



HRH THE PRINCE OF WALES'S

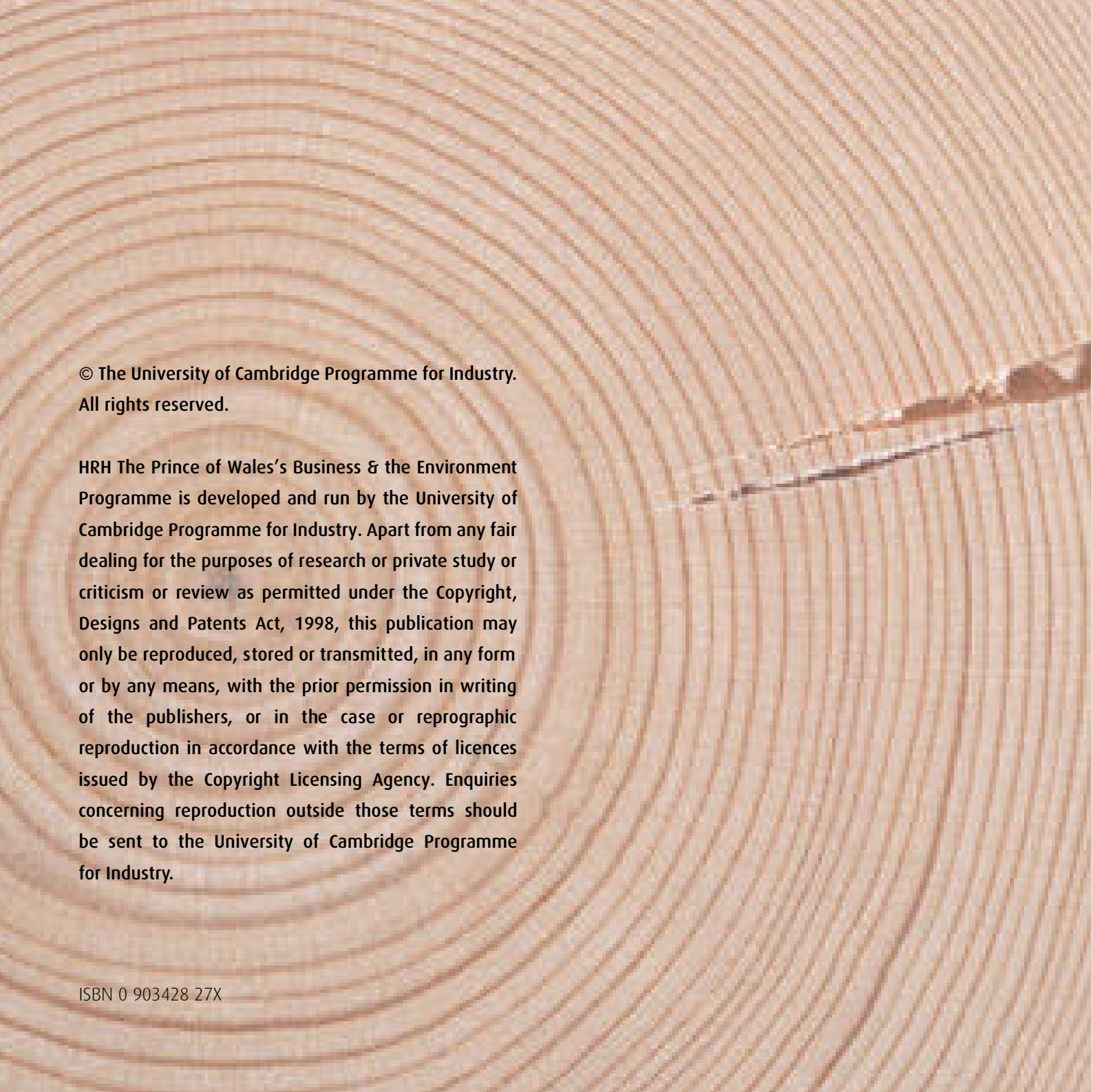
BUSINESS & THE ENVIRONMENT PROGRAMME
DEVELOPED BY THE UNIVERSITY OF CAMBRIDGE PROGRAMME FOR INDUSTRY

Facing the Future

Business, Society and the Sustainable Development Challenge



UNIVERSITY OF
CAMBRIDGE
PROGRAMME FOR INDUSTRY



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INTRODUCTION

This publication marks the 10th Anniversary of HRH The Prince of Wales's Business & the Environment Programme and seeks to engage the world of business in a reflective, challenging conversation about its pivotal role in shaping humanity's future.

For 10 years, The Prince of Wales' Business & the Environment Programme, through its Senior Executives' Seminars and its alumni programme, has helped business leaders realise their organisation's potential in creating a more sustainable future for all. Our more than 1,000 alumni, diverse, cross-sectoral core faculty and external contributors represent a rich source of international expertise and experience drawn from across the worlds of business, academia, public service and civil society.

This publication features contributions from 35 alumni, faculty and seminar contributors from around the world, all of whom wield considerable influence in their fields. They include top executives from multinational companies, the executive director of a UN agency, leading civil society thinkers from rich and poor nations, and the UK Prime Minister, the Rt Hon Tony Blair, MP.

We hope the ideas, warnings and practical solutions contained within these pages will help business, government and civil society chart a common path to a sustainable future for our planet and its people in the months and years ahead.

Acknowledgements

We would like to thank all those who contributed to this publication, including those who advised on the overall concept: Pat Delbridge, Professor Tom Gladwin, Professor Tim O'Riordan, Professor Jorgen Randers and Peter Willis. In particular we would like to thank Polly Ghazi for helping to design the structure and for conducting the interviews upon which the publication is based. The responsibility for the publication lies with the Programme Directors: Polly Courtice and Jonathon Porritt. Editorial Team: Polly Courtice and Lindsay Hooper.

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FOREWORD

HRH The Prince of Wales

To 10th Anniversary Report for the Business and the Environment Programme



‘Facing the Future’ is a highly appropriate subject to mark the tenth anniversary of an organisation dedicated to sustainability. So I couldn’t be more pleased that some of the many committed and

thoughtful individuals who have participated in the Programme have agreed to share their insights in this publication. The topics covered here are a rich and eclectic mix, but none of the articles is less than thought-provoking and together they indicate the sheer breadth of the sustainability agenda that confronts us all.

This is a Programme that has always tried to persuade participants and alumni to reach out beyond the usual material about ‘the business case for sustainable development’. I am aware, for instance, of the Sustainable Economy Dialogue that has been running over the last few years, encouraging people to think much more deeply

about exactly what the barriers are to a sustainable economy. Looking at the results, one of the things I found fascinating was the extent to which the different Dialogues – whether in South Africa, the United States or Cambridge – identified pretty much the same list of barriers each time. And right at the top of the list was short-term thinking.

The inability of most of us to think or plan clearly much beyond the pressures of the next few months is at the heart of many of the sharpest sustainability dilemmas we face today. Part of the problem, of course, is the sheer pace of change, especially when it comes to the development and introduction of new technologies. No-one would dispute the fact that technology delivers many important benefits to mankind. But if we are serious about sustainability I think we have to recognise that the same technological capability also enables us to change the life-support systems of our planet, very directly, very quickly, and in many cases, irreversibly. I believe we need to develop a much more

sophisticated understanding of the situations in which different technologies will, and will not, bring long term benefits to mankind. Indeed, I would argue that the need for wisdom and restraint in our actions has never been greater. But at the moment, that kind of wisdom is in worryingly short supply.

Another of the Programme’s hallmarks has been its conviction that changing conventional corporate mindsets is as important as changing corporate behaviour. To act responsibly in the world, we have to see the world for what it is, not for what we might like it to be. It’s all very well, for instance, to talk meaningfully of the need for ‘globalisation with a human face’ but the reality is often very different. Left to its own devices, globalisation will continue to sow the seeds for ever greater poverty, disease and hunger in the cities of the developing world, and the loss of viable, self-sufficient rural populations. Such intractable social problems may seem a long way away from the Business and the Environment Programme’s core agenda – let alone the daily reality of hard-pressed business people dealing with the short term pressures I mentioned earlier. But it seems to me we are now at a watershed, with crucial choices to be made. And I believe the business community has an unprecedented opportunity to help reshape the global economy in order both to improve the lives of the world’s poor and to protect the life support systems of our planet.

Each individual business leader has enormous potential to enhance the capacity to deliver sustainable development, helping to secure the long-term future of their company and the societies within which it operates. They can do this by drawing attention to the short term thinking of financial markets; by rejecting policy and strategy papers that fail to address sustainability; by appointing, promoting and rewarding people who have the right priorities; and by asking difficult questions about everything from procurement policies to waste minimisation. They can also establish dialogue with people – such as the NGOs – who will ask awkward and challenging questions, and they can take an open and transparent approach to reporting what they and their companies do. That is why this programme is aimed so directly at the leaders of the business community.

Many of the well-argued articles in this report demonstrate that good progress has been made on some of the major sustainability challenges over the last ten years, very often through individual acts of leadership. I am delighted that my Business and the Environment Programme has been able to play a part in that process and I hope that this report will encourage others to ‘Face the Future’, and have the courage of their convictions in addressing the manifold challenges of sustainability.

BUSINESS & THE ENVIRONMENT PROGRAMME AND THE SUSTAINABILITY AGENDA

Polly Courtice

Director of the University of Cambridge Programme for Industry | Co-Director of the Business & the Environment Programme

Jonathon Porritt

Chairman of the UK Sustainable Development Commission | Director of Forum for the Future | Co-Director of the Business & the Environment Programme.

It is more than 40 years since Rachel Carson's landmark book, 'Silent Spring', marked the beginning of the modern environmental movement. Over the last 50 years the business community has made a slow but steady journey towards more environmental and socially responsible behaviour. The table overleaf gives an overview of that journey, driven by a complex mixture of external pressure, commercial opportunity and internal business leadership. What the table does not show, however – and this lies at the heart of our work within the Programme – is that society's response, and the business community's response as part of that, still falls far short of what is needed if we are to reach our goal of a sustainable future for coming generations.

While that is the sober and challenging conclusion we feel we have to draw from the available evidence, there are

nevertheless business leaders, academics and civil society leaders – some featured in this publication – who really are confronting the business-as-usual mindset. We salute these pioneers. In a world where there seems to be less and less trust between big business and society at large, their voices have a critical contribution to make in establishing the foundations of a genuinely sustainable economy.



Yet, despite the well-publicised progress made by corporate 'first movers', whose executives include many Business & the Environment Programme alumni, faculty and contributors, it is difficult not to be perturbed at how relatively few companies are engaged strategically and systematically in the sustainable development agenda, and how many are still testing the ground in a somewhat apprehensive and half-hearted way.

The 10 years since the Business & the Environment Programme held its first seminar for business leaders has witnessed a profusion of new initiatives, new thinking and new practice in the field of corporate sustainability. Hundreds of companies have used the 'triple bottom line' accounting to start thinking in a much more integrated way about their wider responsibilities. Many are increasingly geared to their different stakeholders, including employees, consumers, host communities, business suppliers and NGOs, and are now measuring and reporting on environmental and social areas of concern.

These leaders accept the constraints to business-as-usual that will need to be imposed to negotiate the sustainable business funnel depicted on this page. But even amongst these leaders, there is real uncertainty as to how a broad enough consensus about the need for radical change can be established. Participants at the Business & the Environment Seminars, for example, are constantly wrestling with the different 'boundary conditions' that constrain the contribution the business community can make. It is governments, after all, that determine the legal and fiduciary framework within which companies must operate; it is consumers who are best placed to use their purchasing power preferentially to reward proactive companies and punish the laggards; and it is investors who have it in their power (theoretically, at least) to strike the right balance between securing a good return on their investments and minimising the damage done through those investments to the environment, developing countries and the prospects of future generations.



BUSINESS AND SUSTAINABILITY: TRENDS AND TRANSITIONS

DECADE	< 70s	1970s	1980s	1990s	2000s
TRIGGER EVENTS 	<ul style="list-style-type: none"> • Silent Spring ('62) • Acid rain concerns 	<ul style="list-style-type: none"> • First Earth Day ('70) • UN Conference on the Human Environment – Stockholm ('72) • Limits to Growth ('72) • Love Canal ('78) • Oil crisis ('78) • Three Mile Island ('79) 	<ul style="list-style-type: none"> • Bhopal ('84) • Ozone Hole ('85) • WCED-Brundtland Report ('87) • Exxon Valdez ('89) • Chernobyl ('86) • Montreal Protocol ('87) 	<ul style="list-style-type: none"> • Earth Summit ('92) • Shell: Brent Spar and Nigeria ('95) • World Summit on Social Development – Copenhagen ('95) • 'Mad Cow Disease' BSE ('96) • Kyoto Protocol ('97) • GMO concerns (98-99) • Seattle WTO riots ('99) 	<ul style="list-style-type: none"> • Millennium Development Goals ('00) • Anti-globalisation movement (civil protest at Davos, IMF meetings) • US rejects Kyoto Protocol ('01) • September 11th terrorist attacks ('01) • WSSD in Johannesburg ('02) • Accounting scandals (Enron, Worldcom, Tyco) • World Social Forum meetings
INSTITUTIONAL CONTEXT 	<ul style="list-style-type: none"> • Rise of environmental NGOs • US EPA established 	<ul style="list-style-type: none"> • Environmental laws and regulations • Growth of environmental ministries and enforcement bodies 	<ul style="list-style-type: none"> • US Superfund • Growth of Multilateral Environmental Agreements • Chemical industry's Responsible Care programme • Waste minimisation clubs • Green consumerism • Initial business charters (e.g. Valdez Principles) 	<ul style="list-style-type: none"> • Business Charters (CERES principles; ICC principles, Keidanren Charter) • WBCSD formed • ISO 14000 series, SA 8000 • Partnerships (e.g. Forest Stewardship Council, Ethical Trading Initiative) • Dow Jones Sustainability Index • Producer responsibility regulations (eco-labelling and product take-back) • Supply chain management and audits 	<ul style="list-style-type: none"> • UN Global Compact launched • Global Reporting Initiative (GRI) guidelines • Growth in socially responsible investment and increased shareholder activism • Equator and London Principles • SIGMA Management Framework • Development of ISO Guideline on CSR • Business partnership initiatives • Uptake of climate-change related mechanisms (emissions trading, CDM)
BUSINESS RESPONSE		COMPLIANCE	BEYOND COMPLIANCE	CHANGING COURSE	STRATEGIC INTEGRATION
ORGANISATIONAL STRATEGY	Denial	Resistant adaptation Minimum regulatory standards	Compliance and cost avoidance	Institutionalisation and innovation Continual improvement	Evolving business models
		<ul style="list-style-type: none"> • Compliance • End-of pipe solutions • Focus on hazardous waste emissions and chemical releases • Remediation and abatement measures 	<ul style="list-style-type: none"> • Risk minimisation • Impact reduction • Pre-emption of regulation • Total Quality Management • Initial environmental and social audits 	<ul style="list-style-type: none"> • Environmental management systems • Environmental/sustainability reporting • Cleaner production/eco-efficiency • Stakeholder engagement • Focus on products • Social managements systems • Ethical trading/supply chain initiatives 	<ul style="list-style-type: none"> • Corporate governance • Integrated sustainability management • Focus on human rights and transparency • Sustainable production and consumption • Design for environment, life cycle assessment, shift from products to service • Promoting sustainable livelihoods
MANAGEMENT SYSTEMS & TOOLS		<ul style="list-style-type: none"> • Pollution control and compliance • Pollution prevention and waste management 	<ul style="list-style-type: none"> • Environmental impact assessments/TQEM • Environmental and social management systems codes (ISO, EMAS, SA 8000, EITI)/Voluntary agreements 	<ul style="list-style-type: none"> • Strategic environmental management/Environmental cost accounting/Cost benefit analysis • Product stewardship/Partnerships/Stakeholder participation 	<ul style="list-style-type: none"> • Integrated management systems • Corporate social responsibility/Sustainability reporting • Design for sustainability

Source: P. Courtice & P Willis, 2005, based on N Acutt (unpubl. PhD thesis) and B Nattrass & M Altomare: The Natural Step for Business (New Society Publishers, Canada, 1999), with additional material by J Hanks

This publication includes a collection of insights from organisations involved in the Business & the Environment Programme and provides a host of encouraging pointers to the future. Their experience reflects the very real business benefits of sustainable development which we emphasise to our delegates.

But this publication also reflects the uncertainty described above about how far to go with the sustainability agenda. Set against the magnitude of the challenge, some of the solutions appear limited or insubstantial: one company in India supplying local villages with small dam technologies to help control monsoon water; six million of the world’s poorest people provided with water and sanitation by 2015 (meeting the Millennium Development Goals would require 260,000 people a day receiving the same services) a few millions invested in renewables when tens of billions are still being pumped into unsustainable fossil fuels; a partnership that provides 112 megawatts of green energy (the equivalent of taking 98,000 vehicles off the road), when hundreds of thousands of (old technology) new cars will be purchased this year in developing countries; an e-inclusion programme reaching around 300,000 people, when three billion people still live on less than \$2 a day.

These are small steps, when viewed against the backdrop of an economic system driven by short-term profit maximisation, where responsibility to shareholders trumps responsibility to a secure, sustainable and civilised world 999

times out of a 1000. That doesn’t make those pioneering examples less important. But it does raise the key questions, posed by several non-corporate contributors (Michael Meacher, Vandana Shiva, Tom Gladwin, Caroline Lucas and others): Will the world make the transition to sustainable development in time? Will our technological ingenuity enable us to pass through the narrowing resources funnel before we run out of cheap oil or fuel wood, or before poverty, climate change, population growth or water shortages combine to trigger social unrest on a global scale?

As The Prince of Wales points out in his Foreword, the mission of his Business & the Environment Programme is to wrestle with, and find solutions to, these uncomfortable questions.

Why do so many companies still find it so hard to break ranks, even when they know they’re being held back by the risk-averse mediocrity of their competitors and the ‘lowest common denominator’ approach of so many of the trade associations to which they keep paying their dues? Why do so few business leaders question publicly the manner in which fund managers and institutional investors pursue unrealistic short-term gains at the expense of long-term value creation? How do we get across that such short-termism is costing the planet dear and threatening the well-being of future generations?

A hallmark of the Programme right from the start is that our delegates are not (in the main) the sustainable

development or corporate responsibility specialists on which so much of the delivery in companies still depends. The aim has been to empower the practitioners by ensuring that senior executives in all mainstream functions begin to get a handle on both the risks and the opportunities that sustainable wealth creation entails. This ensures that sustainable development is not delegated down to a group of hard-pressed champions who then become the dumping ground for a host of challenges that should be owned at board or management team level.

We would claim some success in changing corporate hearts and minds, but freely admit that our impact has been limited. Even one thousand alumni over 10 years can make only a small contribution to collective corporate capacity to get on top of these challenges. Believing as passionately as we do in the potential of leading companies to act as ‘a force for good’ in the world today, we appreciate that we too have to raise our game and make as big a contribution to that process as we possibly can.

