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What’s on the web

Keep checking online for more analysis and debate

In a question and answer interview with Ethical Corporation’s Toby Webb, Johnson & Johnson’s Patrick McCrummen, senior director for corporate citizenship, outlines some of the headline points from the company’s new Healthy Future 2015 plan. This sketches out J&J’s environmental and social goals for the next few years.

McCrummen highlights how the new goals were developed over the course of two years with input from experts both within the company and from outside. In doing this, the company examined how successful existing programmes and targets had been, and used this to develop new goals that were both meaningful and challenging. McCrummen stresses the importance of both educating and engaging his colleagues – which have been the core focus points of the communication effort surrounding Healthy Future’s release.

In the latest of her online comment pieces, Carbon Tracker Initiative’s Jane Burston calls for an urgent rethink in how markets value carbon-based fuel reserves. There is an increasing risk, she says, of a carbon bubble developing. She highlights a new report from the Carbon Tracker Initiative that makes two basic points. First, we cannot burn all the available fossil fuel reserves if we are to meet climate change targets. Second, this first fact is ignored by financial markets in which all fossil fuel reserves – including those we cannot burn – add value to the share price of the companies that own them. It is attaching value to the “unburnable” carbon that is the potential driver of a dangerous carbon bubble.

A possible solution is for company value to be based on a wider range of criteria, Burston says, including the future emissions associated with carbon assets. Coupled with this, placing a higher value on low carbon and renewable energy, encouraging more investment in this sector could ease the risk of a carbon bubble.

In a new opinion piece, climate change expert, and regular contributor to Ethical Corporation, Rory Sullivan suggests how businesses can focus their capital expenditure to best protect themselves against the future impacts of climate change. This, he argues, will require a change in how companies think about capital deployment. Rather than the existing “capital-light” approach, in which investments need to be modest and provide quick returns, Sullivan suggests that companies need to think in the long term. He argues that business should think of climate-change-related risks in the same manner as other business risks and opportunities. Only then will they be more effectively future-proofing themselves.

Obituary

Ray Anderson: how to show the art of the possible
By Mallen Baker

Ray Anderson was a true sustainability pioneer

Ray Anderson has sadly lost his fight against cancer. It’s worth reflecting on the example he gave, because it isn’t just that he was an inspirational figure who argued for a sustainable business model.

The main reason why he stood out was that he stepped outside of his business model, and saw the world from the outsider’s perspective.

Lots of business leaders have signed up for a more sustainable business future. He was the only one who started off by describing himself as “a plunderer”.

Lots of companies have focused on incremental improvements to their environmental performance, stressing the business case and their commitment to the success of the business.

He laid out “mission zero”. Ultimately, only a zero environmental footprint was going to be the satisfactory end of the journey. This wasn’t dependent on market conditions, or customer preference. The challenge to the business was to find a way to make it work, and to make it profitable. If it was easy, everyone would be doing it already.

Some business leaders pursue sustainability because they are in a market position where it may provide some competitive advantage. Some CR commentators and promoters encourage them to do so.

But Anderson understood that the only point in Interface trailblazing a path towards zero impact was if the majority of other businesses followed suit. Why else was he so generous with his passion for the Interface sustainability story? He gave around 1,500 talks on the subject since the journey began in 1994.

He leaves his company in good shape, well on its journey.

Sadly, the rest of us are more in need of his drive and inspiration than ever before. Any thoughts of progress towards sustainability in the US are foundering on the complete breakdown of civil political discourse.

And the example of successful business leaders who haven’t waited for permission, but have begun to build the key components of a successful future and proven that it can be done? Well, those people are in short supply.

When you step outside the expectations of where everyone thinks you should go, and aim to take them with you in taking a completely new direction, that is real leadership.

We mourn the passing of Ray Anderson – a real business leader where so many are mere followers.

Welcome to the September 2011 issue

It’s been quite a summer. Few will look back on the past couple of months and think wistfully of peaceful days, and recharging the batteries.

There’s been a lot going on. Internationally, of course, the sweeping changes initiated by the Arab Spring have continued.

Here in the UK the domestic news agenda has been dominated by two issues. The first of these – the fallout over mobile voicemail hacking by tabloid journalists and the vilification of Rupert Murdoch’s News Corporation’s newspapers – is dealt with by Mallen Baker’s column this month. Baker argues that the malaise goes further than the Murdoch press, but that the whole saga presents an opportunity to clean up an entire profession.

The second issue has been the aftermath of the civil unrest in early August, where over the course of several evenings there was systematic rioting and looting in a number of cities across England.

It was striking how shops stocking specific brands were targeted. And so over the coming months, we’re going to be examining the role of companies and brands in developing and maintaining social cohesion. The disaffected have a connection with those brands, so what can the brands do to help? And should they be obliged to do so in the first place? Are more partnerships and charities like London’s Boxing Academy – featured in an op-ed story available online at www.ethicalcorp.com – required? We’ll find out.

Of course, some brands and companies have become targets for other reasons. As this issue’s briefing on the public relations industry shows, when business comes under attack, ethical PR can help. The big question is, of course, how ethical is the PR industry? Find out from p11.

Increasingly, companies have been coming under attack because of the way they structure their tax affairs. Simply following the legal letter of the law, while simultaneously doing everything possible to mitigate tax liabilities, is now targeted by activist organisations – UK Uncut is an example. Ethical PR will help companies explain where they pay tax and why, but if businesses genuinely want to be good corporate citizens then, as for the rest of us, paying their taxes is the least they can do. See p37 in our strategy and management section for more.

Our country briefing this month is on Turkey, from p27. While the Turkish ethical business agenda is growing, it is thanks to a few progressive companies and NGOs. In such a rapidly developing economy, however, there are of course some smart companies that have latched onto sustainable development as a competitive advantage.

Much of the country’s corporate ethics stems from a tradition of philanthropy – as is common elsewhere – and the emerging leaders are the companies that can see beyond “CR” being an extension of this, and as simply the smart way to do business.

On a sad note, on the opposite page we have our obituary of a true ethical business pioneer Ray Anderson. He was the worthy winner of Ethical Corporation’s first ever lifetime achievement award, and we were lucky enough to have been able to publish an extract from his most recent book in our July issue. He will be missed.

Among next month’s highlights will be briefings on water resources, and responsible business in Mexico. As always, please don’t hesitate to contact us if you have any comments.

Finally, many thanks to Burson Marsteller, the only company to respond to our survey of the PR industry!

Ian Welsh
Editor
An unintended legacy, Kimberley Process problems, Lego’s supply chain and UK financial services

Analysis: Gulf of Mexico oil assets

Perfect storm for marine life

By Rikki Stancich

A US mandate threatens to destroy the world’s largest collection of artificial marine habitats in the Gulf of Mexico

By ordering the removal of roughly 650 idle oil and gas structures from the Gulf of Mexico over the next five years, the US Department of the Interior’s “idle iron mandate”, which came into effect in October 2010, threatens protected species that thrive in the artificial habitats these installations provide.

The rationale behind the mandate is that it is more efficient, financially and environmentally, to remove old installations and seal redundant oil wells than leave them open to storm damage with the risk of potential leaks. Storm damaged installations are more expensive and dangerous to remove.

But the mandate is in conflict with several US federal environmental laws, according to a report by Louisiana-based non-profit organisation EcoRigs.

Roughly 7bn marine invertebrates, many of which are protected species, and 37m fish will be wiped out over the next five years, as oil and gas operators scramble to comply with the mandate, says EcoRigs’ director and founder, Steve Kolian. This is due to both the use of explosives to cut the pilings, and the removal of the pilings themselves.

The mandate is “illegal, because it results in the mortality of protected organisms”, Kolian says, pointing out that the Magnuson-Stevens Act prohibits the removal of protected coral, hydrozoans and gorgonians from federal waters.

Further, the National Environmental Policy Act requires the federal government to describe the environmental impacts of the use of explosives and platform removal. But there is no evidence that the Bureau of Ocean and Energy Management (BOEMRE), the National Oceanic and Atmospheric Administration fisheries service or the Gulf of Mexico Fisheries Management Council (Gulf Council) have carried out such an assessment, says the report.

Independent oil company Black Elk Energy has also picked up on the anomaly. “One law says I have to remove the platform, another says I can’t touch it. Therein lies the conflict and the need to make a change,” Black Elk chief executive John Hoffman recently told RigZone.

Dr Paul Sammarco, marine biologist at the Louisiana Universities Marine Consortium, has raised the issue with BOEMRE. “The laws are not in alignment,” he says.

Life-giving structures?

