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The Big Interview

Anne Simpson, doyenne of corporate stewardship, on how to make finance the 'golden thread' that transforms the future of people and planet

COMMENT: NET-ZERO PLEDGES AND COUNTRY REPUTATION

The 2015 Paris Agreement on climate change established the goal "to limit global warming to well below 2, preferably to 1.5 degrees Celsius, compared to pre-industrial levels". To reach this goal, countries should achieve net-zero emissions by 2050. To date, 139 countries representing 83% of global emissions have announced net-zero emission pledges.Pledges enhance countries' climate reputations, but using a pledge to enhance reputation is also risky. What if the country does not meet the pledged goals? Would such a pledge allow climate groups to "name and shame" governments? This risk means that governments will either not pledge, or will create a pledge with lots of loopholes. Because decarbonisation sometimes creates political problems at home, countries might strategically craft climate pledges with loopholes that allow them not to decarbonise fully – and this is probably happening with many pledges.

The recent UN Environmental Programme's *Emission Gaps Report* highlights that countries are not meeting emissions goals. It predicts that global temperatures could rise to 2.5C by the end of the century – well above the Paris goal. Why, then, are countries not meeting emissions targets, even though most of them have announced emission pledges? One reason might be that their net-zero emissions pledges have loopholes. Loopholes are possible because pledges do not follow a standard format. They vary in terms of the share of the country's emissions pledges they cover, how quickly the country promises to reduce emissions, and mechanisms the country has in place.

In a recent paper, we developed a framework to evaluate the stringency of net-zero emission pledges. Drawing on the Net-Zero Tracker database, our framework identifies four pledge dimensions: speed, accountability, domestic scope, and international scope. The *speed* dimension looks at how quickly a pledge aims to achieve net-zero emissions. Following the timeline set by the Paris Agreement, most countries have indicated 2050 as their target year, but 11 countries – including climate leaders such as Germany and Sweden, and others such as Nepal, Mauritania, and Guinea-Bissau – have pledged to an earlier deadline. At the same time, 10 countries have pledged to a later date, including China (2060), India (2070), Sri Lanka (2060), and Saudi Arabia (2060).

Surprisingly, net-zero emission pledges may not cover all emissions. Thus, the

> **'Countries might craft climate pledges with loopholes that allow them not to decarbonise fully'**

second dimension of a pledge – its *domestic scope* – examines whether pledges cover all greenhouse gas emissions from all industrial sectors. We find that 37 countries have made encompassing pledges. The United States pledged that it would cover all types of emissions, but it did not specify sectors. China covers carbon dioxide only, and India did not provide any stipulations.

Third, we examine the issue of territorial emissions versus emissions embodied in consumption. A country might have a carbon-intensive economic system that relies on the imports of carbon-intensive industrial inputs, such as cement and steel, as well as on carbon-intensive final products. In terms of territorial emissions – the metric used in all climate treaties – such a country might look like a climate leader but, in reality, the country may have simply outsourced its emissions. Pledges that include imported carbon in emission accounting are therefore more stringent. Thus, the third dimension of our framework focuses on the *international scope* of the pledge. We find that only 12 countries have included imported carbon in their pledges. Top emitters such as China, India and the United States allow for carbon leakages through trade.

Finally, some countries may monitor progress toward pledges because decarbonisation is gradual and course corrections before 2050 might be necessary. To capture this, the fourth dimension of *accountability* examines mechanisms such as annual reporting and whether pledges have been formalised into nationally determined contributions or domestic law. These measures allow stakeholders to assess each country's progress in emissions reductions and, when needed, to employ naming and shaming, or even litigation, if progress is tardy. Overall, 37 nations have annual reporting mechanisms. Twenty-one countries have translated pledges into domestic laws, and 47 countries, including China and India, have included them in their nationally determined contributions. Without a standardised pledge, the world risks operating with a false understanding of progress against climate change. ■

Extracted from "Net-Zero Emission Pledges May Not Lead to Full Decarbonization", The Regulatory Review (https://tinyurl.com/4d5arcm2), *by Inhwan Ko, Nives Dolsak and Aseem Prakash, from University of Washington at Seattle. Professor Prakash is an International Research Fellow with our Centre.*

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New research co-authored by **Ximeng Fang** evaluates the impact of individuals' altruistic tendencies on collective health outcomes over the course of the pandemic.

RESEARCH FOCUS: PROSOCIALITY AND BEHAVIOUR IN COVID-19

To curb the COVID-19 pandemic, individuals have to engage in costly preventive behaviours such as reducing social contacts, wearing face masks, or using contact-tracing apps. However, the benefits from a lower rate of transmission accrue to society at large and thus constitute a public good. This results in a social dilemma, where "the maximisation of short-term self-interest yields outcomes leaving all participants worse off than feasible alternatives", in the words of political scientist Elinor Ostrom. In this sense, the pandemic is comparable to other collective action problems such as the fight against climate change.

Which factors determine the success of groups or societies in overcoming collective action problems has been a long-standing question in the social sciences. One plausible determinant is the extent to which individual members are prosocial, i.e., how willing they are to behave in a way that primarily benefits other people or society at large. Prosocial individuals may help their groups in achieving more beneficial outcomes in the face of social dilemmas, both by contributing more to a common cause themselves and by increasing cooperation rates among other members – for example through establishing and enforcing corresponding social norms.

Previous studies have documented associations between (pro-)social preferences and, amongst others, pro-environmental behaviour, and donation and volunteering decisions. However, combining data of individual- and group-level behaviour and outcomes under collective action problems in real-world contexts remains challenging. We examine the relationship between prosociality and individual behaviour as well as collective health outcomes in the context of the COVID-19 pandemic. When fighting the pandemic, governments and public health experts have appealed to people's altruistic motivations to protect others from getting infected by embracing voluntary behavioural changes. More prosocial individuals may be more likely to respond to (and propagate) such norms and appeals, and they may generally be more inclined to internalise the health externalities that their behaviour imposes on others. Consistent with this, studies have found that more prosocial individuals tend to follow social distancing and hygiene guidelines more stringently.

One implication is that regions with higher average levels of prosociality in the population might be more successful in slowing the spread of the virus. This is also proposed theoretically in recent susceptible-infected-recovered (SIR) models with endogeneous behaviour. Indeed, some empirical studies provide evidence that proxies for social (or civic) capital are related to mobility flows and COVID-19 incidence rates at the subnational level, but they do not combine regional-level associations with individual-level data.

