PROFIT & PURPOSE

THE ESG ADDENDUM

NEXT STAGE

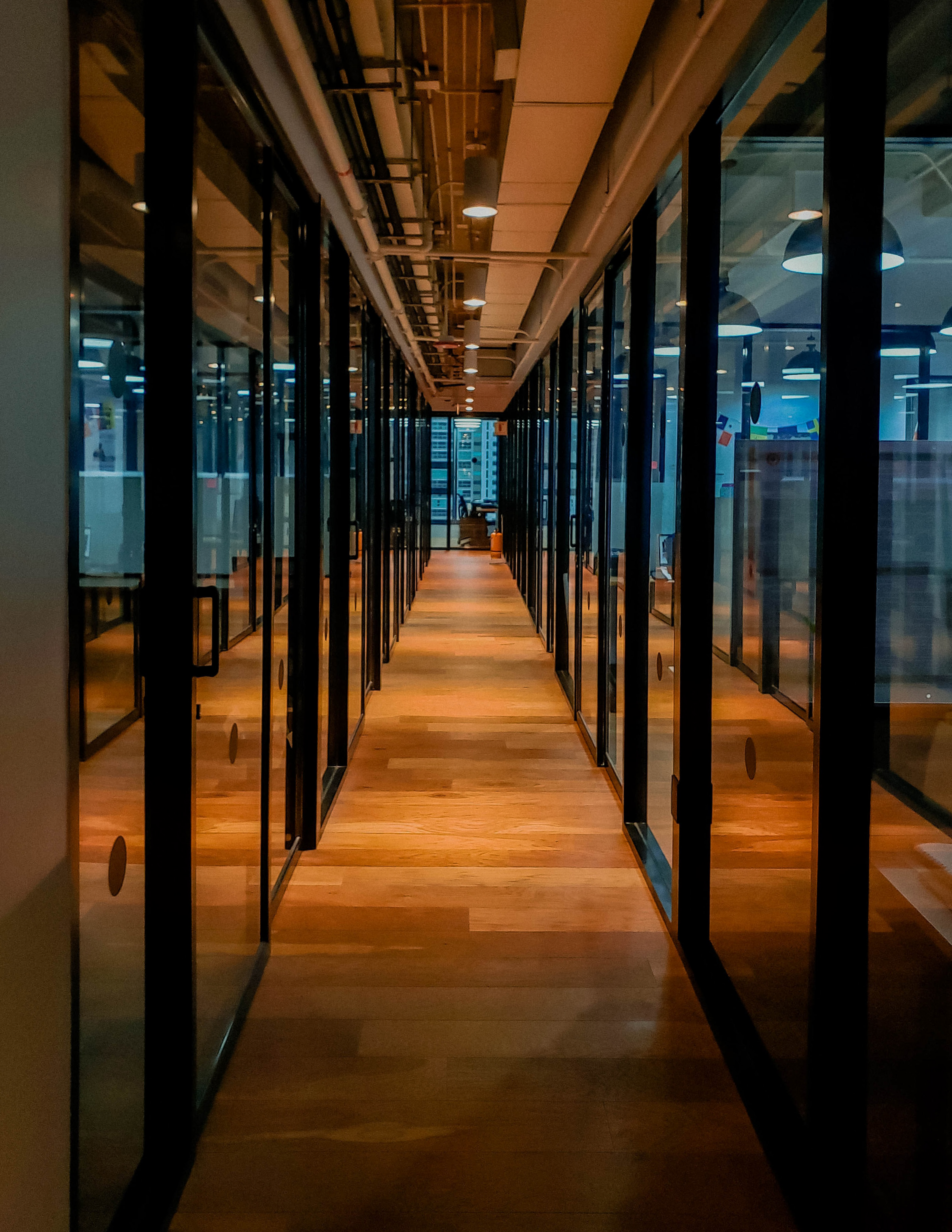

TABLE OF CONTENTS

ABOUT THIS REPORT

When we published “The Social Good Report: Profit & Purpose” in mid-2021, we knew the conversation around corporate social good was changing fast – and the pace of that change has only increased. Throughout the 80+ interviews and pages of research we read prior to publishing that report, ‘ESG’ showed up as a minor character. It appeared in our interviews and the report exactly five times – almost exclusively in relation to environmental sustainability. Eighteen months later, ESG is everywhere.

It’s showing up in corporate impact reports, which now serve as formal disclosures for increasingly more standardized third-party assessments.

It’s showing up in the supply chains of those same corporations, where privately-owned businesses are seeing their own role in driving impact as new success indicators for RFPs.

It’s showing up in municipality planning, where local governments recognize that creating a fertile landscape for impact is a factor influencing corporate relocations.

It’s even showing up in the op-ed pages of some of America’s most prominent publications. What was once found mainly in business journals and niche websites is now something your uncle might bring up during a lull in the conversation at Sunday dinner.

These trends that show up in our individual work and businesses are adding up to a greater societal shift – and that’s what our ESG addendum is all about. While some of these trends may seem disparate, they are centrally linked to national and global shifts in the way we approach culture and business. Like all major changes, it can feel disruptive and confusing, and it’s not happening without pushback.

In our recent work with companies on their social impact strategies, we’ve continued to research and interview business and CSR leaders across a range of industries. While

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the challenges vary, the sentiment is the same – ESG continues to evolve faster than anyone expected. In this report, we hope to break down those changes and examine the impact on our communities, our businesses and our nonprofits. We'll cover:

01

THE EVOLUTION FROM CSR TO ESG

What is ESG and how is it affecting companies and nonprofits of all types? We'll talk more about the history of this trend and why companies are making major changes to their impact strategies in response.

02

THE RISE OF THE EXTERNAL 'S'

For the last ten years, environmental and governance measures have taken center stage. The next horizon will center on social responsibility – how companies are externally expressing their corporate citizenship.

03

WHAT MOVEMENT ARE YOU LEADING?

It's difficult to create large-scale community change without the support and resources of the private sector. Savvy companies are shifting from grant programs to more holistic community strategies.

