



# Business, justice and the new global economy



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*Rewiring the Economy* is our ten year plan to lay the foundations for a sustainable economy. The plan is built on ten interdependent tasks, delivered by business, government, and finance leaders co-operatively over the next decade to create an economy that encourages sustainable business practices and delivers positive outcomes for people and societies.

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# Executive summary

**Global economic growth and industrial innovation have had positive impacts for human development, enhancing the quality of life and wellbeing of billions of people. But the benefits have not been equally shared, leading to widespread and growing inequality. This inequality, in turn, is generating social instability and the disenfranchisement of large sections of society. Without careful management, future economic shifts driven by technological advances may further exacerbate these destabilising social trends.**

**At the same time, business and governments are grappling with the economic and social implications of climate change, environmental degradation and resource scarcity.** 2015 saw concerted international commitment to achieve ambitious social and environmental targets laid out in the UN Sustainable Development Goals and the Paris Agreement. Transitioning industry sectors and local and national economies to achieve these goals will create both opportunities and risks for companies. They will also create winners and losers within and between societies, raising significant issues of equity and justice. Addressing these issues of justice will be critical to unlocking action towards a zero carbon, resource-efficient world and to achieving stable, resilient, business-friendly economies.

All these trends point to the need for a new global economy in which companies embrace new ways of thinking and operating. Managing the coming economic shifts in ways that minimise social disruption, hardship and disaffection, and promote public buy-in is in everyone's interest. Business, consumers and citizens all stand to benefit. Yet many businesses are ill-equipped to address these issues and lack a rigorous and systematic approach to understanding, addressing and communicating their approach to supporting just and fair outcomes for stakeholders.

This briefing aims to start bridging this gap. It serves as a resource for business leaders, providing a framework to incorporate considerations of justice

into their decision-making and interactions with stakeholders and policymakers as they embrace the changes that will be required in a new global economy.

**Part 1, page 3: Business and justice in a changing world** explores the social impacts of economic shifts, the need to transition to a sustainable economy and the implications of this for businesses seeking to operate in a fair and just way.

**Part 2, page 10: Key dimensions of justice and the implications for business** provides a framework of six key dimensions of justice to underpin and inform decision-making, providing examples of business risks and opportunities.

**Part 3, page 18: Justice and the transition to a zero carbon, climate-resilient economy** explores the need to consider justice in the process of transition to a zero carbon economy and in measures to adapt to the physical impacts of climate change.

Elements of this thinking may be familiar to readers, but by bringing a variety of perspectives together, the University of Cambridge Institute for Sustainability Leadership (CISL) hopes to facilitate a clearer, more structured approach to this critical issue.



## More on justice in the transition to a sustainable economy

This paper draws on three academic working papers on the nature of justice and its application during economic transition published by CISL in 2016 and available in full on our website.<sup>1,2,3</sup> It also draws on nearly 30 years of working with companies through our executive education for sustainability leadership and the business and policy groups which CISL convenes and supports.

The paper complements CISL's *Rewiring the Economy* plan.<sup>4</sup> The plan sets out ten collaborative tasks for business, policy and finance leaders to lay the foundations for a sustainable economy: that is, an economy which delivers positive outcomes for people and societies as envisaged by the UN Sustainable Development Goals (SDGs). Our aim is to stimulate new ways of thinking and operating, which encourage proactive considerations of justice as society undergoes the transition to a sustainable economy.

### Box 1: What is justice?

**A challenge for businesses in engaging with concepts of 'justice' and 'fairness' is the lack of clear definitions, frameworks and metrics to inform and underpin their approaches.** This is because fairness and justice are moral concepts with no universally agreed definitions. The concepts are generally used to denote that people should be given what they deserve, free from bias and discrimination. But these concepts only gain practical meaning in specific circumstances, in association with other values and specific cultural contexts. Moreover, different interpretations of the concept of justice lead to disagreement about what it is that people deserve.

For example, for some academics and NGOs, justice is about designing rules and institutions that create the greatest wellbeing for the greatest number of people, even if that leads to some citizens making continual sacrifices for the greater good. For others, it is about individual rights and equal access to opportunity, with market instruments seen as the most just way to distribute costs and benefits. Still others interpret justice as meeting fundamental human needs and aspirations.<sup>5</sup> A fourth approach views justice as the freedom of individuals to choose the best way to meet their needs and pursue their aspirations, as long as they ensure that future generations will enjoy at least the same degree of freedom.

### Six key dimensions of justice

Because these different, moral interpretations are grounded in different value sets, world views and cultural contexts, it isn't possible to achieve full alignment about what it means to be 'just' or 'fair'. But this doesn't preclude organisations and individuals from taking a systematic and rigorous approach to the *process* of considering issues of justice. It is possible to consider integrating justice into decision-making from the perspective of six key dimensions. Four of these dimensions are commonly identified and applied: equitable **distribution** of costs and benefits, full **recognition** of needs and rights, equal **participation** in decision-making, and equal **capabilities** to function and fulfil potential. In addition, there is growing recognition of the need to consider the dimensions of justice over **time** (across generations) and **space** (across locations).

*Part 2 of this paper explores these six dimensions and provides practical examples of their relevance to business.*

### Justice focus areas

This paper is concerned with the application of justice, and recognition of injustices, in a social and environmental context, as defined below.

**Social justice** denotes the fair and just relationship between the individual and society. Civil society organisations often use the term in pursuit of campaigns to address barriers to social mobility, to create 'safety nets' for disadvantaged citizens, and to achieve economic justice as well as gender, racial and social equality.

**Environmental justice** recognises the fundamental relationship between the natural environment and human needs, aspirations, rights, wellbeing and freedoms. The term is often used in the context of the distribution of environmental risks and benefits; decisions about who gets a 'voice' in environmental decision-making; recognition of community ways of life, local knowledge and practice; and the capability of communities to mitigate and respond to environmental hazards and to benefit from opportunities.<sup>6</sup> It should be noted that the term environmental justice has specific meaning in North America relating to pollution and disadvantaged neighbourhoods.

# Part 1

# Business and justice in a changing world

## The growing divergence between economic progress and equality

Change and disruption are ongoing and inescapable features of the global economy as businesses find new ways to protect and create value in response to technological innovation, regulatory change and evolving customer demand. Throughout the industrial and technological eras, this process has created wide-ranging positive social impacts – from job creation and tax revenue to provision of products, infrastructure and essential services and support for community development and public health.

But the costs and benefits of industrial development and global economic growth have been unevenly distributed. Widespread inequalities, of wealth, income and access to employment and opportunity persist between and within nations, and between generations. This inequality leads to the eroding of social cohesion and an increase in social polarisation, which pose significant challenges for the stability and security of societies and citizens.<sup>7</sup>

In parallel, industrial development and rising population and consumption have contributed unintentionally to degradation of ecosystems, depletion of resources and the challenge of climate change. These environmental impacts are also uneven in their consequences for societies. Poorer communities tend to be most affected by resource scarcity and least able to adapt to climatic changes, which can compound poverty and disadvantage.

As businesses seek continued growth and commercial success, they do so within economies that in many cases are struggling – and mostly failing – to address the consequences of social and environmental inequality, including mass unemployment, migration and social instability.