“No man can make a greater mistake than he who did nothing because he could do only a little.”

Edmund Burke engraved in the gardens of Madingley Hall, venue for the UK Seminar

THE BUSINESS BENEFITS OF SUSTAINABLE DEVELOPMENT

ECO-EFFICIENCY

- 1 Reduced costs
- 2 Costs avoided (Design for Environment, Eco-innovation)
- 3 Optimal investment strategies

QUALITY MANAGEMENT

- 4 Better risk management
- 5 Greater responsiveness in volatile markets
- 6 Staff motivation/commitment
- 7 Enhanced intellectual capital

LICENCE TO OPERATE

- 8 Reduced costs of compliance/planning permits/licences
- 9 Enhanced reputation with all key stakeholders
- 10 Influence with regulator

MARKET ADVANTAGE

- 11 Stronger brands
- 12 Customer preference/loyalty
- 13 Lower costs of capital
- 14 New products/processes/services
- 15 Attracting the right talent

SUSTAINABLE PROFITS

- 16 New business/increased market share
- 17 Enhanced shareholder value

BEP MILESTONES



1994

Programme Launch

First UK Senior Executives' Seminar held at Madingley Hall, Cambridge



1995

First Alumni Reunion

Launch of the Alumni Network

Feasibility study for expansion of the Programme internationally



1997

First European Seminar, Schloss Leopoldskron, Salzburg, Austria



1998

First London Lecture, delivered by James Wolfensohn, President, World Bank Group

Feasibility study for extension of the Programme into the USA



2001

First US Seminar, Wingspread, Racine, Wisconsin

500th delegate registered

Second London Lecture, delivered by Gro Harlem Brundtland, Director General, World Health Organisation

Publication of the Background Briefings



2003

First Southern African Seminar, Lanzerac Manor, Cape Town

Launch of the Sustainable Economy Dialogue

First Southern African Reunion



2004

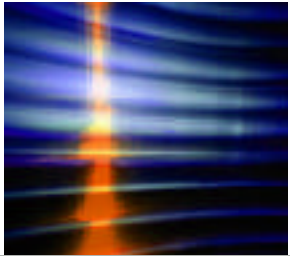
Celebration of 10th Anniversary

Third London Lecture, delivered by the UK Prime Minister, the Rt Hon Tony Blair, MP

First Reunion for US Alumni in Ann Arbor, Michigan

Publication of second edition of Background Briefings

1,000th delegate registered



2005

'Facing the Future' – Windsor Castle event to launch the next 10 years

Launch of the 10th Anniversary Publication 'Facing the Future'

Publication of the Sustainable Economy Dialogue report, and launch of Phase II

Publication of Functional Briefings

The growth question is fundamental to the global sustainable development debate. It divides leading thinkers and players within corporations, governments, academia and civil society.

Limits to GROWTH?

In this section:

Professor Jorgen Randers | Norwegian School of Management

The Rt Hon Tony Blair, MP | UK Prime Minister

Richard Sandbrook | Senior Advisor, UNDP

Malcolm Brinded | Executive Director of Oil & Gas Exploration, Shell

Peter Woicke | Executive Vice-President, International Finance Corporation

Bill McDonough | Founding Partner and Principal, William McDonough and Partners

Jeremy Pelczer | Chief Executive, American Water

On the one side are those who believe that the world can sustain ever more economic growth and consumption and that this path will alleviate endemic problems such as poverty and inequity. On the other are those who believe unrestrained growth is unsustainable, will bust the Earth's natural carrying capacity and is inimical to sustainable development.

TAKING THE ROAD LESS TRAVELLED

Professor Jorgen Randers

Norwegian School of Management | Co-Author, *Limits to Growth* | Member of the Programme's Core Faculty

1

“In 2005 it is no longer enough to be simply ‘for’ or ‘against’ economic growth...”

Ever since the 1970s, people have debated whether economic growth is necessary. Desirable? Possible? Some believe everlasting growth is essential for progress and to maintain societal calm. Others insist it is impossible within a physically finite world. Some demand that economic growth is made sustainable. Passions run high and rational exchange has been limited.

I have been closer to this debate than most. In 1972 my colleagues and I published ‘The Limits to Growth’, triggering a fierce but, I believe, ultimately futile debate for and against traditional economic growth, between economists, environmentalists and others around the world. Our book did not denounce all growth as bad. Rather, there was an explicit focus on the physical consequences of growth – resource use, emissions and biodiversity loss – for a finite planet Earth. Both then and now (‘Limits to Growth: The 30

Year Update’, was published in 2004) my co-authors and I are less concerned about forms of economic growth with little impact on the physical environment. More worrisome is growth which destroys the natural resources that we depend on.

Luckily, both the debate and the conceptual framework for sustainable development have grown in sophistication over 30 years. The advent (and tentative operationalisation) of the concept of humanity’s ‘ecological footprint’ has made simple and understandable the crucial distinction between traditional economic growth (or GDP) and its physical consequences. If they so chose, enlightened politicians could pledge ‘to increase human welfare while ensuring the human ecological footprint remains below what the global ecosystem can sustain’ and then evaluate all their actions against this ecological measuring stick.

Thus, in my view, it is no longer enough in 2005 to be for or against economic growth. The ‘for’ crowd must split in two: i) those for growth, but within a sustainable footprint, and ii) those for growth without active regard for its ecological footprint. I expect the first group – to which I belong – to grow rapidly over the coming decades, as the global damage from unrestrained economic growth becomes increasingly apparent. The result will be a tremendous increase in efforts to reduce the ecological footprint per unit of GDP by boosting dematerialisation and eco-efficiency. There will be many profitable opportunities for innovative firms. Business can and should be part of this first group.

At the start of the 21st century, the big question is this: can and will the global economy be dematerialised fast enough to avoid the destruction of the global environment? On this issue the jury is still out. Meanwhile the response from any responsible global citizen, organisation or institution should be to work hard to reduce the ecological footprint of their local economy, in whatever way proves politically feasible: dematerialisation, redistribution of footprint from rich to poor or reduced consumption. Given that the desire for continued economic growth is unlikely to abate over the next generation this will not be an easy road, but it is one we must tread.



Wackernagel, M. and William E. Rees, *Our Ecological Footprint: Reducing Human Impact on the Earth*. New Society Publishers, Gabriola Island. 1996.

TOWARDS A **GREEN** INDUSTRIAL REVOLUTION

The Rt Hon Tony Blair, MP
The UK Prime Minister

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“a challenge so far-reaching in its impact and irreversible in its destructive power, that it alters radically human existence”



It is now plain that the emission of greenhouse gases, associated with industrialisation and strong economic growth from a world population that has increased sixfold in 200 years, is causing global warming at a rate that began as significant, has become alarming and is simply unsustainable in the long-term. And by long-term I do not mean centuries ahead. I mean within the lifetime of my children and possibly within my own. And by unsustainable, I do not mean a phenomenon causing problems of adjustment. I mean a challenge so far-reaching in its impact and irreversible in its destructive power, that it alters radically human existence. There is good evidence that the [2003] European heat wave was influenced by global warming. It resulted in 26,000 premature deaths and cost \$13.5 billion. On the latest

modelling, climate change means that as soon as the 2040s, one year in two is likely to be even warmer than 2003.

Just as science and technology has given us the evidence to measure the danger of climate change, so it can help us find safety from it. The potential for innovation, for scientific discovery and hence for business investment and growth, is enormous. With the right framework for action, the very act of solving it can unleash a new and benign commercial force...providing jobs, technology spin-offs and new business opportunities as well as protecting the world we live in.

The UK has shown that it can have a strongly growing economy while addressing environmental issues. Between 1990 and 2002 the UK economy grew by 36%, while greenhouse gas emissions fell by around 15%.

Climate change will be a top priority for our [2005] G8 presidency. There is huge scope for improving energy efficiency and promoting the uptake of existing low carbon technologies like photovoltaics, fuel cells and carbon sequestration. We need to build an international consensus on how we can speed up the introduction of these technologies. In short, we need to develop the new green industrial revolution that can confront and overcome the challenge of climate change.

Extracted from the Business & the Environment Programme's 10th Anniversary Lecture, London, September 2004.



Left to Right: **Sir Nick Scheele**, President of the Ford Motor Company and Chairman of the Business & the Environment Programme Management Committee. **Polly Courtice**, Director of the Cambridge Programme for Industry and Co-Director of the Business & the Environment Programme. **The Rt Hon Tony Blair, MP**, Jonathon Porritt, Chairman of the UK Sustainable Development Commission and Co-Director of the Business & the Environment Programme, **Professor Alison Richard**, Vice-Chancellor of the University of Cambridge and member of the Business & the Environment Programme Management Committee.

THE SUSTAINABLE ECONOMY DIALOGUE

In 2003, The Prince of Wales's Business & the Environment Programme launched a major initiative to clarify what business leaders believe should be the fundamental goal of today's economies and how the corporate sector could help global progress towards this goal.

1

Several hundred senior executives, including BEP alumni, Programme delegates and a select group from outside the Programme, were given the opportunity to enquire deeply into three critical – yet seldom asked – questions facing the global business community, namely:

Q1: FUNDAMENTAL GOAL

What is the fundamental goal or purpose of a good economy?

Q2: CURRENT FAILINGS

Why do current economies fail to achieve this fundamental goal?

Q3: BUSINESS ACTION

What can business do to help eliminate these failings?

By the end of 2004, the Sustainable Economy Dialogue had been run 11 times at BEP events, involving nearly 400 participants who spent between five and seven hours in small-group sessions focused on these questions. The results indicate a surprising degree of agreement among corporate executives about the fundamental goal of a good economy. There is also widespread, albeit less consistent, agreement on what keeps humanity from attaining this goal. The participants identified 10 – 15 failings, which have one thing in common: all are deeply embedded in the structure of modern society. Participants also offered a rich palate of ideas for business actions to address current failings. Our full findings will now be published in 'The Sustainable Economy Dialogue: Report and Reflections'. We hope they will provide rich material for corporate deliberation and action worldwide.

ASSET OR LIABILITY? THE POPULATION CHALLENGE

Richard Sandbrook

Senior advisor to UNDP | Member of the Programme's Guest Faculty

“With two billion more people on the way in poor countries, how can global companies re-think their business for the ‘have-not’ world?”

The direst predictions about a population ‘bomb’, made back in the 1970s by US academic Paul Ehrlich and others, have not come to pass. The pessimists had predicted spiralling human populations across the developing world, triggering widespread food shortages and mass migrations.

Instead, in the early 1990s, at UN conferences on population in Cairo and on women in Beijing, the world's governments agreed on what needed to be done to contain human growth, namely, increase women's literacy, rights and wellbeing and reduce childhood mortality. World population projections are now falling as country after country comes below the magical 2.14 births per couple (the point at which birth and death rates are equal). Nevertheless, we cannot get complacent. While population growth has slowed, it will not peak for 50 years or so. Within 30 years, two billion more people will enter the world – 97% of them in developing countries, most of

them born into poverty. In the meantime consumption per head accelerates almost everywhere; unemployment among young people – almost half the world's population is under 24 – is rising steeply in the poor world; and the unfunded retirement of a growing percentage in the rich world keeps many a chancellor awake.

So where does business come in? How can corporations harness the tremendous human capital which large populations offer, while actively supporting social trends which prevent the stresses of over-population?

In some senses the answers are obvious and well tried. Southern African companies are directly involved in national thinking on birth control and HIV/AIDS. Unilever, taking a more indirect approach, has made the needs of female consumers – clean water, hygiene, family welfare – fundamental to their business case.

The real stretch is how businesses can grow to accommodate pro-poor solutions for future markets. The overall rationale is clear: as OECD markets become saturated, future markets need to be developed elsewhere. Yet so are the difficulties: poor people, in highly populated countries, cannot offer much demand for products, given that two billion of them live on less than \$2 per day.

1

The solutions, in such circumstances, are complex. There is no doubt that the future global company that wants to operate in the 'have not' world will have to radically rethink how it does its business. The issue is how to create livelihoods that generate household income for the one thing that is in abundant supply – labour. The capital-intensive solutions we apply are not apposite. Take the mining sector. In Tanzania some 15-20% of the population relies on small-scale mining for their income. Can the big mining houses outsource their raw material supply to them? Can the sugar manufacturers, the brewers and the food industry do the same with small farmers? Can the paper industry source its raw materials from a mass of growers rather than from vast capital-intensive plantations?

For the corporate sector to be a part of the solution to the coming unemployment crisis and the wretchedness that flows from it, then it has to rethink life in a world of six billion plus – and do so now.



ENERGY DILEMMAS

Malcolm Brinded

Executive Director of Oil & Gas Exploration, Shell | Alumnus of the Programme

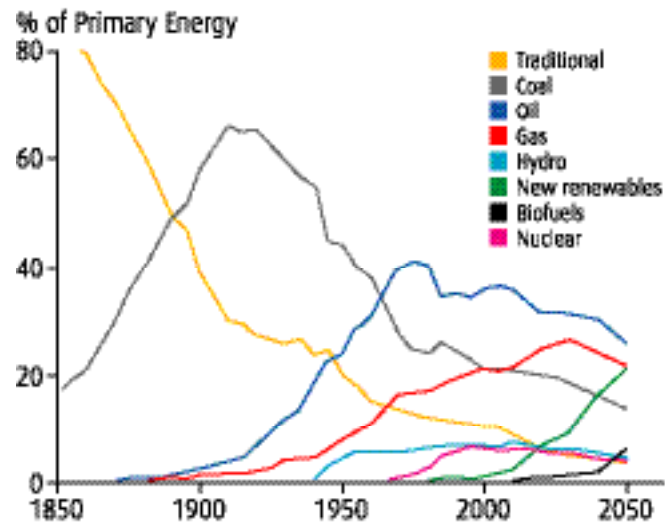
There are two main sustainability challenges that we, as a company and an industry, must help the world address. One is to help lift billions of people out of poverty by providing them with the modern energy needed for economic growth. The other is to do this in an environmentally responsible way that responds, in particular, to growing concern about climate change.

About two billion people still live without electricity. They rely on firewood or dung for cooking or heating, sources of fuel which are denuding their forests, damaging their health and squeezing out work and study time – especially for women and girls who collect the bulk of it. By 2050, developing countries will be home to about 50% more people and use five times more energy, doubling global energy demand.

Multinational energy companies will play a crucial role in meeting exploding demand in the developing world. Realistically, most of this energy in the coming decades will still be supplied by hydrocarbons, which is why Shell is investing approximately \$15 billion per year to find and deliver new oil and gas supplies.

Why hydrocarbons? Because alternatives like solar power or bio-fuels are currently more expensive to produce and will simply not be available in the quantities needed for several decades. With government support and private sector initiative, our energy scenarios envision bio-fuels, wind and solar power growing by as much as 10% per year. But even then, they would only meet about 5% of global demand by 2020. The global energy system is simply too big for alternatives to make a significant impact more quickly. That is why we expect the transition to low carbon alternatives to happen gradually, over this century.

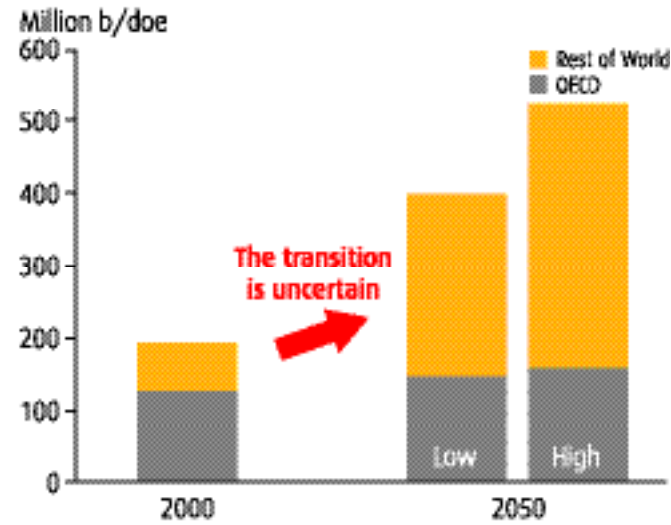
Shell long-term energy scenarios



It is also why we take a long-term view of our investments in renewables and hydrogen (nearly \$1 bn over the last five years). We are building commercially viable new energy businesses by driving down costs and expanding the market for biofuels, solar and wind power and hydrogen.

Will we run out of hydrocarbons before alternatives are available on a mass scale? No. There is still a lot of coal, oil and gas to be found and produced. Oil sands and shale alone contain many times more oil than Saudi Arabia. Instead, the world will shift away from hydrocarbons for the same reason we shifted from wood to coal or from horses to cars – because we develop alternatives that customers

The Energy Challenge



Source: Shell long-term energy scenarios

and society find better (more convenient, cheaper or cleaner).

The pressing question is how to deal with the environmental impacts, and especially the climate risks, from the continued growth of hydrocarbon use in the meantime? Using more natural gas instead of coal is an important part of the answer. Gas is the cleanest burning fossil fuel with carbon emissions half those from modern coal-fired power plants. (Our Malampaya project in the Philippines, for example, already supplies 30% of the country's output.) Growth in the world's global Liquefied Natural Gas (LNG) business is therefore vital. New coal

technology is also promising. Our patented coal gasification process reduces carbon emissions by about 20%, (and local emissions by more than 85%) compared with conventional coal combustion, and can help fast growing coal users like China and India manage their emissions. Carbon dioxide sequestration will also become an increasingly important part of the solution.

Responding to climate change and delivering the energy needed to alleviate poverty will seriously challenge the global energy system. It will demand concerted effort and effective partnerships. Government policies will need to support international energy markets and promote climate protection. Energy users must use energy responsibly. Energy companies and equipment makers must apply better technologies and make the massive investments needed.

As an industry and as a company, we have a role and a responsibility to meet this challenge effectively.

“Responding to climate change and delivering the energy needed to alleviate poverty will seriously challenge the global energy system.”



SUSTAINABILITY TIGERS: BALANCING GROWTH AND CSR IN EMERGING NATIONS

Peter Woicke

Executive Vice-President of the International Finance Corporation | Contributor to the Programme's Seminars

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As the private sector lending arm of the World Bank, the International Finance Corporation (IFC) has a remit to support ecologically and socially sustainable projects in developing countries. Peter Woicke reflects on emerging world approaches to the sustainability agenda.

What is the role of corporate social responsibility in developing nations?

In my admittedly rather harsh view, Northern multinationals have largely adopted corporate social responsibility (CSR) policies because of NGO and consumer pressure. The difference in countries such as China, India, Brazil and Russia, in my experience, is that companies view CSR as key to long-term survival. Their CEOs want to become important national, regional and eventually global, players. They believe to succeed at this level you not only need a good bottom line, but also good environmental and social policies. They also recognise that the instability in regional capital markets which harms their business is largely due to huge inequities in income distribution. (Latin America,

where a small minority own a vast majority of assets, is a classic case.) They therefore have a genuine stake in poverty reduction and sustainable development.

