

Businesses and the Green Economy: Lessons from Corporation 2020.

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Stati Generali della Green Economy

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Is it all about Growth?

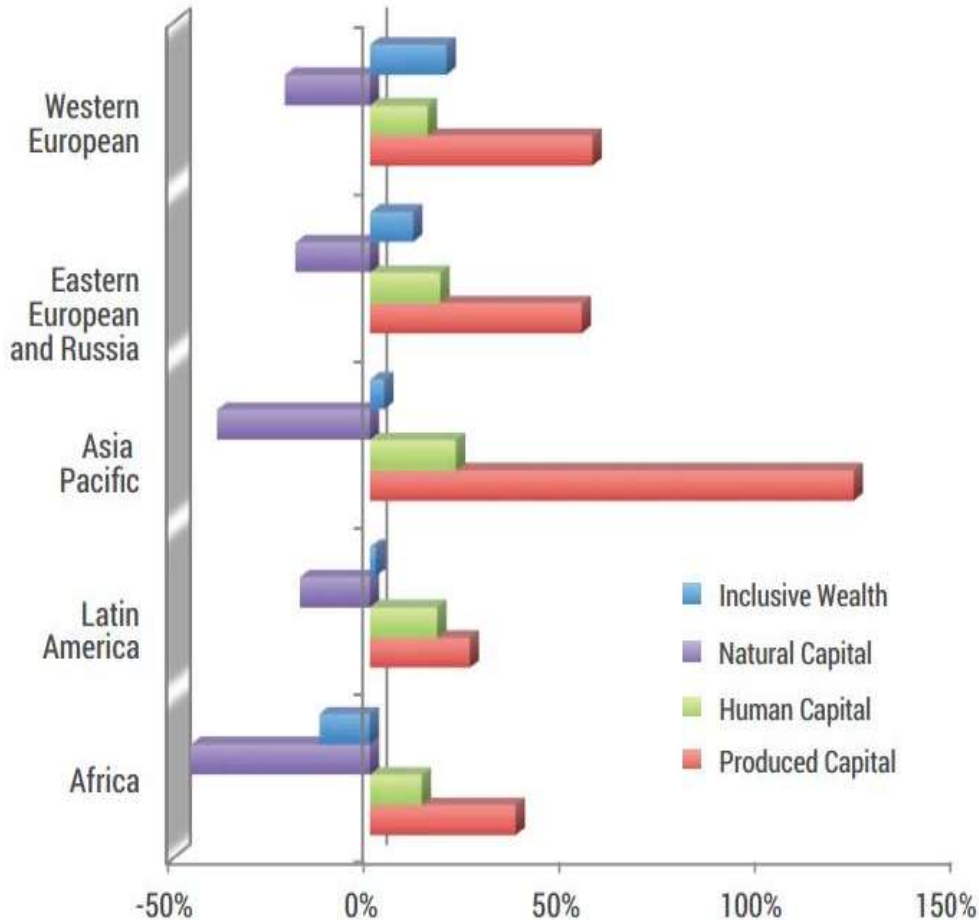
- <https://www.youtube.com/watch?v=bqz3R1NpXzM>

The state of affairs in our present-day **BROWN ECONOMY**

<https://www.youtube.com/watch?v=bqz3R1NpXzM>

Growth is good – but at what cost?

Percentage change in wealth 1990 - 2010 (per capita)