At the same time, businesses face enhanced public scrutiny and regulation in terms of their relationship with wider society. Civil society awareness and campaigns, fuelled by information technology, and an increase in environmental and human rights legislation, are heightening expectations of business action and transparency in relation to social and environmental performance.

## Next wave economic transformation

Against this backdrop, businesses are faced with new commercial risks and opportunities posed by the likely next wave of economic transformation, described by some as ‘the Fourth Industrial Revolution’.<sup>8</sup> The driver is a wave of new technologies that connect machines, systems and data, creating intelligent networks along the entire value chain that can operate autonomously, reducing the need for human input and decision-making. This next-level automation has the potential to change the ways that human needs and aspirations are met. Over time, it will likely disrupt entire industries and national economies, transform systems of production, management and governance and render many jobs and occupations obsolete. Like earlier industrial transitions, these coming changes have the potential to improve quality of life and contribute to more sustainable, resource-light economic development. But without careful management, the changes may lead to even greater inequality, with value accruing only to those with the capital to invest, the ownership of intellectual property, or the skills and capabilities to use the new technologies. In practical terms, this has the potential to lead to an employed class who benefit from the modern economy and a large ‘underclass’ who are unable to access employment.

## The need for progress towards a sustainable economy and the implications for justice

There is growing recognition of the need for transition to an economy which addresses today's fundamental unsustainabilities and inequalities, and encourages business practices which deliver positive social and environmental outcomes. This is reflected in international agreements, such as the United Nations Sustainable Development Goals (SDGs) and the Paris Agreement, in national commitments and regulations and in the strategies and actions of some leading businesses.

Likely transitions that will lead to positive social and environmental outcomes include, for example, a renewables-based energy sector, the development of 'smart cities' and the automation of dangerous tasks to make workplaces safer and more efficient. But the accompanying shift in business models, workforces and skillsets, and decisions about the location of new developments, will also bring seismic upheaval to industries, communities and livelihoods across local, national and global economies. This will create both winners and losers, raising important issues of justice and equity for affected workforces and communities that trade unions, amongst others, are already seeking to address.<sup>9</sup> These issues include the fair distribution of costs and benefits of change, changes to employment and skills needs and to matters such as stakeholder voice, participation and decision-making power.

## The role of business and the need to align considerations of justice with commercial success

As companies seek opportunities to protect and create value in ways that may contribute to – or benefit from – disruptions to entire sectors and economies, the resilience and wellbeing of societies will become increasingly material and relevant to corporate decision-making.

At the same time, businesses need to work harder than ever to keep pace with new justice-related risks and opportunities and with evolving societal expectations of the role and responsibility of business.

Leading businesses recognise the importance of operating in a fair and just way and of 'doing the right thing' as a point of principle. But even these businesses need to find ways to align 'doing the right thing' with commercial success. The ability of companies to effectively anticipate and address these issues – and to seize the opportunities created – will be critical to achieving a sustainable economy. Helping to contribute to more just societies and engaging with issues of justice in transition can support corporate success because:

### 1. Stable and resilient societies are good for business

It is hard to do business in countries or regions which lack strong customer bases, trusted suppliers, efficient and reliable infrastructure, skilled, healthy and safe workforces, effective legal and governance systems, or where there is widespread civil unrest. The World Economic Forum Global Risks Report 2016 identifies unemployment and social stability as key challenges for business, and highlights practical impacts of social unrest, including losses in revenue, property damage, roadblocks, bureaucratic delays, overall economic slowdown and an uncondusive business environment.<sup>10</sup> Conversely, contributing to the creation of more equitable and just societies is good for business.

Some leading companies are developing commercial strategies to align business success with the development of resilient communities. For example, Nedbank, a South African financial institution, adopted its Fair Share 2030 strategy in the belief that it is in the bank's interest to help build a resilient national economy.<sup>11</sup> This commits the bank to make a 'fair' contribution to society through supporting universal, affordable energy services, water and sanitation, and 'full and productive employment and decent work for all.'

### 2. It supports stakeholder trust and effective risk management

Businesses have much to gain from understanding the context and the social impacts of the changes they help to bring about. By learning from these insights, and integrating considerations of justice into their decision-making, strategies and policies, companies are more likely to build public trust and enhance their social licence to operate. Similarly, business decision-makers who take a systematic approach to considering dimensions of justice can avoid missteps by understanding stakeholder concerns, anticipating reputational risks and by responding to operational or supply chain social and

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environmental impacts in ways that win trust from stakeholders and consumers. Importantly, risks such as these may be beyond the business's direct control and may arise from perceptions or assumptions about its role, responsibilities and influence. This is particularly important for businesses which are seeking to achieve major transition. Without the support of politicians, trade unions, employees, affected communities and NGOs, it can be hard to overhaul business models, employment patterns and working practices or to make radical changes in asset acquisition or divestment. Transitions and disruptions that are poorly managed by governments or the private sector can result in public backlash and social upheaval, often triggered by negative impacts for communities, such as job losses. Without strong stakeholder relationships and plans in place to cushion the negative impacts of change e.g. through regional development plans – companies can lose public trust and stable operating environments. The contraction of the UK mining industry, described below, is a prime example of badly handled and confrontational transition.

In regions of high unemployment, politicians, trade unions and employees may prioritise protection of existing jobs over investment in automation of dangerous tasks, resource efficiency and the shift to more sustainable business models. In South Africa's platinum belt, for example, regular strikes pose a barrier to efficiency and innovation.<sup>12</sup> Without regional development plans to secure buy-in to the transition, support the development of new employment opportunities and equip communities with the necessary skills, it may be hard to overcome on-the-ground resistance to change.

### 3. It's the required and the expected thing to do

At the most basic level, businesses have an obligation to respect human rights and manage the health and safety of employees and affected communities. As well as a requirement to adhere to local human rights and health and safety laws in their operating environments, many businesses are required to comply with the far-reaching obligations of laws such as the US Foreign Corrupt Practices Act (FCPA) or the UK Modern Slavery Act, which can have implications not only for a business's international operations, but also for practices within its supply chains. But major companies and financial institutions are being held to account for performance that goes beyond legal compliance. Increasingly they face consumer and civil society scrutiny for their contribution (or lack thereof) to a global transition towards a more sustainable economy. Smart businesses are responding with greater transparency and openness and by taking steps to operate in an informed and sensitive fashion and to support strong public sector governance. Surging participation in reporting mechanisms such as CDP (formerly the Carbon Disclosure Project), the Global Reporting Initiative and the Dow Jones Sustainability Index bear witness to this trend, although there is still a long way to go before such reporting reflects real change in business practice. In future, businesses will likely face increasing demands for greater transparency in relation to social performance, including contributions to more equitable, just societies. For example, the Corporate Human Rights Benchmark (CHRB) will seek to assess the policies, processes and practices of the top 500 globally listed companies in order to provide a snapshot for investors, governments, civil society and consumers of companies' human rights performance.<sup>13</sup>

## Box 2: The decline of the UK mining industry

**In the late 1970s, economic challenges to the viability of the UK coal sector led the government to propose pit closures and pay restraints. Trade union resistance and a hard-line government stance resulted in major industrial action during the mid-1980s in an attempt to prevent colliery closures. Instead, following 26 million lost working days and at least three deaths, the industrial action resulted in accelerated pit closures, with the ultimate loss of some 250,000 jobs.**

Thirty years later, many affected communities still endure deprivation levels well above the national average, and are not yet fertile or attractive locations for new industries. Only five of the 19 affected coalfield communities, which collectively cover 9 per cent of the UK population, have managed to regenerate their economies, according to a 2014 study by the Coalfields Regeneration Trust. The rest still require ongoing welfare and regeneration support, for example through skills training, support to secure employment, funding for enterprise development, creation of community resources and dedicated health support services.

