

**Community Economic Development Conference 2012
Cessnock, NSW, Australia**

Strategies for Resilience

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Thank you and good afternoon.

First, let me make a few acknowledgements.

Acknowledgments

I would like to acknowledge our friends at the Office of NSW Trade and Investment for allowing SBA to be part of this Conference.

Introduction

I am delighted to be with you today.

[SLIDE: AMPERSAND]

You probably already know that the word *ampersand* is a conflation of the phrase "and *per se* and", meaning "and"

What you may know have known is that the ampersand often appeared as a letter at the end of the Latin alphabet. Similarly, " & " was regarded as the 27th letter of the English alphabet.

In computer programming language the ampersand forces computer code to treat two lines of code as meshed into one.

And for SBA the Ampersand is a very important part of our values, underlying mission and frames the execution of our strategy. We will come back to that.

Before I start the formal part of my speech, I would like to share with you who SBA is.

[CAKE SLIDE]

Since 1991, SBA has been a leader in advancing corporate responsibility as well as an advocate for the role that the environmental goods, technologies and services sector plays in delivering commercial solutions to the challenges of the sustainable development agenda.

SBA, unlike a lot of Australian sustainability focused organisations, is a not-for-profit business association, constituted as a company limited by guarantee. It is not a proprietary company of an environmental, engineering or business consultancy service.

[MEMBERSHIP SLIDE]

SBA works with its member community of more than 100 member private and public sector enterprises to explore and develop sustainable business strategies and solutions through education and awareness, research, advocacy and outreach, and cross-sector collaboration.

With a presence across Australia SBA uses its expertise in the environment, economic development, and governance and accountability to guide companies and government enterprises operating throughout Australia toward creating a just and sustainable world.

[FOCUS SLIDE]

In the time that I have available today I would like to leave you with this simple proposition, which is in 3 parts:

1. Sustainability, sustainable development, corporate social responsibility, call it what you will, is in a state of extreme turbulence, or in other words, a crisis
2. The drivers to circumvent this crisis and achieve meaningful growth are in the hands of government AND business, in concert with the community to create resilience;
3. SBA is not wasting this crisis to address this emerging reality. Indeed its should be seen as an opportunity.

[SLIDE: SUSTAINABILITY IN CRISIS]

Setting the scene

At its very heart, the crisis that I speak about is the inherent tension of global survival, let alone growth, that is now arguably founded on 2 important realities:

1. that per capita economic growth has a central role in improving living standards (especially in developing countries), ...AND
2. that it is crucial to ensure that economic activity does not undermine the “natural capital” that underpins human well being and security.

Crucially, for some in the economic community, this crisis is made manifest by one of poor resource productivity that stems from a lack of effective measurement, reporting and transparency of the fundamental economic indicators that underpin our globe’s common wealth – our people and our natural resources.

[SLIDE]

What are the signs of this crisis?

There a number signals and key influences present. I have identified seven (7):

- ✓ [SLIDE] A “**who’s in charge ?**” world, with business concerns about the uncertainty of global governance, particularly as Europe continues to be roiled by the aftermath of the financial crisis. In particular, recent regional and global crises (such as Dafur, 2007 GFC, 2011 EU meltdown) and the recent manifestation of the Occupy movement have led to a deep crisis of trust – mainly in connection with trust in the ability of governments to deal with these crises. One consequence of this is that there are a significant number of people in the community who presume that steps to protect our environment will damage living standards. For example, surveys carried out in Australia and the US (including a recent Gallup poll) found that around 1 in 5 respondents think emissions reductions policies would result in reduced living standards falling from current levels.
- ✓ [SLIDE] **Transformation, innovation and investment ARE needed** to address growing population, demographic shifts, climate change and increasing pressure on natural resources, but in a globally co-ordinated way. Contrary to the trend towards a fragmentation (or nationalisation) of power, the need for global governance arguably remains. Growing scarcity of resources (human, energy, natural, fossil etc.) and other global challenges can only be solved on a global level. For example, there is a strong consensus across economists that ambitious global action to reduce emissions would provide net benefits over the long term (Heal, 2009, World Bank 2010). Soft innovation, such as policies for commodity allocation and pricing, institutions as well as technological innovation in re-purposing industrial processes and engines are just some of the transformation tools that are needed to address the growth and sustainability debate.
- ✓ [SLIDE] **New policies and regulations are putting a price on commodities and services**, they are not commanding or controlling business behaviour; Witness the carbon advance with the EU ETS,

the CPM, RGGI, AB32 in California, the pilot trading schemes in Toyko, Taijin, the foreshadowed schemes across major cities in China, South Korea, and then there is the Salinity trading scheme on the Hunter River, and the biodiversity trading schemes in NSW and Victoria. And those are just the ones I could think of last night!

