

BRIEFING

GOVERNANCE INSIGHTS FROM THE RESPONSIBLE BUSINESS TRACKER®

The Responsible Business Tracker® enables an assessment of performance as a responsible business by tracking progress against Business in the Community's (BITC) Responsible Business Map. This briefing paper outlines some of the key trends related to corporate Governance and Responsible Business Strategy.

INTRODUCTION

The purpose of the Governance section of the Responsible Business Tracker® (RB Tracker) is to assess the performance of responsible businesses in relation to:

- Purpose and Values
- Stakeholder engagement
- Governance and Transparency
- Digital transformation
- Value chains

HEADLINE FINDINGS

Businesses are making progress on purpose and values but are not engaging locally or with external stakeholders

Under half of businesses are welcoming public scrutiny of the alignment between their stated purpose and actual performance, despite almost all businesses taking action to define and embed their purpose

There is oversight but a lack of action on board-level diversity, executive skills, and supply chain management. Respondents stated that these

factors influenced their strategy, but this did not always translate into direct impact or action.

Businesses are starting to embed responsible business practices through targets or remuneration, but mainly just for senior management

Whilst 41% of respondents stated that Responsible Business targets and objectives had been targeted at senior management, far fewer had integrated it into pay and development across the whole organisation.

There are high expectations for suppliers, but more can be done to work with them to improve their resilience and sustainability

For example, a quarter of businesses stated that they ask their supplier to adhere to certain resilience standards as part of the tender process. However, just 13% of businesses stated that they would support small suppliers if they could not afford to meet the resilience standards expected of them.



ROBUST CORPORATE INTEGRITY IS ABSOLUTELY KEY TO THE REALISATION OF HUMAN RIGHTS AND ENVIRONMENTAL SUSTAINABILITYⁱ

Anita Ramasastry, UN Working Group on Business and Human Rights

PURPOSE & VALUES

There was almost universal progress from businesses on defining their purpose and values with over 90% of all businesses reporting that they had:

- Articulated why they exist, beyond making a financial return, and how that benefits wider society.
- Defined their values, aligned them to their purpose and set the tone from the top.
- Set boundaries of acceptable practice.

However, despite this progress businesses are still reluctant to engage externally, with just 57% stating that external stakeholders were involved in setting their purpose beyond profit, and only 49% inviting public scrutiny on their performance in relation to this.

GOVERNANCE & TRANSPARENCY

Our insights show a significant difference between aspirations and impact when it comes to board-level diversity. For instance, 73% of businesses reported that the appointment of new directors considers board diversity (including age, ethnicity, and gender). Despite this, under half of businesses reported that at least a third of their board were women or that they had at least one black, Asian, or ethnic minority board member.

There also appears to be a blind spot in relation to executive skills management. Whilst most businesses provide some level of training on responsible business issues, less than a quarter have a skills matrix in place which dictates when and how to seek external expertise.

There is a mixed picture when it comes to embedding responsible business through targets and remuneration. Whilst around 40% of businesses reported responsible business objectives had been integrated into the development and pay of senior management, 41% also reported that they were taking none of the proposed actions around targets and pay.

27%
OF BUSINESSES HAVE INTEGRATED RESPONSIBLE BUSINESS OBJECTIVES INTO PROFESSIONAL DEVELOPMENT AND REMUNERATION ACROSS THE WHOLE ORGANISATION

SUPPLY CHAINS

Like the gap between aspiration and impact on board-level diversity and executive skills, there seems to be a mismatch on supply chain management. Despite a large majority of businesses reviewing their processes to ensure responsible supply chains, and identifying relevant procurement employees internally, less than a third formally consider performance on social and environmental objectives when awarding bonuses to purchasing or procurement employees.

Businesses also seem reluctant to fully engage with their suppliers to support their responsible business journey. The RB Tracker® sets out 5 layers of engagement with suppliers:

- Communicate – share codes of conduct, knowledge, and resources.
- Monitor – check policies and procedures against external standards.
- Reinforce – reward positive behaviour.
- Support – offer training and pro bono time to help suppliers improve.
- Collaborate – work with multiple suppliers and NGOs to develop innovative solutions.

Whilst there was a good amount of activity around communicating, monitoring, and reinforcing

positive activity in supply chains, there was significantly lower response rates for the 'support' options, indicating that businesses have high expectations but are less willing to work with suppliers to aid them in meeting the required standards.

STAKEHOLDER ENGAGEMENT

The scores for stakeholder engagement demonstrate that customers and employees are regarded as the priority stakeholders for most businesses. However, this can come at the expense of other external stakeholders, with just 1% putting 'local residents' as a priority stakeholder. This highlights a further reluctance for businesses to engage meaningfully with diverse stakeholders outside of their organisation.

This, in turn, impacts on activities within communities. Whilst over 90% of businesses reported that they offered passive activities (such as donations or employee volunteering), significantly less offered active solutions designed with local people such as working with councils to address local issues, addressing barriers to work, or creating formal community collaboration strategies for local impact.

FOR US, ESG MEANS HAVING A SOUND AND ROBUST CORPORATE GOVERNANCE AS A BASIS, SO THAT THE ENVIRONMENTAL AND SOCIAL ASPECTS CAN GROWⁱⁱ

Elke Neidlein, Head of Integrity, AUDI

CALLS TO ACTION

We call on every business to increase their pace and scale of impact through the [6 Catalysts of Responsible Business](#) –evidence-backed actions designed to accelerate and embed ESG (Environmental, Social, Governance) action:

- **Develop a responsible core-business strategy:** collaborate with leaders and internal and external stakeholders to create a business strategy that incorporates purpose, governance, delivery, and evaluation.
- **Set ambitious impact targets** and measure goals that reflect the business and the scale of issues facing the world today. The UN's Global Goals are an effective strategic framework to inform that scale of ambition.
- **Make every leader responsible for your targets:** activate executive and non-executive leaders through training, coaching, reward and creating a legacy, to set the direction and tone for the organisation.
- **Activate employees at every level of every function:** empower and upskill employees to act individually, within their teams and to advocate for faster, bolder corporate action.
- **Innovate purposeful business models:** responsible innovation minimises harm and risk, increases positive impact and alignment between sustainability and core business goals, and ultimately increases innovation.
- **Align impact, brand, and purpose:** externally position the organisation as a responsible business, including through transparent reporting, advocacy, and peer collaboration.

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- [learn more about our advisory services](#)
- [join us for one of our upcoming events](#)



Talk to one of our expert team [today](#) to learn how membership of BITC can help you take your responsible business journey further and drive lasting global change.

ENDNOTES

ⁱ World Economic Forum (2022), *Why sustainable governance and corporate integrity are crucial for ESG*, available at: <https://www.weforum.org/agenda/2022/07/the-g-in-esg-3-ways-to-not-miss-it/>

ⁱⁱ Audi (2022), *ESG: a culture of integrity and responsibility at Audi*, available at: <https://www.audi.com/en/company/integrity-compliance-and-risk-management/compliance/esg-at-audi.html>