## Examples of justice-related voluntary and trade responses

### Voluntary Principles

The Voluntary Principles are human rights guidelines designed specifically for extractive sector companies, created through a process of dialogue between the Governments of the United States and the United Kingdom, companies in the extractive and energy sectors and NGOs.

[www.voluntaryprinciples.org](http://www.voluntaryprinciples.org)

### Extractive Industries Transparency Initiative (EITI)

The EITI is a global standard to promote the open and accountable management of natural resources in oil, gas and mining sectors. It supports trust building, governance, economic management, civil society engagement and improved business environments to ensure that natural resources benefit all.

[www.eiti.org](http://www.eiti.org)

### Ethical Trading Initiative (ETI)

The ETI is an alliance of companies, trade unions and NGOs that promotes respect for workers' rights around the globe.

[www.ethicaltrade.org](http://www.ethicaltrade.org)

### Responsible Care

Responsible Care is a voluntary initiative developed by the chemical industry to improve health, safety, and environmental performance across the sector.

[www.responsiblecare.americanchemistry.com](http://www.responsiblecare.americanchemistry.com)

### Global Network Initiative (GNI)

The GNI protects and advances freedom of expression and privacy in information and communication technologies.

[www.globalnetworkinitiative.org](http://www.globalnetworkinitiative.org)

### Electronic Industry Citizenship Coalition (EICC)

Members of the EICC commit to a code of conduct and employ EICC training and assessment tools to support the rights and wellbeing of workers and communities affected by the global electronics supply chain.

[www.eiccoalition.org](http://www.eiccoalition.org)

#### 4. It can support value creation

Using a justice lens can contribute to value creation by steering companies toward business processes, strategies and innovations that address the needs and build the engagement and capabilities of disadvantaged, and traditionally underserved communities. For example, economists have long argued that businesses can benefit from overcoming discrimination and embracing diversity in their markets and talent pools.<sup>14</sup> The World Bank estimates that discrimination against lesbian, gay, bisexual, transgender and intersex (LGBTI) communities costs as much as 1.7 per cent of India's GDP. Many business models and frameworks have emerged to enable businesses to identify new forms of value creation that deliver positive social outcomes, for example:

- **Creating shared value:** Generating economic value in a way that also produces value for society by addressing its challenges. Businesses can do this by reconceiving products and markets, redefining productivity in the value chain, and building supportive industry clusters at the company's locations.<sup>15</sup>
- **Bottom of the pyramid:** Commercial products and services that meet the traditionally underserved needs of the world's poorest citizens (those at the 'bottom of

the pyramid'), enabling them to benefit from choice as consumers and to engage with the formal economy. For example, this may include the provision of nutrition and hygiene products, telecoms and financial services, with products, prices and distribution mechanisms tailored to the needs of the market. Such approaches also have the potential to create opportunities for income generation and strengthened capabilities within poor communities.

- **Fair trade:** The goals of fair trade are to help producers of commodities such as coffee, cocoa, fresh fruit and gold in developing countries achieve fair prices for their products and to address inequalities in world trade practices. Businesses that wish to demonstrate their commitment to the principles of fair trade can pursue independent, third-party fair trade certification of their products.
- **Open innovation:** Innovation process that can be used to create value in ways that enhance social impact through providing mechanisms for transparency and building trust-based relationships, fostering entrepreneurship, harnessing local knowledge, and enabling target customers and key stakeholders to contribute to new products and to the development of solutions to challenges.



## Case study

# Toward a just approach in practice: Philips Lighting

Philips Lighting, a leader in lighting products, systems and services, has staked its business growth on leading the LED technology revolution. In its global business and consumer markets, the Netherlands-based company seeks to align its products and services with meeting societal needs and goals, including affordable and clean energy and sustainable cities and communities.

This will be challenging to achieve in equitable fashion against a backdrop of surging energy demand and 1.1 billion people lacking electricity access.

Harry Verhaar, Head of Global Public & Government Affairs, explains how Philips Lighting's approach to products and partnerships chimes with issues and dimensions of justice.

### What is the business case for tying Philips Lighting's brand and products so closely to social purpose and to the transition to a low carbon economy?

We've always had a focus on sustainable development. Climate change, a cross-cutting challenge with a broad range of social and economic implications, enhanced this focus and was one of the reasons that, back in 2006, Philips called for the global phase-out of traditional incandescent light bulbs. This was important, given that an incandescent light bulb is extremely inefficient – converting only 1% of input energy into light – as well as symbolic since these bulbs represented the first mass consumer electric appliance. We stuck our neck out because we could see how lighting could set an example for other sectors. At the time, lighting was responsible for 19% of electricity consumption; it is down to 15% today and projected to fall to 8% by 2030.

We also believe that to enable more equitable socio-economic development it is important not just to 'fix' things, but to change the paradigms within which society operates – from 'linear' to circular. For our company, this means business models where we move from selling products to leasing lighting as a service as is now the case for Schiphol airport. It also allows us to leapfrog to the cleanest technologies, as we did last year by providing solar-LED street lighting to 800 villages in Uttar Pradesh, India.

### How is the company steering its portfolio toward solutions that support just and fair outcomes?

Lighting plays a huge social role; in socio-economic development,

in making cities safer and more inclusive, in improving education. Our five-year sustainability plan, 'Brighter Lives, Better World', reflects the company's commitment to the UN Sustainable Development Goals and to climate action. Under the plan's first pillar, we will become carbon neutral in all our operations by 2020. The second pillar sets a goal for 80% of our turnover by 2020 to come from products, systems and services that provide environmental and social benefits. We also committed to support universal electricity access by 2030. This means that every product and system we develop and sell, we make with sustainability in mind.

### How does the company's approach support justice in terms of energy access across space and time?

Low income people can least afford inefficient products and technology. Our products help unserved rural communities in Africa and Asia leapfrog from kerosene and candles to the cleanest and most efficient available technologies, like solar-LED lighting. We are developing offers to households that allow regular payment by mobile phone. This not only makes energy more affordable and enables social development today, it also conserves resources and mitigates climate impacts for future generations.

We also co-founded the Global Energy Efficiency Accelerator platform, which combines efforts to accelerate energy efficiency in sectors including lighting, appliances, buildings, district heating, industry and transport. This public-private sector collaboration is highly relevant given that IPCC and IEA projections show that energy

efficiency has to deliver half the job of mitigating climate change.

### How do your partnerships support equal participation and capabilities in relation to energy access and sustainable communities?