Can you give some examples?

In China, the focus tends to be on corporate governance, treating minority shareholders better, for example. In Brazil, entrepreneurs are engaging in local politics. When President Lula came to power many municipal governments lacked the management capacity to distribute food under his Zero Hunger Programme. The IFC worked with national corporations to help municipalities set up better distribution systems. In India, the emphasis is on social responsibility. We work with one major company in a very poor area, whose owner supplied villagers with the hydro-technology to build small dams to control the monsoon waters. The subsistence farmers now have enough water year-round. Ask the owner why he did this and he says "well, it didn't cost me very much and I can't afford to operate in an area where there could be social disturbances if inequities persist."

Multinational companies operating in developing nations could learn from such approaches. Through innovative thinking, such initiatives could be applied on a national and regional scale. They also need to look more to local suppliers, to building local capacity which will assist social development.

The sustainable development implications of China's emergence as a consuming giant are enormous. How can business help China leapfrog the industrial era?

China is extremely worried about the environmental impact of its growth. Government officials constantly ask me about accessing environmental technologies. One of the most frightening prospects, in energy terms, is the policy that every Chinese family should have a car by 2020. Yet, the

government has a huge opportunity to turn the situation to advantage. One idea we have discussed is inviting all the major automakers into China, but only allowing them to build advanced hybrid and fuel efficient cars. This is the kind of circumstance where government influence and business partnership are extremely important to sustainable outcomes.

Will emerging countries develop sustainably? What is the role of business in making this happen?

I think the next 10 years will be crunch time. Major equity investors such as the pension funds are still not addressing environmental and social responsibility, neither are Wall Street analysts. If we could persuade these players to take CSR seriously, the impact would be swift and huge.



GREENING THE CHINESE JUGGERNAUT

Bill McDonough

Founding Partner and Principal of William McDonough and Partners | U.S. Chair of the China-U.S. Centre for Sustainable Development | Member of the Programme's Management Committee.

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The world of commerce is in huge flux as dramatic shifts take place in the flows of people, money, material and energy around the world.

Take China. Over the next 15 years it will build new housing for 400 million people to accommodate the largest migration in history from countryside to cities. To satisfy domestic energy demand, it is burning all its coal and building a 100 nuclear plants. All the plastic bottles manufactured within 400km of the US west coast are being purchased by China, while high value Chinese goods are exported to America in ever-rising volumes. The trade imbalances are huge and growing.

To face sustainability challenges on this scale, business leaders from east and west must define an end goal, then produce a strategy to reach it. Old school competition must be replaced by cooperation. Adding to existing efficiency strategies and production methods will be insufficient. The end game will simply be unsustainable imbalances in

global flows of material, money and energy. We may already be close to the tipping point.

The alternative – a safe, healthy and just world with clean air, water, soil and power – is the end goal to which my institute is working with government and business partners. Through the China-US Centre for Sustainable Development, for example, we are designing seven cradle to cradle Chinese cities, prototyping new ultra low energy and low cost housing. Some of the world's biggest companies are helping us, including BP, BASF, Ford and Hewlett Packard. China is now officially adopting a circular economy, whose aim is for capital, resources and income to flow within the country without destroying its soil, air quality or water supply.

Of course, such moves are dwarfed by the hugeness of modern Chinese enterprise which is eating up their coal and soil and destroying their water quality. The momentum is so phenomenal that course corrections are very difficult. In this

context, the circular economy is a first step to setting the wheels of change in motion.

How can China's government help the momentum? As they privatise industrial sectors, they should establish strict protocols for clean production methods which don't deplete natural resources. This will result in massive corporate

research and development, with new technologies quickly moving into the marketplace and becoming profitable.

That's the only way that we can move as fast as we have to, in China and elsewhere around the world: by holding out the profits of commercial use as a means to effect high speed change.



Case Study

PARTNERSHIPS FOR PROGRESS

WATER AND SANITATION FOR THE URBAN POOR

JEREMY PELCZER

President and CEO of American Water | Contributor to the Programme's Seminars

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Water-related diseases are the biggest single cause of human illness and death worldwide; one person in six cannot access clean drinking water and about 6,000 children die from diarrhoea every day.

Faced with developing world problems on this scale, even the largest and most committed company quickly finds itself up against the limits of what it can contribute, bearing in mind the reasonable expectations of investors.

In my industry, technology transfer alone is no panacea. Many technologies developed specifically for a developed world context require sophisticated maintenance programmes, continuous power and water supplies and readily available technical support.

Instead, deploying skilled, motivated employees to help build lasting local capacity is the most sustainable contribution we can make. Yet this is not an activity

business can pursue in isolation. A well-connected local partner, such as a reliable non-governmental organisation, is essential.

This thinking forms the basis of an innovative partnership between our parent company, RWE Thames Water and Unilever, Halcrow, WWF, WaterAid, Care International UK and Cranfield University, with the UN Development Programme an official observer. Our initiative, Water and Sanitation for the Urban Poor (WSUP), will work with communities and NGOs in some of the world's poorest regions to deliver water services infrastructure within five years. Projects will then become self-supporting, with infrastructure and services managed by local municipal authorities or companies who will charge water users.

Each partner – corporate, NGO and academic – brings a different expertise and may make a 10% return on the resources it commits. The first pilot project will deliver water

and sanitation infrastructure to service 70,000 slum dwellers in Bangalore. We hope to establish 60 or more similar size projects by 2015. When we first sat down with our NGO partners in September 2003, there was a lot of historic mistrust in the room, but we talked our way through it.

Achieving the Millennium Development Goal of halving the proportion of people without access to clean drinking water between 1990 and 2015 will mean supplying an extra 260,000 people a day for 10 years. Initiatives such as WSUP must be scaled up and replicated many times over to achieve this. We hope other companies will take up our partnership model and run with it.



The major burden of responsibility and effort required to shift the world on to a more sustainable course lies with business and government.

Transformative Leadership: WHAT WILL IT TAKE?

2

- In this section:**
- Caroline Lucas** | Green Party MEP for South East England
 - Lord Browne of Madingley** | Chairman and Chief Executive of BP
 - Ben Cohen** | Co-founder, Ben and Jerry's Ice Cream
 - Dr Vandana Shiva** | Director, Research Foundation for Science, Technology and Ecology
 - Chad Holliday** | Chairman & CEO of DuPont
 - Paul Gilding** | Founder & Executive Chairman, Ecos
 - Fred Phaswana** | Chairman, Transnet
 - Dr Melissa Lane** | Lecturer in History, University of Cambridge
 - Professor Rod Aspinwall** | Chair, Sustainable Development Forum for Wales

The scale of the task required in achieving the UN Millennium Development Goals – and the likelihood that the world will fall far short of several of them – is a sobering reminder of the gulf between where we are today and where we need to get to. Visionary and determined leadership will be essential to a mission accomplished. We therefore asked leading figures from business, politics, academia and the NGO community to lay out their big picture visions for the best way forward.

UNITED NATIONS MILLENNIUM DEVELOPMENT GOALS

In September 2000 the member states of the United Nations unanimously adopted the Millennium Declaration. Following consultations among international agencies, the General Assembly recognised the **Millennium Development Goals** as part of the road map for implementing the Millennium Declaration. They commit the international community to a vision of development that vigorously promotes human development as the key to sustaining social and economic progress in all countries and recognises the importance of creating a global partnership for development. The goals have been commonly accepted as a framework for measuring development progress.

From 1990 levels, by 2015:

- Halve the proportion of people living on less than a dollar a day.
- Ensure that all girls and boys complete primary school.
- Eliminate gender disparities in primary and secondary education.
- Reduce by two-thirds the mortality rate among children under five.
- Reduce by three-quarters the ratio of women dying in childbirth.
- Halt and begin to reverse the spread of HIV/AIDS and the incidence of malaria and other major diseases.
- Reduce by half the proportion of people without access to safe drinking water and sanitation.
- Develop further an open trading and financial system that includes a commitment to good governance, development and poverty reduction; deal comprehensively with developing countries' debt problems.

REDISCOVERING THE WILL TO GOVERN

Caroline Lucas

Green Party MEP for South East England | Contributor to the Programme's Seminars

“Corporations have been described as ‘psychopathic’, so deeply ingrained is their single-minded pursuit of maximising shareholder profit, regardless of negative impacts on society at large.”

Big business and establishment politicians argue that codes of conduct and voluntary agreements will alone bring corporate action into blissful harmony with environmental sustainability and social justice. But such claims simply do not stand scrutiny. Only a binding legal framework will bring corporate activity under democratic control and enable effective implementation of already established sustainable development targets.

If this is to happen, however, governments need to rediscover the will to govern.

In the European Union (EU) I have watched, with dismay, governments too afraid to act because of their ties to the corporate agenda. The EU Sustainable Development Strategy, for example, contains not one binding

commitment which would force member states to deliver on its objectives. This is totally irresponsible, given the scale of the challenges we face from climate change and resource over-consumption.

Yet the sustainability agenda offers a huge leadership opportunity for the EU, which faces a crisis of legitimacy, evidenced by low voter turnout in European elections and growing euro-scepticism across the continent. It needs a new Big Idea. A genuine effort to achieve sustainability could provide such a grand project, revitalising the EU institutions, and re-inspiring the enthusiasm with which post-war European countries first came together 50 years ago. The EU could provide leadership by massively investing in renewable energies, pioneering different economic models and legislating for genuinely sustainable production and consumption.

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We also need leadership from progressive companies in arguing with less progressive colleagues, both in business and politics, for a binding legislative framework for sustainable development. Such a framework could include:

- The legal duty to provide independently verified social and environmental reporting;
- Directors' legal liability for corporate breaches of environmental and social laws;
- Rights of redress for citizens;
- Enforcement of high minimum environmental, social, labour and human rights standards for corporate activities;
- National legal provision for sanctions against companies which breach these new duties;
- International Criminal Court's role extended to include trials of directors and corporations for environmental, social or human rights crimes.

Only binding regulations such as these will create the level playing field necessary to give all businesses, not just the enlightened few, an urgent interest in corporate social responsibility.



ACCEPTING THE CHALLENGE

Lord Browne

Chairman and Chief Executive of BP | Contributor to the Programme's Events

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“The act of leadership comes in accepting the challenge and setting that goal as our target – as a society and then at the level of individual companies.”

How would you describe the sustainability challenge for your industry and the kind of leadership required to transform the energy sector?

The basic challenge over the next few decades is to provide the world's growing population with the energy they need while holding emissions steady at something close to current levels. The act of leadership comes in accepting the challenge and setting that goal as our target – as a society and then at the level of individual companies. Business is an immensely creative force. I am confident that once a target is set, business will find any number of innovative ways of getting to the right answer.

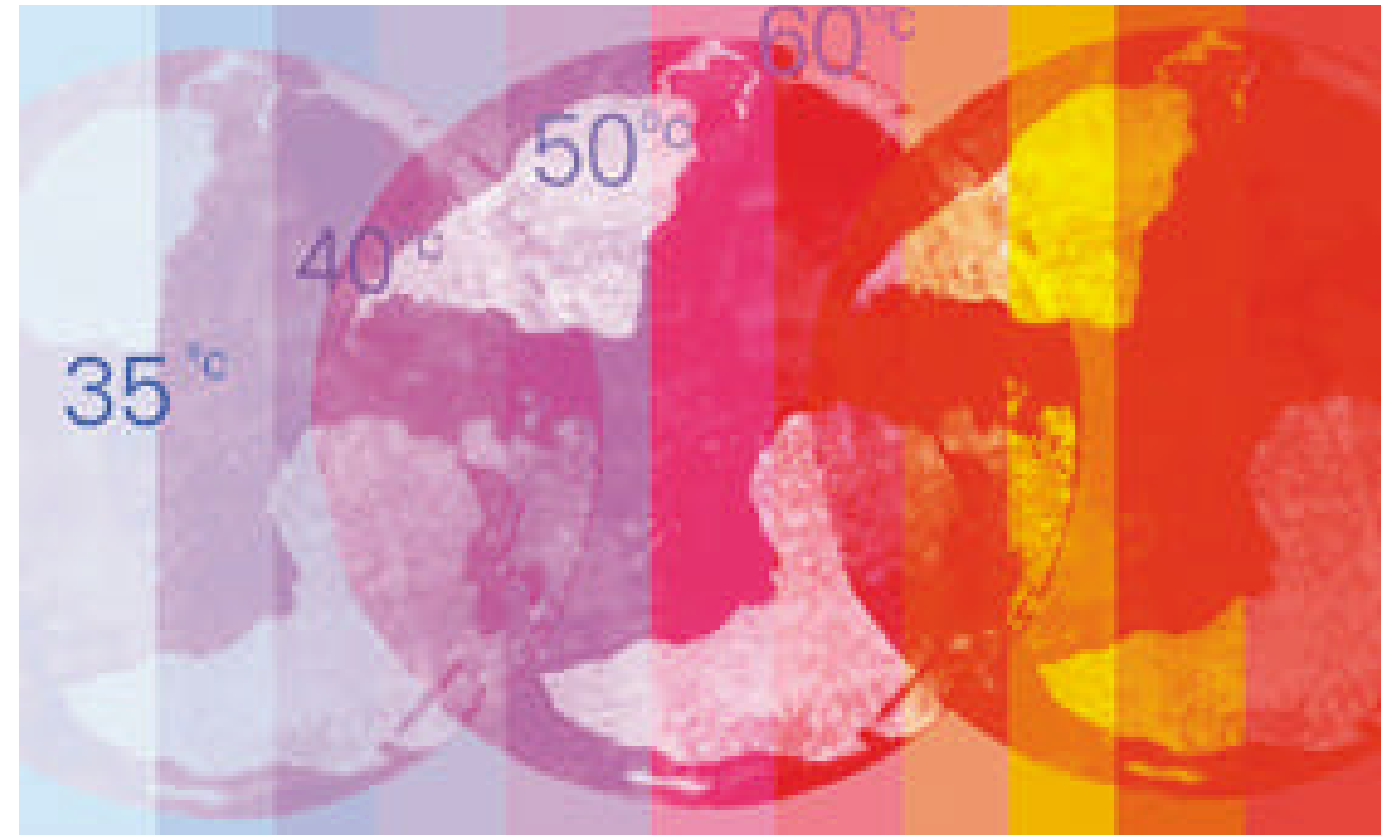
Does the typical energy company of today have a future in its current form?

There are really no typical companies. The sector ranges from the super majors, and the state-owned enterprises to

much smaller, nationally based companies working in one specific aspect of the energy business. I am sure that diversity will continue as energy demand continues to grow. For us, there are two principal challenges. The first is about bringing energy from new areas, such as Russia, Angola, Algeria and Indonesia, to meet the needs of a rapidly changing global market. The second is about producing and supplying energy in ways which do not damage the environment. Almost every energy company in the world will have to cope with those issues. Companies large and small will have to adapt and to work in different ways.

What next steps, in what timescale, are needed by energy companies to help the world shift to a low carbon economy?

A great deal is already being done to improve the efficiency of energy use and the product mix. Both can



help reduce carbon emissions. We are also testing new technology which could help to capture and store carbon. That is very promising. The evidence on the impact of growing emissions is becoming ever clearer. Precautionary action is necessary from now on. What we need most is a target, which can only be set by Government, and a trading system which can ensure that resources are allocated most effectively to achieve the desired objective. The target can be a long-term target – for instance setting

a limit to global warming at a maximum of 2 degrees Celsius above the current level, and a target for emissions which matches that objective. That is a long-term objective but the important thing is to start to take action from now on, so that we avoid getting into a critical situation where drastic action is necessary. If that were to happen the damage to the global economy could be very serious. If we start work now I hope and believe that we can avoid that risk.

Case Study

A MODEL FOR CHANGE

BEN & JERRY'S

BEN COHEN

Co-founder Ben & Jerry's Ice Cream | President, Business Leaders for Sensible Priorities | Contributor to the Programme's Seminars

2

Business used to be held in check by two powerful forces, religion and government, whose purpose was promoting public welfare. But business is now itself the most powerful force in society. As such it must adopt a new purpose, beyond the narrow maximisation of profit.

We will never fully protect the environment unless corporations take a lead. Nor will we be able to address social problems, especially the huge disparity in wealth around the world, without business help. So how do we convert business, the new religion, to sustainable development?

I believe Ben & Jerry's 'reparative approach' to corporate social responsibility offers a good model for change, fully integrating social concerns into daily business activities, decision making and profit generation.

Business managers usually make decisions based on price and quality. The reparative approach adds a third dimension: positive or negative impact on the local, national and global

community. At Ben & Jerry's we began by identifying relevant community problems that our business should address, including economic disparity, pollution and family farms going bankrupt at record rates.

