TOWARDS A SUSTAINABLE ECONOMY

BUSINESS LEADERSHIP & UK GOVERNMENT POLICY

AN OPINION PIECE BY JONATHON PORRITT FOR THE *NEXT ECONOMY INITIATIVE*

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There are now over 3,000 alumni of CPSL's programmes in 40 countries, many of whom credit CPSL with providing them with a much deeper understanding of global systems and the principles of sustainability and inspiring them to take effective action. In more recent years, our activities have expanded to include policy and strategy groups for leaders aspiring to drive system change at national and international levels. www.cpsl.cam.ac.uk

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BSP is a unique forum, established in 1994 by The Prince of Wales and is developed and run by CPSL. It brings together select groups of highly influential decision-makers to discuss the challenges and opportunities of sustainable development and to inspire them to become champions who will help create a sustainable economy.

The Programme's Senior Executives Seminars, which draw delegates from over 40 countries, are held annually in the UK, continental Europe, South Africa, Australia and the United States. www.cpsl.cam.ac.uk/bsp

Next Economy Initiative

The *Next Economy Initiative* has its origins in The Sustainable Economy Dialogue which brought together the views of over 400 CPSL alumni from around the world on the nature of a sustainable economy, the failings of the current system, and ways in which business might contribute to the solutions.

We have built on this analysis with a new 2010 Alumni Survey which offers the views of over 200 members of the network on a range of possible interventions that could create a more sustainable economy in the UK.

The *Next Economy Initiative* continues this dialogue, exploring with business leaders and policymakers from CPSL's international network the systemic changes required to achieve a more sustainable economy. www.cpsl.cam.ac.uk/nexteconomy

TOWARDS A SUSTAINABLE ECONOMY

Business Leadership & UK Government Policy

An opinion piece by Jonathon Porritt for the *Next Economy Initiative*

Advisory Panel: Catherine Cameron, Ian Cheshire, Jeremy Darroch, Paul Ekins, Stephen Haddrill, Tim Jackson, Catherine MacKenzie.

October 2010

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FOREWORD

The possibility of business being a powerful force in driving towards a sustainable economy has for almost 20 years inspired the work of the Cambridge Programme for Sustainability Leadership and its flagship The Prince of Wales's Business & Sustainability Programme. During that time we have worked with business leaders and policymakers around the world, helping them to understand the issues better, to ask challenging questions, and to explore what it takes to be part of the solution.

The importance of the business voice in this debate led to our *Next Economy Initiative*, which conducted a Sustainable Economy Dialogue with over 400 of CPSL's alumni over two years to 2007. This year CPSL carried out a detailed consultation seeking alumni views on how the UK Government should be addressing these issues. The results of this survey, which attracted nearly 300 responses, have been taken into account by the author of this paper and are included here as an Appendix.

In focusing on the challenges, it is important not to forget how much has been achieved. When we started the Business & Sustainability Programme, business leaders engaging meaningfully with the issues were often seen as a fringe group engaging with a fringe issue. Over the years, sustainability has moved unequivocally into the mainstream of business thinking, occupying the energy and imagination of CEOs and Boards.

It is as part of our *Next Economy Initiative* that we brought together an independent panel of thought leaders from business, academia and civil society to provide a perspective on what is needed to make the transition to a genuinely sustainable economy for the UK. *Towards a Sustainable Economy: Business Leadership & UK Government Policy* has been authored by the chair of this group, Jonathon Porritt, with the advice and support of the panel. We welcome this contribution from such a distinguished group in the hope that it will add to the current debate in the business and policy communities in the UK and beyond.

Over the coming months, we will bring together other perspectives and insights from thought leaders and practitioners from around the world. They will undoubtedly disagree with one another on many points of detail. But we are confident that they will all reinforce the urgency of shifting our social, political, economic and corporate institutions in the same broad, sustainable direction.

The stage of moving from aspiration to action will be a critical one, and it is in this spirit that all our work is conducted, convening senior influencers and decision-makers around the world to consider what needs to change and to explore the role of business leadership and action in delivering that change.

Polly Courtice
Director, Cambridge Programme for Sustainability Leadership

INTRODUCTION

This is a critical time both for the global economy and the UK economy. The worst recession for many decades has obliged politicians the world over to rethink the way in which they seek to protect the economic interests of their nations.

Here in the UK, with our economy emerging from recession more slowly and more fitfully than in any other OECD country, that made the General Election on 6 May all the more significant. And the outcome of that Election, in the shape of the new Conservative/Lib Dem Coalition, has opened up a completely new chapter in British politics.

Understandably, the manifestos and election campaigns of all the major parties focused on the twin goals of economic recovery and deficit reduction. The Coalition's new 'Programme for Government' strongly affirms that over-arching priority: 'the deficit reduction programme takes precedence over any of the measures in this agreement'. This was powerfully confirmed both by the Emergency Budget in June and by the Comprehensive Spending Review in October.

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However, we believe there is a parallel high-level objective for this government that must be pursued with equal vigour and urgency: to secure the foundations for the kind of sustainable, low-carbon economy on which our nation's future prosperity depends. As ever, this requires a purposeful re-balancing of the short-term imperatives that drive policy today with the need to incorporate longer term investment strategies.

For this to happen, the lessons of the outgoing government must be recognised. Despite years of talking up the potential importance of a low-carbon economy and a notional 'green industrial revolution', things moved very slowly between 1997 and 2007. The real turning point was the passage of the Climate Change Act in 2008 – the key elements of which were signed up to by all three major parties.

We are firmly of the opinion that economic recovery can best be secured by making a compelling priority of the approach laid out in this paper. This has been strongly reinforced by the survey of Alumni of CPSL and The Prince of Wales's Business and Sustainability Programme. (See Appendix)

We therefore urge the new government to give the highest possible priority to building on those foundations, developing a clear and purposeful roadmap for delivering a sustainable, low-carbon economy. This has yet to emerge with the same kind of clarity and sense of purpose as is the case with the deficit reduction strategy.

Finally, it is important to point out that we, either as author or as advisors, have undertaken this work as individuals, and the analysis and recommendations that follow are ours, not those of our organisations or those who commissioned this document.


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6°

1 RATIONALE FOR URGENT ACTION

For more than a decade, a growing number of progressive business leaders, economists and NGOs have been calling for a radical shift in the way we create wealth and organise our economies. These calls have arisen as a direct response to the increasingly disturbing evidence of accelerating climate change, greater inequality (both within and between countries), impending resource shortages, and grave threats to the integrity of the eco-system services on which all our economies depend.

We will not be revisiting that evidence base in any detail in this paper. It is now widely agreed that the negative impacts of generating economic growth in the way we do today become more problematic year by year. However, that is not an easy message to communicate.

After all, if progress in society is measured purely in terms of economic growth, then the global economy over the past 30 years has delivered a remarkable success story. Since 1970, the global Gross National Product (GNP) has more than doubled, and average growth of around 3% per annum seemed set to continue prior to the 2008 crash. In those terms, economic growth has delivered many positive benefits over the last 50 years.

But has this kind of economy been sufficiently *balanced* to meet our *long-term* needs? A balanced economy must bring improved prosperity and a better quality of life in ways that are socially equitable and environmentally sustainable. For all its dynamism, conventional growth has delivered prosperity only to some and often at the expense of the world's poor and the planet's life-support systems.

Whilst it's true that global poverty has diminished absolutely (and particularly in a country like China), according to the World Bank, over three billion people still live on less every day than the price of a cappuccino. In spite of advances in healthcare and technology, 25,000 children still die every day as a result of poverty. The distribution of wealth from economic growth has therefore been highly inequitable. Global economic growth has not resulted in a more equitable world.

The picture on the environmental impacts of growth is equally sobering. According to the Millennium Eco-System Assessment, conducted by 1,300 experts from 95 countries and released in 2005, approximately 60% of the eco-system services that support life on Earth – such as fresh water, fisheries, air and water regulation, climate stability, the nitrogen cycle, and so on – are being disrupted, degraded or used unsustainably. Scientists warn that the harmful consequences of this degradation will grow significantly worse over the next 50 years.

Climate change acts as a damage multiplier and risk accelerator for these challenges. Despite the furore caused by leaked emails from the University of East Anglia and one or two mistakes made by the Intergovernmental Panel on Climate Change, the scientific consensus about climate change remains very strong.

A balanced economy must bring improved prosperity and a better quality of life in ways that are socially equitable and environmentally sustainable.

This was confirmed by the 2009 State of the Climate Report by the US National Oceanic and Atmospheric Administration. Collating data on eleven different indicators (from air and sea temperatures to rising sea levels and melting ice), a clear and unambiguous picture emerges of a world experiencing consistent and accelerated warming since the middle of the twentieth century. As the Report's authors point out, these are facts, not theories or computer models. And the IPCC's conclusion confirms that there is now little doubt that this is 'predominantly' a man-made phenomenon.

The emphasis over the next couple of years will undoubtedly be on restoring the momentum on the climate change agenda after the disappointment of the Copenhagen Climate Change Conference at the end of 2009. But politicians are finding it hard to build a robust political consensus, both as a result of the wide differences of opinion between the rich world and the poor world, and of the very successful lobbying that takes place in the corridors of power by those who continue to see any action on climate change as a threat to their own economic interests.

The world does not need to choose between averting climate change and promoting growth and development… But if we don't act now, the overall costs and risks of climate change will be equivalent to losing at least 5% of global GDP each year, now and forever. If a wider range of risks and impacts is taken into account, the estimates of damage could rise to 20% of GDP or more. In contrast, the costs of action – reducing greenhouse gas emissions to avoid the worst impacts of climate change – can be limited to around 1% of global GDP each year.[1]

But the bottom line here, from a business perspective, is relatively simple. The onset of accelerating climate change is indeed deeply 'inconvenient' (to use Al Gore's terminology), and it demands a radical reorientation of the entire global economy. Some countries are responding to this unavoidable imperative far more intelligently and strategically than others, and the UK now risks getting left behind. We need to be amongst the leaders in developing solutions that we can export to others, as this will help ensure our competitiveness in the low-carbon world of the future.

There are a number of different ways of addressing this political challenge. Back in 2006, Nicholas Stern's Review on 'The Economics of Climate Change' highlighted that the costs of inaction will be much higher than the costs of action on climate change.

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In other words, meeting the challenge of accelerating climate change involves *real* economic costs, and for many, 1% of GDP each year still looks like a steep premium to be asked to come up with. Indeed, some economists continue to talk about the need for 'sacrifices in the short term' to secure any kind of long-term future for humankind – including not just a shift in the balance of expenditure from consumption to investment, but radical lifestyle changes as we decarbonise our economies.

[1] This estimate has since been revised upwards by Lord Stern to 1%–2%, given both the lack of progress on reducing emissions and the increasing rate of climate change.