It's a matter of scale – of working with others to accelerate energy efficiency, expand electricity access and transition markets to efficient, sustainable technologies. For example, our products have to be maintained and repaired, so we are looking at how to deliver this training to local people. We also provide community light centers, such as for evening soccer matches, and are exploring with NGOs, UNICEF and others how we can give communities the technical capacity to maintain them.

On the market level, we co-founded the en.lighten initiative with the UN Environment Programme (UNEP) to phase out incandescent light bulbs and other inefficient lighting in emerging and developing countries. Since our global call to phase out these products in December 2006, the annual global market has experienced a two thirds decline in just ten years. We also make a concerted effort to enhance supplier capabilities. We train our suppliers on environmental and social responsibility and work with many different supplier tiers to make our products free of conflict minerals.

At Philips Lighting, we believe that creating more inclusive and equitable sustainable development in all geographies requires focus, dedication, leadership and above all the creation of multi-stakeholder partnerships to drive socio-economic progress.

# Aligning justice with commercial success



## Stable societies are better for business

It's easier to do business in countries or regions with strong customer bases, trusted suppliers, efficient and reliable infrastructure, skilled, healthy and safe workforces, and effective legal and governance systems.



## It builds stakeholder trust and effective risk management

By integrating justice into decision-making, businesses can understand stakeholder concerns, anticipate risks and respond to social and environmental issues in ways that boost trust and enhance their social licence to operate.

**Leading businesses recognise the importance of operating in a fair and just way and of ‘doing the right thing’ as a point of principle. But even these businesses need to find ways to align ‘doing the right thing’ with commercial success. Helping to contribute to more-just societies and engaging with issues of justice in transition can support corporate success because:**

## **It can help support value creation**

Using a justice lens can steer companies toward processes, strategies and innovations that address the needs and build the engagement and capabilities of disadvantaged, and traditionally underserved communities.



## **It's the required and expected thing to do**

Businesses are already scrutinised on their contribution to a more sustainable economy, and are likely to face future demands for transparency on social performance, and contributions to more just societies.



## Part 2

# Key dimensions of justice and the implications for business

**A growing number of businesses have a stated commitment to operating ethically and fairly and to making a positive contribution to society. But even these businesses often lack a rigorous and systematic approach to understanding, addressing and communicating their engagement with issues of justice and fairness. While there is a growing range of metrics for social impact and social performance, there are no simple tools to enable businesses to work out what a ‘fair’ or ‘just’ approach would be.<sup>16</sup>**

In practical terms, what does adopting a justice lens mean for business leaders? How can they integrate considerations of justice into business decision-making? What specific issues and impacts do organisations need to address in their operations and supply chain, and in their relationships with employees, communities, civil society and other stakeholders? What medium- to long-term implications might there be for a company’s business model, markets, products and services? And to what extent should business look to government for help to promote the transition?

In a complex world with multiple competing goals and objectives that need to be balanced and resolved, there is no single right answer to these questions, only carefully made judgement calls. This section aims to give company leaders and managers a structured way to think about the implications of business actions and positions through the lens of six widely accepted dimensions of justice. This, in turn, should enable businesses to make more informed, nuanced judgements and decisions that support business opportunities and avoid missteps.



## Understanding how the key dimensions of justice relate to business

On the following page, we summarise six key dimensions of justice which, considered together, provide the basis for systematic business engagement. These draw on the latest academic thinking and the approaches that are being applied in policymaking arenas and frameworks such as the Paris

Agreement and SDGs (see box 3). Each explanation is followed by business-relevant examples. Some highlight examples of business action to engage with a specific dimension of justice, while others illustrate the consequence to business of not fully considering justice-related risks.

### Box 3: Justice frameworks and initiatives to inform business action

#### Paris Agreement on climate change

The landmark 2015 Paris Agreement on climate change mitigation and adaptation emphasises climate justice, including the need to fairly distribute the costs and benefits of climate policy and “the imperatives of a just transition of the workforce”. It urges country signatories to respect and promote a range of human rights.

#### UN Sustainable Development Goals (SDGs)

Two of the SDGs adopted by more than 100 countries in September 2015 directly address achieving justice in economic transition:

**Goal 8:** Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

**Goal 16:** Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

#### International Labour Organisation (ILO)

The ILO’s General Conference promotes detailed strategies to address the labour force challenges of a just transition to a sustainable economy. Areas of focus include macroeconomic, industrial and sectoral policies, skills development, social protection, labour market policies and labour rights and standards.

#### UN Global Compact

A global corporate responsibility initiative, the UN Global Compact urges its member companies to “align strategies and operations with universal principles on human rights, labour, environment and anti-corruption, and take actions that advance societal goals”.

#### UN Guiding Principles on Business and Human Rights

In 2011, the United Nations Human Rights Council unanimously endorsed a set of guidelines (widely known as the Ruggie Principles) for States and companies to prevent and address human rights abuses committed in business operations. The Guiding Principles contain three chapters, or pillars: protect, respect and remedy. Each defines concrete, actionable steps for governments and companies to meet their respective duties and responsibilities to prevent human rights abuses in company operations and provide remedies if such abuses take place.



The framework below highlights six dimensions of justice, of which four are commonly identified and applied. These include: equitable **distribution** of costs and benefits, full **recognition** of needs and rights, equal **participation** in decision making, and equal **capabilities** to function and fulfil potential. In addition, there is growing recognition of the need to consider the dimensions of justice over **time** (across generations) and **space** (across locations).



### Dimension 1: Equitable distribution

The *distributional* dimension of justice calls for a principled, equitable approach to the distribution of benefits (e.g. resources, opportunities and freedoms) and costs (e.g. risks and limits to freedom). This dimension of justice is widely used in practice, for example by social movements seeking just outcomes for specific communities. It is particularly relevant in the context of transition as economic shifts can result in jobs becoming automated or industries moving from one community or region to another. These changes can have direct consequences in terms of benefits and costs for different stakeholders. One downside of looking only at this dimension of justice is that it doesn't address the root causes of inequitable distribution.

#### Business examples:

- Technology-enabled shifts in business models, for example the rapid growth of online transportation network companies such as Uber and Didi, are radically changing the distribution of costs and benefits between the investors or owners, the employees or contractors, and the customer. Opposition by those who stand to lose, particularly incumbent cab drivers, has led to protests against Uber in countries including France, Indonesia, South Africa and Brazil. The company itself faces lawsuits on behalf of its drivers who seek a more equitable share of benefits, such as employee status, coverage of business expenses and tips. In addition, there is evidence that the resulting surge in use of cabs creates environmental costs for citizens and undermines the case for investment in mass transit systems, which in turn leaves the poorest communities excluded from mobility services.<sup>17</sup>
- A number of coffee companies offer 'fairtrade' products, designed to provide producers in developing countries with better trading conditions. Producers benefit from a fair market price for their products, enabling them to invest in improving their farming practices and protecting the environment. Businesses benefit through brand association with trusted fairtrade certification. Fairtrade schemes also cover cocoa, wine, fresh fruit, chocolate, flowers and gold.
- In the context of a growing gap between CEO compensation packages and average worker pay – with some CEOs receiving over 300 times the pay of average workers – leading business are responding in a number of ways. Some are disclosing the ratio between CEO pay and average worker pay (in advance of legislation such as Dodd-Frank in the US which makes disclosure mandatory). Others are going further and capping CEO pay, for example the head of the Accountancy Firm Grant Thornton opted to cap her pay at 20 times that of the average worker. Others, such as IKEA, are taking a needs-based approach to address income challenges for the lowest paid workers by committing to pay a 'living wage'.

