Ethical CORPORATION

September 2010
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Lessons from the big country
Responsible business in Canada

BP's saga
A chance for radical new business thinking

The Kimberley Process
Multistakeholder trailblazer's next moves

Corporate footprints

Does clean technology hold all the answers?

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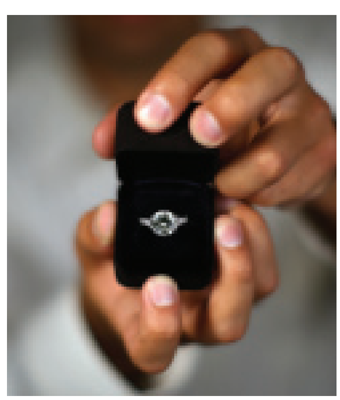


p34 Sparkling success?

What's on the web

Don't miss some of the extra analysis and reporting online

In a web-only op-ed, **Paul Hohnen** welcomes what he argues is the development of the sustainable business agenda into movement for **green growth**. He says that the great challenge for the 21st century is to create an industrial revolution based around green growth. He argues that factors such as avoiding further recession, generating more jobs and improving human rights are important. But, Hohnen says, none of these can be properly achieved unless there is what he terms green growth. This will require the private sector's power and creativity to be unleashed, alongside government and civil society.

Mallen Baker's online column focuses on why **supplier systems and incentives** in the **fashion industry** are often the cause of code of conduct breaches. He points out that, in the real world, company executives don't set out to achieve unethical outcomes, and these lapses are more the result of the way the industry works. Fashion, Baker argues, is all about the "latest thing". But making late decisions, to catch the newest trend, puts strain on supplier factories to deliver within the guidelines set out by ethical codes of conduct. If supplier relationships are unstable, and prices under continual pressure, then circumstances conspire to lead to non-compliance. Among the solutions, Baker argues, is for buyers to regard suppliers properly as partners – and through this brands can gain real insight into how their business processes work.

In an online EthicsWatch story, **Oliver Balch** examines a new report from **Accenture** and **Global Compact** that gauged the views of top chief executives on the responsible business agenda. The top-line finding is that over 90% of the business leaders say that **sustainability is critical** to their companies' future success. This represents a significant shift from previous research in 2007. And that these opinions come at a time of global economic recession is, Balch argues, particularly significant. He says that the recession may explain sustainability's boost: responsible business was able to prove its mettle in the face of intense cost-cutting.

Also in EthicsWatch online, **Rikki Stancich** explores the recent story about uncapped and leaking oil wells in the **Gulf of Mexico**. The problem with current oil well plugging procedures, she argues, is that the cement used for the process is designed for surface applications, and is prone to shrink underwater. The problem is set to become an increasing concern in the **North Sea**, where 470 platforms are due for decommissioning in the next 30 years. A major problem, Stancich suggests, is that governments rely on the oil companies themselves to inspect the old wells because they are the only ones with the engineering expertise and equipment. Better regulation is essential, she says. ■

Research review

Companies are beginning to properly measure their social and economic impacts

Of corporate sustainability professionals who responded to an Ethical Corporation survey, **67%** said their company "measures social and/or economic impact of their business on the communities where they operate" (n=116).

This positive response astounded the 100 corporate sustainability professionals who turned up in London for a debate where Ethical Corporation shared its preliminary results for an upcoming report – Social and Economic Impact: measurement, evaluation and reporting.

Ethical Corporation delivered a second anonymous survey, asking a similar question: "Has your company conducted a study of the social or economic impact of your operations on a local community?" Again, an affirming **69%** of respondents answered yes (n=50).

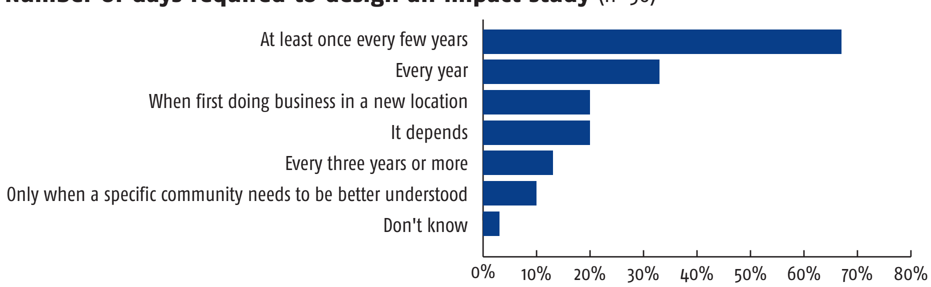
Companies are beginning to realise that corporate sustainability is about much more than being green, despite a hazy understanding of exactly how social and economic impact studies benefit their business.

73% of respondents indicated that communication of their business impacts is one of the main reasons for conducting the studies. Yet a growing number of companies are using the studies more strategically.

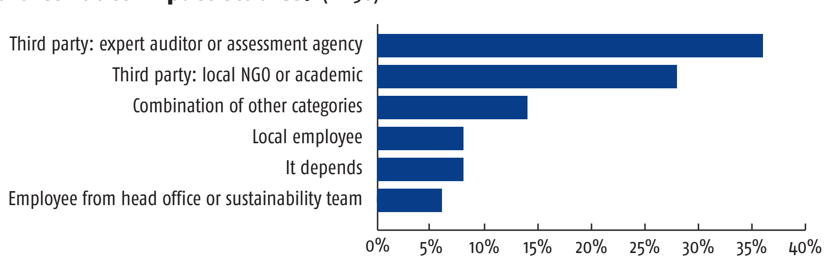
71% of survey respondents said that the results of impact studies directly affect their business strategy.

The business objectives, location and industry determine the appropriate model for a company. Ethical Corporation has identified four impact models, each carrying its own set of best practices: supply chain management, meeting external reporting standards, managing site-level community impact and measuring socio-economic contributions. ■

Number of days required to design an impact study (n=50)



Who should conduct impact studies? (n=50)



For more information about Ethical Corporation reports and bespoke research, contact Pam Muckosy at research@ethicalcorp.com. Read more about Ethical Corporation's research into social and economic impact at www.ethicalcorp.com/impact.

Welcome to the September 2010 edition

This month we're delighted to announce a closer working relationship with our long-time columnist **Mallen Baker**. Many of you will know Mallen from his writing for us over the last decade and his excellent Business Respect email newsletter.

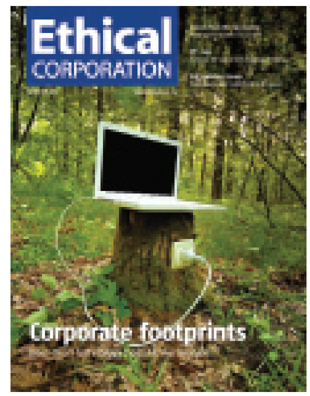
Mallen will now be more closely involved in helping us decide on which stories we write about, and be contributing to some of our features each month. We're delighted to be working with someone so experienced and highly regarded. Mallen joins Brendan May as a contributing editor to the magazine and website.

Onto our September edition, and this month in our briefing from p11, we look at **clean technolog**y and what it can do for business. The briefing reviews how technology is helping companies reduce their environmental impact, with case studies of IBM and Fuji Xerox Australia. The briefing also focuses on **energy generation** and what the ethical sourcing options are for big companies. Finally it examines **greener transport** – the best options for travel, including electric vehicles and second generation biofuels.

Elsewhere, we review **BP**'s troubles and how corporate responsibility has failed the company. Starting on p28 we outline how the Gulf of Mexico oil spill shows that CR is not a nice add-on, it must be embedded throughout a company. We review BP's recent crisis history and how the recent Gulf explosion is the latest in a catalogue of breaches, and why this disaster is a wake-up call for companies to be more radical in their CR programmes.

September's country briefing presents the big responsible business issues in **Canada**. The briefing includes case studies focusing on companies that have resolved how to sustainably develop the country's enormous natural resources. We consider the role of NGOs, ask which voluntary initiatives are most relevant and which business associations are successful.

In the strategy and management section this month, the next in our series of classic case studies, considers conflict diamonds and the rise of the **Kimberley Process**. We also examine how some leading companies are introducing **remuneration** related to **CR metrics**. Companies we look at include AkzoNobel, TNT, Aviva and ING.



In addition we have an essay from Cranfield School of Management's **David Grayson**, who considers the case for a sustainable capitalist system.

And if all that wasn't enough we have a review of the reports of ArcelorMittal and J Sainsbury, a politics column by Peter Davis, Paul French's China column plus topical and insightful pieces from Mallen Baker, Jon Entine and Peter Knight.

Enjoy your September issue, and of course, please contact me at toby.webb@ethicalcorp.com with your comments and feedback.

Toby Webb
Founding editor and publisher

Ethical CORPORATION
Business Intelligence for Sustainability

7–9 Fashion St, London E1 6PX UK
Subscriptions: +44 (0) 20 7375 7575
Editorial: +44 (0) 20 7375 7213

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Founding editor & publisher: Toby Webb
toby.webb@ethicalcorp.com

Commissioning & production editor: Ian Welsh
ian.welsh@ethicalcorp.com

Head of research: Pam Muckosy
pam.muckosy@ethicalcorp.com

Contributing editors: Mallen Baker, Brendan May

Contributors: Mallen Baker, Oliver Balch, Jeni Bauser, Peter Davis, Aleksandra Dobkowski-Joy, Jon Entine, Paul French, Stephen Gardner, David Grayson, Miriam Heale, Peter Knight, Eric Marx, Scarlet McBarnet, Kerrie Sinclair, Lorraine Smith, Oliver Wagg

Sub editors: Sarah Burton, Gareth Overton

People on the move
moves@ethicalcorp.com

Advertising and sales: Andrew Bold
andrew.bold@ethicalcorp.com | +44 (0) 20 7375 7188

Design: Alex Chilton Design Ltd
info@alex-chilton.co.uk | +44 (0) 20 8762 6198

Subscriptions
subs@ethicalcorp.com | +44 (0) 20 7375 7575

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EthicsWatch

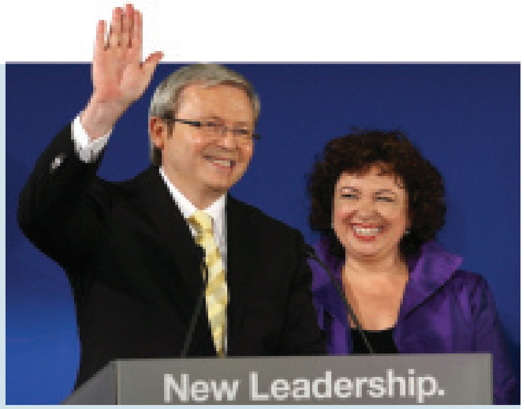
An Australian coup, Wal-Mart and people management, G20 protest tactics and no-emissions flying

Analysis: Australian politics

Good Ruddance

By Peter Davis, politics editor

Kevin Rudd's unpopularity in his own party – not the mining industry – forced him out as Australian prime minister



Not any more

The narrative for Australia's responsible business industry is easy and persuasive: a prime minister who is an advocate for the environment is brought down by a malevolent mining industry on which he had planned to impose a super-tax.

Easy and persuasive, but is it true?

Let's look at the facts. Kevin Rudd became Australian prime minister in what became known as the "Ruddslide" general election of December 2007. Apparently a commanding figure in his Australian Labour party, he was widely expected to be a premier in the job for a decade or more. In fact, following the August election, it looked like the party itself had lost power.

Rudd was a staunch environmentalist, calling climate change "the greatest moral, economic and social challenge of our time". His first act as prime minister was to sign the Kyoto protocol. In an interview at the 2009 Copenhagen summit he declared: "We're from Australia, we're here to help."

Apparently in pursuit of this environmental agenda, Rudd announced in May this year that the government would be levying a super-tax on the mining sector. The move provoked a furious response from extractive companies, which said the move would hinder investment in the sector. Mining analysts forecast that it would raise the tax burden for large firms from about 43% to 57%.

It was therefore those mining companies that many in the environment lobby blamed for Rudd's shock ousting as prime minister barely a month after the super-tax announcement. In late June Rudd lost the leadership to his deputy, Julia Gillard. Suspicion of the hand of the mining sector in Rudd's demise was strengthened when Gillard announced shortly after her accession to the top job that the mining tax was to be watered down.

However, much though conspiracy theorists would love to be able to blame extractive companies for Rudd's "assassination", a look at the wider picture tells a different story.

Rudd was extremely unpopular in his own party, where he had gained a reputation for not listening to colleagues and being aggressive. On winning the 2007 election he appointed his own cabinet, breaking the century-long practice that the Labour front-bench is chosen by the party, with the prime minister responsible for dividing up the portfolios. This action, and a reputation for intellectual arrogance, alienated key constituencies in the party, including unions and activists.

Unpopular and rude

Rudd also could be rude to those who incurred his ire. At Copenhagen he famously launched a four-letter tirade against the Chinese government, claiming that Beijing was uninterested in tackling environmental challenges.

The result was that, even before the mining super-tax episode, Rudd was on very thin ice. When a challenge from Gillard seemed likely, his chief-of-staff's own testing of the waters demonstrated that he did not even have enough support in the party to be able to contest a leadership election. Doubtless, the super-tax debacle played a role in his demise, but only as the catalyst to oust him, not the cause.

While mining firms may or may not have been briefing against him, the simple truth is this: Rudd's party disliked him intensely, and wanted him out.

And what now for the environment? Both main party leaders said during the recent election that climate change is a key issue. But it is unclear how much the economy and border control – the other main areas of public debate – will squeeze the environment out, at least for the coming monthhs. ■

Farmers' friend

Suppliers selling to Sainsbury's and other big supermarkets are to gain a new ally in the quest for fair treatment. The UK government says it will press ahead with plans for a **Groceries Code Adjudicator**, an enforcer for the Groceries Supply Code of Practice. The code came into force in February 2010 and must be written into supermarkets' contracts with suppliers in a bid to ensure fair dealing, for example by banning retrospective changes to terms and conditions.

UK consumer affairs minister Edward Davey says the adjudicator will step in where needed to "make sure that large retailers can't abuse their power". The body will be able to investigate anonymous tip-offs from farmers or others up and down the supply chain. The adjudicator is expected to start work in 2012 and it won't be just another quango – it will be part of the Office of Fair Trading, and the supermarkets will fund it.

Fairer produce at Sainsbury's

Legal impasse

The latest twist in the long-running legal case between oil giant **Chevron** and indigenous people in **Ecuador** – which has been going on for 17 years and counting – came in early August, with Chevron filing a motion that the case should be dismissed.

The Ecuadorian groups are seeking compensation for pollution caused between 1964 and 1990 by Texaco, which was subsequently taken over by Chevron. A court-appointed expert assessed the damage at **$27bn** but Chevron says it can prove the expert's report was "nothing more than a fraud" and was the result of collusion with the plaintiffs. Even if the case does continue, a verdict is unlikely before 2011. Watch this space …

Palm qualms

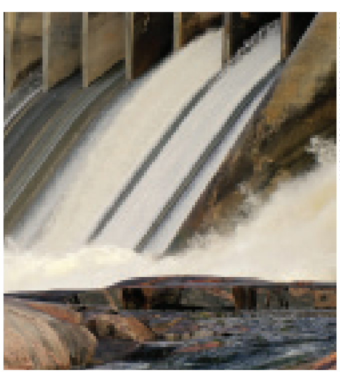
The debate continues about the activities of **Sinar Mas**, Indonesia's biggest palm oil producer and Ethical Corporation's **Greenwasher of the Year**. Adverse publicity about its role in rainforest destruction led the firm to commission an independent audit, carried out in part by the BSI Group, formerly the British Standards Institution. The review was published in early August, and only partially cleared Sinar Mas of the charges against it.

The company had not cut down primary forest to make way for palm oil plantations, but had damaged carbon-rich peat land through planting, the review found. **Greenpeace**, however, says it has new evidence of rainforest clearance by Sinar Mas.

Kraft and Unilever no longer buy palm oil from Sinar Mas, but Unilever says it might restart if Sinar Mas can obtain Round Table on Sustainable Palm Oil certification.

Dammed if you do...

A surge in hydropower projects caused by green energy demand is having a "profound" effect on tribal people, the **Survival** campaign group says in a report published mid-August. Tribes in the **Brazilian Amazon**, in **Malaysia**, and in **Ethiopia** are facing loss of land and water and food sources, and even



IANCHRISGRAHAM/ISTOCKPHOTO.COM

Locals need to benefit too

forced relocation to make way for dams, yet tribespeople rarely see any benefits from the new power sources. Dam building peaked in the 1970s but is back with a vengeance, with the World Bank presently providing **$11bn** to 211 projects worldwide.

Analysis: Wal-Mart

Crowd control

By Jeni Bauser in New York

Why is US retailer Wal-Mart fighting a fine following a fatal health and safety lapse?

Wal-Mart has spent a great deal of time and money to try to quash a $7,000 fine brought against it by the US labour department's Occupational Health and Safety Administration (OHSA).

The penalty followed the death of a Wal-Mart employee who was trampled by a surging crowd of roughly 2,000 during a post-Thanksgiving sale in New York in 2008. Eleven people were injured.

In May 2009 Wal-Mart agreed to a settlement, including a new crowd-management plan for its 92 New York locations, a $400,000 victims' compensation fund and a $1.5m donation to the local community. Wal-Mart did not, however, admit responsibility for the incident.

That same month, however, OHSA cited Wal-Mart for "inadequate crowd management" and issued a citation of $7,000 – the maximum amount for a "serious violation".

So why is Wal-Mart so miffed about a $7,000 fine, a miniscule fraction of the company's $13.3bn net income? Wal-Mart has reportedly spent more than $2m contesting the fine thus far.

Taking responsibility

The root of the issue seems to be the retail giant's fear that OHSA is using this case to determine that "unruly crowds" are an occupational hazard. This could subject retailers like Wal-Mart to federal oversight whenever there are large crowds.

"OHSA wants to hold Wal-Mart accountable for a standard that was neither proposed nor issued at the time of the incident," says Greg Rossiter, director of corporate communications at Wal-Mart.

Jim Copland, director of the Center for Legal Policy at the Manhattan Institute, a conservative US thinktank, says what Wal-Mart really fears is potentially more costly litigation.

"Wal-Mart does not want to concede that it has a duty to 'manage crowds' or otherwise protect those lining up outside its stores waiting to get in on special sales," Copland says. He argues that if the company makes this concession – and by backing down to OHSA it effectively would be doing so – Wal-Mart would then have to worry about a whole new class of litigation. "And that litigation could cost them a lot more than $2m."

OHSA is using its "general clause" to target Wal-Mart, which mandates that employers look after the health and safety of their employees. But because there is no specific regulation addressing crowd management, it leaves a grey area as to what specific issues fall under the general clause.

"Wal-Mart appears to be attacking the constitutionality of the general clause on the grounds it is so vague that to impose criminal penalties under it would violate what I would

Is Wal-Mart missing a trick?

call the 'rule of law', and US lawyers would probably describe as 'due process'," says Hugh Collins, professor of law at the London School of Economics. "There is a legitimate concern about criminal laws that are so vague that we can never be sure if we have violated them."

So has this incident revealed a crack in the retail giant's corporate armour? Wal-Mart has made impressive strides in sustainable business, most notably with its global, industry-wide sustainable product index.

But whatever the outcome of this litigation or the strict letter of the law, the case is an opportunity for Wal-Mart to demonstrate a commitment to taking responsibility for worker and customer safety – which is, after all, what its millions of customers would expect. ■

Analysis: G20 protests

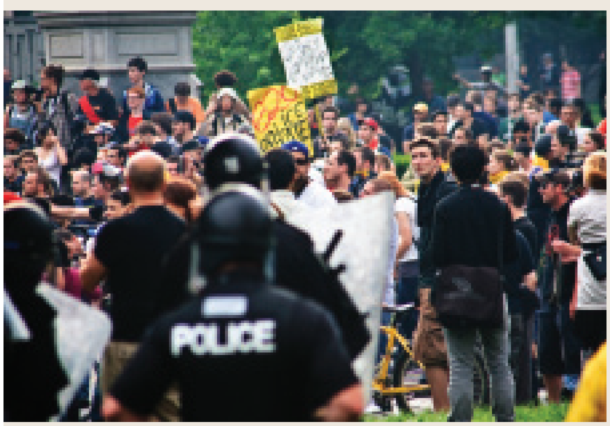
People power's new focus

By Stephen Gardner

Protests at the G20 summit in Toronto continued a trend of demonstrations against capitalism, inequality and corporate excess. But the protest movement is going through a change

It has become a ritual. Wherever leaders meet for a G7/G8/G20 summit, or in another forum such as the World Trade Organisation, protesters also congregate. While the presidents and prime ministers seek to convince everyone else that they have the world's problems under control, the protesters draw attention to the failings of the global system.

At the June 26-27 G20 summit in Toronto, an extension to the ritual was played out. A group of protestors employing the "black bloc" tactic – seeking anonymity by covering their heads and bodies in black clothing – set police cars ablaze and vandalised buildings, with brands such as Nike and Starbucks being prominent targets. Politicians including Toronto mayor David Miller employed standardised denunciations of the vandals, calling them "violent criminals" and "thugs".



JIONG DAI/DREAMSTIME.COM

There's always something worth protesting about

Disorder gets top news billing, and this can overshadow the broader protest movement, which is concerned with corporate behaviour, poverty, environmental destruction and the direction of globalisation. Over time the focus has shifted, from anti-globalisation in the 1990s – though many activists feel "anti-globalisation" is misleading and prefer the French term altermondialisme, or alternative globalisation – to a new wave of environmental concern in the past decade. This has coincided with revived anti-war feeling, prompted by US and British actions in Iraq.

Austerity action

Now, says James O'Nions, co-editor of radical magazine Red Pepper, another shift in focus is happening. Activists are starting to get to grips with the ramifications of the global financial crisis, and the austerity measures being promised by governments.

