



Growth Leaders' Best Practices:

How trust contributes to success

Trust may not appear in a company's financial accounts, but trust has been called "the most powerful currency in business."¹ Customers, investors, employees and suppliers all want to work with companies that they consider to be trustworthy. As a result, the future is bleak for those companies who fail to take steps to build trust and transparency.

Trends suggest that trust has become more important for companies looking for long-term, sustainable profits. Surveys of young people show they want to work for, buy from and invest in firms that match their values, and benefit society. Likewise, a growing number of investment management companies, including global powerhouse Blackrock, have raised the bar, prioritising investments with companies that meet both ethical and profitability standards.



Trust.

At the same time, organisations operate in an increasingly complex and connected global business landscape in which they rely on third parties in different countries. This means they need to improve their risk management processes so that they have visibility over every stage of their supply chain.

In a statement coinciding with the release of Edelman's annual Trust Barometer report during this year's World

Economic Forum, CEO Richard Edelman noted, "We are living in a trust paradox. Fears are stifling hope, and long-held assumptions about hard work leading to upward mobility are now invalid."² As a result, 56% of the survey respondents think capitalism does more harm than good.

Edelman continued, "Trust today is granted on two distinct attributes: competence (delivering on promises) and ethical behavior (doing the right thing and working to improve society). It is no longer only a matter of what you do—it's also how you do it."

Organisations that deliver on both expectations will be better positioned for long-term success.

In the following pages, we explore how different industries are being transformed by companies that have invested in transparency, fairness and trust. These firms already see the benefits in their bottom lines and are set up for a profitable and sustainable future.



Trust yields pure gold for extractives

The extractives industry carries a high risk of bribery and corruption. Extractive firms feature prominently in the all-time list of top ten fines under the Foreign and Corrupt Practices Act, with the \$1.78 billion settlement paid by the Brazilian firm Petrobras in 2018 at the top of the table. Numerous extractive firms have been accused of bribing officials in exchange for mining or drilling rights or damaging the environment and local communities in the area around their activity.

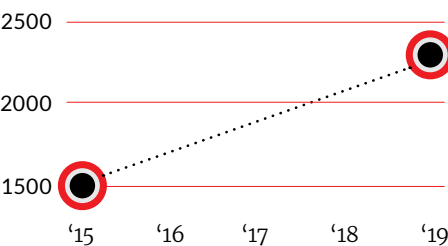
How Anglo American earns trust

Mining company Anglo American has taken a different approach. It scores in the top three of all six measures used to calculate the Responsible

Mining Index, including working conditions, environmental actions, community development, and transparency over tax.³ Anglo American works with local communities near its mines to provide training and development.

The company focuses on transparency, and it produces an annual report on its tax and economic contribution, which helped it to win the PwC Building Public Trust Through Tax Reporting award in 2015 and 2016. As a result, its shareholders are profiting.

Anglo American Share Price Growth



One reason for this success is that the company's trusted relationships with local communities and regulators around mines improves the chance of licenses being granted and a thriving local workforce. "The lack of trust between communities, governments and extractive companies is a significant issue," said Jan Klawitter, international relations manager at Anglo American, at a supply chain conference.⁴ "Providing livelihoods, running enterprise development schemes, localising supply chains is what makes the difference," he noted.⁵



Financial services cash in on earned trust

Ethical companies are flourishing in the financial services sector, as customers and investors look to move their money to companies they can trust. A recent *Financial Times* article declared that investment based on Environmental, Social and Governance (ESG) considerations has “reached a tipping point”.⁶ The Global Sustainable Investment Alliance estimates that ESG assets now total \$31 trillion worldwide. Following the focus on environmental investment at the United Nations Climate Action Summit in September 2019, these figures look certain to increase.

Ethically focused banks are springing up around the world. For example, Triodos

Bank was founded in the Netherlands in 1980 with a mission to finance companies which benefit society and the environment. It has expanded into Belgium, Germany, the UK and Spain, and has over 700,000 customers worldwide. This trend is not limited to newer entrants to the market, but certainly affects how more established banks operate. Major banks have joined partnerships in which they demonstrate transparency by publishing information on money flows to stop modern slavery and money laundering.⁷

How U.S. Bank earns trust

U.S. Bank is the fifth largest bank in the United States, and for the last five years it has been named one of the world’s

most ethical companies by the Ethisphere Institute.⁸ U.S. Bank’s ranking is based on the quality and effectiveness of their compliance programme, ethical culture, corporate citizenship, governance, leadership and reputation.



Companies that take the long view with a purpose-based strategy are proven to not only outperform, but last.⁹

Timothy CEO, Erblich Ethisphere

Serving up trust in the food and drink industry

The chocolate industry is big business. At its current rate of growth, it is predicted to reach \$140 billion in value by 2024.¹⁰ It is also an industry with a high risk of forced labor in the supply chain, as a recent *Washington Post* investigation showed.¹¹

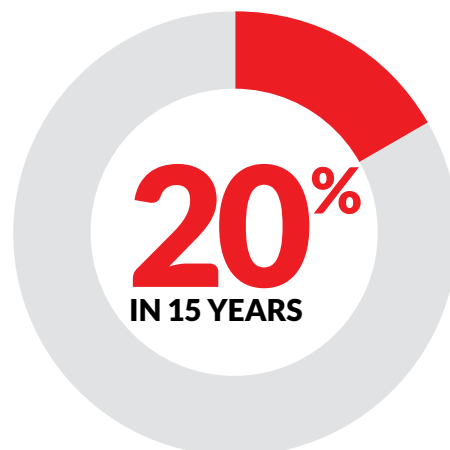
How Tony's Chocolonely earns trust

A relatively new company, Tony's Chocolonely, has based its business around tackling modern slavery and producing slave-free chocolate using five principles for sourcing and producing chocolate fairly. Staff members visit growers at the bottom end of the supply chain to ensure they are paid fairly and the community around them benefits. Even the design of its bar—in rough, uneven chunks—aims to raise

awareness of the unequal distribution of wealth in the industry's supply chain.