### Dimension 2: Recognition

The *recognition* dimension of justice addresses the underlying, and often cultural and institutionalised causes of injustice which can lead to inequitable distribution of costs and benefits. For example, particular communities, such as indigenous peoples, may be affected by the cultural domination of other societal groups, they may be ignored and rendered invisible, or they may be disrespected, denigrated or stereotyped. Lack of recognition is often embedded in social norms, language and practices. As a result, transitions tend to disadvantage particular communities or minorities, for example women, the elderly, and particular ethnic groups. This dimension of justice therefore calls for recognition of the rights and needs of all individuals and communities, ensuring that they are freed from physical threat, have equal political rights and enjoy respect for their cultures.

#### Business examples:

- Leading Wall Street banks, including Citi and Goldman Sachs, led the way in promoting a change in corporate organisational culture and social norms by supporting an amicus brief in the U.S. Supreme Court case that overturned the Defense of Marriage Act.<sup>18</sup> The landmark 2013 ruling paved the way for equal workplace rights for LGBT employees.
- The mining company, BHP Billiton, has set an ambition to address gender imbalance in its workforce by 2025. Currently, only 17 per cent of those at BHP Billiton are women, which is in line with the industry average for mining firms. However, from tracking data across its operations, BHP knew its sites with greater gender balance were also more successful, not just in terms of productivity but in terms of safety. Its commitment to achieving a 50-50 balance between men and women is therefore driven by both a 'just' and a commercial imperative. Achieving this goal is likely to mean changing working practices and supporting the training and development of current and potential future female staff.<sup>19</sup>
- Asia Pulp Paper Group (APP) is one of the world's largest pulp and paper companies. In 2012, Greenpeace publicised how some APP suppliers were clearing Indonesia's natural rainforests, including within indigenous peoples' territories. APP responded by making commitments to respect the rights of indigenous peoples and communities affected by its operations and to guarantee the sustainability of forests. In February 2013, APP adopted a Forest Conservation Policy (FPC) that recognised the obligation to obtain the free, prior and informed consent of indigenous peoples, including recognition of customary land rights. The FPC also committed to a zero deforestation policy.<sup>20</sup>

### Dimension 3: Equal participation

The *procedural* dimension of justice promotes equal participation by all stakeholders in the decision-making process – framing problems, deciding actions and assessing outcomes. Establishing processes and conditions that give everyone a voice helps address both unequal distribution and lack of recognition. Evidence suggests it can also produce better outcomes that benefit everyone. Researchers have reported, for example, that including communities in land-management decisions improves resource conservation efforts.<sup>21</sup> Conversely, lack of inclusive participation in decisions relating to energy transition in India via the development of large-scale solar parks has further marginalised rural inhabitants with the lowest social status.<sup>22</sup>

#### Business examples:

- In Peru, ‘dialogue tables’ are helping to prevent or transform social conflicts relating to mining developments. These bring together company, government and community representatives on an equal basis to share information and promote local development with community participation. The approach has provided strong evidence that the ‘form’ of engagement counts heavily with communities. UNDP reported that: “The process dimension of the dialogues has been shown to be essential and has had as much or more weight in successful processes than the substance itself or the issue under discussion or for which a solution was being sought.”<sup>23</sup>
- The Co-operative Group is one of the world’s largest consumer co-operatives, owned by more than eight million members. It incorporates the principle of participation in its governance through four Member Nominated Directors on its Board. Any member of the Group can put themselves forward as a Board Director and every other year members can vote for or against a Member Nominated Director remaining on the board.

### Dimension 4: Equal capabilities

The *capabilities* dimension of justice is about a person’s opportunities to do and be what they choose. To fully ‘function’ in lives of their choosing in a given society and to have the opportunity to fulfil their potential. This includes both the *ability* to access opportunities and make choices as well as the *freedom* to do so. For example, ill health, disability, lack of education, lack of mobility or lack of childcare may prevent an individual from accessing opportunities or the benefits to which they are entitled.

#### Business examples:

- Mining company Anglo American undertakes systematic workforce and enterprise development programmes in the communities where it operates. These programmes build people’s skills and capabilities so they can access jobs or create new enterprises, thereby supporting local economies long-term, including after mine closure.<sup>24</sup>
- Lloyds Banking Group is working to address issues of financial capability and inclusion for disadvantaged communities, small businesses and charities, enhancing their ability to manage their financial affairs and to play an active role in the economy. It is doing so through the provision of dedicated products and services, partnering with specialist organisations that represent the interests of specific communities, assisting customers to acquire the skills and confidence to manage their money effectively and proactive engagement with government and civil society stakeholders to build financial inclusion across society. Recognising that digital literacy is increasingly important to financial literacy, the bank is also working to improve digital skills of individuals and small businesses.
- There is a growing tax justice movement which challenges companies to pay a fair tax in the countries in which they generate profits in return for the benefits that the country provides, such as infrastructure, educated workforces and legal systems. Although it may be legal to relocate profits to other countries for tax purposes, campaigners are challenging the fairness of this approach, as the loss of tax restricts public resources and undermines countries’ capabilities to provide for the wellbeing of their citizens.

**“Political and business decisions relating to infrastructure and industrial developments, such as commitments to nuclear energy plants and transport systems, often create consequences and obligations for future generations.”**



## Dimension 5: Justice over time

The *inter-generational* dimension of justice captures the moral duties owed by the current generation to future ones. In current decision-making processes, these duties tend to be neglected by both governments and business. In democratic societies, the presence of elections every four or five years means that politicians direct their actions towards satisfying the needs and desires of present citizens. Businesses also face pressure to focus on short-term performance, due to shareholder expectations and the quarterly reporting cycle. Yet, political and business decisions relating to infrastructure and industrial developments, such as commitments to nuclear energy plants and transport systems, often create consequences and obligations for future generations.

This dimension of justice is particularly pressing in the context of two challenges for future generations:

- The majority of global energy production is based on the use of fossil fuels. This has enabled an unprecedented high standard of living for much of the world's population while creating long-term consequences for future generations in the form of climate change impacts such as extreme drought, heatwaves and flooding. Big business has played a key role in creating this challenge; nearly two-thirds of historic carbon dioxide and methane emissions can be attributed to 90 major companies.<sup>25</sup>
- Economic and labour policies are also biased to favour current (voting) generations. National debts are rising to previously unseen levels as the present generation lives beyond its subsistence needs, burdening tomorrow's generations with the costs of today's consumption. Social security systems, especially pension schemes, have entered a state of crisis in many developed countries and today's youth cannot expect to receive the same benefits upon retirement as do today's pensioners.<sup>26</sup> In many countries, youth unemployment has reached the highest point since World War II and many young people, lacking regulatory protection, are exploited as cheap labour.<sup>27</sup>

### Business examples:

- A critical mass of leading businesses is adopting frameworks that enable broader views and longer term objectives of what constitutes good performance in response to the climate challenge. Popular vehicles include corporate reporting mechanisms such as the CDP climate, water and supply chain programmes, and the 'six capitals' approach of the International Integrated Reporting Council (IIRC). Carbon pricing and carbon footprinting approaches enable companies to measure and report their carbon impact, and commitment frameworks like Science Based Targets have also guided business action.
- A number of companies, such as Asda, Barclays, HSBC, and Marriott have collaborated to address issues of youth unemployment, providing vocational training and work experience for young people. A number of professional services firms, including EY, have moved away from unpaid internships and now offer paid work experience and mentoring to help young people to access employment.