Source: Inclusive Wealth Index

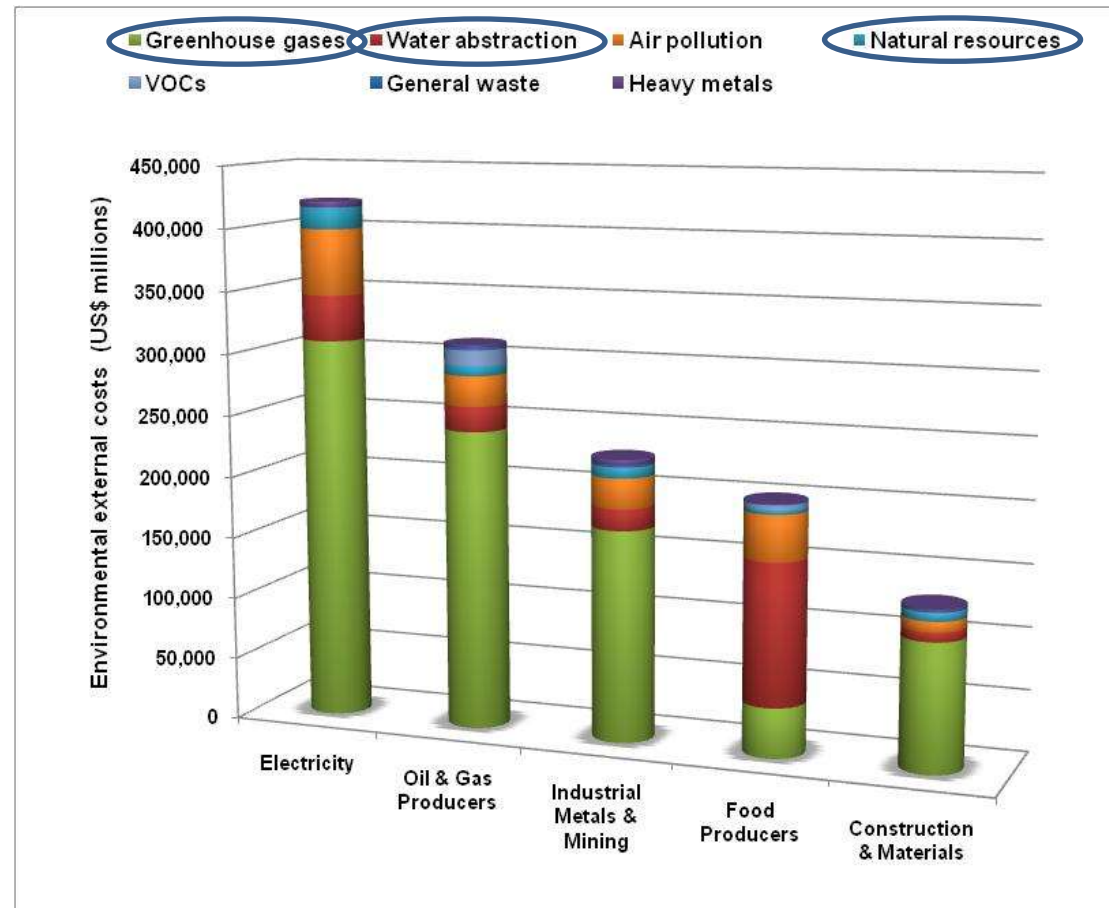
- Made considerable progress globally in advancing produced capital since the 1990s.
- Inclusive wealth formation has been non-existent outside of Europe, and negative in Africa.
- Natural capital has been systematically depleted globally, mostly in resource intensive regions.
- We have to ask ourselves if this is sustainable and acceptable?

Negative Externalities

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>



Source: Trucost for UNPRI, 2010.

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..

ExxonMobil
Energy lives here™



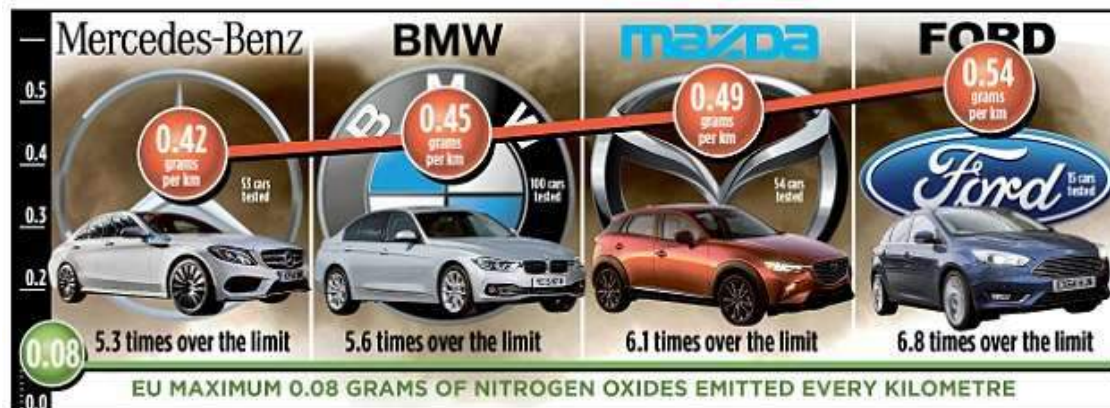
Pursuit of Size..



