

Corporate Political Responsibility Taskforce

Expert Dialogue with Bennett Freeman

Bennett Freeman - Module #1

Elizabeth Doty: [00:00:00] Well, hello and welcome to the Erb Institute's Corporate Political Responsibility Task Force Expert Dialogue Series. My name is Elizabeth Doty. I'm the Task Force Director and I'm delighted to be moderating today's dialogue with Bennett Freeman.

The Corporate Political Responsibility Task Force, or CPRT, is an initiative of the Erb Institute. A 25 year long partnership between the Ross School of Business and the School for Environment and Sustainability at the University of Michigan. Led by Managing Director Terry Nelodov and Faculty Director Tom Lyon, the Erb Institute is known for its leadership in three areas.

Teaching and Learning. Business engagement with groups like the CPRT, and scholarly and applied research. The CPRT's mission is to help companies better align their approach to political influence with their commitments to [00:01:00] purpose and values, sustainability and stakeholders. As we're seeing, corporate political responsibility is an increasingly pivotal element in managing stakeholder trust, addressing systemic issues, and rebuilding public trust in institutions.

I am truly excited to be working with Bennett Freeman today. As our honored guest, the topic is CPR and civil society, the role of the private sector in protecting civic space. And over the last two decades, I'm going to go ahead and say it, Bennett, of a four decade career, Bennett Freeman has worked at the intersection, listen to this, government.

International institutions, multinational corporations, responsible investors, and NGOs, and I mean working, I mean in senior levels of leadership and in collaboration on human rights and sustainable development around the world. As an example, he was a senior vice president for sustainability research and policy at Calvert Investments, leading the firm's environmental, social, and governance research for over 40 mutual [00:02:00] funds.

Developing themes for new funds and directing their shareholder advocacy and public policy initiatives. And, under President Clinton, he served in three positions at the U. S. State Department, including Deputy Assistant Secretary for Democracy, Human Rights, and Labor. And, he is currently serving on the Steering Committee for the Coalition to End Uyghur Forced Labor, serves as the Vice Chair of the Responsible Sourcing Network, and is on the World Economic Forum's Global Future Council on Human Rights.

Based on this experience, sometimes he's described as wearing a suit with combat boots, bringing this composite perspective in a way that allows him to influence across sectors and develop global standards that have improved corporate accountability in numerous industries, from extractives to information and communications technology.

And drawing on this, in 2018, he was the lead author of a framework called Shared Space Under Pressure, Business Support for Civic Freedoms and Human Rights Defenders. It was a seminal framework that provides analytical and operational guidance for companies in [00:03:00] supporting human rights and was endorsed by the American Bar Association in 2019.

Then, in 2020 and early 2021, he was instrumental in mobilizing the U. S. business community as a stabilizing force in the aftermath of the U. S. presidential election. And we'll get into some of that. And then just this month, Bennett was appointed as an associate fellow of Chatham House, which is an international independent policy institute whose mission is to help governments and civil society develop a sustainably secure, prosperous, and just world.

And, though you will not see it on his formal bio, we discovered recently that we went to the same high school. So welcome,

Bennett.

Elizabeth Doty: I'd like to start with this idea of business and civic space in a global context. And I know you've consulted with companies, worked with NGOs, worked with the State [00:04:00] Department on business and human rights around the world, helping companies navigate these complex tensions between local norms and customs and laws and universal principles and values.

So maybe you could just start with how are companies sorting out their responsibilities to civil society in that global context and feel free to share about the framework as part of that.

Bennett Freeman: Thank you so much for the question but for inviting me to join this expert dialogue and it's it's a real privilege to have gotten to know you in recent months, as well as Terry and now Tom and just really appreciate the work of the Erban Institute and I can't resist adding that I have a soft place in my heart for the University of Michigan Ann Arbor my late father was an undergraduate student there.

God, 70 years ago. So thank you so much for inviting me. You know, we have, we're two decades or so now into the mainstreaming of the corporate responsibility and sustainability [00:05:00] agenda now really abbreviated for many people as ESG, environmental, social and governance issues and responsibilities.