That's a difficult message at the best of times. And these are not the best of times. The need to get the global economy 'back on its feet', and to restore stability to the world's capital markets, has made the 'business as usual' model of economic growth look just as attractive now as it did before the crash in 2008 – even though most progressive business leaders and politicians now recognise that another decade of CO_2-intensive, unsustainable economic growth could take us over that temperature threshold beyond which lies the deeply disturbing prospect of 'runaway climate change'.

The only way of squaring this circle, now and in the future, is to 'decouple' economic activity from its potentially devastating consequences – through massive improvements in resource and energy efficiency. This is the approach now advocated by all the major political parties in the UK, with an upbeat emphasis on new jobs, innovation, smart technologies, improved infrastructure, an upskilled workforce and so on. But too many politicians and too many business leaders remain complacent about the implications of this shift. Tiny, incremental shifts just aren't going to be enough; a much more profound rethink is called for.

Underpinning this rationale is a growing understanding of what it means to move beyond incrementalism, with more and more people pointing to a new wave of innovation that could transform the global economy over the course of the next 20 or 30 years.

This elevates the whole idea of 'disruptive innovation' at the *micro* level (where a new technology platform comprehensively displaces an old platform, as in mobile telephony progressively seeing off fixed-line services) to 'disruptive transformation' at the *macro* level. This potential breadth and speed of change, affecting every sector of the economy in every corner of the world, could see innovation piling on innovation in a way that some people see as analogous to Moore's Law in the field of computing. That surfaces the exciting prospect of the response to today's environmental challenges giving rise to a genuine 'Green Industrial Revolution', ushering in a new and qualitatively different era of human progress.

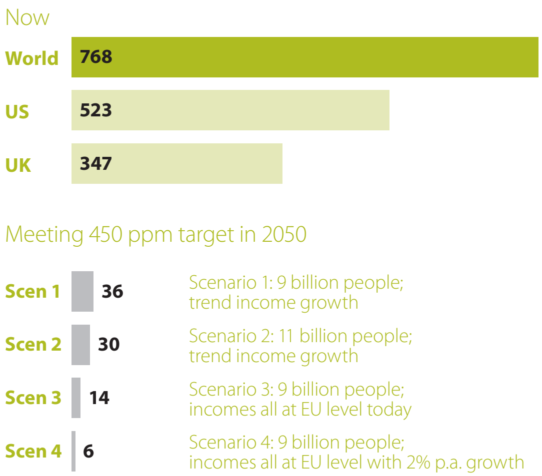
This prospect changes the rules of the game. For many, it explains why so many of Silicon Valley's leading entrepreneurs are increasingly focused not on the next ICT breakthrough, but on renewable energy and cleantech innovation. It may also explain why China is positioning itself more aggressively than any other nation as the prospective 'cleantech' market leader across a vast range of new technologies – with plans to spend more than $400 billion over the next decade to develop the intellectual property on which that market share will be based.

A growing understanding of what it means to move beyond incrementalism, with more and more people pointing to a new wave of innovation that could transform the global economy over the course of the next 20 or 30 years.

All the major parties in the UK are now theoretically bought into this 'decoupling strategy'. But the stark reality is that of the billions of pounds that have been pumped into the UK economy since 2008, only a very small percentage can be attributed to 'laying the foundations' for a low-carbon economy. This is becoming increasingly problematic, and it is by no means certain that the new Coalition Government will be any more resolute in this than the former Labour Government was.

The dilemma of growth

Carbon intensity gCO2/$



The above chart shows a 130x difference between the World figure and the Scen 4 figure

Source: Jackson, T. *Prosperity without Growth – economics for a finite planet* (Earthscan 2009)

Worse yet, our politicians may still be unaware as to the scale of the challenge ahead. Whilst they're all very comfortable (apparently) with the target of reducing emissions of greenhouse gases by 80% by 2050, the scale of the 'decarbonisation' in the economy which will be required to get us to that destination is daunting. In his book 'Prosperity Without Growth', Professor Tim Jackson has highlighted exactly what this looks like by contrasting the carbon intensity of the global economy in 2007 (in terms of grammes of CO_2 e per dollar of economic value) and where we would need to be by 2050 under different scenarios of population and income growth in the rich and poor worlds.

For nine billion people to have incomes in 2050 equal to those in the EU (if these grew by 2% per annum between now and then) would require decarbonisation of the global economy by a factor of 130 if a 50% reduction in global CO_2 emissions is to be achieved.

This kind of analysis prompts two conclusions. First: further delays in rolling out a programme of 'full-on decoupling' make achieving emissions reduction targets more expensive and may put them beyond reach altogether. The weather events in Pakistan, China and Russia in the summer of 2010 give a mild foretaste of what that might mean. Second, given the scale of the challenge involved, politicians should at least be open to a more sophisticated debate (as is happening elsewhere) about the kind of economic prosperity we should be aiming for in such a disrupted, resource-constrained world.

In France, President Sarkozy invited a number of eminent economists to advise him on alternative ways of measuring progress. Here in the UK, as Leader of the Opposition, David Cameron was keen to promote discussion about the 'politics of wellbeing'. There is in fact a rich literature available to politicians around the whole area of wellbeing and improved quality of life. Policymakers need to start exploring answers to the following questions:

1. Can we maintain short term, consumption-driven growth while enabling long-term investment in a low-carbon, sustainable economy?
2. How do we achieve the necessary resource productivity and energy efficiency improvements that will lead to an economy that is decoupled (in absolute terms) from resource consumption?
3. What role can pricing and fiscal policy play to ensure that stocks of all capitals, not just financial capital, are maintained?
4. How can we best protect 'critical natural capital' whilst maintaining a dynamic approach to planning and development control?
5. How can we ensure a fairer, more inclusive economy at a time when critical socio-economic indicators (on child poverty, health inequalities and so on) demonstrate how little progress has been made over the last thirty years?
6. How can we retain competitiveness within an economic model that seeks to balance economic growth with other imperatives?
7. What models of ownership and governance are best suited to deliver a more equitable and sustainable model of prosperity?

These are uncomfortable questions after decades of impressive economic success. The majority of us in the rich world have more disposable income. Our homes, which we may have recently upgraded or extended, are certainly filled with more things. We travel far more than we've done before, and the majority of people have access to more goods and services than earlier generations could have dreamed of. But have we simply substituted material possessions for a better quality of life or for greater financial security?

The complexity of these issues is recognised in the new 'Strategy for Sustainable Growth' from the Department for Business, Innovation and Skills. Secretary of State Vince Cable talks enthusiastically of "positioning ourselves to prosper through the transition to a greener economy. Our country should make more use of its scientific excellence, so that innovation becomes a motor for long-term growth and change", whilst at the same time suggesting that "we also urgently need a more balanced and sustainable – both economically and environmentally – model of growth to address our long-term challenges." Working out what 'balanced and sustainable growth' means in practice will be a key priority for both BIS and Treasury.

As Nick Stern has argued, balanced and sustainable growth and addressing climate change can be tackled together:

"We can and must, now and simultaneously, handle the short-term crisis, foster sound development and economic growth in the medium term, and protect the planet from devastating climate change in the long term. To try to set the three tasks against each other as a three-horse race is as confused analytically as it is dangerous economically and environmentally."

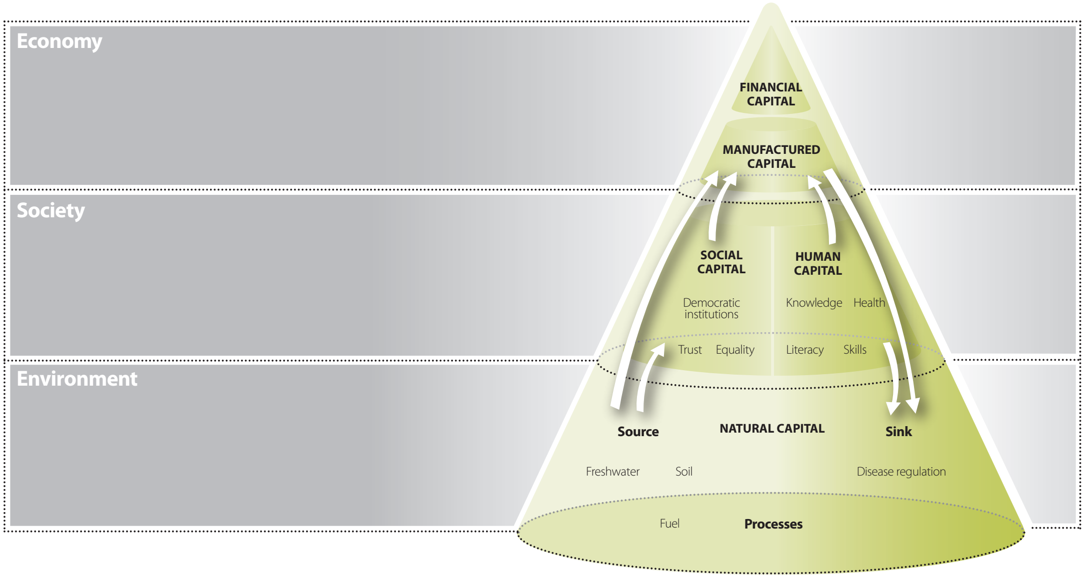
Much of the evidence from national quality of life indicators (such as the Index for Sustainable Economic Welfare and the Genuine Progress Indicator) suggests that in high-income countries like the UK and the USA, there has been an increasing divergence since the 1970s between growth in income and improvements in the quality of life. In other words, in spite of unprecedented economic growth, we're no more contented with our lot than we were back in the 1970s.

One of the challenges we face is the 'relentless pursuit of consumer novelty', as articulated in the Sustainable Development Commission's report 'Prosperity Without Growth?'. We are constantly bombarded with messages telling us that if we don't buy the newest items on the market we will somehow be found wanting. This often deters us from making the long-term investments our society needs, and doesn't add much to our sense of wellbeing either. The moment we have the newest thing we start to look out for the next newest thing.

In spite of unprecedented economic growth, we're no more contented with our lot than we were back in the 1970s.

Many commentators have attributed the reluctance to explore different models of economic growth to a fixation with 'financial capitalism'. Analysis based on the Five Capitals Framework, which underpins much of the sustainability thinking in the Prince of Wales's Business and Sustainability Programme, and which is illustrated below, suggests that what is required is a mix of investment and consumption that maintains and enhances the balance between all the different stocks of capital on which we depend.

What is being suggested here is an evolution of capitalism from a single, all-encompassing focus on financial capital to one that embraces all five capital stocks. This will not be straightforward. It means being explicit about the inevitable trade-offs between the different types of capital that will occur. While these trade-offs have always existed, the default response has been to allow financial capital to override all other forms of capital. If we are to achieve long-term balance between the Five Capitals, such a simplistic response will no longer be acceptable.