EcoRigs has long lobbied for the preservation of offshore platforms beyond their productive life on the grounds that they provide exceptional nursery habitats, refuge and food supplies for certain marine species. While BOEMRE points out that the mandate includes provisions for reefing structures, this involves toppling and towing the structure to a designated rip drop zone. But Kolian stresses that reefing a structure in this way causes 90% of the organisms to either perish, or move from the site.

He also says offshore platforms are a foundation on which to rebuild damaged fisheries in the Gulf of Mexico, which is still nursing the effects of last year’s BP Macondo well blow-out (that led to the Deepwater Horizon spill).

Ongoing research confirms that high levels of oil and toxic Corexit dispersant are still present in sediments, waters, seafood and biota in the Gulf following the incident that led to 783m litres of crude oil and 7m litres of dispersants being released into the water.

“The removal of platforms from the Gulf of Mexico will further stress fish populations contaminated by the Deepwater Horizon incident,” says Kolian. Rather than blasting 1,800 acres of coral reef habitat out of the water, Kolian suggests leveraging existing environmental laws to prevent the removal of offshore structures.

Brand risk

Brands such as Adidas and G-Star featured prominently in photographs and footage of looters involved in August’s riots in several English cities. Stores stocking such brands were targeted by looters. British media commentators, such as Janet Street-Porter, noted that, while “Waterstones escaped unscathed,” certain stores and brands were targeted because they had cultivated a reputation for “gangsta” culture, with Adidas, for example, featuring convicted criminal Snoop Dogg in its advertising.

Meanwhile, Levi’s postponed an advertisement featuring scenes of rioting. The company says the ad was pulled “out of sensitivity for what is happening in the UK”. The advertisement remains on YouTube, and received widespread coverage in a number of newspapers, however.

(Ray of light

Corporate sustainability pioneer Ray C Anderson died in August, aged 77. Anderson founded US carpet tile firm Interface, which has earned plaudits for its attempts to put environmental integrity at the heart of its business. Interface’s progress towards sustainability began in the 1990s, when Anderson said he realised it was “an extension of the petrochemical industry” because of what went into its products. Interface subsequently reformulated its carpet tiles, and took steps to dramatically cut water usage, greenhouse gas emissions and waste.

Anderson pushed other companies, such as Wal-Mart, to follow his lead, and received widespread recognition, such as in 2007 when he was named a Time magazine Hero of the Environment. (See p4, for an obituary.)
First case concluded

The OECD national contact point in Norway has become the first to conclude a mediation based on the revised Guidelines for Multinational Enterprises, the update of which was completed in May. The revised guidelines provide a more comprehensive social responsibility framework for corporations, encompassing a wider range of elements on issues such as human rights, supply chains and greenhouse gas emissions. The Norwegian national contact point used the guidelines to deal with a case involving Norwegian fish farming firm Cermaq, which admitted, following an NGO complaint, that its aquaculture activities in Chile were not sustainable. Cermaq has now pledged to do better.

Clutching at straws?

Work has started on a brownfield site in Bradford, UK, to construct what will be Europe’s largest suite of office buildings made of straw. The development, the Inspire Bradford Business Park to the north of the city, will comprise 2,787 square metres of offices with wall panels made of half-metre-thick straw bales. The panels are highly energy and carbon efficient and, combined with solar panels on the roof and an onsite ground-source heat pump, will mean that the offices will need little energy from external sources. The construction, due to be completed by the end of this year, is costing £4m, with funding from the European Union and local and regional sources.

Analysis: Kimberley Process

Lost sparkle

By Eric Marx

The Kimberley Process is flawed, possibly fatally. Those who are determined to keep the diamond industry clean are seeking ways to repair it – or replace it

The campaign to halt conflict diamonds got off to a remarkably fast start in the early 2000s after 75 governments signed the first regulatory system tracking the sale of rough diamonds. Voluntary, and premised on a certification-of-origin system backed by the force of law in each country, the Kimberley Process is, however, now in some trouble.

Its fundamental failure, observers say, is an ambiguous tripartite structure that has sown discord among member states, NGOs and industry participants.

Action can only be taken against non-compliant countries if there is 100% consensus among member states. Zimbabwe, the Democratic Republic of Congo and Angola could each block their own suspensions – this despite overwhelming evidence in each of these countries of either serious human rights violations or weak internal controls certifying diamonds’ origins.

Secondly, the Kimberley Process is essentially an empty construct; given that there is not a headquarters or professional staff. It lacks independent third party monitoring – the backbone enforcement tool of any regulatory body.

“The KP has shown in more than half a dozen cases of serious noncompliance, crime and violence, that it is incapable of remedial action,” says Ian Smillie, a Canadian who led the campaign against the illegal diamond trade. He helped create the Kimberley Process but then walked away in 2009 over the body’s refusal to deal with clear human rights violations committed by Zimbabwean military forces at the Marange mine.

Smillie says the process needs “independent third party monitoring, effective and credible sanctions for noncompliance, and a decision-making process that isn’t held hostage to political and commercial vested interests”.

In June, Kimberley Process chairman Mathieu Yamba’s decision to declare Zimbabwe’s controversial diamonds as suitable for sale without a consensus almost ripped the organisation apart.

Because South Africa has made clear that it stands by Zimbabwe and will allow imports of Marange diamonds, civic organisations worry that Marange stones exported to South Africa could be mixed with other gems and receive Kimberley certification.

Things fall apart?

“There is a risk that ethical retailers will cut African diamonds out of the supply chain completely,” says Nadim Kara, campaign director of natural resources at Partnership Africa Canada (PAC), an organisation specialising in sustainable development in Africa.

The Indian diamond industry, likely to be Zimbabwe’s biggest customer by far, is urging India’s political leadership to follow South Africa’s lead, a decision that could plunge the Kimberley Process into an unparalleled crisis.

“Obviously, if there is a prolonged situation in which questionable merchandise is being imported into certain countries, the integrity of the system is threatened,” says Eli Izhakoff, president of the World Diamond Council, a leading industry group formed in 2000 to help manage the Kimberley Process alongside Global Witness and PAC.

To resolve the current impasse, some are talking of creating a new parallel structure of like-minded governments – what has been variously dubbed a “KP-plus” or “KP 2.0” – that would have tougher rules and would brand itself and its diamonds accordingly.

“By creating a commercial incentive, a few key governments could create a magnet that other governments would be drawn to,” says Smillie. It is an idea that originated in and was quickly withdrawn by the US state department but has long been talked about in various circles.

“NGOs, having walked out of the June KP meeting in Kinshasa, are licking their wounds,” says Smillie. “They are trying to develop a coherent approach to an incoherent mess.”
Lego builds a sustainable supply chain

By Rachel Stine

Lego’s quick action to smarten up its packaging supply chain is a model some competitors should copy

A fter being targeted by a Greenpeace campaign, Lego has cut out deforestation in its supply chain with a new sustainability policy.

Greenpeace, the leading environmental advocacy group, launched a social-media-heavy campaign in June against major toy industry players Mattel, Hasbro, Disney and Lego for sourcing packaging materials from endangered Indonesian rainforests through controversial supplier Asia Pulp & Paper (APP).

According to a recent Greenpeace report – How APP is Toying with Extinction – Lego exposed itself to greater risks of being linked to APP and deforestation by increasingly manufacturing its products in China where paper products have a high risk of being connected to APP.

Coincidentally, at the time of the campaign launch, Lego was in the midst of developing a new packaging and paper policy to reduce its production impact on the environment, says Helle Sofie Kaspersen, vice-president for Lego’s corporate governance and sustainability.

Lego has set forth plans to reduce the amount of packaging materials used for its products, and use recycled fibre whenever possible. When it is not possible to use recycled fibres, the company will use materials that have been produced in a sustainable manner. All virgin fibres used will have Forest Stewardship Council (FSC) certification.

Lego had been working on the new sustainability policy as a response to stakeholders’ concerns about the company’s packaging, according to Kaspersen.

Contacted by Greenpeace prior to the start of the campaign, Lego representatives met with members of the environmentalist group to discuss the company’s paper procurement policy three days after the campaign’s start.

Kaspersen says that Greenpeace’s knowledge and expertise in environmental matters is a valuable tool as the toy company develops its new packaging policy.

Despite the progress made with its new policy, Lego still faces a challenge in ensuring that its suppliers are not involved in deforestation outside of its dealings with Lego, Kaspersen says. Due to these difficulties, Lego relies upon maintaining good relationships with its suppliers based on trust and dialogue in order to ensure that only sustainable materials are used in Lego products.

While Lego’s new policy addresses the increased risks from producing its products in China, the company must now thoroughly implement its policy to cut deforestation out of its supply chain, says Ian Duff, Greenpeace’s forest campaigner in the UK.