'Desirable collective outcomes depend on how willingly individuals incur personal costs'

We study the role of prosociality in the COVID-19 pandemic by employing data from a representative online survey in Germany of nearly 6,000 people that we conducted during the second coronavirus wave, between mid-November and mid-December 2020. This period was characterised by steeply increasing incidence rates and a relatively lenient "lockdown light". To measure individuals' public health behaviour (PHB) during that time, we included a series of questions about the extent to which they engaged in physical distancing, mask-wearing, precautionary hygiene measures, etc., which we then combine into a single index variable of PHB. Although imperfect, self-reported PHB measures such as ours have been shown to be good indicators of actual behaviour in the pandemic. We further use experimentally validated survey measures to elicit different components of individuals' prosocial preferences and beliefs – altruism, trust, positive reciprocity, and indirect (negative) reciprocity – and collapse them into a single summary measure of "prosociality". Our data confirms that prosociality is strongly positively related to compliance with recommended social distancing and hygiene measures.

How well a group of individuals succeeds in achieving desirable collective outcomes in the face of social dilemmas depends, amongst other things, on how willingly individual members engage in actions that incur personal costs but that benefit the group as a whole. We have provided suggestive evidence that, in the context of the COVID-19 pandemic, more prosocial individuals are significantly more willing to engage in public health behaviours (e.g., physical distancing and mask-wearing) aimed at slowing the spread of the virus. We further present evidence that regions in Germany with higher average prosociality in the population also tend to experience a lower incidence of COVID-19 cases and deaths. Due to the large sample size, we can aggregate our survey measures to regional-level averages across regions in Germany and link them to official statistical data on COVID-19 incidence and deaths. We find the spread of the virus is slower in regions where average prosociality in the population is high. ■

Extracted from "Prosociality predicts individual behavior and collective outcomes in the COVID-19 pandemic", by our Postdoctoral Research Fellow Ximeng Fang, Timo Freyer, Chui-Yee Ho, Zihua Chen, Lorenz Goette (Social Science & Medicine, www.sciencedirect.com/science/article/pii/S0277953622004981).

Anne Simpson is a leading advocate for corporate governance reform, whose counsel is sought by pension funds, regulators and governments. Here she reflects on what fuels her drive for responsible firm stewardship, and why she is convinced that finance is a 'golden thread' which will ultimately serve the common good.

THE BIG INTERVIEW: ANNE SIMPSON

Anne Simpson is the doyenne of stewardship in sustainable finance. She is academic and practitioner, corporate activist and government advisor, with a stellar track record in effecting positive change at the highest level of global corporations. As the climate emergency intensifies the race to create standards by which businesses can be held to account, she has become a formidable leading light.

In her previous position at CalPERS – the California Public Employees' Retirement System, the largest pension fund in the US, where between 2009 and 2022 she rose to become Managing Investment Director, Board Governance and Sustainability – she was part of the team behind one of the most high-profile recent boardroom upsets: forcing through changes to the Exxon board by backing the sustainability-activist investment firm Engine No 1. Other companies to feel the CalPERS effect during her time included J.P. Morgan, Hewlett Packard and Bank of America. She is now Global Head of Sustainability at the family-run US investment firm Franklin Templeton, a role created for her by a company with around $1.5 trillion under management.

She has affiliations with many leading academic institutions in the UK and the US, but Oxford is her *alma mater* – she read Politics, Philosophy and Economics (PPE) at St Hilda's College – and our Centre is immensely proud to have proposed her as a Visiting Fellow of the University. On an extended hour's Zoom call she expounded what drives her, how finance can change the world and, more surprisingly, the part Peruvian cheddar cheese played in her career.

Her self-confessed sense of a mission stems from her childhood: as one of six children of a "very religious", not-at-all-well-off Catholic single mother. A devoted student – "all I wanted to do was read books and play the piano" – she passed the 11-plus exam for selective secondary state education and went to a convent school from which, "constantly in trouble for asking too many questions", she was asked to leave early. "I rejected the theology, but what was left behind was some sense of purpose," she says now. Working in a pub, without support from school or parents, she made it to Oxford.

PPE turned out to be "a perfect grounding for this sustainability stuff: there is a political dimension, the economics are critical [as is] philosophy, because of values and ethics." When she grew disenchanted by the student life and threatened to leave ("too much lolling about"), the dons of St Hilda's instead encouraged her to apply for a spell in partner institutions in the US. With a Gladstone Scholarship from Oxford and a Slater Fellowship from Wellesley College, she set out for Peru, at the time run by a Left-wing military dictatorship and plagued by Shining Path guerrillas, to spend eight months studying the impact of aid programmes on chronic malnutrition and poverty.

'I rejected the Catholic theology of convent school, but what was left behind was some sense of purpose'

One such was the scheme to bring cheddar to the Andes. It required shipping in a herd of Friesian cows, which deprived the local animals of arable grazing, used up precious water and petrol supplies (for pasteurisation) and, "because these farmers had no way to get the cheese down to Lima where people could afford it, they ended up selling to the lorry drivers," she explains. Profoundly unimpressed, she asked a British Embassy official whether he considered the project a success? "Oh yes," came the reply, "the cheddar is delicious."

This debacle opened her eyes to the shortcomings of philanthropy and aid, where "the power is with the giver... It helped me realise that Oxfam would not save the world, neither would the World Bank" – to explain fully: having completed her studies in development economics at Wellesley and MIT, she worked in policy at Oxfam and, later, at the World Bank, establishing and leading the Global Corporate Governance Forum in the wake of the Asian financial crisis. The latter gave her an understanding of how financial flows were prompting a common set of challenges at global scale. "I came to understand that we need to think about the social purpose of finance in a broader way… as the golden thread."As she says of her most recent book, *The Financial Ecosystem: The Role of Finance in Achieving Sustainability*, written with Satyajit Bose and Dong Guo at Columbia University, the financial system is a "commonwealth for the common good [but] has not been thought of in that way".

"The source of the money is now very democratically held across markets," she says. When the ownership of companies in the US tipped from being majority rich individuals to institutions, in the 1980s, it created a different paradigm: of finance directly connected to savers and taxpayers through pension and sovereign wealth funds. "What we're starting to see through that secular economic transition is a social purpose for finance being structured into the system."

