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Stati Generali della Green Economy
Rimini, Italy
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Is it all about Growth?

- https://www.youtube.com/watch?v=bqz3R1NpXzM
The state of affairs in our present-day BROWN ECONOMY

https://www.youtube.com/watch?v=bqz3R1NpXzM
Growth is good – but at what cost?

- Made considerable progress globally in advancing produced capital since the 1990s.

- Inclusive wealth formation has been non-existent outside of Europe, and negative in Africa.

- Natural capital has been systematically depleted globally, mostly in resource intensive regions.

- We have to ask ourselves if this is sustainable and acceptable?

Source: Uncovering Pathways Towards an Inclusive Green Economy (UNEP, 2015)
Negative environmental externalities of top 3,000 companies estimated at US$ 2.15 trillion per annum.


Source: http://www.thedailygreen.com/cm/thedailygreen/images/ZK/fire-deepwater-horizon-300.jpg
Defining Behaviours of “Corporation 1920”

**Pursuit of Size:** “Big is Beautiful”; MNC model - international ‘arbitrage’ of cheap resources, cheap labour, subsidized manufacturing, rich markets.

**Aggressive Lobbying:** Tilting the playing field; obfuscating reality for decades (E.g. leaded petrol, cigarettes, climate change and glyphosate)

**Leverage without Limits:** Ignoring lessons from four major recessions – creating “too-big-to-fail” companies.

**Advertising without Ethics:** Converting human insecurities → Wants → Needs → Demand → Profits.

... Causing Huge Negative Externalities
‘Corporation 1920’
is still today’s dominant model..
Pursuit of Size..

→ VW’s ‘defeat device’ designed to cheat emissions limit for NO\textsubscript{X}.

→ VW is just biggest fish in the seas – their engines were polluting 35% less than comparable cars of Mazda, Mercedes, BMW, Ford.

→ It’s a question of ethics – all companies cheat until one gets caught.

→ Profits / Pursuit of Size at core of ethics failure – Cost Benefit Analyses doesn’t take into account morality.

July 1977: Company scientist James Black warned company’s top executives that global warming would result from continuing fossil fuel use.

Early 1980s: Exxon validated findings from shipborne CO2 measurements. Spent a decade researching further.

Late 1980s: Decommissioned the research and spearheaded climate change denial. Active lobbying against public action on GHG emissions ever since.

Source: http://www.dailykos.com/story/2013/04/26/1205000/-ExxonMobil-rakes-in-9-5-billion-profit-on-which-it-will-pay-a-13-percent-tax-rate-if-that#
A very different Corporation is needed which is within our sight: “Corporation 2020”.

Characteristics of “Corporation 2020”

- **“Goal Alignment with Society”** ...It has a Social Purpose
- **“Capital Factory”** ....Measures & Manages its Externalities
- **“Institute”** ....Causes +ve Human Capital Externalities
- **“Community”** ..... Causes +ve Social Capital Externalities
- **“Guardian”** ....Causes +ve Natural Capital Externalities

Source: www.corp2020.com
Towards an

INCLUSIVE GREEN ECONOMY

(“IGE”)

CORP

Transforming Business for Tomorrow’s World
Inclusive Green Economy (IGE)

“A Green Economy is defined as one that results in improved human well-being and social equity, whilst significantly reducing environmental risks and ecological scarcities.”

Source: Towards a Green Economy (UNEP, 2011)

“T-21” Results: for 2% of GDP invested in ‘Greening’ vs 2% more in BAU
IGE: Design Principles

→ Centrality of Jobs & Economy
→ ‘Economy-wide’ transition planning
→ Focus on & Invest in Public Wealth
  → Invest in Ecological Infrastructure
  → Build Institutions & Legislation
→ Conserve Natural Resources
→ Develop Human Resources
→ Long-term resilience vs Short-term stability
→ Prioritize Concurrent ‘Micro-Policy’ Reforms
→ Disclose & Rationalize Subsidies
→ Tax the ‘bads’ more and the ‘goods’ less
→ ‘Polluter Pays’ Principle and the Precautionary Principle
→ Innovate for Sustainability: towards a ‘Circular Economy’