Confident in the company’s ability to do so, Duff says, “[Lego is] much better placed in many ways to implement this solution than environmentalists because they have a very good understanding of international supply chains.”

Weak response

Greenpeace has, however, criticised the “weak responses” of Mattel, Hasbro and Disney, stating that these companies have “so far failed to commit to clear action to remove rainforest destruction from their packaging”. Mattel and Hasbro say they have directed their suppliers to stop sourcing from APP. Mattel says it will develop a sustainability policy that will require suppliers to commit to sustainable forestry management practices.

While Greenpeace acknowledges these companies’ responses as “a start”, the environmentalist group claims that companies’ press releases have been vague, lacking adequate changes to their sustainability policies for the company to successfully address deforestation.

Disney says that it is assessing the challenges of its complex supply chain, but has not mentioned involvement with APP.

Without adequate action, Greenpeace warns that the toy companies will continue to be linked to destroying rainforest homes of species such as the endangered Sumatran tiger.

While Lego has demonstrated that companies can effectively address deforestation in their supply chains, the hesitant responses of the other companies leave little hope for widespread change in the toy industry.

Black gold

While many countries seek to cut their greenhouse gas emissions, Canada expects its to rise by 7% by 2020 compared with 2005, because of the growth of the Canadian oil sands industry. According to the latest government forecasts, emissions from oil sands will increase by more than 200% from 2005 to 2020, wiping out savings from other sectors, such as pulp and paper, and electricity production from coal. Total Canadian greenhouse gas emissions in 2020 are on track to be 785m tonnes, about 200m tonnes more than the UK’s annual total. Canada had pledged, after the 2009 Copenhagen climate conference, to cut its 2020 emissions to 607m tonnes.

Low scorers

Indian companies are corporate responsibility laggards, according to the fourth annual survey carried out in India by social platform Karmayog. The survey ranks India’s 500 largest companies from 0 (worst performance) to 5 (best), and only 15% of companies score 3 or 4, and no companies score a 5. The greatest proportion of companies (62%) rank in categories 1 and 2. Karmayog recommends that companies dedicate 0.2% of their sales income to corporate responsibility activities. The better performers include papermakers Ballpur Industries, Kansai Nerolac Paints and Tata Steel. Among those making up the rear, according to Karmayog, are Indian subsidiaries of western multinationals, such as Bayer CropScience and Gulf Oil, which is now part of the Hinduja Group.
Trace minerals
Industry platforms the Global e-
Sustainability Initiative (GeSI) and the Electronic Industry Citizenship Coalition (EICC) have published a Conflict Minerals Reporting Template, which say they will help companies manufacturing products containing materials such as gold, tantalum, tin and tungsten to ensure that those substances have not come from illegal sources. The template helps companies trace sensitive metals and minerals back through the supply chain to the smelters that produced them, and is needed because “smelters or refiners are many levels removed from the companies that sell the end products which use those materials,” GeSI and EICC say. The template is aimed at manufacturers of products such as computers and mobile phones.

Sun train
Belgian rail infrastructure operator Infrabel has achieved a European first by powering trains directly from solar energy. Trains passing through the 2.1-mile “Sun Tunnel”, which is on the high-speed Amsterdam to Paris via Brussels route, receive electricity directly from 16,000 solar panels installed on the roof of the tunnel. According to Infrabel, even in cloudy Belgium the panels can generate 3,300 megawatt hours of electricity annually, equivalent to the annual consumption of 1,000 households. The rail network’s carbon dioxide emissions will be cut by 2,400 tonnes per year.

Analysis: sustainable finance
UK urged to invest in future
By Rachel Stine
The UK’s financial services sector has a chance to reassert leadership by focusing on sustainability

The UK’s sustainable finance and investment association UKSIF has called on the government, pension funds, and all financial sectors to take on environmental, social and corporate governance factors to build a more sustainable and resilient economy.

Launching a new report on the 20th anniversary of its founding, UKSIF is pushing for the UK to bring sustainable investment from the “margins to the mainstream” in order to preserve its position as the world’s leading financial centre and meet the approaching challenges of limited resources and climate change, says UKSIF’s chief executive Penny Shepherd.

“She may need to recognise the green jewel in its crown and invest in it,” Shepherd says.

UKSIF’s report – Taking Responsibility: Achieving Resilience – warns that the world will soon be facing a “perfect storm” of climate change consequences. The report quotes Sir John Beddington, the UK government’s chief scientific adviser, who says that by 2030 the world will need to produce approximately 50% more food, 50% more energy, and 30% more fresh water while adapting to the effects of climate change.

“The UK is in a position to lead the way in sustainable finance, Shepherd says. Currently, nearly £940bn in assets is responsibly managed in the UK, which is nearly 14% of the £6.5tn-plus in responsibly managed assets that is tracked by sustainable investment and finance associations around the world.

As a relatively wealthy nation, the UK may be somewhat cushioned from these resources demands and the impacts of climate change may not be as clear as in poorer countries, according to Seb Beloe, the head of SRI research at Henderson Global Investors. Yet, he suspects that the UK remains vulnerable in ways that may not be immediately anticipated.

Cushioned from the blows?
The key to meeting these monumental demands for the UK is embracing sustainable finance in order to maintain a successful economy within the environmental limitations of the future, Shepherd says.

And Beloe argues that socially responsible investing is no longer considered a risky investment if done intelligently and has the potential to offer ethical and commercial value.

The report offers recommendations for a variety of financial actors, including asset owners and managers, financial regulators, trade and professional associates and civil society, on how to embrace and enhance sustainable investing. Primarily, UKSIF encourages these actors to ensure transparency, particularly in dealings with environmental, social, and corporate governance factors.

UKSIF promotes sustainable and responsible investing by offering networking opportunities for financial institutions, investment consultants and researchers, financial advisors, pension funds and foundations, and others throughout the UK, and supports other sustainable finance and investment associations throughout the world.

Despite the difficulties of the tasks at hand, meeting these challenges also presents the UK with an opportunity to lead the way in sustainable finance, Shepherd says.
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A chance missed to bring tabloids to book

Mallen Baker says that rather than just Murdoch-bashing, we should take the chance to reform journalism properly

Many of us watched with interest the recent questioning by a UK parliamentary committee of Rupert and James Murdoch. The big headlines had been for weeks that the News of the World newspaper had engaged in the most disgraceful invasion of privacy of victims of crime. At last, it seemed, Murdoch senior was getting his comeuppance.

For many it was payback time. Out of all the media moguls of recent decades, it had been Murdoch who wielded the power of the press most shamelessly to make, or break, the political parties or individuals that most suited his interests. It was Murdoch that was feted by prime ministers who acknowledged his part in their ascendancy and were respectful of his potential role in their downfall.

The fact that the News of the World had been caught enabled the critics to make the story about him and News International. What they want is what people always want in the sudden changed environment to lead swiftly to the downfall of an individual.

But it is a wider story than telephone hacking. It is about ongoing and routine abuse of power.

The most effective questioner on the committee (who ironically almost didn’t get to ask her questions due to the intervention of a moron with a foam pie) was Louise Mensch. She asked pointed questions about whether the culture of hacking and intrusion into private lives was endemic throughout the tabloid press, not just restricted to this one newspaper.

Within a very short period, unnamed people were sniffing around in her past seeking information that could undermine her. When sent an email promising imminent publication of details of her early youthful indiscretions, she promptly circulated that email, and her reply, to all media outlets, adding the comment that she would not be intimidated.

It was pretty mild stuff, compared with what happened to the likes of former cabinet minister David Mellor, who once threatened the press that they were “drinking in the last chance saloon” only to find media stories of his private life suddenly bursting forth. It got to the point when the Sun, then News International’s top-selling UK daily tabloid, could taunt him that he had gone “from toe job to no job”, a reference to lurid accounts of an extramarital affair.

But for decades, society had come to accept this as a normal, even entertaining, part of public life.

Fair game?
After all, nobody was threatening to seriously disrupt News International when its bullying and intrusion was “only” aimed at politicians and celebrities. The self-serving logic was that such figures, because they sometimes benefited by good publicity, were fair game.

Live by the word, die by the word.

It allowed the rest of us in the UK to continue with our comfortable myth — that we lived in a well managed society with a fair judicial process. And those who made decisions were held accountable for those decisions, and there was a mechanism for redress when anything went wrong.

All the while, we had raw unaccountable power in our midst that was routinely flaunting its ability to retell the story of our lives in its own self-serving words, and to bully anyone who thought to hold it to account.

The beating of News International is good news for those that believe that all corporate abuses get found out in the end, and sooner or later the chickens will come home to roost.