There is a feeling that the situation "has been turned round into a crisis of the public sector" and "the banks have got away almost scot-free", O'Nions says. In the UK, David Cameron's coalition government has made an "ideological choice" that people and public services, rather than banks and corporations, should foot the bill for the excess of the good times, he says.

A similar analysis is taking root across Europe. Jan Willem Goudriaan of the European Federation of Public Service Unions says many public workers have "a big sense of anger" because of the feeling that their governments have turned on them. There have been strikes in Greece, Portugal, Romania and elsewhere. In late September there will be a "European Day of Action: no to austerity", and general strikes in countries such as Spain.

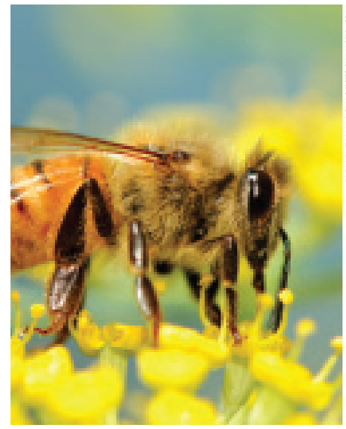
Goudriaan says the interests of anti-poverty and environmental campaigners dovetail with concerns about the direction that austerity plans are taking. Public spending cuts will have a negative impact on the most vulnerable in society, and potentially also on environmental protection. It is all about choices, he says. The world's problems must be addressed but "it doesn't necessarily have to be the way it is", with austerity imposed from above and wealth distributed unfairly.

O'Nions says that in this context altermondialisme remains valid as an international critique. Protesters are not against globalisation, but they want "globalisation from below, globalisation that works for people not for corporations".

But for now, protests at international summits may be of secondary importance because "people are engaged in fighting the austerity in their own countries". Only as austerity measures really start to bite will the new shape and direction of the protest movement start to become clear. ■

Buzz off?

The 21st century phenomenon of **bee population decline** might be caused by certain types of pesticide, researchers have said. A study



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Being very useful

published in the journal Toxicology drew a connection between the long term use of "neonicotinoid" pesticides and bee deaths.

Campaigners say the pesticides should be banned. Certain formulations already have been prohibited in **Germany**, **Italy** and **Slovenia**. In the **UK**, the government says there will be no ban but the authorities will "keep this area under review". Scientists have so far failed to come up with a definitive explanation for the dying bees, but the phenomena has led to widespread concern about future crop yields, given the crucial role of bees as pollinators.

Give us a date

The UK government should waste no time in announcing a date by which big corporations will be obliged to report their carbon emissions, the **Aldersgate Group** says. The group, which describes itself as a "high level coalition of progressive businesses, environmental groups and individuals", wrote to the business secretary Vince Cable, demanding a decision by the end of 2010 on the introduction of mandatory reporting. The 2008 Climate Change Act includes a deadline of 2012 for the government to decide on the introduction of mandatory reporting. Aldersgate Group members calling for a date to be set sooner include **Aviva**, **BT**, **Microsoft** and **PepsiCo**.

Report more, report better

Meanwhile, another business-led initiative is calling for a general overhaul of company reporting, saying that the credibility of reporting standards has been severely damaged by the financial crisis. The **International Integrated Reporting Committee** wants a review of the way financial results are delivered,


DANREDRUP/ISTOCKPHOTO.COM

Charles backs credible reporting

more harmonised international standards, and more consistent presentation of other company information, including environmental and social performance.

The committee is backed by big hitters: top corporations such as **EDF** and **Tata**, the main audit firms, the International Accounting Standards Board, the US Financial Accounting Standards Board, and even the Prince of Wales. It plans to devise a new reporting framework for discussion by the G20 in 2011.

Chinese whispers

Well-to-do Chinese consumers are not just interested in the status afforded by owning **luxury brands**. A study of wealthy consumers has found that they are also increasingly concerned about companies' social responsibility performances. The social role of companies was highlighted in the aftermath of the 2008 **Sichuan earthquake**, when firms that contributed to the relief effort were lauded, while those that did not were criticised. The study, carried out by Albatross Global Solutions and Ruder Finn Asia, found that companies slow to help out were labelled "iron roosters", or cheapskates. ■

Analysis: pollution-free aviation

A clean getaway?

By Oliver Balch

While viable solar power is still a long way off for commercial airliners, alternative fuels research continues

Weighing in at a feather-light 1,600kg, the world has a new aviation first. After 26 continuous hours in the air, the 63.4m-wide Solar Impulse HB-SIA recently entered the record books having completed the longest solar-powered flight.

But, a dose of reality. The sun might be the most potent source of energy on the planet, but understanding how to harness it for mass aviation remains light years away.

The Airbus 380 weighs 200 times more than the Solar Impulse HB-SIA. At present, the pioneering plane's electric engines produce a similar horsepower to that of a small motorcycle. Multiply that ten-fold and it would still be a challenge to get a passenger plane out of the hanger, let alone into the air.

"Given the amount of thrust from a solar panel system it seems – at least in the short or medium term – that light aircraft will be as far as this technology can realistically go. If people want to keep flying, we need to keep innovating," warns Iain Watt, principal sustainability adviser and head of the climate programme at UK sustainability charity Forum for the Future.

That is not to pooh-pooh alternatives altogether. Serious experimentation in the use of biofuels is happening in the aviation industry. Last year, a Japan Airlines 747 took off from Tokyo under the propulsion of a biofuel mix based on camelina and jatropha oilseed plants. Virgin Atlantic and Air New Zealand have used coconut extract to achieve similar results.

Emma Harvey, head of sustainable business at Virgin Atlantic, echoes the confidence of the industry in predicting a "breakthrough" on biofuels in coming years. "Biofuels are likely to be phased in over time, as a 'drop-in' fuel with the regular fuel mix, with volumes increasing as the right fuels become more readily available," she says.

Biofuels are no panacea, however. Issues still abound. For a start, fossil fuel comprises a substantial portion of their content (50% in the case of certified hydrogenated biofuel-based jet fuels).

Direct and indirect land use are major public concerns as well. As a result, biofuels can only hope to comprise 10% of total aviation fuel come 2050, the UK Committee on Climate Change (CCC) concludes.

The algae option

Other low-carbon solutions could still present themselves. Earlier this year, for example, French engineers put an all-electric aerobatic plane in the air – fuelled, in part, by algae. But don't hold your breath. Most of the probable solutions are "on the table now" or at least in the research and development stage, according to Ben Combes, senior aviation analyst at the CCC.

A commercial takeoff now closer

Whatever the renewable technologies may be, the future of low-carbon commercial aviation lies with the airlines themselves.

At a company level, Etihad and Qatar Airways both announced substantial investments in biofuel research earlier this year. The Sustainable Aviation Fuel Users Group and the Aviation Global Deal are taking similar steps at an industry level.

Yet the focus of most airlines' climate change strategies lies elsewhere. Fleet fuel-efficiency leads the way. Cuts in unnecessary air time, reductions in onboard weight and carbon offsetting follow close behind. A handful of more progressive airlines, such as Air France-KLM, have even discussed switching short-haul passengers onto high-speed rail.

But none suggests replacing the combustion engine. For now, at least. ■


The Nano pushed Ratan Tata onto the world stage

Tata

How to preserve values and influence people

Mallen Baker says the next head of Tata needs to keep the company's sustainable character intact

Ratan Tata, Tata Group's larger-than-life chairman, will step down in December 2012. A committee has been formed to identify a successor.

Meanwhile, the appointment of the reclusive Noel Tata as managing director of Tata International has sparked speculation: perhaps he is being groomed for the top job. Perhaps not. Tata says it will consider candidates from inside and outside the company.

Tata Group is a towering example of social responsibility. Not because of some policy change it implemented during the past ten years, but because of a centuries-long history where the Tata values, exemplified in the refusal to pay bribes in a business culture where such practices were (and are) endemic, have been a strong ongoing part of its success.

In recent years, Tata has taken its place on the global stage. UK prime minister David Cameron noted during his recent visit to India that Tata is now the UK's largest manufacturing employer. And the company startled, charmed and alarmed the world in equal measure when it launched the Tata Nano – the cheapest car in the world designed to improve the quality of life of people in India. Ratan Tata has been the highly visible presence during this time.

Any change of leadership is a time of opportunity and risk. Every Tata manager would protest that the values are too securely embedded within the company to be at jeopardy from a new man at the top. They'd argue that only someone that would lead from the basis of those values will be acceptable.

At present, the only statement about the leadership succession is that the panel will consider "someone with experience and exposure to direct … growth amid the challenges of the global economy".

But leadership is important. If an outsider joins the company with his or her own view on the challenges of the global economy, the danger is that Tata's unique heritage may be seen as a peculiarity of its family origins and its India context and as something outdated in the view of the company's global ambitions.

It seems absurd to say it now, but in a world where the one constant is change, you have to actively ensure that the change you bring about is the change you expected.

Tata's best chance is to appoint an insider – not necessarily someone who bears the family name – but someone that has spent the past 20 to 30 years doing business the Tata way. Or someone whose performance in their current role elsewhere has been notable for a strong values component.

Sticky situation

After all, remember what happened at 3M.

3M was lauded by many as the most innovative company in the world, and it had only ever appointed insiders that had come through its unique culture. Then James McNerney was appointed, having previously been part of the GE empire. McNerney proceeded to do at 3M what he had known at GE, namely the Six Sigma quality process.

In so doing, he pretty much stifled what made the innovation engine work. Six Sigma was suited to turning out defect-free products in an efficient way. It wasn't suited to coming up with brilliant wacky ideas and giving someone the space to try to make a product out of them.

Tata startled, charmed and alarmed the world in equal measure when it launched the Nano

In the seminal management book Built to Last, James Collins and Jerry Porras say they thought the 3M culture was so firmly embedded it would survive changes of leadership because they would have to learn to do things the 3M way. That thesis was proved wrong, and it took McNerney's successor George Buckley to begin to back away from some of the implementations of Six Sigma that had sent the company's creativity off the rails.

Tata Group needs to heed the lesson. Nothing is forever unless you actively organise to make it so. Those guiding the Tata succession must be clear that the new chairman will lead on the basis of those historical values, and that this is as important to the board as the international expansion.

Tata, after all, grew more slowly than many of its early competitors all those decades ago because of its refusal to pay bribes. But its insistence that the values came first was one of the factors that led it to outlast and outgrow those same competitors.

This lesson is more, not less, relevant as Tata continues to consolidate its role as a global force to be reckoned with. ■


COLUMNIST: MALLEN BAKER

Mallen Baker is founder of Business Respect and a contributing editor to Ethical Corporation.
mallen.baker@businessrespect.net
www.businessrespect.net

Briefing: clean technology

BOJAN DZODAN/DREAMSTIME.COM

CARACTERDESIGN/ISTOCKPHOTO.COM

Can the future be green and clean?

Overview

Can cleantech save the world?

By Oliver Wagg and Kerrie Sinclair

Cleantech innovators are responding to the world's energy needs with ways to help industries cut energy, water and raw material use and reduce their carbon footprint

According to the International Energy Agency, global energy demand will grow by an average of 1.6% per year to 2030 – an overall increase of 45% on today's consumption. Consultancy McKinsey warns of an equally worrying scenario for water use. Its 2009 Charting Our Water Future report finds that competing demands for scarce water resources may lead to a 40% supply shortage by 2030.

These, and the growing consumption of basic raw materials, represent challenges to a world with a rapidly expanding population, raising the question of how industry can meet the surging demand for resources sustainably.

Renewables ready to roll

The IEA has a Blue Map scenario that charts a halving in global energy-related carbon emissions by 2050 (compared with 2005 levels) and is consistent with a long-term temperature rise of 2-3C, a level likely to render some countries uninhabitable.

Its scenario for halving emissions shows renewable sources and nuclear dominating global power supply by 2050. Renewables would rise to 51% of total global energy provision from 18% today, with nuclear forming 24% and fossil fuel sources fitted with carbon capture and storage (CCS) 17%.

Despite these forecasts, direct government spending in most developed economies with large fossil fuel supplies is stubbornly fixated on CCS, while fossil fuel subsidies dwarf those for renewables.

There are still only five large-scale commercially operated CCS projects globally – unchanged from 2008 – and these are all on natural gas or enhanced oil recovery processes, not coal-fired power stations.

In earlier reports when focusing on how many CCS-fitted coal-fired power plants were needed to deliver meaningful emissions reductions by 2050, the IEA suggested that something like 6,000 CCS plants each capturing a million tonnes a year would be required. "We haven't even got one yet," says Prof Stefaan Simons, director of University College London's centre for CO_2 technology and one of the world's leading experts in low-carbon technologies.

Lean and green

And, as well as keeping a keen eye on energy use and carbon emissions, companies are being forced to make efficiency savings in the buildings and industrial facilities they own, and to make better use of water, raw materials and secondary inputs, such as industrial chemicals.

Greg Neichin of San Francisco-based venture capital research and advisory firm Cleantech Group says cleantech innovations are being rapidly deployed around the world to cut the use of energy and reduce greenhouse gas emissions.

Investment is not confined to the sometimes niche, risky venture-capital sector. "A lot of the investment seems to be made not so much in the VC world but by companies themselves and some of their larger equipment suppliers and vendors," Neichin says.

Importantly, demand for cleantech is being driven without a carbon market mechanism in place to kick-start investment.

"Most, if not all, of the momentum in energy efficiency investment, whether for the buildings or for industrial processes, is being driven by pure economics. A lot of these investments in plant efficiencies or building retrofits are economic no-brainers – they display almost instant payback periods," Neichin says.

One of the most significant resources government and companies can tap is the billions of kilowatt-hours that they waste through lost energy.

A 2007 UN report – Realising the Potential of Energy Efficiency – urged G8 nations to increase their rate of energy efficiency improvement to 2.5% per year, double the global average.

This would allow the world to hold carbon dioxide concentrations below 550 parts per million and avoid $3tn worth of new generation. It would, the UN says, eliminate the same amount of energy supplied by 2,000 coal-fired power plants.

The importance of energy-efficient buildings in the drive for a low-carbon and energy-frugal economy is indisputable. Over the past year, global carbon emissions would have been 715m tonnes lower through simply improving the energy efficiency of existing buildings and appliances, according to the World Business Council for Sustainable Development.

On the green road

To hold atmospheric carbon below its prescribed range, the IEA sees biofuels, electricity and hydrogen together forming 50% of transport fuel use in 2050, replacing gasoline and diesel.

But in July this year, the body warned that much more effort was needed to lift research and development, demonstration and deployment funding as well as coordination to cut the costs of advanced technologies.

The agency sees biofuel demand for light-duty internal combustion engine vehicles starting to decline after 2030, amid a shift towards electricity and hydrogen fuels. But biofuels use rises rapidly for trucks, ships and aircraft through to 2050, replacing petroleum fuels. This in itself may or may not prove to be sustainable. ■


DCWCREATION/ISTOCKPHOTO.COM

Resource use

Easing the squeeze

By Oliver Wagg

Technologies helping businesses make efficiency savings – in materials, energy and water use and the pollution they create – are set for growth

Clean technology has many applications beyond reducing industry's greenhouse gas emissions. As the world's resource bank runs dry, technologies that help industries use energy and materials more efficiently will become precious commodities.

California-based venture capital advisory and research firm the Cleantech Group defines cleantech as products, services and processes that provide superior performance at lower costs, while greatly reducing or eliminating negative ecological impact, at the same time as improving the productive and responsible use of natural resources.

Innovation that helps businesses better manage electricity supply is perhaps one of the best examples of how the use of technology can help companies eke out efficiency gains. For example, US information technology giant IBM is working with Energy Australia to implement an energy network that monitors and controls electricity use through the deployment of 12,000 sensors throughout its distribution network.

The so-called "smart grid" will enable EA to deliver energy more efficiently and reliably and allow a greater number of environmental solutions to be integrated into the network.

IBM is applying a similar approach to address water scarcity in Australia. Farmers aim to deliver just the right amount of water to their crops at the right time in order to achieve maximum yield, but like electricity the irrigation infrastructure is typically between 50 and 100 years old.

A project led by the University of Melbourne and National ICT Australia (Nicta) in Victoria's Goulburn-Murray region involves the deployment of soil moisture sensors, supported by complex algorithms, to monitor and automate the flow of water onto a dairy pasture.

The results of this experiment, run over the course of a year, have been significant, with a 26% saving in the amount of water used.

Renewable chemicals

Savings from reusing commodities are also substantial. MarketResearch.com forecasts that the market for global renewable chemicals, for example, will grow to $59.1bn in 2014 from $45bn in 2009, a compound annual rate of 5.3%.

Dr Andrew Thomson, a London-based analyst at the Cleantech Group, says there are a number of markets particularly interested in exploiting renewable chemicals. Raw materials include polymers (for use in packaging), solvents (for use in printing), resins (for use in inks) and surfactants/detergents.

"The initial major impact is expected in the personal care and polymer industries where a number of 'bio-based' products are already in production," Thomson says.

These "building block" chemicals produced from biomass via biological or chemical conversions can be transformed into new "platform chemicals" such as ethanol, glycerin, fumaric acid, xylitol and sorbitol.

"Sustainable materials are also increasingly used in durable products, providing the materials for mobile phone casings, automobile parts and other high performance products," Thomson says.

Thomson notes that large multinational companies are partnering with start-ups in this area. Examples include Procter & Gamble and California-based LS9 – working together to produce chemicals used in P&G's consumer goods portfolio – and Unilever and oil and bio-products company Solarzyme – developing oil derived from algae for use in soaps and personal care products.

As Peter Gallagher, a vice-president for R&D at Unilever, says that Unilever is working to drive industry change and set new standards. "Exploring sources of alternative natural oils is one of the most important aspects of Unilever's greater sustainable sourcing strategy and working with Solazyme's algal oils is an excellent fit."

Dealing appropriately with waste is a further area where clean technology can make big improvements.

India's Synthite, a little-known company supplying a third of the world's spice oleoresin (a concentrated liquid form of spices), creates as much as 10,000 litres of effluent a day. Its production processes create effluent with a wide range of acidity levels, which previously Synthite would monitor and correspondingly adjust the pH levels with lime dosing.

"Any time we got the pH wrong, it would take days to recover from a spike in


NARVIKK/ISTOCKPHOTO.COM

Waste not, want not

Eco manufacturing boosts the bottom line

Fuji Xerox Australia is the most profitable regional unit of the parent company's nine Asia-Pacific offshoots because of its eco-manufacturing process.

Achievements include:

- **A$240m** (US$216m) return on **A$22m** investment over 15 years.
- Remanufacturing about **250,000** parts and subassemblies annually to better than new condition.
- Accounting for **40%** of Fuji Xerox Australia's spare parts requirements by value.
- Incorporating policies for future remanufacturing and recycling into its product design process, Fuji Xerox has avoided almost **139,000 tonnes** of carbon emissions and reduced the requirements for raw materials by **21,600 tonnes**, between 1996 and 2008.

Source: Fuji Xerox Australia

suspended solids," Synthite's engineering manager B Shavanas says.

The chemical previously used made the company's sludge into hazardous waste subject to regulatory controls. In addition, an energy-intensive aeration process was necessary to sustain the microbial population digesting the sludge.

But in May last year, Synthite and local consultancy IWA/Environment piloted Biowish Technologies' processes to improve the plant's effluent treatment. Biowish uses enzyme technology to treat wastewater, manage solid waste, and improve crop and livestock yields.

Synthite achieved astonishing results, sharply reducing energy consumption and the amount of dangerous chemicals used. Shavanas says that although energy savings are crucial, the company needed better consistency in sludge treatment.

"We operate in a very small area and we don't want to disturb the environment," he says.

Eco-manufacturing

Other companies have reinvented their own manufacturing processes to tackle energy and resource efficiencies.

Fuji Xerox Australia's Eco Manufacturing Centre in Sydney mends and rebuilds parts and subassemblies removed from equipment during service. In 2008-09, the company reduced carbon emissions by 19%, water use by 37%, and paper use by 1.6% using this technology (see case study).

Amanda Keogh, Fuji Xerox's manager of environment and sustainability, says the centre isn't about making an existing manufacturing process less impactful.

"We are creating an additional 'end of life' manufacturing process," she says, explaining that the company is taking faulty parts that could be worth A$10,000 per unit to find out how they have failed. Fuji Xerox then refurbishes the parts and sells them back online.

This refurbishment of items such as fuse rollers, which typically contain a large amount of expensive heavy metal, means the company is able to maintain the embodied energy in the part.

"It is more sophisticated than simply recycling or reuse," Keogh says. "The fact that we have so much return on investment with this makes us an industry leader. And our business model of leasing our equipment essentially supports us doing that."

The centre was founded on very strong business grounds and not just environmental grounds and continues to yield solid business returns, Keogh says. Fuji Xerox Australia is the most profitable of the company's nine Asia-Pacific operating companies because of the eco-manufacturing centre.

The regulatory environment is a big driver – with electronic waste regulations coming into Australia next year, Fuji Xerox expects its Eco Manufacturing Centre to pay additional dividends.

"Most of the industry is seeing regulation as a cost burden. But … if you can innovate to see the business opportunity, it does not have to be," Keogh says. ■

Buildings thinking for themselves

IBM is working in partnership with control and systems companies across the world to create **smarter buildings** – taking the efficiency drive beyond the realms of energy-saving.

The company and **Honeywell's Tridium** are working together on new technology that allows companies to maximise efficiency of both new and existing buildings.

Tridium's software enables companies to integrate and control virtually **every system and device** in any facility from air-conditioning, lighting and generators to gas pumps, ovens, and medical devices. IBM's software lets managers know if their buildings and the systems inside are operating at **maximum performance and profitability.**

"Our work to create smarter buildings will be enhanced by Tridium technology that allows many of the systems that constitute a building – heat, water, sewage and electricity – to be controlled and automated," says David Bartlett, vice-president for industry solutions at IBM Software.

"We'll be able to give clients greater **intelligence and control** of their buildings and of the physical world."