As a powerful personal illustration of the old mantra "never let a good crisis go to waste", the 1987 financial crash opened the door for her to act on this insight. It prompted an existential reassessment among a group of UK public pension funds, who formed the Standing Conference on Local Authority Pension Fund Investment (SCLAPFI). The question it asked, as she frames it, was: "What's going on with the financial system, and what do we do about it?" She became joint managing director of a new organisation, Pensions & Investment Research Consultants (PIRC), "Europe's largest independent corporate governance and shareholder advisory consultancy". The equivalent in the US is the Council of Institutional Investors (CII). "I think the shock of the '87 collapse took everybody back to the drawing board [on] risk, valuation,

who's in charge, performance and incentives," she says. They started to map out ideas about stewardship/ responsible ownership: "This notion that ownership confers responsibility, and that the ownership of these assets through pension funds was not matched through lines of accountability and control. That started to give us insight into the governance agenda." At the heart of the question is the separation of ownership and control, she says, citing Berle and Means (*The Modern Corporation and Private Property*) and Adam Smith: "When managers are not the owners, negligence and profusion, therefore, must always prevail."

But how to activate and embed corporate accountability? When she arrived at CalPERS in 2009 she met the board chairs of every institution in the CalPERS portfolio who had benefited most from the Troubled Asset Relief Program (TARP) after the crash. "And it was clear that these boards did not have the independence or the competence or the diversity to manage what they were facing." So began a now notorious campaign to change the "zombie board" governance structures of the S&P 500, rules that made it practically impossible to change the people at the top. They began with Apple. They had two bites: at the first year's AGM they won an "unheard of" 70% of the vote. When Apple demurred, CalPERS enlisted a very public coalition around the proposal for the following year, with coverage on *Fox News*, CNN, Bloomberg et al. This time they got 80% of the vote and Apple conceded, as did the rest of the S&P 500 in time (CalPERS targeted 50 firms a year). With the levers of governance in its hand, CalPERS could then push specific agendas such as the climate emergency: "Fulfilling fiduciary duty has given us a way to frame the governance agenda, because when you're managing other people's money, your duty is: one, to be prudent, to consider all risks; two, your loyalty to your beneficiary or your client; the third element is care… That then leads us into environmental issues."

'We have to say RIP to ESG, because it is missing the letter F: there is no expression of fiduciary duty'

To that end, Simpson became the inaugural Chair of Climate Action 100+, an organisation targeting over 160 of the most polluting companies in the world, between them "accounting for up to 80% of global corporate industrial greenhouse gas emissions", "driving a just transition to net zero by 2050" (see *www.climateaction100.org*). She still sits on the steering committee. "We deliberately took on the toughest, biggest, baddest emitters globally. The commitments to net zero that we've managed to win roll up to 25% of global emissions. That's equivalent to the emissions of China. And we've done that over a four-year period." Those commitments have to be hard-wired into corporations and their reporting through rigorous governance, not tacked on or adjacent. "We have to say RIP to ESG, because it's missing the letter F," she says. "There is no expression of fiduciary duty."

She has also been deeply involved in the development of recognition of human capital: as a founder of the Human Capital Management Coalition, whose mission is to "further elevate human capital management as a critical component in company performance", and through which she is helping to push relevant shareowner proposals and regulatory disclosure at the SEC; and as a founder of 3D, which campaigns for more diversity in boardrooms, and which has identified and put forward over 1,000 potential board candidates to date.

And so to the last piece of the sustainability jigsaw, and the most reputationally significant one: a set of standards by which firms' planetary and societal impact can be judged, and which must be referenced in public declarations. The efforts to devise such standards is gathering pace. It involves a further blizzard of acronyms, from the TCFD (the Task Force on Climate-Related Financial Disclosures) backed by the FSB (Financial Stability Board) and its former chair Mark Carney. That has now been absorbed by the IFRS (International Financial Reporting Standards), whose sub-division, the ISSB (International Sustainability Standards Board), is due to publish its first conceptual framework for sustainability-related financial reporting standards imminently, to be followed by standards for climate-related disclosures. Not to mention the parallel developments of the EU's ESRS (European Sustainability Reporting Standards) and the SEC's proposal for new rules on climate-related disclosure for investors last year.

Simpson has contributed to most of the initiatives currently under consideration and sees them as "reasons to be cheerful", rather than a tangle of contested possibilities: there is the threat of antitrust legal action from those who characterise organisations such as Climate Action 100+ as anti-competitive. ("That's why organisations like CII and PIRC have become so important," says Simpson: objective arbiters can pre-empt such accusations.) There is the lack of accountability of the corporations (like Facebook) where control is weighted unevenly via different categories of share ownership. Complex and unresolved questions include what constitutes "materiality" in non-financial disclosures; and the implications of trying to capture indirect Scope 3 emissions (those produced anywhere in a company's value chain). She is undaunted: "We're in the foothills of a long climb, [but] we have begun to reframe the job of an investor, this financial, human and natural capitalism model... We have the wind in our sails." ■

When ‘DigiCo’ tried to reinvent itself after some disastrous misteps, it had to reconcile its employees’ differing perceptions of the firm’s past and present direction, business model and mission. **Christian Hampel** and **Elena Dalpiaz** examine the roots of an identity crisis.

CASE STUDY: THE CONTESTED PAST OF AN ONLINE LOANS COMPANY

How can we agree on how we want to shape our future if we disagree about our past? Polarised views about the past are a challenge for many countries and societies. The media is replete with stories about “history wars”. For example, Australians disagree about whether the European colonisation of Australia was a relatively minor conflict or an invasion that was marked by intense violent conflicts and the genocide of Indigenous Australians.

As countries struggle with “history wars”, so do organisations. This especially applies to organisations that were involved in scandals, mergers and major transformations, as well as those that supported colonialism and dictatorial regimes in the past. This can lead their employees and their broader stakeholders to disagree about the organisation’s past, such as whether the organisation’s pre-merger past was better or worse than its subsequent evolution.

How do you respond when different employees challenge your organisation based on conflicting views of its past? Worse still, what if these different groups each challenge the organisation’s very identity, i.e., the understanding of “who we are” as an organisation? That is the issue that needed to be resolved by the executives of DigiCo (a pseudonym). DigiCo pioneered the provision of online loans in a European country. The company grew rapidly in its early years and was celebrated in start-up circles. However, in the process it also used aggressive and misleading marketing, gave loans to people who were unable to repay them, and used inappropriate debt collection practices. As a result, DigiCo had to pay compensation to affected customers and had to reform to meet regulatory standards. Once this process had concluded, DigiCo’s past loomed large for employees and risked preventing the organisation from moving into the future. This is the issue that our study explores.