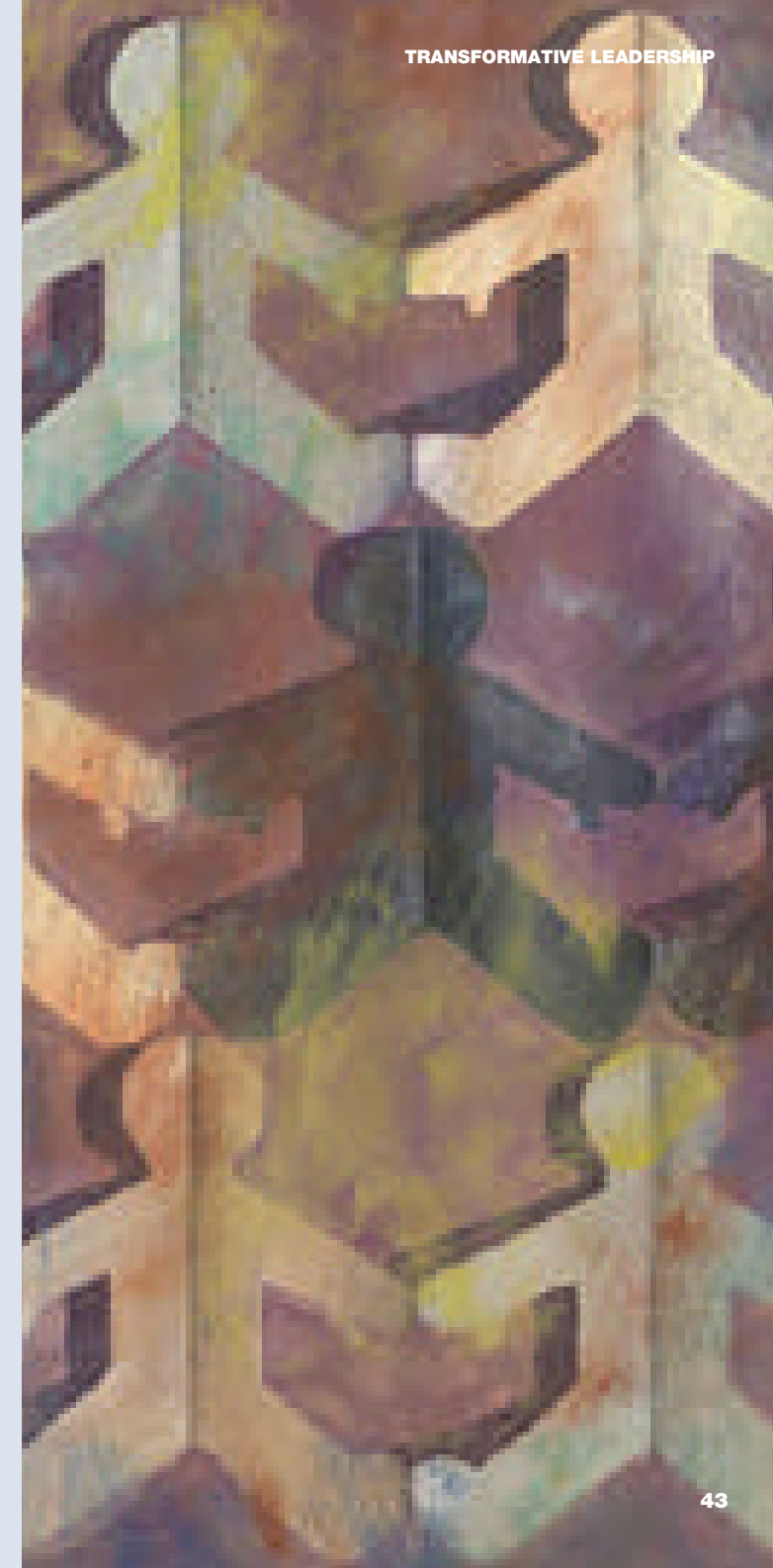
With these in mind, we gradually re-organised our activities and operations to impact positively on these problems. For example, we purchase from alternative and fair trade suppliers, refuse to use bovine growth hormone, use affirmative action to recruit minorities and use minority-owned distributors, low income franchisees and franchisers owned by non-profit organisations.

Values-led business brings many benefits. It cuts out the need for expensive advertising and PR. It creates incredible, long-term consumer loyalty.

Most companies don't get it because they are so compartmentalised and addicted to short-term profit. Word comes down from HQ to reduce costs and increase profit margins and it's impossible to do that and pay for fair trade

products or higher wages. Wal Mart's empire is basically built on offering customers the lowest possible price through exploiting labour and sucking livelihoods out of communities. But they are running into a backlash; the Wal Mart model is showing signs of fraying.

There is no reason why our reparative model of doing business cannot be replicated on any level – local, national or international – whatever the product or service. But leadership has to come from the top. Business leaders must translate their concerns for community into their day to day business activities rather than confine them to when they're in church on Sunday.



REDEFINING NATIONS: NOT DEVELOPING VERSUS DEVELOPED BUT **CONSERVING** VERSUS **WASTEFUL**

Dr Vandana Shiva

Director of the Research Foundation for Science, Technology and Ecology | Contributor to the Programme's Events

2 If this planet is to have a sustainable future, then the world must fundamentally re-think the nature of trade and aid.

Developing nations are characterised as backward because they lack technology and superhighways. Yet they actually operate more sustainably than many developed nations because of the diversity of agricultural methods (including local, organic farming), of means of mobility, of plant and animal life and so on. So shouldn't the World Trade Organisation (WTO), World Bank and IMF, instead of seeking to 'modernise' these nations, be exporting sustainable models from developing to so-called developed nations?

Today, World Bank money is used to spread genetically modified seeds and build superhighways in India. In future, sustainability should become the key factor in determining every aid project, with the definition of what is sustainable decided by affected communities who know their own

environment best. Developing nation governments must support sustainable shifts in development and aid strategies rather than ally themselves with big business interests which profit from burning fossil fuels.

We must completely revisit our ideas about rich and poor nations and view them not as developing versus developed, but conserving versus wasteful.

Corporations must also cease to be active agents in destroying sustainable options in the South. Instead of reducing biodiversity and replacing traditional, sustainable farming and transportation methods, they should subject themselves to what I call 'Earth Ethics', whereby they voluntarily stop spreading toxic or polluting chemicals or doing other environmental or social damage. In India alone, for example, my organisation has documented 90 cases where companies are siphoning water supplies away from communities.

Another key element required for shifting towards sustainability is restitution. The Earth and the poor have already paid for the pollution and over-exploitation of natural resources by the rich. The ecological debt that rich nations and corporations owe to the poor must be paid, through debt relief, appropriate technological assistance and other means. Instead we hear that 'charitable' rich

country governments will pay a little more to deal with climate change, while multinationals argue that they cannot afford to do anything except pursue business as usual. We do not know whether humankind will even survive in the next century, with the levels of pollution we are producing. So what they are really saying is that profit is more important than life on Earth.



LEADING FROM THE FRONT

Chad Holliday

Chairman and CEO of DuPont | Contributor to the Programme's Seminars

interviewed by **Paul Gilding**

Founder and Executive Chairman of Ecos Corporation | Member of the Programme's Core Faculty

2 DuPont's transformation strategy is framed around sustainability, you call it 'sustainable growth' – generating societal and shareholder value while reducing its environmental footprint. That's a very significant shift for a company with your history. What were the business drivers?

The process started in the late 1980s around environmental issues. We realised we couldn't just keep on putting out more waste. We needed a different approach because the old one wasn't financially sustainable. We concluded it was cheaper to apply environmental stewardship at the product and process design stage than it was to deal with the consequences afterwards. We were soon modifying our base manufacturing processes, and then many of our products. This led us to identifying new growth opportunities and improved product quality. We were moving towards greater knowledge intensity – creating more value from knowledge and services, and less from materials and energy consumption. We were really fundamentally transforming DuPont. We were becoming a

science company rather than a chemical company, and therefore it became our business strategy rather than our environmental strategy. We have come a long way in transforming our company, but we are still on the journey to sustainable growth.

What leadership methods have you employed in this transition?

Goals are key. We set a series of goals for 2000 and it was made very clear that meeting them was very important and people would be accountable. It got us thinking about our business differently. We have come much farther than I thought possible. For example, our greenhouse gas emissions have gone down 72% from a 1990 base. We now have very ambitious 2010 goals. We want to source 10% of our energy from renewables, from 4% today. We have raised the amount of revenue we derive from non-depletable resources from 4.5% to 15% towards a 2010 goal of 25%. Targets are an amazing motivator. My suggestion to business leaders would be to set some really

big, public goals. Have the courage to put them out there and then stretch your organisation towards achieving them. If you miss one, say so. Don't try to dodge it, don't try to rewrite it, or explain it away.

How do you change people's thinking and drive transformational leadership throughout the company?

You have to be open to serious challenge. We brought people in who had worked with environmental groups to point out how NGOs saw us and our business, what the fallacies were in our logic and which stakeholder groups we weren't paying attention to. That got people stimulated. They didn't want to work on a good product for three years then have it blocked.

How can you embrace a long-term transition to sustainable growth, over 15 years, when so much corporate thinking is short-term?

DuPont already has a mentality, developed through R&D in science, of investing in areas that might not pay off for years. Do our shareholders understand this in sustainability? Not yet. Although we are included in the Dow Jones Sustainability Index, most of the investment community doesn't yet get the connection. So we have to keep making the business case for sustainability. We know it's there.

How do you communicate this to those investors?

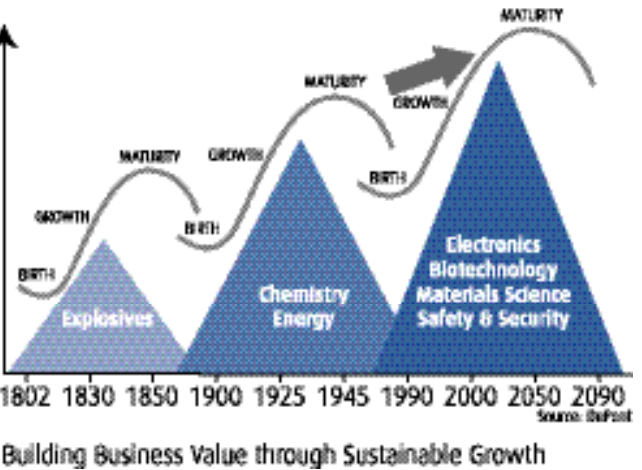
Every presentation I make, we start with sustainable growth. But we always put it in their language and talk

about the differences it makes for investors – reducing our environmental costs, opening up growth opportunities and motivating our people.

What was the internal reaction when you set up stakeholder advisory boards which included NGOs who were challenging you on GMOs?

The board questioned it, but I thought it was what we had to do. We had to be open and listen. Stakeholder dialogue has made a big difference to DuPont; we listened to the NGOs and they gave us good ideas as well as plenty of criticism! My advice to other companies? Don't do it for show, it will backfire. You have to want to listen, to get new ideas, to test your thinking. They can tell very easily if you're not genuinely committed.

Transforming for our third Century



PERSONAL VALUES IN BUSINESS LEADERSHIP

Fred Phaswana

Chairman of Transnet | Alumnus of the Programme | Member of the Programme's Management Committee

2

It's all about how we define success. When I grew up in business it was about achieving certain business objectives, delivering certain business results. This boiled down to an amount of money. Do that and you were successful. This, remember, was in a world where people's general awareness of the wider context was very simple. The world – and our awareness of it – has grown much more complex. People have much more sophisticated expectations. Take trade unions, for example. You no longer hear talk of 'bashing the unions'; it is recognised they have a role to play. The same is true of NGOs.

So new criteria for success are emerging, criteria that take into account this wider context. Yet so much of the business community still clings to the old criteria for success.

When a young executive comes to me to talk about their ambitions of leadership I ask them to consider themselves for a moment as a product. 'What is the nature of this product (yourself) that you are offering to the world? What

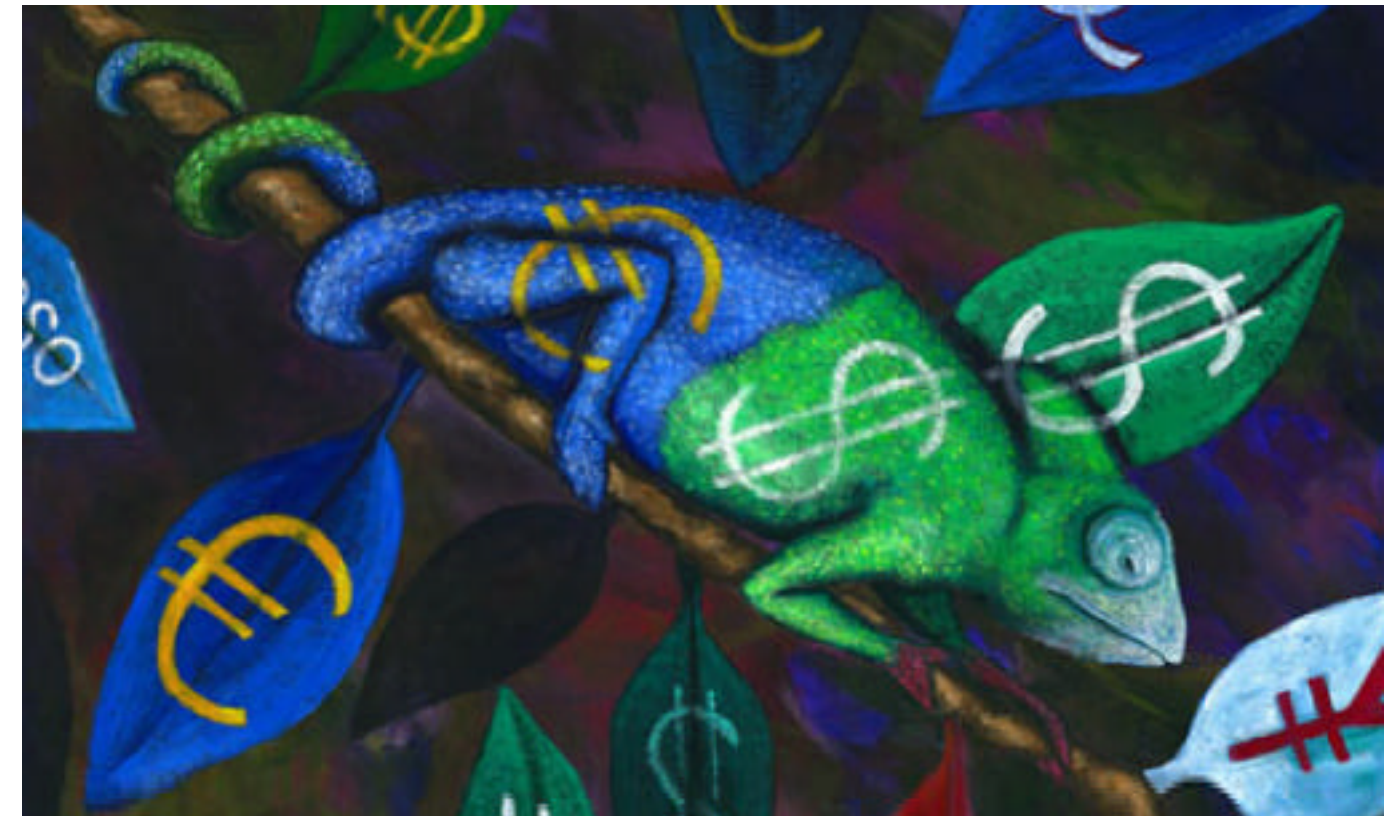
is the contribution that you want to make to the world?' I ask these questions because I believe one's work is only a means to a much bigger end. Business success must be defined in terms of one's personal destiny, not the other way around. To let your work define your personal destiny is a very shallow thing.

“Unless there is congruency between how you are in your personal life and how you are in your leadership role at work, the latter is not a committed act.”

I work for personal happiness, which I cannot define without including the happiness of others. In just the same way, I would now say that the success or well-being of one's business cannot be described in the absence of the success or well-being of the surrounding society, the surrounding whole.

For me all this came together at the BEP seminar attended in Salzburg, where my long inner journey merged with a sense of what the wider whole was calling for from business. The sustainability of one's business became clearly linked in my mind to the sustainability of society and its relationship to the earth; and these in turn became linked to my personal sustainability, in other words my longing to feel that what I am doing is something that can give hope to those coming after.

Unless there is congruency between how you are in your personal life and how you are in your leadership role at work, the latter is not a committed act. Though it took me a long time to reach this point, I feel as much commitment to the business things I do as I do to my family. My sense of myself and my wish to make a contribution to life is seamless between these two worlds. You could say that I now regard my business work as just as much a vehicle for me to make that contribution as any other aspect of my life. Ultimately, it is all personal material.



WANTED: A NEW AGE OF ENLIGHTENMENT

Dr Melissa Lane

Lecturer in History at the University of Cambridge | Member of the Programme's Guest Faculty

2

“To enlightened self-interest we have now to add a deeper and more complex understanding of how our individual actions interact, and the responsibility we must take for those further consequences.”

A sustainable world cannot be achieved by technocratic fixes alone. Sustainability requires a reshaping of self-understanding, so that people are willing to take responsibility for the consequences of their actions in the broadest and most complex terms. A new way of imagining the world is fundamental to effecting such change: recall the profound impact of the Apollo-viewed earth as a lonely haven of brilliant life. In short, sustainability requires profound shifts in values, imagination, and social relations if it is to succeed.

We can learn what such shifts require from the equally world-changing movements of the late seventeenth and eighteenth-century Enlightenment. Driven by the trauma of the wars of religion, and inspired by the new Newtonian sciences which made the universe intelligible to reason,

leaders of the Enlightenment called for the replacement of bellicose fanaticism with the peaceful civilisation of commercial society. Fear and ignorance among the poor, mindless posturing among the rich, were both to be healed by the rational pursuit of self-interest. Enlightenment leaders emerged from all social classes, and many suffered severely (execution, excommunication) for their beliefs. These leaders were neither appointed nor anointed. They simply arose, impelled by their new social vision and catalysing the new relationships (rich and poor mingling at coffee houses, for example) by which it spread.

Today, the environmental sciences, newly informed by complexity and chaos theory, are playing a double role – combining trauma and inspiration. They jolt us into recognising the imminence of possible environmental

disaster; and they help to make alternatives thinkable. To enlightened self-interest we have now to add a deeper and more complex understanding of how our individual actions interact, and the responsibility we must take for those further consequences.

Many people have begun to transmute these impulses into their imaginative purposes: re-conceiving themselves not as isolated consumers or defensive producers, but as co-responsible for the world created by their interactions. If we are willing to stand up as leaders, and to acknowledge the leadership displayed by others at all levels of society, we may be able to succeed in moving once again beyond fear and division to a new vision of sustainability expressed in common action.

May leaders from the Business & the Environment Programme continue to find inspiration in the statement by Edmund Burke engraved in the gardens of Madingley Hall: “No man can make a greater mistake than he who did nothing because he could do only a little”.



Case Study

AN INTERNATIONAL ROLE MODEL

WALES

PROFESSOR ROD ASPINWALL

Chair, Sustainable Development Forum for Wales | Former Member of both the Programme's Core Faculty and Management Committee

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In 1998 the Welsh National Assembly became almost unique in the world in having a legal duty placed upon it to promote sustainable development in all its plans and policies. An interesting question is whether the governance model which has emerged will be suitable for adoption in other countries. Six years later, in March 2004, the Assembly Government adopted a comprehensive Scheme aimed at embedding sustainable practice across the Welsh economy and society.

Why has Wales emerged as a champion of sustainable development? Perhaps most important has been the political leadership provided by the First Minister and other Cabinet members who publicly embraced the need for profound societal change and stepped out of the denial mode often characteristic of leaders in both public and private sectors. Also crucial was strong pressure from below, stemming from well-informed, well-organised civil society and academic groups.

These forces combined to produce pioneering legislative requirements, charging the Assembly not only with the legal duty, but with producing a Sustainable Development Scheme to interpret the duty, and a Sustainable Development Action Plan to implement the Scheme. This has seriously reduced the room for Welsh politicians to manoeuvre and obfuscate when it comes to deciding and implementing hard policy choices.

The Welsh Government's 2004-2007 Sustainable Development Action Plan addresses four key themes, using accessible language designed to win public support:

Living differently: addressing major structural issues including energy, settlements, natural resources, production and consumption;

Leadership and delivery: creating governance structures and a civil society capable of delivering sustainable development;

Making our money talk: ensuring sustainable public sector spending;

Measuring progress: testing against new indicators and reporting on progress.

