

Corporate Political Responsibility Taskforce

Expert Dialogue with Ketu

Ketu - Module #3

Elizabeth Doty: Well, hello and welcome. My name's Elizabeth Doty, and I'm the director of the Erb Institute's Corporate Political Responsibility Task Force at the University of Michigan. I'm delighted to be moderating today's dialogue with Yamika Ketu from Ceres.

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 [00:01:00] influence with their commitments to 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.

Today, I am I'm so delighted, Yamika and I have spoken three or four times she has been the driver behind the the Ceres Accelerator for Sustainable Capital Markets, and really, I think we can say that the field of climate policy engagement is one that has really been out front. And calls on companies to be more politically responsible.

I'm delighted. We also have Amy Meyer here who led a group with the World Resources Institute for a while on responsible climate policy engagement and Todd Miller from Ceres. Where we coordinated on board education around this. So we're going to get to learn from this one policy area that has implications for critical [00:02:00] shared interests for all of us, but also is a forerunner of political responsibility for other issues.

And Yamika is both focused on engaging corporations in aligning their climate lobbying with climate science, with their own company policies and their own targets, and also working with boards. So we'll have a nice interplay here between the finance side and the investor side and company management.

Working with corporate boards to promote best practices and oversight, including committee structures, competencies, risk management, executive comp. She comes from a background from the Foreign and Commonwealth Office to promote British economic policy in North America via diplomatic levers, including initiatives to end coal use and increase offshore wind capacity.

She has a master's of science and economic policy from the School of Oriental and African Studies, focusing on public finance policies in India, and how those increased funding for renewable energy projects, so you make I am so [00:03:00] looking forward to diving into our conversation today and I'll get to our.

First question in just a moment. But first, just a quick thank you to say I appreciate your making the time and being ready to share your thoughts with us.

Yamika Ketu: Thank you so much, Elizabeth. Really excited to be here. And you know, dive into the conversation.

Elizabeth Doty: Let's go now to trade association audits as one tool, because clearly we've seen trade associations persisting, a part of the challenge here and you've been advocating and have great examples. Last time we talked, you had two or three really great examples of trade association audit. So you can explain maybe what those are and what they allow companies to do.

You know, why are those helpful?

Yamika Ketu: It was initially largely driven by investors asking for more information. So the purpose of this kind of disclosure is to get a company to really assess their indirect lobbying. So looking at what is the trade association's [00:04:00] climate policy. How does it compare to the company's own policy and targets?

What are what are the lobbying efforts that the trade association has undertaken beyond top line statements? So the Chamber of Commerce, in theory, is in favor of climate policy change action, but their advocacy record does not necessarily reflect that. So looking at advocacy on specific policies and then also kind of having a step by step guide for what happens when the trade association is in misalignment.

Are there steps that you're taking? And at what point do you decide to leave the trade association? When do you decide that it's no longer serving your interests?

Elizabeth Doty: That feels to me really similar to what happens in conflict negotiation when you're working with a partner and you have some things in common, but some things that are misaligned and you need to address it, but you don't need to come with an antagonistic approach.

You just need to make sure you're really rigorous. And I [00:05:00] know that's hard when we see the stakes here. Can you describe a little bit? From what I've understood in some of our conversations, this has led to really massive changes for some organizations when they've done these trade association audits.

I think Unilever was one that did a really in-depth audit and it changed a lot of their actions related to their trade associations. And I know there are others. Can you give examples of what you've seen companies doing as a result of these audits?

Yamika Ketu: We are currently working on two more sector briefs, one for utilities and for transportation.

And compared to the S& P 100, those two sectors are, are much more engaged on climate policy and also very ahead of the curve in terms of the quality of their trade association assessments and disclosures. And this is actually a European company, but the energy company Enel has a really robust disclosure in that they've listed kind of a set of elevated sanctions, which is, I think your term Elizabeth that I'm co-opting but [00:06:00] basically they lay out action steps for addressing misalignment with their trade association. Starting with raising the issue with the associate, with the association of whatever misalignment they have on climate policy. Evaluating that alignment for two years, and if it remains low, then the CEO would decide if they are going to leave the trade association.