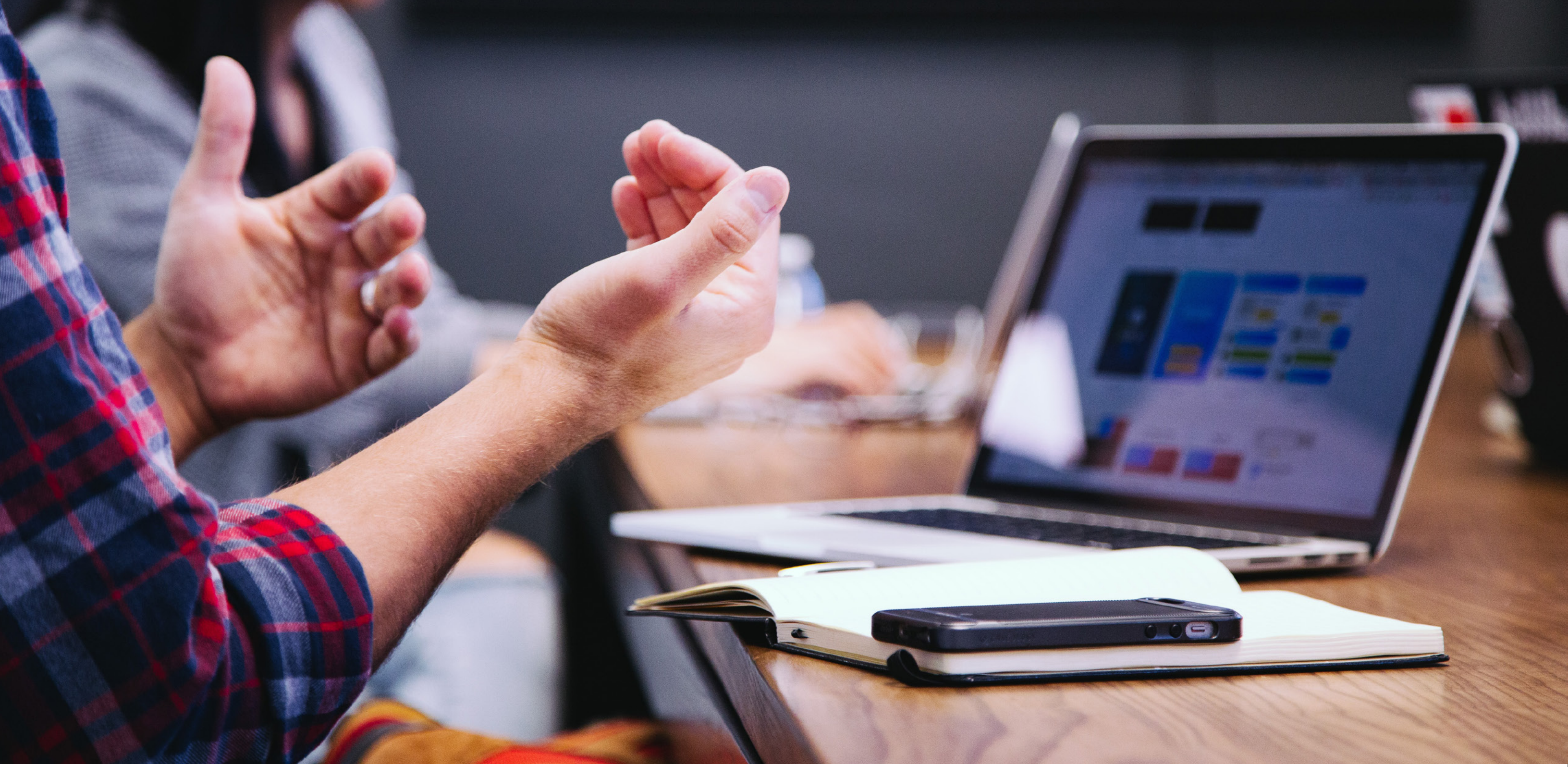
ESG IS EVERYWHERE – AND IT'S HERE TO STAY

While some might argue that ESG is a trend or a 'woke' reaction, we could not disagree more. Generational change, concerns about climate and the fight for a more just world have led more leaders to recognize the value of impact-driven business, both inside and outside of their companies. It fuels economic mobility, ushers in social change and helps preserve the resources that make our lives better.

ESG IS GOOD FOR BUSINESS

Companies who ignore the merits of ESG do so at risk to their profitability and sustainability. As we noted in the last report, your business has already changed because of the myriad of generational and social factors at play in the world today. Paying attention to the social part of ESG will drive your bottom line through greater employee engagement, talent recruitment, workforce development, marketing, sustainable supply chains and more. ESG has long been viewed as a risk management concept for companies – but what if it also holds opportunities and solutions to some of today's most pressing corporate risks?

We believe it does – and this report is going to tell you why.



HOW WE GOT HERE

As a whole, people don't like change. We might understand the need for change – heck, we might even be on the frontlines advocating strongly for change – but when it comes time to actually modify our own behavior, to *change practice*, that's where the rubber meets the road.

ESG strategies can affect operating profits by as much as 60%.

McKinsey

This is the junction at which we are finding many private sector companies as they wrestle with increased expectations for ethical, values-aligned business models that reflect positive social and environmental impact. We now understand better than ever what a "Wild West" this trendline has become, with companies and nonprofits alike publicly acknowledging the shifting ground upon which they stand but expressing uncertainty about how best to proceed. It is clear much has changed…but what is it changing into?

To understand this trendline is to explore how vocabulary is changing.

WHAT IS CSR AND ESG?

CSR stands for "corporate social responsibility," a concept that suggests companies have an ethical responsibility to improve the communities in which they operate. Most public companies and some private companies have formal CSR strategies that typically include a percentage of revenue invested back into the community. Companies may employ a CSR executive who is charged with managing these strategies, or a professional may manage the work as part of their broader scope of responsibilities.

According to Investopedia, ESG describes criteria that serve as "a set of standards for a company's operations that socially conscious investors use to screen potential investments." ESG has a large scope that includes the environmental impact of the company's operations (including its supply chain), philanthropic and community efforts, governance (including internal controls), DEI and shareholder rights.

ENVIRONMENTAL

How a company interacts with the Environment. This area considers the environmental impact of the products and services a company produces, their supply chain, and their sustainability practices, including facilities management.

SOCIAL

How a company cares for its employees, communities and buyers. Corporate Social Responsibility initiatives fit well into this piece of the puzzle, and Diversity & Inclusion and Racial Justice are also incredibly important aspects of this topic.

GOVERNANCE

How a company governs itself, conducts business and manages against conflicts of interest.

THE SHIFT FROM CSR TO ESG

While some have suggested ESG is the new expression of CSR, we believe it is actually an evolution to something far more powerful. And much of it is tied to generational change.

CSR got its start in the late 19th and early 20th centuries with successful tycoons like Andrew Carnegie and John D. Rockefeller expressing a responsibility to give back to society. In the latter half of the 20th century, CSR began to gather steam as consumer buying decisions became influenced by cause marketing. By the early 2000s, increased expectations by a younger workforce brought CSR strategies into the workplace as volunteerism and employee engagement became a more common human resource strategy[1].