## Dimension 6: Justice over space

In a globalised world, practices of production, trade and regulation at one location have an impact upon distant sites through extended supply chains and the internationalisation of production.<sup>28</sup> This results in issues of *justice across space*, in which locations experience consequences as a result of decisions or actions taken elsewhere, or by executives who may not be equipped with insight into the social impacts of their decisions.

### Business examples:

In the two examples below, a complex sequence of decisions – including by suppliers – led to negative consequences for specific locations and communities. Neither company made a conscious decision about the potential impact on affected communities, but they were nevertheless held responsible for the injustice that was created as a result of their commercial decisions.

- The Deepwater Horizon oil spill in the Gulf of Mexico, caused by an explosion on a rig leased by BP, was one of the largest incidents of its kind. The spilled oil, clean-up operation and ongoing presence of chemicals in local ecosystems has had a significant impact on marine life and coastal ecosystems, and led to health impacts for local communities. The incident also had a huge economic impact, with local fishing and tourism industries losing billions of dollars.<sup>29</sup> Although remote both in terms of geography and practical engagement, with decision-making on the rig, which was owned and operated by Transocean, BP was ultimately held accountable in a US district court for gross negligence and wilful misconduct, was found guilty on criminal charges relating to the deaths of 11 workers, and settled a significant number of civil cases. The legal, economic and reputational implications for BP have been enormous and are still ongoing.
- In 2006, a ship chartered by the Dutch company Trafigura offloaded toxic chemical waste at the Côte d'Ivoire port of Abidjan. The waste was distributed to local dump sites, where it released gases that the UN and government of Côte d'Ivoire say resulted in 17 deaths and over 30,000 injuries. Investigations revealed that Trafigura was aware of the waste's toxicity but not prepared to pay for disposal according to Dutch regulations. Instead, the company paid a much lower fee for the waste to be illegally transported and disposed of in a country with weaker governance and environmental standards. Trafigura has since faced a number of legal cases and spent significant sums in settlements.<sup>30</sup>

## In the context of economic and industrial transition, decisions about the siting and sourcing of jobs, services and infrastructure can have significant implications for specific locations.

A decision taken at head office to change a supplier or to close down or relocate a site can have major repercussions for communities dependent on the company as a customer or employer. On the other hand, decisions to site new developments can have positive impacts for local communities – if handled well. For example, Phillips-Van Heusen (PVH) is working with government and communities to help build a best-in-class apparel manufacturing industry in Ethiopia, sensitive to the challenges inherent in industrialising a predominantly agricultural region. But examples abound in relation to new developments which have led to increased inequality, such as the ‘smart city’ of Dholera in India, where politicians have been accused of sidestepping mandatory requirements of consent and compensation, and dispossessing the area’s small-scale subsistence and landless farmers.<sup>31</sup>

It is critical to note that while all six dimensions described above are valid ways of thinking about justice, they will not all lead businesses to the same outcome. For example, if a company prioritises actions on the basis of access to energy (distribution and capabilities), this approach may clash with justice considerations on the basis of time, participation or recognition. For example, cheap coal gives access to energy, but causes climate change and air pollution and can cause local difficulties with environmental pollution. Only by looking at all the relevant justice viewpoints can business leaders and managers comprehensively explore all possible impacts of their value chain – and the implications for business strategy and activity.

### The importance of cultural context

**For companies looking to employ a justice lens, it is important to be sensitive to how understanding of justice may differ internationally. For example, the US focus is on individual rights, recognition and participation, whereas in**

**China the exercise of rights is closely attached to an ethical responsibility towards the collective good. These different national interpretations of justice can influence organisational culture.**

(For more information, see the CISL working paper *The Multiple Meanings of Justice in the Context of Transition to a Low Carbon Economy*.)<sup>32</sup>

## Case study

# Toward a just approach in practice: Nestlé

Nestlé is a leading food and beverage company, with more than 200 food and beverage brands. A corporate pioneer of the 'creating shared value' concept, the Swiss company has made social and environmental sustainability commitments across the value chain, impacting its operations, products, community engagement and suppliers. As Nestlé aligns its societal impact even more closely with its corporate purpose, it faces global challenges including engaging consumers to

improve public health and addressing constraints on natural resources essential to its business, especially water.

In an interview, Duncan Pollard, AVP Stakeholders Engagement in Sustainability and Yann Wyss, Senior Manager, Social & Environmental Impact, explain how Nestlé's approach to sustainability reflects justice concepts described in this brief.

### What is the business case for investing in shared value as a business model?

**DP:** Our approach is one of business impact rather than business case. We set 39 goals toward making a positive impact that goes beyond compliance, creating value for both society and our shareholders. For example, our Cocoa Plan trains farmers, improves their capabilities and gives them access to high value plants. The value for us is working with farmers to improve crop quality and productivity. The benefits are mutually reinforcing.

### The Dow Jones Sustainability Index highlights Nestlé's 'first-class human rights due diligence program'. What is your approach, particularly to engaging 760,000 smallholder farmers?

**YW:** Human rights provides clarity to our entire value chain approach. Nestlé was an early adopter of the UN Guiding Principles Reporting Framework, which we used to identify 11 key human rights for our stakeholders. These include access to water, sanitation, and grievance mechanisms and rights to land acquisition and a living wage. Our Responsible Sourcing Guidelines include human rights clauses on how we source our 12 priority ingredients, including coffee, meat, palm oil and sugar. We have trained more than 72,000 employees in 66 countries on human rights.

**DP:** The rural development framework supports our long term supply of raw materials. We worked with NGOs including Solidaridad, Rainforest Alliance, the Fair Labor Association and the Danish Institute for Human Rights to develop it, and went directly to our farmer suppliers, asking what challenges they face and how we can help. Their responses are shaping our priorities for intervention, including training to improve farm economics, food security for communities and help adapting to changing weather patterns. This bottom up,

participatory approach is rather different to the top down approach of certification based upon rigid standards which focus upon the supply chain issues but not the local context.

### How does the company contribute to the public health agenda, and support the capability of consumers to make good dietary decisions through product information?

**DP:** Through our products, research, community health programmes and clear information to consumers. Nestlé Nutritional Compass®, found on almost all our product packaging, was an industry first. The labels provide nutritional profiles, portion guidance and recommended daily limits on ingredients. Encouraging an overall balanced diet is more challenging – it gets into areas like recipes – and we constantly refine our approach to help tackle global nutrition challenges such as obesity.