Consultations are now under way with local government, civil society, business and academia to determine how to deliver a 'sustainable Wales' based on this blueprint. Just how sustainable policies will unfold on the ground, it is too early to say. Although a Developed Administration of the UK, Wales does not have primary tax-raising powers, so in business terms, the legal duty is most likely to manifest itself through planning and other regulation. Interestingly, pressure on business to comply with sustainability criteria through the important public sector procurement processes is emerging as a really important driver.

Turning political commitment into a concrete societal shift towards sustainable production and consumption clearly represents a huge challenge for a modern, consumerist society. But it is against this yardstick that the success or failure of Wales's pioneering efforts to embed sustainable development will ultimately be judged.

"Turning political commitment into a concrete societal shift towards sustainable production and consumption clearly represents a huge challenge for a modern, consumerist society."



Can humankind’s technological ingenuity enable us to put the brakes on climate change and natural resource over-use – in time to avoid runaway environmental and social disruption?

3

Adaptive Technology: WAY OUT OR COP OUT?

In this section:

- Jonathan Lash** | President, World Resources Institute
- Dr Wolfgang Schneider** | Vice-President for Government and Environmental Affairs, Ford Europe
- Dr Jeremy Leggett** | Chief Executive, Solarcentury
- Dr Karl-Henrik Robèrt** | Founder, The Natural Step
- Debra Dunn** | Senior Vice-President, Hewlett Packard

Many experts on all sides of the debate – politicians, academics, corporate leaders, scientists, NGOs – believe the answer is yes, but with one big caveat. Technology alone cannot deliver the major political, corporate and lifestyle changes required to shift to a low carbon, lower consuming world. Technological and scientific innovation must be accompanied, even driven, by political leadership and corporate and citizen buy-in.

CHANGING CLIMATE, CHANGING MARKETS

Jonathan Lash

President of the World Resources Institute | Contributor to the Programme's Seminars

3

“Many US business leaders recognise that climate protection rules are almost inevitable...”

Forget the scare stories. Humankind is certainly capable of the adaptation and innovation needed to provide a high quality of life without a continuing, uncontrolled build-up of greenhouse gases. We have, or can create the technology. But will we?

The real questions we need to ask about controlling climate change are: At what price? By what means? Leaving everything to the marketplace won't work. Markets efficiently allocate resources according to the rules of supply and demand, but the signals markets rely on are prices. Until we attach a value to climate protection, markets will ignore it.

The Earth's atmosphere is a global public good. It is the job of governments to set policies that tell markets how to value global public goods, and send clear signals to businesses and consumers to make climate-friendly choices.

Those policies are not in place today. The United States has no national climate policy (although state and regional policies are emerging). The Kyoto Protocol is poised to come into force, but this treaty was never more than a first, historic step, insufficient to halt the greenhouse gas build-up. Ultimately, we must create and maintain a strong signal to the global economy that the Earth's climate has 'worth'.

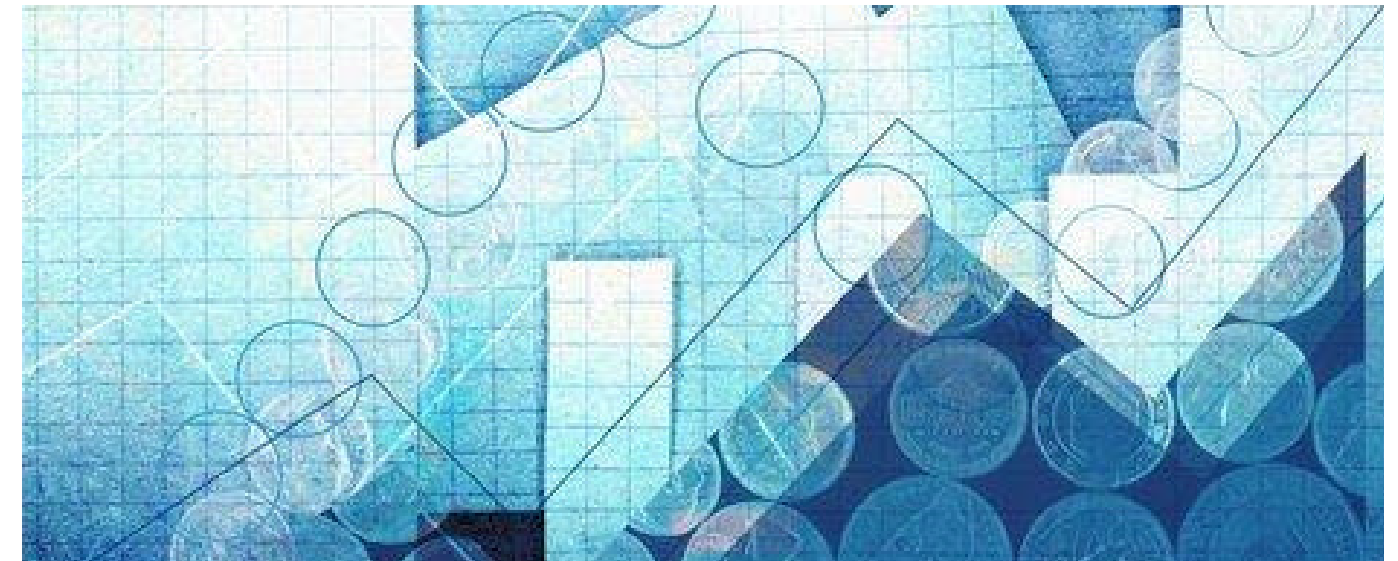
With greenhouse gas build-up and its consequences accelerating, business leaders face a dilemma: many recognise climate protection rules are almost inevitable, but don't know when or how these rules will affect them. The failure of governments to enact clear, long-term policies has created a situation in which the only short-term rewards for emissions reductions and climate-friendly products appear to be energy savings and a green image. Work by the World Resources Institute (WRI), however, suggests two other important benefits.

The first is strategic positioning in changing markets. WRI and Sustainable Asset Management analysed the products and technologies of the 10 largest automobile companies to determine the impacts of emission constraints on their competitiveness. Toyota, with its long-term strategy of investing in high efficiency/low emissions technologies, will be very well positioned to respond to future climate policies. U.S. automakers led by General Motors and Ford, bound to the profitability of SUVs and lulled by Washington's rejection of the Kyoto Protocol, seriously lagged behind.

A second example illustrates how emission reduction projects can create key skills and experience. Twelve large companies have joined WRI to form the Green Power Market Development Group, a partnership to use cost-

competitive, climate-friendly energy. So far we have purchased more than 112 megawatts of energy – the climate equivalent of taking 98,000 cars off the road. Members have developed systems to measure and manage emissions, thus positioning themselves to participate in emissions trading markets.

The longer the world waits to adopt policies that slow greenhouse gas build-up, the harder it will be to halt that build-up at a plausibly safe level. For business leaders who have already adopted strategies to position their companies for a carbon-constrained world, the next step is to help world leaders recognise that sensible policies to value climate and limit emissions will smooth business's transition to the future.



MASS PRODUCING THE LOW CARBON CAR

Dr Wolfgang Schneider

Vice-President of Legal, Governmental and Environmental Affairs, Ford Europe | Member of the Programme's Core Faculty.

3

“Should nuclear energy programmes be expanded in order to mass produce hydrogen to power the world?”

First the good news: we already have the technology to produce zero emission electric and fuel cell vehicles. Ford Focus fuel cell cars are right now driving around in test fleets. Now the bad: so far, we at Ford have found it impossible to make a business case for making our business sustainable.

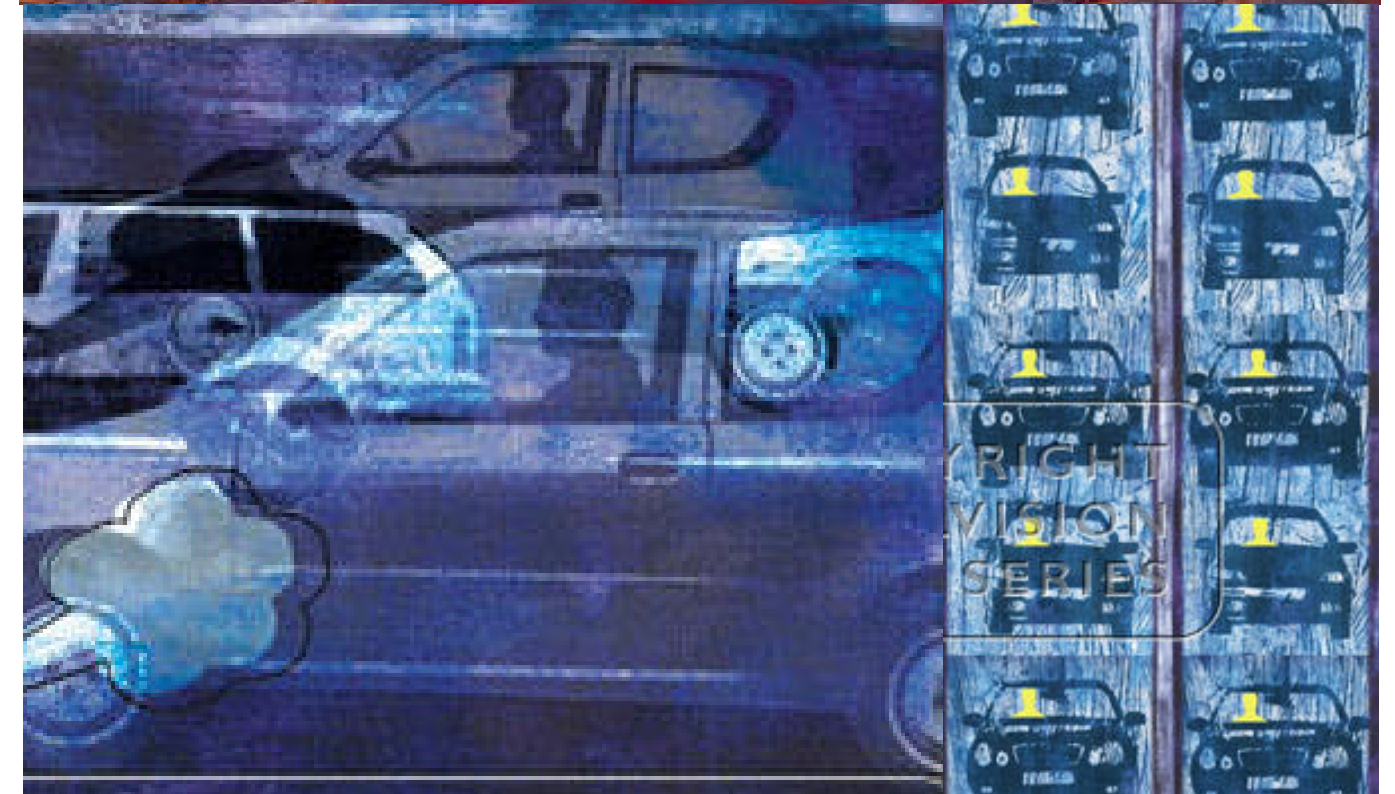
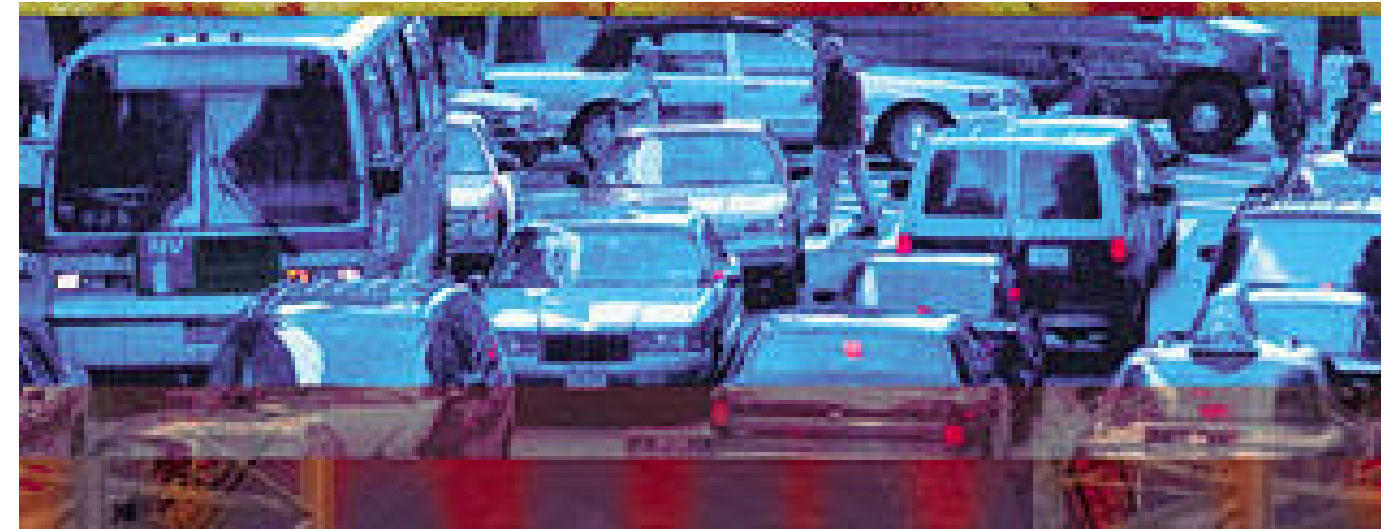
Six years ago, against the background of the Kyoto agreement, Bill Ford was very much of the view that we should make mobility sustainable. We set two main aims: in the US, to reduce the fuel consumption of all our SUVs within 25 years and in Europe, to produce alternative fuel fleets powered by natural gas and ethanol-driven bio-fuels.

Today, sadder but wiser, we have withdrawn our US target and are looking hard at whether it is realistic and economical for us to pursue our natural gas and ethanol

programmes. The commitment to make the Ford Motor Company a sustainable business still stands. But our previous aggressive leadership role has had to give way to a more incremental approach.

The problem is the consumer gap. People are happy to drive green cars but they won't pay extra for it.

What's the solution? In Europe some governments are providing incentives for consumers to buy more fuel efficient vehicles by offering tax breaks. That's one answer. Another is for governments to use their purchasing power to provide a guaranteed market for greener vehicles. Sweden has done this by buying 4,000 Ford Focus bio-ethanol vehicles. We have since sold 8,000 more to Swedish consumers.



Case Study

RENEWABLES PIONEER

SOLARCENTURY

DR JEREMEY LEGGETT

CEO of Solarcentury | Contributor to the Programme's Seminars

3

Another solution is for the automobile industry as a whole to shift production voluntarily to sustainable vehicles. We would all charge more for these models (to cover our costs) and consumers would have to pay the higher price. Unfortunately, the laws of competition mean such agreement is unlikely.

As oil and petrol get scarcer over the next 50 years, the new technologies will phase in. Engines will become more and more efficient and fuel alternatives, particularly hydrogen-powered fuel cells, will be increasingly common. Yet, because of increasing car ownership in India and China, overall emissions will go up. The world must collectively and urgently address this. We need to help China and India

leapfrog the carbon-intensive industrial era and go straight to the Hydrogen Age. Achieving this will involve politically difficult questions such as whether to expand nuclear energy programmes in order to mass produce hydrogen to power the world.

To mass produce the green, low carbon car, we need no less than a combined effort by the automobile industry, oil companies and consumers. Governments in big countries such as the US, China and India and in regional blocs such as the European Union, could also make a big difference – for example by replicating the Swedish experience on a much bigger scale.

Solarcentury is the UK's largest independent solar electric solutions company. We have installed almost 400 solar electric roofs and facades in England, Scotland and Northern Ireland, saving almost 500 tonnes of carbon dioxide in the process.

These are exciting times for our embryonic industry. Globally, the photovoltaics (PV) market grew from \$4 billion to \$7 billion in 2004. Giant companies such as Sharp recently opened PV manufacturing plants in the United States and Britain and now view it as a core business. Solarcentury turned over almost £5m in 2004 and is growing fast.

Photovoltaics is a high value investment. It is a building material, a design asset, a hedge against inflation, a pension investment (in carbon-trade-related income), a national security asset and many other things beyond a power source. While solar power's global energy market

share remains very small, costs are falling – by 20% for every doubling of capacity. PV is already competitive in markets such as building facades (where it competes against decorative building materials that don't also provide free electricity) and the off-grid homes of the developing world (where it competes either with candles and kerosene or with extensions to the grid). As traditional energy prices rise and PV manufacturers achieve the huge manufacturing economies of scale available, the price of solar electricity will fall to meet the rising price of polluting electricity. At that point, probably much sooner than most people now expect, coal, gas and nuclear power will become things of the past.

Given strong leadership and political will, unleashing a renewable micro-power revolution in the UK and many other countries would be relatively easy. If PV tiles were installed on every roof, solar photovoltaics alone could provide more electricity than the UK currently consumes.

BUILDING THE SUSTAINABLE CORPORATION

Dr Karl-Henrik Robèrt

Founder of The Natural Step | Contributor to the Programme's Seminars

3

The Natural Step is working with McDonalds, Ikea, Nike and others on re-engineering their businesses based on sustainable policy and practice. Karl-Henrik Robèrt identifies the keys to successful adaptation.

Do adequate adaptation technologies exist for businesses to weather a shift to sustainable production and consumption?

Yes or the innovation is there to develop them. What is needed is less about new technology than about changing traditional thinking. Businesses today are delaying solutions which are actually very close at hand. If you adopt the correct principles to run your business, planning with a concrete idea of future success and sustainability in mind, the practical, operational details will follow. We are running a sustainability framework based on these principles with large corporations and local governments worldwide, and they are moving successfully towards compliance with basic principles of economic, social and ecological sustainability.

What converts corporations to sustainability?

A crisis is the most common route to strategic thinking about sustainability. Companies with whom we have made very fast, impressive progress tend to be those who hit a major PR problem over environmental or social issues – such as Ikea in Sweden and Nike in the US. Both discontinued use of PVC after working with us. This worsened a crisis at Hydro Polymers, a leading European PVC manufacturer whose business we are now helping to re-engineer, with sustainability as the goal.

If you get top management buy-in, everything moves much faster. Ikea and Interface for example, have made fundamental changes in their corporate culture. With others, such as Nike and Bank of America we work with middle managers running a change agenda. Often, they have been told to implement sustainable development programmes but top level decisions are based on completely different agendas. We help these middle managers frame arguments and policies to take to top management and use to shift the company's direction.

How does sustainability deliver concrete benefits to business?

If businesses go bankrupt, they can't be a role model. We advise them to change their systems and operations step by step and take advantage of the strategic opportunities provided by sustainable investments. I find this is not a difficult pitch to top management. Companies investing in sustainable strategies save by avoiding increasing costs for energy, tax, insurance, waste management and material resources. They also earn money through product and service innovation, competitive advantage, customer and employee loyalty and increased shareholder value.

What are the biggest challenges to making business sustainable?

Sustainable development is a very complex issue which requires business leaders to think differently. Speed is so integral to today's corporate world that senior executives are often too busy to engage with sustainability. Even businesses pro-active on environmental and social issues often lack an overall framework for sustainability. Society is in the midst of a paradigm shift; it takes time for the new to become mainstream.

