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Editor's letter

Welcome to the July 2014 issue

Welcome to your first digital-only monthly issue of Ethical Corporation. We have packed in all the usual goodies and reformatted the layout to make it more compatible for computer and mobile device use. You'll also find that interactive links on the contents page will navigate you straight to the stories you want to read. Find your way back to the contents at any time using the home link on each page.

This issue we focus on sustainability reporting (p20) – examining what guidelines and standards are on offer and how use them to create your best report yet.

Having spoken to readers over the past month, it has become apparent to me that, as well as the regular news updates, professionals working in the sphere of corporate ethics need us to offer them practical advice and case studies on embedding business sustainability as well as insights into new business ethics trends.

In answer to this brief, the July issue brings you analysis of both SABMiller’s new sustainable business strategy (p46) and Wal-Mart’s ethical performance (p52); an in-depth insight into global ethics regulations trends (p32); and a step-by-step guide to corporate citizenship (p58).

I welcome your feedback regarding this edition and others to follow.

Zara Maung
Editor
Sponsors calling foul on Fifa, Co-op Bank fights back, food and drink giants’ massive emissions and US climate policy refresh. News by Stephen Gardner

Analysis: Fifa

Guilt by (football) association?

By Ian Welsh

Corporations that sponsor Fifa are right to fear the reputational risks of being linked to football’s world governing body, which has become sullied by scandal.

While sports fans have been following the heroics of the world’s greatest footballers at the World Cup in Brazil, murky soccer politics continues to fester.

Fifa – football’s world governing body and custodians of the World Cup – has for years been accused of corrupt practices. But the awarding of the 2022 tournament to the tiny, but massively rich, Gulf state of Qatar has attracted unprecedented negative publicity. Qatar’s national side has never qualified for a World Cup and it has a climate entirely unsuited to playing football in June and July when the World Cup is held.

Allegations of massive bribes, made to Fifa delegates before crucial votes in 2010, have been swirling around, most recently from a Sunday Times newspaper investigation published in June. At the centre of many of these allegations is Qatar’s former Fifa executive committee member Mohamed bin Hammam. He has form, having been banned from football for life in 2012 for his part in a separate corruption scandal. Qatar’s World Cup organising committee denies any wrong-doing and argues that Bin Hammam was not part of the winning bid team.

A number of big global brands that invest huge sums sponsoring Fifa and the World Cup are now worried about the 2022 tournament’s bidding process – and no doubt their own reputations. Of Fifa’s six main sponsors, Adidas, Coca-Cola, Hyundai/Kia, Sony and Visa have all issued statements expressing concern. Only the airline Emirates has remained silent.

Alexandra Wrage, president of anti-bribery organisation Trace, and a former member of a Fifa independent governance committee, suggests that sponsors are right to be worried. “If sponsors are perceived as propping up an organisation with shoddy governance and...”

Continues on p7
inadequate accountability, the value of sponsorship is diminished,” she says.

Business intelligence specialist Polecat has been tracking how Fifa and the World Cup are being debated and discussed online and on social media.

Polecat’s director of strategic research, Yasmin Crowther, says: “Our research shows that the sponsor companies have come under scrutiny and social media intensifies this focus. Their public expressions of concern certainly have done more for their standing than silence. But the challenge for sponsors is to hold Fifa to account against the highest standards, even after the World Cup is over.”

**Penalties ahead?**

Fifa president Sepp Blatter, himself a figure dogged by controversy, appointed American lawyer Michael Garcia to head an investigation into allegations of corruption at Fifa in 2012. Garcia’s deliberations are now coming to an end, with his report due to be lodged with Fifa’s ethics committee around the end of July.

It is not clear whether the new allegations published by the Sunday Times will be included and how much of the report will be made public, if any.

Wrage points out that it is always hard to uncover bribery as “it’s typically a crime transacted between two parties that have a shared interest in keeping it quiet”. She is also concerned that linking payments to intention is hard to prove. “It may be possible to determine that money changed hands and that votes were provided, but not that there is hard evidence linking the two.” Such a conclusion, Wrage argues, could undermine the report’s credibility.

But whatever the public might think of Fifa, the world loves football and there is value in having a brand associated with the game. So what is the next step for the sponsors, and might they step away?

Maybe. Wrage says: “It’s difficult to know where the tipping point is. I would have thought that the corruption allegations, the horrifying labour practices and the laws against homosexuality in Qatar would have been sufficient to rerun the World Cup vote, but apparently we’re not there yet.”
Analysis: Co-op Bank

Banking on ethics

By Ian Welsh

After near-collapse, the Co-op Bank faces an uphill struggle to rebuild both its financial credibility and its reputation as a leader in ethical business

The UK’s Co-operative Bank is still in a tight spot. The fallout from the 2013 near-collapse of the bank – through poor leadership and unwise investment decisions that led to a £1.5bn bailout, which handed 70% of the bank’s shares to hedge funds – has continued to hit the bank’s performance and its reputation. A further £400m of fundraising has meant the Co-operative Group’s holding in the bank has shrunk to just 20%.

Fighting back, the bank has appointed Laura Carstensen as the new chair of its values and ethics committee. Carstensen is a member of the UK’s Equality and Human Rights Commission, and will sit on the bank’s board as a non-executive director. She was previously a partner at London law firm Slaughter & May, and deputy chair of the Competition Commission.

Adding values

The bank is also polling its 4.5 million customers on its ethical practices, including the sectors in which the bank should not invest.

This is not the first time such a review has been undertaken. The bank’s ethical policy was created in 1992 and has been reviewed four times since “to make sure it remains relevant and in line with our customers’ views”, the bank says.

Speaking to Ethical Corporation, Carstensen says: “Values and ethics are a part of who we are, they make us different as a bank. So a key part of fixing the bank was to make sure they remain at our heart.” Carstensen’s committee will monitor the application of the values and ethics principles, which are part of the bank’s constitution, to areas of business activity and report on them to the bank’s board.
EthicsWatch: Co-op Bank

Continues from p8

Independent responsible investment adviser Rory Sullivan argues that a strong ethical basis for the bank’s activity is essential for it to retain its distinctive brand identity. “Given that its ethical stance is a core reason for many customers to bank with it, there is a clear commercial rationale for the Co-operative Bank to retain its ethical commitments,” he says.

“Any losses in terms of business foregone would be far outweighed by the benefits in terms of customer retention and the ability of the bank to win new business.”

Ethics begins at home
The bank’s existing ethical policy focuses on areas such as the promotion and protection of human rights, supporting economic and social development, and the protection of the environment and animal welfare. The customer poll asks for views on extending the ethical policy to include operating with honesty and transparency, promoting responsible banking and treating customers fairly. “The results of the poll will help us focus our ethical activity in a way that reflects what’s important to our customers,” Carstensen says. The poll will also help the bank translate its ethical policy into relevant products and services.

Sullivan says the bank needs to remember its roots. “The Co-op Bank’s owners need to recognise that the bank’s ethical policies were central to its ability to attract and retain customers. But these need to be married to a professional business approach. The bank faces two challenges: demonstrate its commitment to ethical principles and demonstrate an ability to manage its core business effectively.”
Analysis: Agricultural emissions

Food for thought

By Giles Crosse

Oxfam has highlighted the massive emissions of the biggest 10 food and drink companies, and says they could do much more to protect the environment – and their own futures

The world’s 10 biggest food and drinks firms, which include Associated British Foods, Coca-Cola, Kellogg, Nestlé and Unilever, are emitting more greenhouse gases between them than the whole of Scandinavia.

Emissions from the ‘Big 10’ amount to 264m tonnes of greenhouse gases a year, which, if the firms were a country, would make them the 25th most polluting in the world, according to Oxfam’s Standing on the Sidelines report.

Oxfam says the food industry is responsible for about a quarter of global GHG emissions and that these emissions are growing as demand for food rises. It says the Big 10 could be doing far more to reduce their emissions and that they are capable of cutting their combined total by 80m tonnes a year by 2020.

It is on agricultural emissions that Oxfam finds the companies particularly negligent. Erinch Sahan, Oxfam’s private sector adviser, tells Ethical Corporation: “While the companies have set emissions reductions targets for operations, none have committed to clear reduction targets from agriculture, which contributes to about half of their overall emissions.”

Oxfam says Unilever, Coca-Cola, and Nestlé are doing better than their rivals in their policies and actions. “Nestlé and Unilever have set clear and transparent implementation plans to stop deforestation for palm oil,” Sahan says. “Unilever, Coca-Cola and Mars have publicly urged governments and businesses to do more to tackle climate change.”

Kellogg and General Mills, on the other hand, are named as two of the worst performers. Alongside Associated British Foods they fail to report their emissions through the CDP (formerly known as the Carbon Disclosure Project).

Continues on p11
Oxfam stresses that companies are putting their own financial futures at risk through their inaction. “By failing to cut emissions adequately the Big 10 are putting short-term profits ahead of the long-term interests of both themselves and the rest of us,” says Oxfam’s director of UK campaigns and policy, Sally Copley.

**Weather impact**
The report says floods, storms, droughts and shifting weather patterns caused by climate change are putting pressure on food supplies and therefore prices. Oxfam predicts that the price of Kellogg’s Corn Flakes could rise by up to 44% in the next 15 years because of climate change.

According to the report, Unilever says climate change is already costing it $415m a year, while General Mills says it lost 62 days of production in the first fiscal quarter of 2014 alone because of extreme weather conditions.

A Unilever spokesman tells Ethical Corporation that the company remains committed to halving GHG emissions throughout its product lifecycle: “We see huge value in measuring and monitoring how our suppliers and farmers manage their energy, fertilisers, effluents and energy-intensive farm activities.”

“We therefore require all farms that self-assess against our Sustainable Agricultural Code to use the Cool Farm Tool, or other national or sector-specific GHG tools, to report on their energy use and GHG emissions.”

Oxfam vows to continue to campaign for the Big 10 and key players to take stronger action on climate change. The charity’s next scorecard, due for September, will capture recent movements by the industry.
Analysis: US emissions rules

Energy sector shake-up

By Eric Marx

Billed as Barack Obama’s most sweeping climate policy, new rules curbing greenhouse gas emissions at US power plants will profoundly impact the nation’s electricity sector.

Washington, at long last, is ready to act on climate change, in June committing to a 30% reduction in carbon dioxide emissions from US power plants by the year 2030, compared with a base in 2005.

Some environmentalists have argued for bolder action. Even if the rules are fully implemented by 2030, coal would still produce roughly one-third of the US’s electricity, down from about 40% today, according to the US Environmental Protection Agency.

Nevertheless, the rules effectively snuff out the chance of any new coal-fired plants being built. As for the country’s existing power plants, for the first time they face limits on carbon emissions – a clear signal to private corporations, governments and nonprofits of where the US is heading.

The regulations potentially shift billions of dollars in investments towards low-carbon energy production, which is “a very important step”, says Niklas Höhne, director of energy and climate policy at Ecofys, a consultancy that helped calculate the plan’s impact.

The regulations set different limits for each state, allowing them the flexibility to meet the standards by picking from a menu of policy options – including creating state programmes that require power plants to pay a fee for their carbon emissions; installing new wind and solar power; and making appliances, lighting and air conditioning more efficient.

There’s “huge potential” in both savings from efficient electricity consumption and falling prices for renewable energy, says Höhne. Efficiency in fossil fuel power plants would contribute only limited savings, but if these three are taken together Höhne believes the US could easily surpass the 30% reduction target.

Yet a great deal still depends on state level policymakers and reactions from the investment community. In states such as Kentucky, West Virginia and Wyoming where the political class
strongly backs continued coal production, the new regulations could be tied up in courts for years to come.

Another potential hurdle is threatened intransigence from monopoly utilities who view solar as a rapidly disruptive technology cutting into their profits.

Solar threat
According to McKinsey, cost reductions in power from photovoltaics – poised to fall to $2.30 per watt by 2015 and to $1.60 by 2020 – will put solar within striking distance of traditional power-generation technologies in the US market. That’s not just true for residential and commercial power customers, where it is already cost competitive in many (though not all) locations, but also, eventually, for large-scale industrial and wholesale markets.

If utilities raise prices – for both power and grid access – analysts say individual customers and even entire communities will end long-standing arrangements with traditional utilities altogether, as Chicago, Cincinnati and other major cities have already done, citing discontent over poor utility service and prices.

Stephan Singer, director of global energy policy at WWF International, says: “It’s just a matter of time” before utilities lose their stranglehold. He cites the experience of European utilities which are now losing out as more nimble players enter the market with new business models.

On sunny days European utilities have to react to over 80GW of European solar power capacity coming online by switching down their traditional generators. This impacts utility profitability, making fossil fuel energy less competitive.

Utilities, however, still enjoy the benefits of access to cheap capital, advanced power technologies as well as control of the grid.

“Climate campaigners don’t realise it yet, but they need utilities to finance and distribute a new generation of clean power,” writes Carl Pope of the Sierra Club in a recent posting in Bloomberg Views. “Their long adversarial relationship is coming to an end. A fruitful alliance is there for the making.”
Personal carbon trading
The southern Chinese city of Shenzhen is considering an extension to its emissions trading system (ETS) that would see car owners buy greenhouse gas quotas. The city’s vice-mayor, Tang Yie, said the measure could be used to combat rising emissions from transport, which are undermining cuts in Shenzhen’s industrial emissions. Speaking at a low-carbon conference in June, Tang said the issuing of carbon quotas could encourage motorists to drive less, because they would be able to sell any leftover carbon allowances. The system could start in 2015. Shenzhen, which borders Hong Kong, is one of six Chinese cities with pilot emissions trading programmes. China’s National Development and Reform Commission has said China will have a national ETS by 2020.

Dambusters
Campaigners in Chile have scored “one of the greatest environmental triumphs of the decade” according to Greenpeace, as the Chilean government revoked authorisation for a $10bn dam project in Patagonia. The HidroAysén hydroelectric project, to be built by electric utility companies Colbun and Endesa Chile, was approved in 2011, and would have involved the construction of five dams in the southern Aysén region. However, Chile’s new government, elected at the end of 2013, quashed the project, saying that environmental impact assessments were inadequate, and that there were insufficient plans to help local people who would have been displaced. A majority of Chileans opposed the project. “It has been the people who put care for the environment ahead of the ambition of a few,” Greenpeace said.
The colour of lost money

Greenpeace has issued an embarrassing mea culpa after losing €3.8m of donors’ money in an ill-thought-out currency transaction. An employee in the campaigning giant’s international finance unit has been sacked after entering into a deal to buy foreign currency at a fixed rate – resulting in the loss when the exchange rate went the wrong way for Greenpeace. The loss accounted for more than half of Greenpeace International’s budget deficit of €6.8m in 2013. The charity said it “understands that supporters and donors will rightly be surprised and disappointed” and that the loss would be made up by “amending planned infrastructure investments”, not by cutting back on campaigning. A full independent audit has been started to look into the fiasco.