And so one thing that we've heard engaging with companies is that. Oh, we're not only part of a trade association because of how they lobby on climate. We get a lot of benefits on their

tax lobbying or trade or whatever it is. And we're not encouraging companies to leave, but we do want them to really think about like, if, when does it get to a certain point where you're no longer okay with their actions?

And Ford recently left, I think the Truck and Engine Manufacturers Association because they were like they're not in line with our position on climate change. And we're just not going to stand for that anymore. [00:07:00] So I think those are those are two strong examples of what we're seeing.

Elizabeth Doty: Thank you.

And it's and it's encouraging. And this practice of escalating sanctions or elevating sanctions comes from Thank you. Some economic theory that says if you have collective action problems, it's one of the things you can do. Do you see steps in between that? Like if you, if I have heard some say it's unintentional, or I don't know if I believe this, but some saying that none of our other members are asking for this.

Do you have other things that you can think of that companies might do in that middle two year, for example, call for a survey or a poll or a process or any other ideas in that middle period to help the trade association get into this forward-looking longer-term view.

Yamika Ketu: Definitely engaging with your fellow members is really important, especially if there's some place where you can build a coalition or build support for getting the Trade Association to change their lobbying in regard to climate policy.

And then also just like. [00:08:00] As yourself just being a consistent advocate on climate policies that are that are relevant to you. Even if you're not directly shaming your trade association for opposing something. If you're coming out and saying, I love the inflation reduction act or you know, whatever it is, then that's also like very powerful in itself.

And your trade association sees that other members see that your investors see that. So I think just being vocal and consistent with, with your climate policy advocacy.

Elizabeth Doty: Campbell, did you have a Follow up question.

Campbell: No, just like almost a follow up comment related to that. It's just sort of the comms element of this.

Like, I feel like when these things happen, maybe it's just under the radar and maybe companies want it to be that way. But also, is there a way to sort of like. Give them bravery to make these sort of like public announcements were dropping out public like display of like our disagreement with you then trade associations would be a little bit more like, Oh, we need to be careful like this is, I don't know bad publicity or [00:09:00] like not good for other people are going to get ideas they can leave to you know this kind of, I don't know, there's any

Elizabeth Doty: thoughts around that you have an opinion,

Yamika Ketu: I'm not sure about that one but I agree where, I mean I think the Ford one, like, Because I work in this space.

It was something that came to my attention, but I don't know how much attention it caught up like the general public. And then one example that we've been kind of using for a while, but it's getting a little bit old is Apple leaving the U. S. Chamber in 2009. But I don't think there's been any like significant departure since then that like we can really use.

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As like a solid example, especially given like the prominence of the, of the chamber and both Apple.

Campbell: I think InfluenceMap at their climate week meeting, they had a bunch of companies that were talking about their leaving. And they're not like the big, big name companies, but they're still companies that are doing this pretty, like, progressive move.

I don't know. I just want to get more attention to them somehow, or whether there's like a media element, a [00:10:00] couple of thoughts here.

Elizabeth Doty: I learned about another company that withdrew with absolutely no announcement. It wasn't publicized anywhere. And Amy, if I can be so bold as to put you on the spot here around your engagements around the peer to peer and thinking about trade associations. But I think it was Colgate Palmolive we tried to research, and I believe they withdrew from the U.S. chamber.

Amy: There's a few of them. I was just oscillating between writing a comment in the chat or raising my hand. So thanks for, thanks for calling on me.

Yeah, I think it's so interesting, especially The way backlash has been playing out recently and been so intense. I think I personally have gone through this evolution of like, Oh, companies need to be big and bold and loud when they leave or when they disagree. And now we're seeing some really serious consequences for companies speaking up that.

Weren't necessarily there before and it's a it's a tighter tightrope for them to be walking and I think it's not as obvious [00:11:00] at least for myself as I am counseling companies like what the right answer is of do you make a big fanfare when you leave, or do you not like what is that line between protecting yourself against some really serious political.