Case Study

TECHNOLOGY, PROFIT AND POVERTY ALLEVIATION

HEWLETT PACKARD

DEBRA DUNN

Senior Vice-President, Corporate Affairs and Global Citizenship at Hewlett Packard | Contributor to the Programme's Seminars

3

Businesses are powerful institutions – we can contribute to the growth and stability of the environments we operate in, or do the opposite. Hewlett Packard's leadership is very conscious of global trends and concerned about the increasing gap between rich and poor. It limits our potential markets and promotes instability, which is bad for business. So we feel it is absolutely appropriate to engage in global issues.

We do this partly by working in global, multi-sector initiatives with agencies such as the UN Development Programme (UNDP) and USAID. We operate in very different ways from the United Nations and have very different norms and languages. Yet when we combine these agencies' tremendous skill and knowledge in poverty alleviation with our own perspective and skills, we find that such public-private partnerships have real power to unleash potential in local communities.

Our e-inclusion programme involves developing new technology solutions to unlock the potential of rural

communities in developing countries while simultaneously creating new markets for the company. Some examples: In India, we have developed a mobile photography solution that runs off solar power. In Mogalakwena, South Africa, we established PC refurbishing enterprises and business support centres where local people trained by HP staff repair equipment from schools and municipal offices. In rural Uganda, we are piloting a remote transaction system which allows villagers to make micro-credit payments via a smart card and point-of-sale electronic device. This helps microfinance institutions reduce their transaction costs and reach more rural clients.

Thus far, there has been no material impact on our profits based on our work in India and South Africa, although we expect a positive impact in the years ahead. We aim to replicate these pilot projects and build markets in additional countries around the globe.



While many companies still compartmentalise environmental and social issues within their marketing or corporate responsibility departments, that is not how it works in the wider world.

Age of INSTABILITY

4

In this section:

Professor Tom Gladwin | Professor of Sustainable Enterprise, University of Michigan

Lise Kingo | Executive Vice-President, Novo Nordisk

Will Day | UNDP Special Advisor, former Chief Executive, Care International

Professor Klaus Töpfer | Executive Director, United Nations Environment Programme

Chris Pomfret | Former Marketing and Environment Co-ordinator, Unilever

The effects of environmental degradation, resource exploitation, climate change, poverty and inequity all bleed together in a potent mix that helps drive social unrest, political instability, conflict and even terrorism, at local, national and regional level.

The implications are grave for the business community as well as developing world economies and societies. An unstable, inequitable world has fewer markets to offer, fewer countries to invest in, fewer potential customers, more people antipathetic to business, especially to the large Western multinationals perceived as part of the problem. How can business help cross these divides and contribute to a more sustainable and stable world? Our contributors dissect the problems and suggest innovative pathways for corporate leadership.

POOR WORLD URGENTLY SEEKS... CARING CAPITALISM

Professor Tom Gladwin

Max McGraw Professor of Sustainable Enterprise, University of Michigan | Member of the the Programme's Core Faculty.

4

English statesman Benjamin Disraeli famously noted that "the palace is not safe when the cottage is not happy". Yet in today's world the exponential divergence between rich and poor has become truly grotesque and unsustainable.

Why the growing disparity? The causes are myriad, highly interconnected and intellectually controversial. Many analysts point to basic structural asymmetries of the global order, such as extreme concentration of technical progress in highly developed nations (10 countries account for 84% of global R&D expenditures), greater vulnerability of poor nations to external shocks, and the high degree of capital but low degree of labour mobility in our world economy. Others emphasise that current patterns of economic growth and globalisation tend to exclude most of the world's poor from meaningful participation in the world economy. Still others blame rapid population growth in poorer countries which slows capital growth; the debt trap; the fall in non-oil commodity prices; financial liberalisation; corruption and so on.

All of this can be traced to the generic feedback loop structures embedded in our economic, social and political systems whereby 'success generally accrues to the successful'. Inequality in this view does not arise out of intention, ignorance, irrationality or greed on the part of privileged people. It arises simply because the privileged disproportionately shape the 'rules of the game'. The already wealthy, mobile, highly-educated, techno-savvy, and globally networked thus garner immense rewards from the system. Those without this head start fall ever further behind, given the converse rule that ensures 'less success to the already unsuccessful'.

"Nobody, anywhere on our planet, will be immune to the adverse consequences of this vicious self-reinforcing cycle."



AN INSECURE WORLD

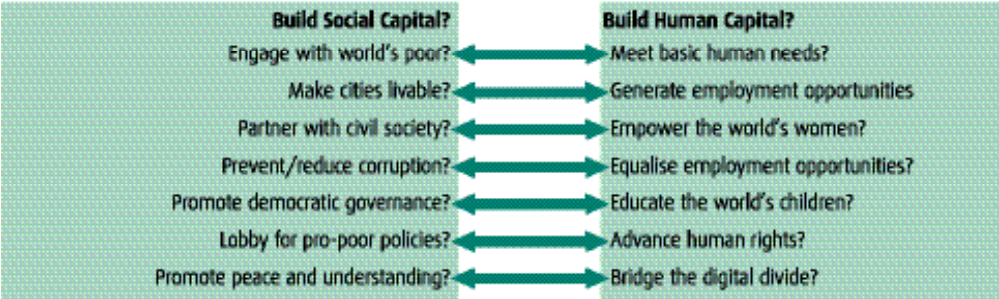
- In 1960, the richest fifth of the world's population had a per capita income 30 times that of the poorest 20%. By 1997 the ratio was 74:1. About 1.2 billion people survive on less than US\$1 a day.¹
- 20% of the world's people consume 70%-80% of its resources, including 58% of energy generated and 84% of paper printed. They own 87% of cars and 74% of telephones.²
- 670 million people live with chronic water shortages, a figure that could increase fivefold by 2050.³
- The world's forests, which shelter up to 90% of terrestrial life, shrank by 95 million hectares in the 1990s. 24% of mammals are threatened with extinction.⁴
- In 2002, 42 million adults and five million children were living with HIV/AIDS, 95% of them in developing countries.⁵

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Social Sustainability Audit

What is your Organisation Doing To:



“Making the global economy work on behalf of the security of all is the ultimate transformational challenge of our time.”

4

Enlightened thinkers today increasingly understand that poverty is the greatest threat to political stability, social cohesion, and the environmental health of the planet. The International Labour Organisation (ILO) estimates that 850 million 15-24 year-olds are either unemployed, under-employed below a living wage, or inappropriately employed (in crime, prostitution and so on). This ‘global decent work deficit’ constitutes the greatest source of frustration, despair, anomie, xenophobia, hatred and extremism in the world today.

The burning sense of injustice felt in areas such as the Middle East, Africa and Central Asia will surely drive migration, boost environmental degradation, foster violent crime, foment demagoguery, fuel religious fundamentalism and breed terrorism. The powerful forces of social decomposition, political instability and democratic erosion thus unleashed can be expected to further reduce the

climate for investment in these regions. Global capital and opportunity will continue to bypass these risky areas, thus further consolidating power and wealth in privileged hands and exacerbating poverty in abandoned regions.

Nobody, anywhere on our planet, will be immune to the adverse consequences of this vicious self-reinforcing cycle. Therefore, we must break the reinforcing feedback loop structures which concentrate and polarise human progress. This will require a major restructuring of production, consumption and income patterns such that development opportunities are shared equitably, both within and between generations. Economic growth must become considerably less physical and material intensive, especially in today’s rich nations. It must also be situated in places where people need it most, empowering the poor to use their main asset, labour.

The challenge of creating billions of sustainable livelihoods will demand both bottom-up economic and social innovation, and more inclusive, equitable patterns of global capitalism. We cannot expect capitalism to transform itself toward these ends, for it was not designed to sense ecological limits or assure equitable distribution. Its creative and concentrating forces must be channelled and counterbalanced by other political and social institutions.

Making the global economy work on behalf of the security of all is the ultimate transformational challenge of our time. A just and sustainable global economy will entail new roles and rules for world business. Shifting the energy, creativity and focus of large companies from north to south, from rich to poor, from luxury to necessity, from capital to labour-intensive and from large to small-scale will require radically new business models facilitated by radically new ‘pro-poor’ trade, aid, investment, tax, and social spending policies – for which business will need to proactively lobby.

FIGHTING PANDEMICS WITH MULTI-SECTORAL MEDICINE

Lise Kingo

Executive Vice President of Novo Nordisk | Member of the the Programme’s Core Faculty

The word ‘pandemic’ is now routinely used to describe the growing number of people affected by HIV/AIDS and more recently, obesity and diabetes.

The numbers are staggering. According to the World Health Organisation (WHO), 40 million people live with HIV/AIDS and at least 180 million people with diabetes. Conservative forecasts predict 300 million diabetes sufferers by 2020, most in developing countries.

Over the last decade it has become apparent that the costs of dealing with chronic diseases can become a major destabilising force, especially in many developing countries experiencing a double burden of infectious and chronic diseases. Consensus is growing about the action needed in these countries, expressed in the 2001 report, ‘Investing in Health for Economic Development’, from the WHO’s Commission on Macroeconomics and Health.

So what is the answer? Three risk factors, tobacco, poor diet and lack of physical exercise, cause four chronic diseases – cardiovascular disease, diabetes, chronic lung diseases and some cancers – which result in 50% of deaths globally. In a perfect world, to counteract these trends, health investments would rise dramatically in poor countries. This would happen mainly through increased aid from wealthy countries and local governments reprioritising budgets. The pharmaceutical industry would reduce prices in the poorest countries and partner with local authorities to develop national strategies on fighting specific diseases, build local health sector capacity and improve distribution of medicines.

Progress, however, is painstakingly slow. In many developing countries, even basic healthcare and the cheapest generic medicines are inaccessible to most people. The main problem is poverty – low incomes, combined with lack of healthcare facilities, trained personnel and distribution systems.

Pharmaceutical companies have a central role to play in improving quality of life in the developing world. But we are only part of the solution – a concerted, multi-sector approach is necessary. This realisation, along with Novo Nordisk's vision of defeating diabetes, impelled us to join with Oxford

University in initiating 'Oxford Vision 2020', a global alliance of diverse stakeholders dedicated to staving off pandemic growth of diabetes and other chronic diseases.

Participants at our launch in December 2003 included treasury and public health departments from Brazil, China, Canada, South Africa, the US and UK; 16 corporations including Johnson & Johnson, PepsiCo, Merck Sharp & Dohme and Nestlé SA; 16 leading universities and key international organisations, including the World Health Organisation, World Bank, World Heart Foundation and International Obesity Task Force.

Oxford Vision 2020's aim is to build the evidence base and the campaigning skills and momentum needed to effect policy change worldwide. It will also initiate community-based, replicable good practice projects in developing nations. Already, we have achieved broad unanimous agreement on the actions required to provide healthier foods, encourage more active lifestyle and create better care.

Chronic disease control is vital to sustainable development in the decades ahead. Success will drive positive social and economic development, benefiting populations at local, national and international levels and improving the stability and security of our world.

FROM URBANISATION TO COLLABORATION

Will Day

UNDP Special Advisor | Former Chief Executive of Care International | Member of the Programme's Guest Faculty

Shortly after I joined CARE International UK as Chief Executive, a group of us sat down to identify which of the many competing claims on our time and scarce resources we should focus on. We asked ourselves: where are poor people now, where will they be in 20 years time, and how might our organisation add value without duplicating or undermining the efforts of others?

We quickly narrowed our search down to the extraordinary growth in the world's cities, most of which is happening in the slums, favelas or shanties where the poorest people find themselves. The numbers are mind-expanding. To give but one example; India's cities are expected to grow by 300 million people in twenty years. That equals the current US and Canadian populations combined. Given the economic circumstances of much of the developing world's urban poor, this is a recipe for a short, under-educated life of unemployment, early and frequent pregnancy, ill health and violence.

Our next question was, what might the response be? India would have to build a new Manhattan every year to keep up

with its urban boom. Who will do that? India's government? The international aid system? NGOs? The private sector? And India is just one country. In Bangladesh, Ethiopia, Brazil, and many other nations, similar mega-expansion is underway.

In struggling to answer that question, we recognised that the only response would be to devise different ways of working. We needed to cut across the traditional barriers of mutual suspicion that have separated development finance and practitioners from the world's financial and business communities. We needed to work out how the competences and experiences of governments and civil society could be thoughtfully matched with the energy and resources (both human and financial) of the for-profit world.

This was not an easy or obvious conclusion for an NGO and there remains plenty of healthy scepticism about the process within the NGO world (and indeed CARE itself). However, the organisation has made a deliberate effort to work with companies wishing to move from compliance with regulations into a broader agenda of corporate social responsibility. To give

just one example, CARE hosted the Natural Resources cluster of the World Bank's Business Partners for Development initiative. This set out to test the theory that genuine partnerships between the private and public sectors and civil society could help all members achieve their separate but complementary aims. We learned a great deal as I hope did our corporate co-participants, among them Shell, BP, Placer Dome, Anglo American and Rio Tinto. Probably most important was the recognition that the profit motive and market power can become part of the struggle for a fairer world if it better understands the needs of the four billion people who live below the reach of the formal economy.

The opposite of poverty is prosperity, not charity or welfare. To end poverty we must look to achieve a world of equitable prosperity, based on thoughtful, representative, equitable regulation and policies which in turn encourage appropriate corporate investment, products, services and financial returns.

“the profit motive and market power can become part of the struggle for a fairer world if it better understands the needs of the four billion people who live below the reach of the formal economy.”



ECOLOGY, CONFLICT AND COMMERCE

Klaus Töpfer

Executive Director of the UN Environment Programme | Contributor to the Programme's Seminars

“Companies cannot operate effectively in a country under arms, or sell goods and services in societies whose income is less than a dollar a day”

The environment can be both a victim and a cause of conflict. Abundance of natural resources, especially those that straddle borders, and conversely their scarcity, can trigger tensions. When war breaks out, or terrorism strikes, the damage from increasingly sophisticated weapons and the resource requirements of troops, along with the impact of refugees, carry ecological consequences ranging from water supplies to wildlife.

UNEP has developed a three-pillared approach to the pressing issue of environment and security.

One is a new push on the fundamental science of environment and conflict with a view to advanced early warning. At first glance, it may seem obvious that

environmental degradation automatically triggers tensions and conflicts. But the precise mechanisms remain to be revealed. There are examples, such as land degradation in Haiti, where environmental decline is clearly linked with conflict. In other places, despite appalling environmental difficulties, communities appear to hold the thin red line. Moreover, while many have raised the grim spectre of 'water wars', our research indicates that countries so far have tended to cooperate over water rather than fight over it.

Our new research attempts to understand the environmental links or triggers that can operate as peace policies or as declarations of war. The first studies are on the Great Lakes Region of Africa, which has seen more than its fair share of strife.



A second pillar is our work in Central Asia and South Eastern Europe in cooperation with the United Nations Development Programme and the Organisation for Security and Co-Operation in Europe.

The environmental legacy of the former Soviet Union is terrifying, with old nuclear dumps, contaminated water supplies, toxic waste and depletion of natural resources. By combining maps of environmental problems and disasters with ethnic groupings and population movements, we and our partners seek to identify regions that might slide into conflict. Armed with such knowledge, the international community can have a 'heads up' and act swiftly to avert clashes.

The third pillar is spearheaded by our Post Conflict Assessment Unit based in Geneva. Its staff have developed expertise in assessing the environmental damage of war and conflict, including pinpointing 'hot spots', while providing authoritative recommendations on how to address the problems so that a war-torn country and its people can recover as quickly as possible.

Assessments have been made for Afghanistan, the Occupied Palestinian Territories and Iraq. African governments are requesting similar studies so that clear action plans can be adopted to restore their environments and put them on a more prosperous path. We recently published our first such study, a post-conflict report on Liberia.

Guiding all our actions are the UN's Millennium Development Goals, which at their heart are about eradicating poverty, creating social and cultural justice and delivering sustainable development for all.

It is in all our interests to realise a more stable world that fosters humanity and a resolution of differences. Most companies and multi-nationals cannot operate effectively in a country under arms, nor can they sell goods and services in societies whose income is less than a dollar a day. Both big business and small business have a vested interest in promoting our work and the UN's goals.

Case Study

SUSTAINABLE FISHERIES INITIATIVE

CHRIS POMFRET

Formerly Unilever's Marketing and Environment Coordinator | Member of the Programme's Guest Faculty

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Fisheries are a prime example of unsustainable human use of a life-giving natural resource, with the global marine catch increasing 500% between 1950 and 1997.

Up to 70% of fisheries are in decline. Two key species, cod and haddock are amongst those threatened by over-fishing, but these two species are also the most popular with the British consumer. Unilever, which owns the Birds Eye brand in the UK, is a major European supplier of frozen fish products. In partnership with the World Wide Fund for Nature (WWF), we established the non-profit UK-based Marine Stewardship Council (MSC) in the late 1990s, with the aim of bringing responsible practices into fish supply and therefore help to secure sustainable supplies of fish for the future.

The MSC, which became independent in 1999, sets standards against which fisheries are assessed for certification as sustainable. The first white fish to be certified was New Zealand hoki in 2001. By 2004, more than 200 MSC-certified fish products were on sale in 17 countries. One of the world's biggest fishing grounds, the Bering Sea Aleutian Islands'

Alaskan pollock fishery, won MSC approval in September 2004, greatly increasing the availability and choice of sustainable frozen fish products for consumers. Its certification marks a critical step on the road to establishing a global market.

Unilever works closely with our suppliers, the fishing industry and governments to bring fisheries up to certification standards. We dropped suppliers who could not confirm they fished only in specified UN Food and Agriculture Organisation catch areas and did not take species threatened with extinction. With the rest, we have instituted a traffic light ranking system which enables us to assess each fishery against five key indicators, with grades ranging from sustainable to unmanaged. We no longer source from fisheries that rank as unmanaged, but continue to support those who can demonstrate good progress towards sustainability.

The MSC certification process has been slower than we hoped; nevertheless we expect three-quarters of Unilever's fish supply to be sustainable in 2005.

The MSC model shows the potential of cross-sector partnerships and the ability to achieve more working together than separately. The fish supply chain is complex and a wide and diverse group of people had to be engaged – fishermen, major international companies, governments processors and retailers. I am optimistic that the MSC will continue to gain acceptance and play a major role in moving towards a sustainable fishing system in our oceans. Furthermore it may also provide a useful blueprint for more sustainable supply in many other industrial sectors.

But trying to assure sustainable supply is only one part of the subject. It is equally essential that consumption is also sustainable. This means educating consumers and influencing their choice of the type of fish to balance demand and supply. This is a major challenge, to make sustainability relevant to busy consumers. Most are aware of the problems of over-fishing but this does not influence their purchasing. Changing this will be essential if the ocean's resources are to be properly protected for our use and that of generations to come.