- VW's 'defeat device' designed to cheat emissions limit for NO_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.

Corporation 1920



Aggressive Lobbying....



- 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.



Corporation 1920

And at the 'Micro' Level...

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

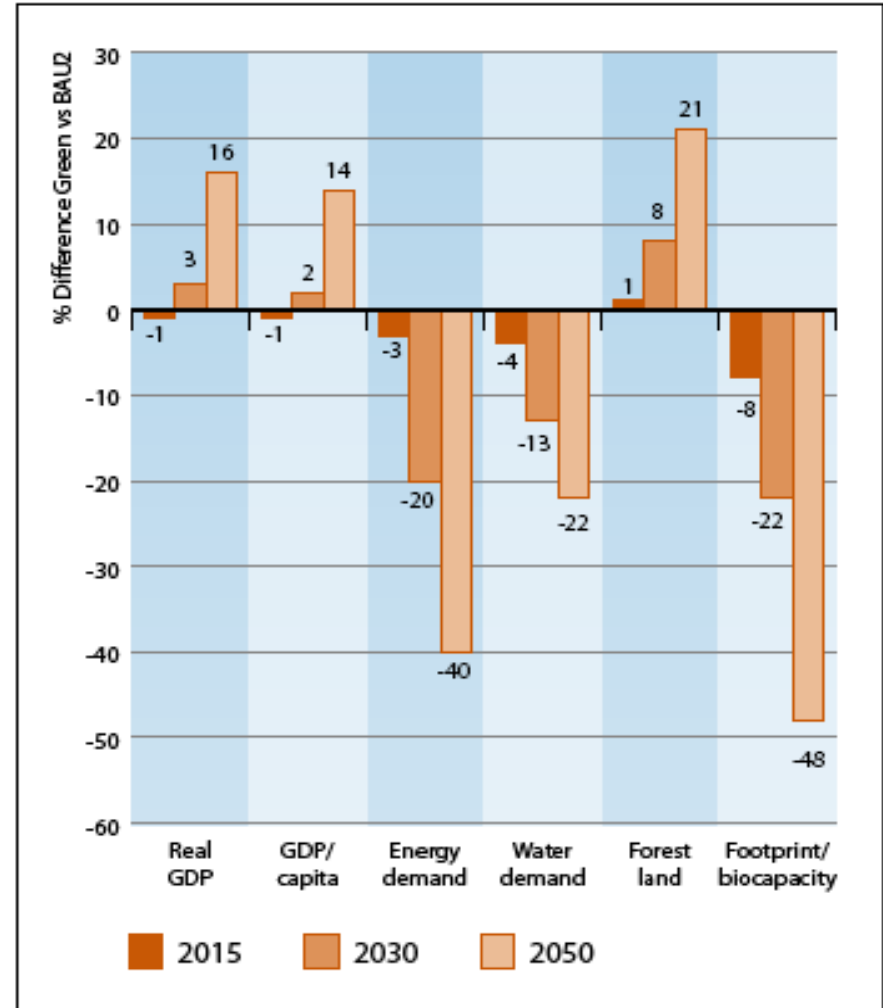
Towards an
INCLUSIVE GREEN ECONOMY
(“IGE”)

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)