1 Corporate Social Responsibility: A Brief History ACCP

The big disruptive shift has come more recently as the private sector manages the increased expectations of shareholders. Socially responsible investing has existed for decades but has been significantly reactivated through Millennial and Gen-Z generations choosing socially responsible mutual funds for retirement investments.

In the past, CSR efforts often took the form of cause marketing, impacting consumer preference and employee engagement practices to increase employee retention. ESG is focused on shifts to investment that have the potential to dramatically impact the bottom line for companies. In other words – the millennial who grew up believing in marketing messages became an employee who expected those values in their workplace. And now, they are "changing the game" once again through their investments.

> **Many companies are seeking to diversify their supply chains while also examining how those vendors create ESG risk. Companies that do business with publicly-traded companies (or are vendors to the companies that do) may find themselves just as exposed.**

ESG IS FOR EVERYONE

There is a common misperception that ESG is something only large companies need to worry about. In reality, socially responsible investing is having an expansive impact on many types of businesses.

ESG is currently centered in a risk framework – what potential downside risks does a company have based on its business model's environmental, social and governance impacts? One prominent focus area is on the supply chain where a company's vendors (and the vendors to those vendors) are potential areas of exposed risk. Many companies are seeking to diversify their supply chains while also examining how those vendors create ESG risk. Companies that do business with publicly-traded companies (or are vendors to the companies that do) may find themselves just as exposed.

The definition of stakeholder is also changing for many companies. Since investor impact is really a function of the will of the people, elected officials are monitoring how the underpinnings of ESG will impact the voting habits of their constituencies. The leadership of local municipalities has demonstrated a desire to see increased social responsibility from companies of all sizes, across a range of locations.

In this way, we believe ESG is like a snowball rolling down a hill. It is a trend that will eventually impact every private sector company – and nonprofits will likewise need to respond to these trends.

ESG: A TREND DECADES IN THE MAKING

Social impact is such a hot topic right now, it can sometimes feel like it appeared overnight — but it's a movement decades in the making. Like the recent evolution due to the pandemic, the case for corporate social responsibility and ESG has largely been responsive to the cultural and civic issues of the last century. Here's some context to help you understand how we got here:

LATE 1800s

The engagement of companies in social good first appeared as a result of the Industrial Revolution. Companies were forced to respond to public backlash against their irresponsibility (exploitation of child labor, unsafe working conditions and pollution). Prominent businessmen began to embrace philanthropy. Andrew Carnegie gave away much of his fortune to education and science causes (you can thank him for your local public library), John D. Rockefeller committed more than half a billion dollars to charities and Milton Hershey established a community that provided positive working conditions and education for his employees.

1940S-50s

Driven by war efforts, corporate engagement in social good began shifting from individual owner philanthropy to direct company engagement. Businesses began to coalesce around war efforts and national need, with many participating in national Lend-Lease programs to produce needed products. In 1953, Howard Bowen published his book Social Responsibilities of the Businessman. In it, he coined the term 'corporate social responsibility' and established his place as 'the father of CSR.'

1960s

While many were late to the game, companies began responding to the growing civil rights movement. Coca-Cola attracted national attention when it threatened to move its corporate headquarters over the Atlanta-based business boycott of a dinner celebrating Dr. Martin Luther King, Jr's Nobel Peace Prize. The 60s also saw the birth of socially responsible investing as some investors demanded portfolios that excluded the stocks of certain industries or companies, such as those involved in tobacco production or the support of South African apartheid.

1980s

Companies began developing a more cohesive approach to CSR and many established the earliest versions of their social responsibility platforms. In 1982, actor Paul Newman launched Newman's Own, one of the first brands to involve consumers in its philanthropic pursuits through the purchase of products.

1990s

Politically, George H. W. Bush's "Points of Light" campaign motivated more widespread adoption of social responsibility platforms at companies. CSR leaders became more common on the staff teams at large companies and the strategy continued to develop and modernize. The Domini 400 Social Index was the first to track sustainable investment through a capitalization-weighted methodology. In 1997, the Global Reporting Initiative (GRI) was founded in Boston, a set of standards still commonly used today.

2000s

Though workplace diversity training may have first emerged in the 1960s as a response to equal opportunity laws and affirmative action, the early 2000s saw the emergence of what has become known as DEI — diversity, equity and inclusion. Consumer brands realized the value of a workforce that mirrors its customer base, with progressively more focus on not only the existence of diversity, but also on creating a welcoming culture (inclusion), and now an expectation of representation (equity).

2006

The term 'ESG' was first mentioned in the United Nations Principles for Responsible Investment, largely in response to global environmental concerns, and included the first set of criteria for the financial evaluation of companies. CSR efforts continued to expand at companies with more prominent roles being designated for the facilitation of community partnerships. Companies that did not have formal corporate foundations created grantmaking processes, emulating other forms of philanthropy.

2010s

Companies began to pay attention to their carbon footprint, particularly those businesses with complicated supply chains that required significant logistics. The debate over climate change may have raged politically, but many companies were quietly beginning process modification and change management. The first Chief Sustainability Officers were seen in the early 2010s as companies sought to be proactive and demonstrate responsiveness.

2020s

Two watershed moments in the early part of this decade have had a sizable impact on the future of corporate-led social impact: the COVID-19 pandemic and the murder of George Floyd. These flashpoints created significant disruption resulting in increased calls for intervention, justice and equity. Progress on social issues where local communities had been slowly gaining ground got wiped out nearly overnight, and the trust across differences that had forged those gains was tested in real time. Looking to the future, companies can look forward to increasing expectations for the role the private sector plays in addressing inequity and increasing access to resources.

CASE STUDY

EQUITABLE PARTNERS LOCALLY TO Help Students

On a late-fall Tuesday night, more than thirty students gathered around computers in a classroom to pull up a scholarship application at a Scholarship Night sponsored by Equitable. They listened as experts walked them through the application step-by-step, including setting up an account, tips for essay writing and how to access more scholarships through the same platform. By the end of the night, several participants had their first scholarship application largely completed. For many of these prospective first-generation college students, financial aid and scholarships are critical to their college journey.

Equitable is committed to driving positive change in society by empowering the next generation to reach their full potential through college access and career advancement programs. For more than 20 years, Equitable has increased access to college through Equitable Excellence, a scholarship program offered through Equitable Foundation, the company's charitable-giving arm. Recently, the scholarship program expanded with the launch of college tours for high school students at universities, including HBCUs, and with mentoring, networking and professional skill-building workshops to support scholarship recipients' onboarding into their first year of college.