Turning the screw

British security multinational G4S has said it will cut its ties with the Israeli Prison Service in 2017 in the face of increasing pressure from divestment campaigners. Prompted by ethical concerns, the Gates Foundation, which manages the investments of the Bill & Melinda Gates Foundation, has sold its interest in G4S, followed by the largest protestant church in the United States, the US United Methodist Church. The decisions are the latest in a long line by universities, unions and nonprofits to end their relationships with G4S. Meanwhile, the UK National Contact Point for the OECD Guidelines for Multinational Enterprises has announced that it will investigate G4S over a complaint that facilities managed by the company in Israel are operated in breach of international human rights standards. G4S responded that the complaint, from Lawyers for Palestinian Human Rights, was politically motivated.

Forex mistake won’t hit campaigning says Greenpeace

G4S in the dock over human rights concerns

BORTN76

SEAN GALLUP

15
**No gay rights, no contract**

Companies that want to profit from contracts with the US federal government will have to respect gay rights, under an executive order signed by President Barack Obama in June. The move to some extent fills a gap in US legislation, which has no specific provision banning workplace discrimination against LGBT (lesbian, gay, bisexual and transgender) people. The order is also a response to the blocking by Republicans of a proposed Employment Non-Discrimination Act. The order will write into federal contracts, which amounted to a whopping $460bn in 2013, rules on respecting LGBT rights. Anthony Romero, director of the American Civil Liberties Union, said the move was “historic”, adding: “President Obama’s commitment to LGBT equality will be one of his lasting legacies.”

**Park plan parked**

Conservationists are claiming a victory after UK oil company Soco agreed to pull back from operations in Virunga National Park in the Democratic Republic of the Congo (DRC). The announcement followed a WWF campaign and the referral of the company to the UK National Contact Point (NCP) for the OECD Guidelines for Multinational Enterprises. Virunga is a biodiversity-rich world heritage site, but has an uncertain future because of conflict in the surrounding countries. After NCP mediation, Soco said it had agreed not to “undertake or commission any exploratory or other drilling within Virunga National Park unless Unesco [the United Nations Educational, Scientific and Cultural Organization] and the DRC government agree that such activities are not incompatible with its world heritage status.” The African Conservation Foundation said WWF’s victory could be temporary: Soco will continue to survey the park for oil, or could sell its concession, or the park’s status could be changed, resulting in the removal of safeguards against drilling.
**Good sports**

Sports brand Adidas has made a series of commitments on the use of hazardous chemicals in its products. The company pledged in June to provide “full transparency” on chemicals throughout its supply chain, starting with disclosures by the end of 2014 related to “wet processes”, or operations involving chemicals and water, carried out by its suppliers in China. By mid-2016, wet process disclosures would cover 80% of its global supply chain, Adidas said. The company added it would also substitute perfluorinated compounds – chemicals linked to toxic and hormone-disrupting effects – in its products with safer alternatives by the end of 2017.

The Adidas commitment on chemical management is available to download [here](#).

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**Materiality assistance**

The Governance & Accountability Institute (G&A), a New York sustainability consultancy, is offering companies a shortcut to establishing which sustainability issues are material for them, in preparation for reporting using the Global Reporting Institute G4 standard. G&A analysed nearly 1,300 corporate sustainability reports, and ranked 84 GRI standard indicators by relevance, spanning 35 sectors. The most important indicators for each sector are listed by their GRI codes – so for automotive, for example, the most material issue according to G&A is GRI G4-EN21: nitrogen oxide, sulphur oxides and other vehicle emissions. G&A’s reports cover sectors from agriculture to water utilities. The analysis would help companies with their “comprehensive materiality process” as the basis for meaningful reporting, G&A said.
Forced to enforce

Multinational retailers operating in China are having to take matters into their own hands as the government fails to ensure suppliers comply with the law, argues Paul French

What do you do when you operate supermarkets in a foreign country with a long history of serious food safety scares? Where food producers have persistently ignored laws and regulations and continue to introduce tainted foodstuffs into the supply chain? And where consumer outrage is directed almost exclusively at highly visible overseas retailers rather than large local food conglomerates and their protectors among corrupt politicians?

Answer: you tacitly admit the government can’t control the situation, that your suppliers will transgress, that it is you who will be punished in the media, on the internet and through consumer boycotts, and you take matters into your own hands and step up your self-protection.

This is effectively the story behind Wal-Mart’s announcement that it will increase spending on food safety in China to $48m in 2014 and 2015, a three-fold increase on its originally announced war chest to fight damaging food scares.

Food scares may be old news in China – they’ve been reported heavily in the media now for 15 years – but they continue. In response to public anger there has been a high-profile, top-down response. The China Food and Drug Administration (CFDA), modelled on the US’s FDA, has gone through numerous reorganisations and personnel changes.
But even CFDA’s head, Zhang Yong, admitted recently in an interview on Chinese radio that the problem was persistent. “Violations of food safety laws are still rampant,” he said. “This is the combined result of lapses in supervision, insufficient enforcement of laws and regulations, and the lack of moral sensibility.”

Mr Zhang pretty much nailed it – rampant violations due to lack of enforcement, while “lack of moral sensibility” translates as an industry that largely does not fear any judicial censure. Cancer-causing fish, melamine-tainted milk powder, cadmium-tainted rice, clenbuterol-contaminated pork, soft drinks with high levels of plasticiser, industrial gelatin in yoghurt – the list goes on and on.

And so far the corporate victims of the continued food scares (not to mention, of course, the human cost in sickness, disability and death) have largely been those dealing direct to the wary consumer – the retailers. Wal-Mart has faced problems with mislabelled pork and, more recently, problems with its ‘Five Spice’ donkey meat (quite popular in China) that was found to contain fox meat (not so popular). KFC, Danone, Carrefour and McDonald’s, among many other international food giants, have suffered similar problems and faced the ire of Chinese consumers and the government-controlled media.

**DIY safety checks**

On Wal-Mart’s menu of new measures are DNA testing on meat products, more supplier inspections and two mobile safety labs. However, Wal-Mart has more than 7,000 local suppliers in China and more than 400 stores nationwide (due to top 500 by 2016). Covering all of these suppliers and stores comprehensively will be a challenge, to say the least.

It is to be hoped that the CFDA will get behind Wal-Mart’s initiative and encourage more of the same from both other retailers and producers, but Wal-Mart China’s chief compliance officer, Paul Gallemore, says the supermarket giant’s contact with China’s food safety regulators is currently only on an “ad hoc” basis. Once again, if the top-down approach isn’t working then what hope for a bottom-up improvement from food producers? Other leading retailers, including KFC and Carrefour, are also increasing their food safety inspection budgets. According to Matthew Crabbe, author of the recently published book Myth-Busting China’s Numbers, “the continued shameless flouting of the country’s food safety laws by manufacturers shows a regulatory gap for which Wal-Mart and others must foot the bill themselves”.

Beijing continues to pump out a plethora of food safety regulations – a credit system for good producers, more stringent rules on infant formula, a tripling of fines for violators, a new food safety foundation and the inevitable CFDA app. But, as ever, enforcement is a very different thing to law-making, and the latter without the former is ultimately pointless.
Sustainability disclosure standards: helping hands

By Stephen Gardner

Sustainability reporting is becoming more focused, but continues to be a work in progress

It has been a big year-and-a-bit for sustainability reporting. In May 2013, the international go-to sustainability standard, the Global Reporting Initiative (GRI), published its G4 update. Since then, the GRI’s Sustainability Disclosure Database has registered more than 200 reports prepared to the G4 standard.

In December 2013, the International Integrated Reporting Council (IIRC) published its framework – a guide to help companies incorporate non-financial information into their annual reports. Integrated reporting is seen as the logical complement to the GRI G4, with the latter providing the material sustainability information that will feed into the former.

Meanwhile, other major sustainability reporting initiatives have not been sitting on their hands. In 2013, the CDP (formerly the Carbon Disclosure Project) marked the tenth year of its questionnaire that is designed to support investment decisions by eliciting greenhouse gas footprint information from companies. A mere 235 companies responded to the questionnaire back in 2003. Now more than 4,000 do, including 81% of the world’s 500 largest public companies.

In the US, the Sustainability Accounting Standards Board (SASB), which
The Global Reporting Initiative

The Global Reporting Initiative (GRI) is the starting point for most companies setting off on the sustainability reporting trail. The organisation was founded in 1997 and its standard is now in its fourth incarnation: G4. The aim of GRI is to provide companies with a flexible template for their sustainability reporting. The broader benefit is that the more companies that use GRI to report on their sustainability performance, the easier it is for investors and other interested parties to compare and assess which companies are likely to perform well in the long run.

The finalised G4 framework has been available since May 2013. GRI spokesman Brian Jones says companies have until December 2015 before its predecessors, G3/3.1 will be formally withdrawn. G4 consists of a guidance document setting out reporting principles and standard disclosures, and an implementation guide – a more detailed checklist of principles and indicators for companies to work through.

GRI’s aim with G4 was to put the spotlight on materiality – to get companies to focus on those issues, from anti-corruption to waste management, that are relevant for their operations and that could ultimately affect the bottom line. Jones says a transition to G4 is under way, and that “all types of feedback have been received, but in general organisations are happy with the results of their report when using the G4 guidelines”.

His advice on using the guidelines is straightforward: “Start reporting with G4 as soon as possible. [The] documents will help you to design your project planning and support you during the preparation of the sustainability report.”

James Osborne of Lundquist says the transition to G4 is in itself a boost for sustainability. Many companies “are really trying to use the G4 process as an opportunity to work both internally and externally on the whole sustainability agenda”, he says. This should lead to more extensive integration of sustainability at the heart of business strategy and management.

Further information: www.globalreporting.org

On material waste management

Focus on material waste management

Aims to help US-listed companies fulfil their materiality obligations, has been busy publishing new standards – by May it had covered 19 sub-sectors within the financial services, healthcare and technology sectors. SASB also announced, on 1 May 2014, that former New York mayor and sustainability advocate Michael Bloomberg would become its chairman, indicating the seriousness with which its standards are being treated.
For companies, especially those that have yet to get to grips with sustainability reporting, it can all seem a bit overwhelming, especially in the context of regulators requiring ever more environmental, social and governance (ESG) disclosure from firms. Companies also face concrete challenges, such as the cost and organisational obstacle of data collection to underpin their sustainability reports, and have concerns over issues such as liability.

Liability worries arise because of the tendency, especially when it comes to integrated reporting, for the responsibility over disclosures to move from corporate responsibility managers to the boardroom. Boards are not keen to leave themselves open to charges of misrepresentation, or to make declarations about which they are not fully confident.

Gordon Wilson, senior manager, sustainability services, for professional services giant KPMG, says that for boards to take responsibility for sustainability disclosures, companies “need to be quite confident internally about what is material. The argument for transparency is certainly stronger than it was five years ago, but the general counsel will be sitting with the risk management hat on, saying ‘why are we saying this?’.”

**Watching and waiting**

Such concerns mean that “no one is leaping into the ‘fantastic’ GRI G4”, Wilson says. Many companies are watching and waiting. Companies are aware that it is increasingly difficult to escape the pressure for ESG disclosure, but in terms of adopting the latest standards, “a sensible company would be thinking about a two- to three-year time frame for proper procedures and policies and dry runs to be put in place”.

Some are ahead of the curve. According to the Global 100 Most Sustainable Corporations ranking, which is compiled by Canadian investment advisers Corporate Knights, the most sustainable European company in 2013 was minerals and metals processor Outotec, headquartered in Espoo, Finland. Outotec’s 2013 revenues were close to €2bn.

Outotec prepared its 2013 report largely in accordance with GRI G3. Minna Aila, the company’s senior vice-president for corporate responsibility, says that “we included some new elements from G4 in the report, such as lifecycle and value chain”, but a full move to G4 will take place only after “a new thorough materiality analysis this year, which is the key for G4 reporting”. She adds: “With G4 we can focus more on the topics that are most material to us, which helps readers to better understand the company and its relevant corporate responsibility matters.”

Michael Yow, lead analyst for Corporate Knights Capital, says the Global 100 sustainability rating is done on the basis of facts and figures disclosed by companies. The ranking is “solely based on quantitative data, qualified by
Consistency and comparability”.

In this respect, the most important frameworks are GRI and CDP, Yow says, but the next few years could start to see a transatlantic divergence. Yow identifies SASB as a “competitor” to GRI G4, because of the differing regulatory requirements in Europe and the US. For example, European Union rules on ESG reporting, agreed in April by the European Parliament, refer specifically to the GRI as a framework that companies could use in preparing their non-financial disclosure.

SASB standards, meanwhile, are designed for US-listed companies to fulfill a Securities & Exchange Commission obligation that they should disclose material information, including relevant sustainability information (see box below).

**The Sustainability Accounting Standards Board**

The Sustainability Accounting Standards Board (SASB) has a specific objective: to help corporations fill in the US Securities & Exchange Commission’s Form 10-K. This is a mandatory annual submission that provides a comprehensive overview of a company’s financial performance. One part of the assessment requires companies to disclose “material factors” that might affect their financial performance – including environmental, social and governance (ESG) factors.

SASB’s guidance on what, in sustainability terms, is material for Form 10-K is being built up on a sector-by-sector basis. It has so far published “materiality maps” for a number of sub-sectors within financial services, healthcare, and technology and communication. The sub-sectors covered include biotechnology, pharmaceuticals, commercial banking, insurance and internet media and services. Issues that might be covered, for biotechnology for example, include initiatives to promote healthcare in poor countries, ethical marketing, measures to counter the proliferation of counterfeit drugs and anti-corruption.

SASB is something of a sausage factory of standards. During 2015 and 2016, it will expand its guidance to sectors including aerospace, chemicals, agriculture, tobacco, real estate – you name it. It is early days yet, however. Michael Yow, lead analyst for Corporate Knights Capital, says: “There is really no SASB [sustainability] report at the moment.” SASB is “predominantly a US thing”, and it is not clear how relevant it might be to non-US companies, though its guidelines could in principle be useful to inform the thinking of any companies operating in the relevant sectors.

