



Executive Member Update  
April 2011

## Triggering Transformation in the Turbulent Teens

Going forward, the world is facing a series of challenges that requires a major transformation of how we manage companies and govern the world, particularly in the next 10 years, "The Turbulent Teens" as we call this period in the Vision 2050 report.

### Montreux Liaison Delegate Meeting

The title of this Update was the theme of the plenary session at the Liaison Delegate Meeting held in Montreux earlier this month. I would like to highlight some key messages coming from the session:

#### Sustainable Lifestyles & Consumption

Paul Polman, CEO, Unilever, talked about consumer brands and that consumers are in fact looking to business to help them adapt to more sustainable lifestyles. But they are confused because they are not being given the right kind of information to enable them to engage with sustainability issues.

Polman stressed the importance of seizing the moment to gain consumer trust, build brands and help make positive changes to consumer. Following consumer frustration after the events of 2008, when their trust in international institutions and governance was eroded, a proactive approach to a number of pertinent issues has to be taken.

Highlighting the wide-ranging and profound impacts business can have, Polman noted that Unilever aims to improve the health and well-being of an additional 1 billion people - a claim no government can make. As emerging economies grow the pressure to raise living standards in a sustainable way is increasing and Polman argued that the business solution is to decouple growth from environmental impact. This requires a holistic and thorough supply chain review, and a focus on finding the right balance between product quality and price.

#### Capitalism for the Long Term

Paul Polman noted that one of the greatest challenges to achieving sustainability in business are short-termist attitudes and a lack of focus on responsible - and moral - business practices. He referred to the article "*Capitalism for the long term*" in the Harvard Business Review in March in which Dominic Barton, Global Managing Director of McKinsey, argues that for business leaders, the most important outcome of the financial crisis is the challenge to capitalism itself. He believes that business leaders today face a choice: we can reform capitalism or we can let capitalism be reformed for us through political pressure or pressure from an angry public. The shift needed will entail revising the fundamental way we govern, manage and lead corporations. It is about changing how we view business's value and its role in society.

Barton argues that there are three elements to the shift:

1. Business and finance must change their short-term orientation and revamp incentives and structures to focus on the long term;
2. Disseminate the idea that serving all major stakeholders is essential to maximizing corporate value;
3. Public companies must bolster the boards' ability to govern like owners.

### Ecosystems

Ecosystems services, biodiversity and the role of business was another long-term issue discussed in Montreux. The questions asked were: What is the issue? What is the risk for me? What is the response strategy? What should I advocate for?

The panel noted that biodiversity loss and ecosystem degradation are escalating.

Companies need to anticipate rapid changes in community, customer and investor expectations about the business impacts on ecosystems, as well as the regulatory frameworks which govern business to access natural resources. Overall the business sector needs to become more of a solution provider to the challenges of biodiversity loss rather than just being part of the problem, and it can do this by leveraging lessons learnt in measuring and managing GHG emissions.

One key consequence of the pressure on ecosystems is the need for business to measure, value and report on actions. To support this, the WBCSD in cooperation with IUCN, ERM, PwC and WRI, launched on April 6 the WBCSD Guide to Corporate Ecosystem Valuation (CEV). This first-of-its kind framework enables companies to consider the actual benefits and value of the ecosystem services they depend upon and impacts, giving them new information and insights to include in business planning and financial analysis. A CEV help desk function, including monthly conference calls starting May 18 has been established within WBCSD. Members and Regional network partners can access this via email to [ecosystems@wbcscd.org](mailto:ecosystems@wbcscd.org)

### **Rio +20**

It is fair to assume that the Rio +20 process will trigger a lot of soul searching and debate about the state of the world and how we should address the sustainability challenges going forward. The issues mentioned above on sustainable lifestyles and consumption and on ecosystems will be important themes. As governments find it hard to come up with solutions to these matters on their own, we can expect the role of business as a solutions provider will come into focus. Already coming my way are questions such as "What are we in business willing to commit to?" "How much more could we do if we got support? And what kind of support would we need?"

### WBCSD and Rio +20

WBCSD provided the book *Changing Course* as input to Rio in 1992. Given where we are today, the implementation of change seems inadequate for the challenges we face. With the knowledge gained through the Vision 2050 work, it will be possible to further define the role and form of markets needed to create a world where 9 billion people can live well within the constraints of the planet. The key questions to address are what is needed to improve the quality of life in the developing world while maintaining the high quality of life in the developed world and ensuring we do not exceed the carrying capacity of our planet.

Based on the Vision 2050 and our understanding of the challenges the world faces, we are in the process of developing a Rio +20 work program built around three topics:

1. Historic Perspective -  
Twenty years after the original Rio summit, the time is right not only to show the tremendous progress that has been made by business but also to claim credit for the leadership role business and the WBCSD have played in moving towards a more sustainable world.
2. The future role of business -  
Reaching the Vision 2050 will require a review of the role and responsibilities of business as well as those of other stakeholders in society. Not only is there a need to define the respective responsibilities but it will also be necessary to identify where there are collective responsibilities to ensure progress.
3. The role of markets as the most effective mechanism to implement change -  
In 2002, the WBCSD launched a report entitled "*Sustainability Through the Market*" which argued that pursuing sustainability through the market is a constructive concept that can work as a driver for business success. After all, markets are the key human construct that most effectively brings together supply and demand. Major issues – like the poverty gap or declining ecosystems – will not be adequately addressed unless the proper framework conditions are in place. Markets can be tools for that but only if they operate fairly and there are proper incentives in place for businesses to take actions that contribute positively to sustainable development.

#### BASD 2012

In addition to our own work towards Rio 2012, the WBCSD has been instrumental in setting up, in cooperation with ICC and the UN Global Compact, the BASD 2012 (Business Action for Sustainable Development). This is a broad business platform to represent a constructive business voice in Rio along the same lines as we did in Johannesburg at the World Summit on Sustainable Development in 2002.

We will also be inviting 10-15 partner organizations, primarily representing different business sectors.

#### **WBCSD Regional Network**

On April 27, we welcomed the Indonesian BCSD in the Regional network of some 60 partner organizations around the world. The launch took place in Jakarta in the presence of the Minister for Industry and the Minister for the Environment, business leaders and several other dignitaries. Due to the geo-political relevance, economic strength and rich biodiversity of the country, the Indonesian BCSD is a particularly valuable addition to the WBCSD network.

#### **Council Meeting 2011**

We hope to welcome you to this year's Council Meeting in Munich on November 1-2. Germany is home to 14 WBCSD member companies, and Munich is home to 3 of these, namely Allianz, BMW, and Siemens. Please save the date in your calendar.

Kind regards,



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