But there is plenty of evidence we haven’t got there yet. The final edition of the News of the World celebrated some of the “great” headlines of its long and controversial history. The newspaper’s editors wrote that they regretted the phone hacking outrage. But at the same time, they celebrated the intrusiveness whose logic had inevitably led there.

Hence it would not be surprising if Louise Mensch’s tack — that this is an industry-wide problem, not just something to fling into the face of Murdoch — managed to provoke more of a backlash from those companies that want phone hacking to go down in history as a tale of illegal methods, not immoral ends.

It’s a direct challenge to any company that owns news outlets to re-evaluate what constitutes an ethical approach to journalism and what defines the public interest. For all that the apologists of the status quo will spin yarns about the tabloid press snuffing out corrupt politicians, that is no more credible than the protection racketeers who will tell you that they are there to help protect your safety.

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Briefing: public relations

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The reputation economy

By Stephen Gardner

The public relations industry is facing the challenges of sustainability and transparency, and some agencies are working to help their clients become genuinely sustainable.

Public relations used to be a simple business. The PR agency would take a brief about a client's latest ground-breaking product or service, spin it as creatively as possible, and pitch it, normally via a badly written press release, to a well-defined range of media outlets. The holy grail was favourable coverage in a mass market mouthpiece, which in the UK would be a tabloid newspaper such as the Mirror or the Sun.

It was a tried-and-tested formula that worked for everyone. Harassed journalists received a never-ending tide of information that could quickly and easily be turned into stories. The more skilful PR spinners generated coverage for their clients that far outweighed the impact and value of standard advertising.

The PR industry, especially in its symbiotic relationship with popular newspapers, earned a power beyond its relatively small size. In his industry exposé The Invisible Persuaders, former PR man David Michie noted that up to half of general news carried by the papers was produced or influenced by PR agencies. The irony of “our consumerist times”, he wrote, was that “while we have become acutely aware of the pesticides, growth hormones and artificial additives contained in much of the food we eat, we are largely oblivious to the fact that the media we consume has undergone similar treatment”.

Spin doctoring, said Michie, involved “conjuring up front page headlines out of the ether or killing off negative tales at birth”. Since the publication of his book in 1998, however, the arena that PR firms operate in has changed dramatically.

Whereas the progression from new product or service to PR campaign to media coverage was once “linear”, corporate communications has become “organic – things grow and ebb and flow,” says Flic Howard-Allen, UK lead counsel for sustainability at global PR giant Hill & Knowlton.

“You can’t just put an ad in the paper and that does your job,” she says. That advertisement could now be spoofed, end up on YouTube and only then attract media coverage, when its message has been completely changed from the original intention.

“Some of it you can predict, some of it you can’t,” Howard-Allen says.

The PR industry and its clients are also having to deal with broader social and political pressures that impinge on business in general. Two trends in particular stand out: the pressure for transparency, and the pressure for sustainability.

Shining a light

The pressure to be transparent arises from the alteration of the media and technological landscape through trends such as social networking. Companies are also under more political and legislative pressure to be transparent after a series of corporate scandals, from Enron to Parmalat.

The internet means that companies are in the spotlight more than ever before. “Social media gives a whole level of consumer power that didn’t exist previously,” Howard-Allen says.

Opinions about brands are now blogged and tweeted, or broadcast on numerous websites from kitchen-appliance-advisor.com to cigarinspector.com, resulting in potential PR headaches. Even the ultimate defensive move of obtaining a so-called
super-injunction has been steamrollered by the internet.

Commodity trader Trafigura discovered this when it obtained an injunction to suppress discussion of an internal report about the offloading in the Ivory Coast of toxic waste, which was alleged subsequently to have been illegally dumped, and then linked to the deaths of 15 people. Circulation of information online quickly rendered the injunction useless.

Technology also means that burying bad behaviour is harder, as News International has discovered from the voicemail eavesdropping scandal, which has escalated into an uncontrollable PR disaster. Technology at first seemed to give News of the World journalists an advantage, as they were able to exploit loopholes to illicitly obtain information. But technology also leaves traces such as email archives and phone records, which can be highly compromising.

One PR executive says companies are only starting to grasp the implications of the new media age. “There’s no informational discipline, there’s no security; people can hack your phone.” The covering up of corporate scandal through devices such as injunctions has become nearly impossible because of platforms such as Twitter, which the executive compares to “kids running into a sweet shop and nicking everything, on the assumption that only one or two get caught”. A startlingly appropriate metaphor given the August street riots and looting in the UK.

**Opening up**

Some PR firms believe that their clients must work with rather than against the information revolution by moving beyond traditional defensive PR and accepting the need to be more open about everything they do.

Walter Gelens, a partner in one of Belgium’s leading independent communications consultancies, Akkanto, says the best defence for a corporation in a tight corner is not to try to spin its way out, but to have nothing to hide in the first place. “We are entering the reputation economy,” he says.

Akkanto works with the New York-based Reputation Institute, which claims to provide an assessment of how corporations are really seen by their customers. Reputation Institute managing director Kasper Ulf Nielsen, in an online video, says companies depend on “customers to buy their products, investors to recommend their stock and employees to deliver on their strategy. At the heart
of all of this is the trust and emotional connection that companies have with their most critical stakeholders.”

Only well-reputed companies will prosper in the reputation economy, and transparency means that only companies that genuinely deserve a good reputation will be credited with one. Betrayal of trust will become the corporate cardinal sin.

The idea of the reputation economy implies that the old model of brand building through advertising and PR might become redundant. Brands are a representation of the values of a product, such as its quality or the benefits it offers. But in the reputation economy, consumers are more interested in knowing that the company behind the brand is genuinely working in their interests. This embodies product quality and customer service, but also the ethical performance of the company. “There is of course a clear overlap between reputation and corporate responsibility,” Gelens says.

Europe’s most reputable company, according to the Reputation Institute, is Lego, which has set itself sustainability targets including using only renewable energy by 2020 and achieving zero product recalls, and which in 2010 recycled 87% of its waste against a target of 80% (though see also EthicsWatch on p8). Other high-scoring corporations are Canon, Google and Kellogg’s, according to the Reputation Institute.
Along with the pressure to be transparent comes the pressure to be sustainable, increasingly a fundamental reputational factor. In this respect, the traditional idea of corporate social responsibility – as a means of offsetting a company’s footprint and as a marketing tool – is, like the traditional view of branding, under threat.

This can be seen clearly in the exposing of greenwashing by campaign groups, bloggers and citizen journalists. Greenwash is rebutted via a proliferation of websites. Greenpeace maintains www.stopgreenwash.org, while US consultants EnviroMedia Social Marketing and the University of Oregon’s school of journalism and communication encourage the reporting of greenwash advertising on www.greenwashingindex.com.

Hill & Knowlton’s Flic Howard-Allen says her company sets out to dissuade clients from greenwashing because it “will eventually destroy what they want to do”. It leaves “no room for manoeuvre” when exposed, she adds.

Firms that attempt greenwashing PR are in any case behind the times, says Alex Osten, chair of the Public Relations Consultants Association in the Netherlands. Simple statements from companies about “showing their good intentions and spreading the message that they are green is not how it should be. It doesn’t impress people any more.”

Transparent and sustainable
In principle, the dual pressures to be transparent and sustainable mean big changes for the PR industry. It is no longer enough for PR firms to attempt to put a gloss on a bad product when it is likely that shortcomings will be ruthlessly exposed. PR companies must get involved in the business of managing reputational risk by making sure that their clients have nothing to hide.

This is potentially problematic. One former PR consultant says it provokes two main issues: are PR companies qualified to “take on the mantle of sustainability consultants”, and, when their fees might be on the line, are they prepared to give “brutal advice” to clients that represent a significant reputational risk?

“Inevitably consultancies are beholden to their clients. Sometimes they’re a little bit conflicted,” the former PR executive says, adding that in terms of providing the right advice on transparency and sustainability, “broadly they are not really the right people to do this job”.

The Chartered Institute of Public Relations (CIPR) also plays down the role of PR companies in driving sustainability. CIPR’s communications director, Phil Morgan, says PR agencies still largely work to client briefs rather than working to promote more sustainable behaviour in their clients.

“It depends what the client wants to get out of it,” he says. More sustainably minded clients want to highlight what they are doing but, in other companies, there is complete detachment between the CR department and the PR consultancy. Nevertheless, there is a role for agencies going to clients and identifying good sustainable practice that is not being adequately communicated, Morgan adds.

A number of the major agencies have set up sustainability units or practices. Hill & Knowlton in London is one. Howard-Allen says the emphasis is on clients behaving with integrity, and conveying this in order to build reputation. “The more authentic you are, the more ability you have to communicate effectively,” she says. “Companies still need communications professionals to spot what they’re doing but not talking about, and to find a way to bring it alive.”

