



CECP

2019 EDITION

INVESTING IN SOCIETY



Developed from CECP's premier **research** on, **thought leadership** for, and **strategic engagements** with more than 200 of the world's largest companies, this digital release brings to light the state of corporate purpose in an evidence-based way and assesses corporate purpose-driven actions under the categories of **Priorities, Performance, People, Planet, and Policies**.

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

Daryl Brewster, CEO, CECP

ABOUT CECP:

THE CEO FORCE FOR GOOD

CECP is a CEO-led coalition that believes that a company's social strategy — how it engages with key stakeholders including employees, communities, customers, and investors — determines company success.

Founded in 1999 by actor and philanthropist Paul Newman and other business leaders to create a better world through business, CECP has grown to a movement of more than 200 of the world's largest companies that represent \$6.2 trillion in revenue, \$18.4 billion in societal investments, and 4 million hours of employee engagement. CECP helps companies transform their social strategy by providing customized connections and networking, counsel and support, benchmarking and trends, and awareness building and recognition.

For more information, visit cecp.co.

Download additional copies of this report at cecp.co/iis

When referencing findings from this report, please list the source as: *Investing in Society*.

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Dear Colleagues,

This year marks the 20th anniversary of the founding of Chief Executives for Corporate Purpose (CECP). CECP's unique, two-decade-long perspective on changes in the corporate social investment space has strengthened its position as a trusted partner to the business sector. In a year when 181 CEOs signed the Business Roundtable's Statement on the Purpose of a Corporation, which emphasizes the importance of all stakeholders in society, CECP is better equipped than ever to assess the "state of the field" on Corporate Purpose at a global scale.

Investing in Society is the must-read source for trends on the corporate sector's shift to be increasingly purpose-driven. Developed from CECP's premier research on, thought leadership for, and strategic engagements with more than 200 of the world's largest companies, this digital release brings to light the state of corporate purpose in an evidence-based way and assesses corporate purpose-driven actions under the categories of Priorities, Performance, People, Planet and Policies. Bolstered by CECP's insights on the actions that the world's leading companies take on environmental, social, and governance (ESG) issues, identifying and effectively meeting stakeholder needs, and building a better world through business, corporate leaders turn to Investing in Society as the authoritative source on what is happening in corporate purpose. In keeping with year's past, CECP has tracked examples and best practices of companies leading in Corporate Purpose in five areas:

- **PRIORITIES:** Companies are creating and committing to statements of purpose that address more stakeholders.
- **PERFORMANCE:** Although large companies realize the importance of creating Long-Term Plans in addition to disclosing short-term milestones, there is room for growth in terms of consensus of measurable metrics.
- **PEOPLE:** Companies have taken big steps to do more social investing, engage their employees, and improve equitable and inclusive practices, simultaneously creating stronger connections with their customers.
- **PLANET:** Environmental performance has been mixed. Some metrics show big gains whereas others demonstrate significant setbacks.
- **POLICIES:** Although corporate governance traditions have experienced significant upheaval, resulting in slower progress towards change, there have been some improvements in representation of historically underserved communities in leadership positions in the last couple of years.

As a data-driven organization, CECP considers the state of Corporate Purpose as a scorecard might, rating each area from bright green to shades of yellow to red as reflected in the visual below. The convergence of these areas demonstrates that action on Corporate Purpose is growing among companies and stakeholders, and is in a better position than it was many years ago.

As you compare your company's Corporate Purpose performance to the trends illustrated in this collection, we hope you'll find inspiration for the year ahead. As always, we welcome your feedback for how to make Investing in Society better every year. CECP is proud to work alongside many of the companies highlighted within; we can't wait to see what you do next.

Sincerely,

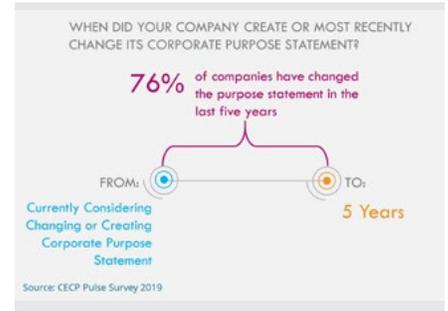


Daryl Brewster
CEO, CECP

PRIORITIES: MORE STAKEHOLDERS

A stakeholder seachange in 2019 has redefined corporate purpose. Business strategy is being reshaped to address the needs of more stakeholders, including employees, communities, customers, governments, and investors.