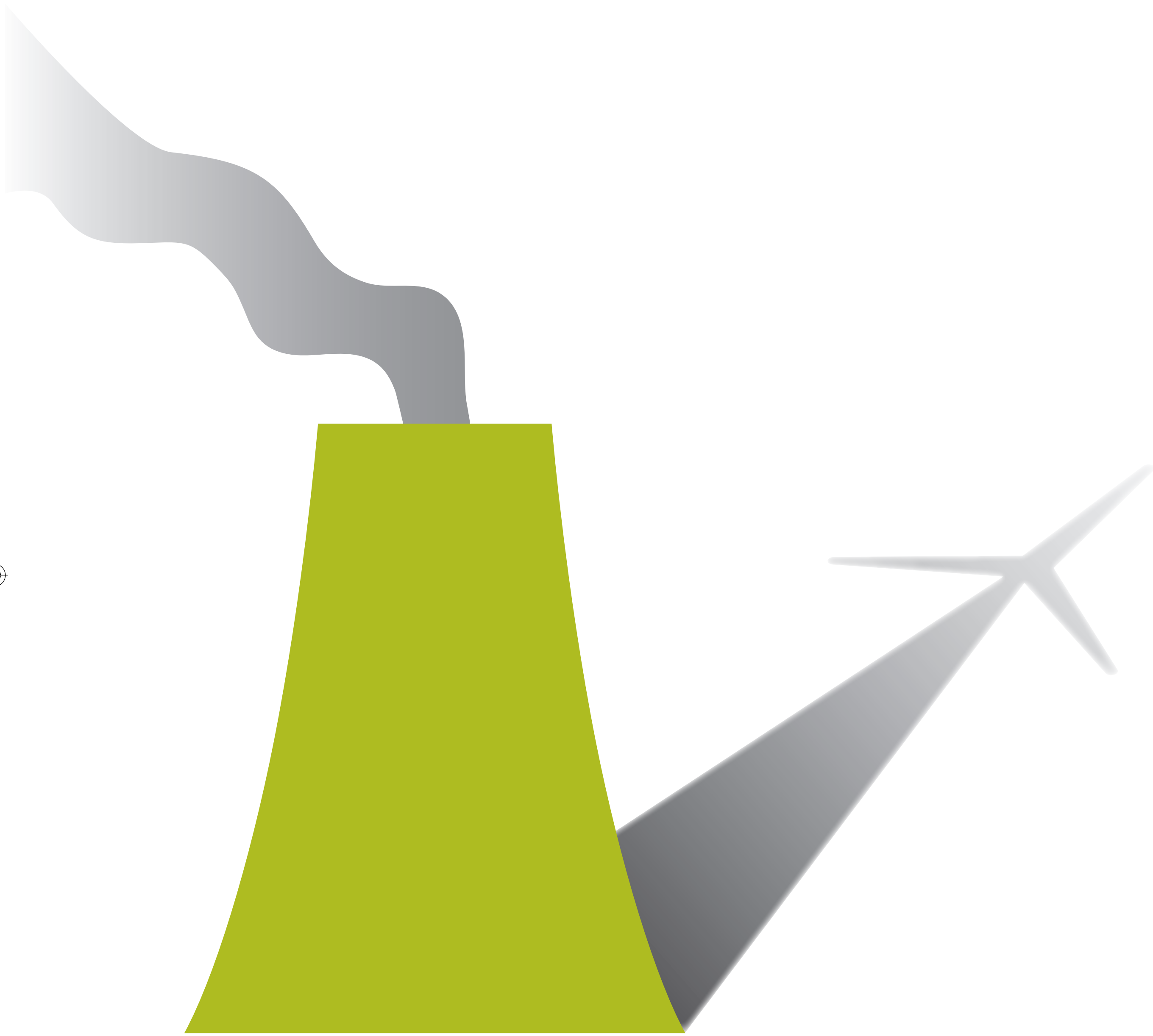


The Five Capitals Model
For a more detailed description of this model see www.cpsl.cam.ac.uk/nexteconomy

The decoupling challenge set out above makes it absolutely clear that a change from the current paradigm is needed if we are to preserve and enhance stocks of Natural and Social Capital. The new paradigm must be based on different ways of satisfying our quest for wellbeing – that is, effectively, 'decoupled' from the provision of resource-intensive goods.

What we're talking about is a new kind of prosperity, and a new kind of economy that is environmentally sound, socially just and delivers a high level of material well being for all. Building on the work of the Sustainable Economy Dialogue over the last few years, CPSL and the Business and the Sustainability Programme has defined the fundamental purpose of a sustainable economy as one: 'that achieves and maintains a high level of wellbeing for all people, now and in the future, that works within the constraints of nature, protecting and where necessary restoring critical natural systems, and that contributes to a fair, just and democratic society'.

In confronting these challenges, the role of the business community is becoming more and more significant, but it cannot deliver on this agenda as many business leaders would wish without governments providing the policy framework that will allow this agenda to ensure businesses remain profitable.



2 BUSINESS LEADERSHIP

Business will play a vital role in the future health of this planet. As business leaders, we are committed to sustainable development, to meeting the needs of the present without compromising the welfare of future generations. This concept recognises that economic growth and environmental protection are inextricably linked, and that the quality of present and future life rests on meeting basic human needs without destroying the environment on which all life depends. New forms of cooperation between government, business and society are required to achieve this goal.

Declaration of the Business Council for Sustainable Development, 1992

Exactly 20 years ago, Maurice Strong (Secretary-General of the 1992 UN Conference on Environment and Development – The Earth Summit) asked the business leader Stephan Schmidheiny to draw up a global business perspective on sustainable development and to stimulate the interest and involvement in this agenda of the international business community. In 1991, the World Business Council for Sustainable Development (WBCSD) was formed.

UK businesses have always been in the forefront of the corporate responsibility/corporate sustainability movement. There was a positive response to the 'rallying cry' issued by the WBCSD in the early 1990s, and UK companies were particularly well-represented at the 1992 Earth Summit in Rio de Janeiro. Many of the most important initiatives that have helped 'raise the bar' since then have originated here in the UK, including the Carbon Disclosure Project, the Extractive Industries Transparency Initiative, the Corporate Leaders' Group on Climate Change, the Equator Principles, and so on. This is an area where UK businesses can justifiably claim to have been making the running for quite some time.

However, it's not so easy making the case for corporate leadership after the collapse of the banking sector in 2008/9, and in the face of recurring corporate scandals over the last decade, from the collapse of Enron to the more recent prosecution of Trafigura. It's hardly surprising against this background, and at a time when the whole country is being asked to tighten its belt, and then tighten it again, that politicians in all parties and the general public have become much more exercised about senior executives' salaries and bonus schemes.

It sometimes seems that business leaders are indifferent to this widespread anger and resentment. In a speech back in April 2010, Richard Lambert, Director-General of the CBI, warned that business bosses risk being viewed as 'aliens' living in 'a different galaxy from the rest of the community' as a direct result of the ever-widening gap between average pay and boardroom rewards. He went on to suggest that businesses could never be viewed as a 'positive force for good' while short-term shareholder value is the main boardroom aim.

It is hugely encouraging to hear the voice of the UK's leading business organisation speak out in this uncompromising way. The business community needs to move fast to restore its good name and today's business leaders have a critical role to play in helping build a very different kind of economy – one that is genuinely 'fit for purpose' both from the perspective of securing a fairer society and taking account of the imperative of generating future prosperity *within* the earth's carrying capacities rather in denial of those limits.

This broad approach to wealth creation has been at the heart of The Prince of Wales's Business and Sustainability Programme since its inception nearly 20 years ago. The Programme has enabled hundreds of business leaders to explore these issues in a challenging but non-judgemental context, and to assess for themselves what both corporate and personal responsibility mean in such a troubled world. And all of those involved in the Programme know just how much is already going on in the corporate world, and how much business behaviour has already changed to take account of these challenges. The usual media portrayal of much of this as 'systematic greenwash' falls very far short of what is happening in reality.

For many people in business, this has always been *an ethical* challenge: what obligations are we under today to ensure that the life chances of future generations are not damaged as a consequence of our heedless behaviour today? But we also believe that this kind of approach is completely compatible with what has come to be known as 'the business case for sustainable development' (see table on page 15). If we turn back the clock 20 years before the Earth Summit, we would find a world where corporate responsibility was a topic discussed almost exclusively by experts at obscure conferences, and where the business community largely dealt with its corporate responsibilities by complying with the law and by sponsoring a football team here or building a community centre there.

Much has changed since then. Most major companies now have active corporate sustainability programmes, driven by a variety of business imperatives with a clear business case available to shareholders. For such companies, the concept of 'long-term value creation' has always offered a more robust and resilient approach to satisfying the needs of shareholders than 'short-term profit maximisation'.

Today's business leaders have a critical role to play in helping build a very different kind of economy – one that is genuinely 'fit for purpose' both from the perspective of securing a fairer society and taking account of the imperative of generating future prosperity within the earth's carrying capacities rather in denial of those limits.

The Business Case for Sustainable Development

Rationale	Business Benefits
Cost Reduction	Reducing inputs (raw materials, energy etc) to produce the same or more output results in reduced costs.
Reduced Cost of Capital	A growing number of investors are looking at the way a company manages it environmental, social and governance risk as a proxy for good management.
Supply Chain and Customer Loyalty	Both in consumer and business-to-business markets, buyers are increasingly looking at the social and ethical characteristics of the products and services they buy: – As companies become more committed to the sustainability agenda they are placing growing demands on their suppliers; – As consumers become more aware of the state of the planet and its people, they are becoming more selective of the products they buy and the companies they buy them from.
Engaged Employees	Employees are not only looking to work for companies that mirror their own values, but tend to be more productive in an environment where personal and company values are aligned.
Smarter Innovation	A growing number of companies are reporting impressive performance improvement by embedding sustainability far earlier in the innovation process.
Risk Management (Future proofing)	Understanding the impact of environmental and social issues on the business will help companies better manage business critical risk.
Enhanced Brand Value and Reputation	Developing a proactive attitude to social and environmental issues can enhance a company's brand.
Licence to Operate/ Licence to Grow	Businesses are increasingly expected by regulators and their stakeholders to take their sustainability responsibilities more seriously or risk losing their 'licence to operate'.

"It seems to me self-evident that we cannot have capitalism without capital, and that the ultimate source of all economic capital is Nature's capital. If we are to survive and prosper in the long term, we must learn to live within Nature's limits and to re-orientate our economic model from unconstrained growth to sustainable growth.

We are, however, having to face the challenge without the full and complete information needed to reach balanced conclusions and make the right decisions. At present, business decisions are generally taken on the basis of narrow financial information that does not encompass wider economic, social and environmental impacts – on the basis of information that fails to count all that counts and measure all that matters."

HRH The Prince of Wales

All companies, big or small, need a clear and robust business case for championing more sustainable ways of doing business. But it is much harder to maximise the benefits of that business case if the markets in which they are operating are still framed in such a way as to preference unsustainable rather than sustainable business practices.

As we'll see in the final section, it is only governments that can re-frame market conditions to promote low-carbon, genuinely sustainable wealth creation. But today's leading companies are already demonstrating just how much can be achieved through clear leadership from the top, incorporating social and environmental Key Performance Indicators into mainstream performance management, whilst incentivising senior managers to take account of broader and longer term societal priorities. This kind of leadership creates enormous social value as well as value for shareholders, employees and customers.