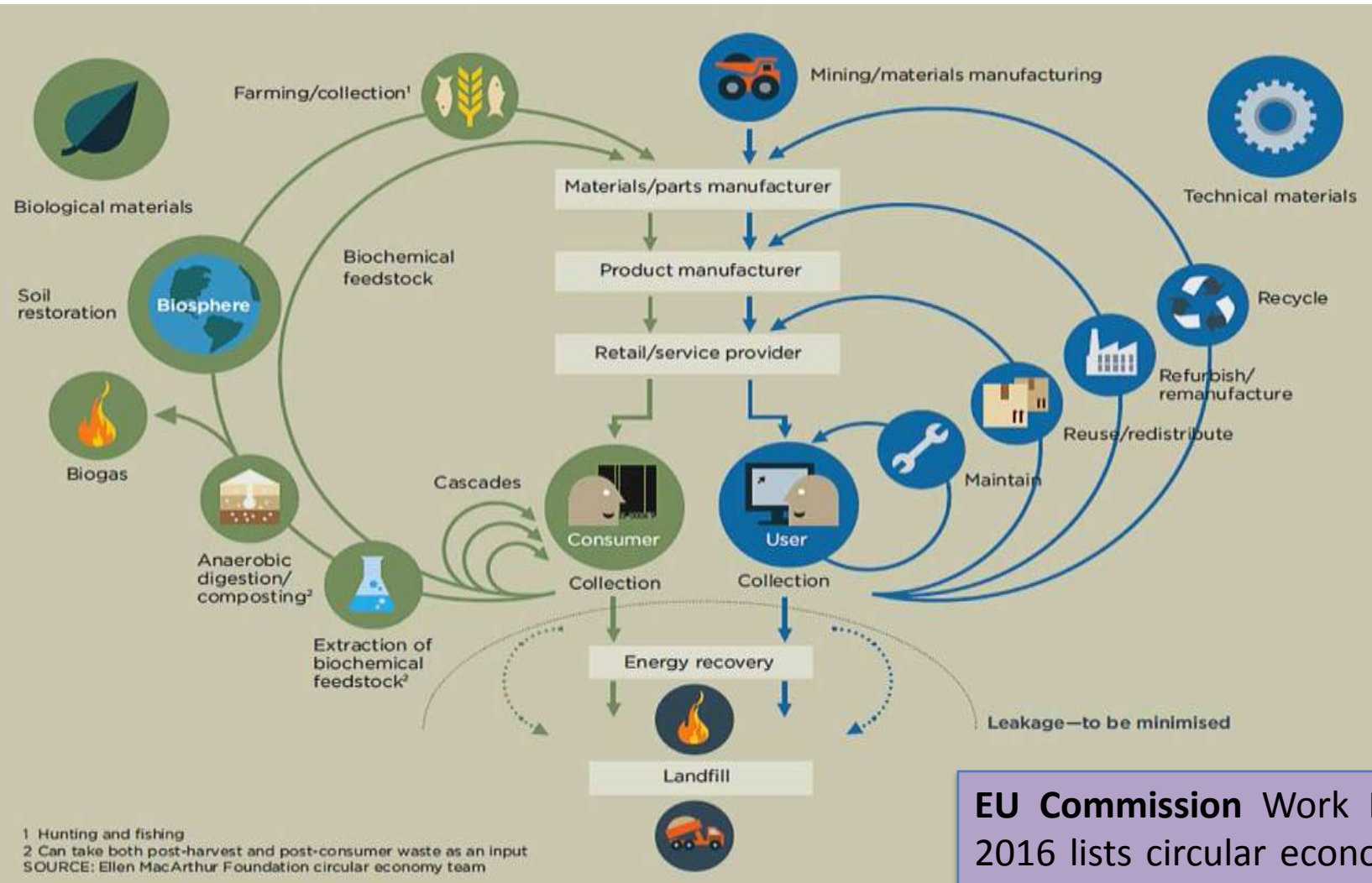


“T-21” Results: for 2% of GDP invested in ‘Greening’ vs 2% more in BAU

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'

A sneak peek into the Circular Economy



1 Hunting and fishing
 2 Can take both post-harvest and post-consumer waste as an input
 SOURCE: Ellen MacArthur Foundation circular economy team

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.