A leading financial services company, Equitable provides advice, protection and retirement strategies to individuals, families and small businesses. Aligned with Equitable's mission of helping individuals secure financial well-being, the company believes that post-secondary education is critical for addressing income inequity and helping advance social mobility. By supporting students, Equitable is also helping the educators that teach and inspire them. Equitable is the leading provider of 403(b) plans for K-12 schools[1] and proudly serves 800,000 educators across the country. Understanding the crucial role educators play in supporting our youth, Equitable also provides mental wellness and career advancement workshops for teachers and administrators.

Jarian Kerekes, Head of Social Impact and Community Engagement at Equitable, knew that building stronger community partnerships would be critical to reach more students.

Equitable has developed relationships with several local organizations in Charlotte, NC, where the company has a large footprint of employees and financial professionals. Like Equitable, these organizations are also committed to providing Charlotte-based high school students with access to college and career advancement opportunities and work directly with them to better understand their unique challenges and needs.

Equitable Foundation approached the challenge by providing seed grant funding to a nonprofit collaborative, Crescent Coalition. The Crescent Coalition connects community-based organizations serving under-resourced students along their journey from middle school through college graduation and successful careers. Created in 2019, the Crescent Coalition was formed to improve Charlotte-Mecklenburg students' college and career readiness outcomes. While there were a lot of individuals and organizations tackling the challenges and barriers facing students, there was little to no formal coordination among agencies. With ten participating organizations, the Crescent Coalition strengthens outcomes by reducing silos, improving collaborations and expanding college and career opportunities available to students.

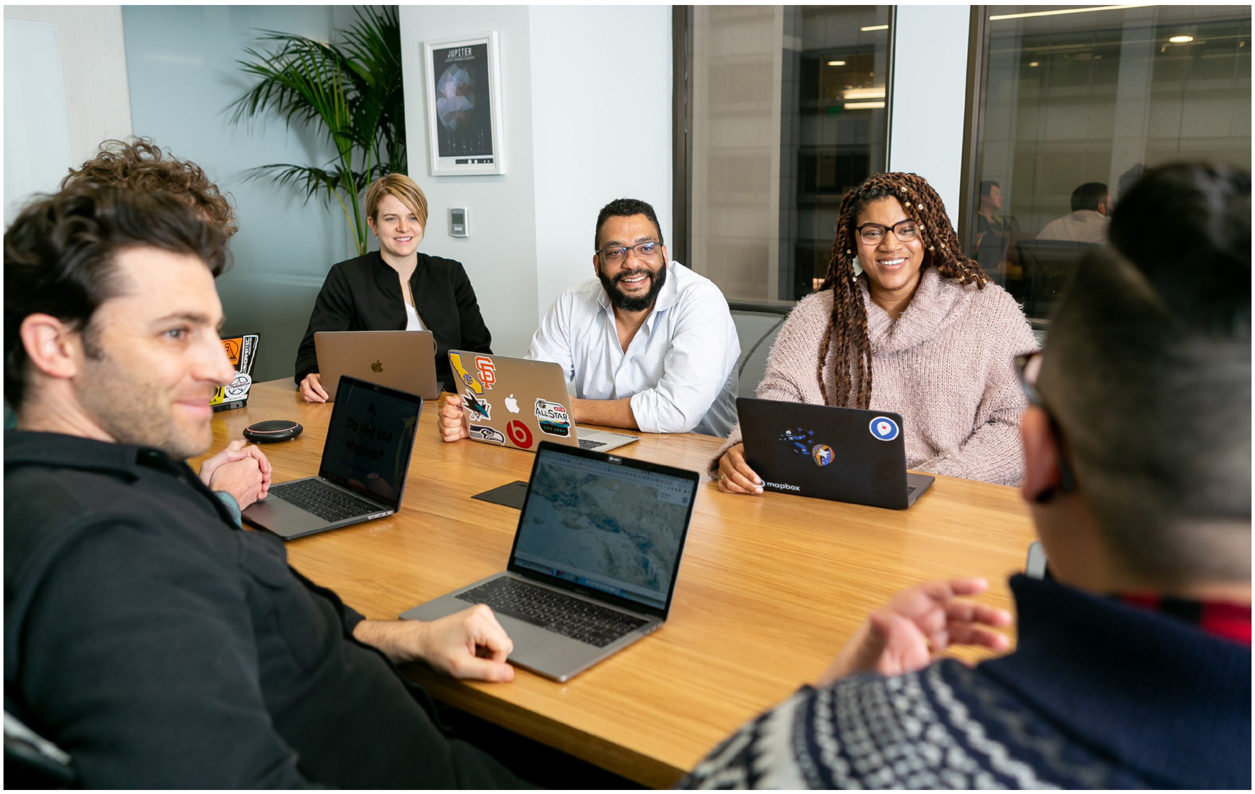
"As a first-generation college student myself, I navigated the college admission process with minimal assistance and it was challenging at times," Kerekes recalls. "I believe that our collaboration with community organizations to assist students and provide them with holistic resources during this important time in their life can have a lasting positive impact."

Each local organization received a three-year grant and direct access to program support. Convening regularly, the collaborative determined four areas that would move the needle for their students - career exploration, college tours, scholarship workshops and FAFSA workshops. Equitable has used its Charlotte office to host Essay Workshops, College and Career planning sessions and provided space for its partners to convene regularly.

"The difference in our relationship with Equitable is that their team allowed us to imagine and co-create with them," said Aaron Randolph, Executive Director of Carolina Youth Coalition, one of the nonprofit partners in the pilot program. "They asked us what our students needed and have worked hard to come alongside us and create additional college tours and scholarship nights that we wouldn't have normally had the opportunity to offer."

1 LIMRA, Not-for-Profit Survey, Q2 2022 Results, based on 403(b) plan participants and contributions. This applies specifically and exclusively to Equitable Financial Life Insurance Company (Equitable Financial).

PUTTING THE 'S' IN ESG



Since ESG arrived as a widely recognized construct, companies have been wrestling with how to evaluate themselves. Increased expectations from customers and employees are requiring companies to rethink how they do business – but what does this look like on a day-to-day basis?

With the rise of interest in socially responsible investing came a need to codify what qualifies a company for inclusion. Two primary standards have emerged – the Global Reporting Initiative (GRI) and the Sustainability Accounting Standards Board (SASB). Companies that want to be included in these portfolios must submit disclosures that demonstrate how they are setting goals across each area of ESG and what they have done to move the needle.