While businesses are likely to seek out opportunities to increase resource productivity and efficiency, their willingness and capacity to do so remains constrained by one crucial factor: the continuing externalisation of costs. As long as the true environmental and social costs of certain modes of production are not accounted for on company balance sheets, the incentives for economic actors to minimise their negative impacts will remain small. Attempts at internalising some of these costs are already underway, most notably in the case of carbon with the EU's Emissions Trading Scheme. But the current system remains fraught with serious flaws and inconsistencies that undermine its usefulness and credibility.

All companies, big or small, need a clear and robust business case for championing more sustainable ways of doing business. But it is much harder to maximise the benefits of that business case if the markets in which they are operating are still framed in such a way as to preference unsustainable rather than sustainable business practices.

The Prince of Wales's Accounting for Sustainability Project is developing practical tools to enable environmental and social performance to be better connected with strategy and financial performance, and thereby become embedded into day-to-day operations and decision-making. This will support the internalisation of social and environmental impacts of companies. To achieve this, they are introducing the concept of 'Connected Reporting', focused on the needs of long-term investors and executive management.

Reported information should identify and explain the connection between the organisation's strategic objectives, the market and social context within which the business operates, the associated risks and opportunities it faces, the key resources and relationships on which it depends, and the governance, reward and remuneration structures in place. 'Connected Reporting' is designed to explain the connection between delivery of the business's strategy and its financial and non-financial performance.

Improved reporting is just one aspect of the kind of corporate leadership that is now required, and clearly cannot be secured without the full engagement of Finance Directors and internal audit teams. One of the clearest shifts over the last few years has been the gradual 'mainstreaming' of corporate sustainability within companies – extending 'ownership' beyond the specialists. In many companies, this has been a long, slow haul, with critical functions like Marketing, Innovation, HR, Investor Relations and Finance largely sitting on the sidelines as the 'experts' got on with it. This is not viable – and it is significant that initiatives like the Dow Jones Sustainability Index and BiTC's Corporate Responsibility Index are increasingly keen to assess the degree to which any company's sustainability strategy is 'embedded' through the company.

There are clear signals that this is now happening both in terms of companies' supply chains (with more and more leading companies working with their suppliers to help improve performance all the way along the supply chain) and in the way they engage with their consumers. Many companies' direct footprints (in terms of negative impacts on society, communities and the environment) are relatively small in comparison to the cumulative, aggregated impacts from the use of their products or services. Getting to grips with this will transform the face of corporate sustainability initiatives over the next few years.

All this entails a far higher level of strategic coordination. Ultimately, it can only be driven from the Chief Executive's office. It demands absolute consistency in communications and public affairs – any suggestion that a company is lobbying behind the scenes for government interventions that would be at odds with what it is saying in public about its own sustainability commitments creates massive reputational risk.

Finally, it also entails far more *visible* leadership. Chief Executives and Chairmen have to be 'out there', talking the walk, as it were, rather than assuming that the persistent scepticism about the scale and depth of today's corporate sustainability initiatives will somehow dissipate of its own accord. It won't.

On climate change, for instance, now that the underpinning scientific consensus has been so strongly re-affirmed, after the 'wobbles' of the last year or so, business leaders need to be making their position crystal clear: that *no* responsible company can ignore that science, and that *all* responsible companies have a clear and pressing duty (supported by a valid business case) to intensify their own efforts to reduce their carbon footprint.

There is no doubt that initiatives like The Prince of Wales's Corporate Leaders Group on Climate Change have helped enormously in this regard, providing demonstrable leadership at a time when public opinion and political will have appeared to be so inconsistent. But there has to be much more to it than simply signing up to high-level statements. Business leaders should never miss an opportunity to challenge, open-mindedly but robustly, some of the crass, unscientific 'denialism' that is still prevalent in the UK today.

Business leaders should not expect to be accepted as a 'force for good' unless they are out there demonstrating what 'good' looks like and what their companies are doing to help promote those societally beneficial outcomes.

There is also no doubt that if we are to achieve the transition to a more sustainable economy, some businesses which can't adapt to the new paradigm will suffer. There will be leaders and laggards, and some of the laggards will not survive the transition. That is not a reason to shy away from the need for a new paradigm, and is indeed the inevitable result of a competitive market. Smart businesses that are able to identify and act upon trends in the market will see their position enhanced. Where businesses that are stuck in the old paradigm may die, new businesses that take advantage of the changing conditions will thrive.

As long as the true environmental and social costs of certain modes of production are not accounted for on company balance sheets, the incentives for economic actors to minimise their negative impacts will remain small.

In essence, while the growth of the economy as a whole is constrained by the broader environment upon which it depends, the growth of individual markets, and companies within these markets, is not. Opportunities for companies to grow and thrive within a resource-constrained world abound.

As of now, however, the unfortunate reality is that much of today's business leadership on sustainability is being achieved *against the grain* of the way in which markets are framed and regulated. Despite impressive statements of intent from politicians in all parties, there's a substantial gap between that rhetoric and practical policy interventions that severely limits what even the most committed sustainability-oriented business can achieve, and discourages many others from trying. If the new Coalition Government is really serious about moving to a low-carbon and environmentally sustainable economy, its task must be to narrow that gap, and to ensure compatibility between the drive for sustainable wealth creation and the need to get our public finances back in shape.

The following section provides an outline of the kinds of measures that will be required. More work is required on the detail of such measures, but the overall thrust of the approach is clear if business is to make the kind of contribution to sustainability to which many business leaders are already committed, and which the government says it wants.

Despite impressive statements of intent from politicians in all parties, there's a substantial gap between that rhetoric and practical policy interventions that severely limits what even the most committed sustainability-oriented business can achieve, and discourages many others from trying.

3 PRIORITIES FOR GOVERNMENT

We need to build a sustainable economy that is greener, more enterprising, more technologically advanced, more balanced across the regions and grounded in diverse sources of sectoral strength. We need an economy where private sector jobs are created and innovative opportunities seized. We need to respond to the challenges of a globalised and low-carbon, eco-friendly economy, and support businesses to realise their ambitions.

'A Strategy for Sustainable Growth', Department for Business, Innovation & Skills July 2010.

1 The Green Economy

1.1 Green Recovery

In comparison to many of our competitors (US, China, South Korea, Japan, Germany and so on), the UK has dedicated only a very small percentage of its total recovery spend to the Green Economy. Against a backdrop of substantial reductions in total public expenditure, it's crucially important that investments in the UK's Green Economy are protected – especially when they entail major opportunities either to protect existing jobs or create new jobs. We welcome the commitment to refocus research and development tax credits on high-tech companies, but would like to see a much clearer prioritisation for the cleantech sector.

1.2 Green Investment Bank

Government figures indicate that up to £200 billion of new investment will be needed over the next ten years in the energy sector alone to deliver on the commitments made in the Climate Change Act. More broadly, the Department for Business is talking of £40 – £50 billion a year of new investment in key infrastructure such as better transport links, ICT, green energy, water and waste.

There is already cross-party consensus as to the urgency of establishing a Green Investment Bank, and the government has now received the report from the Commission set up by George Osborne (as Shadow Chancellor) to advise on both the scope and the funding requirements of such a bank.

Treasury has indicated that there will be a formal response before the end of the year. Above all, business will want to see that the Green Investment Bank is going to be properly capitalised, and unambiguously empowered to leverage the huge investments from the private sector that will be required to secure a sustainable, low-carbon economy.

For instance, significant progress needs to be made on the roll-out of smart grids by 2015, with a number of demonstration towns fully connected in that way. Regulatory policy must also be revised so that network companies are able to invest in new networks in a coordinated and strategic manner in order to minimise the cost for consumers. Equally complex challenges will be faced in terms of the proposed roll-out of 'smart meters' by 2020.

1.3 Green Bonds

A Green Investment Bank will concentrate on securing new capital flows for major new developments and assets, but Treasury should also address itself to the retail end of the investment market by incentivising the emergence of Green Bonds, Municipal Bonds and other debt vehicles.

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1.4 Low-Carbon Sectors

Much of the wealth generated in the UK already comes from relatively low-carbon sectors: the creative industries, professional and financial services, ICT and so on. Whilst it is crucial that the new Coalition Government should bring forward an ambitious manufacturing strategy to underpin any 'Green Industrial Revolution', it should also recognise the critical contribution that these low-carbon sectors currently make to the economy. These sectors should feature prominently in the new Local Enterprise Partnerships (see Section 5 below), and in the deployment of the new Regional Growth Fund.

2 Infrastructure UK

2.1 Asset Maintenance

The latest 'State of the Nation: Infrastructure 2010' Report, from the Institution of Civil Engineers, provides the starkest warning yet of the risk to the UK economy from a continuing, persistent failure to invest properly in maintaining existing infrastructure assets and creating new assets. 'Without effective, sustainable infrastructure, the UK risks losing its position as a world leader, failing in its goal to be environmentally responsible, and being unable to maintain a high quality of life for its population'.

The Report focuses particularly on energy infrastructure and local transport. After the worst winter in a generation, the bill for bringing local roads back into a fit state was now assessed at £11.6 billion, with much still to be done. Any cuts in road maintenance would therefore be 'disastrous', a view with which we strongly concur.

Business will want to see that the Green Investment Bank is going to be properly capitalised, and unambiguously empowered to leverage the huge investments from the private sector that will be required to secure a sustainable, low-carbon economy.

The role of Infrastructure UK (including its relationship with the Green Investment Bank) must therefore be consolidated. An 'Infrastructure Route Map' through to 2050 should be developed, with detailed, costed plans for the next 15 years; hopefully, this will form a major part of the proposed National Infrastructure Plan which is due to be published later this year.

2.2 Waste Industry

The waste industry is still stuck in its historical 'how best to get rid of it' mindset. As the Institution of Civil Engineers points out in 'Infrastructure 2020' report, this is partly because of inertia in the industry itself, and partly through Treasury failing to provide the right incentives. As it says, the waste industry must see itself as a 'provider of fuel, compost, recyclates and manufacturing materials' if we are to have any chance of moving towards the goal of a Zero Waste Economy. Between them, Treasury, BIS and Defra need to significantly improve their performance in this critical area of the economy.

3 Resource Efficiency

We warmly welcome the decision to publish a National Energy Efficiency Plan – although any new Plan of this kind will need to be given a lot more 'muscle' than the various predecessors brought forward by the Labour Government.

It remains the case that the Treasury's standard models of assessing (and incentivising) increased productivity across the economy make only passing reference to resource efficiency – in other words, the amount of resource inputs required (in terms of energy, raw materials, aggregates and so on) to produce a given level of economic output.

This has had a serious impact both on the private sector and the public sector (through the Regional Development Agencies, for example) in terms of failing to encourage them to promote increased resource efficiency as a critical element in any economic development strategy.