Better governance is a key piece of the sustainability jigsaw. Improved democratic decision-making, accountability and transparency and reduced corruption, at local, national, international and corporate level, is essential to a successful transition to better management and conservation of natural resources and more sustainable, equitable patterns of global development.

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Whose

RULES?

In this section:

Michael Meacher | MP for Oldham West and Royton and former UK Environment Minister

Madeleine Jacobs | Senior Vice-President & Head of Group Sustainable Development, ABN Amro

Dr Paul Ekins | Head of the Environment Group, Policy Studies Institute

Professor Tim O’Riordan | Professor of Environmental Sciences, University of East Anglia

Iqbal Surve | CEO of Sekunjalo Investments

Governments, international agencies and responsible corporations are increasingly accepting these arguments and – much harder to accomplish – seeking ways to implement good governance. Our contributors examine the role of local and national government, international institutions and corporations in protecting the global commons and delivering sustainable development. Our two case studies highlight how companies can measure their contribution to sustainable development and how social entrepreneurs are pushing the envelope on corporate good citizenship.

WHOSE RULES?

NATURAL GOVERNANCE: A NEW WORLD ORDER

Michael Meacher

Labour MP for Oldham West and Royton | UK Environment Minister from 1997-2003 | Contributor to the Programme's Seminars

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“Business needs very clear legislation if it is to take sustainable development seriously...”

What does the Earth need to survive? I would argue a new framework of international environmental governance, one which permits the continued operation of free trade and a competitive world economy, but only within parameters strictly drawn to safeguard our planet.

Such a system would reverse the current deregulated world economy which maximises economic growth and corporate profit with minimum regard for environmental impacts. It would be based on an international scientific consensus which defines the limits of the Earth's carrying capacity – fish stocks, biodiversity, forests, energy sources, atmosphere – as best we can and is embodied in a Charter for Global Environmental Protection signed by nations. The world's scientists are perfectly capable of giving us reasonably good answers on safe ecological limits and we should give them at most five years to come up with the results.

The terms of the charter must be constructed around proper implementation of existing multilateral environmental agreements (MEAs). There are some 200 of these, covering such diverse areas as international trade in waste, chemical pollutants, endangered species, genetically modified organisms, climate change and oil spills. Their biggest weakness is lack of easy enforceability and tough penalties for offenders.

Hence I propose a World Environment Court which would act as the supreme legal authority for settling issues regarding harm to the environment – on the land or in the water, air or in the upper atmosphere. The court would act after national due process had failed and NGOs and international organisations would be able to bring cases as well as national governments. It will no doubt take many years of determined negotiation before any such authority



CORPORATE GOVERNANCE: PATHWAYS AND PAYOFFS

Madeleine Jacobs

Senior Vice-President & Head of Group Sustainable Development at ABN AMRO | Contributor to the Programme's Seminars

“NGOs are a source of insight and learning and provide an antenna on societal needs and perceptions...”

In June 2003, the Equator Principles, a set of environmental and social criteria governing project financing relevant to developing countries, was launched by the International Finance Corporation and 10 project finance banks. Eighteen months later, the principles have become a de facto industry standard, with 15 more banks signed on.

The financial sector has been late in realising the impact it has on society. When in the 1990s ABN AMRO was first criticised by NGOs over involvement in mining and forestry projects with adverse environmental and social impacts, our initial reaction was of innocence and defensiveness. Our direct footprint in terms of natural resource depletion and waste is limited. How could we be held responsible for our clients' actions? Subsequent dialogue with both NGOs and our clients in developing guidelines for our investments, has taught us a number of things:

- Banking is first and foremost about trust and our role as a financial intermediary comes with a duty to act responsibly and to incorporate environmental and social issues in our decision making. We still believe we are not responsible for our clients' actions, but do acknowledge responsibility for our choice of clients and projects and the way we structure a transaction.
- While our principal business mission remains the creation of sustainable value for our primary stakeholders – clients, employees and shareholders – we also owe transparency and accountability to other societal groups.
- There is a clear business interest in having constructive dialogue with all stakeholders on the sustainability dilemmas we face. NGOs are a source of insight and learning and provide an antenna on societal needs and perceptions. For a bank that is always seeking optimal risk-reward trade-offs in its credit and investment

5 is globally acceptable. But no other route is likely to be as effective.

A strengthened, well-funded United Nations Environment Programme (UNEP), with equal powers to the World Trade Organisation (WTO) is also essential. While the WTO can require (and enforce) that countries act in accordance with what it enunciates as free trade, UNEP cannot require or enforce that companies or countries act in accordance with the environmental constraints it believes necessary. It must be able to do so. UNEP could also oversee a region-by-region and country-by-country review of progress in line with actions agreed under the terms of the Charter for Global Environmental Protection.

All these proposed global governance institutions should be complemented and underpinned at national level by clear regulatory frameworks. Strict penalties should be instituted by the World Environment Court and, in tandem, by national courts to deter corporate and other offenders.

Such a governance framework could begin the recovery of our global ecology. The measures proposed may seem drastic, but national governments must be bold and follow this path. The European Union provides a good starting point with its environmental regulations and enforcement mechanisms. My belief is that even the best companies, such as BP, are still largely practising greenwash. Business needs very clear regulation and very clear incentives if they are to take sustainable development seriously.

decisions, this dialogue helps us make better risk decisions on a well-informed basis.

- Extractive industries and infrastructure projects in emerging markets are particularly vulnerable to risk, partly because of their inherent social and environmental impacts and partly because they are often situated in areas where democratic safeguards and regulatory frameworks are weaker.

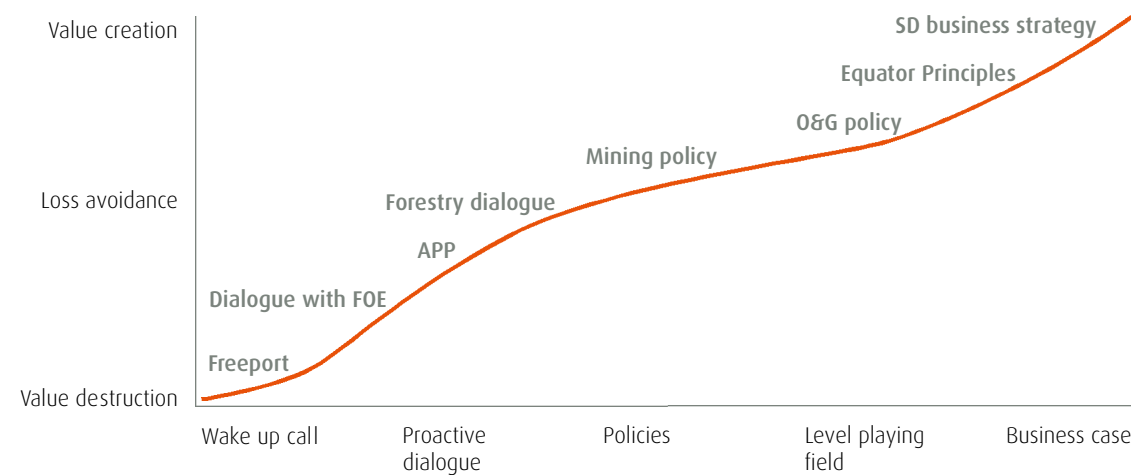
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Whilst learning these lessons for ourselves, we recognised that some of our peers in project finance banking and our clients in extractive industries and infrastructure, were struggling with exactly the same issues. Believing that the learning curve we had followed could benefit the wider financial industry, we have taken a pro-active role in promoting the sector-wide adoption of the Equator

Principles. The Equator Principles have helped environmental and social responsibility become a level playing field between banks rather than a competitive issue. They effectively change the rules of the game for approximately US\$55bn of global investment annually, not by discouraging investment, but rather by proactively addressing opportunities to minimise adverse impact of projects and get it right in one go.

The whole process from idea to launch took only nine months. Why? There was a common cause between the banks, the IFC with its expertise and influence, and the NGOs who had put the issue on the agenda. With the right kind of stimulus or catalyst, they could serve as a model for other industry sectors.

Sustainability learning curve



MEASURING CORPORATE CONTRIBUTION TO SUSTAINABLE DEVELOPMENT

Dr Paul Ekins

Head of the Environment Group at the Policy Studies Institute | Contributor to the Programme's Seminars

Profitable companies create wealth. But very often they also destroy it, whether through negative environmental impacts or a failure to relate constructively with their stakeholders.

In developed nations, legislation has already addressed many important social relationships, through planning procedures, health and safety regulations, provisions for redundancy payments and retraining or consumer protection requirements. It is time for the ad hoc approach adopted to environmental impacts to become far more systematic, reflecting a redefined purpose of the plc appropriate for the age of sustainable development.

Companies should not be regarded, or regard themselves, as money machines for their shareholders. Rather their purpose should be explicitly reformulated as wealth creation, in the widest sense, for society as a whole, and the metrics put in place to measure the extent to which this purpose is being achieved.

These metrics would not consist exclusively of money figures, despite the predilection of some economists to try to put a money value on every conceivable corporate (and societal) outcome. Rather companies need to measure carefully their separate impacts on the environmental, social and economic spheres in order to present a full picture of their contribution to, and impact on, society.

Of course many companies are already doing this, and with increasing sophistication. Techniques such as material flow analysis, energy accounting, environmental impact assessment, value chain analysis and stakeholder relationship analysis are increasingly capturing the key impacts of corporations alongside their financial performance.

Those companies (and there are far too many of them) that have not yet started down this road are likely to face mandatory reporting requirements in the not too distant future. The companies that get used to managing multiple impacts on the basis of these metrics will be those that prosper in the new age of sustainable development.

THINKING LOCAL, ACTING LOCAL

Tim O’Riordan

Professor of Environmental Sciences, University of East Anglia | Member of the Programme’s Core Faculty

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“Local authorities must have the freedom to chart sustainability, in co-operation with business and civil society partners...”

Locality is where we all live, play and dream. Locality supplies a sense of identity and the distinctiveness of neighbourhood and community. Increasingly and despite our globalising world, locality is becoming the anchor for launching sustainable livelihoods through both individual and collective endeavour.

Local governments, of course, vary enormously in their powers and independence. In some European nations – Sweden, Germany, France and the Netherlands spring to mind – municipalities have the capacity to plan their housing, communications and income from user charges and taxation. Such independent revenue generation could play a vital role in financing local community initiatives and guiding pricing over sustainable activities. In the United States, locality is a major springboard for social and cultural change, with many freedoms available to mayors and municipal authorities to design leaner consumption, land

use planning and energy policies. In the townships of developing nations, local life is often self-managed and closer to the sustainability ideal than ways of living in wealthier nations.

In too many nations, however, freedom to spend locally is heavily constrained by central government policies. Local government is confronted with performance indicators over public service provision in health and education, social care, housing, and in environmental improvement – indicators that limit innovative relationships with business and community groups to promote sustainability.

For sustainability to flower at neighbourhood level, local authorities must have the freedom to chart sustainability, in co-operation with business and civil society partners, within a supportive policy and financing framework set by central government. Where this is happening, progress is evident.

In Europe in particular, local governments are beginning to create lower carbon futures via innovative approaches to new housing, building design, mobility, procurement, and the conversion of waste into reusable products. Other hopeful trends include:

- ‘wellbeing powers’ through which local authorities gear economic and environmental plans to create social wellbeing. This is encouraging creative innovation in community enterprise, renewable energy and housing regeneration and better economic opportunities for the disadvantaged;
- localisation of local government procurement of food and services – generating enterprise, jobs, innovative business partnerships and improved public health;

- devolution of power to the micro-local, by giving community groups the freedom and resources to run their own futures;
- innovative approaches to establishing new public-private-civil partnerships that can seize the host of opportunities on offer.

Innovation is not easy. Many in these emerging partnerships prefer to stay within familiar boundaries. But for the forward-looking business there is much scope for creating fresh initiatives in sustainability – reutilising used goods, for example, or reforming supply chains to encourage local businesses to form around the provision of sustainable goods and services.



Case Study

SUSTAINABLE ENTREPRENEUR

SEKUNJALO

IQBAL SURVE

Chief Executive of Sekunjalo Investments | Alumnus of the Programme

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Premier Fishing is the only large fishing company in South Africa under black control and management. It is both profitable and a sustainability leader. Premier's parent company is Cape Town-based Sekunjalo. Its founder reflects firsthand on how innovative, governance-led companies can make a difference in poorer countries.

In developing countries poverty and inequality remain the major obstacles to sustainable development. Far too much emphasis is placed on profits gained from exploiting natural resources and far too little on equitable governance systems.

Sekunjalo's business model combines sustainable profit-making with local partnerships and community development. This is a challenging way of doing business. But our experience is that improved governance, with all stakeholders involved in decision-making, results in more sustainable growth and use of resources, which benefits everyone. In the fishing industry, partnerships between government, large fishing companies, employees,

subsistence fishermen and the regulatory authorities who manage stocks has resulted in fisheries being strengthened and developed, unlike the disastrous experience of some developed countries where stocks have plummeted. The South African government's approach to the fishing industry – developing a sophisticated regulatory environment – has benefited all participants, not just one stakeholder.

At local level, corporate social responsibility pioneered by Sekunjalo has included greater involvement by fishermen in company decision-making, through joint venture partnerships, skills development for full time and seasonal employees and community health programmes. The poorest fishing families benefit most. We have witnessed community fishermen partnered with our corporation and NGOs achieve far greater benefits than if they were to struggle on their own. The company has benefited, too, by having a more satisfied employee base and unlocking creative engagement between the company and subsistence fishermen.



In our interconnected world of global brands, mass media and instant information, considerable power lies in the hands of civil society – NGOs, consumers, citizens – and the media to shape corporate and political agendas and to fuel sustainable thinking and action.

The power of

CIVIL SOCIETY

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In this section:

Jean-Paul Jeanrenaud | Head of Business and Industry Relations, WWF International

Sarah Severn | Director of Sustainable Business Development, Nike

Colin Hines | Associate, International Forum on Globalisation

Caroline Southey | Editor, Financial Mail

Penny Newman | CEO, Café Direct

Ethical consumerism and public scrutiny can help change corporate behaviour, while fair trade companies can ride consumer goodwill to profitability. The role of environmental and social justice groups is also evolving. A growing number are engaging with forward-thinking corporations on a common sustainability agenda, while others are confronting trade globalisation and multinational big business head on.

The media also has a potentially huge role to play in reflecting the full spectrum of the sustainable development agenda to the global citizenry. But is it doing so?



NGOs AND BUSINESS, MORE FRIENDS THAN FOES

Jean-Paul Jeanrenaud

Head of Business and Industry Relations, WWF International | Alumnus of the Programme.

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“Fourteen years ago some DIY retailers and timber traders told us to get lost. Every one of them is out of business today...”

I am often asked why WWF works with companies. Why lend them the cachet of our panda logo, one of the world’s best-known conservation symbols? The answer is simple. First, I think we have gone beyond the era when businesses tried to use NGOs for good public relations and little else. In WWF’s case, we work directly with CEOs and boards to ensure top level buy-in for our partnership activities. Secondly, 57 of the world’s hundred biggest economies are corporations. We cannot afford not to influence the business agenda.

So what’s in it for companies? In the short-term, implementing sustainable practice and corporate social responsibility programmes can be costly. But the benefits – to reputation, to market positioning and to long-term survival – are increasingly apparent.

When I and others at WWF started knocking on the doors of UK-based DIY retailers and timber traders 14 years ago to promote the idea of forest stewardship, several companies literally told us to get lost. Today every one of them is out of business. Those who listened, such as B&Q and Sainsbury’s Homebase, are flourishing. They saw opportunities in embracing wider responsibilities to customers and society.

B&Q, with whom we have worked closely, is a model example of a successful first mover. Over the last few years they have introduced environmental and social policies, helped pioneer the Forest Stewardship Council and addressed child labour and toxic chemicals in paints. They are widely seen as a company which has really integrated sustainability into its core business.

Can we move enough corporations far enough, fast enough, to really make a difference? The jury’s still out on that. Of the large multinationals, probably 20% proactively engage on these issues. Yet our experience is that you only need one company in each sector to break ranks to bring about quite rapid change. The first mover advantage is becoming clear as companies realise it is far preferable to help develop new legislation, or voluntary agreements, than to have them imposed.

Our partnership with French company Lafarge, the world’s biggest cement producer, is a good example of the ripple effect. After they pledged to reduce their CO₂ emissions to 10% below 1990 levels by 2010 – double the Kyoto target – others followed suit. Under the auspices of the World Business Council for Sustainable Development, 16 major cement manufacturers are now involved in an industry-wide sustainability initiative.

Companies and sectors can also stall or slide backwards. WWF has decided not to take new money from any oil or gas company, for example, until it produces a corporate strategy for a non fossil fuel future. The panda has teeth and it will use them. However we prefer not to, for the simple reason that confrontation rarely produces lasting results. Our role is not just to challenge the private sector, but to help develop practical models of how to become sustainable – without committing commercial suicide



Case Study

CONSUMER POWER:

THE NIKE EXPERIENCE

SARAH SEVERN

Director of Sustainable Business Development at Nike | Member of the Programme's Core Faculty

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Nike's recent history provides a model example of how a major company punished by consumers for ethical or governance lapses can benefit from the experience by genuinely embracing the sustainability agenda.

Nike has gone from being perceived as a pariah over labour standards in Asian factories to being recognised as a sustainability leader. How has this happened?

When the labour issue hit us with full force, in the mid 1990s, we reacted defensively. Consequently we made little progress either with our critics or public perceptions regarding the contract factories where Nike branded product was manufactured. We have learned a great deal since those days, evolving our thinking and reaching out to stakeholders.

We have set new labour standards for our contract factories, developed monitoring and remediation programmes and begun to integrate these into our sourcing functions. In the environmental area, we appointed sustainability champions at senior level in each product division and initiated

programmes to address our major impacts. We also target the equivalent of 3% of the previous year's pre-tax profit to community investments. Today we work with many organisations and individuals, both on the ground and in our wider efforts to move the sustainability agenda forward for our industry and for corporations at large.

How important was consumer and NGO pressure in forcing this agenda?

On the labour agenda it was clearly significant. In the environmental arena, our work was driven by internal passion rather than external pressure. What consumers and stakeholders want from us is clearly an important driver. Their perceptions affect our brand and reputation, which in turn impacts on shareholder value. But equally important are the values that exist within a company.

Have you done enough to satisfy stakeholders and embed sustainable practice?

We have aspirational goals related to the community, the workplace, physical activity, sustainable product innovation

and waste and toxics elimination. The intent is there at the highest level, but we have a long way to go to truly integrate these goals throughout our business and supply chain.

In some ways, we are now ahead of the public in our efforts to reduce our ecological footprint. Our consumers are still focused on performance, aesthetics, quality and price. They don't readily see the connection between major global issues – climate change, resource depletion, persistent compounds – and their everyday purchases. We have started to make those connections by encouraging consumers to recycle shoes or learn about the benefits of organic cotton clothing.