Major Shifts in Stakeholder Engagement



STRONG SIGNALS FROM INSTITUTIONS AND COLLECTIVES

- In 2019, the Business Roundtable released a new Statement on the Purpose of a Corporation signed by more than 180 CEOs committed to lead their companies for the benefit of all stakeholders – customers, employees, suppliers, communities, and shareholders. Read it [here](#).
- Among other leading institutional investors, Blackrock CEO Larry Fink once again emphasized the importance of purpose in his 2019 letter to CEOs, which can be read [here](#).



COMPANIES TAKE ACTION: MAJORITY IN PROCESS OR RECENTLY UPDATED THEIR PURPOSE

- Seventy-six percent of companies have changed their corporate purpose statement in the last five years (Source: CECP Pulse Survey, Oct. 2019).
- Thirty percent of the top 30 companies in the Fortune 500 have made their corporate purpose easily accessible to stakeholders on their website (source: CECP analysis).
- Which companies are leading with purpose? Check out this [website](#) for mission statements of 51 of the world's leading companies.

STAKEHOLDERS INFLUENCE PURPOSE DIFFERENTLY ACROSS GLOBAL MARKETS

- In 2019, the French National Assembly revised the very definition of corporate purpose to consider social and environmental stakes, that purpose goes beyond profits, and to offer a new corporate form (société à mission).
- For companies with a global footprint, developing a statement of corporate purpose must be an intentional – and international – process. Companies must consider national priorities and values to address their stakeholders, consumers, and employees around the globe. Read more [here](#).

Responding to Stakeholder Considerations through Corporate Strategy

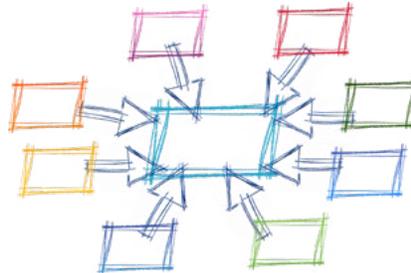


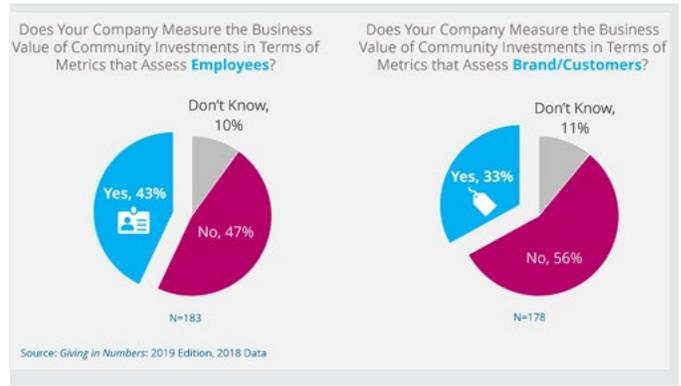
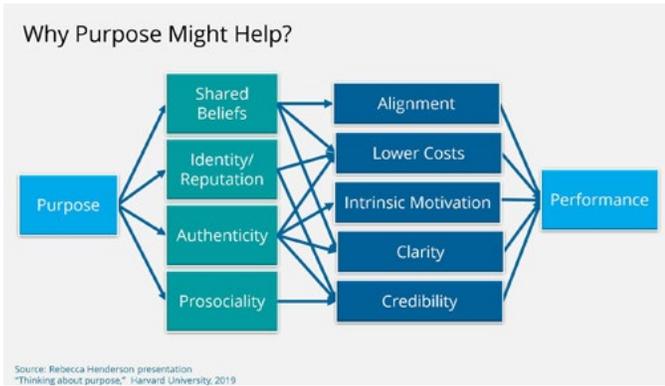
■ Some companies have adopted “high performance work practices” that allow purpose-driven organizations to attain higher performance (Source: Harvard Business School Professor Rebecca Henderson). Watch Professor Henderson’s lecture from 2019 on [YouTube](#).

■ World-class companies are putting purpose at the core of their business strategy. One challenge to implementing purpose is that strategy should be directly tied to corporate purpose. Strategies target specific results, are time-bound, and are used to operationalize purpose. Purpose, in contrast, is what makes companies durably relevant to the world. Read more in this 2017 [article](#) and learn four ways for companies to truly operationalize purpose.

■ Purpose played two critical roles when propelling growth and profitability among companies: It helped companies redefine the playing field to consider whole ecosystems, interests, and relationships among multiple stakeholders; and it allowed them to reshape the value proposition. Read more [here](#).

■ A **framework** for creating purpose supports adjusting corporate strategy to ensure that higher purpose is not about economic exchanges. It reflects something more aspirational. It explains how the people involved with an organization are making a difference, gives them a **sense of meaning**, and draws their support.