And the emphasis, I think, appropriately, necessarily over the last couple of decades has been in mitigating and when necessary, remedying negative impacts that companies have, whether multinational corporations or their suppliers or other business partners across their firms. Thank you. value chains have on labor and human rights, have on environmental quality, not least on on climate change, have on diversity and inclusion.

The whole range of issues we've really focused on mitigating those impacts. But what's been encouraging to me and I've been grateful to have the chance to contribute to this emerging further agenda in the last several years [00:06:00] is the growing focus of the part of many companies on really strengthening the fundamental factors that shape their operating environments.

The overall business investment environments that allow them to operate sustainably and profitably, it's become increasingly apparent to me, and I think to many others both in the business world and civil society, governments, international institutions, that sustainable and profitable business rests fundamentally on what I've called with colleagues, the shared space.

The shared space of rule of law, accountable governance, basic civic freedoms, freedom of expression, freedom of assembly, freedom of association. And those, of course, are the fundamental building blocks of civil society that allows civil society to thrive, even [00:07:00]

to exist around the world. But at the same time, those are and really need to be seen as also the fundamental building blocks of successful, sustainable, profitable business enterprises.

I frankly think that too often people in the business world have taken those fundamentals for granted, but we can't afford to do so anymore. At a time when democracy is, is under attack. Civil society space has been closing. Human rights defenders are under threat around the world. Rule of law has been eroding.

I'm a half glass a, a glass half full, not half empty guy, but I have to say it's been. alarming to see the backsliding of democracy, the erosion of human rights, accountable governance, the last half dozen years in particular. And these challenges are faced around the world in democratic and non democratic countries alike.

So what I've been heartened by [00:08:00] is this emergence of a. Share a shared notion now of this shared space, and I was very fortunate to work with the Business and Human Rights Resource Center and the International Service for Human Rights in 2018 to produce the report that you referred to, Elizabeth, Shared Space Under Pressure, that did lay out this analytical and operational framework for multinational corporations to decide and Whether and if so, how to act as advocates as advocates on behalf of civic freedom, civil society and in very specific circumstances, human rights defenders around the world.

And I've been gratified to see that. The report and a subsequent more recent one produced by the U. N. Working Group on Business and Human Rights have encouraged a number of companies around the world now to step up to this agenda. We've seen over half a dozen major multinationals make [00:09:00] policy commitments to human rights defenders, civic space, companies including BP in the oil industry, H& M in apparel.

The Vardis in pharmaceuticals, Facebook in in tech and social media are among the major, Unilever most recently in food and agriculture that have made significant policy statements and commitments around civic space and human rights defenders. But the commitments get us only so far. The policies matter only to the extent that they're implemented and the hard work is now for companies to decide.

where to take a stand, how to take a stand, how to make a difference, and how, without being explicitly political, at least not partisan, to stand up for this shared space, which remains under pressure.

Elizabeth Doty: Very thought provoking, and I'm, I'm hearing in this that you're basically saying [00:10:00] business needs a point of view.

And then it's, it's kind of intriguing to think that you've mapped out a thought process. Can you walk through a little bit of the thought process to decide, let's say they've made a commitment or they're thinking about making a commitment?

Bennett Freeman: So I want to be, you know, clear that what I'm not advocating, nor did the shared space under pressure reporter framework advocate, Is that companies take stands on every issue in the world?

That's possible. Companies are fundamentally not political entities, but they are fundamentally entities that have basic interests. And I would like to think basic values that should converge around rule of law, accountable governance, civic freedoms and indeed labor and human rights, let alone environmental protection, climate change, you name it, diversity and inclusion.