- ✓ **[SLIDE] Transparency is the new business “licence to operate”.** This correlates to my first point about trust, and there are a number of elements at work here. People interpret and engage with information around government and business behaviours in ways that are conditioned by their pre-existing attitudes and world views. Just ask APPEA / CSG, Orica / Kooragang Island, BP / Deepwater, Woodside / James Price Point. Also, while trust in traditional (both public and private sector) players erodes and power fragments, we are witnessing a dramatic shift of political and economic power to emerging markets in the East as well as South America. And finally in this brave new world of social media, your brand is **d**ecreasingly under your control. You can publish all the fancy CSR reports you want, but it only takes one ill-timed (or ill-considered) tweet to generate a firestorm of negative publicity. Just ask Woolworths.
- ✓ **[SLIDE] Asia is in ascendancy & going green.** Growing middle classes in Asia are seen as drivers for speeding up reform processes. Their growing willingness and demand for political co-determination on a local and national level will become a major driver for change, particularly social and environmental. China is now the world leader in five renewables. Part of the story in china is that the extraordinary vitality of renewables is coming very largely from the private sector, while all of the nuclear and half of the coal businesses are old state enterprises. Our country, let alone our businesses are searching for their role and the potential markets in this changing global landscape.
- ✓ **[SLIDE] A Green Race** has begun & threats of protectionist measures are real. Chinese Premier Wen Jiabao stated earlier in the month that the Chinese government aims to deliver economic growth of 7.5 per cent this year, after eight straight years of keeping the largely symbolic target at 8 per cent, a strong signal that authorities now have priorities more important than rapid development. The lower target indicates that Beijing hopes to steer officials at all levels of government to focus on economic restructuring and quality-of-life issues like the environment and income inequality, rather than singularly focusing on growth. Green growth, or growth that is resilient rather than rapacious.
- ✓ **[SLIDE] Globally, business, and to extent some countries, see sustainable development as strategic issue, a business imperative,** on how to position itself in the new **Green Race** . This has moved from the earlier moral focus on CSR. It's rife with risks but full of opportunities.

But don't take my word for it. Let's take some recent comments from Unilever, CEO Paul Polman, who said:

“Those companies that wait to be forced into action or who see it solely in terms of reputation management or CSR will do too little too late and may not even survive.”

Polman is committed to improving Unilever's environmental performance, but not at the expense of growth, and intends to double the size of the business whilst halving its environmental impact.

And then, of course the words of, General Electric's CEO Jeffrey Immelt, (GE being an SBA Member), who said **"Ecomagination is not an advertising ploy or marketing gimmick. GE wants to do this because it is right, but also we plan to make money while we do so."**

[SLIDE: with arrow only]

What will drive us out this crisis?

I have outlined what I believe are the influences of this crisis. So, let's now consider drivers that could lead us out of this crisis.

Many Australian businesses, and business associations for that matter, equate economic growth is incompatible with sustainability and environmental protection. This confusion, I believe, is significant barrier to achieving the resilient and rapid action necessary to address this crisis.

I would point to 5 drivers of action currently available to society, government and business alike, that go to the core of the relationship between economic growth and sustainability.

And just as importantly they reveal the opportunity to for business to not only protect and preserve current capital stock, but also to harness a revitalized sustainable business agenda. They are the role of:

- **[SLIDE]** Policy
- **[SLIDE]** Markets
- **[SLIDE]** Innovation (Technology and Ingenuity)
- **[SLIDE]** Finance and Investment
- **[SLIDE]** Trade

Time doesn't allow me in this speech to identify to you some of the examples that we are starting to see emerging, but I'm sure we will discuss these further over the next few days.

[SLIDE]

Instruments of resolve: A new narrative

So, like it or not, to address this crisis and invest and innovate on the back of these drivers of change, the narrative a sustainability for Australian business and its leaders will lead into an unpredictable dialogue — not a simple broadcast message.

It's important to observe at this point that a key underlying issue in this crisis is that a small cluster of sectors account for a very large share of environmental pressures, including emissions and land use impacts. These are the food system (including agriculture, processing and associated supply chains), shelter (including building, constructions and stationary energy sectors), and mobility (including motor vehicles and transport infrastructure).

But while there is uncertainty at the global and national levels about the appropriate framework to guide sustainability, many businesses are positioning themselves to pursue new mindsets, investment and opportunities in response to concerns about greenhouse gas emissions and environmental sustainability with the certainty in place. A new narrative if you will.

While I am sure you are going to be hearing more about this during the next few days, let put my observations before you. For me there are 4 elements to this new narrative.

[SLIDE]

No. 1

There's just no accounting for sustainability

But that will change !