Wins right now, but I do think we're seeing companies leave. I hadn't known about the Ford example. So that's a great call out Amika on on that one I was I have a literal bookmark folder full of those so that one just slid right in but I think it would be an interesting activity for everyone who works in this space, you know that Apple example from 2009 that was kind of the last big and flashy announcement of companies leaving the chamber, but so many of Well, maybe not so many, but a handful have left and we're starting to see some new whispers of it.

I'm wondering if collectively for the organizations and folks working in this space, if it isn't time to kind of revisit this question of what's happening in the chamber, who all has left. Recently, and what are the learnings we can extract from those who have [00:12:00] left most of whom who have done it quite silently?

Is there a way to kind of get some more information from them?

Elizabeth Doty: And thank you for raising the climate voice. It goes to the employee concerns over that this is alarming. There's a new group called the Alliance for Responsible Capitalism, which is basically working with employees, future employees MBAs. When MBAs and future employees learn about these disconnects, it's really troubling to them. So I think the climate voice strategy of mobilizing employees is one that, you know, causes executives to feel to worry and want a solution. And then this question of how loud to make it.

The one example is the Grocery Manufacturers Association of America. Do any of you know about this one? GMA. Campbell's pulled out, along with I think four or five other major

manufacturers, [00:13:00] largely over its policy priorities. It wasn't only climate, I think, and it reformed as the Consumer Brands Association.

And it's now this new model of trade associations, and I'm hearing this amongst trade association folks that they have a choice between defensive models and forward-looking policy positions for an economic environment that rewards innovation. That allows their members to invest, and the person who is at the head there, I can't remember her name right now, came from McDonald's public policy, and she was the one that had McDonald's refuse to lobby on minimum wage because it was society's decision.

So there's a different lens on trade associations and it's affecting now consumer brands in the grocery food area, it feels like that's the transition that Some trade associations are contemplating. I don't know about the chamber.

Yamika Ketu: That's really interesting.

Elizabeth Doty: And I think the McDonald's did an interesting thing where [00:14:00] they very publicly recused themselves.

So I think my interpretation, no data from them, it gave them a brand benefit. From being responsible to not lobby against raising the minimum wage, but to be beckered for it.

Campbell: So there's like the progressive ones and then there's the bottom, the like bare minimum.

Elizabeth Doty: Yeah, I call it the bodyguard model and the laying the playing field for the future model.

We're hearing different trade association executives contemplating how to switch the switch is the difficult, just like within a company where you don't want to cannibalize your existing business, because you but you know there's a new generation of technology those what they call s curves, it's really hard to jump.

And not many companies do and that's why new entrance or generally the vehicle for a new generation of a technology.

Charlene: Is there much action from big companies in pressuring their trade associations? Is that a better a backroom pressure as opposed to just a [00:15:00] withdrawal of membership? Where they might actually see that there's some move afoot or some need to make some changes.

Yamika Ketu: I think there's a lot of value to pressuring your trade associations into changing their position, especially the ones that have been around for for so long, you know, like they're historically involved in the political process. They know a lot of the players that are there and like really entrenched in the system.

So I do think there's before leaving, like companies should definitely consider what they can do to move them and also considering that they have a voice that reaches. Other businesses as well. And, you know, kind of that that's community aspect. Almost. I know like Ceres has been working with some people, some companies within the beat that are members of the BRT to to move their position on climate as well.

Not very loudly, but in a way that that can influence how their lobbying on climate policy and really have them rethink their position.

Charlene: Yeah, I was just wondering if it's deep politicized both for [00:16:00] the company and for the trade association. If some of those things can happen in the back room, I think they certainly are happening.

Amy: And like, that's why I'm almost no 1 out there at the climate voice campaign aside, which I think is really excellent, you know. Telling companies to leave, but for the most part, you see a lot of organizations like Ceres saying like, Hey, we know leaving might not be an option. So work inside your trade association.