Many employees were struggling to believe in DigiCo’s identity of being a customer-focused fintech. To complicate matters, employees were giving up on the company’s identity based on conflicting views of the past. Some employees did so because they believed that the company would never live up to what they perceived as its glorious past of tech innovation. Others were giving up on DigiCo’s identity because they believed that the company would always be overshadowed by what they perceived as a deplorable past of harming customers (see below). This thorny situation is what we call “temporal identity complexity”. It is a sensemaking process that involves different members developing conflicting understandings of how the past undermines the organisational identity.

What makes temporal identity complexity particularly challenging for leaders is that it would make matters worse to apply the usual toolkit for dealing with challenges to organisational identity. Scholarship has established that the way leaders create support for an organisation’s identity is by construing a sense of continuity between this identity and the organisation’s past

One group’s understandings of the present: the bad past taints the present significance of DigiCo’s identity

Many members came to believe that DigiCo’s past was a stain that undermined the significance of its identity in the present as a customer-focused organisation. This understanding was cognitive and emotional. First, some members construed an understanding of DigiCo’s past mainly as “bad times” or “negative past” and condemned the actions that DigiCo had undertaken then. For example, a member of the finance team explained: “I wasn’t here when, what everyone’s labelling the ‘bad times’. Well not everyone’s labelling it that.… I think [that] had they [past organisational actions] been fully thought through, they just shouldn’t have done them in the first place.” Members reported that DigiCo’s past behaviour, and the ongoing negative coverage of it, was a burden for their everyday work. For example, a member of the marketing team noted that the team needed to work “harder” because of DigiCo’s “negative image externally, to make sure that our customers … don’t feel that we are the bad company that we were”.

Second, members felt shamed by external audiences due to their association with DigiCo and its deplorable past. They reported being regularly confronted by family members, friends and strangers (e.g., taxi drivers) for working for DigiCo due to its notorious past. A member explained the most negative aspect of working for DigiCo in a *Glassdoor* review as follows: “Historic reputation can result in a lot of slagging [an informal term for receiving insulting attacks].” Similarly, another member described being personally attacked as a result of DigiCo’s past: “People would tell you that you’re a bad person for working for DigiCo.” Thus, members felt shame because of their association with DigiCo and its past. In turn, this group questioned DigiCo’s identity as a customer-focused fintech. A member of the tech team captured the sentiment: “[DigiCo’s] really bad public perception meant that a lot of people were feeling really disheartened about the company and… some people just lost faith [in DigiCo].”

'Temporal identity complexity is a sensemaking process that involves different members developing conflicting understandings of how the past undermines organisational identity'

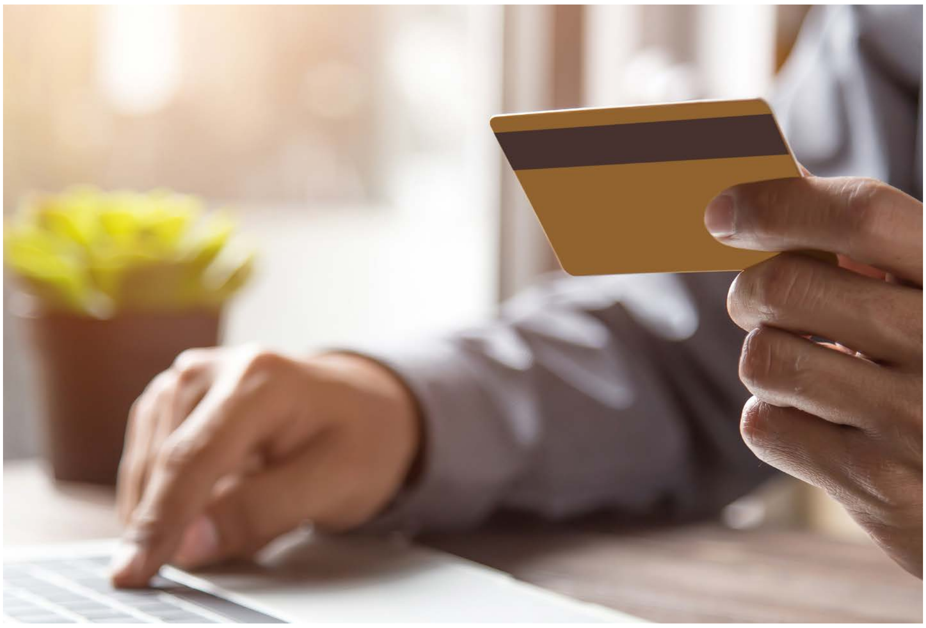


Photo: Noin90650/shutterstock.com

actions. However, when temporal identity complexity arises, leaders cannot do this: by trying to create a sense of continuity that resonates with one view, leaders would reject another conflicting view and alienate its proponents. Alternatively, trying to create a sense of continuity with different contradictory views would lead leaders to mire themselves in contradictions, thus alienating everyone.

How do executives solve the puzzle of temporal identity complexity? Our study finds that organisations can overcome the challenge by using the process of "temporal synergising". This involves integrating conflicting views of the past to support key elements of who we are, rather than ignoring these views. For example, we found that DigiCo overcame disagreements among employees by explaining systematically how both its innovative and its reckless origins had helped the fintech to become more effective and customer focused. This created unity across the previously polarised camps of employees and convinced them of the significance of the organisation's identity. As a result, DigiCo was able to work towards its future once again.