She says Hill & Knowlton does not follow “hard and fast” rules when working with clients on sustainability. “There are many brands that understand the wider and economic justification for CR.” Hill & Knowlton aims to be a “critical friend” that will provide honest advice on thorny issues, she says.
Advertising and PR giant Ogilvy also emphasises sustainability in its offering to clients. Jeff Chertack, managing director of Ogilvy’s Brussels office, says that attacks on the credibility of companies’ sustainability strategies have become “normal”. “It happens all the time,” he says. “PR can be helpful [in order] to build issue management into the CR strategy.”

According to Ogilvy’s sustainability website, reputational risks arise when there is a mismatch between what a corporation does and what is expected of it. Issue management to deal with this can involve either “changing the company’s behaviour or its stakeholders, or both”.

However, the eight-step Ogilvy CSR issues management programme seems to place the emphasis more on defensive PR, rather than on challenging the business practices of clients. The objective, the programme states, is to anticipate potential corporate responsibility reputational threats arising from a company’s activities, and to influence the issue by “changing the course of an issue’s progression”, rather than changing the company.

Dark arts
There are other indications that the PR industry has some way to go before it can truly claim to be leveraging better sustainability practice in its clients as the best way to build trust and thus increase sales.

The former PR professional says that some PR companies continue to “defend the indefensible”, citing Cohn & Wolfe’s work on behalf of Asian Pulp & Paper (APP), a subsidiary of Indonesia’s Sinar Mas Group. APP stands accused by Greenpeace of being responsible for extensive deforestation, but the company “has a very good story to tell,” according to Cohn & Wolfe chief executive officer Donna Imperato, speaking to PR Week magazine.

Another PR executive hints that the emphasis on sustainability and transparency could even result in a defensive PR backlash, and that this could make use of digital technologies in the reputational war. In principle, the internet offers the opportunity to “rewrite history – start with Wikipedia,” the executive says. Twitter, Facebook and similar services can be used to “push out ideas”, and companies are starting to emerge that “offer services to scrub online reputations”. Meanwhile bloggers and other negative voices can be shut down if a company is committed to defensive PR “at a sufficient scale over time”.

However, such a strategy would entail risks. Companies “don’t want to be seen as going after individual bloggers”, and the perception of vindictiveness would be “terribly dangerous”, the executive says. Ultimately, a degree of negative information might just have to be accepted.
Ethical specialists gaining ground

By Stephen Gardner

Ethical public relations generally means choosing to work for ethically minded clients, though some overlap between PR and sustainability consulting is starting to develop.

Public relations is a business of many niches. There are PR firms and divisions of PR firms specialising in areas including health, information technology, social marketing, the public sector, China, and even golf. All aim to bring a particular knowledge of a market or media segment to their clients.

One of the niches is ethical PR. But rather than leveraging better corporate responsibility practice in their clients, ethical PR firms tend to work with clients that are already recognisably ethical.

Goodworld Communications, for example, highlights its work with Fairwind, an ethical online retailer, and ScotsCare, a charity for Caledonians who find themselves down-and-out in London. Greenhouse PR lists ethical brands such as Ecotricity, Neal’s Yard Remedies, the Soil Association and Triodos Bank among its clients.

Goed en Groen (Good and Green), meanwhile, is a Dutch ethical PR firm. Co-founder and partner Reinhold Wolff, who is a “modern hippy marketing maniac” according to the company’s website, says he was inspired by work that he did with responsible ice-cream makers Ben & Jerry’s.

“We want to work for and with companies who work with corporate social responsibility from the heart,” Wolff says. “We are not for greenwashing.” He accuses larger PR companies of viewing corporate responsibility as a mere marketing tool. Goed en Groen will turn down potential clients if it suspects them of not being genuine about their ethics, he says.

“Ben & Jerry’s worked with companies that worked just like them, with the shared values,” Wolff says. “We also work with people who work and think in the same way.” He adds that greenwashing has made consumers “confused and a bit tired of green”. Companies must respond by being genuine in their efforts to be sustainable.

Goed en Groen tends to work with smaller brands that it believes can find a niche alongside mainstream competitors. Clients include Oggu, an Amsterdam maker of wholly organic soft drinks; Optivolt, an installer of efficient energy systems; and Fortress, a property company that specialises in inner-city redevelopment.

Reputational risks

Richard Ellis of the UK Public Relations Consultants Association says that PR companies offer tailored services because they “know how different stakeholders will respond to different issues, and they understand how to change attitudes and opinions accordingly using different forms of communication”.

For clients, ethical issues represent a “huge reputational risk capable of bringing companies down, as the recent News of the World scandal shows”, Ellis says. PR professionals can help their clients “look at the cost-benefit of each risk and prepare accordingly. Sometimes the risk is intrinsic to the nature of the work and it will be a case of preparing responses in case the potential issue becomes more than that.”

He adds that PR agencies can play “a strategic adviser role or an implementation role”. This is the point at which ethical communications advice can cross over into consulting on sustainability, some-
thing that has been recognised by Chime Communications, which is the parent company for many of Britain’s best-known PR brands, including Bell Pottinger, the UK’s biggest PR agency.

Within its portfolio, Chime includes strategic corporate responsibility consultancy Corporate Citizenship. Karin Laljani, Corporate Citizenship’s managing director, says the company helps clients “embed sustainability into their business practices,” which is an “ideal fit with Chime”.

The corporations that are most exposed to reputational risk over their ethics are the major brands that “go out in the open and share” what they have been doing, Laljani says. She gives the examples of Marks & Spencer and Unilever. Both have high profile corporate responsibility programmes: Plan A in the case of Marks & Spencer, and Unilever’s Sustainable Living Plan.

Achieve what you claim
“Sustainability is clearly not a constraint” for these companies, Laljani says. To help others follow their lead, Laljani says Corporate Citizenship will sometimes start with the claims that brands are making about themselves and then “we’ll backtrack and see what they need to do to become that organisation”.

“Most organisations are not perfect,” she says. “We will always find areas where we say you really need to do something about this.” If companies have been over-claiming about sustainability, it can be a “fantastic opportunity” for the PR firm to make sure the reality matches the hype, Laljani says.

Corporate Citizenship thus takes a back-to-front approach to public relations. Rather than starting with what the client wants to promote, and exaggerating its virtues to the maximum, it starts with how the client ideally wants to be perceived, and sets about creating a solid foundation for that.

Referring to sustainability, Laljani says that marketing and PR is “the last discipline and function that gets it”. The PR role is changing from the promotion of products and “making sure positive achievements are noticed, with profit as the focus” to

In the wash
Setting the washing machine to lower temperatures as an energy-saving measure is now commonplace, but it was not always so. Procter & Gamble is credited with helping to convince its customers that clean clothes at lower temperatures are possible through its Turn to 30 campaign for Ariel washing powder. PR company Hill & Knowlton worked on the campaign. The message was based on Hill & Knowlton research that showed that 60% of Ariel’s target consumers wanted to do something to mitigate climate change, but only if it didn’t mean less-white whites.

Hill & Knowlton’s Flic Howard-Allen says the company “recruited high profile ambassadors for the campaign, including Helena Christensen. People were asked to sign up to a ‘do a good turn’ website, and a national roadshow showed people how simple washing at 30 could be.”

The campaign claims to have achieved success in stimulating a small, but widespread and persistent, behavioural change. Procter & Gamble received an HBOS Responsible Marketing Award, and post-campaign research found that, by 2007, 17% of consumers were washing at 30 degrees, compared with 2% five years earlier. Most 30-degree converts said they would continue washing at lower temperatures. Energy savings from this shift were estimated at 41%.
about the risks arising from the need to meet the PR issue is tax, according to Corporate Citizenship.

In a paper published in May, the company argues that corporations need to communicate appropriately about the amount of tax they pay because it has become a corporate responsibility issue in the age of austerity. Organisations such as UK Uncut threaten companies must "identify a coherent and credible position on why their tax policy is sensible for investors or society at large."

To remedy this, Corporate Citizenship sets out a "tax map". Are companies engaged in what could be construed as evasion, or setting up structures purely for tax planning purposes? Or are they in fact paying more tax than they could legally get away with, because they believe it is the right thing to do?

Companies in a more risky place on the tax map can decide to move to where they want to be and put the necessary policies in place. Only then will the company be "ready to speak to the outside world", and it should do so in language that can be "understood by stakeholders like your employees and customers – not just the lawyers and tax authorities," Corporate Citizenship says.