Without effective, sustainable infrastructure, the UK risks losing its position as a world leader, failing in its goal to be environmentally responsible, and being unable to maintain a high quality of life for its population.

Treasury and BIS will need to correct this, working closely with the CBI so that measures of productivity are more helpfully aligned with the need to 'decarbonise' and indeed comprehensively 'dematerialise' economic activity in the UK.

4 The Built Environment

4.1 Zero Carbon Buildings

The new Coalition Government was slow to confirm its support for the 2016 target for zero-carbon homes, and it now needs to move rapidly to finalise exactly what is meant by 'zero carbon' for new housing to provide certainty for local authorities and for house builders.

The Coalition Government should also confirm or improve upon plans that were brought forward by the Labour Government to set a zero-carbon target of 2018 for all new non-domestic buildings, and 2017 for all such buildings in the public sector.

4.2 The Green Deal

After years of confusion and prevarication, all major parties committed themselves in their manifestos to a major programme to retrofit our existing housing stock. The Coalition's 'Programme for Government' confirms its commitment to a 'Green Deal'. However, it is disappointing that the start date for the Green Deal has now been deferred until 2013, although the government will be bringing forward specific legislative proposals in 2011.

It is vitally important that local authorities and community groups are given as big a stake in this 'Green Deal' as the private sector – as is already the case in Birmingham. The government should also bring forward plans for incentivising the retrofit of non-domestic buildings, as is currently being trialled in London.

4.3 Fuel Poverty

There was no more telling recognition of the Labour Government's failure to make a strategic priority of the low-carbon economy than its abandonment of targets set to reduce and then eliminate fuel poverty by 2016.

It is completely unacceptable, in a country as rich as ours, that the lives of millions of people are blighted by the continuing scourge of fuel poverty. The Child Poverty Action Group has calculated that about a quarter of the 3.5 million fuel-poor households will need additional support over and above the kind of technical measures that are currently under consideration.

The new Coalition Government must therefore make a top priority of addressing fuel poverty – through the Green Deal, the National Energy Efficiency Plan and so on. The Association for the Conservation of Energy has provided detailed guidance to government as to how best to incorporate such a focus into the Green Deal.

5 Planning and Regional Development

5.1 Planning for Sustainable Development

Over the last decade, it has become increasingly clear that the planning regime represents 'the front line' in terms of securing more sustainable outcomes for society on the ground. We therefore warmly welcome the Coalition Government's decision 'to create a presumption in favour of sustainable development in the planning system', and urge Ministers to be as explicit as possible, as rapidly as possible, in terms of defining exactly what this means.

We are not persuaded that the decision to do away with Regional Spatial Strategies will be conducive to establishing this presumption, although specific new environmental commitments ('to maintain the Green Belt, Sites of Special Scientific Interest and other environmental protections, and create a new designation to protect green areas of particular importance to local communities') certainly go some way in this direction.

5.2 Sub-Regional Economic Development
Regional Development Agencies played a key role in promoting innovation, business efficiency, renewable energy and sustainable development in general. The decision to get rid of them was taken precipitately, without adequate consideration of how the proposed Local Enterprise Partnerships (LEPs) will carry out these functions. At the very least, all LEPs should be given the same statutory duty to 'contribute to sustainable development' as was imposed on the Regional Development Agencies.

6 A Fair Transition

6.1 Fair Pay
The Coalition Government has already committed to do more on equal pay (promising 'a range of new measures to end discrimination in the workplace') and to introduce a 'pay multiple' in the public sector so that the highest paid receive no more than 20 times the lowest paid.

It has also moved quickly to set up an enquiry under the Chairmanship of Will Hutton to investigate a wider range of fair pay and equalities issues. It is crucially important that momentum in this area is maintained, especially as the scale of the cuts proposed in our public services will impact disproportionally on the less well-off in society.

The Coalition Government needs to commit explicitly to the overarching concept of 'a fair transition to the low-carbon economy', ensuring that fairness lies at the heart of all its low-carbon policy interventions.

The waste industry must see itself as a 'provider of fuel, compost, recyclates and manufacturing materials' if we are to have any chance of moving towards the goal of a Zero Waste Economy.

6.2 Low-Carbon Economy
It's not just in reducing the deficit in public finances that we are 'all in this together'. So we are in achieving a low-carbon economy. The Coalition Government needs to commit explicitly to the overarching concept of 'a fair transition to the low-carbon economy', ensuring that fairness lies at the heart of all its low-carbon policy interventions.

It should enthusiastically take up the recommendation of the Environmental Audit Committee to bring together a 'forum' to address the provision of jobs during the economic transition, and to do much more to link its policies on tackling poverty and unemployment with the Green Agenda.

6.3 Low-Carbon Skills
The new Coalition Government must move quickly (through the National Skills Audit) to carry out a comprehensive assessment of current and future gaps in low-carbon skills, and to consider in particular mandatory certification for builders for both energy efficiency and installation of micro-renewables (comparable to the Gas Safe Register), with some public subsidy available for training.

7 Carbon Pricing and Fiscal Reform

7.1 Carbon Pricing

In the new Programme for government there is a firm commitment 'to introduce a floor price for carbon', though there has been no indication since then of exactly what this means. The Emergency Budget in June merely confirmed that it will be publishing proposals to reform the Climate Change Levy (CCL) in the Autumn ' to provide more certainty and support to the carbon price'.

There is no doubt that the very low prices achieved by the EU's ETS continue to act as a constraint on investment in low-carbon technology and infrastructure. As far as business in the UK is concerned, this presents an unsatisfactory and very confused picture, with the ETS, the CCL and the Carbon Reduction Commitment for Energy Efficiency all impacting in different ways on different companies in different sectors.

An economy-wide floor price (in effect a carbon tax), introduced transparently over time, would send the clearest signal yet of the need to decarbonise the *whole* economy. The floor price will need to be set well above the current ETS price if it is to have the desired impacts on both business and individuals, in line with the recommendations of the independent Climate Change Committee and the joint DECC/HMT Energy Market Assessment published with the Budget this year. This concluded that current arrangements are 'not fit for purpose' in terms of prompting low-carbon development, and the Climate Change Committee highlights that 'there is a short window for reform to occur if key investments required for decarbonisation in the 2020s are to go ahead in time.'

An economy-wide floor price (in effect a carbon tax), introduced transparently over time, would send the clearest signal yet of the need to decarbonise the *whole* economy.

7.2 Green Fiscal Reform

At a time when many economic forecasts indicate the need for government to raise additional tax revenue (over and above the increase in VAT to 20%), this is clearly the time to review strategically what a comprehensive and long-term approach to Green Fiscal Reform might achieve.

Just such an approach is mapped out in the Final Report, published in October 2009, of the UK Green Fiscal Commission ('The Case for Green Fiscal Reform'). It argues that:

- A substantial tax shift, should result in around 15% of tax revenues coming from green taxes by 2020;
- The environmental benefits could be amplified by selective use of a small proportion of the tax revenues to incentivise less environmentally damaging behaviour and investment in technologies that reduce environmental impacts;
- It should not and need not have a disproportionate impact on already disadvantaged groups;
- It needs to take account of and seek to mitigate negative effects on business competitiveness, and foster new sources of comparative advantage and new ways of doing business.

No formal response was forthcoming from Treasury under the Labour Government. The new Coalition Government should revisit this Report and come forward with a new strategy for Green Fiscal Reform thereby delivering on the Coalition's commitment to raise an increasing proportion of tax revenues from green taxes and providing the proper long-term context for further carbon-pricing measures.

7.3 Transport Taxes

No significant Green Fiscal Reform can be achieved without an increase in transport taxes, which is also key to reducing emissions from this sector. The Chancellor of the Exchequer has asked the new Office of Budget Responsibility to undertake an assessment of the impact of fluctuating energy prices on the public finances, and in light of that assessment will bring forward options for what it calls a 'fair fuels stabiliser' and for introducing some kind of 'fuel duty discount' for remote rural areas. The design of these measures will be crucial to their impact, but in principle it must be right to take more account of the distributional impacts of fuel duties, and to make this an important element of their sustainable increase.

We also welcome the Coalition Government's firm commitment to get rid of the Air Passenger Duty (which acts as a tax on individual passengers) and adopt instead some kind of 'Per Plane Duty' to encourage airlines to have their planes as full as possible. The Coalition Government should use this opportunity to review the whole area of taxing aviation, following up on the report from the Committee on Climate Change earlier in the year, with a view to increasing the revenues from this sector.

7.4 Tax Evasion and Avoidance

At a time when 'balancing the books' has never looked more daunting, it remains a matter of considerable concern that relatively little is being done to address the twin challenges of tax avoidance and tax evasion. HM Revenue and Customs have acknowledged that between them they amount to lost income of at least £40 billion a year – coming on top of an equally astonishing £28 billion of unpaid tax. Independent experts have suggested that illegal tax evasion (deliberately breaking the law so as not to pay taxes) could be as high as £70 billion a year.

Failing to make a proper priority of tax evasion is unacceptable. And whilst tax avoidance remains completely legal, it indirectly penalises the poor who not only end up paying a higher proportion of their income in taxes, but who lose out most as public services are further cut back for lack of revenues. The government is therefore right to be looking at ways of simplifying the tax system so as to reduce incentives to pursue complex avoidance schemes.

> We therefore warmly welcome the Coalition Government's decision 'to reinstate an Operating and Financial Review to ensure that Directors' social and environmental duties have to be covered in company reporting, and investigate further ways of improving corporate accountability and transparency.'

8 Effective Corporate Governance

8.1 Operating and Financial Review (OFR)

The decision by Gordon Brown, as Chancellor of the Exchequer, to axe the introduction of the Operating and Financial Review (OFR) in November 2005 (ostensibly to curry favour with the CBI at that time), was one of the most arbitrary and unhelpful decisions he took. Many businesses that had already put in place all the necessary procedures to effect the implementation of the OFR were incensed.

We therefore warmly welcome the Coalition Government's decision 'to reinstate an Operating and Financial Review to ensure that Directors' social and environmental duties have to be covered in company reporting, and investigate further ways of improving corporate accountability and transparency.' This will obviously require further consultation as things have moved on in the intervening years. But this should be short and sharp, with a view to having the OFR fully operational for the 2012/2013 Financial Year.

The challenge is therefore to interpret the concept of the fiduciary duty in such a way that it explicitly reinforces strategies and business models that are geared towards long-term economic sustainability while protecting short-term cash flows. That will necessitate a root-and-branch rethink about corporate governance.

8.2 Mandatory Carbon Reporting

Under the CRC (Carbon Reduction Commitment Energy Efficiency Scheme), companies above a certain size will now be mandatorily required to report their carbon emissions on an annual basis. The government should now review the threshold for the inclusion in the CRC (so as to incorporate a larger number of organisations), but should simultaneously seek to simplify the Scheme as recommended by the Committee on Climate Change. Though widespread carbon reporting is clearly not sufficient in itself, it will prepare the ground for other measures needed to promote the low-carbon economy.