LL28/ISTOCKPHOTO.COM

Energy

The green power race is on

By Kerrie Sinclair

While a move to lower emissions is universally embraced, many governments seem to be banking on carbon capture and storage ahead of developing the next generation of renewable energy technology

Some of the world's biggest corporate carbon-emitters are switching on to renewable energy sources as they adjust their energy mix with an eye to reputation and reducing future carbon cost exposures.

US chipmaker Intel, among 1,200 organisations participating in a US Environmental Protection Agency programme to boost renewable power use, tops the EPA's list of biggest corporate green-energy buyers. Fifty-one per cent of Intel's purchased power is from biomass, wind, solar, small hydro and geothermal sources.

Xstrata's vast global mining and processing operations were 26% powered by renewables in 2009, mainly hydro. But, Xstrata's Claire Divver says that the company, like most big energy users, is constrained by what's available on the grid.

And with carbon-intensive coal, gas and oil-based generation dominating grids, governments have made billions of dollars available for projects aimed at proving carbon capture and storage (CCS) technology.

CCS is many governments' biggest single investment in energy technology to slow climate change. But CCS is bogged down in questions over storage sites, public acceptance and financing and there is new evidence its emissions intensity and therefore potential for carbon savings is far less than hoped.

Professor Stefaan Simons, director of the University College London's centre for CO_2 technology, says that amid a growing level of disillusionment with CCS, there appears more of a focus now on using gas as a transition "bridge" between fossil fuels and renewables. Coal's future could be for inputs such as synthetic chemicals rather than for electricity, Simons suggests.

"It's clear to me renewables technologies are coming up fast on conventional fossil fuel technology," he says.

Grid parity

California's solar power developers forecast solar electricity production costs will achieve grid parity with coal-fired power in 2011 – some 10 years ahead of schedule. "If that's the case, then maybe the coal industry needs to consider its competitive position and perhaps refocus its primary output from electricity production to chemicals and liquid fuels," Simons says. These pass the carbon further down the supply chain, where other emission-reduction technologies may ultimately be more cost effective and feasible.

The International Energy Agency says CCS development will begin in industrialised countries then rapidly shift to developing countries after 2020. Australia and the UK have volunteered to lead a new CCS action group, which was launched at a US-hosted meeting of 24 countries' energy ministers in July this year. Australia will focus on coal CCS, while the UK is likely to look at gas CCS.

Solar power's bright future

Industry and utilities are likely to source an increasing proportion of their energy needs from both large and small-scale solar power plants, as the cost of installation and development of both **thermal** and **photovoltaic** systems falls.

Concentrated solar power is likely to have a long gestation period, with large-scale roll-out not apparent until 2018, says John O'Brien from research and advisory firm Australian CleanTech. After peaking during the 2020s, CSP will form a major component of the renewable energy sector by 2050. Australia's **Lycopodium Minerals** has been assessing a range of power requirements from 10kW up to 100MW – for individual dwellings in remote communities through to large mines – and has found the potential for CSP to be significant.

Some companies argue the potential for solar in sunny regions is enormous. The **Desertec Foundation**, a global alliance of mostly German companies including Siemens, Deutsche Bank and Munich Re, says by far the largest technically accessible source of energy is to be found in the deserts around the equatorial regions. It wants to build solar power projects across North Africa and the Middle East capable of meeting 15% of Europe's energy needs by 2050.

Environment group **Beyond Zero Emissions** wants to cover Australia's deserts with solar mirrors. When combined with other promising renewable energy sources, such as wind and geothermal, this would mean Australia could be carbon-neutral in 10 years' time, at a cost of **A$37bn** (£21bn).

On a smaller scale, solar applications are emerging as the source of choice for remote mineral processing facilities, which typically rely on expensive diesel powered generators. Here heat from the sun is gathered using a solar collector, such as a small, inexpensive parabolic trough, and a relatively inexpensive fluid that warms up. The heat can be stored in tanks and used when needed.

ALBERTWHITE/ISTOCKPHOTO.COM

Traditional generation isn't going to disappear

Fuel cells and storage systems – energy where it's needed

More options for distributed or **decentralised energy**, rather than relying on large-scale power stations, are fast becoming available.

Technologies such as **fuel cells** – small power plants that can convert gas, biomass and other source fuels into electricity – as well as battery energy storage to complement renewable generation are seen as ways of avoiding new large-scale fossil fuel plants.

US-based **Bloom Energy** is developing **Bloom Boxes** that produce electricity from solar energy during the day and split water into hydrogen and oxygen. If the sun isn't shining, it runs hydrogen through a fuel cell to produce electricity. Bloom Energy expects to be a significant player in the sector by 2020.

Australia's **RedFlow Technologies** is ramping up output of **10kWh**-capacity zinc bromine batteries from a newly expanded factory believed to be the largest of its kind in the southern hemisphere.

Its power storage systems enable greater use of renewable generation such as wind and solar and give utilities another option for meeting peak demand periods and reducing spending on new power line infrastructure.

RedFlow's battery is a rival for lead-acid and lithium-ion batteries because it is nonperishable. It says the global market for storage systems like this is already **$8bn** annually.

Many countries have focused on developing cleaner gas-fired power stations, which on average produce 35% less emissions than coal. Some question the continued "dash for gas". While cleaner, gas is still an emissions-intensive form of energy generation. Sticking with gas could block funds from new renewables that may eventually prove able to provide baseload power. US utility Duke Energy's chief executive, James Rogers, has argued for a power sector cap-and-trade scheme as it would provide the certainty needed to pull through nuclear, wind, solar and CCS. He questions a rush to gas – "another fossil fuel".

California developers forecast solar electricity costs will achieve grid parity with coal-fired power in 2011

But UCL's Simons says gas may buy time so that if CCS isn't workable, at least more coal-fired generation is not locked in.

The UK's Committee on Climate Change was established to advise the government on setting carbon targets and report on reducing emissions. It had been asked by the new UK government to review its arrangements for delivering technology to meet its climate-change targets, and handed in its findings in July. Amid fears of cutbacks, the committee highlighted the new government's commitment to fund four CCS demo projects and indicated a preference for at least one to be gas.

"The UK could become a leader in gas CCS, and develop a potentially valuable option for decarbonisation of the power sector both in the UK and in other countries," the committee says. The barriers to taking CCS beyond demo stage are a lack of CO_2 infrastructure, and uncertainty around plant location and where CO_2 should be stored.

Licence to drill?

In Europe, public opposition has delayed leading CCS projects. German utility RWE had put a coal CCS power plant project on ice, saying the government had to put a legal framework in place and help secure public acceptance of the underground storage and pipeline networks. The government has recently responded, unveiling a draft law allowing for test sites and saying it will decide in 2017 if CCS could be a long-term environmental solution.

Swedish utility Vattenfall has successfully tested carbon-capture technology at its

Wind power – blowing away the competition?

The rollout of second-generation wind turbines, generating up to **120 times** as much electricity as 1980s models at **25%** of the per-unit cost, will further underpin demand for wind generation. It has been the standout winner among renewables technologies because it matured first.

Vestas, a global leader in wind technology, recently secured major contracts in China, the US and Europe. And in August, Australian power utility **AGL Energy** and partner **Meridian** of New Zealand became one of the first buyers of Vestas's latest turbines, signing contracts for 140 in a **420MW** project to be installed by June 2013. It will be the largest wind farm in the southern hemisphere.

Denmark, Spain, and some regions of Germany now generate **10-25%** of their electricity from wind, as does **Xcel Energy**, a major US electric utility.

But the American Wind Energy Association has warned that while the US overtook Germany in 2008 in terms of total installed wind power capacity, US wind projects have slowed in the second quarter of 2010. It says wind power installations this year have dropped by **71%** from 2009 levels.

BRIANAJACKSON/ISTOCKPHOTO.COM

Outstanding renewables performers, so far

Schwarze Pumpe CCS pilot plant in Spremberg in northern Germany but hasn't stored the CO_2 because of a permit issue.

Dr Karl Bergman, of Vattenfall's CCS technology development centre, says the company is now focused on its next CCS project. Jänschwalde is a full-scale power plant with local storage that will demonstrate new-build and retrofit technologies.

"We haven't done a good enough job of creating public acceptance. [For the public, CCS] is still an unknown technology and we have underestimated the need for dialogue and explanation," Bergman says.

He says Vattenfall's long-term target for CCS costs will be about €20 per tonne stored "and that will certainly be a challenge to achieve but we think that with some of the new technologies still on the laboratory scale, it is possible".

Government support for a first-of-a-kind plant is critical, yet some key assumptions about CCS are now in doubt.

Cracks in the CCS case

Research by US academics Christene Ehlig-Economides and Michael Economides on sequestering CO_2 in a closed loop has found that the underground storages needed are far greater than many proponents have assumed, "rendering geologic sequestration of CO_2 a profoundly non-feasible option for the management of CO_2 emissions".

And research by the Danish Centre for Earth System Science's Prof Gary Shaffer, published by Nature Geoscience, says undersea storage of the scale needed to help limit warming to 2C was likely to cause dangerous food chain impacts by contributing to ocean acidification.

> *There is evidence that CCS cannot deliver the emissions cuts expected*

He argues that underground storage is a better option, but less than 1% of stored volume can be allowed to leak from storage chambers per 1,000 years if future climate disaster is to be prevented.

UCL's Simons also says there is evidence that CCS cannot deliver the emissions cuts expected. He argues that many assumptions for CCS plants are based on 90% efficiency, but that in fact life-cycle analyses suggest that 70% is more realistic.

"My doubt is whether CCS is going to be as widespread as certainly the coal industry is hoping, because it just won't make energetic sense," he says.

Gerda Gottschick, of power generation technology provider Siemens, agrees that among fossil fuels, demand is clearly shifting in favour of natural gas. She says wind energy, along with hydropower, is currently the most competitive of all renewable energies and expects its growth to continue.

But solar photovoltaic power and solar thermal generation are now outpacing the growth of all other renewables and should catch up to wind's volume by 2020. Siemens' sales of energy-related products within its environmental portfolio amounted to €9.8bn in 2009 and led to total carbon emission savings for customers of 210m tonnes, Gottschick says.

"As a result of ongoing fluctuations in energy prices and the expected reduction of power generation costs with renewable energy sources, there is certain to be increased competition among the various energy sources and among generation technologies. One can assume this competition will further intensify in the future and be impacted by trends in fuel prices as well as by climate policies," Gottschick says. ■

Next generation biofuels could be game-changing

Transport

Moving into the green lane

By Kerrie Sinclair

Policymakers are giving electric vehicles and second-generation biofuels a good push as a long-term solution for road transport

Transport causes 23% of the world's energy emissions with this set to double by 2050. Much of the emissions growth will come from light-duty passenger vehicles and aviation, and it is in road transport and fuel development that clean technology development is focused.

In July, major economies committed to a strategic policy approach to steering the green transport revolution at the Washington Clean Energy Ministerial event, which brought together energy ministers from around the world. They reaffirmed a commitment to deployment targets that the International Energy Agency estimates will put at least 20m electric vehicles on the road globally by 2020.

The ministers also agreed to ensure public investment was strategically targeting the key global gaps in vehicle development.

California-based Better Place has launched as a private-sector solution to provide the infrastructure needed for electric cars – including a network of charging points. It has managed to raise almost $700m in financing to date, from backers including HSBC and Morgan Stanley.

Better Place spokeswoman Julie Mullins says it is working towards commercial launches in Israel and Denmark in late 2011, which is also when the first Renault switchable battery electric cars hit the road. A few months after those launches, Better Place plans deployment projects in Australia, then some select North America markets.

In July, US president Barack Obama toured a plant of Smith Electric Vehicles, the US's top manufacturer of battery-electric trucks. Smith received a $32m grant to help offset development costs and boost take-up of a commercial vehicle demo programme.

Smith licenses its technology from UK-based Smith Electric Vehicles, the world's biggest manufacturer of commercial electric vehicles.

Earlier, in June, Raser Technologies and Hyundai Heavy Vehicles agreed an initial deal for the first phase of commercial production of electric fleet vehicles using Hyundai engineering and manufacturing and Raser's powertrain technology.

As such developments continue to expand, governments are also putting the policy foot down to establish biomass production and use for flex-fuel and hybrid-fuel transport technologies, with a focus on second-generation biofuels.

Delivering emissions savings

Tesco has started using 25 Iveco EcoDaily light commercial vehicles fuelled by sustainable liquid biomethane for its Tesco.com home delivery service in the UK. The fuel is made by UK company Gasrec and is created by extracting methane from organic waste in landfill sites and converting it to fuel. Gasrec says the fuel is commercially competitive with diesel and petrol.

First-generation biofuels have been criticised for raising food prices and failing to deliver on key goals of climate mitigation, oil displacement and economic stimulus.

But UBS analysts say newer, second-generation (2G) biofuels offer enticing benefits.

Newer biofuels source biomass feedstock from agricultural wastes, so in theory should not significantly compete with land used for food output. UBS says 2G's "seed to wheel" greenhouse gas generation would be significantly lower than existing fossil fuels – reductions in emissions could be as high as 90%.

Michigan State University researchers estimate that 32% of global gasoline consumption could be produced from crop residues and wastes alone. UBS says it believes 2G biofuels will be the predominant renewable energy source for transportation by 2020.

The political allure for 2G biofuels comes from mitigating the effects of climate change, economic boosts to agricultural sectors and greater energy security. Also, 2G biofuels can be delivered using existing infrastructure.

"Driven by the US, but also supported by Brazil and China, we expect 2G bioethanol to become an $80bn market by 2022, from practically zero today," UBS says.

The big oil companies are also moving in. BP is to buy Verenium's cellulosic biofuels business. Verenium will retain its biofuels enzymes products, but says BP's move takes its technology "to the cusp of commercialisation".

Biofuel producers Novozymes and Danisco estimate that 2G ethanol production from corn plant waste is approaching break-even economically. Novozymes has a 60% market share in the 1G bioethanol enzyme market and is the leader in 2G ethanol enzyme technology development.

Lars Hansen, president of Novozymes Europe, says: "The technology is ready. When the first large-scale factories come on stream, [2G] would, under current subsidies, be comparable to first generation."

Hansen says there is a strong political will to move forward on new biofuel technology. "China is also realising the potential. In Europe, not as much is going on as in the US," he says.

He argues that 2G biofuels are part of an overall change in thinking. The fossil fuels industry has "supplied everything from plastics to energy. We need to replace this with the renewables-based industry, a bio-based society." Only in this way, Hansen says, can all "the ingredients of the kind of life the developed world wants" be maintained. ■

Country briefing: Canada

ISTOCKPHOTO.COM/TILLSONBURG

Canada

Digging deep for ethics

By Lorraine Smith

Canada's extractive sector includes some sustainable business leaders, while consumer brands need to sharpen up

The corporate responsibility scene in Canada mirrors the country as a whole: regionally diverse, thinly populated, a few clusters of activity, and a lot of looking outside the nation for leadership and inspiration.

Canada has historically been strong in the extractive industries: mining, oil and gas, and forestry. While most Canadian consumers assume these firms are the Big Baddies, they have actually been out in front in terms of corporate responsibility.

According to GlobeScan's Radar 2009 Report, the Canadian public perceives petroleum and mining companies near the bottom in terms of "fulfilling their commitment to society". Only the tobacco and chemical industries ranked worse.

And yet a quick survey of the larger companies active in this sector – from Nexen, a Calgary-based energy company, to Cascades, a Quebec-based forest products group – reveals that they had been engaging stakeholders and increasing transparency for at least a decade before their consumer-facing peers even knew how to spell greenwash.

The more visible companies in Canada – retailers and consumer brands – have typically lagged behind in terms of corporate responsibility, in spite of receiving top ranks in the same GlobeScan survey of public perception.

In 2007, when UK-based Marks & Spencer released its highly touted Plan A and US-based brands such as Nike and Levi's were publishing social compliance data, only two Canadian retail brands, Hbc and Mountain Equipment Co-op, made any meaningful data publicly available.

This has started to change in recent years thanks to a combination of factors.

One is the realisation that when a company publishes a sustainability report, the sky does not fall. This is probably because the few who read them are not likely to criticise a company for finally being more transparent. Hence we see companies such as grocery retailer Loblaw and clothing manufacturer Gildan producing rather thorough, GRI-based reports for a second year in a row.

There has also been a realisation by a handful of progressive firms in Canada that managing waste, product sustainability and societal impacts can be good for business.

Xerox's Toronto-based global research and development facility, for example, is a hub of innovation striving to create environmentally sound document management systems. It recognises that the workplace norm can no longer be mountains of single-use paper, heaps of obsolete electronics and tubs of toxic ink.

Regional differences

An often overlooked element of Canada's corporate responsibility landscape is the degree to which Quebec – specifically French-speaking Quebec – is host to some very promising initiatives.

The inter-university life-cycle analysis group, Ciraig, based in Montreal but closely tied to several European universities, has been working with leaders such as home


LIGHTGUARD/ISTOCKPHOTO.COM

More than just grain in Saskatchewan

renovation retailer Rona, forest products group Cascades and energy firm Hydro Quebec.

Meanwhile the Quebequois people are particularly engaged in social dialogue. Retailers such as Mountain Equipment Co-op report that they are more likely to field direct corporate responsibility-related questions from customers in Quebec than elsewhere.

The French-English gap is just one example of diversity of Canada. The vast north holds great economic promise and yet

Progressive firms have realised that managing waste, product sustainability and societal impacts can be good for business

the needs of the people, particularly Canada's First Nations, must also be met.

And in the prairies, resource extraction takes place within the country's largest farming region. Saskatchewan alone comprises 41% of Canada's arable land, yet its oil, gas and uranium is responsible for 28% of the national output. Recent industrial growth has led to the nickname "Saskaboom", and yet not all segments of society are benefiting from the upward economic trend.

A report by the Canada Council on Social Development – Poverty Reduction Policies and Programs – states that in 2006 nearly 15% of the province's population was of aboriginal descent, and that half of Saskatchewan's aboriginal children live in poverty.

Large companies such as Saskatoon-based Potash Corp are supporting inner city programmes. And while these are steps in the right direction, major long-term efforts that go beyond philanthropic donations will be required to reverse the trend.

There are a few other stations to visit on Canada's corporate responsibility tour: strong governance in the financial sector, leadership in green energy and a burgeoning corporate water responsibility movement. But many companies are only just beginning to learn from the nation's resource-based trailblazers. ■

Canada corporate responsibility factsheet

Socio-economic statistics

Population: 33.7 million
GDP (nominal): €1.64tn
GDP per capita: €29,000
Population below the poverty line (2008): 26%
Human Development Index: 0.966, 4th out of 182 countries

Current leadership:

Prime minister: Stephen Harper
Type: a parliamentary democracy, a federation and a constitutional monarchy

Key trading partners:

Top exports	Top imports
75% to US	51% from US
3.4% to UK	11% from China
3% to China	5% from Mexico

References:

- Socio-economic statistics obtained from recent publications by the Government of Canada, the CIA Factbook and the Human Development Index.
- Corporate responsibility statistics obtained from a July/August 2010 Ethical Corporation survey.
- Guideline and standards statistics obtained during August 2010 from official website of each initiative.

Ethical Corp survey results

Number of employees spending more than 50% time on CR/sustainability team (n=73):

Have over 10 employees	18%
Have 5-10 employees	14%
Have 2-4 employees	34%
Have 1 employee	23%
Have none	11%

Size of CR/sustainability budget (n=66):

Have a budget over C$40,000	47%
Have a budget C$27,200 – C$39,999	6%
Have a budget C$13,600 – C$27,199	6%
Have a budget C$6,800 – C$13,599	17%
Have a budget C$1,250 – C$6,799	7%
Have a budget under C$1,249	17%

Focus of CR/sustainability team (n=73):

Performance measurement	37%
Reporting	37%
Partnerships and collaboration	29%
Community engagement	25%
Building corporate reputation	25%

Local sustainability leaders (most mentioned n=55):

Mountain Equipment Co-op	40%
Cascades	22%
Loblaw	15%

Foreign sustainability leader (most mentioned, n=53):

Interface	19%
Wal-Mart	10%
GE	7%
Shell	7%
Toyota	7%

Guidelines and initiatives most used (n=45):

GRI	58%
Carbon Disclosure Project	16%
ISO standards	16%
Global Compact	9%

Top three challenges and risks (n=45):

Climate change	27%
Embedding CSR into strategy and operations	24%
Working with First Nations communities	11%

Top three opportunities (n=45):

Renewable energy and energy efficiency	22%
Climate change	16%
Public awareness	13%

Guidelines and standards statistics:

GRI reports in 2009	39
DJSI components	12
Global Compact participants	78
UN PRI signatories	33

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Sustainability challenges

Resource-rich corporate dilemmas

By Lorraine Smith

In a country with major energy and water reserves, Canada's companies have clear opportunities to become leaders in sustainable growth

Canada's big corporate responsibility issues boil down to two fundamental challenges: energy and water. Within Canada's borders are the world's second largest single oil reserve after Saudi Arabia and nearly 10% of the world's fresh water, while the nation's coastline is the longest in the world. So, whether or not Canadian corporations address the resource issues holistically is of global importance.

Even before the widespread acknowledgement of the human causes of climate change and the onset of a carbon constrained economy, and long before the BP spill in the Gulf of Mexico made oil an even dirtier word, Canada's oil-sands-based petroleum companies faced a corporate responsibility puzzle. How to ensure a social licence to operate and demonstrate genuine commitment to improvement while removing nearly 1.5m barrels of oil per day from former farmland and caribou habitat.

In 2009 net energy exports accounted for nearly 3% of GDP, and the oil sands are about half of this, and growing, according to the US Energy Information Administration.

Marlo Raynolds, executive director of the Pembina Institute, a Calgary-based thinktank focused on developing sustainable energy solutions, says: "[Although] sustainable fossil fuel development is somewhat of a paradox, oil sands must be developed in a manner that is in keeping with science-based environmental thresholds."