The challenges faced by some corporations in this area are shown by examples cited in the paper. Vodafone, Corporate Citizenship says, has articulated a new approach to tax, promising to align its tax risk policy with its corporate values, while HSBC has highlighted its "role in collecting taxes such as VAT and stamp duty".

But these companies are among the top targets for tax campaigners. UK Uncut says Vodafone is "fighting tooth and nail" to avoid paying tax bills in Britain and India, while HSBC channels money through tax havens, and is threatening to move its domicile to Hong Kong to avoid tighter British financial regulations. Some companies clearly have work to do to bridge the gap between the ethics they profess and the actions they take.

Additional research by Boris Peters.

For more on tax see strategy and management p37.
Activist organisations

He who pays the piper...

By Stephen Gardner and Jon Eldridge

There is a healthy level of distrust between organisations that conduct campaigns based on ethical principles and organisations that conduct campaigns for fee-paying clients.

It comes as no surprise to learn that non-governmental organisations typically distrust public relations companies, often regarding them as an operational arm of corporations or governments engaged in bad behaviour.

Andy Rowell of campaign group Spinwatch says “most PR agencies are client-led” and when those clients are engaged in unethical practices, the PR brief is invariably to “gloss over, tone down and greenwash some of our more controversial industries”.

Alex Wilks, campaign director for community campaign website Avaaz.org, says: “Sometimes PR companies try to defend the indefensible, and often they are unable to hold up the opinion that their clients want.”

Avaaz works by creating a critical mass on an issue by bringing together concerned individuals through its website. Wilks cites its recent campaign against Formula 1 racing in Bahrain. Avaaz put pressure on the Formula 1 teams, saying that the 2011 Bahrain Grand Prix should be scrapped after government suppression of pro-democracy protests. The teams subsequently put pressure on race organisers, and the event was duly cancelled.

Avaaz “managed to expose the lie”, Wilks says. “Our members sent messages to Red Bull, Mercedes, Ferrari and others, saying that they should make sure their teams stay out of Bahrain.”

In its ultimately fruitless efforts to resist the Avaaz pressure, the Bahrain government was assisted by its PR agency, Bell Pottinger. Its brief was to “try to show that all was well there, which was palpably not the case”, Wilks says, adding that one part of the PR effort, a tour to Bahrain for racing officials, would have been “laughable if it hadn’t been so serious”.

Avaaz does not use outside PR help. “We want to stand on our two feet. Most NGOs want to be independent in their actions and true to their founding ethic and purpose,” Wilks says. This extends to the communications and PR functions.

Greenpeace International takes a similar view. Spokesman Mike Townsley says: “Some PR companies on the one hand work for an environmental organisation and on the other hand are getting paid by some agent of the military-industrial complex.” This would be uncomfortable for Greenpeace.

“We have a credo of independence, which means that we neither solicit nor accept monies or support from commercial enterprises and companies. That allows us to maintain the integrity of our agenda.”

However, Townsley adds: “That’s not to say that we have never worked with a PR agency, or that we don’t employ ad agencies or do pro bono work with them. For a certain campaign, we might employ a PR company to help us with a press conference or a media event.”

Greenpeace in most cases does not need the assistance of a PR company. “We’ve been in existence for 40 years and have built up quite significant relationships with media partners,” Townsley says. “I’m more likely to come across a PR company representing an industry and trying to counter a [Greenpeace] campaign.”

PR companies are also unlikely to earn from NGOs the fees that they can command from corporate clients. If Greenpeace does work with a PR agency, “we usually try to get a relationship in which we can pay them as little as we can get away with – hopefully nothing”, Townsley says.

Common platforms

Campaign groups can, however, be targets for PR agencies looking to broker reputation-boosting partnerships for their clients, though such partnerships are not necessarily just about polishing corporate profiles. Alliances can be mutually beneficial, says Martin Porter, managing director of Brussels lobbying and PR firm Edelman The Centre.

Partnerships can arise because companies want to make progress on a specific issue, and this coincides with the interests of an NGO. In some cases, the NGO can benefit because lawmakers might be more likely to put their weight behind an issue if it has corporate backing, which can equate to a demonstration of the economic benefit, Porter says.

However, “NGOs want to make sure they are not being taken for a ride”. Trust and personal relationships between the participants are key, Porter says.

He gives the example of the Coalition for
Energy Savings. This is a multi-member platform pushing for the European Union to adopt binding energy efficiency targets, similar to targets it already has for reducing greenhouse gas emissions and for ramping up renewable energy. Edelman The Centre provides a secretariat for the coalition.

Its members include industry associations, such as the European Committee of Domestic Equipment Manufacturers and the European Insulation Manufacturers Association, alongside NGOs and foundations including the Climate Action Network Europe, Friends of the Earth Europe and WWF.

Catherine Pearce of the European Environmental Bureau, another of the NGO members, says such coalitions are a reflection of a move beyond a “traditional black and white view of NGOs and businesses”. There are now “different shades of green across various stakeholders”, she says.

The Coalition for Energy Savings “evolved out of a need” on which all the participants broadly agreed, and does not represent a compromise for the NGOs involved, she adds.

The main aim is to get things done. “As with every coalition, the members are not going to agree on everything. There have been discussions where there is not a clear common line on something.” However, the participants have a common willingness to see where there is agreement and where progress can be made, Pearce says.

Front groups
Other initiatives that superficially look similar to the Coalition for Energy Savings can be little more than front groups set up by PR agencies, however. The Bromine Science and Environmental Forum (BSEF) sounds like it could be a partnership between NGOs and academics, but it is in fact a group of four companies brought together by PR firm Burson-Marsteller.

BSEF’s main aim is to prevent the regulation of brominated flame retardants, which are used to stop sofas and beds catching fire. Scientific evidence, published for example by the United States National Institute of Environmental Health Sciences, has shown that the substances can accumulate in people and animals, and can be passed, for example through breast feeding, to infants. But according to the BSEF, concerns about brominated flame retardants have been “overblown for political reasons”.

In Europe, three of the four companies BSEF represents – Albemarle, Chemtura and ICL Industrial Products – are also members of the European Flame Retardants Association, a more clearly labelled lobby group working on exactly the same issue. This raises the question of why the BSEF is needed in the first place.

Sabine Wimpissinger, a consultant to BSEF with Burson-Marsteller says the forum is “the bromine industry’s global organisation,” and it “ensures global coordination of the industry’s scientific and regulatory programmes”. BSEF commissions research from independent scientists and sets out to “inform decision-makers and other stakeholders about the results of this science, and to represent the bromine industry on issues of environment and human health,” she adds.

BSEF is an example of what the campaign group Spinwatch calls the “third party technique”. This is the separation of an organisation behind a message – for example, an oil company – from the message it wants to put across – for example that climate change is not a problem. But this emphasis might have been a distraction from dealing with the environmental integrity of Shell’s own operations.

In early August 2011, Shell admitted liability in a legal case about major oil spills in the Niger delta in 2008 and 2009, while, separately, a United Nations Environment Programme report found that in the Ogoniland region, Shell had not properly maintained or decommissioned oilfield infrastructure, and that most polluted sites that Shell said it had remediated “still have pollution exceeding [Shell] (and government) remediation closure values”.

Another strategy, according to Spinwatch, is the “3D” campaign: denying a problem, delaying action, then dominating the response in the media or by politicians. This can be done by “promoting scientific uncertainty to create an impression that the jury is still out over a particular issue”.

Spinwatch accuses oil giant Shell of indulging in such practices over many years to protect its activities in the Niger delta, where problems arose in the early 1990s over pollution and the treatment of indigenous peoples. Since then, Shell has “spent millions on its PR activities”, says Spinwatch’s Andy Rowell.

The money was dedicated to changing the company’s image, rather than the company itself, Rowell says. Shell Nigeria deals extensively with pollution issues on its website, where it emphasises that there is a lack of security in the Niger delta and “militant groups... cause massive pollution... by damaging wellheads and other facilities”. Shell says that 70% of spills are “the result of sabotage, oil theft and illegal refining by criminal gangs”.

But this emphasis might have been a distraction from dealing with the environmental integrity of Shell’s own operations.
PR and sustainability

Silence that speaks volumes

The public relations industry has to develop a proper ethical approach, argues Brendan May

In most sectors, vaguely enlightened companies respond to at least some of the surveys they are sent about their sustainability performance. Of course, it is not possible to complete them all. But on the whole, when a credible organisation sends out a sustainability survey, it can expect a reasonable response.

With this in mind, Ethical Corporation dispatched a PR industry survey to accompany this month’s briefing. The PR industry cannot claim not to know about Ethical Corporation. They are never off the phone plugging their clients to the editor and bagging conference slots or offering up the columns they will ghost write for their clients. Which makes the response to this survey all the more amusing, albeit depressing.