Multi-Stakeholder Corporate Strategy Drives Better Business Results:

- Purpose is “higher ... than simply the maximization of profits or shareholder returns. A well thought out purpose energizes the enterprise and infuses it with passion and creativity.” says pioneering author Raj Sisodia. Sisodia’s **research** frames purpose as a choice that companies make, rather than an existential fact. Furthermore, it shows how purpose-driven companies outperform other financially.

- More than ever, customers are taking note of “purpose-driven brands”: building deeper bonds with consumers, expanding the consumer base, and enlisting advocates to amplify the brand message. In fact, in **this study** from Porter Novelli/Cone, 77% of Americans feel a stronger emotional bond to brands that communicate a clear purpose. (Read more on consumers under “PEOPLE.”)

- In an increasingly complex world, companies that have the greatest market share are also the most nimble in their ability to adjust strategy – and purpose helps. An **EY survey** found that companies with a strong sense of purpose are able to transform and innovate better” and had more success with implementing major initiatives.

Increased Measurement of Purpose Bodes Well for Deeper Integration of Multi-Stakeholder Corporations:

- Companies continue to increase measurement of the business value of their community investments – employee metrics up 10% compared to brand/customer metrics (Source: **Giving in Numbers: 2019 Edition**).

- Is your company looking to enhance its purpose measurement practices? BCG lists four characteristics of embedded purpose to be consider when measuring it: 1. How well is purpose articulated?; 2. Does it inspire?; 3. How deeply is it integrated?; and 4. How well is it organized?. The study from BCG found that almost every company with higher purpose scores has a ten-year Total Shareholder Return (TSR) above the S&P 500 median and therefore, the correlation between purpose and performance was clear and demonstrable. Read this study **here**.

- Measurement of success in authentic purpose leads to companies going deeper since there is increasing proof of the correlation between corporate purpose and performance, and the importance of measuring purpose. Read **here** to know more.



PERFORMANCE: LONG TERM PLANNING

Better financial performance over the last three years corresponded to an increase in long-term corporate planning; however, consensus is still elusive in how companies demonstrated corporate purpose and governance in financial Long-Term Plans in 2019.

Performance + Long-Term Planning

FINDINGS FROM THE *ECONOMIC SIGNIFICANCE OF LONG-TERM PLANS*, A REPORT FROM THE STRATEGIC INVESTOR INITIATIVE

■ Capital markets react to Long-Term Plans. Long-term Plans showed abnormal market reactions for both stock prices and trading volumes within three to five days after being presented.

■ Long-Term Plans did not significantly change or influence analysts' revisions of forecasts after such plans were presented. This shows analysts focus on short-term plans.

STRATEGIC INVESTOR INITIATIVE'S LONG-TERM PLAN TEMPLATE

■ Companies need counsel on how to present Long-Term Plans to IR and other corporate teams. In 2019, the Strategic Investor Initiative released a new framework for companies seeking to develop Long-Term Plans. This fully-customizable presentation template, available for download on CECP's [website](#), presents step-by-step guidance on essential elements of Long-Term Plans (e.g., presentation format, suggested slide content, and examples from past presentations)



Consensus is Elusive

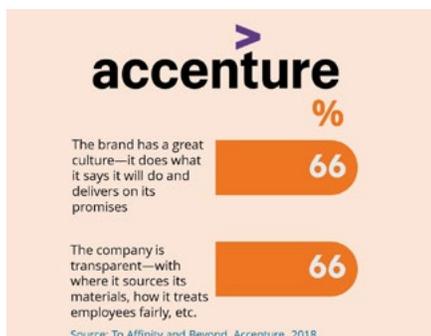
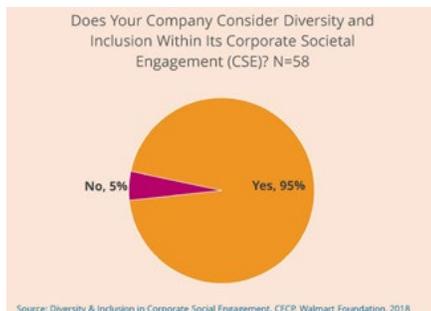
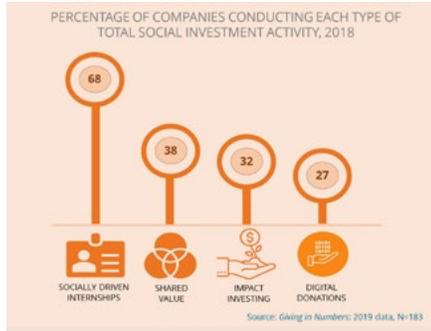
■ There is no consensus in terms of disclosure of certain metrics that are relevant to Long-Term Plans. Companies disclose more forward-looking information on trends, financial performance, and competitive positioning, whereas disclosure around plans for corporate governance and assessments of financially material issues were generally missing or only descriptive. Read more [here](#).