In the past, investors may have balked at this approach, concerned that too much money is being spent on activities which do not generate profit. But Tony's Chocolonely has had enormous success precisely because of its investment in transparency and fairness. Since its

Tony's Chocolonely Market Share Growth



founding in 2005, Tony's Chocolonely has become the most popular chocolate brand in the Netherlands with 20% of the market. The firm has recently expanded into the U.S. and the UK. In a nod to this success, more established chocolate brands are seeking Tony Chocolonely's advice on how to improve their own sustainability records. These big brands have realised that, to grow or even maintain their sales in the future, they need to demonstrate they can be trusted.

Another good example is the coffee industry. It is also seen as being unequal, with only 2% of the added value of a cup of coffee reaching producers. Moyee Coffee is a Dutch-Ethiopian firm which roasts, mixes and packages coffee beans in the country of origin rather than in Europe or the U.S. as most big firms do. It uses blockchain technology to show the transactions at every stage of the coffee supply chain. A customer can see how much was paid to producers in Ethiopia. Moyee's commitment to transparency and fairness has enabled steady growth despite a crowded market. Moyee now has outlets in the Netherlands and Ireland.¹²



Using certification to earn trust

Moyee pursued certification as a B Corporation—businesses that meet the “highest standards” of ESG performance, public transparency and “legal accountability to balance profit and purpose”. This certification isn’t limited to companies in the food and drink industry. Alongside newcomers like Moyee, the list

of certified B Corporations also includes the apparel company Patagonia, ice cream giant Ben & Jerry’s, and multinational food producer Danone.¹³ Companies can also use ISO 26000 guidance for social responsibility as a framework for meeting the ethical expectations of investors and consumers.

Major companies are waking up to the new reality that pursuing trust, fairness and transparency is the surest way to guarantee long-term sustainability and profitability.

Endnotes:

- ¹ Gensler, Arthur. "Trust is the most powerful currency in business," *Fortune*. July 28, 2015. Accessed at: <http://bit.ly/39CEwCo>
- ² Carlisle, Madeleine. "Trust in Capitalism, Government and Global Institutions—Despite a Strong Economy," *Time*. January 21, 2020. Accessed at: <http://bit.ly/2uTMXcJ>
- ³ Scott, Mike. "Mining companies 'failing to address trust deficit' with communities," *Ethical Corporation*. April 26, 2018. Accessed at: <http://bit.ly/2QJ5P5I>
- ⁴ Scott, Mike. "Mining companies 'failing to address trust deficit' with communities," *Ethical Corporation*. April 26, 2018. Accessed at: <http://bit.ly/2QJ5P5I>
- ⁵ IBID
- ⁶ Tett, Gillian. "Ethical investing has reached a tipping point," *Financial Times*. June 18, 2019. Accessed at: <https://on.ft.com/39woNVv>
- ⁷ Cockayne, James, Dursi, Anthony and Seavey, Rachel. "Financial Sector Commission on Modern Slavery and Human Trafficking Final Report," United Nations University Centre for Policy Research. October 12, 2019. Accessed at: <http://bit.ly/36iLLMR>
- ⁸ "U.S. Bank named one of the 2019 World's Most Ethical Companies," U.S. Bank. February 26, 2019. Accessed at: <http://bit.ly/2u9GNVg>
- ⁹ "U.S. Bank Named One of the 2019 World's Most Ethical Companies®," *MarketWatch*. February 26, 2019. Accessed at: <https://on.mktw.net/38aW7jc>
- ¹⁰ "\$139.94 Billion Chocolate Market - Global Growth, Trends, and Forecast 2019-2024," *PR Newswire*. June 28, 2019. Accessed at: <https://prn.to/37zTQOq>
- ¹¹ Whoriskey, Peter and Siegel, Rachel. "Cocoa's child laborers," *The Washington Post*. June 5, 2019. Accessed at: <https://wapo.st/36nFgJA>
- ¹² "World's First Blockchain Coffee Project," *Medium.com*. November 21, 2017. Accessed at: <http://bit.ly/2QjWxhd>
- ¹³ Certified B Corporation website. Accessed at: <https://bcorporation.net/>



See How LexisNexis Can Help

LexisNexis® Nexis® Solutions offers innovative technology with an unrivalled content collection of global news, business, market, legal and beneficial ownership information. Our flexible solutions empower companies to:

- Establish and maintain trusted relationships with customers, suppliers and other third parties with risk-aligned due diligence
- Conduct ongoing monitoring for signs of emerging threats across PESTLE factors
- Integrate targeted news, legal, sanctions, watchlists and PEPs data into proprietary systems and AI applications
- Gain valuable insights into risks and opportunities to support informed decision-making

Because good profit comes from making the right strategic decisions.

Ready to build trust?

We've got your back. Talk to a LexisNexis consultant or connect with us online to learn how our screen, due diligence and risk monitoring solutions can help.

 +31 20 485 3456

 internationalsales.lexisnexis.com

 information@lexisnexis.com



LexisNexis, Nexis, and the Knowledge Burst logo are registered trademarks and Nexis Diligence is a trademark of RELX Inc. Other products or services may be trademarks or registered trademarks of their respective companies. ©2020 LexisNexis. All rights reserved. 0420