Prior research on organisational identity has emphasised the need to construe a sense of identity continuity over time. However, doing so is not feasible for organisations like DigiCo. We show how these organisations can instead capitalise on the perceived discontinuity in their past to reaffirm identity. We find that leveraging synergies between different views of "who we were" through temporal synergising helps these organisations to return to shaping who they want to become. When history wars loom on the horizon, organisations risk becoming stuck in fights about the past. By proactively capitalising on discontinuity, leaders are able to reorient members towards using the past to shape the future in productive ways. ■

"Confronting the Contested Past: Sensemaking and Rhetorical History in the Reconstruction of Organizational Identity", by Christian E. Hampel, Assistant Professor of Entrepreneurship and Strategy, and Elena Dalpiaz, Associate Professor of Strategy, both at Imperial College Business School, is published in Academy of Management Journal. *See*: https://journals.aom.org/doi/10.5465/amj.2020.1132. *Professor Hampel, a former Research Fellow with our Centre, writes: "This project emerged thanks to the great intellectual ecosystem of the Centre. We would like to thank DigiCo's members and its CEO, the Centre and its community, especially Professor Tom Lawrence, Professor of Strategic Management at Oxford Saïd."*

Another group's understanding of the present: the good past dwarfs the present significance of DigiCo's identity

Whereas one group of members (see left) emphasised that DigiCo's past was deplorable and tainted the organisation's identity, another group believed that the organisation's past was admirable, and that this made DigiCo's present claim of being a fintech seem insignificant by comparison: DigiCo had become a mere shadow of its former self. This view encompassed both cognitive and emotional factors. First, this group emphasised the drive and innovation that DigiCo had shown. A member of the tech team described DigiCo's past in the following glowing terms: "It was a young, exciting company... We were the tech unicorn in [the country]... [the] atmosphere was really fun." When talking about the early days, these members did not stress the customer harm that was associated with the pursuit of this growth and innovation. A leader recalled that in 2016, "even though there was a lot of dark days, people still harked back to, 'Oh …. the old DigiCo used to be better.'"

The view of DigiCo's past as good times was often grounded in these members' unsatisfactory experiences of their own work. For these members, DigiCo had become slow and bureaucratic, and they contrasted this to the dynamism and innovativeness before. A member of the commercial team described the following challenges he and his team had been experiencing, which he contrasted with his memories of the early years: "[We experience a] lot of growing pains about getting procedures in place and the inevitable bureaucracy... It was very hard for people to adapt from being able to make your [own] decision… to putting it through a committee." Second, these members felt sad to see that the present failed to live up to the company's past glories as a fintech pioneer. A former member captured this in a review of DigiCo on *Glassdoor* in 2015: "Technology is no longer at the centre of the business. Advice to Management[:] I hope … it [DigiCo] resurrects it's [sic] technology roots". Another wrote: "It was a good company with great ambition.… Since regulation, it became more and more like [a] bank without innovation."

The Oscar-winning documentary *Navalny* highlights the extraordinary work of the investigative agency Bellingcat, and illustrates the growing phenomenon of worldwide networks of investigators as a vital mechanism to hold the powerful to account. Below left, **Elizabeth David-Barrett** and **Slobodan Tomic** chart how such cooperation has

VIEWPOINT: NETWORKS OF INVESTIGATIVE JOURNALISM

Investigative journalism has always been a vital tool for exposing and deterring corruption, but it was traditionally very localised, since journalists relied on local knowledge and social capital to find out information. This model came under threat with the rise of online and free-of-charge media content and the decline of the printed press, particularly local newspapers. Investigative journalism – which is slow, resource-intensive, and high-risk – initially fell into decline, and with it, an important part of the accountability ecosystem was lost.

However, over the last decade, investigative journalists have begun to work according to a new model. Large transnational networks of journalists based in countries all around the world have broken a series of major stories on grand corruption and illicit financial flows. These stories have often been based on major leaks of data from law firms, financial institutions or government agencies, as with LuxLeaks (2014), SwissLeaks (2015), the Panama Papers (2016), the Paradise Papers (2017), the FinCEN Files (2020), the Pandora Papers (2021) and Suisse Secrets (2022).

Transnational investigative journalism (TIJ) networks play a convening role for journalists around the world and facilitate their cooperation. There are two main global TIJ networks in the world: the Organized Crime and Corruption Reporting Project (OCCRP) and the International Consortium of Investigative Journalists (ICIJ). These are complemented by a range of regional networks, such as the Balkan Investigative Reporting Network (BIRN), which is prominent in the Western Balkans. Regional networks sometimes participate in or have membership in a major international TIJ network.

Journalists regard membership in a TIJ network as valuable in mitigating individual risk. As several journalists explained to us, investigating and writing about the perpetrators of grand corruption remains an extremely dangerous business, but transnational networks are helpful in mitigating the risks. The network may also make it possible for individual journalists who might be at risk if their names were associated with certain stories to pass on a story to someone else in the network. If a case is highly sensitive in one country, for example, the network might pass it to someone who does not live there. This approach can also help evade curbs on media freedom: for example, none of the February 2022 Suisse Secrets stories were published under the bylines of Swiss reporters, out of concern that they could be prosecuted under Switzerland's archaic secrecy laws.

Transnational networks build the capacity of the profession in several ways. One way is through new tools provided by

'These networks are especially important in collecting preliminary evidence in the fight against corruption'

the networks as a public good for the profession, alongside training on how to use them. The networks have two sorts of digital platforms, for example, both of which are fundamental to efficient cross-border investigations. Internal forums allow journalists and other experts to liaise; for example, to find a partner from abroad, perhaps in far-flung places, who can assist an ongoing investigation, most often by gathering local evidence and providing local context. Some journalists act as regional specialists whom their colleagues from other places in the world can hire for more sophisticated analysis.

Investigative dashboards, meanwhile, collate data from a variety of sources to help journalists access and triangulate evidence. For example, the OCCRP has brought together journalists and data scientists to develop an investigative dashboard called Aleph, which provides access to data including company ownership records and other information using data from public records and the media, as well as from past leaks and data from public sources such as on geospatial location. The networks also sometimes assist small outlets with gaining access to tools and data that they might otherwise find too expensive to access, such as satellite information, export-import figures, telephone numbers or addresses. Some networks have in-house data scientists to perform sophisticated searches and analyses.

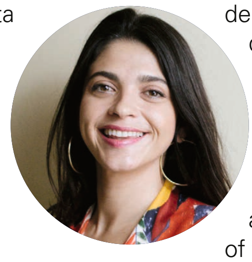
Our interviews indicate that TIJ networks excel at harnessing digital capacities. This digital collaboration has helped to consolidate a culture of collaboration. This has helped to build trust and a strong sense of community. This is an asset in itself which may give TIJ an advantage over other professions in the anti-corruption space. It marks a shift in the culture of journalism away from the traditional "lone wolves" towards a more collaborative and mutually supportive model.