Further information: [www.sasb.org](http://www.sasb.org)

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SEC filing – SASB is here to help

CHIP SOMODEVILLA
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It will be “a few more years” before a meaningful SASB/GRI comparison can be made, Yow says, but GRI is “more of a European product” and US companies already report less using GRI than their European counterparts.

This is borne out by GRI numbers on sustainability reports prepared according to the G4 standard so far. At time of writing, 37% originated in Europe, 24% in Asia, 19% in Latin America and just 9% in North America. As sustainability disclosure becomes progressively more mandatory, companies will have to decide which is the right framework for them.

Is it material?
In terms of the practice of sustainability reporting, the emphasis is moving from building up banks of data on the environmental and social impacts of company operations, to analysis and communication of material information.

In this respect, says KPMG’s Gordon Wilson, companies coming new to sustainability reporting might be advised to begin with GRI G3, which includes a comprehensive list of the ESG indicators that a company might report on, plus descriptions of what the right documentation might be. Working through the G3 checklist is a “helpful way of starting a materiality assessment, and asking ‘is this relevant to me and my key stakeholders?’”, Wilson says.

G4 is likely to be used by companies that have done basic assessment already, Wilson adds. Whereas G3 can lead to a “clunky, cumbersome, all-things-to-all-people report”, G4, with its greater focus on materiality – the relevance of sustainability indicators to the broader impact a company has – is more “sophisticated” but requires some reporting experience.

James Osborne, a partner with Milan-based corporate responsibility consultants Lundquist, says: “The G4 insistence on materiality is really hitting home with a lot of companies.”

Understanding the relevance of ESG issues to a company’s basic operations – for example the need to secure water supplies – can be “an enormous penny-dropping moment”, and is “the end of sustainability being thought of
Integrated reporting: the vision thing

For many companies that already publish sustainability reports, an integrated report is the next step. An integrated report, which is intended to be a more holistic snapshot of a company’s situation than a traditional financial-results-focused annual report, would not replace the sustainability report, but would pull out from it information with a bearing on the company’s ongoing operations. In an integrated report, companies should also provide some strategic insight related to sustainability – how they plan to adapt their operations to cope with the sustainability challenge. This might include, for example, how they will manage water shortages or the need to cut greenhouse gas emissions.

The International Integrated Reporting Council (IIRC), which published its framework at the end of 2013, defines an integrated report as a “concise communication about how an organisation’s strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value in the short, medium and long term”. Some authorities, such as the Johannesburg stock exchange, have started to oblige companies to file integrated, rather than simply financial, reports.

In practice, however, integrated reports so far have often been standard financial reports with some sustainability information tacked on. They lack the strategic vision that the IIRC wants – which for some companies is a thorny issue, because it might involve a radical rethink of their business model if they are to become truly sustainable.

Lars-Olle Larsson, an IIRC ‘ambassador’ and senior manager for ESG affairs for Swedfund, the Swedish investment fund that finances development-related business opportunities in poorer countries, says the hard part for many companies is “how to discuss future orientation and the call from the IIRC to have a future outlook”. He says some companies are wary about disclosing strategic plans because they are “perhaps afraid of telling secrets”. Nevertheless, he adds: “I am certain that integrated reporting will become the reporting agenda in the coming years.”

Further information: www.theiirc.org

as separate”, he says.

Lars-Olle Larsson, a former director of KPMG Sweden, and an “ambassador” to the International Integrated Reporting Council, is currently the senior manager for ESG affairs for Swedfund, the Swedish investment fund that finances development-related business opportunities in poorer countries. He says there is a short cut to the identification of material issues: speaking to groups with an interest in the company, from investors to customers to potentially critical campaign groups.

“To know what is material is crucial, and you can find that out through stake-
holder dialogue,” Larsson says. “Start by analysing which stakeholders have a stake in your company operations. Let them be included; inclusiveness is essential here.”

Such a process should not tie a company to follow the advice of any particular stakeholder group, but should be a recognition that “companies do not operate in a vacuum and they need to discuss how that impacts on natural capital, relationship capital, knowledge capital and of course financial capital”, Larsson says.

Wilson says stakeholder engagement carries its own risks. “You have to define who your stakeholders are,” he says. Some companies struggle because they define their stakeholders too widely and “end up with hundreds of pages of non-material facts and figures”. He adds: “Organisations that are able to say ‘here is a relatively small number of specific targets that we and our stakeholders deem material, and we’re going to report on these’ should be able to drive a relevant and consistent report.”

Be transparent
Ultimately, good sustainability reporting and, potentially, good integrated reporting are about drawing the line: identifying what is material and to what extent it can be disclosed. In this respect, the logic behind frameworks such as GRI G4 and SASB is that transparency should be the objective. Companies that have gone through the materiality analysis, and have progressed to credibly managing their impacts, should have no problem being transparent about what they are doing.

James Osborne of Lundquist says that increasingly there is a price for not reporting transparently. “When people see companies that don’t produce non-financial information, they fear the worst, and that is a risk,” he says.

Lundquist hosts annual CSR Online Awards to recognise the companies that most effectively communicate their sustainability activities. In the 2014 ranking exercise for the awards, Lundquist found only two out of Europe’s 100 largest listed companies that do not disclose ESG information: the French luxury brands Dior and Hermès. It looks bad to be the odd ones out.

Whether it is because of peer pressure or regulation, even the laggards will eventually have to catch up. When they do, they will at least have a mature library of standards and guidance to inspire them.
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Use your report to effectively demonstrate the economic, social and environmental value of sustainability

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Coffee cup sharing

It’s hard to separate New Yorkers from their on-the-go lifestyle. In an effort to challenge the single-use cup conundrum, fellows at the international DO School for social entrepreneurs partnered with the design and consulting firm Pilot Projects.

The DO School helps educate and train social entrepreneurs to get projects off the ground. Eighteen fellows from 16 countries, in an initiative called the Challenge Lab, set themselves a 10-week deadline to explore the complex social and economic context of the single-use disposable coffee cup, propose a viable alternative, and implement the solution as a pilot programme.

“The single-use coffee cup is what we call a ‘wicked’ problem, tangled in layers of social and material problems,” says Scott Francisco, founder of Pilot Projects, who served as the director of the Challenge Lab.

The team researched a host of coffee cup alternatives, including recyclable and biodegradable single use cups and reusables. The best solution the group ultimately identified was a hybrid between reusable and single use: for a $5 fee, people could buy membership in a coffee cup sharing programme at the pilot testing site Brooklyn Roasting Company, and keep the lid as their membership card. Participants were at liberty to take the cup wherever they wanted, and return it back to the coffee shop whenever they wanted, where it was subsequently cleaned for the next customer.

The pilot proved so successful that it became the Good To Go brand. Francisco says they will continue refining the programme and expand it to other locations.

“Sustainability innovation and social entrepreneurship, perhaps even more than other types of innovation and entrepreneurship, require a very delicate blend of ‘systems awareness’ – market, regulation, technology and culture,” says Francisco. “For something like Good To Go to work, we have to have all of these working together, but authentic culture change is always our main goal on the path to real sustainability.”
Google and Sainsbury’s fight food waste

Sainsbury’s has joined up with Google to launch Food Rescue, an interactive online and mobile tool designed to provide practical tips and inspiration for consumers on how to use leftover food, instead of tossing it in the bin.

According to the non-profit Waste & Resources Action Programme (Wrap), 4.2m tonnes of food and drink are thrown out every year in the UK, representing an average monthly waste of £60 per household. The Food Rescue tool aims to combat that trend through fun features that harness Google’s voice recognition technology, so users can simply say the ingredients they have left in their pantries or fridges, and the tool will pull relevant recipes from a library of 1,200 meal options.

The Food Rescue seeks to capitalise on the popularity of gaming by keeping track of the amount of food and cost saved per recipe via a public leaderboard, which will also track the food savings by region across the UK, as well as the most rescued ingredient and most popular recipes.

“We know that confidence and know-how can really help people reduce the amount of food they throw away,” says Sarah Warby, marketing director at Sainsbury’s. “We’ve created Sainsbury’s Food Rescue with Google to inspire people to turn the food items they already have into something delicious.”

Tesla opens the door

Electric car innovator Tesla Motors made a bold industry move by opting to make its patents available to the public.

Tesla’s chief executive, Elon Musk, made the announcement via the company’s blog, stating: “If we clear a path to the creation of compelling electric vehicles, but then lay intellectual property land mines behind us to inhibit others, we are acting in a manner contrary to that goal.”

Like many companies, Tesla initially used patents as a means to protect its technology from the competition, fearing rivals could rush into its territory. But the reality proved different, as the big car manufacturers continued to focus on diesel powered vehicles, with electric cars today constituting less than 1% of total vehicle sales.

Musk hopes that releasing Tesla’s patents will incite the big players to use its technology to create more electric vehicles and tackle today’s carbon crisis.

“We believe that Tesla, other companies making electric cars, and the world would all benefit from a common, rapidly evolving technology platform,” says Musk.
Coke turning the tide

Coca-Cola, the world’s largest drinks company, is on track to meet its 2020 water replenishment goal, which aims to return to communities and nature the equivalent amount of water it uses in all its products and production.

To date, the company has replenished an estimated 109bn litres of water through 509 community projects in more than 100 countries, representing roughly 68% of the water used in its finished drinks, based on 2013 sales volume.

“We have seen a pervasive uptake across the entire Coca-Cola system with 80% of our business units on track or ahead of pace to meet their 2020 water replenishment goals,” says Beatriz Perez, chief sustainability officer at Coca-Cola. “We are proud to report that all are making progress in replenishing this important resource we share with communities and nature.”

Each community initiative addresses at least one of four key objectives: to improve access to water and sanitation; to protect watersheds; to provide water for productive use; and to educate and raise awareness about water issues, including engagement on water policy.

Coke’s initiatives rely on the on-the-ground expertise of its myriad partners such as WWF, USAid, The Nature Conservancy, Water for People, UN-Habitat, and the United Nations Development Program.

Take the case of India, where Coke surpassed its goal to replenish 100% of the water used in its manufacturing operations by creating a “replenishment potential” of more than 130% of the water it uses through an array of projects that have provided safe water access and sanitation in schools, created rainwater harvesting structures, restored ponds, and improved water efficiency in agriculture.

Other project highlights include a new bottling plant in Peru that qualified for LEED certification, efforts to restore two river habitats in the UK, and the construction of additional water pipelines in Burkina Faso’s capital, Ouagadougou, alongside WaterAid and the local water utility, to increase access to safe drinking water.
McDonald’s and sustainable beef

Fast food giant McDonald’s has announced that it will use region-specific standards to implement the company’s January 2014 pledge to start sourcing verified sustainable beef by 2016.

McDonald’s is one of the largest buyers of beef in the US, but there is not yet a universal definition of sustainable beef. Enter the Global Roundtable for Sustainable Beef (GRSB), a multi-stakeholder group consisting of producers, processors, civil societies, roundtables and retailers such as McDonald’s, Cargill and Wal-Mart, that are working to develop global principles and criteria for sustainable beef.

The GRSB drafted guiding principles and best practices for sustainable beef in March which, it says, “deliberately lack more context-specific levels of indicators, metrics or practices”.

According to Jeffrey Hogue, McDonald’s senior director of global corporate social responsibility and sustainability, the broad nature of the guidelines leaves room for his company’s suppliers to determine their own metrics to achieve sustainable beef, based on regional needs and environmental conditions.

Come 2016, the GRSB plans to launch several sustainable beef pilot projects to measure the social and environmental impact of raising cattle in major beef producing countries. Thus far, only Canada has been named as a test market.
Policy

The net of sustainability

By Stephen Gardner

Rules and regulations on sustainability are proliferating

Unsustainable companies beware. A net of sustainability is closing in, which over the next few years will become almost impossible to avoid.

The net is made up of statutory obligations, standards, stock-exchange listing requirements, procurement criteria and conditions attached to trade deals. Many strands of the net rely on companies taking voluntary action, but there is an increasing trend towards mandatory requirements. The net is global, and its overall effect is to require companies to be more accountable for their environmental and social impacts. Unsustainable companies are finding it harder to hide.

The emphasis is on getting companies to report more on environmental, social and governance issues. This is based on the premise that “what gets measured gets done”, says Alan McGill, a partner in the Sustainability and Climate Change practice of the financial services firm PwC. The net of sustainability “will get companies to have a better understanding of their impact” as the crucial first step in acting to minimise that impact.

For example, the European Parliament agreed in April to a European Union directive that will require all listed companies with more than 500 employees to disclose information on environmental and social matters, human rights, anti-corruption and bribery. Companies will also have to publish information
on treatment of employees and diversity in the boardroom.

The directive will probably take effect from 2016 and will impose the non-financial reporting obligation on about 6,000 companies. It will augment existing rules in a number of countries. Denmark, France, Sweden and the UK, for example, already require some form of non-financial disclosure from large companies. But the effect will be to spread the sustainability net wider and catch many more companies. According to the European Commission, only about 10% of companies that will be covered by the new directive currently systematically report on their non-financial performance.

Some companies will have a clear advantage when new rules come in. Pioneers such as Marks & Spencer and Unilever are already reporting comprehensively and reorientating their businesses to be more sustainable. But others will have a rude awakening. “There are other companies that are coming to it much later,” McGill says. Those late-comers “are tending to struggle with the collection of the data”.

**Enforced responsibility**

Companies are also increasingly required to report non-financial information under laws that impose on them direct environmental or social obligations. For example, companies covered by emissions-trading schemes must calculate and report their emissions – and will pay a financial penalty in terms of an obligation to buy carbon permits if they do not keep their emissions under control. Such schemes convert environmental performance directly into financial data, which is reported by a company in its financial report, even if it does not disclose non-financial information.

Another example of a reporting obligation inserted by lawmakers into an environmental law is the EU Timber Regulation, which took effect on 3 March 2013. This law requires companies importing wood and wood products into the EU to do ‘due diligence’, meaning they must certify that the timber has not been illegally harvested – in effect, to identify risk in their supply chains.

The timber regulation “is really very good. It sets a good minimum basis,” says Richard Holland, chief conservation officer for WWF. Holland traces an overlap between such regulation and voluntary codes. He notes that Forest
Recent regulations

The European Union has recently moved to adopt a number of rules designed to make companies more transparent and accountable. To a certain extent, the rules have been motivated by the idea that corporate irresponsibility contributed to the economic and financial crisis.