Source: Uncovering Pathways Towards an Inclusive Green Economy (UNEP, 2015)
A sneak peek into the Circular Economy

EU Commission Work Programme 2016 lists circular economy as 1 of 5 initiatives required to boost jobs, growth and investment.
How must we evolve to transition into an inclusive green economy?
Four Planks of Change for Corporations

Micro-Policy Reforms to evolve a new model: “Corporation 2020”

**Accountable Advertising (Advertising Associations)**
Two Principles, Four Strategies, & Industry-wise Standards to make marketing/advertising responsible & accountable

**Leverage Limits (Central Banks)**
Six reforms to govern & limit financial leverage at the point of credit extension, not just intermediation

**Resource Taxation (Finance Ministries)**
Replacing Corporation Tax (on Profits) with Resource Taxes (on Resource Use & Extraction)

**Disclosing Externalities (Accountancy Regulators)**
Measuring & disclosing all major corporate externalities (+ve & -ve) using sectoral standards & guidelines

SDGs can help align business incentives with IGE objectives

→ SDGs strengthen economic incentives for companies to use resources more efficiently as externalities become internalised.

→ SDGs aim to redirect global investment flows towards specific challenges – defines growing markets for companies that can deliver transformative change.

→ SDGs reflect stakeholder expectations, so companies aligning with SDGs can strengthen engagement with consumers and employees.

→ SDGs define common framework of action and language – will help companies communicate consistently and effectively with stakeholders.

→ Investing in SDGs supports pillars of business success – including existence of rules-based markets, transparent financial systems and well-governed institutions.

Source: [www.sdgcompass.org](http://www.sdgcompass.org)
“Socially Responsible Investment”: already large & growing fast...

- Global SRI assets have expanded 61% in just two years, from USD 13.3 trillion (2012) to USD 21.4 trillion (2014)
- Evidence that strong ‘stakeholder’ performance & credible metrics will attract new capital

**Table**: Growth of SRI Assets by Region 2012–2014

<table>
<thead>
<tr>
<th>Region</th>
<th>2012</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>$8,758</td>
<td>$13,608</td>
</tr>
<tr>
<td>United States</td>
<td>$3,740</td>
<td>$6,572</td>
</tr>
<tr>
<td>Canada</td>
<td>$589</td>
<td>$945</td>
</tr>
<tr>
<td>Australia/NZ</td>
<td>$134</td>
<td>$180</td>
</tr>
<tr>
<td>Asia</td>
<td>$40</td>
<td>$53</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$13,261</strong></td>
<td><strong>$21,358</strong></td>
</tr>
</tbody>
</table>

Source: Review Report by Global Sustainable Investment Alliance, 2014
Regulators waking up...

European Union Directive

EC "Directive" (Oct 2014) requiring companies to begin **publicly reporting** on environmental and social strategies, actions, policies and programs.

Member states have two years to transpose the Directive into national legislation, with companies expected to **begin reporting as of financial year 2017**.

Disclosure required of concise, useful information necessary for an understanding of their development, performance, position and **impacts of their activities**.

- Statement of Company’s policies on Environmental & Social impacts
- The results of its policies
- The risks and how they are managed
- Financial and non-financial key performance indicators

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- From Measuring “Shareholder Performance” to Measuring “Stakeholder Performance”
- From Reporting only “Financial Capital Impact” to Reporting “All Capital Impacts”

**Monetized impact across the whole value chain**
(indicative\(^1\))

Source: [http://tinyurl.com/AkzoNobel4D](http://tinyurl.com/AkzoNobel4D)

\(^1\) [http://ec.europa.eu/finance/accounting/non-financial_reporting/index_en.htm](http://ec.europa.eu/finance/accounting/non-financial_reporting/index_en.htm)
Thank You!

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