This requirement should be brought forward as part of a wider review of the legal framework governing corporate reporting on environmental and social issues under the 2006 Companies Act – conducted at the same time as the consultation around the Operating and Financial Review. Many stakeholders believe that the Act has failed to achieve its purpose on mandatory reporting in this area, as the current reporting requirements lack the necessary specificity. Given that financial accounts are required to 'give a true and fair view' of a company's financial position, it seems reasonable that the same should be required for social and environmental issues.

8.3 Redefining the Fiduciary Duty

To date, corporate governance in the UK has been defined predominantly to help companies meet the requirements of their shareholders. Other models, notably in Scandinavia and Germany, require the presence on the Board of representatives of different stakeholders (such as employees) to ensure their interests are upheld.

Over the last 50 years, the role of large numbers of shareholders in the UK has moved from being people who invested in a business because they trusted and believed in that business, to people or funds) who own the company's stock for the principal purpose of increasing their own or their clients' short-term wealth.

As the relationship between owner and manager has become more distant, so the key aspects of the relationship have become diluted, resulting in the dominance of financial indicators to the detriment of others. The focus of investors in general has become very narrow, prioritising short-term profitability, at the expense of long-term, sustainable value creation.

The challenge is therefore to interpret the concept of the fiduciary duty in such a way that it explicitly reinforces strategies and business models that are geared towards long-term economic sustainability while protecting short-term cash flows. That will necessitate a root-and-branch rethink about corporate governance.

Though it specifically rejected changes in the structure of Boards of Directors, the 2006 Companies Act has opened the door for a new approach by introducing the concept of 'Enlightened Shareholder Value'. This allows for the interests of a broader set of stakeholders to be taken into account, provided it does not conflict with Directors' fiduciary duty. Enlightened Shareholder Value has been defined as follows:

> An obligation on Directors to achieve the success of the company for the benefit of the shareholders by taking proper account of all the relevant considerations for that purpose, including a proper balanced view of the short and long term, the need to sustain effective ongoing relationships with employees, customers, suppliers and others; and the need to maintain the company's reputation and to consider the impact of its operations on the community and the environment.

UK Company Law Review Steering Group, 2000

This is an encouraging development, but has yet to drive any real change. This part of the Act still lacks clarity and is not being enforced.

It is also encouraging that those sections of the Combined Code dealing with remuneration have been revised to make an explicit link to long-term shareholder value and the importance of extra-financial issues. Companies' remuneration policies will be reformed accordingly.

This is such a deep structural challenge that it requires a much more radical re-think than recent governments have been prepared to contemplate. But now is surely the time for the new Coalition Government to establish a formal Commission of Inquiry into short-termism in capital markets, to include representatives of employers, employees, the pensions and investment industry and other interested parties.

9 A New Macro-Economics for Sustainability

As the Sustainable Development Commission has pointed out in its *'Prosperity Without Growth?'* report, a macro-economy predicated on continual expansion of debt-driven, resource-intensive consumption is unsustainable ecologically, problematic socially, and unstable economically. The time is now right to develop a new macro-economics for sustainability that does not rely for its stability on relentless growth and expanding material throughput.

There is an urgent need to develop more robust measures of economic wellbeing that correct for the most obvious drawbacks in using GDP as the principal if not exclusive measure of economic success, as called for in the report commissioned by President Sarkozy. New measures will need to account more systematically for changes in the country's asset base, to incorporate welfare losses from inequality in the distribution of incomes, to adjust for the depletion of material resources and other forms of natural capital, and to account for the social costs of carbon emissions and other environmental and social externalities.

All that means there is an urgent need to develop the understanding and capabilities required to build a new macro-economic model in the Treasury to support the UK's future prosperity – skills that are simply lacking at the moment.

CONCLUSION

This is clearly an extremely ambitious programme, demanding an unprecedented level of cross-departmental collaboration and commitment. Government ministers will be looking to the business community to turn strategy into delivery, and work with their stakeholders (customers, investors, suppliers, local communities and so on) to help engender a sense of *national purpose* as we set out on this journey.

At the moment that sense of purpose is largely absent. The continuing controversies about some of the finer points of climate science have obscured the need for urgent action. The imperative of restoring conventional economic growth whilst dramatically reducing our budget deficit keeps many other pressing issues off the agenda.

In July 2010, the latest report from the Committee on Climate Change ('Building A Low-Carbon Economy: The UK's Innovation Challenge') highlighted this timing issue. As it pointed out, we already know what needs to be done, and both scientific and investor opinion has firmed up about the kind of technologies that we need to be investing in to accelerate our transition to a low-carbon economy. But the Committee emphatically re-asserted the need for close collaboration between the public sector and private industry, especially on large-scale projects like Carbon Capture and Storage, Smart Grids and Off-Shore Wind.

The time is now right to develop a new macro-economics for sustainability that does not rely for its stability on relentless growth and expanding material throughput.

Further delays and 'mixed signals' from government significantly increase levels of risk as far as investors are concerned. That in turn heightens the political risk for this government.

Many people have described what is happening today as a kind of 'phoney war': we know we're going to have to move decisively to 'decouple' economic prosperity from the kind of environmental and social impacts that are still all-pervasive. And we know that the longer we delay in implementing such a transformation, the harder and more costly it will be. But as yet, things are more talked about than rolled-out for real. We are far behind our competitors in this, both within the EU and further afield in China, India and Brazil.

In spite of some of the more ill-informed media commentary around climate change and other pressing sustainability challenges, and it's astonishing how strong the consensus for change remains. But it's all a question of *timing*. In the business community, for instance, there are those who argue that any sustainability 'crunch point' is still a long way off, and that today's slow pace of incremental change is quite sufficient. Then there are those who are clear that we should be doing far more by now to address these conversion challenges, but would argue that current economic circumstances militate against dramatic changes. And there remains an influential 'leadership cohort' who are consistently advocating accelerated and more substantive interventions on the part of government in order to support their behaviour.

This report affirms that kind of leadership advocacy. The science tells us that we have no time for further delay, and the economics tells us that there are huge advantages to be gained by moving now rather than at some distant point in the future.

ALUMNI SURVEY RESULTS

Summary results of consultation with CPSL's alumni network: April and May 2010

1 Background to the Survey

Although CPSL's work benefits from the insights and perspectives of the world's leading sustainability thinkers, economists, policymakers and academics, we recognise that business will be a key player in any significant shifts towards a more sustainable economy. A critical dimension of any work to explore systemic challenges and solutions will therefore need to be informed and shaped by the business perspective.

CPSL's network represents a large, diverse and influential community of business leaders, many of whom are alumni of The Prince of Wales's Business & Sustainability Programme, but many others of whom have been involved in one of CPSL's other sustainability-related programmes and activities. Over the years this network has demonstrated a considerable appetite for engagement in the debate about the role of business in building a more sustainable economy. In 2007 the results of *The Sustainable Economy Dialogue*[1] were published – reporting on the views of over 400 alumni from around the world who were invited to discuss the nature of a sustainable economy, to examine the failings of the current system, and to explore ways in which business might contribute solutions.

In Spring 2010, we launched *The Next Economy Initiative*[2] by inviting members of the network to comment on a range of possible interventions and to offer their own views on what they thought were the systemic changes needed to create a more sustainable economy and an enabling context for sustainable business.

This document provides a summary of the responses to that consultation.

2 The Survey method

2,000 CPSL alumni – largely senior business executives from the UK – were invited to respond to an online questionnaire, indicating whether or not they agreed with a range of possible interventions to achieve a more sustainable economy, and sharing their thoughts on specific approaches and actions.

The survey was completed anonymously during the course of April and May 2010. 292 people completed the survey, many providing substantive responses to the questions. As the respondents were not selected using probability sampling; the results are not necessarily statistically representative of a larger population.

3 What the Survey told us

The overall story shows a strong appetite for change within this group and a desire to see progress in fixing a system that is perceived to be deeply flawed. It is clear that many business leaders understand the scale of the challenge and the flaws in the current economic system; they are very keen to engage with the challenge but recognise that systems-level solutions will be required. They are frustrated by the slow pace of change and lack of political leadership and action at both a national and international levels.

The detailed story paints an interesting picture, with strong consensus around some issues and real debate and diversity of opinion around others. Unsurprisingly, there is a high level of consensus around the need for a more sustainable economy. Perhaps more surprisingly the consultation surfaces high levels of support for rethinking conventional growth models, for business action to achieve greater social justice and for the measurement of business performance against long-term social and environmental indicators.

[1] http://www.cpsl.cam.ac.uk/PDF/sed_report.pdf
[2] http://www.cpsl.cam.ac.uk/nexteconomy

Opinion diverges around a number of specific interventions, as respondents grappled with the need to balance commercial and national interests against the need to respond to global challenges.

Overall, respondents agree that the responsibility for achieving a sustainable economy does not lie with one group alone; government, business, and civil society not only have a role to play, they have a responsibility to play that role. However, a clear and compelling conclusion from this consultation is that a significant number of business leaders within CPSL's network signalled that they are keen to rise to the challenge.

4 Detailed survey responses

4.1 The purpose of a good economy

The survey asked respondents whether they agreed with the following definition of a sustainable economy which is based on the earlier work of the *Sustainable Economy Dialogue*:

'To generate prosperity that achieves and maintains a high level of wellbeing for all people, now and in the future, that works within the constraints of nature, protecting and where necessary restoring critical natural systems, and that contributes to a fair, just and democratic society.'

This clearly resonated strongly with respondents as 84% agree with this definition – a definition which goes beyond the traditional ideas of economy by incorporating the concepts of wellbeing, natural constraints and social justice.

"Available funds should be prioritised as much to encourage existing green entrepreneurship and projects as to educate around the sustainability of the green economy."

Respondent comment

The dissenting views tend to be in broad agreement with the definition, but think it could be improved. Of the 16% of respondents who don't entirely agree with the definition, many feel that the proposed definition doesn't sufficiently reflect global differences, whether cultural or political. Some feel it doesn't sufficiently address the needs of the world's poor, while others feel it undermines capitalism.

Some, recognising that communication is critical, raise concerns that the definition is too long to have an impact, while others feel that the definition isn't positive enough, and should focus on opportunities rather than constraints.

4.2 What is needed for a green economy?

A green economy, defined as low-carbon, resource extensive with minimal environmental footprint has been prominent in public discourse about potential solutions to the financial crisis. A number of countries, including China and Korea, have placed the development of a low-carbon economy at the centre of their economic recovery packages, thus tackling economic, social and environmental challenges in one set of policy decisions. We asked respondents for their views on this approach.

86% of respondents agree that *'the government should protect public sector investment in the green economy and green infrastructure (in 'smart grids' for instance) despite the need to reduce the deficit over the next few years'.*

Two-thirds (67%) of respondents go further and agreed that it would make sense to *'eliminate all remaining subsidies for carbon-intensive businesses in the EU'.*

While the strong support for the first question may be expected, as the statement is relatively open and positive, the level of support for the second statement is more surprising. It shows that respondents are fully aware that achieving a sustainable economy requires making some tough choices that will affect certain companies/industries negatively.

