TRANSITIONS TENSIONS: NAVIGATING SOCIAL AND ENVIRONMENTAL EXPECTATIONS

CIRCLE OF INNOVATORS DIALOGUE 2025, LONDON

EVENT SUMMARY

IHRB
Institute for Human Rights and Business

REFLECTIONS ON THE CIRCLE OF INNOVATORS DIALOGUE BY IHRB'S CEO, BRANDEE M. BUTLER

In spite of geopolitical upheaval and economic uncertainty, many businesses are committed to sustainability now more than ever. And yet, fewer companies are talking about it. That was the message in the room at IHRB's recent Circle of Innovators dialogue, which convened senior leaders from the responsible business community to discuss the tensions they face meeting social and environmental standards.

And the data backs this up. According to a recent survey from the UN Global Compact, the vast majority of CEOs (88%) say the case for sustainability is stronger today than it was five years ago. A staggering 99% intend to maintain or expand their social and environmental ambition.

A reason to be optimistic this may be, but IHRB's Circle of Innovators dialogues have always been a place for frank discussion to grapple with real time developments and dilemmas that responsible businesses face now and see coming down the track.

So while the evidence suggests that many companies are walking the walk, the advantages and disadvantages of going silent on sustainability remains a live topic of debate. If responsible companies do find themselves doing but not saying, how quickly do we slide into apathy and inaction? Will investors and consumers increasingly turn away from companies that are not open about their human rights risks and commitments?

Take artificial intelligence (AI) for example. This powerful technology remains largely ungoverned and without clear ethical guardrails, yet is being widely deployed by the majority of companies in their operations - officially and unofficially with mixed results. Technologies including AI are both enablers and multipliers - they can improve efficiency, amplify transparency, increase traceability, and improve access. But they can also exacerbate or create new inequalities. AI hiring systems are already discriminating against candidates on the basis of gender, disability, and race and ethnicity, and do so largely undetected. The roll-out of neurotech in supply chains - mindreaders strapped to our heads to detect issues like fatigue - has unknown implications for the rights of workers. The people who design, deploy and govern AI need to recognise and act on their responsibilities to ensure new and existing technologies benefit, and do not harm, customers and communities.

Insurance, too, is a relatively overlooked enabler (or blocker) of human rights. If insurers demand stronger climate adaptation and labour welfare standards, this attaches a financial incentive to ESG reporting and governance efforts. Sustainability becomes no longer a box-ticking exercise in compliance, but a core component of commercial viability. These sectors were the focus of discussion at our roundtable, and in this short summary we've captured some of the key reflections shared throughout the day.

Read on for insights from fellow colleagues grappling with dilemmas that are weighing on many of us. Let their collective insights offer you some guidance in these difficult times. Indeed, sitting in a packed room surrounded by folks turning up and seeking solutions to shared challenges gave me a refreshing dose of courage and optimism.

Brandee M. Butler
CEO, IHRB

DIALOGUE INSIGHTS

THE PUSHBACK ON THE 'WHY' OF CORPORATE RESPONSIBILITY - AND HOW TO COUNTER IT

Sustainability remains a business priority, but c-suite executives are increasingly questioning their teams about 'why' they are doing human rights due diligence. Legislative developments have been helpful to create clarity and a level playing field, but this risks creating a compliance mindset, which pushes focus further away from the 'why' - that people's lives are positively impacted and their rights are respected.

One tangible example for sustainability teams is dealing with the internal fall out of the 'EU Omnibus'. Engaging senior executives in the EU CSDDD process, only to see it unravel, has burned precious time and credibility with boards. Businesses that stick to their ongoing due diligence responsibilities in line with the United Nations Guiding Principles on Business and Human Rights will be able to ride out regulatory setbacks and kneejerks.

> "The challenge to the ESG agenda [internally] has been really questioning and interrogating what we're doing in the sustainability space, really questioning 'why' we've set the targets we've set."

Some attendees said they are now repositioning human rights concerns as a 'risk to business' to get internal buy-in, or for more positive appeal, a chance for 'value creation'. In fact, human rights teams are shifting from marketing to commercial departments, with a focus on long-term supply chain resilience as a clearer way to demonstrate the importance of human rights due diligence to managing ongoing legal, reputational and operational risks.

This speaks to the need to get 'forensic' about the business case for human rights. For example, in mining, failing to respect the rights of communities can lead to costly delays or cancelled projects. IHRB's own research, to be published in January 2026, is attempting to put a price against the cost of conflict between communities and the renewables sector - an industry where urgency is critical to meet net zero targets. The bottom line is: transitions must be framed internally as a tool for both economic and social benefit - for companies and communities alike.