Much of this ESG movement began nearly two decades ago with an increased focus on the 'E' in ESG –

environmental sustainability. The early 2000s saw companies with complicated supply chains rethink how to address negative environmental impacts, with a primary focus on carbon emissions. Rather than wait for regulators to force a change, corporate leaders recognized getting ahead of it would lead to increased profitability in the long run.

This past decade saw the 'Internal S' of ESG reflected in DEI and employee wellness as a must-do to remain competitive for talent. The last two years have seen this focus go into overdrive as strategies driven at the C-Suite level are resulting in transformed workplaces.

The common theme for both of these phases is a primary focus *internally*. Goal-setting has focused on aspects of the corporate business model that management can more easily control, areas like supply chain, hiring practices, compensation and access to healthcare. Optimizing the business model in an era of heightened focus on ESG has meant reimagining how work gets done.

> **The dominant way the 'S' in ESG has been measured is internally, with a focus on diversity, equity and inclusion (DEI) and economic mobility for front-line employees.**

THE INTERNAL 'S'

So much of what you just read is still relatively new, not only to those of us who work in social impact but also to the management teams of countless companies. Areas of sustainability, social impact and governance have traditionally been managed individually and without a great degree of intersection.

Breaking up those silos of management to knit together more cohesive strategies is a big challenge for companies that are trying to keep up with the pace of change.

So far, the dominant way the 'S' in ESG has been measured is internally, with a focus on DEI and economic mobility for front-line employees. This trendline pre-dated the pandemic but was drastically influenced by the disruption of COVID-19 and calls for increased racial and social justice in the wake of the murder of George Floyd. Companies that had been slow to prioritize equity and well-being for their workforce were suddenly making them mandates.

It was a big wake-up call for corporate leaders. In Profit & Purpose, we highlighted increased challenges of employee engagement and developing the workforce pipeline. In the year that followed its publication, concerns of a workforce shortage have only amplified, gripping corporate America with renewed focus. Companies aiming to be an 'employer of choice' are faced with changing expectations of workers and the need to prioritize engagement and wellness. That includes creating a workplace culture that celebrates diverse backgrounds, creates equitable ladders of promotion and cares for the health and well-being of the entire workforce.

Talk about a rollercoaster. Maintaining a workforce during a time of crisis was reason enough to focus on the social implications of internal employment policies. The process of ESG reporting tethered those activities happening inside countless companies to a framework for goal-setting, transparency and accountability.

The results so far have been nothing short of extraordinary as companies lock in on supporting their people. As the adage goes, "real change starts at home."

THE EXTERNAL 'S'

We believe the next horizon for companies will be the 'External S' – how a company looks beyond its own walls to make a positive impact on society. At some point in the near future, optimizing the internal business model will no longer be sufficient to stand out from the pack for inclusion in portfolios for socially responsible investment. And when that time comes, like the sustainability work that began two decades ago, proactive companies will be best positioned to win the day.

At some point in the near future, optimizing the internal business model will no longer be sufficient to stand out from the pack for inclusion in portfolios for socially responsible investment.

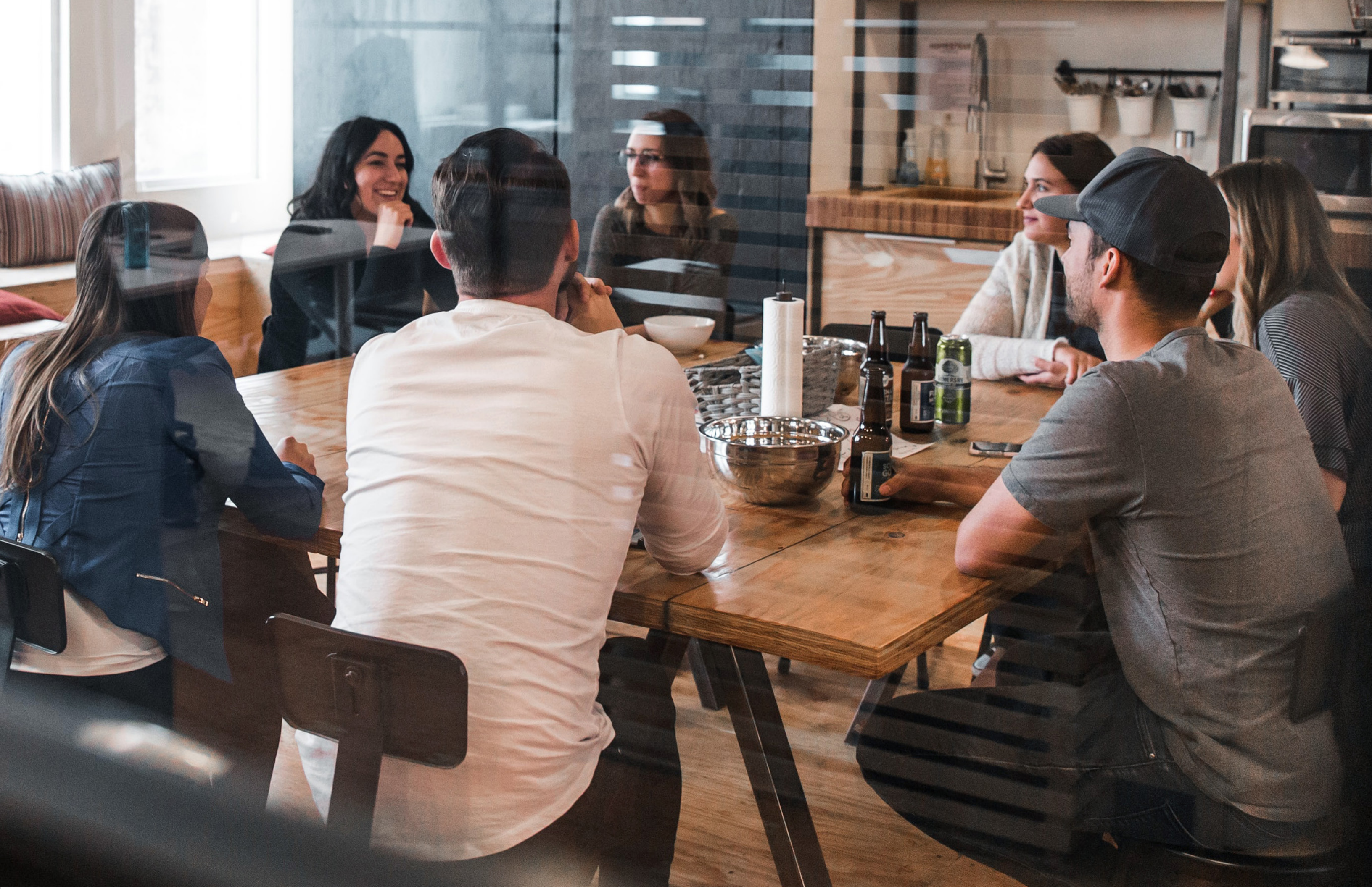
This area of focus has primarily been the domain of CSR officers who lead a company's collaboration with community institutions. For many companies, that has meant financial investment in nonprofit organizations as a form of 'corporate charity.' What is changing is *why* those allocations are getting made and *how* the impact of those investments gets measured. It is reimagining the relationship between companies and nonprofits as partnerships of mutual benefit.