But what the framework does is that it sets forth a normative basis. What I mean [00:11:00] by normative basis is a basis grounded in international standards that can guide companies when and how to stand up and act in certain circumstances. The basic standard that we've used in the shared space report that's also the basis of the more recent UN working group guidance on business and human rights defenders is the UN guiding principles on business and human rights, which was spearheaded by the great and now sadly late Professor John Ruggie, and the guiding principles make crystal clear that companies have a normative responsibility to act in certain circumstances when they have caused, contributed, or may be directly linked.

to human rights harms or threats of human rights harms, whether to local communities where they operate or to human rights defenders or NGOs. [00:12:00] So there's a clear normative basis there, but those circumstances are plentiful, but even more plentiful are circumstances where companies may not have caused, contributed, or have, would be directly linked to a harm, and instead have what we call in the report a discretionary opportunity as distinct from the normative responsibility to act in certain circumstances.

And that's where the business case comes in, a moral choice comes in. And so, for example, I was impressed by the statement By a number of foreign multinationals joined by local companies that was put out in mid February last year, 2021 calling for the release political detainees, the restoration of civic freedoms in Myanmar shortly after the coup there, and those companies didn't have a normative responsibility necessarily to make such a statement.

But nonetheless, [00:13:00] they stood up and made that statement. And similarly, A group of investors, I was happy to help organize, put out a statement in early December, calling for the restoration of the democratic transition in Sudan and the release of political prisoners there. So those are the examples of the kinds of actions that companies can take.

The Shared Space Under Pressure framework lays out A series of questions, criteria for companies to consider whether to act. It also lays out a series of options, a whole spectrum of actions that companies can take in certain circumstances. They can act on their own individually, they can act collectively with other companies, they can act together with other companies and say NGOs through multi stakeholder platforms, sometimes publicly, sometimes questions privately or sometimes they can stand back and ask their home country [00:14:00] governments, the United States government, the State Department, for example, to weigh in.

So those are the sorts of considerations that the shared space report puts forward. I would just end by noting that it also emphasizes the importance for companies evaluating the relative risks, relative risks of Action versus inaction. And so often companies are nervous about taking a stand that might challenge the government of a country where they operate.

And what the report tries to explain patiently is, yes, There are reasons to hold back in some circumstances, but also think about the risks of inaction. If you don't speak out, what's the price you're going to pay later with local communities, with global stakeholders, and maybe your own shareholders. So that's what the report tries to do pretty comprehensively, but giving this kind of guidance to companies.

Elizabeth Doty: Very [00:15:00] thoughtful and I appreciated the questions a lot. In fact, there was a good amount in there about due diligence. And how do we know and are we aware of what's going on and how much harm is being caused and what are the risks. And I think that

is an interesting way to respond to some of the Perception of companies, as you say, haven't been aware of their role in shared space to prompt a diving in.

And then you mentioned on this discretionary opportunity, you mentioned that it could be for a business case or it could be out of a moral choice. I just read an article in the HBR series on business and democracy from a couple years ago that said the case is mixed. actually about the benefits to business of operating in a space with, you know, the accountable governance and rule of law and civic freedoms you mentioned.

So might there be actual business benefits and not to say that the moral case isn't important, but is there always a business case? And for example, now I know you've been working in China and [00:16:00]

Bennett Freeman: Yeah, I've had, I have not in, but on China, and I think my recent work on the Uighurs and now the Beijing Olympics will probably prevent me from ever going back to China, but that's another matter.

But, you know, you've raised a really important question, Elizabeth, about, I think, the interplay between values and interests. And it's certainly true that some companies have perceived they might do reasonably well in countries that may have. Repressive and corrupt governments. I think that's been the tacit assumption, I'm sorry to say, in the past, I hope not the present of some of the companies in the extractive sectors in particular, oil, gas, and mining but I have to say that I have been troubled for many, many years by this tacit assumption that somehow Repressive governments authoritarian dictatorships provide greater stability than sometimes vibrant and even tumultuous [00:17:00] democracies.

I think that repression and corruption are hardly a guarantee of long term stability. And I also think that the, that the values proposition is critically important. I think that companies need to have, if they haven't, need to find a moral. spine, a moral backbone, and understand that repression and corruption is not only bad for business, but it's more fundamentally bad for people.

And frankly, repression and corruption, I have to say, are immoral. You know, while I'm careful in the shared space report not to lead always with the moral case to lead with the normative responsibility and where it comes in the business case. I do think that business leaders have an absolute responsibility to take into account moral and ethical considerations.