We also asked respondents in which areas they felt investments should be prioritised, and received a large number of substantive contributions. The overwhelming majority of these propose ways to address the twin challenges of climate change and energy security:

Energy Generation and Distribution, including creating a clear understanding of the pros and cons of the various options; the large-scale deployment of renewable energy, both decentralised and within a system-wide solution; the improvement of planning process to prioritise low-carbon solutions; and the deployment of market mechanisms to facilitate the transition to a green economy.

Energy Efficiency, and particularly the promotion of energy efficiency measures into new and existing buildings, including through continued subsidising of energy efficiency schemes for business and personal use.

Green Technology Development, providing the right platform for investment research and development of clean technologies, including carbon capture and storage, as well as supporting green entrepreneurship.

4.3 What about Carbon?

As Sir Nicholas Stern famously said, *"Climate change is the greatest and widest-ranging market failure ever seen"*. The survey therefore wanted to gauge respondents' views as to which measures would be most effective at reducing carbon emissions. Three different, but not mutually exclusive, measures were proposed and respondents graded their support from 1 to 5.

Measure 1 – Pricing: The government should commit to an economy-wide cost of carbon within the next three years.

This is the measure that received the most support, with almost three-quarters of positive responses. Respondents seem to be in favour of the simplicity of a carbon price, as it enables the markets to react to this price in the most effective way, while reducing the complexity that comes with other systems. However, some respondents feel that any talk of a carbon price will be meaningless until there is clarity about the mechanism that would be used to determine the adequate price and integrate it within the economic fabric.

"The carbon price today is diabolically low and so the market fails to deliver. A deliberately high carbon price floor would force a corrective reaction but needs to embrace all sectors."

Respondent comment

Measure 2 – Taxing: An economy-wide carbon tax, levied on the carbon content of all energy sources at the point where they enter the economy.

This measure received strong support of almost two-thirds of respondents. Within this high level of agreement, respondents interpret the actual tax mechanism required very differently. Some feel that the primary energy provider should be taxed while others would make this more explicit by adding a 'Carbon-Added Tax' to VAT to discourage the consumption of high carbon-content goods.

What happens to the funds raised through taxation is also important, with respondents preferring them to be used to support green investments, rather than plug the budget deficit.

Measure 3 – Trading: Carbon trading mechanisms, such as the ones that the EU and the UK have introduced should be extended.

Respondents are more uncertain when it comes to carbon trading. Half of respondents support carbon trading mechanisms, and the other half either against or undecided. It is interesting to note that this is effectively the only one of the three proposed mechanisms that has been attempted at scale, and respondents' comments reflect some of the challenges the EU and UK trading mechanisms have faced. Many feel that the existing systems are too complex, expensive, bureaucratic and ineffective. That being said, very few respondents are *in principle* against carbon trading. They just believe it needs substantial improvement.

There is strong feeling that, whatever measures are chosen, they must be applied beyond the UK, or even beyond the EU, to ensure that other countries, and particularly the US, China and India are engaged, which leads to the next question respondents were asked:

"Would you support the introduction by the EU of some kind of 'border adjustment mechanisms' to create a more level playing field regarding carbon emissions?"

"Switch taxation from things we want more of (e.g. jobs) to things we don't (carbon)."

Respondent comment

"(We must) recognise that we have a global sustainability crisis on our hands and prioritise acting in the global interest over protectionist actions and 'competitiveness'."

Respondent comment

While more that three-quarters of respondents feel that there is indeed a need for some form of border adjustment, the comments provided by respondents show that the situation is rather more complex. Many feel that any EU wide adjustment would be ineffective unless part of a global agreement to incentivise low-carbon technologies. Many respondents feel strongly that any money levied through such a mechanism should be solely used for the development and promotion of low-carbon technologies. Some argue that, while international agreements are key, the focus should also be on the demand-side, such as through the promotion of local supply chains or a consumption tax, such as a 'carbon VAT'.

This question also provoked many respondents to suggest that we should be incentivising innovation and competition, rather than pursuing protectionist policies.

"The major long-term threat for the sustainability of the human societies around the world remains the growing inequality between rich and poor."

Respondent comment

i. Is it fair?

The survey also addresses the issue of fairness in our society. Acknowledging that the UK and the US are two of the most unequal countries in the OECD, respondents were asked whether 'business leaders should explicitly criticise this state of affairs in calling for a fairer, less inequitable society'?

This produced some interesting responses. 70% of respondents feel that it is indeed the role of business to call for a fairer society, but there is less agreement regarding the way in which this should be achieved. The survey proposed four different approaches:

1. 50% income tax level on those earning above £150k?
2. 50% income tax level on those earning above £100k?
3. A substantial hike in the minimum wage to ensure that everybody is, in effect, on a 'living wage'?
4. The creation of a High Pay Commission in order to advance specific proposals to narrow multiples between high and low earners both within companies and in society as a whole?

The first proposal is the most popular, with nearly one-third of respondents being strongly in favour of it, while the second proposal, different only in scale, is the least popular, with less than one in six respondents in favour. The proposal that generates the most overall support (56%) is a substantial increase in the minimum wage to ensure that even low earners have a decent quality of life.

"(We need) a dramatic improvement in education, to see fairness of opportunity, rather than equality of income."

Respondent comment

Respondents were given the opportunity to advance other ideas, which broadly fell within four separate categories:

Education reform: Many ideas focus around achieving a higher level of education, to provide everybody the opportunity to fulfil their potential, ranging from access to information and education to help the world's poorest to higher education for all in the developing world.

Tax reform: While the support for increasing taxes for people earning above £100,000 is relatively small, there is a lot of support for taxing the so-called 'super-rich', but not necessarily in the form of 'traditional' tax models where the money goes to the state. For instance, some tax could be directed by the taxpayer – as opposed to the government – into pre-defined areas of his/her choice. People who work in basic services should benefit from tax breaks, which would effectively improve pay without costing their employers more.

Remuneration: There is an awareness of the inherent inequality in many remuneration structures. Some propose a cap on high-end salaries, others a mandatory ratio between the highest and lowest-earning employees. There is also interest in linking pay to sustainability contribution. For instance, those having a positive social impact (teachers, nurses) should be paid more in relative terms than those who have a neutral or negative impact.

Benefits: A number of respondents feel that current benefit systems don't provide sufficient incentive for those who are out of work to contribute to society. This is seen as a problem because it encourages people to remain on benefits and because it is a missed opportunity to use the skills of these people for broader societal benefit.

Many respondents identify a need for a more systemic assessment of this issue, which needs to address underlying causes such as education and the role of the media, as well as reform in company law to align the interests of shareholders and management.

ii. Achieving a long-term economy

The financial crisis has brought to the fore one of the age-old dilemmas facing the sustainability agenda: How do we balance the need for short-term cash flows with the long-term requirements of a transition to sustainability? In that context, respondents were asked the extent to which they agreed with the following two statements:

1. The government should explicitly address this dilemma and start engaging with the general public as to some of the trade-offs involved?
2. Business leaders should be urging government to rethink the 'growth imperative' as part of today's growing concerns about accelerating climate change?

"We need a sector-by-sector review of the systems changes required – it needs to be radical and courageous not incremental and target-based."

Respondent comment

Unsurprisingly, over 90% of respondents agree with the former statement, but the responses to the latter statement are more telling. Over three-quarters of respondents agree that there is a case for rethinking the concept of growth, however, respondents feel that it is not growth per se that needs to be re-defined, but the manner in which this growth is achieved. We should support growth that leads towards an economy focused on low-resource solutions – effectively decoupling growth from resource use.

In closing, respondents were asked to assess three specific measures that might help reduce short-termism. These were:

- The establishment of a high-level Commission to investigate possible interventions by government in order to combat such damaging short-termism
- A compulsory carbon reporting requirement on all listed companies
- A compulsory requirement for all companies to disclose their key climate-related, environmental and social issues, to set targets to address these issues, and to report on their progress against these targets

All three proposed measures meet with a high level of approval (68% – 87% – 85% respectively), with particular support for high levels of transparency and responsibility from the business community. This is a clear recognition of the old business maxim, 'You can't manage what you can't measure'.

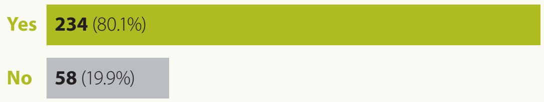
Finally, respondents were asked which other changes in company law or reporting requirements should be introduced to improve governance practices on social, environmental and ethical issues. This very open-ended question elicits a great variety of responses, ranging from reassessing anti-trust law to enable sustainable industry cooperation, to achieving an internalisation of sustainability costs, both in the public sector (through truly sustainable government procurement) and the private (for instance through carbon pricing mechanisms).

> "Define economic growth by a wider set of KPIs including health and happiness; look at growing economic intensity (value added on resources consumed) rather than top line (total economic activity irrespective of legacy costs, resources consumed)."

Respondent comment

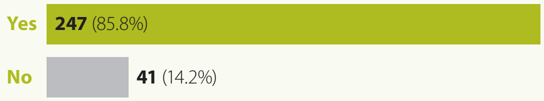
1 The purpose of a good economy

Building on the work of the Sustainable Economy Dialogue over the last few years, The Business and the Sustainability Programme has defined the fundamental purpose of the next economy as follows: 'To generate prosperity that achieves and maintains a high level of wellbeing for all people, now and in the future, that works within the constraints of nature, protecting and where necessary restoring critical natural systems, and that contributes to a fair, just and democratic society.' Do you agree with this definition?



2 What is needed for a green economy?

Do you think the government should protect public sector investments in the green economy and green infrastructure (in 'smart grids', for instance) despite the need to reduce the deficit over the next few years?

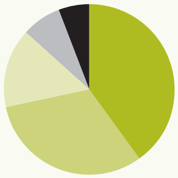


Do you think it makes sense to eliminate all remaining subsidies for carbon-intensive businesses across the EU?

3 What about carbon?

Previous work has shown that the business community would welcome an economy-wide cost of carbon to enable the planning of detailed carbon reduction strategies. The current combination of the EU ETS (for those sectors involved), the Carbon Reduction Commitment (for organisations above a certain size), and the Climate Change Levy does not as yet amount to an economy-wide cost of carbon. So we are still not correcting for the kind of market failure that Nicholas Stern has said lies at the heart of the climate challenge. In this context, please rank the following statements according to the extent to which you support them:

The government should commit to an economy-wide carbon price within (say) the next three years?



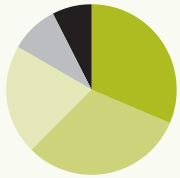
1 Strongly support	**115** (40.1%)
2	**91** (31.7%)
3	**43** (15%)
4	**22** (7.6%)
5 Do not support at all	**16** (5.6%)
Response count	**287**

I favour an extension of the kind of carbon trading mechanisms that the EU and the UK Government have introduced so far.

