders.

Corporate Citizenship does not just stop at reputation management: It can also become a strategic tool for mitigating risks associated with social, environmental, and governance issues. The integration of Corporate Citizenship into risk agendas signifies a shift in corporate priorities where social, technological, economic, and political risks are given equal strategic importance. This mainstreaming process ensures that organizations treat social risks with the same degree of urgency as other traditional risk categories.

The transformation's drivers as well as the analysis of the corporate TSI and the demands that stakeholders place on a company provide the basis for this. Potential risks can be derived from these by analyzing the company's own effect on them in different scenarios. This not only results in reputational risks, but also those arising from, e.g., geopolitical crises, or from business areas in which the environmental impact could potentially be very high.

Defining the Corporation's Role in the Transformation

At the same time, the field(s) of activity in which reputation can best be built are identified. For every company, there is at least one field, if not more, where it can distinguish and excel in its operations—to the benefit of both itself and of society. To find this special field, it helps to identify the intersection of stakeholders' interests and the company's impact. The higher both are in a certain field of action, the more vital and advantageous it is to take appropriate measures there.

Companies with a comprehensive Corporate Citizenship focused on addressing operating context, issues, opportunities, and goals derive measurable business value. These organizations enhance their ability to anticipate and respond to risks related to social responsibility, environmental sustainability, the drivers of the Great Transformation, and stakeholder expectations.

By integrating risk management practices that derive from Corporate Citizenship, companies create both business and social value. This strategic integration allows organizations to enhance their resilience to risks while contributing positively to society. However, this win-win situation only materializes if Corporate Citizenship is implemented comprehensively. A company cannot pick and choose the most marketable opportunities as their social commitment (i.e., selective Corporate Citizenship) or be merely complacent in this time of extraordinary change (i.e., compliant Corporate Citizenship). Rather, an honest analysis of the corporate effect on society, including the vantage points and weaknesses, is necessary.

[400] Vasileva, A.,van Zanten, J. A., & Swinkels, L. (2024). Corporate Sustainability and Scandals. S&P Global Market Intelligence Research. Available from https://ssrn.com/abstract=4925213.

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Based on such a comprehensive assessment, companies determine their role in the transformation. The central criterion is which measures in which field of action have the greatest efficiency in terms of overall social impact, corporate value creation, reputational risks, and resilience. A company should be more active in the field of action in which it has the greatest influence. This is why TSI is the benchmark for defining Corporate Citizenship. But corporate responsibility exists in all fields of action. A lack of commitment in one cannot be compensated for by commitment in another. Company's must consider their Corporate Citizenship in relation to all upcoming challenge, and to all dimensions of sustainable action.

The activation platform should cover all areas of activity but also focus specifically on those aspects where the company's business model gives it the greatest impact. All programs and activity must be linked to measurable targets to allow continuous monitory of the initiated processes' efficiency. It is not about implementing as many measures as possible, or the most spectacular stunts, but rather focusing on those that have the greatest possible impact over time.

For most companies, the question is no longer whether they will face a reputational crisis at some point, but rather when and for what reason. In such situations, retaining control of the communication environment requires acting within a very short time frame. Forward-looking reputation and risk management through comprehensive Corporate Citizenship promises far greater resilience in any such scenario than what companies can hope to achieve through reactive action.[401]

A curated post on LinkedIn is not sufficient to demonstrate how a company creates a lasting social impact. Companies must demonstrate long-term strategies and credibly prove their commitment instead of relying on short-term marketing effects. No one expects companies to tackle the challenges of the 21st century alone—but they must live up to the rights and responsibilities that being a Corporate Citizen entails.

[401] It has now been scientifically proven that the extent to which a company contributes to the SDGs has a significant influence on the frequency and severity of scandals in which said company is involved. Vasileva, A., van Zanten, J. A., & Swinkels, L., Corporate Sustainability and Scandals (August 14th, 2024). Available at SSRN: https://ssrn.com/abstract=4925213.

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