The problem is that is a lot harder than it might sound on paper. And there haven't been a ton of successes at least not to the degree where you're actually changing what's happening. In these massive trade associations. So I think we're kind of at this point of reckoning between like the NGO, civil society organizations and the companies who are, you know, dialoguing on this of, Hey, companies, you've been trying this for a while and we haven't seen any results.

So what needs to change? And that's something that I think a lot about is like, what new tactics can we introduce? To take this to the next level, instead of just [00:17:00] asking nicely not, not to say that that's all that's happening, but I think it's time to inject a little more urgency and creativity in those dialogues to actually get some, some results right now.

Elizabeth Doty: And if I could, Charlene, just with your area of expertise around innovation. I know, you know, within companies, right? You always I mean, it's the Kodak problem, right? Like, yeah. So what, what do you do within companies between units that are postponing the future that they need to face?

Charlene: Yeah, I've been having some speakers in my class recently as well talking about what they've been doing in their organizations to try to move people along.

And it's often, you know, trying to find those people that are maybe a little bit receptive that are already embedded in the other and working through them, working with them to try to infiltrate and I've actually heard recently. From a number of companies that [00:18:00] wanted to get together and pressure their trade association together, which reminds me of a research study where people stopped paying protection money to the mafia only after they have a large group of people that were willing to say, yeah, no, we're not doing it anymore.

And and I think that that sense of getting some big, powerful people together is actually. And really, it's the big companies that are often taking the lead on climate commitments and feeling the pressure. So they probably have some considerable sway with trade associations, especially if they're able to say, as a block, we will leave unless you make some changes.

Elizabeth Doty: A couple of thoughts from my perspective in the same mix it is, and I have been reading this since 2008, where Ceres report on caring for climate had a sidebar about the US Chamber, [00:19:00] and how hard it was for companies to engage and the people that Amy referenced, working with the chamber to try and elevate this and being told that you're the only ones.

And so how do you have a more concerted steady effort with consequences and I love this question of new tactics. One of the ones I find interesting is is process oriented demands. I'm really intrigued by this I'd be curious to know what others think that we expect you to go through a process that frames us as a cross cutting business risk.

And engage more of the third side, not just the other side of this, you know, the industries that will lose that potentially are paying more dues, but all of your members who will bear

the cost. And a chance to educate or get informed. And we're finding this with citizen assemblies. We're finding this with studies like America in one room with Texas and California.

When citizens get together and they have access to information and chance to deliberate, they come to a more mature [00:20:00] nuanced and ambitious position to make a demand for that kind of process. Rather than a particular position. I'm wondering and I would love to hear the group here. You all have been immersed in this for so long.

If you think that is something that companies could feel good about and maybe even get some of the association staff to feel like it's something they could say yes to. So reactions to a process demand process ask.

Amy: I know what you're talking about. And it's really interesting. I'm trying to run through in my head.

And some, the biggest trade associations all have slightly different models for how they, you know, some are more process engaged than others, you know, art versus science. Sometimes the staff is in control of those policy decisions, depending on the trade associations. One of my worries with climate is that in many cases, the smaller organizations which are likely going to be your third side in this case because the big brand names are already engaged on climate. They've kind of done the risk assessment [00:21:00] and they're, you know, probably have set these goals and have an interest in seeing action. That's your one side. Your other side is.

So it's sort of I'm thinking that third side is likely going to be your smaller ones who haven't had a chance to think about it yet that by default, they would not want to see action on climate because it's something they don't understand or the costs are just frankly higher to those who have less resources to take action.

So it's it feels like one of those really good in theory, but might have some. Unexpected consequences, which isn't necessarily a mark against it, but could need to be kind of tweaked and played with to see, you know, you already talked about how do you get some of the smaller companies to you know, to engage in it.

There's been efforts to mobilize sort of the many members of the Chamber of Commerce the U. S. Chamber of Commerce are themselves smaller local Chambers of Commerce. There's been movements to try and get the local [00:22:00] chambers, you know, to change their position and feed up to the larger chambers. So I think it's interesting.

I just have, yeah, I have, I have concerns about what happens when you turn to that.