As well as the directive on non-financial reporting, requiring listed companies with more than 500 employees to disclose a range of environmental, social and governance information, the EU has adopted a requirement for women to take 40% of boardroom positions in listed companies by 2020, or for companies to explain why not, and for major oil, gas, mining and logging companies to disclose on a country-by-country basis their profits, taxes paid and other financial details. The objective of this rule is to make natural resource extraction in developing countries more transparent.

In the United States, listed companies are required to disclose “material” issues that could have an impact on investment decisions. This should include “trends, demands and uncertainties that have a material impact on financial results”. The understanding of what is material in this context is increasingly being broadened to include sustainability-related information. The non-profit Sustainability Accounting Standards Board (SASB) has taken on the job of defining what is material from a sustainability point of view on a sector-by-sector basis. SASB’s next challenge is to get companies to take up its standards.

US listed companies also have ethical and corporate governance obligations arising from the 2010 Dodd–Frank Wall Street Reform and Consumer Protection Act. This includes chapters requiring companies to disclose, among other things, the ratio between chief executive and average employee pay, the use of conflict minerals and payments made to governments in pursuit of oil, gas or mining concessions.

In the United Kingdom, the 2013 update to the Companies Act requires listed firms to disclose their carbon emissions, and to publish a “strategic report” that should describe the company’s strategy and business model, and should also include information on human rights policies, and on gender balance.
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no longer turn a blind eye to dubious operators in their supply chains. Holland says such rules on sourcing can have “perverse effects” because in the short term they encourage companies to stop buying from high-risk areas, potentially penalising legitimate suppliers as well as dodgy dealers. But “within a few years that will have sorted itself out” and the end result will be a more responsible supply chain, Holland says.

**Emerging economies**

The reporting requirements in the EU and US are part of the trend for developed countries to increasingly adopt sustainability-related rules and regulations. But rich-world companies should not be complacent. “The success of the western countries is based on the premise that companies operated in a period of abundance. Those operating conditions are now changing,” McGill says.

This means that large, developed-world companies might face a tough adjustment to put themselves on a path to sustainability, whereas developing world companies more intuitively understand the constraints – the need to operate within environmental limits while benefiting social development. “All developing nations are looking for growth, but they know they need to do it in a different way,” McGill says.

One example of this is the provisions in India’s Companies Act 2013 that require about 8,000 large companies in India to spend 2% of their average net profits on corporate social responsibility. The Companies Act also includes various disclosure provisions, such as a requirement to publish the ratio of executive salaries to the average employee’s salary.

Anthony Miller, a researcher on corporate responsibility and responsible investment for the United Nations Conference on Trade and Development (UNCTAD), says that India’s 2% rule “is really about philanthropy”. But it does require companies to make a contribution to broader social development in India, and to consider how they can help the country and not just help themselves.

Emerging countries are increasingly using stock-exchange listing criteria to push companies to greater transparency and sustainability. India’s Compa-
nies Act also requires the top 100 companies on each of the country’s stock exchanges to publish a sustainability report. Other stock exchanges that have started, or are preparing, indices that rank companies on their environmental, social and governance performance include Egypt, Turkey and Vietnam.

However, the “poster children” for stock exchange-mandated sustainability, says Miller, are South Africa and Brazil. In March 2010, the Johannesburg Stock Exchange became the world’s first to require listed companies to produce an integrated report that includes non-financial information, or to explain why they are not doing so. The Brazilian Securities, Commodities & Futures Exchange – the world’s 13th largest – similarly has a “report or explain” rule for its listed companies for sustainability information.

UNCTAD is one of the overseers of the Sustainable Stock Exchange Initiative, which brings together exchanges to promote sustainability. The initiative currently has 10 stock exchange partners, including London, which signed up on 2 June 2014.

Miller says stock exchanges and governments can work together to catch companies in the sustainability net, depending on the specific circumstances in different countries. In South Africa, for example, “there’s really no need for the government to come in” to mandate sustainability because of the stock exchange listing requirements, he says. France, by contrast, has no sustainability related listing requirements, but it does have laws obliging French companies to carry out extensive non-financial reporting.

“There is no one size fits all,” Miller says, on the balance between regulation and stock exchange listing requirements. “To some extent it doesn’t matter, as long as there are binding rules and some capacity to enforce them.”

Penalising unsustainability

Laws and stock-exchange requirements force companies to at least think about sustainability, but rule-makers also have other tools at their disposal that have the effect of punishing unsustainable companies.

Public procurement requirements are one example. Speaking at an event in Brussels in June, John Bazill of the European Commission’s directorate-general for trade said: “It used to be the case that the public authority had to choose the cheapest bid, full stop.” But this has changed, he said. EU procurement rules now allow public-sector buyers to factor in environmental and social criteria.

WWF’s Richard Holland says the impact of this should not be underestimated. In the Netherlands, for example, public authorities are the largest single purchasers of tropical hardwood. In terms of ensuring sustainability, “by working with them, you get further than you would with all the DIY chains put together”, Holland says.
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Sustainability is also starting to become a feature of trade agreements, with sustainable development chapters included in recent EU trade deals with Central America, Columbia and Peru, Singapore and South Korea. These chapters require, for example, partners to ratify International Labour Organisation commitments or global agreements on trade in endangered species and biodiversity, to give workers a greater say, to strengthen inspections of companies, or even to favour “green goods” in trade between the partners. “There is some interesting language in these agreements. The challenge is now to put it into place. It is a task that is only just beginning,” Bazill says.

**Voluntary becomes mandatory**

 Ioannis Ioannou, assistant professor of strategy and entrepreneurship at London Business School, says the growing net of sustainability rules and regulations “boils down to the greater demand for transparency and accountability”.

At the heart of this is the idea of fairness – if huge private profits are to be made, it should at least be demonstrated that they have been made cleanly, without riding roughshod over the wider public interest. But companies also benefit. The evidence shows that “companies become increasingly sophisticated”, as they respond to the demands, and this results in a greater focus on material issues and improved business performance, Ioannou says.

He adds that sustainability is no longer an add-on that follows on from development. “You don’t become sustainable because you are wealthier, but in the long term you become wealthy because you are sustainable,” he says.

This is the prize that regulators are pursuing, and companies should not ignore voluntary standards – they have a tendency to turn into binding rules.

“You can see this pattern in a number of areas,” UNCTAD’s Miller says. In terms of the move from voluntary to mandatory non-financial reporting, he adds: “We expect this trend to expand to almost all countries.”

The “big game”, thorough to the middle of the century and beyond, Miller says, is “aligning market signals with public policy signals” – in other words, ensuring that the environmental and social price is right and companies are forced to operate within the bounds of sustainability. In this situation, companies that move towards sustainability ahead of the regulators will undoubtedly have the advantage. Unsustainable companies: you have been warned. ■
NGOWatch

By Jeni Bauser-Yaghoubi

Apple chemicals, action on cocoa and conflict in the extractive sector

NGOs petition Apple on worker safety

A group of 80 environmental and human rights organisations, socially responsible investment firms and occupational health professionals have petitioned Apple to eliminate all hazardous chemicals from its Chinese supplier factories.

Led by the non-profit group Green America, the letter to Apple’s vice-president of environmental affairs says that while Apple does not disclose a full list of the chemicals used in production, two chemicals including benzene and n-hexane have been associated with known worker illnesses in its supplier factories, and have the potential to cause leukemia and nerve damage. The letter also criticises Apple for failing to give information about the resolution of outstanding poisoning and injury compensation cases in its current and former first-tier supplier facilities, such as those run by Foxconn, Flextronics, Pegatron and Wintek.

Beyond eliminating toxic chemicals, the signatories urge Apple to create a fund to cover those who’ve been injured at work, and institute a mechanism for workers to report illnesses, as well as remediating worker abuse by implementing the United Nations Guiding Principles on Business and Human Rights.

“As a global technology leader, Apple can and should be the first consumer electronics company to implement reforms to protect workers from hazardous chemicals,” says Elizabeth O’Connell, campaigns director for Green America. “Apple has the financial resources to make these changes and the global leadership to make it count. Apple is not alone in these offences, but its leadership is needed to make worker health and safety reforms a broader priority within the technology industry.”

Chocolate companies support African workers

Twelve of the world’s largest cocoa and chocolate companies including Hershey’s, Nestlé, Mars, Mondelez International and Blommer Chocolate Company have volunteered to participate in CocoaAction, an initiative co-ordinated by the World Cocoa Foundation (WCF) to contribute to building a strong, sustainable cocoa sector in the Ivory Coast and Ghana.

The initiative centres on providing cocoa farmers with a combination of productivity enhancements and community development projects, such as providing quality planting materials, fertiliser and training to cocoa farmers, as well as education, child labour monitoring and remediation, and programmes to advance women’s empowerment. The WCF is also working on a series of specific indicators to track and measure the programme’s progress.

CocoAction was developed by member companies in collaboration with the governments of Ivory Coast and Ghana, which provide 55% of the world’s cocoa. The hope is to improve the lives and productivity of at least 200,000 farmers in Ivory Coast and 100,000 farmers in Ghana by 2020, with plans to extend the programme to other cocoa-producing countries down the line.
The cost of community conflict to the extractive industry

A new study conducted by the Corporate Social Responsibility Initiative (CSRI) at Harvard Kennedy School, the Centre for Social Responsibility in Mining (CSRM) at the University of Queensland and the non-profit group Shift is the first to systematically evaluate the true costs of company-community conflict in the extractive sector.

The report draws on 50 public cases of sustained company-community conflict, 45 interviews with practitioners in the extractive industry and field research to evaluate the costs to mineral and energy companies as a result of failing to build sustainable relationships with local communities.

The types of costs incurred range from the operational price of increased security, to project delays, to material damage, to the effects on personnel, be it a loss in productivity, injuries, or difficulty retaining staff.

The study found that the most frequent cost resulted from a loss in productivity. In the case of a Latin American mining project, for example, a nine-month delay due to local conflict required an additional project spend of $750m. The most overlooked cost, on the other hand, was the unanticipated time spent by senior staff managing community clashes.

What lies at the heart of the problem is a direct tension between the “social time” needed to sufficiently address local concerns before an extractive project begins, and the “technical time” allotted to the project to stay on time and on budget. “This can lead to community relationships being under-developed and activities to build trust and prevent conflict rushed in their implementation,” the report notes.

The study highlights several steps that the extractive industry can take to better manage potential cost increases that arise from community conflict. For one, companies should ensure that project construction schedules are not so aggressive that they inhibit a company’s ability to adequately “sensitise the community”.

Rachel Davis, the report’s co-author, highlights the importance of community relations managers with the right skills, authority and buy-in from internal stakeholders to be truly effective, as well as cross-functional collaboration between these managers and operational departments to counteract the pressure that “technical time” can put on the “social time” needed to build relationships with local people.

“Time and again in the business and human rights space, we hear that internal champions of human rights can’t get traction with their colleagues in key parts of the business because they don’t speak their language,” says Davis. “These professionals need to be equipped and able to translate the importance of their work into terms that will resonate with business colleagues. Using the language of costs – closely tied to the language of the business’ existing values – is one potential way of being heard.”
Transparency

Reporting’s Trojan horses

Business has been presented with a series of sustainability accounting systems, and seems inexplicably keen to welcome the dubious offerings

Be aware of Acronyms bearing gifts. Much as the Trojans were tricked by the Greeks and their wooden horse, business is being bewitched by those presenting them with seductive structures – in this case, structures to help business report and account for sustainability.

Meet the Acronyms: the Global Reporting Initiative (GRI), the International Integrated Reporting Council (IIRC), the Sustainability Accounting Standards Board (SASB) and the CDP (the artist formerly known as the Carbon Disclosure Project). The Acronyms all have their own versions of the Trojan horse and have left them at the gates of big business or will soon do so.

Offerings from the CDP and the GRI have already been dragged inside those gates, and caused some havoc. Companies producing a GRI G4 report to Core proficiency or attempting Comprehensive have been battling valiantly.

Meanwhile the IIRC and SASB offerings are in the final stages of sculpting.

Of course the Acronyms have the best possible intentions. Unlike the ‘gift’ left at the gates of Troy by the Greeks, there is no malicious intent here. But it should be remembered that the Acronyms all have self-serving agendas, which are not necessarily about making business better for you.

The GRI, CDP, SASB and IIRC are campaigning organisations. Their acolytes are the big accountants who want to make money by helping business decipher the complexity that they themselves have helped create.

The Acronyms have self-serving agendas

COLUMNIST: PETER KNIGHT

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All the Acronyms have clear objectives to change the way business operates. Their agendas are couched in the soothing terminology of transparency and making capitalism more inclusive.

My concern is not a knee-jerk reaction against the transparency movement, but a call for some honesty about what the Acronyms are trying to achieve and the potential threat they pose by making business more complicated.

Take the CDP. It has led the attack and been highly successful in getting business to fill in very long forms and to compete with each other to get on various rankings. One of the little white lies that the CDP uses to encourage participation is that investors are desperate for information about carbon, water usage, supply chains and the like.

The CDP is backed by a long list of investors with an impressive balance sheet. In 2013 their assets amounted to $57tn. That sounds really striking, until you realise it’s a mere pittance compared with the funds sloshing around the system – management consultancy Bain & Co estimates the total amount of global investment capital to be $600tn.

The GRI claims it is representing the multifarious stakeholders whose whims business must cater for. These people come in many shapes and sizes and there is no way of knowing how significant they are or why they need to know so much about your business.

While stakeholder views are indeed important (it’s market intelligence), the GRI has no way of differentiating the business importance of one interest from another. That’s why its reporting guidelines ask for absolutely everything, making GRI reporting (if done honestly) such a daunting undertaking.

Thought police
But it is the agenda of the IIRC that is the most subversive. Business likes the idea of integrated reporting because most people think it is about combining all reporting into a single document and in so doing, reducing the hassle. This is plain wrong.

The IIRC is trying to change the way business people think. Like alternative therapists, the IIRC wants business to take a holistic view about how value is created and who gets hurt along the way. Integrated reporting is but a by-product of integrated thinking and the IIRC should really be called the integrated thinking council.

The IIRC’s idea is a good one and business would certainly benefit from being less blinkered in its view of value creation. But this has very little to do with reporting.