In 2014, 86 percent of our foods and beverages were assessed through the Nestlé Nutritional Profiling System to understand nutritional adequacy and opportunities. In developing countries, Nestlé helps tackle malnutrition through micronutrient enriched foods and drinks that target specific dietary gaps.

We promote healthy lifestyle capabilities through employee training, community health programmes and educational resources. The Nestlé Healthy Kids Programme began in and around our factories 15 years ago and now reaches 8.4 million children in 84 countries, through partnerships with governments, NGOs and universities. The Nestlé Nutrition Institute shares science-based information with health professionals, scientists and others in 195 countries.

### How does Nestlé ensure a just and fair approach to securing the natural resources it needs for products and global operations?

**DP:** We have a global approach to natural resources management, implemented locally, where the resources are. Taking water as an example, our commitment is to first protect the human right to water and sanitation, then ensure that natural ecosystems can function, and finally use water efficiently for farming or factories. When we pay to take water, we commit to withdrawals in line with natural replenishment and take measures to ensure that our operations do not compromise communities' water supply. Sometimes Nestlé gets caught in the crosshairs – over public concern about water withdrawals or when communities challenge our permits to withdraw water. That happened recently in Canada, and has been a challenge in the U.S.

### Nestlé's revenues exceed the GDP of many countries. How can the company work with governments to contribute to and scale just outcomes?

**YW:** Moving forward, how we articulate what the company is doing, and report on progress, will be much more aligned with the global agenda, including the UN Sustainable Development Goals (SDGs). We will focus more on the organisation's core purpose – enhancing quality of life and contributing to a healthier future.

**DP:** In terms of sustainability, leading companies have done the easy things. To get to the next phase, it's for governments to set and enforce the rules of the game. International agreements like the Paris Agreement on Climate Change, and frameworks like the SDGs and UN Guiding Principles are useful but we need more clarity and visibility on the different roles and actions of governments, NGOs as well as business.


## Part 3

# Justice and the transition to a zero carbon, climate-resilient economy

The historic and ambitious Paris Agreement was a turning point in political action on climate change with implications for the global economy and businesses everywhere. Considerations of justice and fairness will be important in unlocking progress to deliver against the Agreement, and to ensure that steps to mitigate and adapt to the risks of climate change don't lead to increased inequality. **In particular, there is a need to consider justice in the process of transition to a zero carbon economy and in measures to adapt to the physical impacts of climate change.**







The world will need to build resilient, virtual zero carbon economies in the next few decades.

## Justice in the transition to a zero carbon economy

**Rewiring the global economy in ways that support a sustainable future by transitioning away from fossil fuels is a critical challenge for leaders in government, business and finance. To keep global temperatures from rising by more than 1.5°C or even 2°C will require a complete recalibration of the existing economic, energy and industrial agendas. The world will need to build resilient, virtual zero carbon economies in the next few decades, which will radically alter some business models and potentially eliminate others. This will require:**

1. Phasing out fossil fuels, bringing renewable energy to scale and dramatically decreasing greenhouse gas (GHG) emissions.
2. Developing the capacity for 'negative carbon' emissions, by extracting and storing GHGs from the atmosphere.

The Paris Agreement signalled international acceptance of these ambitious targets, but many countries have not yet developed clear strategies for transition. This is particularly the case in regions highly dependent on carbon-intensive industries where transition would create large-scale disruptions to communities, industries and livelihoods.

Meaningful progress and public buy-in may be difficult to achieve unless and until transition planning includes those who stand to lose, develops effective strategies to mitigate negative social impacts, and ensures a fair distribution of the benefits of transition. These emerging, urgent challenges have led to growing awareness of the need to consider issues of justice in zero carbon transition.

## The implications for business

Some sectors are well placed to benefit from the transition. Others, particularly the energy sector, stand to lose unless they rapidly adapt. In 2015, for the first time, global investment in clean energy (\$329 billion) overtook investment in oil and gas (\$253 billion), with significant consequences for companies, jobs and communities.<sup>33</sup> From Poland<sup>34</sup> to the United States,<sup>35</sup> the coal industry is in steep decline due to falling prices, cheap, cleaner alternatives and environmental regulations. On the other side of the coin, the costs of solar photovoltaic cells have fallen by over 80 per cent since 2008, boosting installation rates. Others sectors facing change and uncertainty driven by climate impacts and/or low carbon policies and investments include manufacturing, agriculture, building, infrastructure and tourism.

To seize the opportunities and mitigate the risks associated with low carbon transition, businesses can include social justice considerations when weighing the impacts of corporate transition plans on specific regions, communities, business partners and employees. These may include:

- Systematic assessment of the **distribution** of costs and benefits of transition and the development of strategies to mitigate the negative impacts on affected stakeholders and communities and to ensure equitable access to the opportunities created by transition.
- **Recognition** of the particular needs and rights of vulnerable communities (as transitions tend to disadvantage particular communities or minorities) and undertake formal consideration of these needs in the transition-planning process.
- Provision of mechanisms to enable **participation** of stakeholders in the process of transition. This might include: involving workers in strategic decision-making affecting their jobs and in identifying and implementing energy efficiency solutions; engaging with policy-makers, communities and trade unions at national, regional or sectoral levels to support joined-up transition planning to mitigate negative social impacts; or working with disadvantaged customers and communities to explore how they can access the benefits of low carbon products.

- Development of the **capabilities** of key stakeholders to contribute to decisions about transition, and to respond to the risks and opportunities created by transition. This could mean: equipping workers with the skills and capabilities to operate new low-carbon technologies, move into other industries or develop their own enterprises; equipping government and community representatives with the technical insights to be able to engage with complex issues relating to industrial transition; educating consumers and developing pricing and distribution models that enable disadvantaged communities to benefit from low carbon products.
- Consideration of the **long-term** social impacts of transition plans, including **impacts across the whole value chain**, and contribution to the development of long-term strategic visions for affected communities.

One approach to joined-up transition planning is the European Green Growth Platform which brings together ministers from European governments, businesses and the European Parliament to discuss and debate the economic opportunities and challenges involved in the transition to a low carbon, resilient economy. The platform is made up of climate, environment and energy ministers from 16 countries, 18 members of the European Parliament and some 40 major businesses.<sup>36</sup>

# 80%+

Costs of solar photovoltaic cells have fallen by over 80 per cent since 2008, boosting installation rates.



## Climate change adaptation and social justice

**Climate change raises the prospect of increasingly severe and frequent weather events, such as heatwaves, storms and flooding. Climate adaptation seeks to lower the impact of these risks for societies through wide-ranging government, business and public responses. These include, for example, large-scale infrastructure changes – such as building defences to protect against sea-level rise – and behavioural shifts such as consumers using less water and more households and businesses buying flood insurance.**

As governments and business embark on adaptation initiatives, it is important to take into account community vulnerability to climate risks and the ability of specific groups, nations and regions to respond to climate impacts. A study by the Joseph Rowntree Foundation<sup>37</sup> found that climate change can compound poverty and disadvantage while, at the same time, poverty increases vulnerability to climate impacts. There is also evidence that some adaptation and mitigation policy can deepen inequity. These compounding effects and interactions make a strong case for adaptation strategies that integrate social justice considerations.