Elizabeth Doty: Third side on and they say no, thank you. Right. And I think I think one of the key elements of it has to be the design of the experience. I'm thinking about this fantastic project. Has anybody heard of the American one room energy futures project.

So, the Helena Foundation, I think, has it on their website, and it's basically Texans and Californians over 11 hours over either two weekends or evenings during a week went through a process of mutual education and weighing tradeoffs to come to policy positions together using a bunch of techniques from deliberative democracy, and they moved 30 points and more in their positions.

Interesting, those who were progressive leaning moved more towards nuclear energy when they realized that was necessary to the final mix, and those who were more conservative

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leaning [00:23:00] accelerated the urgency of action on climate by 30 points or more. It was a huge impact. Other groups are using a method called citizen assemblies, which is very similar, but it includes a trustworthy educational component.

Where they can weigh the competing arguments with some validated data to be sure that they really have free, free deliberation. So, Charlene,

Charlene: I have seen this in research in multiple multiple, very highly conflicted situations where the enemies agree to get together and research together.

They jointly collect data. They jointly try to understand the situation better. And they listen to each other to try to understand their perspectives. And that has had a lot of movement happen. I also, there's a great pace on the European carbon market and how it started or at least it it. It got all kinds of traction within the [00:24:00] electric industry utility industry, even though they were against it when they gamified it.

So they set up a game and they had everybody play anonymously and figure out how to make it work and they had fun with it. And eventually they decided to endorse it. You know, promoted it to a broader set of stakeholders, and then it became a law. The process ideas are really very helpful in this.

There's so much benefit in joint research and joint education. Responsible Business Alliance when they have issues that are something that they want to try to deal with for the members, they set up a committee. And people who are really interested, pro or con, get on the committee and they have to duke it out on the committee for a while, collect data, really understand the issues before it ever gets presented to the membership.

And before any position is taken on it. [00:25:00] I think that idea of really working through the details, the nitty gritty and doing it together in a smaller group allows them to understand each other, together. Then of course they have to sell the final thing to the whole group, but it helps to work out the, the nuances and get people to move, I think.

Elizabeth Doty: It's an interesting area to explore and brainstorm and design. I think in some ways that is what I understand the Chamber did in response to the Climate Solutions Working Group was they created a task force and every oil and gas company, super, super attentive and the others. Partially. So designing the process to really be robust with the voice of the system and a collective interest.

If you'd like to go further, we invite you to come to our website, come to future dialogues. Our next dialogue will be with Martin Reeves, who is the executive director of the BCG Henderson Institute. and [00:26:00] just wrote an article in Harvard Business Review strategy in a hyper political world, positing that every company needs to think about politics in its core business strategy.

We have a new resource list. You can sign up for news and updates. You can sign up for the Ceres accelerator by going to the link here and then the more detailed links, including the banking assessment. There will be the utilities and transportation coming soon. And then we are actively adding new members to our task force.

We're really excited about some of the projects people are taking on in the task force to implement the Erb principles, and this is a private forum. It's no public statement required, and we also have a group forming. We're inviting companies for Q1 of next year to go public as a group, supporting the Erb principles as a norm.

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Especially as we're heading into this election season while there will be companies will need a place to stand based on principles that are defensible, nonpartisan, but high integrity. Please reach out if you know companies or executives who would like to be [00:27:00] part of those two follow up conversations.

Thank you so much for the work that led to the conversation today and for sharing your thinking and advice. Can I ask you if you were a government affairs officer a board member investor and asset manager we had a pre question, what would you advise them to do first to raise the bar on responsible policy engagement around climate.

Yamika Ketu: I would just say think about how influential climate is in the grand scheme of things and your businesses is just a small part of that. So whether you think of it this way or not, it's impacting every single thing that you do every decision that you make. And, you know, we can't afford to be short termist about that.

You have to think about the long term both for your business and then for the earth for the generations to come.

Elizabeth Doty: All of it. Thank you. And I think What I take from that is that we all are going to face tradeoffs and pressures and you're inviting us to take the broadest possible view [00:28:00] on those difficult decisions, knowing what's at stake.

So, thank you. Thank you all. This has been a pleasure.