The metrics of corporate sustainability are inexorably changing and moving beyond traditional revenues and margins. (OECD, UN, CDP, IEA, the GRI)

Business needs to build a better definition of sustainability in a holistic way that goes beyond simply reducing waste, water and energy and define metrics to support our vision. Corporate sustainability measures must be broadened to include improvements in labour practices, reductions in supply chain toxicity, protection of biodiversity and innovation that leads to cradle-to-cradle solutions.

Will it ever happen? Frankly, yes, and perhaps sooner than you may think. SBA along with the Green Building Council of Australia and the Wentworth Group of Concerned Scientists, amongst others, is part of the group working with the Department of SEWPaC to develop a set of environmental indicators.

[SLIDE]

The 2nd

It is Citizen Corporate not Corporate Citizen

The refrain is now **"Engage with me, don't engage to me"**.

You've got to be in the game, engaging with stakeholders and addressing the tough questions.

Hard to stomach, perhaps, but, **"To sit it out is more risky than playing."**

The goal needs to be to hold space for a conversation about your brand, your company, your enterprise. Why? Because the sustainable brand, product, service or technology of the 21st Century, has three dimensions: practical usefulness, a beneficial social and environmental dimension, and a tribal dimension that connects people to shared values.

[SLIDE]

3rd

Transparency is terrifying, but authenticity is the reward

Complete transparency is terrifying to companies. They're simply not used to it, and the lawyers really, really hate it. I should know, I am one.

Well, too bad. As Alcatel-Lucent's Head of Sustainability, Christine Diamente recently noted, people want to know where their products are coming from, and companies can't hide. If you don't provide it, they'll get the information somewhere else. Do you want your customers to find out about the working conditions in your factories, or how you engage with your local communities on Today Tonight or 60 minutes? Probably not.

Ironically, being transparent — even about your faults — can lead to increased stakeholder engagement. Of course, you can't put lipstick on a pig, but you can increase your authenticity by being generally transparent about your good stories, and your bad ones. (In other words, be "Flawesome" — awesome by exposing your flaws.)

Fine, you say. That's all well and good for a company like GE and Unilever that takes pride in their sustainability. My company's not based on those ideals, and we're not going to deal with this transparent CSR stuff! If that's your attitude, it's time to reconsider. Because the last point is the kicker. CSR is a business imperative!

[SLIDE]

4th

Execute CSR as though it were a business imperative. No, wait. Execute CSR because it is the business imperative.

What is the evidence for this statement?

- **Potential partners (suppliers and customers) want to work with a sustainable company for wholly practical reasons:** to save money via decreased resource consumption and to avoid the potential for damaging bad publicity.
- **Customers who care about CSR are twice as likely to reward a company for their sustainability activities.** However, they're also twice as likely to punish a company when they're disappointed. For example, Echo boomers, the Millennials, Generation Y, Generation Next: whatever you call them, people who were born in the beginning of the 1980's are now an important demographic group for any company. According to an annual survey released by the Deloitte consulting company this month, Generation Y consumers (who the company describes as those aged from 19 to 31). They represent nearly 80 million consumers in the United States, Deloitte estimates, and could account for 40 percent of all vehicles sold over the next 10 years. Could be the generation that leads us away from traditional gasoline-powered vehicles? Why? Well, according to analysis by the Ford Motor Company, The cost of ownership is much more important to Gen Y consumers than their parents, and the big variable there is fuel efficiency. Any automaker, and its supply chain, that ignores this emerging reality do so at their economic peril.
- **Current employees want to work for a company that's making a difference,** and, when the company is under attack, they need relevant information so they can advocate on the company's behalf.
- **Potential employees look to CSR reports and other information to get a sense of the corporate culture.** They're reading the reports and asking hard questions — before coming on board.
- **Corporate leaders who truly understand the changing economy** recognize that there is little need to be possessive of proprietary information that could easily be duplicated by competitors, because true value now lies in a far more elusive commodity, an innovative and engaged

workforce.

- ✓ **The green ambitions of nation states** in Asia and South America can be proactively built on by business leaders, as they support these ambitions. For example, by initiating former Treasury Secretary, Dr Ken Henry's white paper looking at Australia's place in the coming Asian century, Prime Minister Gillard has begun the process of building a much bigger narrative about Australia's future, the absence of which has dogged and trivialised Australian policy discussion for years. One of our members, Global Renewables Limited
- Finally, **dialoguing about the tough problems with stakeholders can generate good solutions** from the crowd. It's not just about "being good" — it's about stepping up to solve hard problems, and asking for help (internally from employees or externally from customers and other stakeholders). (Example: City of Sydney 2030 strategy)

[SLIDE]

How can organizations manage this new crisis and what role do organisations like SBA help?