The Acronyms all have something to offer, despite their devious dressing up of the potential benefits to business. Perhaps business should be more sceptical of their ornate offerings.
Corporate responsibility cheat sheet

By Oliver Balch
We read all the reports so you don’t have to

**Trafficking policies in place**

Fifty-four of the Fortune 100 companies – the biggest companies in the US – have publicly available policies on human trafficking, and two-thirds have policies on forced labour, according to a survey by the American Bar Association. When companies without major supply chains are removed from the analysis (such as insurance firms and banks), then the remaining 79 companies are shown to be more likely to have policies on human trafficking (66%) and forced labour (76%). A far lower proportion (37%) have policies on conflict minerals. This is because of the relatively reduced supply-side exposure to the issue among the Fortune 100, the American Bar Association says.

American Bar Association: http://www.ambar.org

**Renewables resurgence required**

The International Renewable Energy Agency (Irena) claims that the world economy could be $740bn per year better off by 2030 if volumes of green energy were to double during that intervening period. If solar, wind and other clean energies were to meet 36% of total energy demand by the end of the next decade, it would reduce the world’s reliance on oil and gas by 15% and on coal by 26%, according to Irena’s Renewable Energy Roadmap. A green energy hike of this magnitude would also help limit the increase in global temperatures to 2°C above pre-industrial levels by 2100, as well as create a net gain of nearly 1m jobs by 2030.

Renewable Energy Roadmap: http://www.irena.org/remap

**Fish stocks under threat**

Fish accounts for 16% of the world’s animal protein intake, increasing to 20% in low-income, food-deficit nations. Yet overfishing, especially in south-east Asia, is potentially putting future fish stocks in jeopardy. An investigation by Australia’s James Cook University picks out Indonesia and China, which have overfished their wild marine fisheries by 4.7m and 3m tonnes respectively over the past six decades.

Indonesia and China have overfished their wild marine fisheries by 4.7m and 3m tonnes respectively over the past six decades. At present, 57% of fisheries production in low-income countries comes from marine capture, about half of which is by small-scale fisheries. In 1950, only 12% of global fish catch was from wild marine stocks.

State of the Tropics report: http://stateofthetropics.org/reports/wild-marine-catch
The giving gap

Nearly two-thirds of 18-24-year-olds would be more incentivised to buy a product or service from a company that makes donations to charity, a survey from the Charities Aid Foundation finds. This compares with only half of the general public. The survey also finds that 61% of young adults say they are more likely to want to work for a business that supports charities. Only 3% of UK adults currently give through their payroll, the report reveals – not helped by the fact that 45% of PAYE employees are unable to give this way. Nearly one in three UK employees say they would be likely to use payroll giving if their employer offered the service.

It is a different story with volunteering, with 70% of FTSE 100 companies having employer-supported volunteering programmes.

Creating an Age of Giving:
http://tinyurl.com/oof4eyx

Irish clean energy boom

The clean energy sector in Ireland is currently attracting about €1.5bn a year in investment, according to a study by the Sustainable Energy Authority of Ireland. SEAI estimates that the clean energy sector now supports about 18,000 jobs. This could rise to 30,000 if Ireland achieves its EU-mandated goal of delivering 16% of all energy from renewable sources by 2020. If successful, the supply chain for clean energy could amount to €2.5bn a year by the end of this decade, SEAI predicts.

Ireland’s Sustainable Energy Supply Chain Opportunity:
http://tinyurl.com/qyckwad

US gas and Chinese coal

The rush for shale gas in the US has been heralded as an opportunity to offset coal-based electricity generation, thus reducing greenhouse gas (GHG) emissions. However, a report from the US Energy Department suggests that the GHG benefits of switching from coal to gas are largely offset by methane leaks during the gas extraction process. Emissions associated with converting natural gas to liquefied natural gas and subsequent export-related transport emissions are also problematic. The best-case scenario envisioned by the report is that exported US gas could feasibly reduce emissions from Chinese power plants by 25% over the next two decades. China’s coal-powered power plants are the subject of another, unrelated study, this time by the Carbon Tracker Initiative and the Association for Sustainable and Responsible Investment in Asia. Their joint investigation concludes that China’s thermal coal demand will peak between 2015 and 2030, potentially leaving 40% of the country’s 437GW predicted capacity as surplus to requirements by 2020. The reasons given for “peak coal” include a slowdown in Asia’s largest economy, policy responses to air pollution, the piloting of emissions trading schemes and strong growth in China’s green energy sector.

Life Cycle Greenhouse Gas Perspective on Exporting Liquefied Natural Gas from the United States:
http://tinyurl.com/orc3ytz
The Great Coal Gap:
http://tinyurl.com/l82y5nm
### Organisation insights

#### Resource constraints will destabilise prices

Long-term price data indicates a future of high volatility as available resources become increasingly constrained. Statistics from the UN Environment Programme (UNEP) reveal that metal prices and energy prices climbed 176% and 260% respectively between 2000 and 2012. UNEP argues for the adoption of best-of-class technologies, which it maintains can lead to efficiency gains of between 50% and 80% in most production or utility systems. It sees particular potential for energy and water efficiency improvements, which could reach between 60% and 80% in high-use sectors such as construction, agriculture, hospitality and transport. UNEP also calls on governments to remove subsidies valued at $1.1tr a year that prop up the continued use of wasteful technologies.

Decoupling 2: Technologies, Opportunities and Policy Options:  
http://tinyurl.com/moglhew

#### EU cuts emissions

The European Union’s greenhouse gas emissions continued to fall in 2012, dropping 1.3% on the previous year, the latest figures from the European Environment Agency reveal. Total emissions across the EU’s first 15 member states (the EU15) are now 19.2% below 1990 levels. This represents a reduction of 1.1bn tonnes of carbon dioxide equivalent. The EU has a target of reducing overall emissions by 20% on a 1990 baseline by 2020. Italy alone accounted for 45% of the total EU net reduction in emissions in 2012, largely due to lower emissions from transport and industry. The second largest reduction, in Poland, came mainly from a decrease in solid fuel consumption. The EU15 reduced emissions by an average of 11.8% during 2008-2012. Per capita greenhouse gas emissions in the EU have decreased by almost a quarter since 1990, from 12 to 9 tonnes, the report finds.

Annual European Union greenhouse gas inventory 1990–2012 and inventory report 2014:  
http://tinyurl.com/owna2k3

#### Cost of rising seas

The UN Environment Programme (UNEP) has put the financial cost of rising sea levels and temperatures at just under $12tr. At most risk are the world’s 52 small island nations, where climate-change-induced sea-level rise is up to four times the global average. If sea-level increases are not halted, UNEP predicts that 34m hectares of coral will be lost over the next two decades.

Small Island Developing States Foresight Report:  
http://tinyurl.com/pzr93fh
Corporate snapshots

**HP publishes first water report**

US technology company HP is directly and indirectly responsible for the use of 505m litres of water every year, the company’s latest Living Progress report reveals. Water used in the generation of electricity represents the bulk (72%) of the company’s water use. Of this, more than half is consumed by HP customers when using the company’s products. In total, customers represent 77% of the company’s water footprint. The manufacturing of paper that HP customers use in printers and other HP products accounts for around one fifth of the company’s water consumption. The remainder of HP’s water consumption occurs in its supply chain (18%) and its own operations (5%). With regard to the latter, the IT giant has reduced its water use by 9% in areas designated as experiencing “water stress”.

2013 Living Progress Report:
www.hp.com/hpinfo/globalcitizenship

**MillerCoors’ footprint shrinks**

MillerCoors, the second largest brewer in the US, decreased the water footprint of a barrel of beer by 9.1% between 2012 and 2013. The company’s 2014 sustainability report reveals that it now uses 3.48 barrels of water per barrel of beer. Many US brewers use six or more barrels of water per barrel of beer. From 2011 to 2013, MillerCoors saved more than 1.1bn gallons of water as a result of efficiency measures. Other resource reductions during 2013 include a 15.6% drop in energy use (saving 1.6bn megajoules of energy) and a 9.2% decrease in waste sent to landfill (a cut of 1,300 tonnes). Last year, the US brewer also provided more than 311,000 hours of employee training through its in-house university and generated $11.37m for charity via employee and corporate fundraising initiatives.

MillerCoors Sustainability Report 2014:
http://tinyurl.com/qbm2ev8

**M&S marks workplace milestones**

UK retailer Marks & Spencer took on more than 1,450 young unemployed people for work experience during 2013, according to the latest update of its Plan A campaign. More than 1,000 of these went on to find work within three months of their placement. The company reached another employment-related milestone, reporting that 500,000 have passed through its training programme for workers in its general merchandise supply chain since it was established in 2010. The diversity of Marks & Spencer’s workforce is worthy of note too. Of its nearly 86,000 direct employees, 73% are women. Only 11% are from ethnic backgrounds, however. Women occupy 58% of management roles, although women are outnumbered by men by a ratio of 61% to 39% when it comes to top management positions.

Marks & Spencer’s Plan B 2014 update:
http://planareport.marksandspencer.com
SABMiller strategy

Sustainability, refreshed

By Oliver Balch

Alan Clark, chief executive of brewing giant SABMiller, has unveiled a new sustainable development plan, but insists it’s evolution not revolution

“The chief strategist of an organisation has to be the leader – the CEO.” So runs the advice of the Harvard management guru Michael Porter.

SABMiller appears to be putting the theory to test. The world’s second largest brewer has a new chief executive: South Africa-born Alan Clark (pictured above). And, lo and behold, it has a new sustainability strategy too.

“SABMiller Prosper” maps out the direction of travel for the UK-listed firm’s sustainable development efforts through to 2020. The new strategy centres on five core themes: entrepreneurship, energy and climate, responsible drinking, water and land use. Exacting targets are attached to each theme [see box].

Clark is adamant that the strategy is not the whim of a new chief executive. For one thing, he’s been in post for more than a year – long enough to get the full measure of the issues at stake. Second, Clark is no maverick. Astute and measured, the soft-spoken South African has held the post of managing director for Europe, then chief operating officer, before gaining the top job.

Sharper focus

So what does this new-look strategy signify? Clark calls it a “strategic evolution”, not a new direction. He says: “In any business, including ours, you would review the overall business strategy and core elements within that..."
Strategy & management

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strategy from time to time. So it’s about getting a much more focused, deliberate attention from the organisation to say ‘this is what we need to prioritise going forward’.

So no volte face, then. That makes sense. After all, SABMiller is not a sustainability newbie. Its previous sustainability strategy, which covered 10 focus areas, has run for almost a decade. And the company has been making a “steady improvement” since then, Clark insists.

Results bear that out. The company’s total energy use has dropped from 26 petajoules (quadrillion joules) per annum 10 years ago to 21 petajoules per annum now, for instance. Over the same period, the average amount of water required to manufacture a litre of beer has dropped from 4.6 litres to 3.5 litres.

The strategic “refresh” (Clark’s other preferred term for the new approach) will inevitably see some issues taken off the priority list. Explicit commitments to HIV/AIDS, human rights, packaging and transparency, for instance, have gone. But Clark insists these have been subsumed within the new quintet of principles, rather than eradicated.

Commercial logic
Clark’s preference not to overhaul SABMiller’s broad approach is testimony to the commercial logic behind the company’s sustainability story to date.

The company is unabashed about the “very specific self-interest” of pursuing its sustainability principles. Cutting energy use might help the climate, but Clark stresses the savings it accrues for the bottom line. Returnable bottles work in a similar way – not only are they environmentally friendly, but they also happen to be the most cost effective solution for beer distribution. The list goes on.

Geography has a big part to play in SABMiller’s business-focused approach to sustainability. The company’s culture was forged in the developing world, with all the attendant resource constraints and socio-economic challenges. Although it now operates in more than 80 countries, about 70% of its revenues and profits are still generated in emerging markets.

“There’s a natural recognition of the role that you need to play as a business and the contribution that you need to make,” Clark says, in reference to

Five Pillars – SABMiller Ambition Strategy

1) A Thriving World: Shared Imperative: where incomes and quality of life are growing.

2) A Sociable World: Shared Imperative: where SABMiller beers are developed, marketed, sold and consumed with high regard for individual and community well-being.

3) A Resilient World: Shared Imperative: where SABMiller businesses, local communities and ecosystems share uninterrupted access to safe, clean water.

4) A Clean World: Shared Imperative: where nothing goes to waste and emissions are dramatically lower.

5) A Productive World: Shared Imperative: where land is used responsibly, food supply is secure, biodiversity is protected and SABMiller crops can be accessed at reasonable prices.

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the company’s dominant presence in the developing world.

The need to be seen as locally rooted fits with the firm’s overall business strategy. While SABMiller boasts a handful of genuinely global brands such as Grolsch and Miller Lite, it isn’t a mono-brand monster like Carlsberg or Heineken. Of its 200 or so brands, the vast majority cater to a specific national or even regional clientele. Examples include Cusqueña (named after the city of Cuzco, Peru) and Kilimanjaro Lager (from the eponymous region of Tanzania).

“Consumers throughout the world believe that their country produces the best beer in the world,” Clark observes. “And because beer is a local business, our connection with those communities is important.”

Interdependence
Another major driver of SABMiller’s localisation strategy – what Clark calls “securing our place in society” – revolves around resource interdependence. Water is top of the list. SABMiller has 85 breweries around the world, all of which require reliable sources of clean water. Drought, pollution or simple over-demand can put such supply at risk.

SABMiller has put water management high on its agenda over recent years. Working with conservation groups such as the Nature Conservancy and WWF, it has undertaken extensive assessment of more than two dozen key breweries to better understand their vulnerability to water-related risks. Under the aegis of this flagship Water Futures programme, the company is also pioneering multi-party approaches to water stewardship.

“It’s very important that we have access to clean water – and good quality water – for our brewing. But it’s also important that we’re seen to make a contribution to the protection of water resources and the development of water resources,” Clark explains.

A similar dynamic plays out in agriculture. As a brewer, SABMiller is heavily dependent on malt obtained from barley. With Africa’s population of 1.1 billion set to more than double between now and 2050, pressure on land use will inevitably increase. Clark doesn’t want to be accused of using productive land to make beer while local people go hungry.

At a more general level, securing the company’s place in society translates
to meeting public expectations. Today, that means acting responsibly. As large users of energy, global corporations are expected by consumers to be acting to reduce their carbon footprints. The same goes for cutting waste or battling poverty through the promotion of entrepreneurship.