Our research suggests that TIJ networks are especially important in the discovery and preliminary evidence collection in the early stages of the global fight against corruption, and may also enhance the pre-investigation stage. Journalistic reports may alert prosecutors and law enforcement to the location of evidence, and potentially to unexplored linkages between corruption actors. ■

Extracted from "News never sleeps: when and how transnational investigative journalism complements law enforcement in the fight against global corruption", by Elizabeth David-Barrett, our former Research Fellow and now Professor of Governance and Integrity at the University of Sussex, and Director of the Centre for the Study of Corruption; and Slobodan Tomic, Lecturer in Public Management at the University of York. More at https://tinyurl.com/4zcvp6jv.

transformed the sector; below right, journalist **Maria Fernanda Cruz Chaves** explains how important the power of the global network has been for her work in Costa Rica, and how worldwide investigations such as the Panama Papers can now benefit even small media operations, and help them build a more positive reputation locally.

I was a 22-year-old journalist fresh from university, and an intern at the biggest media company in Costa Rica, Grupo Nacion, when I experienced firsthand how much was changing in the news industry.



When the WikiLeaks story broke in 2011, Grupo Nacion was the only company in the country with access to the data. A number of staff from all sections moved into a restricted operations room. They were joined by two journalists from Nicaragua and even a software developer – who I later discovered transformed the leak into a searchable database. I had been drawn to journalism by the image of the heroic lone wolf battling for a scoop. This was different: a collaborative network, where everybody benefits from others' victories.

It marked a turning point. Since then, I have seen and been part of networks of journalists working on similar big leak stories across dozens of countries. When the International Consortium for Investigative Journalism shook the world with the Panama Papers revelations in 2016 – 11.5 million leaked records exposing criminals and corrupt politicians using tax havens for illicit or immoral purposes – the initial set of revelations was published in Costa Rica by two small independent news operations. This would become the new normal. With big media companies dismantling investigative units to suit new business models, collaborative networks sprouted up as an alternative.

It was with the Paradise Papers and the second wave of investigations from the Panama Papers database in 2017 that our non-profit local newspaper, *The Voice of Guanacaste*, entered the network. To become part of it, we had to be recommended by a Costa Rican journalist who would act as our mentor; the network was based on trust.

Having taken steps to greatly enhance our IT security, we spent months delving into the enormous database of emails and documents, communicating only via encrypted emails and a secure, private social media platform. We asked questions and received answers from the other side of the world, unpacking patterns in corrupt behaviour, understanding new concepts better, and sharing intelligence on everything, from which keywords to use to search more efficiently, to explanations of complex financial concepts.

We published in conjunction with 380 journalists from around the world. Our story exposed a multi-million-dollar tourism project that stripped the local community of some of its most paradisiacal beaches and hid money and transactions in tax havens using Mossack Fonseca's controversial law firm in Panama.

'When a single outlet cannot publish a story in its own name, we all publish together, adding a layer of credibility to it'

Initially, our journalists were not taken seriously, either by lawyers or implicated companies – who maintained that their activities were lawful and answered our questions with generalities. When a scandal started to build up, they finally began to provide more explanations.

Our credibility benefited, too: in the face of a growing crisis of trust in the media industry in Costa Rica, local communities engaged with us and expressed their approval of our work. We were invited to national and international conferences where we met other journalists eager to work with us. Sources were more interested in giving us their opinions. People were more prone to send us tips.

Although it does not always have an immediate impact, my experience is that collaborative pieces reach wider audiences, gather more attention and are more frequently quoted in academic papers and lawmakers' speeches pushing for structural change. On the back of these initiatives, and in the face of a growing campaign against science and the press during the pandemic, we naturally built other alliances with outlets in Costa Rica and Central America to investigate fake news and cover health, migration and abuses of power.

Some of them were temporary, but others have survived the many obstacles imposed by our Central American authoritarian governments. When a single outlet cannot publish a story under its own name, we all publish the same story together, adding a layer of credibility to it. In times when governments repress, expell and incarcerate journalists, having a strong network of support is crucial.

Most of those involved in the networks in my region are independent media, which means we still have some structural challenges to overcome. Although more donors turn to us to support the wider network, many of them still fund specific collaborative projects instead of making long-term commitments that would allow us to operate in the longer term.

Even so, within our group we have found everything from emotional support to digital security advice, and we know that we are stronger when we publish together, as it is more difficult to target a wide international network than a single journalist. It is always easier to attack a lone wolf than a pack. ■

The author is executive director at The Voice of Guanacaste, *Costa Rica's first bi-lingual, not-for-profit newspaper.*

The new **Foundation of Values and Value Programme** reasserts the centrality of moral values in all aspects of social policy and business decision-making. At the inaugural summit, there was a particular focus on location-driven regeneration in the UK. Below is an extract from the white paper arising from those discussions.

SUMMIT REPORT: VALUES-DRIVEN, PLACE-LED REGENERATION

The spread of individualism, the majority-rule basis of democracy, and the market economy have all combined to undermine the importance and relevance of moral values, creating a system essentially based on delivering "what we (as voters and consumers) want". The inadequacy of this as a governing principle in making political, business and social decisions is shown by the current "polycrisis" discussed in the World Economic Forum at Davos earlier this year. We are facing a climate crisis, environmental degradation, geopolitical tensions, a tidal wave of misinformation and loss of trust, and growing inequality on a national and global scale. The problems are interconnected, but most current attempts to address them, piecemeal and unmoored from moral values, have been largely ineffective. We have been tackling the symptoms and not the causes.

Rethink our definition of prosperity

There is an established critique of the idea that economic growth and the maximisation of GDP are the primary goals of government. Equally, there is increasing discomfort with the well-worn notion that profit maximisation is the one and only purpose of business. Instead, we are gradually moving towards a consensus that we need a new vision of the economy, in service of life for people and planet, and capturing a stream of benefits into the future rather than just measuring income.