This should mean only approving projects with effective environmental management systems in place that would address reclaiming wetlands, managing liquid tailings, making sure that aquatic needs are met in river basins, and establishing areas off-limits to industrial development.

Raynolds concludes: "Ultimately best practices in environmental management and execution of projects should be mandatory."

There are bright spots on the sustainable energy horizon, both within and outside the oil sector. The Oil Sands Leadership Initiative (OSLI) is an industry collaboration with a vision of achieving world-class environmental, social and economic performance in developing the oil sands resource. OSLI facilitates four industry working groups that focus on water management, sustainable communities, land stewardship and technology breakthrough.

Ontario is a leader in renewable energy development and has taken a bold and internationally noticed stride with its Green Energy Act and the introduction of the feed-in tariff programme.

This is North America's first comprehensive guaranteed pricing structure for renewable electricity production. It is early days yet but several provinces are poised to follow suit, clearing the way for energy companies to invest in renewables, and non-energy companies to shift their power supply to more sustainable sources.

Water water everywhere

Nearly 9% of Canada is covered with fresh water, and conservation, restoration and effective management of water resources is an area in which corporate Canada is increasing its activity and, in a few cases, leadership. This includes efforts from pulp and paper companies, such as Quebec-based Cascades' closed loop production (see box), to marine stewardship programmes, such as national

"Sustainable fossil fuel development is somewhat of a paradox"
Marlo Raynolds, Pembina Institute

Gildan Activewear – addressing energy, water and life-cycle thinking

Ten years ago, Montreal-based **Gildan Activewear** was still manufacturing most of its blank T-shirts in the Montreal area. But the company experienced the same market pressures that pushed other local clothing companies – such as Jacob, Le Chateau and La Senza – to move at least some production to developing countries.

The key difference is that Gildan is **vertically integrated** – it owns and manages its own spinning, knitting, and cut-and-sew factories. Where its peers' factory labour issues were met with the feeble "we don't own any factories" defence, for Gildan it was a different situation.


Gildan now a leading eco-clothing brand

Since first being investigated by **Maquila Solidarity Network** (MSN) in response to alleged labour violations, such as firing workers for forming a union, and making a very unfavourable appearance in a Canadian Broadcasting Corporation programme – Sewing Discontent – in 2001, Gildan has transformed into a leading player in corporate responsibility.

Gildan's strategy now reaches far beyond best-in-class labour compliance policies to include a life-cycle approach to their products. This includes **energy and water management systems**, enhanced **governance practice**, with board-level oversight of corporate responsibility, and ongoing measurement and reporting using the **Global Reporting Initiative** framework.

Downward pressure on T-shirt prices over the past decade have not relented and Gildan is in no way exempt from the challenges this entails. It has nonetheless managed to engage with relevant NGOs (including MSN) to implement these improved labour practices, and to communicate more transparently.

The company has gleaned kudos from a few quarters, including ranking in the top ten of the Globe & Mail newspaper's Board Games award for good governance for three consecutive years. Gildan was also listed in the **Top 50 Corporate Citizens** by Jantzi Research in 2009. And, at the same time, the company was posting consistently strong financial results in the stock market.

With over **US$1bn** in sales of T-shirts and socks in 2009, Gildan is a significant player in the international clothing industry. Their comprehensive and strategic approach to corporate responsibility appears to be worth the effort.

"Where it's dry, it's going to get drier, where it's wet it's going to get wetter"
Hadley Archer, WWF

grocer Loblaw's commitment to stocking only sustainable seafood by 2013.

At an inaugural Canadian Water Summit hosted in Toronto early this year, water policy experts and corporate players discussed the need for better management of Canada's water resources. The overwhelming sentiment at the event was that the water agenda in 2010 is roughly where the climate agenda was 10 years ago, and that it will only be of growing importance.

Hadley Archer, WWF Canada's vice-president, strategic partnerships, points out that water is not priced in many Canadian regions. "With climate change we are predicting that where it's dry it's going to get drier, where it's wet it's going to get wetter," he says. "Business needs to understand how to manage this reality."

As with the energy and climate conversation, government policy can have a significant impact on business.

Anthony Watanabe is chief executive of the Innovolve Group, a sustainability consultancy and host of the Water Summit. He is enthusiastic about Ontario's proposed water opportunities and water conservation legislation. "If the province has its way, five years from now delegates at sustainable investment conferences around the world will be talking about Ontario not only for green energy but also for water technology," Watanabe says.

Meanwhile, Watanabe points out, Manitoba is already ahead on the water agenda as the only province with a ministry of water stewardship. The absence of a federal strategy has led to the current fragmented approach. "Some of this fragmentation is necessary," he says, "given the regional nature of water issues, but imagine what these leading provinces could accomplish with the support and vision of our federal administration."

Where government is failing to imagine the opportunities, foreign business is stepping in. Oakville-based Zenon Environmental is a global leader in water purification and wastewater treatment, a corporate responsibility and business opportunity that is developing quickly with rapid industrial expansion stressing already fragile water systems around the world. The company was recently acquired by General Electric. Ecomagination, indeed.

Water issues

And, like the climate conversation, water has its complexities that need to be understood by industry. For example, agriculture is often cited as a high consumer of water – during the water summit agribusiness was referred to as "the elephant in the room". Yet Denis Tremorin, manager of sustainable production at agricultural industry group Pulse Canada, which represents growers and processors of pulses (beans, chickpeas, peas and lentils), points out that "of the 7.4m acres of pulses grown in Canada in 2010, 99.3 % of this land will not be irrigated. Approximately 2m of Canada's 167m acres of farmland is irrigated."

Similarly, the forest products industry – the largest net exporting industry in the country – exemplifies the need to distinguish between water "use" and "consumption". "Used" water, the main concern of forestry, flows through production systems and returns to the water table. Here, issues of water quality and habitat disruption are paramount. "Consumed" water, on the other hand, is removed by way of absorption into growing crops or otherwise, so volume reduction is a concern.

It is early days yet, but companies are finally putting "assess water impacts" on to-do lists. Forestry companies such as Cascades and Weyerhauser have been measuring direct water impacts for several years. Now, a diverse range of large companies, including Royal Bank of Canada and Wal-Mart Canada, are starting to assess their water-footprints.

Cascades demonstrates leadership in water responsibility

Cascades is a Quebec-based forest products company that makes household paper products, fine papers, packaging, furniture and construction materials. The company was founded 45 years ago essentially as a recycler of waste material, and this approach has continued to drive its sustainability programme.

As the water agenda grows in Canada, leading companies, including Cascades, are benefiting from a **transparent and proactive approach**. The company uses only a sixth of the water used by its industry peers, through a series of highly innovative production practices, including **"closed loop manufacturing"** at some of its facilities.

Cascades measures and reports against three water-related key performance indicators relevant to its sector – water consumption, suspended solids returned to effluent, and biochemical oxygen demand after five days in effluent. It has recorded year-on-year improvements in all categories since 2007.


JOHANNAGOODYEAR/DREAMSTIME.COM

Canada's paper mills now addressing water use

Canada's companies are, inevitably, affected by changing strategies at the major US corporates. One encouraging impact of the likes of Wal-Mart focusing more on sustainability is the dramatic increase in life-cycle thinking that a range of Canadian companies – from consumer products companies to energy producers – are choosing to adopt.

There is a cluster of life-cycle activity centred in Quebec. Ciraig – the Interuniversity Research Centre for the Life Cycle of Products, Processes and Services – pools the strengths of Canadian universities in the fields of life-cycle assessment and life-cycle management.

It works with academics in Canada and Europe, offering leading edge research that is being funded and eagerly applied by some of the country's largest sustainability players, including Hydro Quebec, Rona and Cascades.

Much ink has been spilled in Canada, as elsewhere, over how to "embed" corporate responsibility so that it is not limited to one department or, worse, one-third of one person's job description. A strategy Canadian companies have been employing to achieve this is a greater focus on board-level governance.

Directors onboard

Robyn Hall is manager of communications at Canadian Business for Social Responsibility, a networking not-for-profit group aiming to improve social and environmental performance in Canadian business. She says: "Boards of directors are increasingly recognising that effective management of social and environmental risks can improve business performance."

CBSR's recently released CSR governance guidelines highlight best practice and case studies from companies such as Cameco, Gildan Activewear, Loblaw and Potash. They demonstrating that companies that embrace corporate responsibility at a board level are better able to carry out strategic vision, have enhanced accountability, improved risk management and more effective communications.

In contrast to the sector globally, banking is a sector that has performed strongly. The five large Canadian banks typically rank among the top performers in overall governance among publicly listed companies in Canada. This has been cited as the reason the Canadian banks, and by extension, the Canadian financial system, have weathered the recent economic hardships so well.

The differences in approach for the financial services sector in Canada are complex but they essentially boil down to enhanced disclosure practices as opposed to the strictly rules-based approach of the US system. This has supported the evolution of another key strength: the way in which money is leant. Particularly for mortgages, banks are de-incentivised to lend to high-risk borrowers, which in turn leads to greater stability with potentially reduced short-term profits but generally increased gain over the long term.

There are many aspects to the differences in the Canadian banking system, but the bottom line is it's working, to the degree that the World Economic Forum's 2009-10 Global Competitiveness Report ranked the Canadian banking system as the world's soundest for the second year in a row.

And so there are bright spots and signs of leadership and innovation. But the global energy and water issues, and Canada's role therein, present a need for much more than just highlights. Current circumstances necessitate strengthening and reinforcement of efforts in order for business to thrive in a healthy society and environment in the coming decades. ■

"Directors are recognising that management of social and environmental risks can improve business performance"
Robyn Hall, CBSR

NGOs and business associations

Cautious companies missing the mark

By Lorraine Smith

While international and local NGOs and business initiatives are active in Canada, companies are not yet taking full advantage

A widely accepted truth in corporate responsibility circles is that goals can only be achieved through collaboration with non-governmental organisations and business associations. Yet while one of the best-known environmental NGOs, Greenpeace, was founded in Canada in the early 1970s, and the country has a long history of civic engagement, Canadian companies have been hesitant to engage.

Anti-sweatshop activist group Maquila Solidarity Network's Lynda Yanz reflects on the decades of corporate engagement she and her labour rights colleagues have been involved in. She says: "With very few exceptions, Canadian companies are reluctant to engage actively in multistakeholder initiatives that involve US and European competitors, NGOs and unions."

Yanz says they are still too cautious, and not taking leading roles either on their own or collaborating with other companies. Yanz and her peers are focused on manufacturing hubs, but her comments resonate across all sectors. While there are a few encouraging signs of collaboration, the Canadian corporate community is not exactly punching above its weight, socially and environmentally speaking.

Coordinating hub or PR shield?

When Maquila Solidarity Network (MSN) began targeting Canadian companies for labour rights violations in their supply chains, many companies stood behind the Retail Council of Canada, the industry association looking out for their interests, rather than responding individually. The RCC's response was to form a committee to address the issue, and to publish several press releases with a position.

The cynical onlooker may suggest that this is another example of how industry associations cater to the lowest common denominator rather than raise the bar of corporate responsibility. Yet even bringing companies together to discuss the issues created a new foundation for learning and dialogue.

To its credit, the RCC went on to host a conference for its members in 2006. MSN's Bob Jeffcott was welcomed to the stage with the head of global merchandising for Wal-Mart. Inviting an activist to present alongside his biggest target, with more than 100 companies in the room, goes beyond the lowest common denominator approach.

And there are other encouraging instances of Canadian industry associations taking a proactive, impact-oriented stance to try to improve their members' corporate responsibility impacts.

The grocery industry, guided by two national associations – the Canadian Council of Grocery Distributors and the Canadian Federation of Independent Grocers – has conducted an industry-wide carbon-footprinting exercise. The purpose was twofold: set a baseline from which the industry can measure its performance over time, and generate awareness and cohesion among a wide group of players over the need for action on climate change.

While the results of the baseline study conducted in 2008 have not been released, the complexity of the process and the commitment of the industry to collaborate have been impressive.

Companies have also been able to leverage a range of voluntary initiatives gaining traction in

Industry associations are taking proactive, impact-oriented stances

Canada. These initiatives can be attractive because they harmonise diverse frameworks, organise complex ideas, and combine the collective wisdom of a range of stakeholders.

This last aspect is particularly relevant to Canadian companies that often have a small number of staff dedicated to corporate responsibility compared with their international peers, but for whom the issues are no less complex or costly to address. The idea of some pre-packaged, internationally recognised thinking can be quite appealing.

The most prevalent of these is the Global Reporting Initiative. For a while the very idea of reporting and transparency was lacking in Canada, and – with the exception of the extractive companies – there were few voluntary non-financial disclosure efforts. However, in recent years many new reporters have come on board including prominent brands such as retailers Canadian Tire and Loblaws, and fast food chain Tim Hortons.

As the amount of reporting has increased, so too has the reliance on the GRI. Companies such as Gildan Activewear, which had been communicating a range of non-financial information since 2004, have voluntarily developed more robust, internationally comparable reports in their most recent communications.

On an international level, Canadian companies have played a role in the development of voluntary standards. Bell Canada, the phone company present in every household until the deregulation of the telecommunications market in recent years, was a founding member of the Global e-Sustainability Initiative (GeSI) dedicated to making electronics more environmentally sustainable.

While GeSI's membership is dominated by European and US companies, the Canadian sustainability team at Bell played an active role in both developing GeSI and in promoting its work among their peers in what is an otherwise fiercely competitive industry.

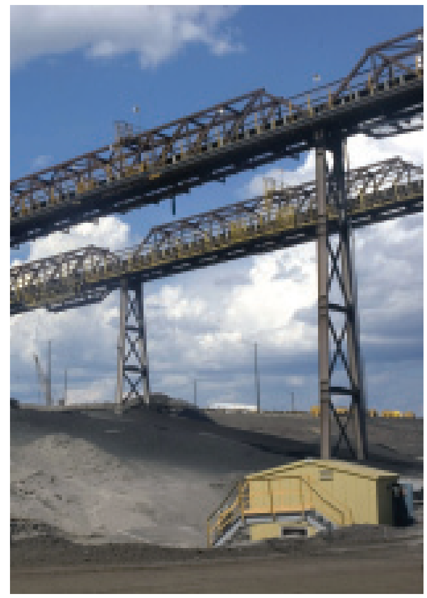
Yet NGOs continue to have more than a few axes to grind with corporations. Rainforest Action Network and Mining Watch are two Canadian activist watchdogs that regularly critique resource extraction activity. They picketed outside the headquarters of Royal Bank of Canada in June last year demanding that the bank cease investing in Alberta oil sands projects.

RBC is a signatory of the Equator Principles – as are the other four major Canadian banks – but, according to the NGO community, it is debatable to what effect. In 2004, in response to a question as to whether or not the principles have caused RBC to turn down applications for funding, Sandra Odendahl, RBC's senior manager in environmental risk management, said: "There are usually a lot of reasons why a deal doesn't go through – to put it down to just the Equator Principles would be naïve in the extreme."

At that point, according to Odendahl, the bank had applied the principles in three cases: a Canadian oil sands project and two developing country oil and gas projects. And yet, fast forward to 2009 and RBC is, according to Rainforest Action Network, the largest financial backer of the oil sands.

While it would be tempting to view the melée at RBC's doorstep as an isolated Canadian circumstance – Canadian activists targeting Canadian banks investing in Canadian projects – the potential for impact is international in scope. Canadian financial institutions are key investors in the extractive sector. In 2006, Canadian extractive interests were active in 108 countries, according to a report from the Canadian Centre for the Study of Resource Conflict.

When the relatively educated, democratic, networked, and internet savvy population is taken into account, the voices of Canadian activists have the potential to shape the way resources are extracted globally perhaps more than any other NGO community in the world.



DAVEWEBBPHOTO/DREAMSTIME.COM

Oil sands tar investors

Frustrated by business

Even the more business-friendly NGOs such as WWF have their frustrations. Hadley Archer, WWF Canada's vice-president for strategic partnerships, says that the scale of the action is nowhere near the scale of the problem. "It's the biggest companies that need to change, but they are the ones that are the most conservative and most likely to take an incremental approach. We need a new paradigm and it will be exciting and good for the economy, but it's hard to get there."

Examples of wider NGO-corporate collaboration, such as the Forest Stewardship Council and Marine Stewardship Council certification processes, are often cited as success stories. However, as Archer points out, "it's a 10 to 15 year cycle for one commodity certification, and not everyone's going to be happy with it". He argues that as FSC doesn't tackle climate change, for example, it is now attracting criticism from environmental NGOs, despite the fact it's a "wonderful system [with] great market uptake".

Canadian NGOs and industry associations do collectively recognise the scope of the challenge, and they continually try to rally their constituents, some more delicately than others.

Lynda Yanz of MSN sums it up neatly: "These problems are pervasive, persistent and systemic and cannot be eliminated without collaboration with competitors, NGOs and unions. There really can be benefits to honesty, transparency and collaboration." ■

Lorraine Smith is an independent Canadian sustainability consultant with private sector and NGO experience. She is on the advisory board of the Social Hotspot Database and is a strategic advisor to Fashion Takes Action. Smith worked for four years at Canadian Business for Social Responsibility and continues to act as a CBSR associate.


Harper's government can learn from the provinces

Government and legislation

Regulation jigsaw brings piecemeal results

By Lorraine Smith

A more joined-up approach from Canada's municipalities, provinces and national government would aid sustainable business

Within seconds of the earthquake that shook central Canada in early 2010, there were dozens of tweets about the tremors. One witty poster speculated that the cause of the earth's rumbling was Canadian prime minister Stephen Harper trying to pronounce the word "environment" in the lead-up to the G20 summit. This captures the current mood when it comes to the federal stance on the environment.

Earlier that same day Jim Prentice, federal environment minister, said all new coal-fired electricity power facilities, and those "dated and dirty" ones reaching the end of their "economic life", must meet stringent performance standards.

But many units will not reach the end of their economic lives until 2025, and 18 of 51 existing units are expected to operate well beyond this timeline. As Marlo Raynolds, executive director of the Calgary-based Pembina Institute, a sustainable energy thinktank, points out, Canada has "a track record of announcing targets and then not really doing much".

The federal government has announced new regulations for transport trucks, and here at least business is taking note. Probably in anticipation of tighter regulations, Canadian Tire announced in May that 30 trucks would be replaced by the end of the year with low-emissions diesel vehicles, with its entire fleet of 70 to follow by 2013. The net impact of this activity is perhaps relatively small, but this is a trend across major retailers as they seek to optimise their logistics and tell a good news story.

Rigorous regulation

More good news is that, despite the perception of many of its citizens, Canada has stringent safety protocols for chemicals. According to Health Canada, in 2006, Canada was the first country to systematically sort through 23,000 existing substances introduced before the creation of stronger environmental legislation. A management plan has been developed, including a "challenge to industry" in which 200 chemical substances are identified as the highest priorities for risk assessment and controls.

This approach may be progressive when compared with other governments, but it is not fast enough for some businesses. In the wake of consumer concerns about chemical compound bisphenol A (BPA), outdoor-gear retailer Mountain Equipment Co-op pulled products containing BPA in December 2007, and many other retailers followed suit. To date, Health Canada has only required industry to stop selling baby bottles made with BPA.

Other government efforts address the shortfall in reporting and transparency. Several provincial governments now require disclosures through securities regulations, helping companies and investors minimise exposure to social and environmental risks.

A resolution was unanimously approved by the Ontario legislature in April last year, calling on the Ontario Securities Commission to undertake a broad consultation to establish best practice corporate social responsibility and environmental, social and governance reporting standards. Several other provinces have indicated they will follow suit.

So it's not the Harper government winning kudos for fostering environmental responsibility. Provinces are filling the void.

Along with the increase in disclosure requirements, Ontario's Green Energy Act, passed in May last year, is intended to boost investment in renewable energy projects, increase conservation and, as an added bonus, create 50,000 new jobs.

British Columbia recently passed its own Clean Energy Act, which has a similar mandate and is tied to a climate action plan.

The theme of local versus regional or national control is reinforced by the approach to waste management, which serves as a microcosm of Canada's larger sustainability challenges.

Common sense suggests that products should be made in such a way that they can be responsibly consumed and disposed of. Extensive national efforts in extended producer responsibility for products, from paint to fizzy drinks bottles, support this idea but waste management is handled at the municipal level.

Wasted effort

In Ontario, Canada's most populous province at more than 13 million people, there are 444 municipalities each with its own waste management plan. In other words, where residents in one household may be able to recycle their yogurt containers, in another they go straight to landfill.

For retail and consumer products companies trying to do the right thing, it can be nigh on impossible to effectively manage the life-cycle impacts of their goods, much less inform consumers accurately.

According to GlobeScan Radar 2009, 52% of Canadians feel that the government's responsibility for various social areas is more important than that of the large companies. Yet the pace of improving regulation makes the retreat of glaciers look speedy, and the lack of leadership at the federal level suggests the fragmented approach will continue.

In this climate business can pick and choose where they will move ahead of regulation, and which of the few encouraging progressive programmes they will invest in. ■

Fight for firm reporting foundations

Letter from America

Don't let the message go soft

Peter Knight says firmly grounded reporting should be the basis for the next generation of sustainability messages

Have you been sustainably messaged lately? It is a bit like being hit over the head with a pillow stuffed with free range feathers.

If you're still waiting for this elevating experience, be prepared for an onslaught of positive missives from companies wanting you to know how much they care about people, the planet and profits.

The increase in messaging marks a shift away from uber-geeky reporting towards a desire to communicate sustainability messages to a broader audience: the full range of stakeholders, consumers included.

You can see the evidence in advertising (check out the IBM "smart" ads) and company websites where reporting takes a supporting role to the messaging. My conversations with clients confirm a widespread desire to talk more about their sustainability performance to non-specialist audiences, including, and sometimes especially, their employees.

What's new? Companies have always wanted to trumpet a caring, responsible image.