■ Embankment Project for Inclusive Capitalism (EPIC) supports this idea as well: despite of improvements in measuring long-term value creation, there is still opportunity to create more consensus on what intangible assets and stakeholder value to measure.

■ *Harvard Business Review* exposes the modern dilemma that CEOs and boardroom leaders face between balancing short and long-term business pressures: 1. Quarterly reporting as the enemy of long-termism; 2. Asymmetry in directors' and shareholders' legal duties towards the companies they serve or in which they hold shares; and 3. Corporate governance is on a journey that includes shifts in the balance of power and accountability between the various actors, including boards, management, shareholders, investors, and other stakeholders.

PEOPLE: SIGNS OF BETTER INCLUSIVITY

The advancement of corporate purpose led to greater inclusivity for employees in 2019, a new brand differentiator among consumers, and an increased focus on corporate social investments.



Consumers Demand Purpose

Year-over-year research proves what some leading companies experience daily: purpose is a leading-edge differentiator.

To go beyond consumers' typical expectations of price, quality, and experience, highly evolved companies have realized that consumers respond well to brands that position their purpose as a way to differentiate themselves. Read more in Accenture's [To Affinity and Beyond](#).

Defining purpose is just one piece of the puzzle. Engaging stakeholders, including consumers, in a shared vision that resonates and motivates is the challenge. Corporate purpose, which represents "why" a brand is in business, and purpose-led organizations are increasingly cited as having the formula for cultural and financial success. Check out the five key themes emerged in EY's [Sustainable Brands report](#).

Eighty-one percent of consumers view trusting a brand to "do what is right" as a major consideration for brand purchase. However, only one-third said they "trust most of the brands they buy and use." This disconnect creates an opportunity for purpose-driven brands to differentiate themselves and grow consumer loyalty. Read Edelman's full report [here](#).



Integration of Inclusivity, Sign of Effective Levering of Purpose

Integrated diversity, equity, and inclusion (DEI) within the department that leads the “S” in ESG strategy is indicative that a company makes deeper investments in community and employee stakeholders. Company collaborations on DEI have shown:

INTEGRATED DEI WITH COMMUNITY STAKEHOLDERS:

■ Ninety-five percent of companies consider D&I within their Corporate Social Engagement (CSE) efforts and 79% expect their commitment to this area to increase within the next 2-3 years. Read more in CECP’s report co-authored by the Walmart Foundation [here](#).

TECH EQUITY ADDRESSES SYSTEMIC RACIAL AND GENDER IMBALANCES

Equity differs from equality

- Exposure to formal education
- Value of different kinds of schools
- Talent acquisition expectations

Two determining factors for giving and programmatic work

- Low U.S. STEM workforce
- Non-racially diverse talent pool

Three stages to act on equity

- Engage and expose to STEM
- Rigorous K-12 educational outcomes
- Dismantle corporate recruitment attitudes toward sources of top tier talent



33%

Average corporate volunteer participation rate

50%

Top-quartile corporate volunteer participation rate



66%

Companies offered paid-release time volunteer programs; most offered domestic volunteer program

VOLUNTEERING

WHERE DEI AND HUMAN RIGHTS ARE MANAGED CAN HELP DETERMINE A BROADER USE OF SOCIAL INVESTMENTS

■ In the most recent data available, the majority of companies managed Diversity, Equity, and Inclusion (DEI) (86%) and Human Rights (67%) in a department other than the community investment team. The remaining companies, which managed DEI and Human Rights in the same department managing overall contributions, showed higher community investments. Read more on page 10 of [Giving in Numbers: 2019 Edition](#).

Expanded Social Investments

Community investments continued increasing: 11% between 2016 and 2018. Explore more findings from [Giving in Numbers: 2019 Edition](#) [here](#). [Read more.](#)

Beyond community investments, purpose drives companies to different social investments – Socially-driven internships stood out as a leading practice, more than digital donations, impact investing, or others.

PLANET: MIXED PERFORMANCE, BETTER MEASUREMENT

Performance on environmental metrics was mixed in recent years; early adopting companies have begun to explore holistic impact measurement.