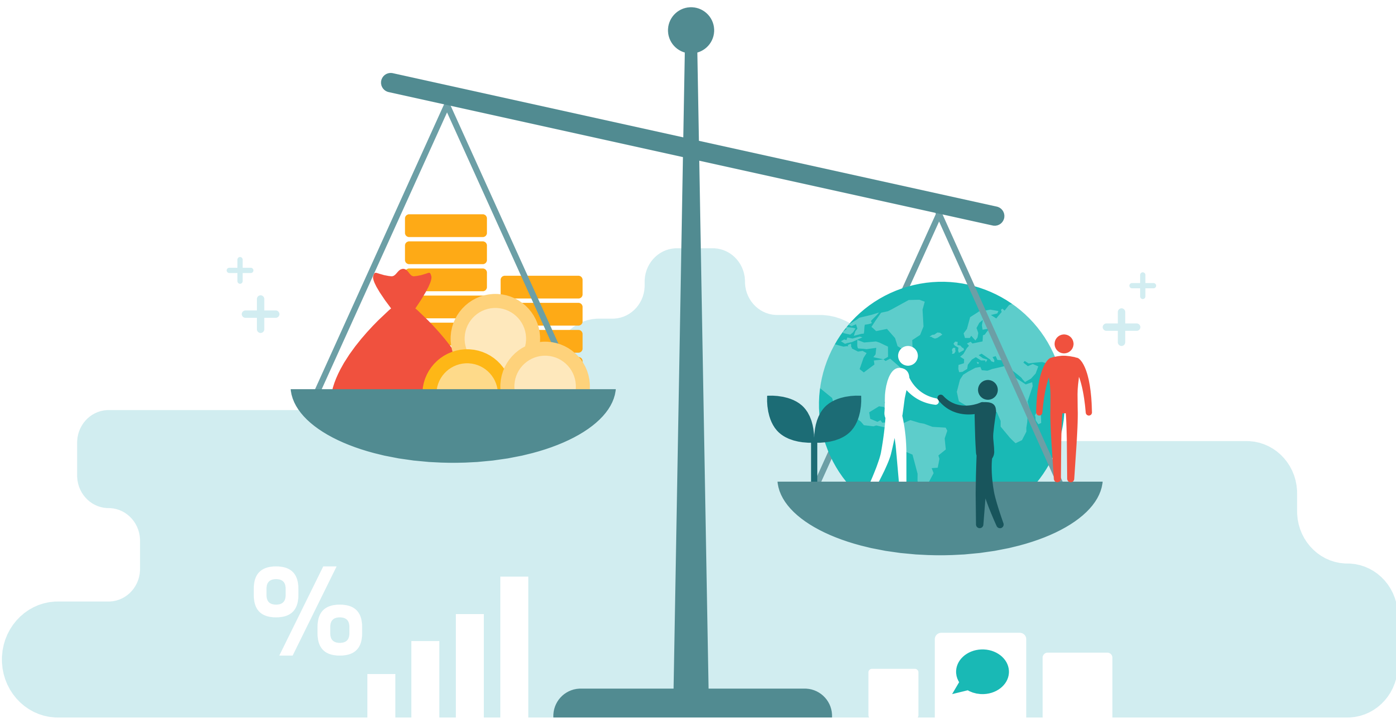
But old models die hard, and there is continuing resistance to moving away from measures of economic value. That is always the starting point, and ideas to address challenges, including environmental challenges, are instinctively evaluated according to the "cost to GDP". That measure ensures that many potential new ideas do not get off the starting block: we end up with lock-in, maladaptation and missed opportunities, because we are focusing on the wrong things.

> 'Solving the wide range of social problems now confronting policymakers requires them to shift to a values-based approach'

We need not only to rethink our definition of prosperity but to develop new, more powerful narratives around that definition. Values, the environment and wellbeing need to be central to our ideas of prosperity, with the understanding that true wellbeing is derived from the pursuit and attainment of our value-driven goals.

Rethink policymaking on the basis of values – not preferences

The dominant approach to policymaking worldwide is to base decisions on preferences: "what people care about/want". Even capability approaches, such as in health and education, which are necessary for people to achieve things,



Illustratoin: Elenab/shutterstock.com

WHAT DO WE MEAN BY VALUES?

Values are principles and beliefs that can provide implicit guidelines for social behaviour, or help us choose between options. They reflect individuals' and societies' beliefs about what is good and worthy.

Moral values are normative: they are not rules and they cannot be measured by assigning them a numerical value; they are taught and transmitted by socialisation and storytelling.

Although there are many values (compassion, solidarity, integrity, honesty, justice, fairness, etc.) that most people would seem to hold in common, discussions at the summit suggested that there is no list of universal values that are held by everyone, all the time. Context matters, and understanding that is key to making effective values-driven and place-based decisions.

As a basis of decision-making, disparate values can be put together (deliberately or not) in frameworks and to form more comprehensive values. For example:

- As components of an ordinary more comprehensive value, such as "wellbeing", which can be defined by policymakers through the Global Happiness Index.
- As components of a nameless more comprehensive value, such as the Sage dashboard, which is based on values but is not articulated as a single value.
- As components of a stipulated more comprehensive value, such as the UN's Sustainable Development Goals.
- As disparate values that are talked about together but do not form any more comprehensive value.

may look as if they are value-based, but are in fact based on preferences: they are favoured and prioritised only if they provide for the delivery of preferred methods or outcomes. The problem with a preference-based approach, of course, is that what people care about might not be valuable. They might also have been manipulated into caring about it. So policies based on what people care about may result in approaches that do not necessarily make lives better, or indeed can make them worse.

Solving the wide range of social problems now confronting policymakers therefore requires them to shift to a values-based approach, taking as a starting point not "what we want", but what is valuable: what has worth and is an objective "good" that improves human lives. Then preferences can be considered as a means of identifying which values we care most about. The interplay between values and preferences – and indeed between different values – is complex, and it is likely that trade-offs will have to be made.

Rethink how and where programmes are designed

One size does not necessarily fit all, and an intervention that has worked in one place may not work in another. Centralised programme design by experts within the Treasury or government departments has demonstrably failed.

Solutions have to be designed at a local level, with participation by multiple stakeholders, including local government, businesses, charities, education providers and local people. Co-design is key: the focus-group approach, in which experts listen to local concerns and then go away and create programmes, may have a level of local input, but it is still operating on the paternalistic basis of, "We will decide what is best for you." More seriously, it is denying agency to local communities – which, as we have discussed, is key to wellbeing and to enabling communities to come together and lift themselves up.

The foundations of this approach to design are tolerance for the values of others and dialogue between equals. That means deliberately empowering and amplifying the voices of those who are less powerful – maybe because they are poorer, less well-educated, or from a minoritised group.

> 'Longer funding streams into the system allow for the co-design process and implementation of programmes'

As with all complex problem-solving, participants in the dialogue and design process should approach it as an experiment, not expecting an instant and perfect solution. It should build on existing narratives and pictures that allow people to keep their identities and cultures and evolve them together.