Ethical Corporation sent 103 surveys to people at the top PR firms in the world. Responses? One.

This should not really come as a surprise. The PR industry remains almost unique in its sluggishness to embrace the sustainability agenda.

Companies don’t know what their carbon footprint is. They don’t have sustainable procurement policies. They don’t report on their impacts, set targets or run employee programmes to green up the workplace. They don’t require standards of suppliers, although their clients will increasingly demand standards of them. They might buy offsets, but they don’t address their biggest impact – air travel.

Tail wagging the dog

In general, PR firms’ clients raise sustainability with them, not the other way round. It is a bizarre situation in which the industry that should be warning its clients of developing trends is playing a fruitless game of catch-up to find out what is going on. That a client should pay thousands of pounds a month to educate its own advisers is a perverse reality.

There will have been four reactions in the PR firms when Ethical Corporation’s survey arrived.

Indifference. For all the media wizardry they deploy for their clients, PR people are their own worst marketeers. Many won’t have realised this was an opportunity, not a threat.

Panic. In some agencies, the survey will have been bounced around from one recipient to another. No one will have been in charge, and eventually the survey will have crawled into its last inbox where it is still sleeping as this briefing goes to press.

Over-confidence. In some cases, a smart person may have spotted the opportunity to land some “key messages” about their agency’s good work and done their best to complete the survey and provide some case studies. Sadly, those at the top will have vetoed responding to anything that asked something as outrageous as whether or not they turn down business on environmental grounds.

Arrogance. “We don’t do surveys like that.” Fair enough, perhaps. But most of your clients do. Wake up.

In fairness, WPP, which owns many of the best-known PR firms in the world, has long attempted something of the corporate responsibility reporting now commonplace among multinationals. Anyone reading WPP’s annual sustainability reports would easily be impressed, if not wowed, by their efforts.

But it still falls way short of good enough. WPP owns Cohn & Wolfe, infamous apologist for Asia Pulp & Paper. Unfortunately this makes it hard to take WPP’s assertions on sustainability seriously.

Burson Marsteller, part of the WPP family, was the only agency to respond to the survey. Its client case study was on the Marine Stewardship Council and the role it played in advising Unilever to establish it – in 1995. Good work, but to cite 16-year-old client engagement borders on the desperate.

But at least WPP has done something. Most other giant communications groups barely have policies beyond bribery, ethics and corruption. If they have environmental policies, they will be bottom of the ladder, such as ISO 14001. Even Asia Pulp & Paper could get that one.

The PR industry is soundly asleep on sustainability. It has few public champions pointing out the inevitable seismic change to come. To be ahead of the game means making the serious commercial decisions that companies such as Unilever, Nestlé and countless others are making.

If you don’t change, we won’t work with you. That’s what they have told their palm oil suppliers. It’s what supermarkets have told unsustainable tuna brands. The PR industry needs to develop a point of view, very quickly. It will no longer do to preach about sustainability on their websites (as they all do) while taking dirty money from tarnished brands.

Brendan May is founder of the Robertsbridge Group, former chief executive of the Marine Stewardship Council, and UK chairman of the Rainforest Alliance. He is a contributing editor to Ethical Corporation.
Letter from America

Is social media just old news rehashed?

Living your life through Twitter and Facebook might feel cutting edge, but you risk being a modern victim of good old-fashioned marketing, argues Peter Knight.

So they organised the Arab Spring on Twitter, or was it Groupon? Just think of how much earlier Nelson Mandela could have been released if only he had a ready tweet or two. “@RobbenIsland. Gearing up for another weekend of heavy rock crushing…”

Despite the great excitement about the civic promise of social media – the greatest social advance America has brought to the world since it abandoned slavery it looks unlikely that Facebook et al will do much to promote sustainability.

There seems to be little social purpose to the social media industry other than to sell more conventional stuff.

Boosting consumerism may indeed be what’s needed right now, as we drag ourselves from the recessionary mess we created by believing that we could use our homes as ATMs. But as Twitter reaches a value of $8bn, we are looking four square at the lie that social media are somehow more socially wholesome than old-fashioned media.

Convenient truth?

This belief is predicated on the idea that social media provide opportunities for individuals and underserved groups to propagate and spread their messages, enhancing democracy and increasing opportunity.

This is partly true, as it is with conventional media. But when it comes to the commercial entities we call the social media (Twitter, Facebook and their progeny), not only are social media no different from newspapers, magazines and television, but their technical superiority also enables them to further their own commercial agendas by undermining our abilities to differentiate fact from fantasy.

In the old days you could easily distinguish a sales pitch from objective reporting – it had “advertisement” written on it. No matter what your views were on inherent biases of the media, at least there was some way of knowing what you were being offered: objectivity or blatant bias.

And you could teach your children how to distinguish between the two. Even in the good old days when they used the medical profession to sell cigarettes, you at least knew that it was the men from Camel who were telling you about how the doctors found cigarette smoke soothing on the throat.

Not any more. The stratospheric valuations on social media businesses are based on the premise that the social and gaming media will once again enable doctors to tell us how good their throats feel after a Camel.

Ironically, doctors themselves are targeted by a free iPhone app called Epocrates (geddit?) that enables searches for suitable drugs to prescribe. More than half the doctors in the US are reported to use the app.

But with everything free, there is a social cost because the doctors searching for information have first to pass through a wall of medical “alerts” which are advertisements dressed up as news.

What does it matter if society is devising better ways to encourage greater consumption?

Does it matter if society is devising better ways to encourage greater consumption?

What bright, brainy graduate would not want to be Mark Zuckerberg or any of the other badly dressed but insanely rich social media moguls?

Chasing the dollar

The sadness of the social media hype is that earlier generations looked for ways to find new worlds in space, or devise new medical cures, or develop advanced materials to make life better.

Now the world’s top brains are working on ways to make the social media make money. How to infiltrate sales messages into 140 characters. How to integrate more commercials into Facebook. These huge intellects are heading to California where dark rooms, bright screens and pots of gold await those who can find ways to sell more deodorant, rejuvenate tired shampoo brands and convince us we definitely need more blades on our razors.

As the space shuttle Challenger landed for the last time, I thought how myopic. Instead of looking to the heavens and dreaming of new worlds, we turn instead to search for friends on our little screens; behind which social media barons are doing very little more than devising the modern version of the 1950s Camel advertisements. Got a match?

Peter Knight is president of Context America. peter@contextamerica.com www.contextamerica.com
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Amnesty International blocked in Saudi Arabia

Amnesty International's global website was temporarily blocked in Saudi Arabia in reaction to the organisation's vocal stance against a proposed Saudi anti-terrorism law, which would sanction authorities to prosecute peaceful dissent as a terrorist crime.

Amnesty says the law “would entrench, exacerbate, and offer a cloak of ‘legality’ to long-standing oppressive measures taken by the Saudi Arabian government in the pretext of countering terrorism”. In particular, the law would allow suspects of supposed “terrorist crimes” (a term also loosely defined) to be held for an indefinite period without charge or trial, and without access to a lawyer. It would also grant tremendous power to the minister of the interior, without judicial oversight.

The Saudi government released a statement calling Amnesty's concerns “baseless” and “completely without foundation”.

“We completely disagree,” says Amnesty's Neil Durkin. “Meanwhile, the Saudi Arabian authorities do not seem willing to enter into a proper discussion about the issues. Blocking sites is hardly the hallmark of an open country that welcomes free debate.”

There have also been reports that Amnesty's UK site was blocked. The Arabic script of the anti-terror law has since been transferred to Amnesty's blog protectthehuman.com.

“As to the likelihood of it being passed – it’s extremely difficult to say,” Durkin says. “Other punitive laws have come into force in Saudi Arabia in recent years, but also much of its legal code is either kept secret or is governed by pronouncements – fatwas – by the Council of Senior Ulema. It’s true to say, indeed, that the entire justice system remains largely secretive.” Amnesty says it will continue to monitor the situation closely.

App helps refugees find loved ones

In partnership with the United Nations High Commissioner for Refugees and Refugees United (RU), Ericsson, the communications infrastructure group, is helping refugees register, locate and reconnect with loved ones using a custom mobile and internet platform.

The programme got a boost this summer with the addition of Android app technology, allowing refugees to use SMS and mobile browsing to locate missing relatives – in addition to RU’s existing internet platform. Mobile functionality is particularly valuable in Africa, where mobile phone penetration is above 50%, as compared with PC-based internet at just 10%.

