



BEYOND GREENWASHING

When 'business-as-usual' means sustainability

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Economies, employment and now more than ever, the future of our planet, depend on business. The multiple socio-economic and environmental crises we face ultimately mean that a failure in commerce to act sustainably will only increase the number of increasingly difficult challenges awaiting in terms of product design, the sourcing of materials and the waste from consumption.

Up until now, those businesses that harnessed the value of creativity and innovation were seen as 'early adopters,' the pioneers of sustainable revolution, or on the other hand, labelled as 'green fools.' They fostered a 'can-do' attitude for turning ideas into definitive action, showing another way to be possible. Today, however, a new way of business has become less of a choice but an essential evolution.

Recently, in May 2015, over 1,000 CEOs met in Paris for the Business Climate Summit, 200 days in advance of government leaders meeting in the very same city for COP 21. The warnings were stark and the need for a sustainable paradigm shift in business clear. Paul Polman, CEO of Unilever and sustainability champion, left no doubt, *"Profits will be wiped out in 30 years if no action is taken"*. In the face of potentially irreversible climate change, the very survival of business is in question.

Business-as-usual

As a great period of social and economic change, our modern story of industrialisation has transformed our previous agrarian societies to globalised carbon-based economies. Today, 'business-as-usual' is understood as a linear model of production, 'designing for landfill,' and draining our planet of large quantities of rare earth metals and non-renewable

resources at an unsustainable rate which denies our planetary 'limits to growth' (as recognised by the famous 1972 Club of Rome report). Neglecting the free natural resources we have available to us in favour of burning fossil fuels has recently been estimated to come at a cost of 3.2 to 3.4 trillion US Dollars per year.¹

Growing populations in industrial economies have laid way for increased levels of material consumption and growing production to meet ever-rising levels of demand. Unprecedented post-World War II productive capacities and the rise of the advertising industry have created a global 'consumer culture' as the principle means of satisfying human desires and achieving happiness. The resulting waste and pollution seemed largely irrelevant pushed aside by the externalisation of costs.

Most recently, the dominant ideology of corporate business is understood to mean that corporate boards have a fiduciary duty to shareholders to prioritise both profit and investor returns beyond other considerations. Such an approach has pushed 'shareholder primacy' to the fore, allowing corporations to take actions at the potential detriment of employees, the environment, and society's needs as a whole. 'Profit' comes at a price.

Beyond greenwashing

As multiple crises are reaching environmental, social and economic tipping-points, it is clear we face a growing 'Earth Emergency'. Our decisions and our actions over the next few years will impact life on Earth for millennia, possibly forever. The International Conference on Financing for Development,



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the UN summit for the adoption of the post-2015 development agenda, and COP21 all come to fruition this year. But once the goals and targets have been set, how will they be met? What is the role of business in our sustainable future?

A certain lack of progress can be attributed to a vicious circle of business waiting for clear political decisions while governments wait for private sector mobilisation. Though it is becoming increasingly felt that 2015 finds us at a crossroads, the moment where cost becomes opportunity and corporations that integrate effective sustainability measures into their long-term strategies are recognised for their resilience by investors.

Problems have also risen from a lack of enforcement of environmental regulation posing a dilemma for the business community. An ineffective implementation mechanism rewards those businesses which cut corners and cause harm without consequence - doing the 'right thing' can damage market position if competitors aren't taking the same limitations. Effectively transition costs and pollution are weighed up for competitive edge and short-term gains.

The important role of the consumer is also not to be ignored. A rising middle-class worldwide has in turn led to a more

educated consumer with the disposable income to demand environmentally-friendly products. Businesses have responded to this trend but in some cases, over-enthusiasm has negatively resulted in consumer cynicism. When companies spend more on letting the consumer know about their 'green credentials' than incorporating sustainable practice, it is 'green-washing,' the accusation cast against sponsorship choices at the upcoming COP 21 for example.²

A study by the Carbon Disclosure Project concluded that while companies are now taking action to lower carbon emissions and improve their overall sustainability, it is still not enough.³ Even if green investment has been found to result in higher returns, some companies still find it difficult to prioritise long-term investment over short-term gains and immediate profit.

Ultimately, it is not for business to wait for government, nor vice-versa. In light of the short window of opportunity still available, holistic long-term policy action, which takes into account the needs of future generations, is critical. Some policy advances are already evident with a variety of companies considering the external costs of their activity as well as their environmental impact and social consciousness. Policy incentives that support new enterprise and intelligent

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design are essential tools not only for building a sustainable economy but also contributing to guaranteeing basic rights and responsibilities as well as protecting our ecosystems.

An articulate pathway, embracing a future-just perspective to business, can provide a foundation for government commitments based on existing proven policies. The World Future Council has gathered such policies together in its ambitious project the Global Policy Action Plan - a collection of holistic sustainable policy examples with the concrete steps required for asserted interconnected action by a variety of stakeholders. Together we can ensure the prosperity of tomorrow's future generations through today's obligations of Earth stewardship. At the Business Climate Summit, Dutch multinational DSM's CEO Feike Sijbesma put it best, *“I may not be here in 2060, but my children will be and they will bear the burden.”*

Out of its seven chapters, 'Enterprise & Design,' is where the Global Policy Action Plan most clearly lays out the innovative pathways for sustainable change where business can take the lead. Looking at both demand and supply, as well as the values at the core of 'business-as-usual', visions of a sustainable world already exist for us to replicate worldwide.