If CSR was once viewed as a 'slush fund of feel-good investments,' the future is the exact opposite. The next horizon for ESG is Corporate Citizenship in an external context. That includes aligning 'External S' activities with the U.N.'s Sustainable Development Goals[2], identifying connectivity with GRI reporting standards and leveraging the big systems of a company that go well beyond their financial investments in nonprofits.

NEW FOCUS ON DATA & METRICS

A key to this shift is in how companies measure and express social impact. If current disclosures focus on the financial investment being made, we believe the future will include accountability for how those investments generate impact. To make that work, companies, nonprofits and local municipalities will

2 UN Sustainable Development Goals



need to collaborate like never before, creating new methods of evaluation that tie investments to discrete outcomes.

Beyond financial investments, we believe that activating the people power of a company — the very customers, employees and shareholders that are driving the ESG shift to begin with — is a big part of how companies will be evaluated in the future. Transactional social impact activities are shifting to more meaningful and strategic expressions of commitment to causes.

We are already seeing this with cause marketing. Those who would criticize a company for 'empty expressions' of social cause alignment through communication channels are missing the much bigger point – brand advertising is normalizing the position of corporations in service to these social causes. We see it as the 'canary in the coal mine' for the much bigger change we will see in the decades to come — a change being driven by younger generations who are making 'taking a stand' a corporate mandate.

That this is disrupting the status quo in a way that leads to politicization is not a surprise. But, data suggests this is not being done *to* companies, but rather proof of how a free market works — capitalism driven by the preferences of customers, employees and shareholders.

WHAT MOVEMENT ARE YOU LEADING?

LEADING THE PEOPLE POWERING A MOVEMENT

We know these shifts can sound ominous — or downright risky — to many people. Our team has been wrestling with how to frame the opportunity that is in front of institutions of all types and we're finding that a "sound the alarm" rhetoric is needed to get the attention of decision-makers. Like the nonprofits we've worked with for so long, sometimes you have to talk about the downside risk of inaction.

We liken the ESG paradigm shift to others that have come before it: the Industrial Revolution, the rise of digital technology, the advent of the internet and the emergence of social media. Each of these advancements challenged leading institutions to make a choice – to either fiercely protect the status quo that had worked for so many years or to make changes to stay contemporary to a new reality. For every Sears that refused to make those changes fast enough, there is an Amazon, a new company that seeks to harness the paradigm shift into a powerful expression. This movement has the potential to help solve problems that have long plagued our communities if we can harness the power of collective will and ownership.

How will your company or nonprofit respond?

THE NEW REALITY OF COLLECTIVE OWNERSHIP

We use the word 'collective' intentionally. Social media, the most recent paradigm shift, has changed society in ways both good and bad. One way it has been used effectively is in galvanizing people to action in service to shared values.

In this way, we believe all of the brands we engage with are collectively owned – we either feel they express us or they don't – and increasingly that determination is being made not only through regulatory processes but in the court of public opinion.

The nonprofit model has long been a collectively owned construct, powerful in the ways it leverages mission, vision, values and guiding principles to build buy-in and tackle society's toughest challenges. It knits together the many constituencies that make up the nonprofit business model including board members, staff, volunteers, donors, and perhaps most importantly, the people served by the nonprofit.

Ensuring all feel ownership in the model creates the sense of belonging that fuels the nonprofit.

Without a *shared belief* in the nonprofit – in its virtuousness, deep commitment and strategic savviness – it would be entirely ineffective no matter how many resources it has. The nonprofit model is collectively *owned*.

The new reality for the private sector is that we believe their business model is also collectively owned – not because the IRS designates it as such, but because customers, employees and shareholders have decided this shift matters.

REORGANIZING FOR IMPACT

Adapting a company to reflect this new reality will take more than good intentions. No one large check, employee sensing survey or corporate service project alone can address the intersectional way consumers, employees and shareholders have increased expectations. Companies that have succeeded in responding to these trends have realized the criticalness of internal realignment to future success.

This is one area where middle market companies have a leg up on their much bigger corporate cousins. Companies without much social impact infrastructure are unencumbered to design with a clean slate, knitting together marketing, human resources, sustainability, DEI and risk in ways that strengthen future efforts. These are parts of the company that have not traditionally been in dialogue with each other. It will take patience, structure and intentionality to develop new ESG teams that can work cross-departmentally.

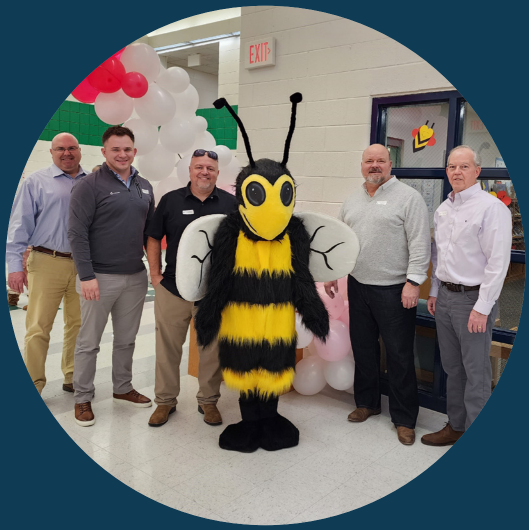
1/10 companies are likely to find CSR reporting into ten different departments.

For larger companies, this is more of a redevelopment challenge. Across any ten companies, one is likely to find CSR reporting into ten different departments. Some have built independent foundations or work teams that do not report to any business activity, further complicating matters. In most cases, social impact has not had a substantial seat at the table, and with the growing importance of ESG and corporate citizenship, this must change.