The journal *Nature*<sup>38</sup> recently highlighted common examples of injustice in relation to climate adaptation and risk, including:

**Uneven distribution of climate impacts:** Low-income residents are more likely to live in informal settlements, or hazardous and high-risk locations; suffer from pre-existing health conditions; and have few resources to prepare for, cope with and recover from stresses and shocks. These conditions of poverty make disadvantaged residents especially vulnerable to climate change impacts.

**Uneven participation in planning:** Vulnerable communities can also be disproportionately disadvantaged by procedural injustices, with their voices often unheard in planning processes. For example, disadvantaged communities are more likely to be displaced following natural disasters. This can lead to the loss of social and political networks, and result in them having no voice in decisions about where and how to rebuild their homes.

**Uneven capability to respond:** Although many national capitals, global financial centres and cities with progressive leaders have made good progress in adaptation, many more cities and towns – particularly those in the Global South – have struggled to develop and implement effective adaptation strategies. For most of the three million municipalities worldwide, the complexity of risk and vulnerability assessments, the demands for data and technical expertise, and the costs of implementation exceed their existing capacities.

This relationship between justice and climate adaptation has implications for national and municipal governments, as well as for businesses which finance, plan, build, manage and insure buildings and infrastructure, and which support community health and wellbeing. The UN Human Rights Council asserts that a failure by governments and other actors to take reasonable preventative action to reduce exposure and vulnerability and to enhance resilience is a human rights issue.<sup>39</sup> Using the perspective of the different dimensions of justice will help governments, businesses, the financial sector and communities to enhance the robustness and effectiveness of their responses to this issue.

### Insurance sector leadership

The insurance industry is on the frontline, as the growing gap between climate risk exposure versus insurance penetration highlights the vulnerabilities faced by many communities both in developed and developing economies which lack the means to protect their homes and livelihoods.

New ways of extending cover to increasingly vulnerable communities is moving rapidly up the agenda for governments and the insurance industry alike.

If successful, this will enable financial inclusion, incentivise risk-reduction behaviours and facilitate economic recovery after a disaster.<sup>40</sup>

The recent formation of the Insurance Development Forum (IDF)<sup>41</sup> to explore collaborative solutions is a direct response to these concerns amid understanding that the insurance sector has a crucial role to play in helping to smooth the transition for all communities.

Addressing the climate risk protection gap – the growing divide between total economic and insured losses – is a key focus for ClimateWise, a global network of 29 insurance industry organisations which is convened by CISL. ClimateWise's 'Investing for resilience' report highlights how insurers can start to align their asset management, underwriting and risk management activities to support greater investments in resilience both within their own investment activities and more broadly across the financial markets.<sup>42</sup>



## Case study

# Toward a just approach in practice: Anglo American

UK-headquartered Anglo American has signaled its intention to streamline its portfolio by focusing on its core market strengths in diamonds, platinum and copper. The company has the objective of creating sustainable value that makes a real difference for all stakeholders, many of whom are in its core operating regions of Southern Africa and Latin America. This is challenging to achieve given the mining sector's context – including cyclical markets, often challenging

operating environments and the potential social and environmental impacts of mining.

In an interview, Jonathan Samuel, Group Head of Social Performance and Engagement, explains how Anglo American's operational approach chimes with several justice concepts described in this brief, and positions the company well for the challenges ahead.

### How does the concept of justice form part of Anglo's overall business and operational strategy?

We don't use the term justice as such, but we use three applicable lenses in our operations: making sure communities are not materially negatively impacted by operational activities, delivering a lasting positive developmental impact or return and respecting human rights. Since 2007, we have built human rights into functional health, safety, environmental and social policies and through our governing framework, the Anglo American Social Way. SEAT, our industry-leading Socio-Economic Assessment Toolbox, drives community engagement at every mine.

### How do site managers engage communities and promote equal participation by everyone affected?

Both research and our own experience point to two key drivers of public acceptance of a mine: quality of engagement, and procedural fairness – including fair complaints and grievance procedures and a sense by host communities that they get fair access to the opportunities created by our operations. SEAT provides practical guidance on how to engage communities respectfully, inclusively, transparently and on an ongoing basis – not just, for example, when the company needs a

permit. Corporate culture is critical. We provide training for site managers and train executives on social performance, community engagement and concepts of justice.

### As Anglo American automates mores jobs how will you address distributional justice in terms of community impact?

We are on the cusp of significant innovation in mechanisation and automation which will make mines safer, and lower environmental impact, but reduce workforces. To minimise negative economic impacts for communities and avoid potential clashes with unions and workers, we plan to step up community development efforts. These include support for sustainable alternative employment. For example, in Limpopo, South Africa, we funded an economic development plan focused on agricultural development, tourism and renewable energy, which we are now socialising with government, multilateral agencies, peer businesses, NGOs and faith groups. When we sell mines, we do so only to responsible operators.

### How do space and time dimensions of justice affect your approach to operations and community development?

As a location-based business, space is

very important to us, especially regarding sustainability issues such as water scarcity. For example, we explicitly recognise communities' water-related human rights. Because many of our operations are in water-stressed areas water conservation is a major R&D focus and we are looking at opportunities for step-change reductions in our own use for water.

Our community development investments aim to provide long-term, inter-generational economic opportunities. For example, we mentor and support a diverse range of small businesses and integrate larger local businesses into our supply chain in ways that have a long-term, multiplier effect in the local economy. Capacity building is a major focus of our community development efforts.

### How does your strong focus on social performance bring business benefits?

We see three clear areas of benefit: effective risk management (stopping a mine for one day costs \$2-\$3 million); access to new opportunities, with state governments more likely to grant permits to companies that demonstrate good operational management; and business growth opportunities with consumer brands who want suppliers with good sustainability performance.





# Conclusion

**Engaging effectively with issues of justice is both relevant to and good for business. As the world navigates a rapidly changing economy and urgent sustainability challenges, business has a critical role to play in promoting just processes and outcomes that in turn support stable and resilient societies.**

From an organisational perspective, business leaders can usefully consider key dimensions of justice in terms of how they affect their current operations and value chains. Using these dimensions can also add rigour to the process as companies adapt to a changing world and work to secure their future success in the context of a transition to a sustainable economy.

The key dimensions of justice described in this briefing, while widely recognised, are not necessarily complementary. Nor will they always lead organisations to a single 'right' answer for the path forward. Rather, they provide a sound framework for thoughtful engagement and tough decision-making.

Given the strategic importance to companies of effective economic transition, incorporating justice considerations into business strategy cannot be left to sustainability departments

alone. Instead, the wide-ranging implications for justice across many day-to-day business activities necessitate engagement by leaders across the organisation, ideally from the very top.

Although businesses have an important role to play in contributing to just processes and outcomes, it is clear that they cannot address these issues alone. Making progress towards more just societies will require creativity, determination, leadership and action by governments and NGOs as well as business leaders. Collaboration and partnership at the level of communities, value chains, regions, sectors and nations will be critical to success.

CISL hopes this brief will serve as a useful resource for business leaders as they make progress in this complex and rewarding journey.

**Collaboration and partnership at the level of communities, value chains, regions, sectors and nations will be critical to success.**

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