Useful reading:

- *Advance* - a PRI-led collaborative initiative where institutional investors aim to protect and enhance risk-adjusted returns by advancing progress on human rights through investor stewardship (PRI)
- Dialogue Insights: Understanding the Costs of Green Conflict (IHRB)

DROP THE JARGON

When facing hard questions about sustainability, communication is key. Jargon is becoming a barrier to internal buy-in within companies. This is in part due to the human rights due diligence industry, which has grown quickly, and with it brought swathes of off-putting or technical language that risks disengagement from c-suite.

Instead, more can be done to link human rights due diligence to the issues businesses care about - safety, welfare, fairness, inequality, displacement. Some businesses are already 'retreating to the core', choosing to articulate more directly their work as advancing workers rights, safety, and community engagement.

> "There is an opportunity to look at fresh language when we talk about rights [internally]."

The challenge to implementing existing commitments based on international standards is made worse by a growing 'crisis of trust' and reduced confidence in information from traditional sources such as mainstream media. Some governments are replacing terms like 'human rights' with 'mutual respect' in international forums, as a covert means to dilute international norms and undermine legal commitments they have made to protect human rights. Businesses need to step up and play a greater 'advocacy' role as champions for rule of law, good governance and human rights as government backsliding becomes more severe.

Useful reading:
- Inconsistent language can undermine the credibility of corporate social responsibility reports (LSE)
- ESG and the changing language of corporate social responsibility (BerkeleyHaas)

SILENCE ON ESG CARRIES RISKS

Companies are still committed to ESG standards, but there is a clear trend toward "hushing" in which they talk publicly about their work in this area far less than before. Sustainability self-censorship is rising due in significant part to a more polarised political environment. Is this a bad thing? The answer remains unclear. One civil society representative said they are less bothered about what is not being said, and more concerned about what is or is not being done. Others asked: without transparency and reporting, how can investors and civil society hold companies accountable?

> More businesses [are] being quieter and hushing... is this the right approach for business? In the face of such facts, should we be quieter or do we need to stand up and use our voice? "

Walking the talk is necessary, but disclosure is still important. Hushing is problematic because investors need information about risks and mitigation efforts. Internally, this is also crucial, with one contributor highlighting that sustainability reporting serves as a means to socialise human rights issues within a company.

Useful reading:

- Companies still acting on climate change, but 'afraid to talk about it' publicly: experts (ESG Dive)

TAKE A PLACE-BASED APPROACH TO HUMAN RIGHTS RISK

Many participants said companies are developing sustainability strategies for specific for markets. For example, companies based in the U.S. are maintaining commitments to ESG, but are starting to use different language to describe their work, dropping terms like “human rights” or “diversity, equity and inclusion”.

> Human rights due diligence, and being very ‘place-based’, is key in managing risks of production, managing the risks of project development, and having predictability.”

Similar strategies are increasingly needed for business operations in China. Since the early 2000s, China has applied its ability to industrially dominate markets to climate-change mitigation, seeing it as a business opportunity. Experts say the country is also likely to over deliver on its modest climate targets. But what does this mean for social and environmental commitments of companies engaging in Chinese markets? The country’s green economy is highly competitive. Prices are being cut and profit margins are small. A race to the bottom is emerging and in such cases exploitation of workers and communities usually increases.

Useful reading:

- Political backlash forces 80% of US companies to rework ESG strategy (Sustainability Directory)
- International businesses in China: Staying competitive in a changing landscape (CKGSB Knowledge)

GETTING A GRIP ON ARTIFICIAL INTELLIGENCE

AI and human rights remains an issue with many questions but few answers. A plethora of regulatory mechanisms and multiple codes of conduct are being developed, some of which work at cross-purposes to one another.

At the sharp end of its (lethal) potential, tech and AI is becoming nationalistic. In 2025, some big tech companies shifted their ethical safeguards to allow them to work on defence. AI is increasingly used in armed combat. Companies have taken on military contracts that have enabled nations to wage wars, resulting in allegations of complicity in war crimes, particularly in Gaza. The challenge for companies developing and deploying technology in this way includes how to effectively use human rights due diligence to decide who to do business with - and when to cancel contracts that breach their policies.

> We are in control of this technology... [AI] by itself doesn't do anything. But engineers need guidance on what good looks like, because it is moving very fast and the driver is competition."