The new reality for the private sector is that we believe their business model is also collectively owned – not because the IRS designates it as such, but because customers, employees and shareholders have decided this shift matters.

'Stakeholder capitalism' has been used as a pejorative term to describe this shift, but it works to illuminate the importance of communication and relationship-building. That can be very difficult to do with consumers, employees and shareholders, especially if those charged with navigating these new relationships are not unified in purpose inside the business model of a company.

CASE STUDY



ACTIVATING THE PEOPLE POWER AT

Glen Raven

Glen Raven believes that companies have a big role to play in community education. The textile manufacturing company was founded in 1880 with a single manufacturing facility and has since grown to a global company. Headquartered in Burlington, NC, they participate in a broad range of industry sectors, but may be best known for their Sunbrella® line of performance fabrics.

A privately held company, Glen Raven has long prioritized education, both for its own associates and the communities in which it serves.. "Over the years we've responded to different associate and community needs," said CEO Leib Oehmig. "Thirty years ago, we pioneered a program aimed at literacy because we knew it was a need among our own associates. Today those needs look different – and so does our response."

In 2021, Glen Raven shifted its impact approach to focus on a single issue that impacted every single associate — as well as the health of their own business. Early childhood education, which Glen Raven defines as the elementary school years, became the company's universal cause. And as longtime advocates of education, they aim to engage in a movement that will drive other companies and community partners to make critical investments of both time and resources. They also want to lead a movement for education within their own company walls.

"Our greatest asset is our associates who invest so much of themselves into bringing Glen Raven's vision to life," said Oehmig. "And we know that education for their families is an issue that weighs heavily on their minds. We also know that the success of today's students will help secure the long-term future of our company. We want committed, educated associates to help keep this business successful for another 150 years."

The company set an ambitious goal — a 100% rate of employee volunteerism by 2025. "We know that's ambitious. But we believe that our children deserve for us to think big," said Oehmig. The community impact team set about building a movement both inside and outside of the company walls. To reach their goal, Glen Raven established an intentional plan that would galvanize an education movement through strong external partnerships and high engagement among internal associates.

Internally, the team focused on processes that would enable every single associate to engage. They built a Community Impact Team with representation from every US-based Glen Raven facility. The HR team established processes for tracking efforts within their existing payroll system. Company CFO, Christine Matthews, joined the Community Impact Team as a corporate champion. Most importantly, Glen Raven leadership hosted a series of interviews with associates from a range of locations and positions within the company to ensure that the plan aligned with the passions and interests of associates.

> Our greatest asset is our associates who invest so much of themselves into bringing Glen Raven's vision to life.
>
> **LEIB OEHMIG, CEO**

One critical challenge was how to make it easy for 100% of associates to engage in volunteerism during the workday. As a global manufacturing company, Glen Raven associates work a variety of job types: on the manufacturing floor, construction sites and in corporate offices. It was important to Glen Raven that it offer volunteer time while employees were on the clock — but this would look different for each employee.

"We knew that it would be a challenge for associates to leave manufacturing facilities during the workday," noted Matthews. "We considered what it would look like to bring volunteer opportunities to them." The company opted to experiment with simple activities, such as setting up note-writing stations for local teachers in facility breakrooms. "If a large part of the company couldn't participate, we knew that this movement would never take off," said Matthews. "We will continue to find new ways that every associate can take a volunteer role in our community, regardless of their role in the company."

Equally important were the company's external efforts. "We've traditionally not publicized our impact efforts," notes Oehmig. "We do these things because we believe it is the right thing to do — but we also recognize that business has a strong community voice and the responsibility to champion impact." Like internal efforts, Glen Raven focused its external efforts on listening and building relationships first. They engaged at both a grasstops level with community and foundation leaders, as well as at a grassroots level, listening to what individual schools, faith communities and volunteer groups were already successfully doing.

The result was a pilot program with an elementary school less than a mile from Glen Raven's corporate headquarters. "We believe that movements start with the individuals and organizations that work with students every day," said Matthews. "It is important to us to start with the needs of the community — then we hope to scale these efforts much more widely."

The company hopes that in just a few years, this pilot will be a model for other businesses and civic groups across the community. Oehmig adds, "The future success of our families, communities and businesses depends on how we support young children now. We truly believe that investing in their dreams and future success is leading a long-term movement to a bright future."

SO NOW WHAT? GETTING ACTIONABLE

"Great," you might be thinking. "I'm seeing all of this play out in my own business – but I need to know how to make this happen in a way that works for our company." We get it. Most companies have a strong idea of *what* they want to impact that aligns with their personal passions and expertise. It's the *how* – figuring out which levers your company is uniquely capable of pulling for maximum impact – that can be most challenging.

Once your company has a defined impact strategy, activation and measurement take center stage. Here is how Next Stage believes you can set your organization up for maximum impact:

ASSESS YOUR OWN MATERIALITY

The levers a company can pull to help drive impact are as varied and unique as the number of businesses out there. This is both the challenge and the opportunity – since every company is unique, the impact you make is entirely dependent on the resources you are able to marshal. Funding and financial resources are the most obvious example, but there are other ways that companies can leverage their materiality to support impact that can be even more meaningful. Your own people power, influence, relationships, marketing support – these resources can bolster the organizations you partner with in game-changing ways.

Many savvy companies are looking at double materiality – or the ways that impact flows both outside a company's walls and within. Traditionally, corporate impact has been seen as a one-way street. A company funds a community organization and pushes positive benefits into the community. And while this is true, it misses a big piece of the puzzle. In Profit & Purpose, we talked a lot about win-win-win – the ways that community partnerships can benefit not only the community and nonprofits, but businesses themselves. Social impact programs can positively impact a company's own resources, including talent recruitment and retention, workplace culture, marketing and brand awareness and more.

The first step in effective activation of a company's impact is an honest assessment of resources and impacts that clearly identifies the 'levers' a company is able to help move on behalf of community – and then building a plan to get there.

DETERMINE WHAT NEEDLES YOU CAN MOVE – THEN MEASURE THEM.

Ask most nonprofit and CSR leaders what they most want to influence and they will point to large-scale systemic change. We all benefit from changes that produce a stronger education system, a more equitable workforce or a stronger workforce pipeline. But as many nonprofit leaders will tell you – measuring the impact of programs and initiatives is notoriously difficult.

Not only is long-term change more challenging to track and analyze, for many years both companies and nonprofits have equated activities to impact. It's easy to see why – these metrics are easier to track and report. But as more organizations desire to influence systemic change and as nonprofit-corporate relationships evolve into more long-term partnerships, most companies want more.