Expectations on controversial industries are all the higher. SABMiller’s status as a global brewer puts it in the firing line. In 2012, the company worked with the World Health Organization and the business-led Global Alcohol Producers Group to help produce a set of measurable commitments to reduce harmful drinking.

Clark knows his firm will have regulators snapping at his heels if the company breaches its pledge to continue with its responsible drinking efforts. SABMiller’s new chief executive insists “responsible consumption” will be a hallmark of his leadership. He intends to build the company’s “knowledge of what works, what is most effective [and] who are the agencies with whom we can partner”.

Shift in style
Clark’s leadership might not mark a huge departure in substance, but it could open the door to a subtle shift in style.

Again, don’t expect anything radical. The global brewer will continue to promote self-policing over mandatory legislation, for instance. Working through bilateral and multilateral partnerships, rather than unilateral initiatives, will remain the name of the game. And regular measurement against transparent targets will carry on as before.

Clark isn’t about to pull the plug on the company’s current portfolio of sustainability projects, but admits that some may “evolve over time”. He says: “We might add new partnerships or supplement them. We might develop partnerships in countries where we don’t have them yet.” The Water Futures programme, for example, currently operates in only eight pilot markets.

The new chief is open to increasing participation with industry competitors. In addition to responsible drinking, he sees packaging design, packaging legislation, recycling and the promotion of returnable bottles as areas of
possible collaboration.

In keeping with SABMiller’s local brand focus, Clark is comfortable with a degree of flexibility when it comes to implementation. Not that the new strategy is an “opt-in”, he is quick to point out. Whether it’s the Czech Republic or Peru, a shared focus among all the company’s 70,000 employees is expected. Yet he accepts that “a level of customisation” will occur from one market to another.

“If you went country-by-country, you would not see the five imperatives being applied in the same way in every country, but you’d see elements of them and a consideration [of them]”, he says.

He gives the example of Mozambique, where subsistence farming is an everyday reality and where support for small farmers is therefore critical. “That wouldn’t be the same in Slovakia.”

But good practices in one market need to be rolled out elsewhere if SABMiller is to hit its new 2020 ambitions. Clark cites the company’s hugely successful Tenderos programme in Latin America, which has so far offered training and finance to more than 40,000 shop owners. In total, the company has pledged to support 500,000 small businesses by the end of the decade. “We’re not going to achieve that in Latin America alone,” Clark says frankly.

A greater focus on SABMiller’s indirect as well as direct impacts can be expected. According to independent research, the brewer generates economic benefits for about 750,000 people in Africa. Most of these work in the company’s supply chain. That

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**SABMiller Key Facts 2013/2014**

- **Employees:** 70,000
- **Net revenue:** $26.7bn
- **Total sales:** 24.5bn litres
- **Water use per litre beer produced:** 3.5 litres
- **Carbon footprint:** 10.3kg carbon dioxide equivalent per 100 litres of beer (based on fossil fuel use in manufacturing facilities)
- **Beer Brands:** 200+ (including Peroni Nastro Azzurro, Pilsner Urquell, Miller Genuine Draft and Grolsch)

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Acting responsibly will meet public expectations

Contrasts with the brewer’s relatively small base of 13,000 direct employees on the continent. Maximising these knock-on effects features high on Clark’s wish list.

**Conclusion**

Some may be disappointed to learn that the world’s second largest brewer – only Anheuser-Busch InBev is bigger – has not overhauled its sustainability strategy. Others will commend Clark for largely sticking with an approach that is delivering demonstrable results.

The reality is that SABMiller’s new chief executive could have chosen to sit back and alter nothing. By his own admission, most of the critical sustainability issues facing the company – access to water, security of supply, competition over land use – have not reached crisis point yet. “You could probably manage them in the immediate timeframe,” he says.

“But we’re talking 10, 20, 30 years. That’s the view we have of our organisation and that’s the level of protection we need.”

Clark’s decision to focus on the long-term horizon bucks the trend among many chief executives, who, as with politicians, care about their own tenure and little else. Likewise, he eschews the other C-Suite trait of shaking up everything to show that a new man has arrived.

Clark has the foresight and modesty to know that SABMiller’s sustainability strategy is, though not perfect, broadly on track. He has judged that a refresh and refocus is what is needed, not a wholesale rewrite. To quote Harvard’s Michael Porter again: “Strategy must have continuity. It can’t be constantly reinvented.” In Clark, he has the model student.

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**2020 Sustainability Targets**

- Reach 500,000 small businesses in its value chain to enable improved livelihoods.
- Evidence that its products enable consumers to follow responsible patterns of beer consumption.
- Secure water supplies to all facilities with partnerships to tackle all shared water risks.
- Reduce the carbon footprint across its value chain by 25%, including 50% within its breweries.
- Work to ensure the sourcing of its crops measurably improves both food security and resource productivity.

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For more information on SABMiller’s sustainability targets, visit [www.sabmiller.com](http://www.sabmiller.com).
Case study: Wal-Mart

Big and powerful

By Sam Phipps

Wal-Mart has made some giant leaps forward in its sustainability journey. But how far do old habits die hard?

Wal-Mart is the world’s biggest company in terms of both revenue ($47bn in 2013-14) and workforce: about 1.3 million people in the US, 2.2 million globally. Some 250 million customers visit 11,000 stores and websites each week in 27 countries. Its 71 brands include Asda in the UK.

How this US-based retail giant pays and treats the majority of those employees (or “associates”) is one of several issues that have stirred protesters and NGOs to mount a series of high-profile campaigns in recent months, including strikes in the US.

Wal-Mart has also been active in many areas of sustainable business, claiming significant progress on energy efficiency and carbon intensity in the past five years. Far from greenwashing, this has raised awareness and exerted pressure on the company’s supply chain, albeit unevenly, some observers say.

Therefore a split is broadly evident between Wal-Mart’s environmental and social agendas. If the annual shareholders’ meeting on 6 June was anything
to go by, with its defeat of proposals on leadership and transparency, and no concessions to striking store workers, this position looks entrenched.

*Sustainability?*

In 2005 it announced a commitment to environmental sustainability, setting goals of zero waste to landfill by 2025, to use only renewable energy and to sell products that sustain people and the environment (it set no target date for these).

In 2007 Wal-Mart launched a global commitment to sustainable agriculture, aiming to strengthen local farmers and economies, while providing customers access to affordable, high-quality food.

“Wal-Mart continues to be a leader in sustainability, corporate philanthropy and employment opportunity,” the company states on its website.

So, how far is that true?

By the end of 2013, Wal-Mart had more than 323 renewable energy projects in operation or under development globally, according to its 2014 Global Responsibility Report.

These provide its facilities with more than 2.2bn kWh of renewable energy a year and account for 32% of its 2020 target to cut total energy intensity per square foot by 20% (though net carbon emissions are still rising because of growth in floor space).

Total waste from its US operations is also down 3.3% from 2010, the report says.

However, Catherine Ruetschlin, policy analyst at Demos in New York, argues that Wal-Mart’s view of sustainability leaves out the “critical component” of human capital.

“There’s social as well as environmental sustainability, and viewing your workforce as a long-term investment with productive benefits is key to both...
Continues from p53

the company and the wider economy if we ever want to get out of the vicious cycle of low wages,” Ruetschlin says.

In the US, an estimated 825,000 Wal-Mart workers earn less than $25,000 a year, leaving many below the poverty line, she says.

At the same time the company spends a big chunk of its profits – $6.6bn in 2013 out of $17bn – on share buybacks. These help Wal-Mart hit earnings targets even when sales are down, benefiting an increasingly narrow group of owners and executives, according to Ruetschlin.

If Wal-Mart spent that $6.6bn on raising pay, it could increase hourly rates by $5.13 for all those 825,000 people, according to a Demos report published in June 2014.

This would not only lift them out of poverty, but it would also boost sales and productivity, Ruetschlin says.

“Lots of research in the retail industry shows additional money directed to your payroll results in extra dollars in the register because you reduce [staff] turnover costs, search costs, hiring and training costs.”

Productivity rises because you retain workers longer – they’re more knowledgeable, they keep shelves stacked and anticipate customer needs better, so the queues are shorter and the customers are happier, she says.

No change at AGM

However, senior management show little sign of bowing to pressure from NGOs or striking workers from the Our Walmart protest group (the company has long resisted calls for unionisation).

Hours after Barbara Gertz – a 45-year-old employee at a Wal-Mart

**History**

Today Wal-Mart Stores, Inc., trades under the brand name Wal-Mart.

Sam Walton (Mr Sam) opened the first Wal-Mart store in Rogers, Arkansas, in 1962 under the slogan: The Lowest Prices Anytime, Anywhere. Within five years the Waltons owned 24 stores, turning over $13m.


In the 1970s Mr Sam took Wal-Mart nationwide, the company being publicly traded in 1970 and listed in New York in 1972.

By 1980 Wal-Mart’s 276 stores reached $1bn in annual sales, the fastest company in the world to do so.

Walmart Supercenters, adding general merchandise to supermarket products, opened in 1988 and by 1990 the company was the biggest retailer in the US.

Through the 1990s and 2000s, Wal-Mart expanded internationally, starting with a joint venture in Mexico. In 2012 the rapid expansion of Wal-Mart de Mexico emerged at the centre of a major bribery scandal, which is still overshadowing the company and its parent.

Sam Walton, who died in 1992, said the key to Wal-Mart’s philosophy was “saving people money so they can live better”. This remains the company’s slogan.

In 1996 Wal-Mart opened its first stores in China, marking $100bn total annual sales a year later. It bought Asda in the UK in 1999.

Wal-Mart topped the Fortune 500 ranking of largest US companies in 2002 for the first time.

Continues on p55
store in a suburb of Denver, Colorado – attended the annual shareholders’ meeting on 6 June, she told Ethical Corp by telephone that she was “not reassured at all” by the event. Held at a stadium in Arkansas, it attracted 14,000 people.

Shareholders voted through lucrative pay awards for executives, despite flat sales performance, and blocked a proposal for an independent (i.e. non-Walton) chairman.

They also barred a proposal by a global investor coalition that Wal-Mart should disclose whether it clawed back pay from executives, in the wake of the corruption scandal at its Mexican subsidiary.

The US Department of Justice and the Securities & Exchange Commission are currently investigating the company over these dealings, which are also the subject of several investor lawsuits.

“In the situation where a company must recover pay from an errant executive, that company needs to be transparent,” said Meredith Miller, chief corporate governance officer at UAW Retiree Medical Benefits Trust, before the proposal was rejected. Otherwise, she said, “Wal-Mart has a compliance policy with no teeth”.

**Low pay**

Gertz, who had been on strike in the week before the AGM, along with many Wal-Mart employees throughout the US, is an overnight stocker who has worked there full time for five years. Her hours are 10pm to 7am and she earns $22,000 a year.

“As a parent, that’s not enough to support my child, even with my husband working too. I don’t get benefits so we are relying on food stamps. Some of my colleagues work two jobs.

“Wal-Mart needs to pay their workers in accordance with what they’re expecting us to do. We’re not asking for $20 an hour or a free ride. We’re asking to be compensated fairly.”

Our Wal-Mart voiced its concerns at the shareholders meeting, she said, “but they don’t listen. Their way of responding is by trying to get rid of us, by
firing us or reprimanding us. But we want to help improve the company. We’d like to see a better Wal-Mart.”

The company, which recently lost a court case against striking workers it fired before last year’s AGM, has updated some policies including conditions for pregnant women – who were allegedly being required to lift heavy loads and denied rest breaks.

But Gertz says implementation has been patchy. “In many stores we’re seeing managers not honouring that policy change, and it’s the same for another on part-time hours. We’re seeing favouritism.”

Ruetschlin also points to a lack of transparency about wage tiers, saying the company only reports “the bare minimum”.

The Wal-Mart view
Kory Lundberg, a spokesman based at the company’s headquarters in Bentonville, Arkansas, rejects these criticisms, arguing that Wal-Mart is “the most transparent retailer in the US”.

Similarly, he says wages and conditions are competitive for the sector and opportunities for career advancement plentiful.

Hourly rates vary in Wal-Mart stores according to local supply and demand in the labour market. For instance, in the booming oil town of Williston, North Dakota, where unemployment is less than 1%, Wal-Mart workers start off with $17.40 an hour, against the Wal-Mart average of about $12, Lundberg says.

But both rates are for full time workers and include managers. Our Wal-Mart, which is closely tied to the United Food & Commercial Workers Union, says the company’s true average is more like $9 an hour.

Lundberg accepts that staff retention could be improved at Wal-Mart’s 4,200 US stores. “There are certain things we can do about being clearer on expectations and career paths, and we are working on that,” he says.

“Our annual survey of associates’ opinions is really valuable to us. It has around 90% participation rate and last year more than 70% of associates were
engaged [i.e. broadly satisfied].”

An online programme called “open shifts”, rolled out in April, has made it easier for employees to take on extra work at short notice, Lundberg adds.

**Mixed picture**

Andrew Winston, the Connecticut-based author of Green to Gold, whose latest book The Big Pivot further explores sustainable business, says Wal-Mart has made “tremendous progress” on carbon emissions in the past five or six years, from fleet efficiency to solar power investment.

More than half of Wal-Mart purchasing in the US is now done by company buyers who are incentivised to select according to sustainability, he says.

“That is a big deal and worthy of praise, even if many of them are still buying primarily on price. It will take time to make its full impact felt,” Winston says.

In terms of reduction of carbon intensity of operations, he says very few companies are going as fast as Wal-Mart – and no country is going faster than the US. “And the US is doing so mostly because of the shift away from coal to natural gas for electricity.”

At the same time Winston agrees that Wal-Mart, like other big companies including McDonald’s, is seriously lagging on the wage issue and will continue to feel pressure from employees and wider society until it addresses it.

“To me it ties back to the short-termism problem, the quarterly results focus. The share buybacks are also a strange strategy to use year after year, to keep saying to investors: we don’t have anything else that we would invest in besides ourselves.”

The companies that have a stake in a thriving middle class should be helping support policies that create it, Winston says.

“If you go back 100 years, Henry Ford raised the daily wage. The logic was that not enough people could afford a car and he wanted to promote higher wages across the country. That’s what needs to happen across some of these larger employers today.”

He cites the likes of Costco and Gap, which pay higher wages without detriment to their performance. However, he disputes that such a move would necessarily have no impact or a positive impact on Wal-Mart’s bottom line, because it is a low margin business.