What's changed is that there is now a great rump of companies – the early adopters of reporting – who are in the enviable position of sitting on a large body of historical evidence to support sustainability claims. These reporters want a better return on their reporting investment than that afforded by the narrow audience only interested in the geeky detail. The early adopters are looking for payday and it is within reach.

Does this mean the end of reporting? Not at all. The news for reporting is good, for two reasons.

First, the validity of reporting – objective communication of performance – has been vindicated. You can't create broad, popular and authentic sustainability messages without robust proof points.

The evidence you need is to be found in best-practice reporting. Your reports offer evidence to support messages of care and responsibility in other media. With a good foundation of reporting, audiences can drill down from a claim made in one part of a website to the evidence lying in the report. That's valuable data and those who have it are smiling.

Too much detail

The second reason is counter-intuitive. An emphasis on messaging will save reporting from killing itself with obsessive detail. There are a few hardcore reporters aided and abetted by a supporting cast of fanatical advocates, who share an unhealthy obsessive compulsion for ever-greater detail. These people are determined to create documents – trumpeted as best practice – designed wholly and exclusively for the reporting Taliban.

Such reports are grotesquely long, very boring quasi-spreadsheets that tick every box created by AccountAbility and the Global Reporting Initiative, complete with expensive gobbledygook "assurance" statements signed by people who wish they had long beards.

But now some former followers of the reporting Taliban are beginning to see the light. They are finally questioning the value of ever-more-detailed materiality processes, of arrays of key performance indicators that mean naught to normal people, and demands from the reporting Taliban for more of that wonderful stuff called granularity.

Many early adopters want a return on their reporting investment. They are itching to get out there and start hitting people with pillows.

You can't create broad, popular and authentic sustainability messages without robust proof points

But here is a caveat. Before you head out with your ethically sourced feathers, remember the communication rules have not changed. Sustainability messaging will only work if the communicators are operating from a firm foundation. That anchor is provided by robust reporting, supported, of course, by the necessary management structures and processes that generate the performance data.

The dysfunction of the obsessive compulsive reporters does not negate the fact that structured reporting is both good and necessary. A reporting history – and good performance – is enabling companies to produce with impunity easily accessible microsites, brochures, videos, internal communications campaigns, advertisements, blogs and incessant tweets. They can message as much as they want because they know the supporting evidence is within reach of those who want the detail.

The advice for late adopters is to get going on your reporting and begin building your foundations – there is no quick route to authenticity. Once you've done that, you can pick up your pillow and join that great big fight now getting started on the web. Watch those sustainable feathers fly. ■

COLUMNIST: PETER KNIGHT

Peter Knight is president of Context America.
peter@contextamerica.com
www.contextamerica.com

Should responsibility get radical?

By Oliver Balch

One lesson from BP's quagmire could be that the corporate responsibility movement needs more focus and energy

Four months on since the Deepwater Horizon spill in the Gulf of Mexico and UK oil major BP is still weighing up the repercussions. So far it can tally up a colossal clean-up effort, huge litigation in the waiting, the divestment of $7bn of physical assets, one ousted chief executive and an unenviable brand rebuilding exercise.

But what are the wider repercussions of the BP affair for the corporate responsibility profession more broadly? How should responsible practices and strategies change as a result?

Not a lot, answer some. But such a response rests on the premise that the Deepwater disaster was the result of general regulatory non-compliance by BP. Add to that specific safety oversights and general management malaise and you have yourself a crisis. Had these been avoided, the burst well would never have happened.

David Vogel, professor of business ethics at the University of California, sums up the argument succinctly. He says: "The problem in [BP's] refineries and operations are a standard regulatory compliance story. BP cut corners and now it's paying the price."

TEARSWEPT/DREAMSTIME.COM

There is much to be said for the position. The catalogue of cost-driven risks and basic errors on the part of BP has already been well publicised. With the federal government's criminal and civil investigation, more revelations are likely to follow.

Such a lackadaisical approach to health and safety is not new, critics say. They point to the Prudhoe Bay pipeline spill in 2006 and the 2005 Texas City refinery explosion as ready proof.

Corporate responsibility starts with getting the basics rights. For an energy company, that means health and safety first. Vogel says: "If a company wants to protect its reputation or improve it, it's much better trying to avoid bad things happening than to put effort into doing good."

So what does that mean in practice? More check-lists, more resources for health and safety, more emphasis on environmental rule-keeping. Essentially, more of what BP claims already to have been doing. Only better.

Was we duped?

But strong though the non-compliance case may prove, it does not preclude difficult questions being asked of corporate responsibility in general.

BP's reputation is now damaged. But until recently, the UK oil major was a darling of the corporate responsibility movement. Even after the Prudhoe Bay spill, specialist index FTSE4Good ranked the company Europe's top environmental performer.

The implication can fall only one of two ways. Either BP duped the public into believing it was responsible when it wasn't, or the present "leadership" norms for corporate responsibility don't go far enough.

The first position seems hard to sustain – at least from a longer-term perspective. In the 1990s, BP intentionally positioned itself as a pioneer of the modern corporate responsibility movement. It was among the first to issue triple-bottom-line reports. It invested significantly in renewables and alternative energies (albeit still a fraction of its total activities). It played a leading role in myriad business sustainability associations and initiatives, both at a sector and industry level.

Investment analysts duly accorded BP top spot in their responsibility rankings. Committees of seasoned corporate responsibility professionals judged the company worthy of awards. Could clever marketing and corporate spin have pulled the wool over their eyes? Unlikely.

The public may have been more cynical. Many were dubious about the "Beyond Petroleum" rebranding from the beginning. Its mishaps in Texas and Alaska tarnished its image further. But, broadly speaking, the company's public engagement efforts still placed it in the good guys camp for most.

From a shorter-term perspective, the duping suggestion holds more weight. The guardians of corporate reputations are their leaders. Under BP's former chief executive John Browne, the centrality of environmental considerations was not disputed. Has the same been true on Tony Hayward's watch?

This, after all, is the man who is on record as saying BP "had too many people that were working to save the world" before he took the top job. His tenure has seen the company pull back on its investment in areas such as renewable energy, climate change and revenue transparency, according to Bennett Freeman, senior vice-president at US responsible investment firm Calvert.

Trust is fragile: what can take decades to build up can be lost in an instant

"BP didn't drop its commitments, but it abandoned its leadership on sustainability", Freeman says.

Were priorities shifting under Hayward, the now outgoing chief executive? Was BP suffering from internal disagreements over its commitment to the responsibility agenda? Were senior executives receiving mixed messages when it came to environmental considerations and revenue growth? All seem probable (if not immediately provable).

One obvious lesson from the BP affair is that reputations can slip, especially when leaders take their foot off the gas. As BP is learning to its cost, trust is fragile: what can take decades to build up can be lost in an instant.

Processes, not personalities

If BP wasn't intentionally duping the public (at least over the long term), was it duping itself? Did it believe itself to be intrinsically responsible when in fact it wasn't?

If plausible, this second scenario has far

BP's Hayward has taken some serious flak

more important implications for the wider corporate responsibility field. BP's approach had all the whistles and bells we have come to expect from a values-led company: core principles, a strategic vision, operating management systems, human rights policies, reporting practices, and so on. But did its commitment go deep enough or far enough?

Depth is an issue of integration. Any self-aware, honest corporate executive will admit that embedding corporate responsibility strategy remains a perennial challenge.

"Painstaking work" is how David Grayson, director of the Doughty Centre for Corporate Responsibility at Cranfield University, describes the internal change management process that real integration requires.

Grayson says: "Senior management needs to ensure that each part of the business understands what [corporate responsibility] means for them. What can individual business units do to better align their activities? What are the hard measures that will ensure they are making progress?"

Systems and processes are all important. The corporate responsibility profession has developed its fair share of these over recent years. Everything from social and environmental data tracking systems and reporting mechanisms to codes of conduct and supply chain audits. But the repeated question must be: do these drive responsibility deep enough into the fabric of a company?

"Hayward was vocal about improving health and safety and technical aspects of environmental management … but in two years, [BP] still had an appalling track record," argues Simon Pickard, director general of the European Academy of Business in Society.

If the messages from the top are clear, then the problem occurs further down the chain. That in essence means a systems fault.

Where corporate responsibility sits in a company is often part of the problem, Pickard maintains. "The BP incident underlines that companies cannot afford to have corporate responsibility functions working in isolation or part of corporate citizenship or public affairs," he says.

Instead, functional responsibility needs to be devolved through successive managerial layers of the company.

Deepwater indicates that the company still falls a long way short of that objective. Employees in the frontline – whether employees or contractors – either did not flag up potential risks or BP's management didn't listen when they did. Both outcomes indicate a profound systems failure.

The lessons for other companies is clear: once a corporate responsibility strategy has been established and agreed, use whatever tools at your disposal to cascade it through the business and suppliers. More bluntly, keep drilling. In the search for a fully integrated responsible company, you can never dig too deep.

Touching the edge

The more radical implications of the Deepwater crisis derive not from the depth of BP's corporate responsibility vision but from its distance. Did it go far enough? Did it capture the entirety of how social and environmental externalities might touch on the business?

The response partly has to do with risk. Did BP have a robust enough system in place to identify, prepare for and manage the risks related to its core activities? Again, events in the Gulf of Mexico indicate that the answer must be no.

The company makes much of its commitment to "two-way" dialogue. Its engagement strategy stretched across eight stakeholder groups, from employees and shareholders to independent experts and non-profit groups. These efforts, it is generally agreed, were not disingenuous.

Yet for all that talking, the current crisis manifestly hit BP completely unprepared. Either it was talking to the wrong people, asking the wrong questions or not listening to the answers. Of course, it could be a case of all three. Other companies, take note.

The nub of the issue is not risk, however. It is imagination and courage. BP cannot be ignorant of the basic issues that it faces in the 21st century.

First, the world is demanding more oil, just as conventional sources are running out. The solution? Presumably more risky deepwater drilling, not less.

Second, fossil fuel consumption is driving climate change. The solution? Reduce oil production and invest in the development of alternative sources of energy.

The orthodox response firmly focuses on the first issue, with the thinking "keep doing what you're doing, only do it better".

For BP (and other major oil companies) that means learning the technological lessons from this initial experiment in deepwater drilling and ensuring every precaution is taken to avoid such a crisis happening again. That would tick the "responsible business" box as many currently define it.

In the search for a fully integrated responsible company, you can never dig too deep

Other industries are confronted by similar dilemmas: drinks companies and future water shortages, the confectionery industry and obesity, consumer goods manufacturers and waste, retail banks and consumer debt. The list goes on.

And in a world of shrinking resources and changing expectations, old business models don't just need updating. Some are in need of an overhaul.

The responsible business community, for its part, has an opportunity to engage with the oil industry. Yes, continue the big debate about the future of energy, reducing oil dependency and bringing renewables properly on stream. But first accept that there is going to be an oil industry for the next few decades at least, and work to help the oil companies ensure that there isn't a repeat of the Deepwater disaster. ■


STEPHEN GIBSON/DREAMSTIME.COM

Offshore exploration isn't fading away

US energy policy

Is BP a scapegoat?

Peter Davis, politics editor, asks whether BP is just a convenient patsy for US politicians

To say that over the past few months oil major BP has become something of a pariah would be a considerable understatement. In the wake of the explosion on the Deepwater Horizon rig in the Gulf of Mexico in April, and the subsequent oil spill, BP's share price has plummeted. The company has been required to set aside $30bn to remediate the damage to the Gulf coast – a charge that led to the worst quarterly results in British history. And the hapless chief executive Tony "I want my life back" Hayward has been forced to resign.

Almost every commentator and lawmaker in the US has been queuing up to condemn BP – arguing that the explosion and subsequent leak were the result of poor management at the company. Representative Ed Markey, chair of the house select committee on energy independence and global warming, says: "BP has mismanaged this entire incident from day one. They should not be trusted."

Washington grilling

Hayward says he and the company have been "demonised and vilified". He should know, having faced a six-hour grilling by a congressional committee.

But is this criticism fair? Is BP really at fault, or are US lawmakers simply shifting the blame for their own failures either to regulate oil drilling in the Gulf or, even more importantly, to stem middle America's belief in the right to cheap oil and gasoline?

Critics of the US government point to the Energy Policy Act of 2005, which provided incentives to companies to increase exploration and drilling activities in various offshore locations including the Gulf. This was the act that also allowed the extension of oil sand drilling in states such as Utah, Wyoming and Colorado.

The law was widely seen as previous president George Bush's concession to his pals in the energy sector and their alleged demands for lighter regulation. In her campaign for the presidency, for example, Hillary Clinton attacked the legislation as the "Dick Cheney lobbyist energy bill".

But, in turn, is this criticism fair? The Energy Policy Act caused environmental activists to fulminate precisely because it lifted restrictions on oil and gas drilling in sensitive areas, and because it seemed to be a sop to the hated oil sector. However, a closer look at the act shows it to be a more rounded approach to American energy policy than its critics would like to claim.

Acting in good faith?

The act actually contained a number of provisions that sought to improve America's environmental behaviour, and to begin the long process of reducing the country's energy usage. For example, it created the energy efficient commercial buildings tax deduction, a special financial incentive designed to reduce the initial cost of investing in energy-efficient building systems via an accelerated tax deduction.

It also authorised loan guarantees for innovations that reduce or avoid greenhouse gas emissions, including clean coal and renewable energy technologies. The act also increased the amount of biofuel that must be mixed with gasoline sold in the US to 7.5bn gallons by 2012. At a household level, the act provided tax breaks for those making energy conservation improvements to their homes.

There is no way of reconciling the US's demands for cheap oil and a guarantee of operational safety

COLUMNIST: PETER DAVIS

What does all this tell us about the current situation with BP and the Gulf of Mexico?

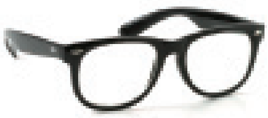
At the very least, BP does look very accident prone. After the Texas City disaster of 2005, which killed 15, BP was handed a then-record fine for hundreds of safety violations, and subsequently hit by an even larger fine following revelations that it had failed to implement safety improvements following the disaster.

Hayward's job as chief executive was to be a safe pair of hands and tighten up the company's management. He has demonstrably failed. Despite world-leading initiatives on elements of responsibility and sustainability – incorporating the Voluntary Principles into its management processes, for example – BP evidently has a very long way to go to be consistent in its practices.

Inevitable risk

On the other hand, there is no way of reconciling the US's demands for cheap, easily-accessible oil and gas, and an absolute guarantee of operational safety and environmental protection. As oil becomes harder to access, both the environmental risks and the costs will continue to escalate.

The 2005 Energy Act went a small way in addressing America's demand for energy. However, much more needs to be done, and swiftly, otherwise episodes like the one that unfolded in the Gulf will become more frequent, and perhaps yet more damaging. ■



CRwatch

By Jeni Bauser in New York

Recognising social entrepreneurs, good news for greeting cards, equal rights at Google and BMW gets a wrist slap

More than a greeting card

Women escaping forced prostitution in the **Philippines** are getting a second chance through a simple greeting card.

Good Paper is the leading US distributor of handmade, fair trade greeting cards and stationery products. The company seeks out areas worldwide that are in the most dire need of **employment opportunities**, such as uneducated women orphaned in Rwanda's wars or through Aids, and women who have escaped human trafficking. Good Paper works with local non-governmental organisations that already have in place established programmes that meet the social needs of these communities but are unable to provide distinct employment opportunities.

The company's newest line of greeting cards, **Sanctuary Spring**, exclusively employs **Filipina** women who have escaped prostitution and are left with very few job opportunities to provide for themselves and their families.

The cards are first designed by US-based graphic artists, which the Filipina women then reproduce by using different colours of handmade

GOOD PAPER

Now given a fair chance

paper cut to fit and adorn the card. The women are paid on a per piece basis and, as a Fairtrade member, Sanctuary Spring is committed to all fair trade principles including good wages and environmental sustainability.

Sanctuary Spring goes a step beyond teaching these women a craft by helping them achieve qualifications equivalent to **high school**, so they have an even brighter future.

According to the company's founder, Jimmy Quach, it has already been approached by organisations addressing human trafficking in **India**, **Vietnam** and **Cambodia** that are looking to set up additional Sanctuary Spring workshops in their countries.

"Right now a lot of brands have CSR initiatives where proceeds of certain product sales go to a certain charity," Quach says. "Why not take it a step further and sell products that are both aligned with the brand and directly produce the desired social change? This type of activity builds a brand in a much deeper and coherent way."

Top-end support for social entrepreneurs

Luxury giant **PPR's Corporate Foundation for Women's Dignity and Rights** is putting its money and expertise where its mouth is.

The French company's corporate foundation recently announced the 2010 winners of its social entrepreneurs award. This recognises entrepreneurs whose businesses promote the foundation's mission to **fight violence** against women and **empower** women to advance their socio-economic development.

This year, three projects were chosen based on their economic viability and social added value in support of women. The winners were given grants of **€15,000** and receive **personal and business guidance** from PPR staff.

One of the awarded projects, the **Trevo Workshop**, puts a unique twist on the traditionally exclusive world of fashion. **Sakina M'Sa**, designer and project leader of the workshop, created an "inclusion employment company" in the fashion sector, which trains previously unemployed women in the art of sewing.

The women work on Sakina's eponymous ready-to-wear and couture lines, as well as various subcontracting projects. For example, the women recently designed the uniforms for the staff at French museum Centquatre, which were made from recycled workers' denim overalls.

Additionally, as part of the French inclusion process, the workshop participants are provided integration coordinators by the state who teach them valuable life skills relating to housing, administrative matters, healthcare and so on.

As part of her prize, M'Sa has a designated **Yves Saint Laurent** manager at her disposal, to offer her business expertise and access to an influential business network.

"The PPR foundation's social entrepreneurs programme is a unique source of innovative projects and enriching encounters, which show that business can go hand in hand with social commitment," says Céline Bonnaire, the foundation's executive director.

Google's Gayglers achieve tax breaks

Google, well known for its innovative thinking, is helping to set a trend in the workplace. Starting in June, Google began compensating its **same-sex coupled employees** for an extra tax that their heterosexual colleagues are able to forgo. Essentially, US law mandates that work-provided healthcare for domestic partners is taxable if the partner is not considered a dependent. Given that gay couples are not legally permitted to marry under US federal law, they end up paying **$1,000** or more in taxes a year than a heterosexual, married couple.

Google started looking into the issue when its gay and lesbian group, the **Gayglers**, approached the company's benefits team. Members of the human resources team subsequently examined the company's policies and, within a few short months, agreed that its same-sex coupled employees were not receiving the same benefits as its heterosexual, married employees.

During this period Google also elected to change two additional policies. The first was a change to its definition of "**infertility**". Previously, infertility was defined as the inability to conceive after attempting for one year, after which point the employee is eligible for benefits. Google opted to remove the year clause, as it is not applicable to LGBT couples (and, for that matter, to some heterosexual couples). Google also began **including domestic partners** in its family leave policy.

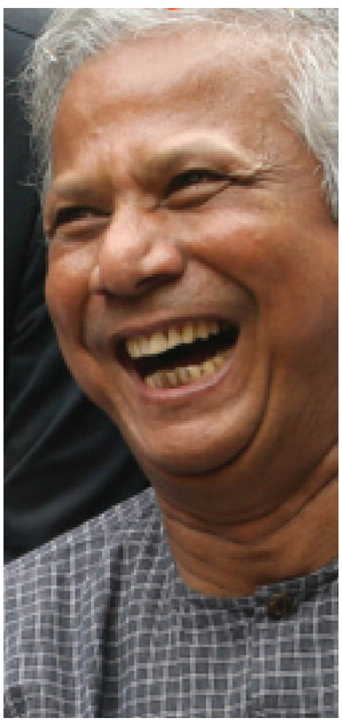
These policy changes are applicable to US employees only for now, though the company is looking to extend them beyond the US in the not too distant future.

Adidas partners with Nobel laureate Yunus

German mega sports brand **Adidas** teamed up with Nobel laureate **Muhammad Yunus** to form a social enterprise with the aim of providing affordable footwear to all **Bangladesh**'s poor.

Yunus is often hailed as the father of microloans. As the founder of Grameen Bank, he helped pioneer the system whereby impoverished individuals, mostly women, were given small loans to launch businesses that lifted them and their families out of poverty.

The **Reebok** brand (owned by Adidas) is working alongside Yunus's **Grameen Creative Lab**, which seeks to eradicate poverty globally through social businesses, to implement the project's next on-the-ground phase. This autumn, Reebok will run a pilot test in various villages in Bangladesh. The shoes will be produced on a non-profit basis, but the price has yet to be determined.



Microfinance's big man, Muhammad Yunus

Thus far, the details of the venture's marketing efforts are being kept under wraps. We will have to wait and see how this unique partnership comes to fruition.

Marcal's new enviro-facts label

Marcal, a US maker of 100% recycled paper products for the home, has taken a new step with its **Small Steps** packaging, including a clever little environmental label.

The concept behind the new packaging took root after the company reviewed the results of its latest consumer research in 2008, which looked at how consumers believed they could best reposition the brand as environmentally responsible. Plus, given its staunch commitment to 100% recycled paper for years, Marcal felt it was time to showcase its efforts.

DARRIN ALDRIDGE/DREAMSTIME.COM

Where 98% paper goods still come from

"Consumers demonstrated time and time again that they didn't think much about what went into the paper product they bought," says MJ Jolda, senior vice-president of marketing for Marcal Manufacturing. "The fact is, most are surprised and appalled to learn that **98%** of household paper goods are made with fibre from **freshly killed** trees."

As a result, the company refreshed its label by adding the "Small Steps" moniker, which stresses that taking a small step can contribute to big environmental benefits. It also added a new environmental facts panel, which discloses info including the recycled content of its products (100%); how many new trees were used (0%); added fragrances or dyes (0%); and so on.

The company also prides itself on the products' affordability, avoiding the so-called "**green premium**". Jolda says: "Make a better-for-the-environment product or service an easy buying decision, and the benefits to all will follow."