Some suggestions:

[SLIDE: APEX AUSTRALIA]

- **Your message should be one of shared values.** It's about the stakeholders, not just about the company. SBA takes this seriously and has opened a dialogue, and most recently a working relationship with a number of stakeholders that you would not normally see aligned with an organisation such as ours. In the space of 9 months, SBA has established formal working relationships, on behalf of its members, with the Australian Meat processing Corporation, Greening Australia, and the Australian Sustainable Business Group. In each case you will be seeing the fruits of those relationships over the course of this year. And then there is our MoU with APEX Australia to co-educate, develop and implement a program on sustainability in business practice for the 33,000 members of APEX, located right throughout Australia, in some of the most remote areas. We believe this is a first – building a narrative between a business association and community organisation to take to other businesses, government, civil society, Green NGOs about the shared values that we each share.
- **Don't silo communications about sustainability from other corporate communications.** It's important to have a unified voice across the company.
- **Your CSR reporting needs to be dynamic, let alone integrated!** A static report generated once a year isn't sufficient to respond to constantly changing conditions.

[SLIDE: ISSUES EXPLORATION, NEW MINDSETS]

- **Consider a shift to “company AS cause,” not “company PLUS cause.”** SBA Member, the **National Australia Bank's Good Money Program**, which is being launched on April 27, is a partnership between NAB, Good Shepherd Microfinance and the Victorian government to provide affordable financial services to people living on low incomes who are unable to access the range of financial services that are offered by mainstream financial service providers. Good Money is the name of new shop front stores that provide financial services, including no and low interest loans, in a friendly and professional environment on the high street. These stores are being set up in response to the growing fringe lending market with crippling interest rates. Research shows that welfare recipients are using payday lending to meet regular living expenses and are then trapped in a debt spiral, continuously indebted to one or more loan companies for considerable periods of time. The repeat and extended borrowing means borrowers end up paying the equivalent of annual percentage rates between of between 700-1200% over several months. Research shows us that many potential users of microfinance products are unlikely to access these through the traditional paths such as community organisations and services. NAB hopes that the Good Money stores will provide users with access to appropriate financial products and services in a retail environment.
- **Pay more attention to engagement and empowerment, and less to information and education.**
- **Discern the importance of really listening.** The result: engaged employees who feel like their concerns are being addressed. A case in point is the project work of one of members, **SKM**, for **Goulburn Valley Water** called “Sustainability Demystified”. On the back of work that SKM had done with GVW in 2009, to review its Sustainability Improvement Plan and to facilitate its ongoing relevance for the Corporation and the environment in which it operates, in 2011, SKM facilitated a Sustainability Demystified workshop with every team at GVW to ensure all 140 employees would have a consistent understanding of what sustainability means for GVW and how THEY could ‘do’ sustainability in their day to day roles (this was termed “Making it real”).

Each team prioritised the sustainability key indicators according to what was most important to the team now and what should be most important to their team moving forward. SKM is now working with GVW with an implementation plan.

- **Tie your sustainability to insight** – PepsiCo produces beverages, so it makes perfect sense that conservation of quality water would be a primary focus. What's more, water is a real, universal need. So not only can PepsiCo claim a strong internal motivation to preserve water. They can also build on the insight that water will be tied increasingly to consumer happiness in the future.

[SLIDE: APEC, ACEDP, GREEN GLOBE, ASCE]

- **Start inside, and radiate out** – you need to start sustainability within your own four walls. Skip this step, and you won't earn the legitimacy you need to be trusted in the community.

[SLIDE: AMPERSAND]

In conclusion

Its all about the “and”

I end where I began. Importantly for SBA, “&” indicates a closer collaboration than *and*.

SBA breaks with the overly simplistic dichotomy that says businesses oppose green regulations and Green NGOs support them.

The reality is that polluting externalities and the emerging nature of innovative technologies, along with the investment appetite to support them means that the green growth economy is led by and dependent upon supportive policy at this stage of its development.

It is for this reason that SBA believes Australia is ready to demonstrate to the rest the world what an economically and environmentally efficient, equitable and robust carbon price mechanism can do to deliver resource efficient and resilient economic growth.

Business cannot lambast policymakers for poor policy development and execution and believe that there is no responsibility upon a critical element of the fabric of our society, namely business to be part of de-mystifying the confusion about decoupling growth from environmental harm, that I spoke of earlier. It can no longer be a passive agent.

So, where is the heavy lifting being done by business? Where are they proposing the solutions that require smart regulation not more, encourage business to act with humility and honesty that builds trust, and enables them to share values with key stakeholders? Well, for our part, we at SBA, and our business community, are playing our role. It's all about the AND

Thank you for your patience.

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