



World Business Council for
Sustainable Development

"Business' Role in Tomorrow' s Society" Speech
at Business Leaders Luncheon at the Hong Kong Club on 2 November 2004 by
Mr Bjorn Stigson, President of The World Business Council for Sustainable
Development

Ladies and Gentlemen,

I am pleased to be with you here and for the first time meet the members of The Business Environment Council in Hong Kong and have the opportunity to address you.

The WBCSD is a global network of 175 direct members, world leading corporations and their CEOs. Another part of our network is our partner organizations in more than 50 countries and regions.

WBCSD

A few more words about the WBCSD and some statistics:

- Total turnover of our membership in 2003 represented USD 4 ' 400 BUSD
- Full market capitalization amounts to USD 4 ' 700 BUSD
- Our members employ 12M people globally
- 2.5 bn customers buy every day a product or a service provided by a WBCSD member

Here in Hong Kong we have one member, CLP Holding, represented by Andrew Brandler, plus the cooperation with BEC that joined our Regional Network in 2003.



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I have been asked to talk about Business' Role in Tomorrow's Society.

Tomorrow' s society: facts and trends

It is becoming increasingly clear that the sustainable development issues will define tomorrow's society. Limits to growth will be determined by how efficiently we can apply new technologies to support our lifestyle and consumption patterns, by the ability of governments to take integrated decisions to create an infrastructure that can deliver societal services to its citizens, and by the capacity of our ecosystems to absorb the pressures from a growing population and maintain the biodiversity we all depend upon.

Two sustainable development agendas

As a key part of society, business has to address two sustainable development agendas.

The first agenda is a public policy agenda driven by forces outside of business. This agenda deals with the framework conditions and policies set by governments. It is not something companies can choose to deal with. It is coming our way whether we like it or not. And we have to decide how we want to tackle the different themes on this societal agenda.

The second agenda, the business agenda, is driven from within business. It deals with the actions companies should take to address sustainable development because it makes perfect business sense. The Business Case for Sustainable Development is built around a number of business issues: Eco-Efficiency, i.e. resource efficiency, operational excellence, having no incidents for personnel injuries and risk reduction to mention a few.



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Sustainable practices can lead to a win-win for both companies and sustainable development.

Public Policy Agenda

Let me touch upon some of the key themes on the Public Policy Agenda.

Sustainable production and consumption

Since the Earth Summit in Rio in 1992, business has done much to improve its production efficiency, and we know how to go further. Sustainable consumption is a much more difficult issue for business. Changing consumption patterns is a long-term process. The tools for achieving this are also politically sensitive and emotional. Who is going to decide what you and I can consume?

Societal infrastructure and services

Governments find it increasingly difficult to deliver societal infrastructure and services like water, energy, healthcare, pensions, transportation, etc. to meet the demands of growing and in many cases aging populations. More will be asked of business to support government actions via partnerships and privatization. But this raises many difficult political challenges – not the least the question: who pays and how much?

Energy and climate

Economic growth requires energy. But there are growing concerns about access to energy, especially for the poor, and for future energy security. Up to the middle of this century, the growing energy demands will largely be met with fossil fuels. This underpins the concerns for climate change. We are in my view in a carbon-constrained world, in which carbon emissions will carry a cost in



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some form in the future. However, the global society has yet to determine how these costs are to be shared.

The WBCSD presented a report in September, *Facts and Trends to 2050: Energy and Climate Change*. In this, we highlight the options for society to reduce GHG emissions to levels that will reduce the risk of global warming. The changes required in our energy systems are huge.

Let me also note that even if the Kyoto Protocol now looks likely to be ratified. However, we still lack an international framework that includes all the major economies and emitters of GHGs.

Development and poverty

Issues of poverty and development remain one of the biggest challenges to sustainable development. The WBCSD's Sustainable Livelihoods project is trying to address how companies can help alleviate poverty and grow their business at the same time. However, more Official Development Assistance (ODA) will be needed to solve the problem, especially to support the LDCs (Least Developed Countries), as business' ability to lift these countries out of poverty is highly uncertain.

Ecosystems

For business, ecosystems such as forests, water, agriculture, air, and biodiversity provide essential raw materials for production and assimilation of wastes. Although we recognize the importance of protecting our ecosystems, we still have a limited knowledge of their resilience. As long as nature's resources and services are free, there will not be sufficient incentive to protect what we do not value.



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Corporate Responsibility

More will be asked of business to contribute to well functioning societies, both socially and environmentally. However, business cannot and should not replace governments. A growing debate about the role and responsibilities of governments, business and civil society can be foreseen.

Companies will also be asked to be more transparent and report on their performance. This will also apply to companies from Hong Kong, like other global companies. Further, there is a strong growing debate internationally about business' role in protecting human rights. We are in the WBCSD working with members to further define this issue.

Risk

A key aspect of sustainable development is the uncertainties around ecosystems, social and technological developments, and political actions which can significantly impact the business sector. A company that has sustainable development policies and procedures in place will be better placed to anticipate these risks.

Business assets

A company's ability to manage the societal issues on the public policy agenda will influence its valuation.

The market valuation of companies has changed during the last 25 years from being mainly based on physical assets like land, raw materials, buildings and machinery to being primarily made up of intangible assets like reputation, brand, the ability to work with stakeholders and adapt to changing societal expectations.



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One estimates that today up to 75% of the market capitalization of a typical company on the London stock exchange is based on such intangible assets.

The Business Case for Sustainable Development

Let me now turn to the Business Case for Sustainable Development. Is it possible to be Clean, Green and Rich? I believe so. Indices like the DJSI and FTSE4Good indicate this, as well as the fast growing amount of money managed by SRI (Socially Responsible Investments) funds.

There are a number of actions companies should take to address sustainable development because it makes perfect business sense.

WBCSD members have defined the following elements of the Business Case for Sustainable Development.

1. Risk reduction

This connects to my earlier comments on risk.

2. Operational efficiency and effectiveness

Eco-efficiency, i.e. improved resource efficiency, means less pollution and higher efficiency. Having no accidents requires efficient operations. And good relations with the local communities in which you are acting will facilitate operations and approval processes for new or extended activities.

3. Recruitment and retention of talent

Employees are increasingly looking at corporate reputation and values in determining their employer of choice.



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4. Enhancement of value creation

Companies are gradually trying to give products and services green and socially responsible characteristics. There are also major growth opportunities in looking at earlier unserved markets in developing countries.

5. Protecting the resource base of raw materials

Major industry sectors depend on the sustainability of the natural resource base for their existence and success.

6. License to operate, innovate and grow

Companies that are proactive in responding to pressing social and environmental concerns will find it easier to maintain their license to operate, innovate and grow.

To conclude

Business is making major contributions to sustainable development. Companies are gaining credibility and respect via the work of organizations like the Business Environment Council here in Hong Kong and the WBCSD globally.

But to continue to have influence, we in business must demonstrate that we have a vision of tomorrow 's society, that we understand the major trends in society and what they imply, that we are committed to engaging with stakeholders in an open and transparent way. And that we are willing and able to Walk the Talk – to implement what we say.

To quote Henry Ford: *“You cannot build your reputation on what you are going to do”*.



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It is your actions that count, not your plans.

**About World Business Council for Sustainable Development
(www.wbcSD.org)**

The World Business Council for Sustainable Development is a coalition of 175 international companies united by a shared commitment to sustainable development via the three pillars of economic growth, ecological balance and social progress. Under Mr Stigson's leadership, the Council has expanded into a global network across 50 countries through regional partners including The Business Environment Council in Hong Kong, involving over 1,000 business leaders globally.