New make-up line under fire

Mac Cosmetics, owned by **Estée Lauder**, and luxury clothing line **Rodarte** hit a nerve with their recent make-up collaboration – and not in an avant-garde fashion.

Rodarte, a high-end fashion brand run by two women of half-Mexican descent, reportedly said that they took their inspiration for their latest autumn clothing collection from the Mexican border town **Ciudad Juarez**. The make-up line collaboration with Mac followed suit, with lipstick and nail polish shades named Factory, Juarez and Ghost Town.

Ciudad Juarez is a poor city in Mexico that was deemed the **most violent city** in the world outside of war zones. It is also a factory town where many young women have been abused and murdered.

So it comes as no surprise that the line sparked an outcry for its lack of sensitivity. The companies were, however, quick to respond, pledging that all profits from the line would be donated to a new initiative established by Mac, which will "raise awareness and provide on-the-ground support for the women in Juarez". According to the company, the initiative came out of a meeting between Mac's top executives and representatives of Mexico's commission on violence against women. Suffice to say, the line will also be renamed.

BMW ad banned in UK

BMW was in hot water for a recent ad some say was riding on the verge of greenwashing.

The **Advertising Standards Authority** (ASA) banned the luxury German carmaker's print ad for its **Concept ActiveE** vehicle, which touted the tagline "100% joy. 0% emissions".

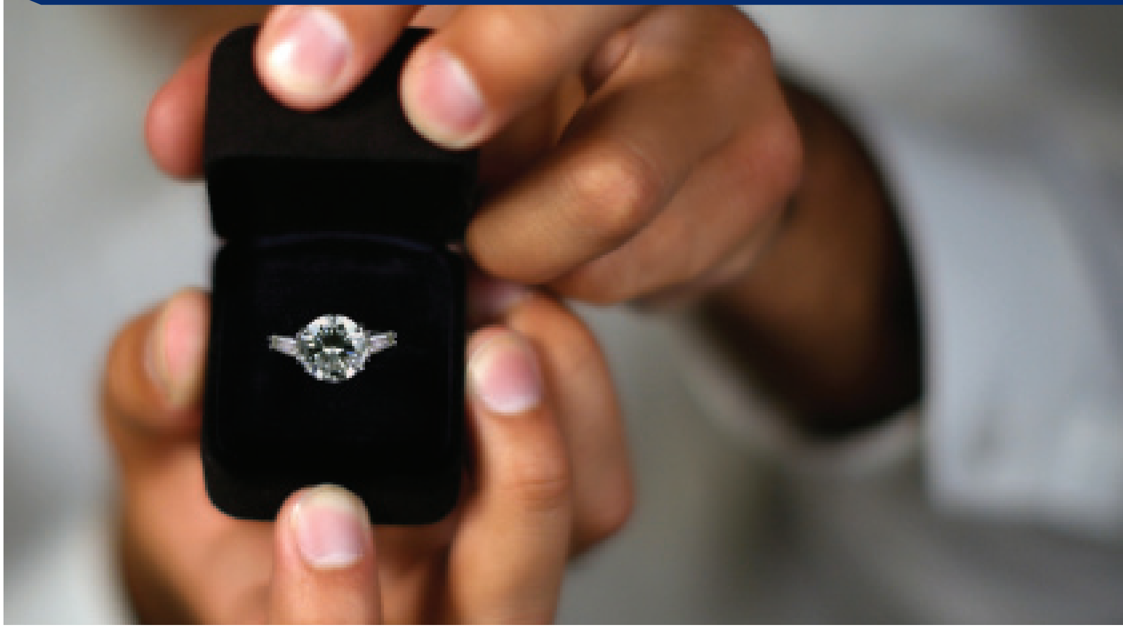
An eco-savvy viewer saw the ad and reported it to the ASA because the claim "zero emissions when driving" is not 100% true, given that the car must be charged to drive, which generates emissions.

SAMI HAQQANI/DREAMSTIME.COM

Good concept, poor PR

BMW responded that its use of the phrase "when driving" in the advert limits the claim to driving only. Still, the ASA wasn't having it, and has upheld its decision.

"We considered that [BMW's] inclusion of the phrase 'when driving' was contradictory to the overall zero emission claim, and the impression that the car's use would not result in the production of emissions," the ASA says. Better luck (and better phrasing) next time. ■



SSWARTZ/ISTOCKPHOTO.COM

Other section content:

The Kimberley Process

Conflict diamonds cut out

By Eric Marx

The Kimberley Process has succeeded in virtually eliminating blood diamonds, but the global gem trade remains far from clean

Ending the trade in diamonds to finance rebel movements is the mission of the Kimberley Process. The haltingly successful effort to regulate the diamond trade was launched in 2000 after a decade-long series of bloody civil wars in Angola, Sierra Leone and the Democratic Republic of Congo.

Funded by so-called blood diamonds – diamonds mined in a war zone and sold to finance an insurgency, an invading army's war efforts or a warlord's activities – Africa's diamond wars have taken four million lives.

Parallel efforts by the United Nations and several NGOs hoisted the issue onto the global agenda. The threat of boycott forced the diamond industry to take action through a remarkable negotiating forum that became known as the Kimberley Process. Its chief strength – a then-unique tripartite system of relations between states, NGOs, and corporations – is largely credited with what followed. This became a new regulatory scheme for a largely secretive and globally dispersed industry, and it was laid down, remarkably, in less than three years.

Although the trade in conflict diamonds has almost entirely stopped, the industry still finds itself linked to all manner of controversies – everything from strengthened arms-smuggling and money-laundering networks, to drug shipments and terrorist financing.

But perhaps none of these controversies has been more damaging than the effort to certify diamonds exported from Zimbabwe's recently discovered Marange mine. In 2008 a diamond rush resulted in a massacre of as many as 200 diamond diggers, allegedly by the Zimbabwean armed forces.

Civil society groups also documented massive volumes of Zimbabwean diamonds smuggled out through neighbouring Mozambique. This is contrary to the procedure's most basic principle: that no rough diamonds may leave or enter a participating country without a government certificate.

The findings – first presented in October 2008 by Global Witness – have emphasised the urgent need for reform of the Kimberley Process. They have played out since then amid a lurching monitoring scheme that has seen Kimberley participants bickering over whether to suspend or expel Zimbabwe.

Already two founding fathers of the Kimberley Process – civil society member Ian Smillie and industry member Martin Rapaport – have walked away from the scheme in disgust. With more people and organisations threatening to follow, the very legitimacy and continued functioning of the Kimberley Process is at stake.

The trade in conflict diamonds has almost entirely stopped, but the industry still finds itself linked to all manner of controversies

Success or failure

Seven years after its launch, the Kimberley Process still does not have a secretariat, a professional staff, headquarters or any independent funding. Its enforcement largely rests on the good faith of government participants to report suspicious trades.

When members fail to comply, it lacks the tools to take action, Smillie says. He likens widespread murders and cross-border diamond smuggling in Zimbabwe, Angola and Venezuela to the same kind of lawlessness now being exposed at the ongoing trial – featuring Naomi Campbell et al – of former Liberian president Charles Taylor in The Hague.

"The fact that you have governments killing people, raping people, arresting people and forcing them to march hundreds of miles across bad roads … this is not the kind of thing NGOs want to be a part of or be seen in any way to support," he says.

Smillie traces the process's fundamental design flaw to consensus decision-making, which lends legitimacy but also means any country can block or use procedure to delay action. As a member government, Zimbabwe could block its own suspension.

Putting human rights explicitly on the agenda, then, becomes a near-impossible task, though civil society organisations have been buoyed in this rearguard action by companies that are decidedly more aligned with NGOs than with governments.

Despite these failings, the regulatory effort can claim considerable success on a number of fronts. Since the late 1990s, the incidence of conflict diamonds in the pipeline fell from a high of 4% to less than 0.2%, according to the World Diamond Council, the body set up in 2000 to represent the industry in the then fledgling negotiations.

Today, 75 countries have joined the Kimberley Process and largely adhere to its extensive requirements. It is not a treaty. But because all of these countries have put into place national legislation, the Kimberley Process has the force of domestic law, including penalties specifying both fines and imprisonment, as well as a certification scheme requiring auditable documentation.

"People said this was an industry incapable of regulation," says Elly Harrowell, a campaigner at Global Witness, which together with Partnership Africa Canada has had a seat at the negotiating table since the first talks in 1999. "Today we have a pioneering scheme in place that, if properly implemented, could do that."

Renowned for secrecy and lack of oversight, the international diamond industry began its transformation in the 1990s with the ascension of Nicky Oppenheimer to the chairmanship of De Beers. The company was then estimated to control roughly 80% of all rough diamonds, but was losing market share and was under attack for allegedly buying diamonds from rebel-controlled mines in Angola.

An effective media campaign, followed by a special UN report on Angola, forced De Beers to the negotiating table in Kimberley, South Africa, recalls Alex Yearsley, then in charge of Global Witness's diamond campaign and one of the organisation's chief negotiators.

Yet it was far from clear what, if any, regulation would ensue. But De Beers chief negotiator Andrew Bone says initial misgivings were bridged once it became clear that both sides had the same objective – the eradication of conflict diamonds.

Less than three years later the certification scheme was launched, a remarkably fast accomplishment aided by a dualistic regulatory approach. This entailed a monitoring of the rough trade,

ABENAA/ISTOCKPHOTO.COM

Conflict free, but dirt remains

requiring diamond-producing countries to seal all rough parcels before exportation to a diamond cutting or trading centre, and a voluntary system of self-regulation by the industry on cut and polished diamonds moving through the system.

Human rights?

The willingness of states to participate in this tripartite setting is explained by their limited obligations. Explicit mention of human rights in the definition of conflict diamonds, for example, was purposefully excluded because of sovereignty concerns, says Bone, though it was perfectly understood by all that "human rights are in the DNA of the Kimberley Process".

The Kimberley certificate also has very little to do with chain of custody or country of origin, Yearsley says. It is a declaration that a parcel of diamonds did not come from a conflict area, obliging member states to have internal controls allowing them to prove that declaration when audited.

Owing to these weak controls, the illicit trade in smuggled diamonds is flourishing, concludes a 2008 Global Witness report highlighting irregularities in Ivory Coast, the Democratic Republic of Congo and Venezuela, among others.

As for the industry, large mining companies such as De Beers have led the way in instituting full chain-of-custody audits covering a range of ethical practices. These proprietary standards, however, have yet to translate into any kind of meaningful guidepost for small and medium-sized companies.

What the industry calls a system of warranties is an affirmation based on nothing more than someone's personal knowledge, charges Annie Dunnebacke of Global Witness.

"A written guarantee simply stating that diamonds are not from conflict sources is meaningless unless it is backed up by actions and policies to monitor that the statement is true," she says.

The Responsible Jewellery Council does have an

Consensus decision-making lends legitimacy but also means any country can block or use procedure to delay action

JASONRWARREN/ISTOCKPHOTO.COM

Eliminating blood diamonds has wide social benefits

Explicitly including human rights has created an impasse that threatens to break the Kimberley Process apart

ambitious chain-of-custody certification system it is now testing for industry-wide application. The challenges are immense, however, given the diamond trade's dispersed character. There may have to be two or three different chains of custody, says Smillie, who is currently an adviser to the council, but it is possible to make it work. "The diamond industry gets it," he adds. "They understand that this is important and that consumers care."

Such a system would go beyond Kimberley by aiming to meet labour, development and human rights standards. But for the new standard to work it would have to supplant Kimberley, says Martin Rapaport, an industry figure who has charged ahead with several fair trade initiatives and is a fierce critic of the Kimberley Process.

"The Kimberley Process is a liar!" Rapaport says. "It tells people it deals with human rights abuses when it doesn't."

It would also have to engage miners in the alluvial diamond areas, where diggers work in dirty and dangerous conditions that are often the breeding grounds for poverty, underdevelopment and overcrowding. Nations that have suffered from the negative effects of blood diamonds all have alluvial diamond deposits, says Franziska Bieri, an adjunct professor at University of Maryland University College Europe.

Bieri's new book, Diamond Development Initiative, targets the alluvial diamond sector, which is a shining example of the inroads made by business and NGO groups working through the Kimberley Process.

And yet, Bieri argues, the Kimberley Process certification system was passed in such a quick, ad hoc manner that festering structural issues are now becoming more problematic. Governments hold all the power, leaving prominent industry voices such as Andrew Bone no option but to publicly excoriate government members. He did just that at Kimberley's June 2009 intercessional meeting when, speaking on behalf of the World Diamond Council, he pleaded for "the deployment of a professional team to oversee the running of the Kimberley Process and assist the chair with logistics, communication and research".

Zimbabwe and beyond

Bone's plea seems to have fallen on deaf ears. Indeed, even some in the business community oppose independent staffing, a fear born in the vision of a revamped Kimberley transformed into a standalone international agency fighting against money-laundering and terrorist financing.

"Transparency and disclosure are believed to constitute enormous commercial virtues. But are there limits?" says Chaim Even-Zohar, a prominent World Diamond Council member, writing in Diamond Intelligence Briefs (November 2009), an industry trade magazine. "Might it backfire? Such a global compulsory body would generate considerable media noise to justify its existence. How will this impact consumer confidence?"

As for NGOs, their call for the classification of conflict diamonds to explicitly include human rights has created an impasse that threatens to break the Kimberley Process apart. The move came in June this year after the Kimberley monitor appointed to review diamond mining conditions in Zimbabwe recommended that the country be allowed to sell a limited number of stockpiled diamonds as conflict-free from its contested Marange diamond fields.

A joint work plan agreed in November imposed significant restrictions, including physical security systems to curb smuggling, recommendations for tightened border controls with Mozambique, and the contracting of private security companies for mining areas.

"This is a very intrusive package," Bone says, referring to the compromise agreement, which restricts exports to diamonds mined after May 2010. "Tell me of another international organisation that has forced the Zimbabwean government to alter its views or behaviour. They are desperate for that money, and it is the Kimberley Process which has denied them access."

But to Ian Smillie, the concessions are a temporary salve serving only to undermine the entire system.

"Ask a young couple going into a store to buy an engagement ring what they want to see in a clean diamond," Smillie says. "They don't want diamonds that have been produced under conditions that you see in Zimbabwe."

What's changed in 10 years, since that first meeting in Kimberley, is that the public now knows more about where diamonds come from and, according to Smillie, NGOs' scrutiny is now a permanent fixture. "The NGOs are going to stay on this, and if the Kimberley Process collapses I think the industry will be in huge trouble." ■

JULIJA SEPIC/DREAMSTIME.COM

CR performance

Paying for keeps

By Stephen Gardner

More companies are using corporate responsibility benchmarks when calculating remuneration for top executives in a bid to reward sustainable behaviour

Crisis, what crisis? Despite the downturn, the sums earned by top executives keep on climbing. Some companies reined in boardroom bonuses in 2009, but pay for UK FTSE 100 chief executives still rose by 6% to an average of £3.8m, according to the Sunday Telegraph's Pay Report.

Remuneration for top bosses is made up of salary, bonuses and share awards, with the level of the latter two determined by company performance. Usually, broadly speaking, performance is judged by the share price. The higher the share value, the happier the shareholders, and the bigger the bonus.

But some companies are looking at measuring performance in different ways. A study by responsible investment research group Eiris, published this year by the European Sustainable Investment Forum (Eurosif), showed that 29% of FTSE Eurofirst300 companies have "some commitment" to linking bonuses to company progress against environmental, social and governance (ESG) benchmarks, rather than just against financial indicators.

Eiris analyst Kazutaka Kuroda says this linking is a response to shareholder demand. Investors want non-financial performance reflected in the bonuses given to executives because there are "longer-term financial stability and value-creation benefits of doing so. Increasingly, investors are seeing good performance on ESG issues as a proxy for good management overall."

Laura Maanavilja of Brussels-based business network CSR Europe concurs. She says a growing number of companies are starting to include corporate responsibility or sustainability criteria in their remuneration systems. Firms are beginning to "develop systems that highlight the links between ESG issues and business strategy", she says.

The phenomenon is relatively new, and evolving. "We're still at the beginning of it," says Sophie Rahm, Eurosif's head of research. She says the economic and financial crisis, which has shone a spotlight on executive pay, was the "trigger" for companies to look more closely at how remuneration can be better justified and linked to long-term performance. "It's a reactive trend; companies are rethinking their [pay] strategies," she says.

Boardroom resistance

Rahm argues that although investors would like to see more companies incorporating responsibility indicators in executive pay structures, there may be resistance in some boardrooms, where remuneration is a delicate issue that raises concerns over confidentiality and commercial sensitivity. "As soon as you touch on the money side of things, it is hard to impose transparency," she says.

There are also practical issues. Rahm says ESG-linked pay is more easily introduced in firms where ESG is part of the overall strategy. But "it is only very rarely that ESG performance is vertically integrated within the company", she says.

Another barrier is the absence of standard models for establishing meaningful benchmarks for calculating ESG-related bonuses. CSR Europe's Laura Maanavilja says "there is a need for a better understanding of the non-financial drivers of value and how they can be measured and managed". She adds that "integrating ESG factors into management

Companies starting now to integrate pay and ESG performance may have to wait some time before a meaningful link can be made

> *“Nothing quite focuses the mind on targets as linking them to people’s pay”*
> Vanessa Rhodes, Aviva

models, performance assessment and reward systems is a key challenge”.

Rahm says external guidance, identifying for example which benchmarks best suit certain sectors, will make the linking of pay to ESG performance more credible. Credibility would also be boosted by external audits “of the ESG performance and its associated remuneration scheme”, but companies may be wary of exposing themselves to such scrutiny.

More generally, companies starting now to integrate pay and ESG performance may have to wait some time before a meaningful link can be made. “It may take as long as 10 years for a company to reach a satisfactory ESG performance,” Rahm says.

Some sectors certainly seem to be quicker than others to reform their remuneration systems. Eiris’s Kuroda says: “In sectors with a high exposure to ESG risks, such as oil and gas, chemicals and food production, more than half of companies have remuneration schemes that are linked to performance on ESG risk management.”

However, in the financial sector, progress has been more limited. Only 15% of top banks and 18% of insurers have moved towards ESG-linked remuneration, according to Eiris’s research.

There are also differences from country to country. “The Netherlands is leading the way, with increasing numbers of UK companies also displaying good practice,” Kuroda says. Prominent Dutch firms that have changed their remuneration policies include bank ING, chemicals firm AkzoNobel and haulage group TNT. However, in Japan, Eiris could only identify one company, Tokio Marine Holdings, the largest non-life insurer, that had changed its approach.

Dutch leadership in modernising pay may have something to do with legislation in the Netherlands, which requires companies to put executive remuneration packages to a binding shareholder vote. This means there is pressure for companies to present shareholders with something they will approve of. In the UK, meanwhile, as well as in France and Germany, shareholders may get to vote on remuneration policy, but the outcome of the votes is considered only advisory.

Lack of clarity

Where remuneration has been linked to ESG performance, the pay policy can be opaque. The Eurosif report notes that while companies may report a remuneration system linked to ESG performance, they do not always disclose how this system is implemented. Many companies do not give details of the indicators they use, or even identify the ESG areas they are focusing on, though health and safety are believed to be the most common concerns.

Insurance giant Aviva is something of a trailblazer, having built targets relating to “customer advocacy and employee engagement” into executives’ remuneration since 2005. Other targets have since been added, including environmental benchmarks in 2007, says Aviva’s Vanessa Rhodes.

However, even Aviva’s 2009 directors’ remuneration report, which is rich in acronyms and jargon, gives little clear information about how corporate responsibility goals are evaluated relative to executives’ bonuses, or about the proportion of a director’s pay package linked to achieving them. The report notes only that Aviva’s remuneration committee “ensures that the non-financial business measures and individual objectives [set for directors] reflect adequately the company’s environmental, social and governance responsibilities”.

The report is more forthcoming on the “customer advocacy and employee engagement” parts of boardroom pay, which each account for 10% of executive bonuses. To assess “employee engagement” performance, Aviva surveyed its 37,500 staff and ranked itself against a goal of “reaching the upper quartile positions compared to the relevant global and national norms on leadership and engagement over time”. Information on how this comparison is done and the benchmarks


LAGEREEK/ISTOCKPHOTO.COM

Refining better compensation structures

used is lacking. In any case, it is clear that there is room for executives to do better, because they only received half of the maximum possible 2009 "employee engagement" bonus. Even so, chief executive Andrew Moss took home a pay package worth more than £4.5m.

Detail may be sketchy, but Rhodes says the overall incorporation of non-financial performance measures in boardroom remuneration "sends a message internally", and shows that corporate responsibility is "not just about talking the talk". She adds that Aviva believes that other companies should put in place similar policies. "Nothing quite focuses the mind on targets as linking them to people's pay."

More straightforward

Other firms have more straightforward bonus plans. Directors of paint and chemicals firm AkzoNobel get a base salary, a cash bonus based on annual financial results, and an allocation of shares for longer-term performance. Half of this latter bonus is dependent on the company's average positioning over a three-year period in the Dow Jones Sustainability Index (DJSI). The approach is meant to incentivise not only the top executives; the bonus system also extends to AkzoNobel's top 600 managers within its different business units.

Tim van der Zanden, AkzoNobel's head of external relations, says shareholders "hugely voted in favour of this change", with 99% backing it when it was put to a vote. Discussions with external bodies such as sustainable investor forums helped to shape the scheme.

The scheme was put in place because "our board and supervisory board are fully convinced that we need to manage financial issues as well as non-financial issues, in order to grow our business," van der Zanden says. "We manage on value and values."

Van der Zanden plays down the barriers to the introduction of the policy. Measuring ESG performance via a ranking in the DJSI provides a straightforward and credible measure that is easy for outsiders to grasp, he argues.

Banking giant ING has taken a similar approach. At the firm's annual meeting earlier this year, shareholders approved a remuneration plan that links 40% of the variable element of directors' pay to sustainability targets. The policy took effect retrospectively, from January 1 2010.