1 Strongly support	**58** (20.4%)
2	**84** (29.6%)
3	**75** (26.4%)
4	**39** (13.7%)
5 Do not support at all	**28** (9.9%)
Response count	**284**

3 continued
What about carbon?

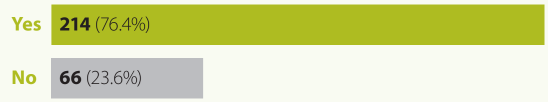
I would prefer to see a move towards an economy-wide carbon tax, levied on the carbon content of all energy sources at the point where they enter the economy?



1	Strongly support	**90** (31.5%)
2		**89** (31.1%)
3		**60** (21%)
4		**26** (9.1%)
5	Do not support at all	**21** (7.3%)
	Response count	**286**

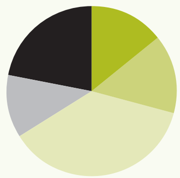
4
What about trade?

There is growing concern amongst many carbon-intensive businesses in the EU that they are already disadvantaged by having to pay for their carbon emissions (through the EU ETS, for example) where their competitors in other countries do not. Would you support the introduction by the EU of some kind of 'border adjustment mechanisms' to create a more level playing field regarding carbon emissions?



5
Green taxes

How would you feel about a proposal to eliminate National Insurance, with a Carbon Tax kicking in progressively as a direct substitute?



1	Very keen	**41** (14.4%)
2		**42** (14.8%)
3		**105** (37.0%)
4		**34** (12.0%)
5	Not at all keen	**62** (21.8%)
	Response count	**284**

6
Is it fair?

All the UK political parties have talked about the importance of 'fairness'. Yet the statistics tell us that the UK is the third most unequal country in the OECD, as measured by income gaps between the richest and the poorest – with only the United States and Portugal more unequal than ourselves. Economists have pointed out that this state of affairs can be tracked as far back as 1983. Do you think business leaders should explicitly criticise this state of affairs in calling for a fairer, less inequitable society?

7
Fair taxes

A number of measures have been advanced by different political parties in this election to address the 'fairness challenge'. Please rank the following statements according to the extent to which you support them:

50% income tax level on those earning above £150k.

1 Strongly support	**84** (29.7%)
2	**67** (23.7%)
3	**43** (15.2%)
4	**39** (13.8%)
5 Do not support at all	**50** (17.6%)
Response count	**283**

50% income tax level on those earning above £100k?

1 Strongly support	**45** (15.9%)
2	**29** (10.3%)
3	**67** (23.8%)
4	**50** (17.7%)
5 Do not support at all	**91** (32.3%)
Response count	**282**

A substantial hike in the minimum wage to ensure that everybody is, in effect, on a 'living wage'?

1 Strongly support	**77** (26.9%)
2	**80** (28.0%)
3	**64** (22.4%)
4	**36** (12.6%)
5 Do not support at all	**29** (10.1%)
Response count	**286**

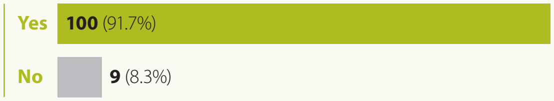
The creation of a High Pay Commission (to match the Low Pay Commission) in order to advance specific proposals to narrow multiples between high and low earners both within companies and in society as a whole?

1 Strongly support	**51** (18.0%)
2	**64** (22.6%)
3	**56** (19.8%)
4	**36** (12.7%)
5 Do not support at all	**76** (26.9%)
Response count	**283**

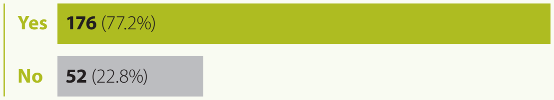
8 Long-term economy

All UK political parties agree that getting back to high levels of conventional economic growth is a precondition of any durable economic recovery. But we also know that growth of this kind, stretching indefinitely into the future, is simply not compatible with a genuinely sustainable, low-carbon economy. No effort has as yet been made to reconcile the short-term priority of a return to economic growth with the longer term need to generate a very different kind of growth. In that context, please indicate whether you agree with the following statements:

The government should explicitly address this dilemma and start engaging with the general public as to some of the trade-offs involved?



Business leaders should be urging government to rethink the 'growth imperative' as part of today's growing concerns about accelerating climate change?

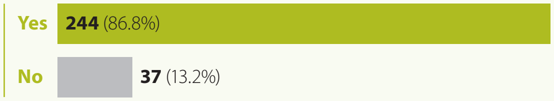


9 Addressing short-termism

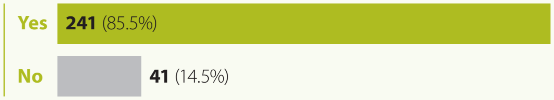
A growing number of business leaders have expressed concern about the kind of short-term practices that still seem to dominate today's capital markets. Please indicate whether you support the following:

The establishment of a high-level Commission to investigate possible interventions by government in order to combat such damaging short-termism.

A compulsory carbon reporting requirement on all listed companies.



A compulsory requirement for all companies to disclose their key climate-related, environmental and social issues, to set targets to address these issues, and to report on their progress against these targets.



AUTHOR AND ADVISORY PANEL

This paper has been authored by Jonathon Porritt, with the advice and support of some of the UK's leaders from the fields of business, economics and sustainability.

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He was Chairman of the UK Sustainable Development Commission from 2000 to 2009, and is Co-Director of The Prince of Wales's Business & Environment Programme. He is a Non-Executive Director of Willmott Dixon Holdings, and of Wessex Water, and a Trustee of the Ashden Awards for Sustainable Energy. He was formerly Director of Friends of the Earth (1984–90); co-chair of the Green Party (1980–83) of which he is still a member; Chairman of UNED-UK (1993–96); Chairman of Sustainability South West, the South West Round Table for Sustainable Development (1999–2001); a Trustee of WWF UK (1991–2005) and on the Board of the SW Regional Development Agency (1999–2008).

Catherine Cameron is an experienced policy analyst and economist. Over 23 years she has advised governments, NGOs and companies assisting them in improving their efficiency, effectiveness, transparency and social responsibility. She has a particular expertise in climate change having been a co-author of the Stern Review looking at the economics of climate change. She is a Senior Associate, University of Cambridge Programme for Sustainability Leadership and is Director of Agulhas: Applied Knowledge, a consultancy focused on improving sustainability.

Ian Cheshire has been the Group Chief Executive of Kingfisher plc since January 2008. Prior to this he was Chief Executive of B&Q from June 2005. His previous roles at Kingfisher include Chief Executive of International and Development, Chief Executive of e-Kingfisher and Group Director of Strategy and Development. Before joining Kingfisher in 1998 he worked for a number of retail businesses including Sears plc where he was Group Commercial Director. He is also a member of the Prince of Wales Corporate Leaders Group on Climate Change and a Member of the Employers' Forum on Disability President's Group.

Jeremy Darroch has been the Chief Executive Officer at Sky since 2007 having previously been Chief Financial Officer (CFO) since 2004. Prior to joining the Company, he was Group Finance Director of DSG International plc (DSG), formerly Dixons Group plc. Prior to DSG, he spent 12 years at Procter & Gamble in a variety of roles in the UK and Europe. He is a Non-Executive Director and the Chairman of the Audit Committee of Marks & Spencer plc. He is also a Board Member of the charity Youth Sport Trust and a Council Member of the Council for Industry and Higher Education.

Paul Ekins is a Professor of Energy and Environment Policy at the Energy Institute, University College London. Previously he held a similar position at King's College London, and before that was the Head of the Environment Group at the Policy Studies Institute and Professor of Sustainable Development at the University of Westminster. He was a Founder and Associate Director of Forum for the Future, and has been a specialist adviser to the Environmental Audit Committee of the House of Commons and a Member of the Royal Commission on Environmental Pollution. He has extensive experience consulting for business, government and international organisations. In 1994 he received a Global 500 Award 'for outstanding environmental achievement' from the United Nations Environment Programme.

Stephen Haddrill is the Chief Executive Officer of the Financial Reporting Council. Previously he was Director General of the ABI. He is a member of the Financial Crisis Advisory Group and the Vice President and Chair of the Board of the Institute for Employment Studies. Previously he worked at the Department of Trade and Industry as Director General, Fair Markets Group, Director of Employment Relations, and Consumer Affairs and as a director of the DTI's Competitiveness Unit. In the early 1990s he worked for the Hong Kong Government as a member of the Governor's Central Policy Unit. Stephen studied history and economics at Oxford University and joined the Department of Energy in 1978, where he held a number of posts, principally on nuclear issues and as Principal Private Secretary to the Secretary of State for Energy.

Tim Jackson is Professor of Sustainable Development at the University of Surrey and Director of the Research group on Lifestyles, Values and Environment (RESOLVE). Funded by the Economic and Social Research Council, the aim of RESOLVE is to explore the links between lifestyles, societal values and the environment. In particular, RESOLVE aims to provide evidence-based advice to policymakers in the UK and elsewhere who are seeking to understand and to influence people's energy-related behaviours and practices. Since 2004 Tim has been Economics Commissioner on the UK Sustainable Development Commission and is the author of their controversial and groundbreaking report, now updated and expanded in the book Prosperity Without Growth: Economics for a Finite Planet (Earthscan 2009). In addition to his academic work he is an award-winning playwright with numerous radio-writing credits for the BBC.

Catherine MacKenzie is an international lawyer with particular interests in climate change, good governance and the rule of law. A member of the English and Australian Bars, she holds the established post in international environmental law at the University of Cambridge. Formerly a Research Fellow at the Environmental Change Institute at the University of Oxford, she has been employed by Allen & Overy, the United Nations, the World Bank and the Asian Development Bank. She studied at Oxford, the Inns of Court School of Law, Tokyo, Sydney and the Australian National University, at which she was a Commonwealth Scholar. She also advises governments and corporations on matters of international environmental law, publishes widely and contributes to BBC 'One Planet'.

In addition to the Panel, **Oliver Dudok van Heel** contributed to this Project as a Panel facilitator and author of the Alumni Survey Summary. He is the Head of Sustainability at Radley Yeldar and a Senior Associate of the University of Cambridge's Programme for Sustainability Leadership.

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The Marmot Charitable Trust is a small family trust that was registered as a charity in 2004. It concentrates its resources on funding green initiatives that pave the way for a sustainable future. In addition, there is an interest in supporting peace and security organisations that are working on nuclear disarmament and non-proliferation. It is currently attempting to make its investments as integrated as possible with its grant making.

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Triodos Bank is a global pioneer in sustainable banking. Their mission is to make money work for positive social, environmental and cultural change. The business aims to help to create a society that protects and promotes the quality of life of all its members and to provide customers with innovative financial products and high quality service. They believe that everyone should have equal rights and freedom to pursue their personal development and economic interests. And that they should be able to do so while taking responsibility for the consequences their actions have on society and the planet. Triodos Bank exists to help individuals, organisations and businesses achieve this sometimes difficult balance.
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