Are we doing enough in our corporate responsibility programmes to meet wider societal goals such as the Millennium Development Goals? Perhaps not. We have learned that one company cannot do this alone. To move forward, we need partnerships which reach across whole sectors and which rely on cooperation rather than competition. With networks like the Organic Exchange, which Nike helped to set up, we can work with multiple brands and the entire supply chain to bring more sustainable materials to the marketplace. Through other multi stakeholder initiatives we hope to establish a uniform code and monitoring standard for our industry.

Looking ahead, how will Nike benefit from its pro-active sustainability agenda?

In my opinion, businesses, like all of us, will ultimately have to face the reality that declining ecosystem services and social inequity impacts them directly. Those corporations who ignore the signals are likely to face a major step change in how they operate, resulting in significant costs and a potential consumer backlash. Those who are pro-active will find a way to prosper by finding innovative ways to value human, social and environmental capital.



ANTI-GLOBALISATION: AN ALTERNATIVE PATH

Colin Hines

Associate of the International Forum on Globalisation | Contributor to the Programme's Seminars

6 The movement to improve business practice has been successful within some companies at the margins and in certain niche marketing.

However globalisation's battle cry, 'though shalt be internationally competitive', increasingly limits the manoeuvres of those companies who might want to change their modus operandi to further sustainable development. Instead, we see erosion of national control over environmental and social policy by global trade rules – designed by and for those whose overriding interests are profit maximisation, not sustainability.

Localisation is the route to breaking the stranglehold of international competitiveness. It allows effective cooperation between those working in business and as activists – in people's movements, NGOs, trades unions and politics – whose priorities are tackling environmental and social concerns.

Such activist groupings can point to many successes, but a cool appraisal of victories versus setbacks is salutary. Too

often those working for social change paint themselves into an impotent corner by claiming there is no one solution to their single issue problems. This is a fundamental error not made by the dominant forces preventing the changes the activists seek, who argue forcefully that globalisation is the only future and there is no alternative. Activists must therefore consider adopting an equally over-arching approach, denouncing globalisation as the major roadblock to their aims and embracing the roadway of localisation to meet their issue-specific priorities.

In my book, 'Localisation: a Global Manifesto' (Earthscan), I suggest a roadmap for achieving maximum self-reliance, nationally and regionally, by embedding sustainable development and increasing local control over economies. The policy mix of what I call 'Protect the Local, Globally' would obviously vary in practice from country to country. Bigger countries would think in terms of their boundaries, smaller ones would look to increased self-reliance within a group of neighbours. Basic steps, introduced after a suitable transition period, would include:

Localisation Manifesto

- re-introduction of protective safeguards such as tariffs for domestic economies;
- a 'site here to sell here' policy for manufacturing and services domestically or regionally;
- localised money so the majority stays within its place of origin;
- local competition policy to eliminate monopolies from the more protected economies;
- increased democratic involvement to ensure an effective, equitable shift to more diverse local economies;
- taxes to fund environmental improvements and the economic transition;
- re-orientation of aid and trade rules to help rebuild local economies.

To succeed, these unified demands must emerge from a broad coalition, ranging from international NGOs to community groups, small businesses, unions, campaigners and the culturally concerned. For example, environmental and anti-poverty groups, unions and businesses seeking new markets could find their agendas all agree on the action required to speedily unhook the world from the oil economy: namely, more local production and low input agriculture and less long distance trade, combined with crash programmes in energy-saving and renewable energy sources. The end of the era of cheap oil could provide the catalyst required to embed localisation.

A MATERIAL WORLD

- GDP has quadrupled in 25 years to US\$23 trillion.¹
- It would take at least three planet Earths to sustain a Western lifestyle for every person alive today.²
- US\$451 billion was spent on advertising in 2002.³
- Almost one in five UK citizens willingly pay more to buy from ethically responsible companies.⁴
- More than 2,000 companies now issue reports on sustainability performance issues, including a majority of the top 50 European companies and almost half the top 50 US corporations.⁵

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MEDIA: CATALYST FOR CHANGE?

Caroline Southey

Caroline Southey is Editor of the Financial Mail, South Africa | Alumna of the Programme

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Does sustainable development demand journalism of a special kind? The answer is yes, with some qualifications.

There are strong arguments in favour of engineering a different kind of journalism because of the exigencies of our time. The diverse range of issues within the ambit of sustainable development – protection of the environment, of people, of limited resources, pursuit of development with a keen eye on unintended negative consequences, unequal allocation of resources and profits – represent a unique challenge in human history. This perspective demands a re-conceptualisation of the foundations of present day society, including economic and corporate structures, governance rules and the relationship between people and the environment.

Yet, in my view, the answer is not a simple case of adopting a new orthodoxy to replace the old. Rather, it lies in prizing open the minds of those who set the news agenda to the possibility of asking profoundly unsettling questions about society.

The biggest danger in how the media deals with sustainable development is that it becomes ghettoised; relegated to a few journalists who feel passionately about the subject. The rest of the pack, including the men and women in newsrooms who decide what stories matter, remain ignorant of the theory's wider application and its potential impact on how we view the world.

There is an inherent tendency towards conservatism across society, including the corporate and financial sectors, the market I know best. Here the dominant model dictates that growth and development take precedence over all other considerations. By and large, critics of 'growth at any price' remain dispersed, ill-articulated and outside the mainstream media.

Breaking down these barriers requires a high degree of commitment by activists – inside and outside the media – to get their message across more clearly. Environmental activists are just as guilty as companies in barraging the media with press releases that seek to obfuscate rather than inform.



There are tentative signs of change. Many journalists (and executives) are beginning to understand that present methods of resource exploitation are unsustainable. This reflects a trend among some companies to consult stakeholders, monitor social and environmental impacts and produce sustainability reports. These tentative signs are an important start because they open the door to a host of new possibilities. The challenge is for journalists to push the boundaries of these possibilities.

If I could single out one journalistic quality I would want to see throughout the business media, it would be the

capacity to understand and represent the diversity of valid perspectives that frame every major business issue. This, it seems to me, is becoming an imperative of our age – to listen to the different voices, to accommodate the different 'worlds', that make up our ever more complex reality. If this is an emerging imperative for leadership, then we journalists must become skilled at articulating this diversity. By doing so, we will raise the level of public discourse and perhaps entice the business community into grasping the excitement and the challenge in sustainable development.

Case Study

FAIR TRADE FLAGSHIP

CAFÉDIRECT

PENNY NEWMAN

CEO of Cafédirect | Alumna of the Programme

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Recent decades have seen an explosion in world trade, linking consumers in developed countries ever closer to producers in developing countries. Yet the rich-poor gap is widening and over a billion people still live off less than \$1 per day.

Cafédirect was set up in 1991 as a wholly Fairtrade hot drinks company whose aim was to help narrow this gap by finding a new approach to trade. Our track record – combined annual retail sales of Cafédirect, Teadirect and Cocodirect drinking chocolate of almost £22m – demonstrates it is perfectly possible to do this and run a healthy, growing business. During 2004, our coffee sales captured 10.5% of the UK market.

At the heart of our trading philosophy is to pay a fair price for our products. We pay over a quarter million growers a fair crop price which covers production costs and allows them a decent standard of living. Another enduring value

comes from our partnerships with 33 producer organisations in 11 developing countries. Our direct relationship is built on a continual programme of dialogue, visits and exchanges. This helps overseas producers understand customer expectations and encourages a continuum of knowledge which producers can use independently to develop business and trade.

We also encourage producers to combine their skills and collaborate in approaching other international markets. This is not only done by country and region but, more recently, across different commodities. Our Tanzanian tea producers have benefited from exchanging knowledge with coffee producers from Peru.

Developing countries offer forward-thinking businesses both new markets and the opportunity to aid sustainable economic development. To bring the widest possible benefits, strategies developed will need to embrace local

cultures and distribution channels, and should also include ways of diversifying away from dependence on one commodity.

All companies with overseas producers, not just the fair trade sector, could benefit from thinking this way. We are doing today what many will do tomorrow. The persistent gap between rich and poor is not only unfair, it is ultimately unsustainable.



BUSINESS & THE ENVIRONMENT PROGRAMME: THE NEXT 10 YEARS

“The premier international forum for exploring sustainable development in the context of business”

The UK Prime Minister the Rt Hon Tony Blair, MP describing the Programme before giving our 10th Anniversary Lecture on September 14, 2004.

During its first 10 years, the Business & the Environment Programme has carved out a unique role at the forefront of the sustainable development debate. Delegates attending our Senior Executives’ Seminars have engaged with key sustainability issues, been challenged by radical thinkers from outside the business world, and learned about leading-edge sustainability practice from some of the most advanced practitioners in the field. Many companies around the world have built up a senior cadre of alumni in their organisations, well positioned to influence their corporation’s longer term thinking on growth, products and services, and better able to bring their own personal leadership to bear on the challenges and opportunities they face.

For our part, the sheer dynamism of today’s sustainable development agenda has constantly challenged us. Since

the Programme held its first seminar in Cambridge, back in 1994, we have gone through a regular process of adaptation and innovation to ensure that each succeeding seminar stays ahead of the curve in terms of what leading companies are thinking about or even putting into practice.

For instance, achieving that critical balance between the social, economic and environmental elements of sustainable development has required constant rethinking. There is now as much scrutiny of social as environmental issues in the Programme’s seminars, especially since the inception of the South African Seminars in 2003. (Indeed, we began pressing social sustainability when many companies were still focussing almost entirely on eco-efficiency). The focus on our Sustainable Economy Dialogue over the last three years has also enabled delegates to get



beyond the limits of concentrating too exclusively on ‘the business case for sustainable development’.

So what of our vision and programme for the future? This will be built in part on addressing key challenges identified by our alumni and core faculty through our Sustainable Economy Dialogue. Over 400 business executives, academics and NGO leaders took part in the process, agreeing on the 10 biggest challenges facing business and society with remarkable consistency:

**Sustainable Economy Dialogue Consensus on
10 Biggest Failings of Current Economies**

- There is a lack of education and awareness around the economy and sustainability
- Government and institutional governance send inappropriate signals to the markets
- It creates and maintains inequity
- It promotes short-termism
- It is at the mercy of human imperfection
- It fails to internalise environmental and social costs
- Its economic structures send inappropriate signals to the markets
- It is based on misleading or inadequate metrics (i.e. the wrong things get measured)
- It is backed by no common societal purpose
- Global leadership is too weak to change what needs to be changed

In the years ahead, these key challenges will help to frame our seminars and alumni programme as we work closely with leaders from business, civil society and the public sector towards a solutions-oriented sustainability agenda.

We also plan to introduce other stand-alone processes, to deepen the engagement and insight of delegates and alumni. One possibility is a Sustainable Investment Dialogue; another is a Corporate Leaders’ Group which would act as a sounding board for policy-making at the highest levels. We will also make wider, more practical use of our influential publications, some of which will form the basis of tools designed for widespread use within participating companies.

In all of this development, we will be guided by what the Programme is best at – not producing detailed strategies, but creating unique thinking space for delegates and alumni which can lead to breakthrough ideas. As some of our contributors in this publication have hinted the need for spaces like this – opportunities for leaders to stand back and reappraise the context of their business lives – will only multiply as the world faces ever more complex challenges.

It would be nice to think that things had moved forward so far and so fast in 10 years that the Business & the Environment Programme could stand down its sponsoring companies, core faculty and expert contributors. But such is not the case. Another one thousand delegates over the next

10 years won’t do it either, which is why the Programme now plans to extend both the influence of its Alumni Programme and its geographical reach.

Our steady international expansion – from the UK into continental Europe in 1997, the US in 2001 and southern Africa in 2003 – has already brought in an invaluable mix of ideas, perspectives and practices. The view from poorer nations about development and the role of business, for example, supplies a critical element in the understanding of multinational executives. From our seminars in Cape Town, and pilot programmes in Nairobi and Abuja, Nigeria, we have learned that leading African executives are hungry to explore and extend the developmental role of business, and that far more similarities than differences emerge during discussions held in the ‘developed’ North and the ‘developing’ South. In the wealthy economies, meanwhile, the changing expectations of consumers, governments and employees demand our continued reflection on the business responsibilities and opportunities afforded by sustainable development.

Over the next five years, the BEP will explore options for expanding into Asia and Latin America as well as building on our existing programmes. We will remain focused on our core audience of senior business people and a select group of public sector and not-for-profit representatives.

A tradition of good humour and inclusive cheerfulness, in spite of the sometimes gloomy backdrop against which the seminars are conducted, has come to inform the ethos of the Programme, and perhaps helps explain its success thus far. Every member of the Core Faculty and the great majority of our outstanding guest contributors have taken the business of sustainability personally, and this collective commitment carries from one seminar or Alumni event to the next.

The optimism generated is infectious. It certainly inspires the Faculty to keep coming up with fresh and relevant ways of encouraging seminar delegates on their own journeys of discovery in what must be amongst the most challenging, important and fast-evolving fields of human endeavour – the search for sustainable ways to live with the earth, its many species and our fellow humans.

POLLY COURTICE AND JONATHON PORRITT
PROGRAMME CO-DIRECTORS

BEP

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Faculty
The Programme’s Faculty is made up of business leaders, academics and other leading-edge thinkers who have a personal commitment to sustainable development, and who, by virtue of their track record and experience, are credible witnesses for making the business case for sustainable development. They are experienced facilitators who both contribute to and encourage debate and discussion during the Seminar, and guide delegates in-group work, focus workshops and syndicate sessions. Seven or eight faculty members are invited to join each Seminar, drawn from the following list.

- Jean Brittingham** | Senior Vice-President, CH2M Hill
- Polly Courtice** | Director, University of Cambridge Programme for Industry
- Vivienne Cox** | Group Vice-President, BP
- Dr Angelika Damman** | HR Director, Shell IT International
- Will Day** | Special Advisor, United Nations Development Programme (UNDP), Senior Associate, Cambridge Programme for Industry
- Pat Delbridge** | Director, PDA Partners
- Karen Flanders** | Director, Sustainability Strategy, The Coca-Cola Company
- Paul Gilding** | Founder & Executive Chairman, Ecos Corporation

- Professor Tom Gladwin** | Environment Management Institute, University of Michigan
- Martin Kalungu-Banda** | Senior Policy Advisor, Oxfam
- Margie Keeton** | Executive Director, Tshikululu Social Investment, South Africa
- Dr Snowy Khoza** | Executive Manager, Development Bank of Southern Africa
- Lise Kingo** | Executive Vice-President, Novo Nordisk
- Dr Melissa Lane** | Faculty of History, University of Cambridge
- Dr Vanja Marcovik** | Independent Consultant
- Richard Newton** | Senior Associate, Cambridge Programme for Industry, former Group VP, BP
- Professor Tim O’Riordan** | University of East Anglia, UK Sustainable Development Commissioner
- Chris Pomfret** | Senior Associate, Cambridge Programme for Industry, former Marketing and Environment Co-ordinator, Unilever
- Jonathon Porritt CBE** | Chair, UK Sustainable Development Commission, Programme Director, Forum for the Future
- Professor Jorgen Randers** | Norwegian School of Management
- Richard Sandbrook OBE** | Senior Advisor, International Institute for Environment and Development
- Dr Wolfgang Schneider** | VP Legal, Governmental and Environmental Affairs, Ford of Europe
- Sarah Severn** | Director, Sustainable Development, Nike Inc.
- Isaac Shongwe** | Chairman, Business Map Foundation
- Peter Willis** | Southern Africa Director, Cambridge Programme for Industry

PROGRAMME PUBLICATIONS

The Reference Compendium on Business and Sustainability.
Evidence on the world’s response to its most pressing social and environmental challenges, ranging from a brief history of sustainability to the initiatives, agreements and institutions of today. This report constitutes a primer on contemporary practice as well as a telling insight into the activities that will characterise the future of corporate sustainability.

The State of the Planet and its People. A review of the status and trends of natural, human, social, manufactured and financial capital, providing an illuminating guide to the world’s capacity to improve the lives of its people and powerful evidence of the extent of the challenge.

The World in Context. A provocative essay from Jonathon Porritt, subtitled “Beyond the business case for sustainable development”, it outlines the challenge of unsustainability, from the business case and the dilemmas to the strategies and the need for leadership and cultural change.

Functional briefings. An examination of the opportunities arising from sustainability, as they apply to different business functions. Produced in partnership with the World Business Council for Sustainable Development, each briefing provides insight into how taking on the sustainability challenge can improve business performance. The following briefings are available for order now:

Marketing: designed for people in marketing departments, new product development and sales.
HR: covering issues including recruitment, incentives, organisational change, and staff development.

Facing the Future: Business, Society and the Sustainable Development Challenge. A publication to launch the next decade of the Business & the Environment Programme. A collection of contributions from 35 leading thinkers and practitioners associated with the Programme, with a focus on engaging the world of business in a reflective, challenging conversation about its pivotal role in shaping humanity’s future and furthering sustainable development.

The Sustainable Economy Dialogue: Report and Reflections. The results of, and reflections upon the Programme’s Sustainable Economy Dialogue, which involved over 350 senior business leaders considering the nature of a sustainable economy, examining current failings, and exploring ways in which the business community might contribute to remedying them. Publication due in Spring 2005

Copies of these publications can be ordered through the Programme’s website www.cpi.cam.ac.uk/BEP, or by email BEP@cpi.cam.ac.uk . or telephone: +44 (0)1223 332772.

HOW TO JOIN

THE BUSINESS & THE ENVIRONMENT PROGRAMME

The Senior Executives' Seminars are the gateway to the wider Programme. They are designed for business leaders and senior executives who operate at a strategic level within their organisation and who need to make the right long-term decisions to ensure that their organisations grows sustainably and profitably.

Acceptance onto a Programme Seminar is by nomination and selection only, though self-nominations are also welcomed. Forthcoming Seminar details and nomination forms are available from:

www.cpi.cam.ac.uk/bep
Tel: +44 (0)1223 332772.

The University of Cambridge Programme for Industry

The University of Cambridge Programme for Industry(CPI) defines its purpose as building the capacity of business, governments and civil society to respond to contemporary societal challenges. Its work supports the mission of the University of Cambridge, which is to contribute to society through the pursuit of education, learning and research at the highest international levels of excellence.

As the University's largest dedicated unit for professional and executive programmes, CPI designs and delivers world-class learning programmes nationally and internationally, based upon a well-researched understanding of how people learn. It also provides strategic consultation based on the application of its expertise in personal learning, leadership and organisational change.

“As our awareness of the stark realities and consequences of environmental degradation grows, so do society’s expectations of the role that business will play in finding solutions. It seems to me that there is an increasing need for business leaders to come together and grapple with these complex problems in the company of representatives from government and civil society, and with facilitation from expert practitioners in the field.”

HRH The Prince of Wales April 2003

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