ING's Carolien van der Giessen says the company's top 200 managers will be covered by the bonus plan, and that further extensions of the scheme to other personnel may be considered. "The management layer below [board level] must support the executive board or it will be hard for directors to achieve [their targets]," she says.

This approach echoes the motivations of other companies with ESG-linked remuneration. "Non-financial objectives contribute to the sustainability of the business," van der Giessen says. "It is here to stay and it will develop. It makes sense to take it into account in the remuneration policy."

TNT

Swiftly introducing CR metrics

Linking executive pay to ESG performance may be popular with shareholders, but it is so far unclear if it produces great leaps forward in corporate sustainability. AkzoNobel's Tim van der Zanden says it is too early for the company to make a judgment about the results of its remuneration policy, but it is part of a general shift in values. "We are looking more and more at sustainability in decisions at all levels," he says.

Aviva's Sue Winston says it can be "difficult to isolate" the impact of remuneration policy from other elements of a corporation's sustainability strategy. However, ESG-linked pay is a signal and a way of highlighting the issues that will have an impact on a firm's long-term viability.

Although there are so far no standard models linking corporate responsibility performance to executive remuneration, there are similarities in the approaches taken by Dutch firms such as AkzoNobel and ING. Both assess environmental and other indicators over three-year periods, with directors only allowed to cash in ESG-linked shares at the end of each period.

Schemes for measuring corporate responsibility and linking it to the decisions made by company boards will certainly become more sophisticated. Companies hope this will shift attention away from accusations of excessive pay, and onto the broader issue of sustainability. ■

It can be difficult to isolate the impact of remuneration policy from other elements of a corporation's sustainability strategy

Future sustainable growth

Capitalism that works

David Grayson says a number of recent reports and events advance the case for sustainable capitalism

MBA students frequently ask me if businesses can ever be truly sustainable. Or if behind the mantras like "people, planet, profit", do businesses really always want more people to consume more? Students seem genuinely troubled over whether enhancing shareholder value and true sustainability can be really reconciled. I believe they can.

Capitalism is the default mode of human interactions – it is our natural state. But we need a new kind of free enterprise that fully accounts for the externalities of business. One that will stimulate innovation, new technologies and sustainable systems of production, distribution and end of life disposal.

Earlier this year, 29 leading international companies, including Allianz, PricewaterhouseCoopers and Toyota, produced a blueprint for how to do this on behalf of the World Business Council for Sustainable Development, in a report called Vision 2050. The report is billed as laying out "a pathway leading to a global population of some 9 billion people living well, within the resource limits of the planet by 2050".

For me, the core argument of the report – and a good summary of sustainable development in practice – is laid out in one graphic, plotting per capita income levels above and below the poverty line against economies operating within or beyond natural rates of renewal (see next page).

Vision 2050 aims to show how businesses can help move countries into the small, shaded box in the bottom right-hand corner: economies that can achieve environmental and social sustainability.

Vision 2050 provides a high-level analysis of the business opportunities in a number of different sectors such as urban development, transport and energy infrastructure, health and eldercare. The report does not purport to provide how-to guidance for individual companies wanting to become sustainable.

Accenture's 2010 survey of global chief executives produced for the UN Global Compact does highlight some of the key actions, as defined by the chief executives themselves. It was launched at the Global Compact's 10th anniversary conference in New York at the end of June. It is a survey of chief executives of compact signatory companies, so it is not a representative sample of international companies. If they have signed the compact and they are willing to put their chief executives up for interview, the companies concerned must at least aspire to be in the vanguard when it comes to corporate responsibility and sustainability.

Critical for success

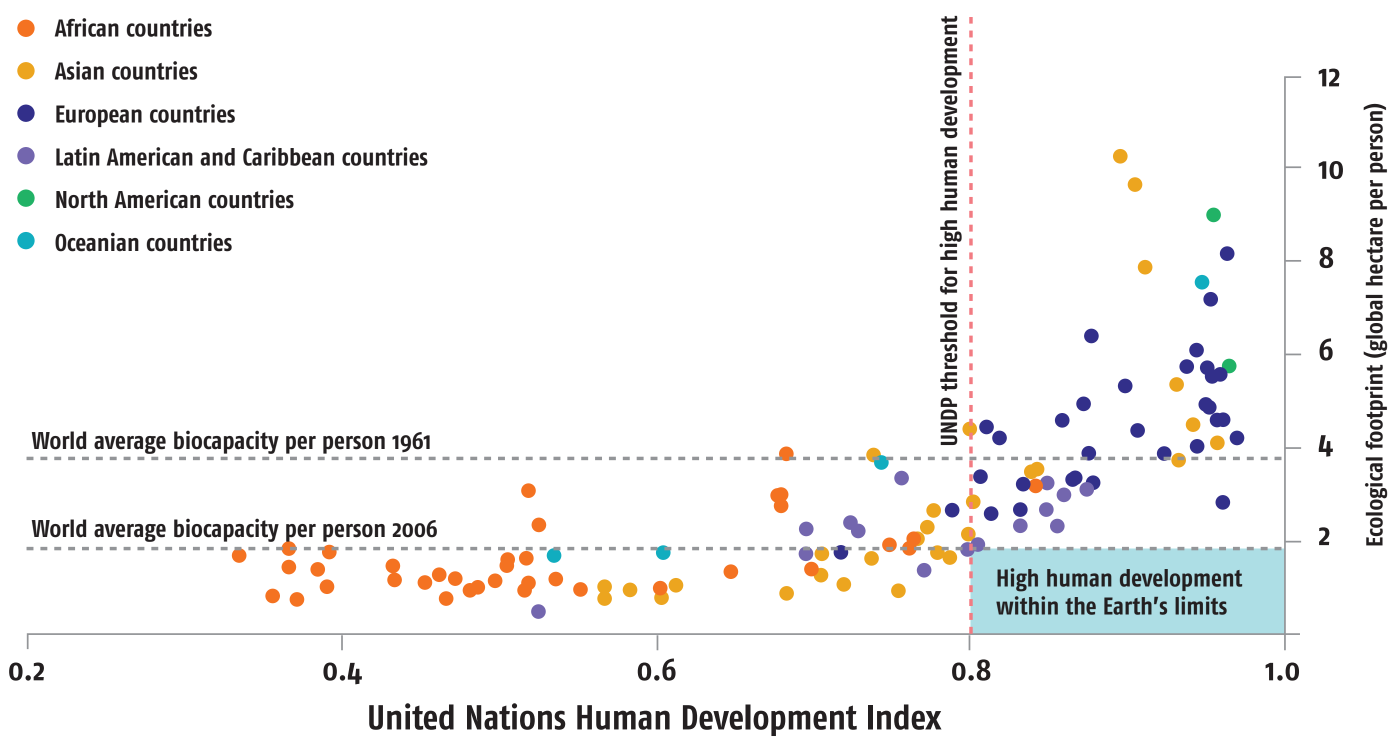
Nevertheless, it is significant that 93% of the chief executives interviewed by Accenture believe that sustainability issues will be critical to the future success of their business, and 96% believe that sustainability issues should be fully integrated into the strategy and operations of a company.

Peter Lacy, the principal author of the report, did a similar survey for the Global Compact back in 2007, when he was with McKinsey & Co. It is interesting to compare the increasing percentage of chief executives describing various key activities as critical for successfully embedding the commitment to sustainability, from 2007 to 2010.

Lacy also asked the same chief executives

93% of the chief executives interviewed by Accenture believe that sustainability issues will be critical to the future success of their business

Vision 2050: Meeting the dual goals of sustainability – high human development and low ecological impact



Source: © Global Footprint Network (2009). Data from Global Footprint Network National Footprint Accounts, 2009 Edition; UNDP Human Development Report, 2009.

whether their own companies were doing each of these key elements for embedding. Collectively, the chief executives admitted there was a performance gap between what they thought was needed and what their own companies were doing. In areas like governance and incorporating into strategy, the chief executives report a narrowing of the performance gap between 2007 and 2010.

In two critical areas, however, the Accenture/UNGC study shows a deterioration: embedding through subsidiaries and through the supply chain. For, "these issues should be fully embedded into the strategy and operations of subsidiaries", the performance gap rises from 27% in 2007 to 32% this year. And for "companies should embed these issues through their global supply chain", the gap widens from 32% to 34%.

Some critics of business will no doubt interpret this data as showing business condemned through its own leaders' mouths for hypocrisy. I prefer to interpret the performance gap as illustrating the chief executives' understanding of the inherent difficulties and complexities of embedding sustainability. Indeed, elsewhere in the chief executives' survey, there is a summary of key obstacles to progress.

Arguably, the increased gap between CEOs recognising that to really succeed, sustainability has to be embedded in subsidiaries and through the supply chain but believing they are yet to achieve this, shows a greater understanding that it is not enough just to set standards and requirements, or even to check on whether they are being adhered to. Like every other aspect of the switch to sustainability, this is classic change-management. It has to involve all the elements of successful change-management.

Decouple growth from impact

One company that is trying to change to sustainability is Unilever, named in July as Business in the Community's Company of the Year 2010-11. Unilever talks of working towards a "longer-term goal of developing a sustainable business". Unilever's vision is – in the words of chief executive Paul Polman – "to double the size of the company" while reducing its overall impact on the environment. "In short, we intend to decouple growth from environmental impact." Here is one global company answering my MBA students' question.

A concrete way that Unilever is going about this is an intensive exercise with each of the major Unilever brands to assess their environmental, social and economic impacts. This has involved life-cycle analysis, consumer insight and multi-disciplinary teams from market research, marketing, research and development, sales and communications. It took four months per brand to complete.

Marks & Spencer is another major company to

Understanding change

1. Establishing a greater sense of urgency.
2. Creating the guiding coalition.
3. Developing a vision and strategy.
4. Communicating the change vision.
5. Empowering others to act.
6. Creating short-term wins.
7. Consolidating gains and producing even more change.
8. Institutionalising new approaches in the future.

Source: Leading Change (1996) John Kotter

UNEG embedding corporate sustainability – performance gap

	2007	2010
These issues should be fully embedded into the strategy and operations of a company.	22%	15%
Boards should discuss and act on these issues.	24%	18%
These issues should be fully embedded into the strategy and operations of subsidiaries.	27%	32%
Companies should embed these issues through their global supply chain.	32%	34%
Companies should engage in industry collaborations and multi-stakeholder partnerships to address development goals.	13%	14%
Companies should incorporate these issues into discussions with financial analysts.	20%	24%


MARKS & SPENCER

M&S's Rose and Bolland are aiming high

People at all levels of a company need to be trained and thereby truly empowered to handle the transition to sustainability

expand its sustainability ambitions, announcing this year that its enhanced Plan A programme now aims to make M&S the world's most sustainable retailer by 2015. The latest Plan A progress report outlines two additional pillars to the original five. The new pillars are about embedding through the business and engaging customers.

Krishnan Hundal – head of general merchandising technology, and one of the key M&S executive directors in implementing Plan A – describes the company's evolution from yesterday's corporate social responsibility to today's "the way we do business" to tomorrow's "the business we do".

M&S has been keen to emphasise the commitment to Plan A of its new chief executive, Marc Bolland. He was alongside outgoing executive chairman Stuart Rose for the latest Plan A report to stakeholders in July. It is hard to avoid the comparison with BP where, clearly, John Browne's commitment to "Beyond Petroleum" did not survive his departure. Indeed, it now seems clear that the very high-profile public commitment to beyond petroleum was never fully sold to the BP board or senior management team.

Tone from the top

There is an important lesson here – not just the importance of chief executive leadership and tone from the top. If a company is going voluntarily to make a commitment to higher standards of social and environmental performance, it needs to be certain that the organisation understands what the commitment means, the implications for the way it does business, and that there is an intensive change-management process to win support and to drive it through the organisation.

People at all levels of a company need to be trained and thereby truly empowered to handle the transition to sustainability. This is the central message of a new report – Leadership Skills for a Sustainable Economy – launched by Vincent de Rivaz, chief executive of EDF Energy, this summer in partnership with Business in the Community.

It is a useful complement to a 2008 Ashridge study – Developing the Global Leader of Tomorrow – and ongoing work by a group of business schools involved in the Global Responsible Leadership Initiative, which are exploring what should constitute the business school of the future.

Corporate talent directors and heads of executive development should use the De Rivaz report to help them define the mindset, behaviour and new management skills required for sustainability that they expect from boards and senior management teams, operational managers, customer-facing staff and all employees.

Middle-management is frequently described as the "black-hole" of opposition and indifference to corporate sustainability. A new occasional paper for the Doughty Centre by Sharon Jackson on sense-making by operational managers suggests rather that they may be being brutally realistic and rational based on the signals they receive from their company. It is a timely reminder of the importance of the coherence and consistency required to get internal as well as external buy-in for the change to sustainability.

So, my answer to the MBA students and others is that progress is taking place – but it is painfully slow. But what positive developments (as opposed

Responsibility should become embedded in recruitment processes

to crises, pandemics, water wars, etc) might speed things up?

How about persuading the creative industries – experts in brands, advertising, marketing and so on – to focus on making sustainability sexy and cool? How about influencing mainstream investors to incorporate environmental, social, governance (ESG) performance in their value-creation models (the Accenture UNGC survey identifies changing investor mindsets as a critical lever)? How about more rigorous ESG reporting requirements (Mervyn King, chairman of GRI, is part of a new initiative to get the G20 countries to adopt the Danish law on CR reporting)? How about fully engaging consumers as some of the major retailers are now starting to try to do?

Corporate boards need to be more proactive. According to the Accenture survey, 93% of chief executives now say boards should discuss and act on sustainability issues (up from 69% in 2007) – although only 75% say their own boards do (up from 45% in 2007). Research by the Doughty Centre suggests that more UK-headquartered companies are starting to do this. Among companies that have completed BITC's annual corporate responsibility index every year from 2002 to 2008, the proportion with formal board oversight of ESG has risen from 13% in 2002 to more than 60% in 2008.

This formal board oversight can take different forms: a single lead non-executive director for sustainability; a formal board committee; an explicit extension of the remit of an existing board committee to include ESG; regular and substantive discussion by the full board; or a hybrid board-executive committee, typically chaired by the chief executive. A number of companies supplement this with formal stakeholder-engagement mechanisms – including in some cases a stakeholder panel to advise the board and/or the chief executive.

Important as these corporate governance innovations are, their impact on corporate behaviour will be limited without several further steps.

Be proactive

Nominations for committees of boards need to be more proactive in requiring basic knowledge and experience of improving ESG performance. Headhunters asked to find new board members should be screening for ESG awareness.

Sustainability and what it means for the board must be part of induction and continuous professional development for board members; and in external, accredited training programmes for would-be directors. This has to be more than lip-service.

Boards need to incorporate sustainability into their regular assessments of risk – but should also be pushing hard for evidence of how it is being factored into new business development and innovation. They need to revisit the principles on which they aspire to do business, and what they expect from their employees and agents in terms of business behaviour.

In short, there are no silver bullets for companies. It requires long-term commitment, hard work, leadership, willingness to experiment, and, I suspect, a fair measure of serendipity. ■

Headhunters asked to find new board members should be screening for ESG awareness

David Grayson is director of the Doughty Centre for Corporate Responsibility at Cranfield School of Management in the UK: www.doughtycentre.info. He is a member of Ethical Corporation's editorial advisory board.

China column

Factory life … and death

JETJOCK/ISTOCKPHOTO.COM

It's a long way from the village

There is more to the series of suicides among Chinese factory workers than might at first be apparent, says Paul French, China editor

Chinese factories are back in the news following a rash of suicides at Hon Hai Precision Industry Corporation (also known as Foxconn). The deaths made headlines globally as Foxconn works for a range of well-known brands including Apple, HP and Nokia.

The suicides at Foxconn's massive Shenzhen facility were generally supposed to be linked to working conditions and excessive overtime. Foxconn reacted to these criticisms quickly, announcing a 33% wage increase virtually across the board.

But still the wave of suicides continued. Many analysts closer to the situation in China disagree with the original analysis. Many ordinary Chinese have also been perplexed – suicide is not uncommon in China, though poisoning (for women) and hanging (for men) are the preferred methods. Jumping is rare, and people have concluded that something out of the ordinary has been going on at Foxconn.

China's factories are staffed by young people, far from their home villages, living in dormitories and part of enormous workforces. In these virtual company cities – Foxconn's Shenzhen workforce is 400,000-plus, the population of Manchester or Kansas City – the interpersonal and the emotional are equally as important as basic conditions.

The only western equivalent might be the stresses and strains many young people feel on leaving their small town for life at a big city university.

Leslie Chang, former Wall Street Journal China correspondent and author of the book Factory Girls, says: "The instinct from the outside, since we don't know the people involved, is to blame the factory. But the individual's story and circumstances matter most of all."

Chang, who has spent a lot of time with migrant factory workers in southern China, adds: "Life in the factory universe is complicated. Young people who have never left home before must negotiate relationships with co-workers, roommates and bosses. They must learn how to talk to strangers, make friends, date, save or spend money and cope with the loneliness of being on their own in a strange city. From the cloistered worlds of school and the farming village, they find themselves in a climate of material and sexual freedom, cliques and rivalries, lecherous bosses, love triangles and extramarital affairs, unwanted pregnancies and abortions. They are often under pressure from parents back home who issue conflicting demands from afar. These factors create a stressful environment from which, for a handful of workers, suicide seems the only escape."

Life changing

This social aspect of Chinese factory life has largely been ignored by many journalists and commentators outside China. They believe episodes such as that at Foxconn to be solely about factory conditions and are then perplexed when, after wage rises and improved conditions, the suicides continue.

Less than ideal working conditions rarely come as a surprise to young people entering a life of migrant work. What is a shock is the life away from the villages and small communities, which are all they have known up until they arrive at a place like Foxconn.

Some of the suicides appear to be related to intensely personal issues such as failed love affairs or betrayal by supposed friends. One worker, Li Hai, left a note to his family after taking his own life saying simply that he had "lost confidence in his future".

Many factory workers are lonely and isolated

Certainly many factory workers are lonely and isolated. Chang recalls a woman she knew who had undergone a series of abortions without being able to confide in a single friend. "The shame of personal failure, coupled with fear of gossip, keeps them from sharing their burdens with other people," she says.

In the wake of the tragic events at Foxconn simply raising wages hasn't solved anything. Recruitment for Foxconn is all about going out across China looking for evermore young people to assemble iPods, laptops and mobile phones.

Perhaps Foxconn needs something more akin to a student services office – a place young and confused workers can go when the stresses and strains of their lives in new cities become too much.

Chang sums up the strain of migrant worker life in China, saying: "It's the small lies and trivial corruptions; it's the fleeting relationships and crushing loneliness. It's the fear that in a factory of 70,000, or a city of 10 million, you could just disappear and no one would notice. Those are the things that eat away at the soul." ■

COLUMNIST: PAUL FRENCH

Based in China for more than 20 years, Paul French is a partner in the research publisher Access Asia.

Business school bulletin

By Oliver Balch

The blurred boundaries of company and state, how to learn from BP and why standards can only be applied so far

The absentee state

Sixty miles from Kenya's capital Nairobi, Magadi Soda Ash's processing plant crushes trona from Lake Magadi into a fine powder for use in glass and detergents. That's not all it does. The Indian-owned manufacturer maintains the highway and main railhead into the capital. It staffs a community hospital for 10,000 patients a year. It equips the local school.

The "public responsibility deficit" in many low-income countries is seeing similar examples of private enterprises taking more proactive roles in the delivery of public goods. This brings them into uncertain territory. How should companies manage these quasi-governmental roles?

This paper sets out four possible strategies: supplement, support, substitute and stimulate.

The least attractive is the first. Supplementing government responsibility comes with potentially huge financial, administrative and logistical pressures. Little surprise, therefore, that Magadi Soda Ash gravitated towards a model

BIRUTE VIJEIKIENE/DREAMSTIME.COMS

Natural resources are for all Lake Magadi's stakeholders

based on support. Its social investment continues, but responsibility now lies with a multiparty governing body.

Extended discussion of each of the four strategies is provided in turn. Each is packed with real-life examples and challenges. The ideal objective, the authors argue, is for companies to find themselves stimulating the state to do the job it's designed for. IT companies lobbying governments against censoring the internet so as to better serve their developing country consumers (as is happening under the Global Network Initiative) would be a case in point.

Current thinking on corporate responsibility tends to focus on industrialised economies where the functions of state and private actors are clear. As international businesses invest more in emerging markets, learning how to operate when the lines are blurred will make these strategies ever more relevant.

"Public Responsibility and Private Enterprise in Developing Countries", Mike Valente and Andrew Crane, California Management Review, Vol 52, No 3, Spring 2010.

Campus news

The US universities of Yale, Duke and Navarra are among the 16 graduate schools deemed to have the "most outstanding Net Impact chapters", as judged by the campus-based corporate responsibility network Net Impact.

Middlesex University, UK, is to introduce a masters degree on human rights and business. The postgraduate course launches in October and will be run by the university's law faculty.

Beyond BP

This real-time case study asks four canny questions to unpick what lessons might be taken away from BP's recent misadventures in the Gulf of Mexico.

The first echoes the cry of the media: who is to blame? Responsibility appears to lie at BP's feet. The US government certainly thinks so. Tony Hayward, outgoing chief executive of the oil major, flew out to the US in the immediate aftermath to take personal charge. But in an oil-addicted world of dwindling proven petroleum reserves, is it fair to blame BP entirely? Could the demands of today's economy be at fault too?

The paper's second and third questions would serve a management training day well: one, if you were advising BP's chief exec, what would you have said?, and two, if you were on BP's board, what would you have done?

Clearly, a series of tough technical, regulatory and financial considerations are front-of-mind. But governing these should be leading responsibly. Comparisons with leadership responses by Shell and Exxon after the respective Brent Spar and Valdez disasters are illuminating.