We need more, not less of that in business. But I really want to see us get to a place where More business leaders, more boards of businesses, of [00:18:00] companies, corporate executives, staff really understand that the shared space of rule of law, accountable governance, civic freedoms is in their interest.

Another way of framing it in the terms of the sustainable, UN Sustainable Development Goals, specifically SDG, SDG 16. Peace, justice and strong institutions. Absolutely complementary corollary concepts to the shared space of rule of law, accountable governance, civic freedoms. And I would also like to believe that the business leaders have Accepted it will embrace more the business value as well as the moral value of operating in countries where peace, justice, strong institutions prevail.

Elizabeth Doty: Very convincing to me. Right. And and within the SDGs, I've. I've been interested in 16. There are two targets that people don't talk about much. I know every board has a money laundering anti corruption, you know, committee's [00:19:00] responsible for

those, but within the SDG 16 descriptions, there are some around effective accountable participatory institutions, representative decision making.

There are some really apt adjectives there. And as you say, if you do that, Because it pays off. It doesn't have as much effect as because you believe this is the future that you want to create.

Bennett Freeman: That's exactly right. The I should refer to to our audience the report produced by the UN Global Compact that was released last June of 2021.

Spearheaded by my, my colleagues and friends, Christina Koulias and Michelle Breslauer. And I had the privilege of working with them and others to, to produce the report. It's a business action framework for SDG 16. And it is chock full of. examples of what companies have done in different regions and countries around the world, different industries, working [00:20:00] with different stakeholders, civil society actors to support peace, justice and strong institutions.

So I'm hopeful that there'll be. greater awareness of that framework, the shared space framework. But what we're really talking about most fundamentally and why this is such a timely and important conversation is we're living now in a world of trauma, a world of disruption, but a world also of potential hopeful transformation.

We've gone through a extraordinary period with COVID, with COVID Exacerbating exposing and exacerbating inequalities, the world racial injustice. We've had the Black Lives Matters movement which has been an enormously positive and long overdue in terms of the mainstream impact it's had not least business world.

And I'm just hopeful. That the disruptions of the last couple of years really epic and historic in their scale and [00:21:00] impact will be business in particular to understand that it can no longer be business as usual in unusual times that there has to be a new ethic of not just corporate responsibility, but shared responsibility that brings together.

Business, civil society, governments, international institutions, and I should also add investors. The Business Action Framework for STG 16 calls for transformational governance. We have a real opportunity to move forward. I know it's a big term, but what we're really getting at is the willingness of, of business to understand that it shares responsibilities and its own internal governance needs to be reoriented.

to support peace, justice, strong institutions, shared space. So we could talk more about, you know, whether and how companies can be advocates on specific issues, but we need a greater ethic of not [00:22:00] just responsibility, but action where companies will be willing to take stands. For their own benefit, but for greater societal benefit, Paul Pullman has been so eloquent on this subject in his new book and his piece of the Financial Times earlier this week, we need more leaders like Paul Pullman.

Elizabeth Doty: Understood. I'd like to turn it to the group now and see how this is landing with them. Thank you so much.

Deirdre: This has been wonderful so far. And my first question is in the ESG space, we're seeing a lot of standards and metrics around environmental. So waste uses, energy uses, governance. There's a lot of clear best practices for compensation and boards of director formation.

Are you seeing similar metrics and standards emerge in the social impact space.

Bennett Freeman: Yes, and in very encouraging, constructive ways, I think it's fair to observe that the S, social [00:23:00] in ESG, environmental, social and governance factors, has been the relative laggard, even though some companies and investors, particularly socially responsible and faith based investors in the United States, have been working on the S in ESG For decades, not years, but decades, but there's been so much appropriate, necessary focus on the he on climate that's been front and center, particularly for large institutional investors.