Financing That Factors in the Planet

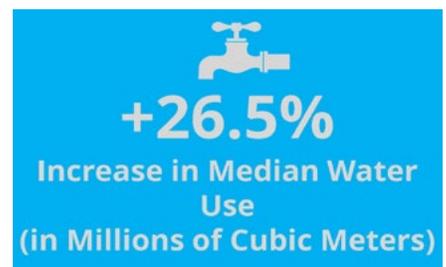
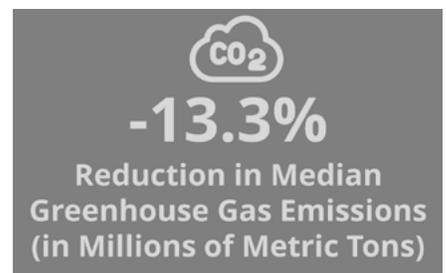
Green bonds are growing more prevalent and play an important role in the investment space, raising capital exclusively for projects or activities with specific climate or environmental sustainability goals. Read more about green bonds from Moody's [here](#).

Increasingly, companies make merger and acquisition choices to consider sustainability topics, including the environment. For example, ConEdison's [acquisition](#) of Sempra Energy, made it the second largest solar producer in the U.S. Find more about direct investment approaches on page 9 of [Investing With Purpose](#).

Holistic Measurement Brings in Negative and Positive

From the ESG data community to reporting standards (e.g., GRI), the message is the same: companies must further evolve measurement and reporting to show what they extract and what they produce, the good and the bad of their value creation process.

There are many studies and definitions to inform companies about holistic measurement: Boston Consulting Group's "Total Societal Impact," EPIC's "Inclusive Capitalism," PwC US' "Total Impact Measurement and Management," and the Future Fit Benchmark. Future Fit Benchmark is a free business tool to calculate a new version of a break-even point that better represents people and the planet. Explore this benchmark [here](#).



Mixed "E" Performance

ESG data analysis shows that companies have improved some environmental metrics, such as a decrease in greenhouse gas emissions by 13% between 2016 and 2018. However, others show a setback, such as an increase in water use by 27% in the last three years.

Regulation around the world affects corporate behavior and performance on the "E," focusing a lot in recent years on plastics and production methods.

POLICIES: SLOW BUT PROGRESS

Increasing internal and external accountability in the last few years has led to slow but improving governance.

■ Changes in well-established codes of ethics, responsible technology, and law enforcement have helped drive more inclusive, socially sustainable practices among some large corporations:

GENDER DIVERSITY ON BOARDS:

Progress is slow in women gaining more seats on corporate boards: just 5 percentage points in growth in three years.

POLICIES:

“G” in ESG data shows some progress in terms of the percentage of companies developing more environmentally-friendly, ethical policies.

CSR/SUSTAINABILITY COMMITTEES:

Many more companies (34% in 2018 vs. 27% in 2016) have a CSR/Sustainability Committee that reports directly to the Board. The Global Compact Board Programme helps companies align and support boards of directors on corporate sustainability, and to respond to the interests of all key stakeholders while protecting and creating financial value.

ACCOUNTABILITY:

Learning from past antitrust litigation could apply to today’s technology giants to protect competition and future innovation. Read more on the 5 lesson from Microsoft’s antitrust case [here](#).

TAX REFORM:

Some business leaders advocate for a “Wealth Tax” to reduce income **inequality**. Former CEO of Vanguard Bill McNabb argues that activists and long-term investors are turning to shareholders to put new pressure on corporations, as well as how investors and leadership cannot simply ignore corporate governance. Read full article [here](#).

■ There is progress in regard to disclosure around corporate boards. However, as boards become more involved in strategic planning, investors say that there are few metrics that enable them to gauge whether the board is equipped to help shape a business’s long-term strategy and value, as found by The Embankment Project for Inclusive Capitalism (**EPIC**).



COMPANY VIGNETTES – PURPOSE IN ACTION

CVS: Read more about CVS Health’s evolving role in the health care marketplace to demonstrate its purpose of helping people on their path to better health. This case shows how, by putting purpose at the center of strategies, companies may increase customer loyalty and broaden their customer base, enhance employees’ engagement, and drive greater interest by shareholders. Click here to read [more](#).

Google: Google pledged to invest money and redevelop some of its commercial-use land to address the housing crisis in the Bay Area. Google also plans to donate additional funds to nonprofits that address homelessness and displacement. Read more about Google’s initiative to redistribute to society in a self-sustaining way. Use the following links to read the relevant [New York Times article](#) and [Google blog](#).

3M: As part of its purpose to “use science to improve lives and help solve the world’s toughest challenges,” 3M encourages employees to dedicate 15% of their time to pursue their own ideas and concepts. In the seventy years since the company began this program, it has delivered countless innovative technologies, including Post-It Brand notes. Today, 3M is considered one of the most innovative companies in the world, demonstrating how a commitment to purpose can encourage new ideas and advance transformation. Read this case study [here](#).



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