The expectation should not be that this process will create many individual, hyper-local projects, but that experiments can be learnt from, developed and adapted to suit different places. The local experiments develop the principles and "code" for a modular national strategy.

Rethink timescales

Forty years or more of decline will not be reversed instantly. Regional regeneration will require a long-term vision with sustained support and investment, continuing over the lifespan of several parliaments. Following the traditional approach of focusing on regular, short term new policy ideas and infrastructure projects involving relatively small amounts of money will not make much difference. Longer, sustained funding-streams into the system allow for the co-design process and implementation of programmes, but also allow for monitoring, checks and balances, accountability and evaluation to be able to identify the approaches that work, those that need further development, and those that can be safely abandoned.

As examples to follow, the regeneration of the former East Germany following German reunification was achieved through a cross-party alliance which committed to massive, focused public spending over a period of 30 years. The programme to regenerate Germany's coal-mining regions is based on a target of ending coal-based power generation by 2038. Committing to a long-term vision may come at the expense of quick wins, but is vital to creating and sustaining trust. ■

Extracted from a white paper entitled "Values-driven and place-led: a new approach to regeneration in the UK's left-behind regions", compiled from contributions at the inaugural summit of the Foundations of Values and Value Programme, held at the Blavatnik School of Government.The summit was organised by the Blavatnik School of Government in conjunction with our Enacting Purpose Initiative (www.enactingpurpose.org), *Fraunhofer IMWS, the Global Solutions Initiative, the New Institute (Hamburg), and the Oxford Internet Institute. For more information, see:* www.bsg.ox.ac.uk/research/foundation-values-and-value-programme.

NEWS AND EVENTS

In January, our Enacting Purpose Initiative (*www.enactingpurpose.org*) co-sponsored the inaugural summit of the new **Foundation of Values and Value Programme**, hosted by the Blavatnik School of Government. An extract from a report derived from the event is on pp10-11. More on the Foundation at *www.bsg.ox.ac.uk/research/foundation-values-and-value-programme.*

The latest paper co-authored by our Postdoctoral Research Fellow **Alessandro Guasti** is "Can Conditional Cash Transfers Reduce Vulnerability to Climate Change?", in *Climate Policy* (*www.tandfonline.com/doi/full/10.1080/14693062.2023.2183174*). Alessandro has also recently won a substantial award towards future research from Oxford University's Jonfell Fund, as part of a team at Oxford Saïd with **Matthew Amengual**, Professor of International Business, and **Ishrat Gadhok**, DPhil candidate. The award will help fund a randomised control trial on 75 garment factories in India, involving 3,500 workers, as part of an ongoing project on gender equality in that industry.

Alessandro Guasti also presented the paper entitled "Do large-scale training programs increase social upgrading in global value chains?" at the annual conference of the International Studies Association in Montreal in March, from a working paper – co-written with **Matthew Amengual** and **Damien Raess**, of the World Trade Institute in Bern – focused on the impact of such programmes in developing countries.

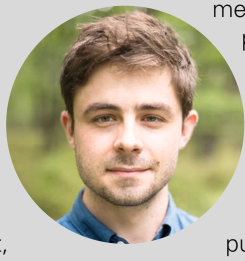
In March the Centre hosted a workshop at Said Business School, "Just Transitions and Net Zero: People, Organisations and Places", chaired by our director **Rupert Younger** with our International Research Fellow **Laura Spence**, Professor of Business Ethics, Royal Holloway, University of London, and **Juliane Reinecke**, Professor of Management Studies, Oxford Saïd. Despite COVID's best efforts to derail the event, presentations and discussions were energised and engaging. See (indicative) programme: *https://tinyurl.com/bdn2pcbt*.

Our Postdoctoral Research Fellow **Ximeng Fang** gave a presentation to the Behavioral Economics and Experimental Research (BEER) Lab Meeting at Lausanne University, on "The playful way to pro-environmental behaviour: a field experiment on edutainment through video games". See: *www.unil.ch/ob/en/home/menuinst/seminars--events/lab-meeting.html*.

Our director **Rupert Younger** spoke at a number of business schools in the US in March, including the Terry College of Business, University of Georgia, and the W.P. Carey school of Business, Arizona State University. He also convened an event in New York with our US-based Visiting Fellows, themed around an exploration of the relationship between business and politics. For more on our Visiting Fellows, see: *www.sbs.ox.ac.uk/research/centres-and-initiatives/oxford-university-centre-corporate-reputation/visiting-fellows.*

This term's **R:ETRO** (Reputation: Ethics, Trust, and Relationships at Oxford) webinars were: "Abiding by morality within the neoclassical theory of the firm", with Santiago Mejia, Assistant Professor of Law and Ethics, Gabelli School of Business, Fordham University; "One price tag for impacts – a critical reflection on the standardization of impact measurement and valuation", with Laura Edinger-Schons, Professor of Sustainable Management, University of Mannheim; "Toward a global stakeholder capitalism", with Ed Freeman, Elis and Signe Olsson Professor of Business Administration, University of Virginia. To view recordings, see: *https://tinyurl.com/w2pfumnv.*

APPOINTMENTS



We are delighted to welcome **Samuel Mortimer** as our new Intesa Sanpaolo Research Fellow. He is working with Alan Morrison, Professor of Law and Finance at Oxford Saïd, on a project exploring the normative foundations of trust, especially in the light of the fourth industrial revolution and the rise of generative AI.

A philosopher and organisational psychologist by training, Samuel holds a PhD in Ethics and Legal Studies from the Wharton School, University of Pennsylvania, and a BA in Philosophy and Theology from the University of Oxford. Samuel's research on meaningful work has been published in the *Journal of Business Ethics*: "What Makes Work Meaningful?" gives a new account of meaningful work, arguing that our commitments can create distinctive reasons to pursue certain work, and that it is the presence of these distinctive reasons that makes work meaningful. For the complete paper, see *https://rdcu.be/c52f9*.

Our Postdoctoral Research Fellow **Rohini Jalan** will be taking up a new position as Assistant Professor of Strategy & Organisation at McGill University's Deasautels Faculty of Management in July.

CONTACT US

We welcome your feedback. Please send any comments to: *reputation@sbs.ox.ac.uk*. The Oxford University Centre for Corporate Reputation is an independent research centre which aims to promote a better understanding of the ways in which the reputations of corporations, institutions and individuals are created, sustained, enhanced, destroyed and rehabilitated.

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