“Yes, their profits are in billions but that’s on sales of hundreds of billions.”

The larger question he asks is: are we as consumers willing to buy on value, not just on price?

“Shouldn’t things be priced to reflect their full cost to everybody: in energy, in carbon, in paying people a living wage, right up and down the value chain?” Winston asks. “We’ve got to be honest about ourselves: it’s not like people are not buying at Wal-Mart.”
Corporate citizenship

A toolkit for managing corporate legitimacy

The failure of many governments to provide basic rights for their citizens has given rise to the expectation that globally operating corporations should step in and fill governance gaps, for example in the area of human rights. Building on theories in political science, the concept of corporate citizenship establishes a new role for the corporation in the global economy, whereby corporations become political actors in global governance. In her book Managing Corporate Legitimacy, Dorothée Baumann-Pauly develops business tools for assessing corporate citizenship. This abridged extract outlines a comprehensive corporate checklist, describing how businesses can systematically revise their business practices to take on their global citizenship responsibilities.

In order to fully embed the concept of corporate citizenship (CC) in the organisation, CC in practice must feature three dimensions: commitment; structures and procedures; and interactivity.

Commitment

1) Strategic integration. It is the primary task of top management to think through the mission of the business; thus, the integration of CC in strategic
documents depends heavily on the involvement of senior management.

Integrating CC in high-profile strategic documents such as mission statements or codes of conduct is also a precondition for the embeddedness of CC in daily business operations. Research shows that strong ethical leadership is required to make formal CC commitments part of an ethical culture.

2) **Coordination.** The ability to make quick decisions rests upon a structure that places CC coordination at the centre and not at the margins of the institutional architecture, with short reporting lines to senior management.

Employees in charge of the coordination must have both easy access to senior management and authority to initiate measures and projects that further the goal of implementing CC.

**Structural/procedural matters**

3) **Structures and procedures.** After committing to and strategically planning for CC, companies must make internal organisational alignments at lower levels to meet these strategic objectives.

This affects all kinds of organisational processes (alignment of policies and procedures), HR (incentive structures and training) as well as controlling (impact assessments and reporting). The elements mutually enforce one another. For example, if CC is poorly communicated to employees, complaints channels will not be functioning properly because employees may not know the procedures, and those that do know them may not trust them.

4) **Alignment of policies and procedures throughout the organisation.** While mission statements and codes of conduct provide orientation at a general strategic level, policies and procedures at lower levels must be aligned accordingly to support the CC commitment through daily business operations.

This means that all decision-making processes must be systematically and routinely scanned for their potential social and environmental impact. To embed CC at a procedural level, the policies and procedures of all departments must be reviewed to ensure that no policy contradicts CC guidelines and that all procedures systematically integrate CC.

5) **Alignment of incentive structures.** For employees to take on the additional responsibility of critically assessing the social and environmental implications of their work, incentive systems must be designed to factor in these efforts.

Only if non-compliance with CC is punished and exceptional ethical behaviour is rewarded, will CC be treated as seriously as other company policies.
6) **Provision of training measures.** CC can be realised only if employees know what the concept entails and what the attendant expectations are for their specific areas of work. Consequently, they need training in how to apply CC guidelines appropriately, how to interpret and react to ambiguous situations, and how to decide when they need to seek help.

The kind of training ranges from initially sensitising employees to CC issues to simulating ambiguous decision-making situations for specific groups in the corporation. Trevino et al (1999) found that training is most effective if it is delivered by the direct manager and not by external consultants, because then it is most convincing that leadership at all levels cares about ethics.

7) **Creation of complaints channels.** Every social system has its faults, and mistakes are unavoidable. What matters most, however, is whether there are mechanisms in place that are able to detect such breakdowns, and correct them. It is critical that there are confidential channels through which violations of CC guidelines can be reported.

8) **Evaluation of implementation.** Controlling is an indispensable management tool: it functions as an early warning system and helps managers to see whether progress has been made toward an organisational goal. If no progress has been made, the strategy may be revised and resources allocated at an earlier stage.

To embed CC, its performance has to be tracked and evaluated just like other business processes. The methodology for tracking the progress of embedding CC, however, may at times be different from that for other business processes because it must be ensured that the activities have the desired effect. This involves assessing the impact and the legitimacy of CC activities.

As legitimacy is subjectively ascribed, stakeholder feedback must be factored in when progress is measured. Thus, measuring CC means measuring ‘impact’ and not just ‘outcomes’ and requires a participatory approach. The evaluation results should then be used to define the priorities of future CC activities.
9) **Reporting.** A CC report should document regular impact assessments, and highlight what has been considered an achievement as well as non-achievements, along with the next steps in the implementation process.

Unfortunately, until recently the content and quality of CC reports could not be compared. This changed through the introduction of the reporting guidelines of the Global Reporting Initiative (GRI). Currently, approximately 1,500 MNCs report according to these GRI guidelines, and GRI has established a de facto standard for CC reporting.

Nevertheless, following the GRI guidelines means collecting all kinds of social and environmental data; only if CC is already well embedded in the organisation can the guidelines be addressed comprehensively.

**Interactivity**

10) **Level of participation in collaborative initiatives.** Assessing whether a corporation has been looking for allies among its peers and engaging in constructive dialogue with critical stakeholders while implementing CC reveals whether it has recognised that CC implementation is an inherently communicative process.

Collaborating with peers and external stakeholders helps in the design of innovative and sustainable solutions for CC challenges, and participation in collaborative CC initiatives represents a precondition for this kind of collaboration.

11) **Quality of stakeholder relationships.** The quality of stakeholder relationships determines how firmly CC is embedded on an interactive dimension. Solid stakeholder relationships are the result of a long-term process of engagement which has built up trust between the parties. Examples have shown that there are no shortcuts for this process, because corporate legitimacy must be earned.

Assessing the quality of stakeholder relationships is subjective, and in order to balance the subjective bias, data will be collected from various sources.
Sanofi CSR Report 2013

Clinically perfect

By Elaine Cohen

Pharmaceutical giant Sanofi has much to shout about but its report is disappointingly sterile

Not even the fancy infographics that pepper this report from Sanofi can save us from a reading experience that is essentially boring. Dry, monotonous and slightly repetitive, this report leaves the reader wondering if Sanofi has invented a drug to help you stay awake while you read. Devoid of all but a few case studies, external commentary, or anything remotely exciting, at 116 pages, this report is at least a third too long.

In all other respects, it might be considered a perfect report. It is clinical in its execution of the GRI reporting framework and takes you through page after page of perfectly crafted narrative, playing by the rules, covering all bases expertly. However, with a value chain described as a series of challenges, to give us a sense of how tough responsibility really is, this report contains the word “challenge” no fewer than 60 times, and the word “opportunity” only about 30 times. Perhaps that’s what gives this report a rather pessimistic tone, despite some of the real progress that the company is making.

Material issues are presented across the spectrum of the sustainability landscape, in symmetrical balance. Data is clearly presented visually and nuggets of context provide background on prevalent diseases such as polio, malaria, diabetes and dengue fever while a host of data sheets for download that are linked from the report offer additional information.

Great for access

The tragedy of this report is that the real achievements of Sanofi get lost among the clutter. You have to be careful not to miss the fact that Sanofi has access to 260 healthcare programmes in more than 70 countries worldwide reaching 177 million people. That’s an extraordinary achievement. The report links to a downloadable 31-page fact sheet with details of these programmes in countries ranging from the Netherlands to Saudi Arabia, Pakistan to Egypt and through China, Columbia, Kazakhstan, the Philippines and more.
These are the stories that would have been better told in the CSR Report, demonstrating the most important social mission of this healthcare company: making medicine available, affordable and teaching patients and healthcare providers how to cope with disease. Instead, the report remains, in the main, at the level of rhetoric and mostly high-level references. Just 11 pages out of 116 are devoted to patient support. By contrast, 20 pages are devoted to environmental issues, which, Sanofi admits, were far less important (“deprioritised”) in feedback from Sanofi’s stakeholders.

**Meticulous transparency**
Sanofi displays meticulous transparency in performance disclosures (four pages of performance indicators provide three years of data across tens of metrics), and, in each section of the report, a clear set of targets and related progress are provided. It all seems to tie up. Performance across measurable targets for emissions, water and safety is all positive. In other target areas, which are more flexible, qualitative rather than quantitative, similar progress is achieved.

For example, in the people section, there is a target to “promote gender balance”. The performance data shows that women in senior leadership increased by 2%, on the executive committee by 6% and on the board by 5% showing that even with such a fluid target, the company delivered. In some cases, the targets feel a little light, for example, “develop our knowledge of pharmaceuticals’ impact in the environment”. Progress is noted as “ongoing” with progress described as taking part in scientific research programmes. How an assessment can be made as to whether this target was actually achieved or how it will be achieved in the future is not clear.

**Reflecting progress**
The Sanofi report addresses all the issues we might expect of a leading pharmaceuticals player. Access to medicines, pharmacovigilance, medical waste, bioethics, clinical trials, business ethics and anti-corruption, supply chain auditing, counterfeit drugs and more all find a place in this report, and the scale and breadth of Sanofi’s activities is impressive.

A strong focus on children’s rights and programmes to improve access for children is well noted, including an NGO that Sanofi established to support the children of employees gain access to healthcare. It’s not surprising that Sanofi is a well-respected responsibility leader among pharma peers. It’s just a shame that the company’s reporting fails to break out of the laboratory and deliver a spark of excitement and optimism.
Putting consumers centre stage

By Aarti Ramachandran

For the latest report on its pioneering Plan A sustainability programme, Marks & Spencer focuses attention on its customers

Do your consumers care about sustainability? According to market research, they don’t. They just want to trust you, the company, to do the right thing, all the time. They aren’t interested in your accomplishments; they’re simply happy if they don’t hear about your misdeeds on the 10 o’clock news.

This view has led many firms to develop sustainability strategies that are completely divorced from the everyday reality of their consumers. Even as companies spend significant resources on untangling their complex supply chains and reducing their impacts, their consumers remain blissfully unaware of these efforts.

Companies, however, also know that a significant portion of the impacts associated with their products occur post-consumer use. To reduce their own footprints, companies need their consumers to act responsibly.

Ever since it released its ground-breaking Plan A in 2007, Marks & Spencer has set the gold standard on sustainability strategies. Yet, in its new 2014 report, even M&S admits to learning a lesson in humility: “We won’t change the world on our own,” says Mike Barry, director of Plan A. “In fact, we can’t even change our own business alone.”

This may be why, for the first time, Plan A – or Plan A 2020 as it is now called – has been restructured, signalling a renewed determination by M&S to pursue its 100 commitments under four new pillars: Inspiration, In Touch, Integrity and Innovation.

Under the first pillar, M&S aims to “inspire and excite” its consumers at every turn. The Inspiration pillar has 11 commitments, all of which are geared toward engaging consumers with Plan A. Significantly, two new commitments – replacing others that have been removed elsewhere – will see M&S integrating Plan A information into how it markets and communicates the M&S brand, as well running marketing campaigns to encourage consumers to take action.

When it came out with Plan A, M&S was ahead of its peers on how well sustainability was integrated into business operations. Plan A 2020 looks set to see M&S once again take the lead on shaping the difficult conversation.
Continues from p64

around just how far companies should go to engage consumers on sustainability issues.

**Simply reporting**
Given the extent of the company’s sustainability strategy and commitments, it is remarkable that M&S has been able to give readers a comprehensive overview of Plan A 2020 in just 40 pages.

The 2014 report is a no-nonsense, straightforward account of M&S’s performance on its 100 commitments, some of which have been revised, some of which are entirely new, and three of which have been “deleted”. M&S is admirably clear on the reasons for the abandonment of these latter commitments, saying, for example, that it can make no further progress with its “pesticide residue-free food” commitment because of a growing use of pesticides “as a result of climatic change”.

The report quickly plunges into M&S’s performance, clearly laying out the commitments under its new pillars, which serves to help the reader understand the company’s long-term strategy.

For those uninterested in the detail, the report also has a useful summary of M&S’s performance up front, using tables to indicate which commitments have not yet started, where the company is behind plan or on plan, and which commitments have been achieved.

The report is geared toward a reader familiar with sustainability issues, perhaps with the view that casual readers will not seek out this information. The document could use some lighter elements to break up the tedium of reporting. There are no case studies or infographics, all data is presented in tables as opposed to charts, and images are kept to a minimum.

While this austerity is not necessarily a bad thing in a PDF report, especially one that is not meant for general consumers, it would help if this report was accompanied by a more interactive and friendly website. The current Plan A 2020 site is simply a ‘highlights’ version of the report, similarly lacking reader-friendly visual elements. In the interest of transparency, it would also help for M&S to discuss its stakeholder interactions in greater detail.

Overall, the report does a commendable job of laying out how M&S is building a coherent and logical strategy to tackle some very complex issues. As M&S seeks to move towards a more consumer-centric approach to sustainability, however, it may also have to rethink how it communicates its performance.

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**Snapshot:**

- **Follows GRI?** G4 (Core)
- **Assured?** Yes, by Ernst & Young
- **Materiality analysis?** Yes, but no detail provided on material issues, only focused on assurance
- **Goals?** Yes, four pillars clearly laid out
- **Targets?** 100 commitments, clearly stated
- **Stakeholder input?** Yes, Forum for the Future
- **Seeks feedback?** No
- **Key strengths?** Detailed, emphasis on commitments
- **Chief weakness?** Lack of visual design elements
- **Pleasant surprise?** Transparent explanation of why three commitments have been abandoned
MBAs: getting responsibility on the syllabus

A decade ago, business school students were fed on a strict diet of profit maximisation. Gradually, perceptions on campus have changed. From tokenistic classes on ‘sham ethics’, business educators have sought to adopt a more ‘human-centred’ teaching model that integrates the social, economic and human elements. So how is the experiment unfolding?

The literature reaches a frank consensus. The institutionalisation of the subject within MBA courses remains “far from extensive”. For starters, business schools show little consistency, drawing variously on theories of corporate social responsibility, sustainability and sustainable development. Teaching methods and teacher commitment present a piecemeal picture too. The authors’ research, based on questionnaire responses from 103 business school faculty members and PhD students, indicates that only one in four of respondents think corporate social responsibility is integrated “a great deal” across their departments’ courses. Sustainability and sustainable development score even lower, at 13% and 11% respectively.