Wrapping up, the paper asks how the disaster will affect BP in the coming three to four years. Initial fears over bankruptcy, buy-outs or bail-outs remain feasible, but unlikely. So BP is left to battle on. The key issue is how the company will reorientate itself around its core values. Could it – should it – make the "irrevocable" move towards becoming a global energy business based eventually on renewable energy, as the case suggests?

No company is ever exempt from finding itself in deep water. Excellent case studies like this ensure managers are better equipped if and when a corporate crisis comes knocking.

"Beyond BP", case study, David Grayson, Cranfield School of Management, June 2010.

Philosophical limits of standards

Nearly two decades ago, the Algerian-born philosopher Jacques Derrida wrote a seminal paper on the limits of "authentic" justice and its relationship with the law. The two are not the same, he argued. Justice can drive, guide and improve the law, but it cannot be ensured or contained by the law.

Pure justice remains locked in an "aporia" – a theoretical truth rendered irresolvable by mutually conflicting evidence. As such, a judge must "reinvent the law" each time to guarantee genuine justice, as justice – unlike the law – cannot be deconstructed.

In this short, intriguing paper, Andreas Rasche takes up Derrida's proposition and applies it to the labour rights code SA8000.

It is widely assumed that SA8000 and its like are globally valid, and therefore universal in their rollout. Standardisation overlooks the aporia inherent in corporate responsibility. Different cultural and religious norms are one of the numerous examples cited.

These can alter interpretations of forced or child labour, for instance. If true, the implications for the standard – and voluntary corporate responsibility standards in general – are profound. Above all, it means compliance would require a "fresh judgment" by the auditor in every different context.

Conclusions aside, this paper is useful in pointing academics and corporate practitioners away from simply considering the components of various standards to appraising the application and possible contextual modification of them.

"The Limits of Corporate Responsibility Standards", Andreas Rasche, Business Ethics: a European Review, forthcoming. ■

ArcelorMittal CR report 2009

Stainless steel?

By Scarlet McBarnet

ArcelorMittal's report scores well on transparency, but lacks context in some important areas

Contributing to the mining and manufacturing sector's 1% of all manmade emissions and with more than a quarter of a million workers to keep safe, steel giant ArcelorMittal's vision of "safe sustainable steel" is both apt and ambitious. But there is still a feeling of reticence in its latest corporate responsibility report.

The report gets off to a promising start, opening with headline figures and a calendar of highlights from the year that includes an upfront acknowledgement of how difficult 2009 was in the face of a 35% reduction in demand.

The introduction from chief executive Lakshmi Mittal tackles the impact of the economic downturn head-on with a frank discussion of the need to reduce headcount by 34,000, which has been impressively achieved entirely through voluntary redundancy and early retirement.

Mittal hails a 24% cut in lost-time incidents but omits to mention the 39 fatalities, which receive only a cursory note later in the report despite the company's goal to be the safest company in the sector.

The report is refreshingly open throughout about the impact of the economic downturn on the company and its corporate responsibility programmes. However, by the 12th of 50 pages, this begins to feel like an excuse for inaction.

In several key areas, the company appears rather slow to respond. It has only now published an emissions reduction target (8% by 2020), begun developing a human rights policy and put a diversity policy in place to tackle discrimination.

Solid steps forward

That's not to say ArcelorMittal's responsible business programmes have ground to a halt in hard times. Some significant steps were taken in 2009: linking executive remuneration to safety performance; joining the Extractive Industries Transparency Initiative; and establishing the industry's first joint health and safety committee with trade unions. Product innovation also offers some exciting opportunities to make the application of steel more sustainable in the construction and automotive industries.

Stakeholder engagement is clearly a key focus at global and site level. The company views its main stakeholders as those within 10km of each site – an interesting if slightly arbitrary sphere-of-influence model.

A list of stakeholder groups, presented as a wheel, offers an insight into why each one is important to the company and vice versa. Their input is evident in the process behind the report's materiality matrix prioritising the issues most important to the company.

However, to assess whether the company has identified the right issues, readers need a better understanding of the business than the report offers. There is very little context on what ArcelorMittal does and where it operates. Tantalising titbits are thrown in here and there, such as the fact that 40% of its operations are in emerging markets. But you have to go to the full annual report to find the total number of employees and then be able to assess the real impact of the headcount reduction (just over 10%).

The extent of ArcelorMittal's mining operations is unclear in the report and it comes as a bit of a surprise to find out that the company mines a large proportion of its own raw materials.

This lack of context is also evident in the discussion of performance, with only two years' data, little commentary on trends, and a single chart in the entire report. Displaying data graphically and using design to pull the targets out of the dense text would help the reader see progress at a glance.

A personal touch

That said, the report has some nice features. Quotes from executives introducing each section add a personal touch and give a sense of ownership of the issues. These internal views could be complemented with some more challenging external voices.

A snippet from the assurers' report at the start of each issue section adds an element of credibility, although this is noticeably absent for environment. The sections themselves are set out as a Q&A, adding vitality.

Short country case studies offer a flavour of best practice from the company's operations in more than 60 countries. Longer case studies on the website show evidence of responding to stakeholders and offer deeper insights into the company's approach, including a life-cycle analysis of steel.

However, there is very little signposting from the printed report to additional information on the web, which includes quarterly corporate responsibility updates and an interactive site – www.arcelormittal.tv – with videos, blogs and Twitter feeds.

ArcelorMittal may have been slow to reach important corporate responsibility milestones, but there is evidence that momentum is building. As revenues bounce back, perhaps the company will reinforce its progress towards safe, sustainable steel. ■

Snapshot

Follows GRI? Yes, index online (including mining and metals sector supplement).
Assured? Assured to AA1000 for the first time.
Materiality analysis? Yes, good description of the materiality process and supporting stakeholder engagement.
Targets? Yes, targets, data and progress could be flagged up more clearly in the text. Summary table at the back of the report.
Stakeholder input? Good description of engagement process. Some stakeholder voices in the report.
Seeks feedback? Not explicitly but CR team contacts provided.
Key strengths? Open about the impact of the economic downturn; calendar of highlights; strong community engagement programme.
Chief weakness? Lacks context on the company, data and trends.
Pleasant surprise? A frank CEO introduction.

Scarlet McBarnet is client director at Context.
Additional reporting by Katie Start, consultant, Context.
scarletm@econtext.co.uk
www.econtext.co.uk

J Sainsbury Corporate Responsibility Report 2010

Values-led reporting

By Aleksandra Dobkowski-Joy

Sainsbury's latest report demonstrates commitment to developing responsible business

As amply illustrated in its 2010 corporate responsibility report, sustainability efforts at J Sainsbury, otherwise known as the company behind UK supermarket brand Sainsbury's, have made the leap from a specialised function to day-to-day operating reality.

In large part, this integration is due to the clear framework established by the company's five core values and the attention paid to corporate responsibility at the highest levels of the organisation. Direct lines of accountability stretch to a board-level committee that receives twice-yearly updates. The chief executive himself chairs the company's internal corporate responsibility steering group.

Sainsbury seems to grasp intuitively the multiple variables that define an action or programme as sustainable. For example, Sainsbury has as its mission the provision of healthy, safe, fresh, and tasty food in its supermarkets at a fair price. The company has considered how to achieve this mission in line with its values, providing sustainable food options that are both attractive and accessible.

Sainsbury points out ways that it is lowering accessibility barriers by including foods such as Fairtrade bananas and RSPCA Freedom Food accredited salmon in its stores' "basics" food range. This range encompasses lower-price food and grocery items that meet Sainsbury's quality standards and core values.

Sainsbury is also blending economic aspects of corporate responsibility with ecological and social values by sourcing local British products. Through this practice, Sainsbury's is assured of the integrity of its supply chain and can achieve lower transportation costs, while also supporting local economies and promoting biodiversity.

Underpinning Sainsbury's approach is a culture of accountability. The commitment to transparency is evident in the presentation of progress against goals and targets. In addition to tracking targets from its 2009 corporate responsibility report, Sainsbury presents performance against older targets, many of which were only partially achieved, or abandoned altogether. Given the practice in some companies of ignoring older goals, it is refreshing to see Sainsbury's forthright discussion of all its commitments, successful or not.

To round off this performance disclosure, Sainsbury should create a one-page factsheet or dashboard of key metrics – such as energy efficiency of supermarkets, number of jobs created, safety statistics, etc – showing trends over time. As Sainsbury begins to pursue integrated corporate responsibility and financial reporting, such a dashboard could help it meet its stated objective of being timely, transparent and accountable.

Sainsbury maintains an emphasis on stakeholder engagement throughout the report. In addition to describing outcomes of more traditional methods of outreach such as roundtables or surveys, the company provides an online FAQs section (presumably based on common stakeholder issues). Topics correspond to the core values and cover issues such as healthy eating, provisions for disabled customers and policies on using seasonal workers.

Regular updates

Sainsbury has also started providing quarterly corporate responsibility updates and invites immediate comment to online case studies. The company has already received – and responded to – unvarnished criticism on a number of its sourcing case studies. By opening itself up to direct and immediate input, the company has stepped into a less-comfortable space, but one in which real concerns can be aired and addressed.

Some of these concerns are echoed in Sainsbury's "hot topics": explorations of priority issues associated with the company's core values. These issues include food intolerances and allergies, low-carbon farming, and the challenges of an ageing workforce. For each, Sainsbury provides context and background, an external perspective and the company's own "position".

Although the concept of hot topics works in theory, Sainsbury could improve the execution. First, although the company refers to a materiality analysis as a foundation for reporting, no actual details of process or outcome are revealed. The reader is thus left to muse whether the chosen hot topics are indeed the highest priorities.

Second, Sainsbury's position statements related to each hot topic are disappointing. Rather than provide a sophisticated analysis of the company's stance, Sainsbury instead restates current activities and intentions for future performance. This cursory review misses an opportunity to provide greater transparency into corporate decision-making.

But overall, Sainsbury's reporting reveals hard-won insights gleaned over years of fine-tuning corporate responsibility performance and communication. By acknowledging the complexity of tough issues and working hard at transparency and accountability, Sainsbury has created a space to succeed – or learn from failure – while maintaining the credibility it has built with stakeholders. ■

Snapshot

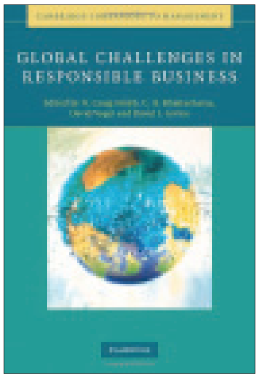
Follows GRI? No
Assured? No, but includes external statement from Forum for the Future.
Materiality analysis? Yes, but process and specific outcomes are not reported.
Goals? Yes
Targets? Yes
Stakeholder input? Yes
Seeks feedback? Yes
Key strength: Clear sense of structure as defined by five core values.
Chief weakness: No presentation of consolidated performance data.
Pleasant surprise: Full accountability for commitments set in past reports; openness to stakeholder comments on website.

Sainsbury's reporting reveals hard-won insights gleaned over years of fine-tuning corporate responsibility performance and communication

Aleksandra Dobkowski-Joy
is a principal at Framework:CR.
adjoy@frameworkCR.com
www.frameworkCR.com

New books

The best responsible business thinking



Global Challenges in Responsible Business

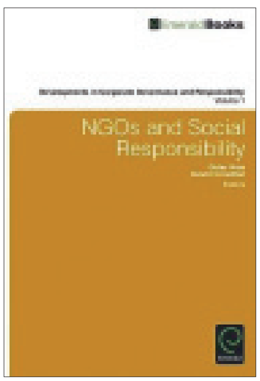
By Craig Smith (ed) et al
Hardcover: 250 pages, $99
ISBN: 0521515986
Publisher: Cambridge University Press
Published: August 2010

This collection of essays from leading academics concentrates on three pressing themes for modern management: embedding corporate responsibility, corporate responsibility and marketing, and corporate responsibility in developing countries. It draws on research from Europe, North America, Asia and Africa.

The Myth of the Ethical Consumer

By Timothy Devinney, Pat Auger and Giana Eckhardt
Hardback: 264 pages, £55.00
ISBN: 521766944
Publisher: Cambridge University Press
Published: July 2010

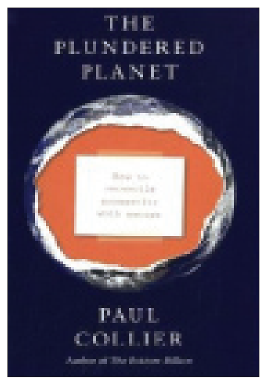
Consumer surveys continually say that people will buy ethical products over unethical ones. Yet when companies provide such options, they are often met with indifference. Using first-hand findings and extensive research, this account sets out to explain why good intentions get lost at the check-out.



NGOs and Social Responsibility: developments in corporate governance and responsibility

By Güler Aras and David Crowther (eds)
Hardback: 250 pages, $114.95
ISBN: 0857242954
Publisher: Emerald Group
Published: October 2010

A sequel to a successful book on global perspectives on corporate responsibility, this collection of research-based essays analyses the dynamics behind private and voluntary-sector alliances. A well-balanced and interrogative compilation.



The Plundered Planet: how to reconcile prosperity with nature

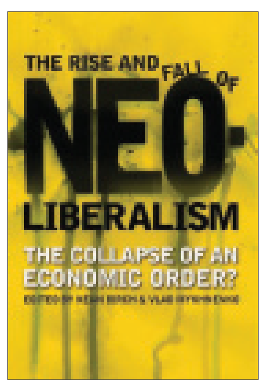
By Paul Collier
Hardcover: 288 pages, £20
ISBN: 1846142237
Publisher: Allen Lane Published: May 2010

Natural resource wealth sounds like a boon, but modern human history suggests it rarely ends that way. Collier asks how poor nations can avert unchecked profiteering. In doing so, this book provides a thought-provoking argument in favour of sustainable economic development without backward-looking environmental romanticism.

The Weekend that Changed Wall Street

By Maria Bartiromo
Hardback: 240 pages,$26.95
ISBN: 1591843511
Publisher: Portfolio
Publisher: September 2010

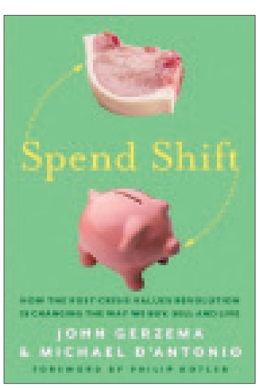
US financial news anchor Bartiromo provides a vivid eyewitness account on the financial meltdown. Journalistic in style, this book provides interesting insights about the main players of the moment.



The Rise and Fall of Neoliberalism: the collapse of an economic order?

By Kean Birch and Vlad Mykhnenko (eds)
Hardback: £70
ISBN: 9781848133348
Publisher: Zed Books Published: October 2010

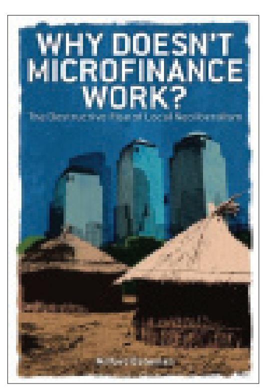
It's sometimes helpful to question established orthodoxies. Given the recent financial crash and subsequent recession, a re-examination of the neoliberal order as we know it is well-timed. The subheading may be overstated, but this is a thought-provoking book all the same – even for die-hard free marketers.



Spend Shift: how the post-crisis values revolution is changing the way we buy, sell and live

By John Gerzema and Michael D'Antonio
Hardback: 256 pages, $25.95
ISBN: 0470874431
Publisher: Jossey-Bass Published: October 2010

In the wake of the recent global recession, consumers are changing their priorities, this aptly timed book maintains. Through indepth observation, expert interviews and unique market data, ad-man Gerzema describes the new "value-driven economy" and what it means for business leaders.



Why Doesn't Microfinance Work? The destructive rise of local neoliberalism

By Milford Bateman
Paperback: 256 pages, £18.99
ISBN: 1848133324
Publisher: Zed Books Published: June 2010

In Muhammad Yunus the booming microfinance sector has its first Nobel laureate, but how effective is it really? Bateman looks behind the hype and claims microfinance is acting as a barrier to sustainable economic development. A compelling, if somewhat controversial, read.

People on the move

By Miriam Heale, Allen & York
mheale@allen-york.com

Consultancy **KPMG** has hired **Alina Averchenkova**, who will work alongside outgoing UN climate chief Yvo De Boer on sustainability and climate change. Averchenkova, who will take up her new role in London in September, was formerly a senior analyst for international climate policy at German carbon asset management company First Climate.

IDEAcarbon has named **Krishna Biltoo** as CEO of IDEAcarbon markets and executive vice-president of the group. He joins from ratings agency Standard & Poor's, where he was most recently managing director and head of fixed income solutions.

Manon Janssen has been appointed managing director of **Ecofys**, a Netherlands-based consultancy firm specialising in renewable energy, energy efficiency and climate change.

The **World Bank Group** has appointed **Andrew Steer** as a special envoy for climate change. He was formerly director-general of policy and research at the UK Department for International Development (DFID) in London. The bank says he will act as a "point person" on the issue, responsible for guiding its external work on climate change and advancing its internal capabilities in this area. He will also oversee the $4.3bn Climate Investment Funds.

Osmosis Investment Management, a specialist asset manager focused on the development of low carbon investment solutions, has appointed occasional Ethical Corporation contributor **Dr Rory Sullivan** as head of responsible investment. Rory was previously in a similar role at Insight Investment.

Garth Edward has resigned from US investment bank **Citi** in London, where he was head of environmental markets. Edward joined the bank in 2008 after six years at Shell, where he managed the oil major's environmental products trading. No details were available as to his next move.

Grattan Macgiffin has left brokerage firm **MF Global**, where he was head of new carbon markets, having started the voluntary carbon desk in 2008. His departure comes as MF Global sheds about 10-15% of its workforce, and the firm does not plan to replace him.

Nick Molho is joining environmental group **WWF UK** as head of energy policy. He was formerly a solicitor in the energy team at CMS Cameron McKenna. ■

GM salmon

Take a leap of faith


MARTYN UNSWORTH/DREAMSTIME.COM

Fishy?

Jon Entine says that we need to trust science to develop better foods

News that the US Food and Drug Administration is about to bless the sale of the first genetically modified food – salmon – set off the familiar outcry among anti-GM activists.

By all reports, the Massachusetts firm AquaBounty will get the OK this autumn to sell salmon eggs programmed to produce a full-grown Atlantic salmon in about half the time it currently takes on a farm. It took a gene from one species that matures faster, the Chinook, and another gene from the ocean pout, a distant cousin of salmon, that switches on the Chinook growth gene.

The naturalistic religious left then kicked into gear. Headlines decrying "FrankenSalmon" sprouted. Food & Water Watch, which has no scientists on its staff, launched a protest based on the claim that government doesn't have the expertise to evaluate the impact of GM on human health and the environment. Most disturbingly, its position is backed by groups such as the Council for Responsible Genetics in the US and GeneWatch in the UK.

Most recently, the US Supreme Court rejected a suit filed by the Centre for Food Safety (CFS) to block the introduction of bioengineered alfalfa. After an exhaustive review in 2005, the US Department of Agriculture gave the alfalfa – modified to tolerate glyphosate, a herbicide produced by Monsanto commercially known as Roundup – the green light. CFS successfully sued, requiring the department to revisit its ruling. A draft of that second evaluation, released in December 2009, echoed the original findings, which should lead soon to clearance of the GM alfalfa sales.

A sizable anti-GM establishment is behind almost every campaign to gut the introduction of bioengineering, especially in the agricultural sector, where the technology has been successfully used for decades.

Significant proportions of soybean (77% of global harvest), maize (26% of feed) and canola (21%) crops engineered to be grown with less use of insecticides have been part of the world diet for years with no negative consequences.

All told, 60 to 70 transgenic crops have been developed. Now we're moving into the second generation of GM foods: ones modified with special qualities such as faster growth (salmon), greater nutrition (aubergine and rice), or the ability to cut pollution from waste (pigs).

Weird science?

Fear of science and mistrust of government oversight brings together the worst impulses of the far right and the loony left. Religious conservatives have long opposed stem cell research as manipulating God's way. Substitute "nature" for "God" and roll out such sober-sounding phrases as "unintended consequences" and you have the left's limp justification for its anti-GM hegemony.

Both groups' suspicions extend to medicine, where bioengineering's benefits are undeniable. Gene therapy can help treat immune deficiencies. It's used to create GM bacteria and rodents that are essential tools of modern research. Biotechnology has been successful in mass-producing insulin, human growth hormones, follistim for treating infertility, vaccines … the list goes on and on.

What's most disturbing is that anti-GM hysteria is now part of the mainstream left, which embraces naturalism almost as religion, with the precautionary principle (selectively applied) as its central canon.

Fear of science and mistrust of government oversight brings together the worst of the far right and the loony left

The loudest objections to the GM salmon are that we are "messing with nature". But this fish is 100% salmon and to avoid interbreeding with wild fish, females are grown sterile and GM salmon are only sold to companies that will breed them in inland tanks.

The left's squeamishness is odd because scientists are overwhelmingly liberal. A Pew Research Centre study found that only 9% of scientists viewed themselves as conservative while 66% say they are liberal or very liberal.

So, while scientists, mostly leftists, focus on how to harness the future, activist groups aggressively scare the public, often intimidating legislators. Psychology, not science, drives the resistance. GM food that is essentially identical to the natural kind, which offers the promise of more sustainable production of more protein at less cost faces resistance from people who, as we all do to some degree, worry about risks that while minimal are hard to understand, invisible and undetectable. Like the far right, they do not trust government bureaucracy to protect us.

The bottom line is: anti-science extremists on the left and right can't handle the truth. ■

COLUMNIST: JON ENTINE

Jon Entine is founder of ESG MediaMetrics and a member of Ethical Corporation's editorial advisory board.

£10,000 INVESTED =

500 people housed
+ 150 jobs created
+ 2,250 dependents supported
+ tonnes of carbon saved

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