Social and environmental entrepreneurship

In recent years there has been growing demand among stakeholders and consumers for corporations with broader business mandates. The corporate scandals of Enron and WorldCom in the early 2000s sparked public outcry and initiated a corporate reform movement across the United States. These large-scale highly publicised frauds exposed significant problems with regards to conflicts of interest and incentive compensation practices, resulting in calls for greater regulation, transparency, and accountability, bringing corporate law to the forefront of public policy debate.

With innovative future-just policies and appropriate market signals, businesses can lead the way in securing a sustainable future by pursuing a broader mandate under the appropriate legal frameworks to reach social and environmental goals. Such frameworks already exist and corporations are now beginning to be provided with the tools that allow them to connect both private and public interests where profit is not at the expense of society as a whole and sustainability is key.

In developing and implementing benefit corporation legislation, Maryland has been at the forefront of a new wave of transparent, accountable and environmentally concerned corporate entities. In April 2010, Maryland's Governor Martin O'Malley signed into law a bill, which turned Maryland into the first US state to legally recognise a new corporate entity, the 'Benefit Corporation.' This conscious commitment has made

many other US states take note, and in setting this precedent, Maryland has become a leader of a wider movement for the development and growth of a new form of 'conscious capitalism'. To date, 28 other states have followed Maryland's lead and provided standards for corporations to follow a proclaimed triple bottom line of 'People, Planet and Profit' and the movement is set to spread across the world.

Eco-intelligent design

Companies need to fundamentally rethink the design and manufacturing of their products to avoid the excessive waste of raw materials in the manufacturing process and improving product efficiency. Many of the core components to products we consume constitute hazardous waste, prioritising short-term material desires over long-term considerations of health and environment. By offering the appropriate incentives to companies, and transitioning to a circular economy model of production, manufacturers can implement more effective long-term planning strategies of energy and material consumption, increasing productivity, as well as reducing operating costs.

Incentivising eco-intelligent design approaches into our current systems of production and manufacturing as future-just policies is crucial to decoupling natural resource use and environmental impact from economic growth. Products must no longer harm us, but actually improve our health and environment. Employing ecologically intelligent design and production will foster biodiversity, contribute to the stabilisation of climate change, and promote renewable energy, all to the benefit of future generations.

As an example of such incentives, Japan's Top Runner Programme looks at energy efficiency standards for energy intensive products, such as home appliances and motor vehicles. As of 2014, the programme involved 23 product categories and products are included due to their high energy, widespread use or substantial scope for improving energy efficiency. Targets are set to be achieved within a given number of years on the basis of the most efficient model on the market (the 'Top Runner'). Products which do meet the energy efficiency standard receive a Top Runner label at the point of sale; those which do not are labelled differently. Manufacturers highly support the programme, since they are directly involved in setting the targets and energy efficiency is considered to be a competitive advantage.

Value-based consumption

The conventional approach of 'green consumerism' has attempted to create only a preference for eco-friendly goods rather than addressing the cultural foundations of consumer demand. We have now reached a stage where this question must be directly tackled. Recognising the ecological and ethical consequences of economic actions, policy-makers must decide how to encourage consumers to make value-based consumption choices which do not threaten our shared future.

Tackling the illusion of value-free consumption goes hand-in-hand with steps to mandate eco-intelligent design and production. The implementation of policy solutions that simultaneously approach both supply and demand can help bring our societies to a positive-tipping point where material consumption and personal happiness are no longer intrinsically linked in the pursuit of personal fulfilment.

This does not abolish consumer choice. The full internalisation of currently externalised production costs would reflect the

'true cost' of a purchase. Provided with information about the full implications of their economic decisions, consumers would be encouraged to question their initial desires and be incentivised to balance these against the associated collective benefits and environmental harm. Consumer rights would then be matched with citizen responsibilities through value-based consumption.

One such example of influencing consumer behaviour has been the 'plastic bag tax.' Single-use plastic bags are a huge waste of non-renewable resources and harm the environment in their disposal, yet we use many a day without often thinking twice on this 'choice.' Governments worldwide have taken action to either ban the use of plastic bags, charge consumers for their use or taxed stores which supply them. The levy in Northern Ireland raised £4.17 million in the first year of its implementation alone and reduced plastic bag use by just under 72%!⁴ This money was then fed back into funding for environmental projects.

Thinking big

Overall, the role of business in society is being redefined. Beyond the 'obvious' policy reforms of production, consumption and leadership, in a globalised market, a corporation's decisions

and behaviour can have a profound interconnected effect on the respect of human rights, climate stability and environment health worldwide.

Looking at other areas of the Global Policy Action Plan, the importance of a new approach to business is almost inescapable. In terms of higher education, we must reform the way we shape tomorrow's economics and business leaders, teaching them to look beyond GDP and understand the importance of alternative indicators in revealing the 'bigger picture.' Citizens are mobilising themselves worldwide in a concerted effort for divestment and playing the system with shareholder resolutions at the AGMs of fossil fuel giants. Food and water security, forest replenishment and the health of our oceans, will all be impacted upon through business leadership and responsible models of production.

By providing the framework for alternative business practices, corporations can become more accountable, transparent, and beneficial to society and the environment, while also pursuing profit. Social and environmental concerns are not mutually exclusive to profit and with the right policies in place to facilitate innovation, business has a key role to play in securing a sustainable world for future generations. ■

1. Kroll, Matthias. *The Monetary Cost of the Non-Use of Renewable Energies*, 2013. World Future Council.
2. "NGOs cry 'greenwash' over Paris climate talk sponsors." RTCC, 29 May 2015. <http://goo.gl/dvoUAe>
3. Report available at <http://mindthescience.sciencebasedtargets.org/>
4. Carrier Bag Levy Annual Statistics, Department of the Environment, 2014. <http://goo.gl/31Ojn2>