Curricular and administrative constraints are held up as a barrier in many cases, while the culture of certain schools can be severely detrimental as well. One way to turn the situation around is to identify a powerful champion for the subject, the paper suggests. The authors wisely point to the Association to Advance Collegiate Schools of Business, an important course accreditation group. Faculty should also look for frameworks that consolidate knowledge in this area. Suggestions include Simon Zadek’s notion of multi-stage corporate citizenship and Stuart Hart’s natural-resource-based view of the firm.

Controversially, the authors call on scholarly communities organised around the subject area to devote less time to research. Instead, they should be busying themselves designing innovative approaches to teaching and winning over recalcitrant scholars to their cause.


From campus

Universitat Ramon Llull in Barcelona, Spain, is due to host the Third International Conference on Social Responsibility, Ethics and Sustainable Business 9-10 October 2014.

The Institute for Sustainability Leadership at Cambridge University is due to run a three-day training seminar for sustainability practitioners in Durban, South Africa, 18-20 August 2014.
Strategic philanthropy: an emergent model

Advocates of strategic philanthropy prescribe a well-known formula: set clear goals, adopt data-driven strategies and, above all, rigorously evaluate the impacts of every penny given. Yet this “rigid and predictive model of strategy” doesn’t seem to be working, with ambition unmet and donors frustrated. The world of social investment is far more complex than existing strategies have assumed, this provocative essay argues. Successful interventions, for instance, involve negotiating cross-sector relationships and divergent motivations. They also suppose the tackling of the root causes underlying society’s complex problems.

The authors propose a new “emergent model” of strategic philanthropy. The Rockefeller Foundation, which launched an ‘impact investment’ investment fund worth $42m in 2008, provides their case study. Instead of adopting a prescriptive plan, the US charitable foundation followed three “emergent” principles that the authors argue other donors would do well to copy. The principles are a) co-creating your strategy (i.e. entering into dialogue with others), b) working out positive and negative “attractors” (i.e. identifying those “people, ideas, resources and events” that are moving the organisation towards or away from its goals), and c) improving system fitness (i.e. sharing visions across sectors, reinforcing trust between organisations and improving policies to encourage innovation, cooperation and the adoption of new ideas).

Think of it as approaching the strategy table with a compass, not a map. A map assumes you are going over known terrain, the paper says. A compass, in contrast, keeps you set on your goal “regardless of the unanticipated obstacles and detours that may appear during the journey”.


Governance: board-level committees

Only one in 10 US corporations has a board-level committee dedicated exclusively to social and environmental issues. In that context, Nike is one of the rarities. In 2001, the then chief executive of the US apparel company, Phil Knight, established just such a governance structure. More than a decade later, this fascinating HRB article sets out to explain why that decision was a wise one.

Providing a source of expertise and acting as a resource for the board are two of the more obvious arguments put forward in favour of a board-level committee. Encouraging board accountability is another. Two other, even more compelling, reasons exist, however. The first is that the committee can act as a sounding board. Business leaders often suffer from a paucity of constructive critics. The fact that four of the five members of Nike’s sustainability committee are outsiders ensures they bring a “distinctive outlook” into the boardroom. This ability to see a problem afresh links to a second compelling driver: stimulating innovation. Nike’s sustainability committee, for example, was instrumental in pushing the company to reveal the names and locations of its contract factories – information considered highly proprietary until then.

Creating a corporate responsibility committee does not absolve the full board of its obligation to oversee the company’s social and environmental performance, the paper notes. But, through its “focus, expertise and sustained attention”, it can do much to keep senior leadership not only on track but ahead of the game.

New books

Our suggestions for some summer reading

Capitalism and its alternatives
By Chris Rogers
Paperback: 176 pages, £14.00
ISBN: 9781780327365
Publisher: Zed Books
Published: August 2014
The economic crises of recent years and the volatile political events that have followed have given renewed impetus to the anti-capitalist movement. This book goes beyond the usual list of searing but ultimately fruitless criticisms of capitalism, and instead examines the relative virtues of the alternatives on offer. A challenging, timely assessment.

Climate change and human development
By Hannah Reid
Paperback: 304 pages, £21.99
ISBN: 9781780324401
Publisher: Zed Books
Published: July 2014
It’s well accepted that climate change will hit the world’s poor hardest. This important book drills down into the impacts of rising temperatures on everything from farming and energy to public health and water. Critically, it maps out what climate-resilient development might look like and suggests practical steps forward.

Linking local and global sustainability
By Sukhbir Sandhu, Stephen Mckenzie and Howard Harris (eds)
Hardcover: 314 pages, £90
ISBN-10: 9401790078
Publisher: Springer
Published: August 2014
This holistic account seeks to join the dots between the micro and macro worlds spanned by the theme of sustainability. The book’s second section on sustainable decision-making is of particular relevance to practitioners, with chapters on cost savings, supply chain management and life cycle analysis.
Competing for a sustainable world: building capacity for sustainable innovation

By Sanjay Sharma
ISBN-10: 1783531223
Publisher: Greenleaf Publishing
Published: July 2014
Innovation rarely, if ever, is plucked from thin air. Creative thinking and breakthroughs result from systems that inspire, encourage and reward employee imagination. This practitioner-focused book provides insights from successful corporate innovators about what works – and what doesn’t.

Sustainability: a history

By Jeremy L. Caradonna
Hardcover: 336 pages, £17.99
ISBN-10: 0199372403
Publisher: Oxford University Press
Published: August 2014
An ideal book for those new to the field of sustainability, this highly accessible primer explains the historical roots of the subject and maps its course to the present. A testimony to the importance of learning from history.

Public trust in business

By Jared D. Harris, Brian T. Moriarty & Andrew C. Wicks (eds)
Paperback: 416 pages, £22.09
ISBN-10: 1107650208
Publisher: Cambridge University Press
Published: July 2014
Drawing on the expertise of an international array of experts from academic disciplines, this timely compilation explores long-term strategies for building and maintaining public trust in business. Key questions addressed include: what drives trust, how to manage it effectively and how best to restore trust when it’s lost, among others.
People on the move

By Claire Manuel
With thanks to Miriam Heale, Allen & York
www.allen-york.com

Appointment of the month: Yann Gindre

The United Nations-supported Principles for Responsible Investment (PRI) has appointed Yann Gindre as its new director of networks and global outreach. Based in London, Gindre will be responsible for developing the PRI’s global outreach, signatory relations and recruitment strategy, reporting to managing director Fiona Reynolds.

His background is in international banking and capital markets and he was previously chief executive of Natixis CIB Americas, a division of French banking group Natixis. Between 1988 and 2004, Gindre served in London at several US and European banks, including UBS, Barclays Capital, Commerzbank and JP Morgan Chase.

Reynolds says: “Yann’s extensive international experience and proven track record developing new business and deepening relationships with investment institutions at the highest level leave him perfectly placed to support the PRI’s expansion in the US, Asia and the Middle East and deepen our relationships with the CEOs and CIOs of both existing and potential signatories.”

Gindre says: “I’m very excited to be joining the PRI, particularly at a time when responsible investment is one of the world’s fastest growing investment trends.”

Devised by the investment community, the Principles for Responsible Investment provide a voluntary framework by which all investors can incorporate environmental, social and governance issues into their decision-making and ownership practices.

David Kennedy has been appointed as the Department for International Development’s first director general for economic development. Kennedy is an experienced economist who has worked on development finance, strategy and investment at the World Bank and the European Bank for Reconstruction and Development. He was most recently chair of the Committee on Climate Change.

Dublin-based renewable energy investment group NTR has appointed Manus O’Donnell as chief investment officer, with specific responsibilities to fulfil NTR’s strategy to invest in wind projects in UK and Ireland. O’Donnell was formerly chief executive of Mainstream Capital and head of corporate finance for Mainstream Renewable Energy.

Vickie Hawkins is now UK executive director at emergency medical humanitarian organisation Médecins Sans Frontières/Doctors Without Borders (MSF). The first British person to hold the position, Hawkins has worked for MSF since 1998, including stints in China, Pakistan, Afghanistan and Zimbabwe. Most recently, she spent three years in Myanmar.

Prince Zeid Ra’ad Zeid Al-Hussein of Jordan has been appointed by United Nations secretary-general Ban Ki-moon as the new UN high commissioner for human rights. He is currently Jordan’s permanent representative to the UN and formerly served as Jordan’s ambassador to the United States and non-resident ambassador to Mexico.
**People on the move**

**Professor Kate Bullen** is the new director of ethics and equality at Aberystwyth University. She will be responsible for developing, publicising and assuring the University’s strategic direction in ethics and equality. Currently director of the Institute for Human Sciences, she is also chair of the British Psychological Society Ethics Committee.

Bullen’s first job was in the National Health Service, where she trained as a therapeutic radiographer before working in several oncology centres. “I made a career change in my early thirties,” she explains. “Oncology, and particularly the challenges of palliative and end-of-life care, had developed my interest in counselling and psychology.” She gained a degree in psychology in 1996, followed by a PhD and a Master’s degree in education. In 2007 she joined Aberystwyth University to establish the Psychology Department. Her interest in equality – and particularly gender equality – has been a developing passion since joining Aberystwyth. “I have been supported and encouraged by senior colleagues to develop our research ethics and equality frameworks, and my new role will enable me to take ethical matters forward into wider areas of our strategy, policy and practice, underpinned by ethical values and principles,” she says. “I’m keen to see us enhance the translation of theoretical ethical principles into policy and practice.”

**Lesley Alexander** is the new chair of the UK Sustainable Investment and Finance Association (UK SIF). Alexander, who took up the post on 1 July, is chief executive of HSBC Pension Trust. Founded in 1991, UK SIF supports the UK finance sector in advancing sustainable development through financial services.

US-based Marcus Hotels & Resorts has hired Ted Lorenzi as vice-president of engineering and sustainability. In his new role, he will be responsible for engineering, environmental and energy management strategies and sustainability programmes throughout the company’s portfolio. Lorenzi was formerly with Carlson Rezidor Hotel Group.

**Laurie Lee** is the new chief executive of Care International UK, a leading humanitarian and development agency. Lee joins Care from his position as Africa director at the Gates Foundation. Before that, he was a civil servant in the British government, mainly in the Department for International Development.

**Jack Cunningham** has been appointed as head of group sustainability, health and safety at Gemfields, the world’s largest producer of coloured gemstones. Cunningham was previously sustainability and climate change director at PwC.

US sustainable investment firm Pax World Management has hired Steven A Falci as chief investment officer. Before joining Pax, Falci served as head of strategy development, sustainable investment at Kleinwort Benson Investors.

**Benj Sykes** is the new co-chair of the UK’s Offshore Wind Industry Council (OWIC). Sykes, who is Dong Energy Wind Power’s country manager, replaces Keith Anderson, the chief corporate officer of ScottishPower, who has held the role since 2010. OWIC is the strategic partnership forum between the UK government and the offshore wind industry.

The Australian government’s Future Fund has appointed Joel Posters as its new head of ESG risk management. Posters, who will relocate from the Netherlands, was most recently global head of sustainability with De Lage Landen, part of Rabobank Group.
Ethical Corporation | July 2014

People on the move

Enel Green Power has appointed Francesco Venturini as chief executive officer and general manager. He was previously the group’s head of North America.

Nancy Wildfeir-Field has joined health coalition GBCHealth as its new president. She most recently served as director, global partnerships for BSR (Business for Social Responsibility). Previously, she managed health-related partnerships for USAID in the Caribbean and Eastern Europe.

Irish wind turbine company Airsynergy has appointed Ciaran O’Brien to its board as a non-executive director. O’Brien served as chief executive officer of Wind Capital Group (USA) from 2008 to 2012. Before that, he served as chief financial officer at Airtricity.

Australian ethical fund firm Hunter Hall Investment Management has hired Barbara Glover as head of retail sales and marketing. Glover’s previous employers include AMP Capital and AXA Australia.

Andy Deacon is the new managing partner of the UK-based environmental behaviour change charity Global Action Plan. Deacon, the former director of development at the Energy Saving Trust, has been involved in several prestigious environmental projects across his career, including the London Mayor’s Climate Change Action Plan.

Deacon started out as a research associate at the University of Birmingham, working on urban air pollution issues.

After several roles involving air quality, he changed tack, taking a broader approach across a range of sustainability issues with the Royal Commission on Environmental Pollution. This led to roles at the Department for Environment, Food and Rural Affairs; at City Hall; and then the Energy Saving Trust. “I’ve had some amazing opportunities, working with the UK support team for the IPCC, on the UN Climate negotiations and on city-wide action planning on air quality and CO₂ emissions,” he says. Deacon trained as a meteorologist/climatologist in the wake of the IPCC’s first assessment report and has “had the chance to influence organisational and individual responses to climate change”. In his new role with Global Action Plan he is looking to “keep embedding sustainable behaviour change for as many businesses and people as possible”.

Deloitte Real Estate has expanded its real estate sustainability team by hiring Nick Hogg and Jack Wang. Hogg joins as a senior consultant from Upstream Sustainability Services at JLL. He was also a leading adviser to the Better Buildings Partnership. Wang, who is also a senior consultant, joins from the National Energy Foundation. Both are based in Deloitte’s head office in London.

Europe’s largest producer of renewable energy, Statkraft, has hired Hallvard Granheim as executive vice-president and chief financial officer. Granheim was previously the firm’s head of financial reporting, accounting and tax. Statkraft is the leading power company in Norway and has 3,600 employees in more than 20 countries.

US non-profit financial services firm ImpactAssets has expanded its leadership team with two new appointments: chief growth officer Elizabeth Stelluto and managing director of distribution Jeff Sheridan. Stelluto has more than 25 years’ experience working for financial organisations such as NestWise LPL Financial, Charles Schwab and Goldman Sachs. Sheridan’s previous roles include vice-president at MainStay Investments and vice-president at Fidelity Charitable Services.
Living with multiple sclerosis can sometimes be a headache.

Over 100,000 people in the UK are affected by MS. No two people experience exactly the same symptoms. But no one need deal with MS alone.

At the MS Trust we offer free, practical, evidence-based information to make living with MS a little easier.

We’re online, on the phone and in print with the right information at the right time to suit you.

If you have a question about MS give us a ring on 0800 032 38 39
e-mail us at info@mstrust.org.uk
or visit mstrust.org.uk to browse our full range of resources and find out more about our work.

The work of our small team is entirely funded by the donations of people like you.
If you’d like to help us help everyone affected by MS visit mstrust.org.uk/getinvolved