“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

Figure: Proportion of Global SRI Assets by Region

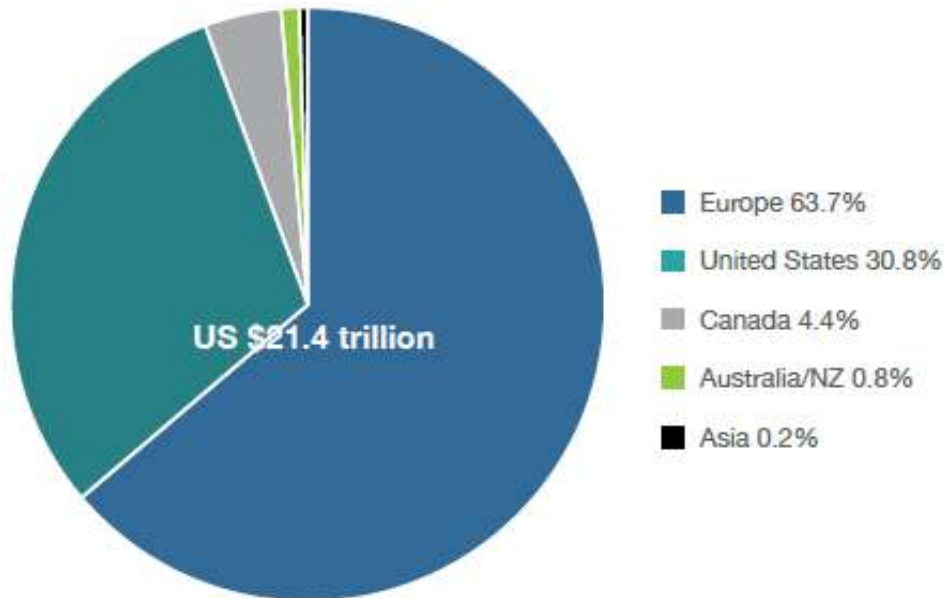


Table: Growth of SRI Assets by Region 2012–2014

| | 2012 | 2014 |
|---------------|-----------------|-----------------|
| Europe | \$8,758 | \$13,608 |
| United States | \$3,740 | \$6,572 |
| Canada | \$589 | \$945 |
| Australia/NZ | \$134 | \$180 |
| Asia | \$40 | \$53 |
| Total | \$13,261 | \$21,358 |

Regulators waking up...

European Union Directive¹



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**.

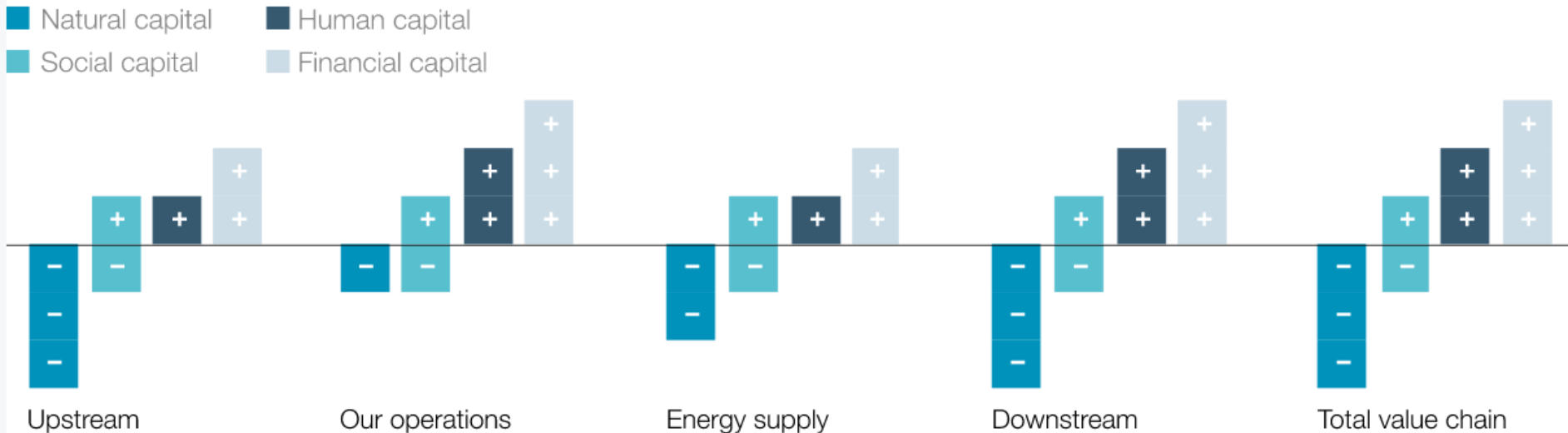
- Statement of Company's policies on Environmental & Social impacts
- The results of its policies
- The risks and how they are managed
- Financial and non-financial key performance indicators

¹ http://europa.eu/rapid/press-release_STATEMENT-14-291_en.htm

“Corporation 2020” Leadership in Stakeholder Reporting: AkzoNobel “4D-P&L”

- From Measuring “Shareholder Performance” to Measuring “Stakeholder Performance”
- From Reporting only “Financial Capital Impact” to Reporting “All Capital Impacts”
- Moving forward from Directive 2014/95/EU (22 Oct 2014) of the European Parliament & Council, which requires *national* implementation by 2017¹

Monetized impact across the whole value chain (indicative¹)



Source: <http://tinyurl.com/AkzoNobel4D>

¹http://ec.europa.eu/finance/accounting/non-financial_reporting/index_en.htm

Thank You!

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