But we've seen a surge the last several years predating this, these disruptions of the last couple of years surge in recent years in interest and attention on the acid ESG. Beyond the coterie of companies and investors who've already gotten those issues the last couple of decades. And with that, we've seen the emergence of, yes, metrics, benchmarking initiatives that now really provide a whole set of [00:24:00] criteria, indicators, rankings, and ratings for companies to use to benchmark themselves.

investors to use to evaluate companies that are in, or maybe in their portfolios, and also equip other actors, professional service firms, consultancies, law firms, others to evaluate companies they work with, and not least equip stakeholders, NGOs, advocates, local communities. Consumers and individual shareholders to evaluate the companies that they interact with in the marketplace or, or otherwise.

I would call to attention in particular some of the human rights benchmarking initiatives that have emerged the last several years. And I've been fortunate enough to be directly involved with them. In two or three of them, the most comprehensive of which is the Corporate Human Rights Benchmark Initiative, which I co founded as Calvert, on behalf of Calvert Investments, in late 2013, working with Aviva [00:25:00] investors in the UK and Australia.

The Business Human Rights Resource Center, the Institute for Human Rights, Business and Iris Vigio and others. And that's a comprehensive set of criteria that looks at business human rights performance across industries. It's now part of the World Benchmarking Alliance. Then much more specifically and topically, there's Know the Chain, which looks at enforced labor and human trafficking issues across sectors.

And I had the privilege of being a senior advisor to that initiative, not least on the one maybe closest to my heart, because I've been married to it, is ranking digital rights, which looks at the commitments and performance of tech companies. Internet service providers, mobile communication operators telecom companies and others in the tech ecosystem to rank them on freedom of expression, right to privacy and other emerging tech and human rights [00:26:00] issues.

It's close to my heart because my wife, Rebecca McKinnon, founded and directed RDR, as it's known for half a dozen years until last year. So those are examples of And O senators in Benchmarking initiatives, which are really equipping companies themselves, their stakeholders, their investors, there is a problem.

There's plethora of data that it's somewhat confusing. Some called an alphabet soup, but there now is a shakedown cruise, a consolidation underway that's going to rationalize, I think, both in terms of the quantity, but also the quality of social metrics. But we're just going to have to live with the reality that we can't quantify social commitment and social performance to the same extent that we can environmental commitment and performance.

And ultimately, you know, labor and human rights, diversity and inclusion. Sure. There's numbers around them, particularly diversity and inclusion. But it's, these are qualitative

C

P

R

T

factors, impacts in many ways. We're just going to have to [00:27:00] learn to not only live with that, but to understand that and absorb that in our decision making.

Elizabeth Doty: Thank you very much, Deirdre, for the question. And I wanted to flag I think Terry put it in the chat. The World Benchmarking Alliance just came out with their first scoring. And their indicator number 18 and their core framework is around alignment of political influence. So very relevant to what we're discussing today and Only 29 percent of the companies had any visible policies at all.

I think this is really relevant to all of us on the call because as these social metrics get elevated and they are pressure tested in multi stakeholder processes, it can be really valuable to elevate those. Focus attention on those. That's a long process and people in this group can do that and say, no, there are some to reference.

And that's one of them.

This call has been an example of the kind of dialogue that we really value on [00:28:00] these expert dialogues. Several ways you can follow up is to contact us via email addresses at the bottom of the screen here. To discuss potential membership, go to the website at the URL there. See about upcoming expert dialogues.

We have two folks who are experts in corporate political rights and a legal history behind those, and Kristen Hanssen on civic health and toxic polarization. Both should be fascinating as well as a growing resource list created by our students and ways to sign up for news and updates. And then you can check out Bennett's work and posts around the Beijing Olympics, occasionally there on LinkedIn.

Thank you all so much. I truly enjoy these conversations and I hope they've sparked some interests and ideas for you and you'll let us know where you take them.

Bennett Freeman: Thank you. Well, thank you. Thank you to Elizabeth and to Tom and Terry and Abby and and Michigan Herb. I really appreciate it. And thanks to all of you.

Great questions, comments. Thanks so much. This was great. Thank you all. Cheers. Go Big Blue.[00:29:00]