Once a company has assessed its own materiality and determined with community partners what needles it can move, it is critical to establish a plan for data measurement. Since no one organization has control over systemic change, we have to look to the 'levers' identified in the planning process to help define success. When measurement is designed with community partners and linked to a company's theory of impact or impact strategy, these metrics become more meaningful.

NEXT STEPS

Assess your resources:

- **Financial**
- **People Power**
- **Expertise**
- **Relationships**

Consider both the internal and external effects of your impact strategy.

- **What internal impact would you like to influence? What business challenges could your strategy influence?**
- **What external, community-facing challenges are you positioned to influence?**

Identify your biggest impact resources.

NEXT STEPS

Identify activities & metrics related to your materiality.

Work with your community partners to determine how these activities affect long-term impact.

Build a plan for measuring these metrics and regularly assessing.

DEVELOP A CHANGE MANAGEMENT PLAN

The biggest challenge for many ESG leaders is that we are in an R&D space of innovation. Corporate social responsibility has not traditionally been perceived as innovative and has typically lived separate from business units. But increased stakeholder engagement and expectations mean that impact innovation is needed across most companies.

24%

of companies say that corporate silos are a barrier to ESG progress.

PwC

Unlike often-compartmentalized CSR efforts, ESG has implications for multiple company departments and leaders. When a company considers all the 'levers' and impact influence it can contribute, this likely means that your CSR team will need to collaborate across team lines. For example, marshaling your people power may require your HR, service teams and marketing to work together for an effective use of resources – and this is going to require a thoughtful approach to this disruption and how to bring this R&D approach to life.

As you develop your plan, consider a series of 'small bets.' It's not necessary (or possible!) to shift an entire culture overnight. Beginning with small, meaningful change can serve as a gateway to a more comprehensive ESG plan that lives across business units and functions. Begin by considering personal development, then consider how you can build cross-functional relationships that move your impact forward. With buy-in from leadership, these 'small bets' ultimately serve as a driver of an innovative culture that embraces impact – both internally and externally.

NEXT STEPS

Consider personal development. No matter where you are in the company - a C-Suite leader or an emerging ESG leader – consider how you can personally learn, develop and share your findings with your internal team.

Begin with a small team and conduct pilot efforts. Small experiments and tests will help inform what works – and what doesn't.

Move into cross-functional projects that begin to leverage multiple departments and shift company culture.

ABOUT NEXT STAGE

Next Stage is a social impact consulting company that partners with corporate and nonprofit sectors to design strategy and processes that maximize impact. Fueled by a passion for social good, our company prioritizes community voice, collaboration and innovation to build win-win-win partnerships that make life better for everyone.

ABOUT THE CO-AUTHORS

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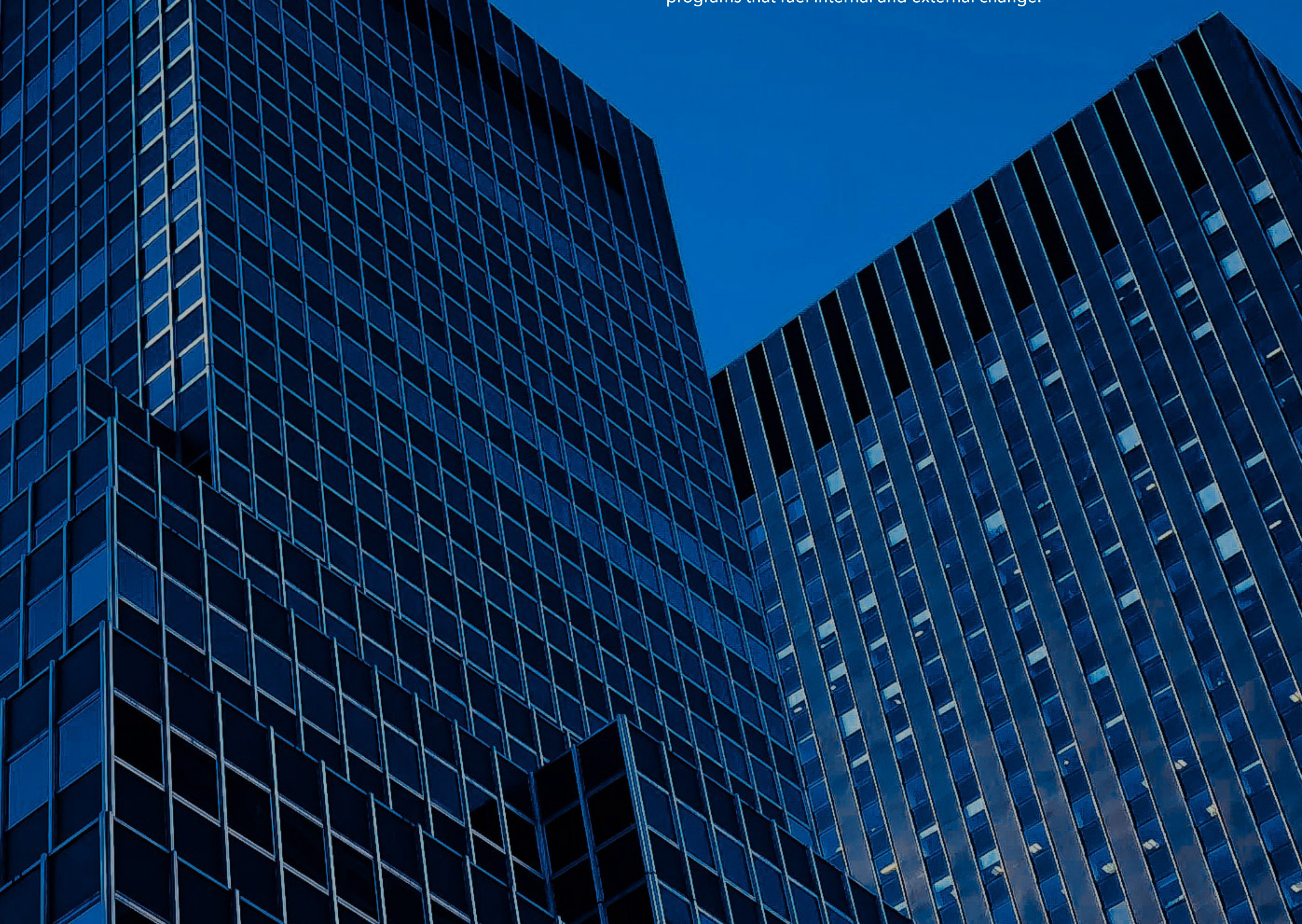

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