The use of AI within companies is clearly fragmented - 'who in companies is looking at the impacts of how employees are using AI?' - asked one attendee. Do company AI policies consider its many potential impacts, from environmental harms to discrimination? Multiple examples of 'AI bias' were shared, in particular, where tech has failed to adapt to accommodate people with disabilities. AI-guided human resources systems are already negatively impacting marginalised groups; software that rejects people with facial disfigurement, for example. By and large, neither tech developers nor buyers within companies recognise and understand how disability interacts with tech, or the risks it presents.

New technologies centred around decentralised data from multiple sources are being explored, for example to help prevent or root out human trafficking. Breaking down data barriers between sectors and companies could help spot exploitation hidden in complex supply chains. This pooling of data from many locations does come with risks, however. An extractive approach to data could 'steal' intellectual property from grassroots organisations or Indigenous people. A reliance on AI-based data gathering on supplier risk could reduce the opportunities for human-to-human engagement with suppliers that is vital to address problems, particularly if it leads to them being automatically 'off-boarded'.

Large language models are good at absorbing data that is available online and representing dominant narratives, but minority languages, indigenous cultures, and other marginalised groups are at a disadvantage. And what if AI needs to fill in gaps because data hasn't been disclosed? The risk of 'hallucinations' - fake information presented as fact - is already known and very real as is recognised concern of AI eliminating entire categories of jobs.

Humans remain in control of AI tech and how it's deployed. But there is an urgent need for stronger governance and clearer guidance on what 'good' looks like for those who develop and use this fast evolving technology. Many companies are putting more resources towards trying to strengthen their policies. An example worthy of further study is HP, which has built an AI Governance Model across its business functions that is led by data and tied to values, and includes details of how the company carries out due diligence on potential customers. Meanwhile, the World Benchmarking Alliance is leading a Collective Impact Coalition for Ethical AI, organising investors and civil society groups to push companies to develop higher standards for their responsible AI policies.

Useful reading:

- Building a Responsible AI Framework: 5 Key Principles for Organizations (Harvard Division of Continuing Education)
- The global landscape of AI safety institutes (All Tech Is Human)

USE INSURANCE TO PUT A PRICE ON HUMAN RIGHTS RISKS

It's clear that insurance is not peripheral, but central to human rights. If insurers do not flag sustainability and human rights risks in deals, then others will not either. Most companies focus on climate change risks. 2025 is the fifth year in a row where climate change is a top risk for companies, as one senior insurance executive noted. But insurance remains narrowly focused on environmental liabilities - loss of land, destruction of assets, pollution etc. - and not on broader social concerns.

> Arguably, the just transition conversation is going to be laid bare, not by capital investments or mitigation, but through resilience adaptation and insurance."

This reveals two areas of opportunity for insurance. The first is to widen the lens of insurance to recognise the interlinkage between human rights, climate and social risks. The impact of weather related disasters on people and their rights is one area for attention. But so are the costs of conflict with communities as a result of poorly managed, exploitative green transitions. According to some company representatives, the distinct disconnect between risk and sustainability managers can lead to real challenges for companies as they engage with governments, communities and other stakeholders. Better alignment could help connect human rights risks to a company's portfolio of commercial risks.

The second opportunity for the insurance industry is moving beyond adaptation to be more active on mitigation. Insurers can evolve their pricing models to 'price in' climate risks, and therefore steer companies to take mitigation steps in order to lower their premiums. As one participant put it, funders and lenders are key allies to sustainability, but "they won't sign off deals if their concerns about risks aren't satisfied."

Useful reading:

- Guidance on the integration of ESG risks into insurance underwriting (UN Environment Programme)
- Insurance can make ESG standards inescapable, helping close green investment gaps (IHRB guest commentary)

LOOKING AHEAD

Against fierce political backlash and regulatory uncertainty, these are undoubtedly challenging times for responsible businesses. Meanwhile global conflicts continue to proliferate at levels not seen since World War II, stretching company resources and potentially harming the work being done to address and manage human rights and environmental concerns in their supply chains. The road ahead is unclear for teams navigating these tensions. 'Corporate hushing' is clearly a dominant path to follow, but there is a significant risk that silence may do long-term damage to sustainability efforts. The AI and insurance sectors offer real opportunity to further ESG - but those developing and deploying products need guidance. Despite these notes of caution, there are reasons to be optimistic. In the face of tensions, leading companies know that practicing sustainability is both a moral and competitive imperative, and will outlive fractious political cycles. IHRB will be engaging with companies and partners in the year ahead to further explore the dilemmas raised at our Circle of Innovators dialogue - providing deeper analysis and practical insights to guide action on these important issues.

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