Ericsson helped develop RU’s web-based platform for mobile phones and connect them with global mobile operators, such as Safaricom and MTN in Africa.

Refugees United co-founder Christopher Mikkelsen says the Android app is predominantly geared towards refugees with smart phones (usually those who have already resettled) and NGO staff.

The programme is also expanding beyond the pilot in Uganda to Kenya and other “refugee-populous” host and resettlement countries.

“Realising the immense treasure trove of knowledge corporations possess, we wanted to create a hybrid between the passion of the NGO and the strategy, structure and discipline of the private sector,” Mikkelsen says.

Refugees can register for the RU platform in two ways. Those who have been resettled mainly access the database via the internet or mobile platform. People still in refugee camps, who use the service the most, register with the help of RU and partner staff.

According to Elaine Weidman, Ericsson’s vice-president of sustainability and corporate responsibility, the partnership is a natural fit with the company's Technology for Good initiative, which “harnesses the power of informational and communication technology to address climate change and socio-economic development issues”.

VF acquires Timberland

Timberland has been snapped up by US clothing giant VF Corporation, owner of big name brands including North Face, Vans, 7 For All Mankind and Wrangler.

The acquisition marks VF’s overarching strategy to expand its outerwear brands, which VF chief executive Eric Wiseman says “will continue the transformation of VF’s portfolio, propelling VF’s Outdoor & Action Sports businesses to 50% of total revenue”.

“Timberland is proud of its rich heritage, its track record of success and its reputation as a responsible and environmentally conscious global citizen, all of which will be preserved and enhanced by becoming part of the VF family of brands,” says Jeffrey Swartz, Timberland’s chief executive.

Timberland has remained tight-lipped concerning the details of the deal, so only time will tell how this will affect Timberland’s operations (and those of VF), and its leadership position in sustainability.

Timberland made headway as a green leader with its 2006 green
Bloomberg donates to anti-coal campaign

The Sierra Club’s Beyond Coal campaign just got a $50 million boost from New York City mayor Michael Bloomberg’s philanthropic arm, Bloomberg Philanthropies.

The Beyond Coal campaign was launched in 2002 and predominantly focused on preventing 153 new coal-fired plants from being developed under the Bush administration (only one actually broke ground).

The campaign is now working to retire one-third of America’s coal fleet by 2020, and put clean energy projects in their stead. With Bloomberg’s sizable grant over the next four years, the non-profit group can now double its staff, expand the campaign from 15 to 45 states, and boost membership from 1.4 million to 2.4 million.

“Michael Bloomberg is very focused on outcomes and metrics to assess a problem and how we can fix it,” says Bruce Nilles, founder of the Beyond Coal campaign. “Our work is a measurable way to reduce carbon pollution one plant at a time, and that mirrors the type of work he is doing in New York with the Plan NYC green initiative.”

The Sierra Club works closely at the state level and with union leaders to ensure no one gets laid off as a result of the plant closures. For example, workers can be transferred to another part of the facility, be moved to another plant, or get trained in alternative energy technology.

Nilles is also quick to point out that new wind and solar facilities generate more jobs than coal. Plus, the majority of states currently import millions of dollars worth of coal, but if they could keep money in-state and create new clean energy jobs, that’s a win-win.

“When there is an absence of movement on key issues at a state, federal or international level, supporting efforts that are being driven at a local level – by communities, towns and cities – can have a cumulative, significant and measurable impact globally,” says Bloomberg Philanthropies’ Michael Marinello.

Greenpeace targets Volkswagen

Greenpeace spoofed Volkswagen’s highly successful “The Force” advert (a take on the Star Wars tale) with its “Away from Darkside” campaign to challenge the company’s green commitments.

Volkswagen Group is the world’s second largest car manufacturer. According to Greenpeace’s Leila Deen, WW holds the most board seats on the powerful European Automobile Manufacturers Association, which “has been leading the charge against strong fuel efficiency standards in Europe and pushing hard to block key climate laws”.

Greenpeace is also asking VW to include its impressive efficiency technology on all vehicles as the norm, rather than an added cost. “[If] they desire to be the most eco-friendly, they have an obligation to set standards,” says Deen.

The campaign, launched in June, is now in 15 countries and has more than 250,000 supporters.

“Our shift to a low carbon future is full of opportunity, and corporate advisers should be pushing companies to focus on thinking afresh about their business model, getting ahead in the race for low carbon technology, rather than spending money on trying to hold back an inevitable tide,” Deen says.

InterfaceFlor launches another first

InterfaceFlor, the modular flooring division of US-based sustainability leader Interface, has developed one of its most environmentally friendly products to date.

The new line, Biosfera I, is the first carpet collection to use 100% recycled yarn, and is independently verified to boot.

In the zon line, 30% of the yarn comes from post-consumer-recycled raw materials such as reclaimed commercial fishing nets, textile and plastic waste, and materials from InterfaceFlor’s products. The remaining 70% of recycled material mainly comes from pre-consumer external sources. The line uses as little yarn as possible to reduce emissions and waste.

InterfaceFlor also uses its Cool Carpet practice to calculate and offset the greenhouse gas emissions of every consumer product. And all this is achieved while maintaining competitive prices.

“Strategic, long-term collaboration is key to the success of a sustainable future,” says InterfaceFlor’s Deepa Vyas. “Establishing a mutual relationship with suppliers on sustainability initiatives can help to make your own products and business more resilient and sustainable.”

packaging commitment to reduce its environmental footprint and put a “nutritional label” on its packaging to educate consumers about products life-cycles. Timberland is a founding member of the Eco-Index, an industry-wide rating that assesses a product’s environmental impact, and has had great success with its Earthkeepers collection, which uses recycled and organic materials that are sustainably sourced.

Hands up for clean power, says Bloomberg

Is VW pushing as hard as it should?

“Otherwise EU and US companies will find themselves left behind by the more ambitious companies of newly developing countries, such as China, who have already seen and acted on the opportunities this transition affords.”

otherwise 

25

interfaceflor launches another first

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in the zon line, 30% of the yarn
What price green consumerism?

Plenty of shoppers say they consider environmental impact, but in reality price rules supreme, says Jon Entine

Remember the innocent days of the 1980s ethical consumer movement? New Age entrepreneurs rode the green wave into the hearts and minds of the world. The promise? Buying pricey ice-cream would make the world a better place.

That myth crashed. Consumers, it turned out, were not willing to buy idealism if it came at a premium. Two decades later, green marketing remains with us, more intense than ever. Is green yet more than a fad?

The Lifestyles of Health and Sustainability annual survey estimates that 13-19% of American adults are dedicated green buyers – a $290bn market. The US-based Cone Communications estimates that 70% of American consumers consider the environmental impact of their purchasing. The UK and Europe show similar numbers.

According to marketing experts, however, these figures are wildly overstated, reflecting attitudes, not buying patterns.

Prof Shruti Gupta of Penn State University, a world expert in ethical behaviour says: “While people love to voice their idealism to survey companies, the cold facts are they almost always put their self-interest first.”

Take Elizabeth Romanaux, a consultant from New Jersey interviewed by the American Association of Retired People for a magazine piece about green buying. She considers herself environmentally conscious. She recycles. She composts. But she won’t pay a premium for an eco-friendly hotel room or cleaning products. “It isn’t that I can’t afford them,” she told AARP Magazine. “It just goes against my grain to pay more.”

“Consumers will buy pricier green products,” Gupta says, “but only if they are convinced that the sacrifice – higher prices – signals some measurable value.”

We need proof that a green product or service is “as effective and of the same quality” as alternatives, says Kate James of Grail Research, a consumer research company. Grail reports that although 85% of US consumers claim they buy green, fewer than 8% actually do. According to marketing firm Ypartnership, although eight in 10 vacation travellers consider themselves “eco-conscious,” only one in 10 books travel based on green considerations.

Eco-consumerism remains a marginal purchase or luxury indulgence except for a dedicated few. A 2008 study funded by the UK Economic and Social Research Council found that 30% of consumers reported they were very concerned about environmental issues but they struggled to translate this into purchases. As a result, the market share for “ethical foods”, one of the most visible segments of the green market, has yet to crack 5%.

Jaded greens

Baby boomers, who launched the green movement, are now the leading sceptics. Many have metaphorically traded in their Beetles for luxury hybrid BMWs, but deceive themselves they are still buying green.

Crowd Science, which uses internet surveys, says 25% of seniors say shopping green “makes no difference”; most of the rest are indifferent. To ecocynics green consumerism is the ultimate oxymoron, akin to “corporate responsibility”. The genuine solution, of course, is to buy less.

Three years ago, as green fever was peaking in Hollywood – green was declared the new black – Vanity Fair published its annual “Go Green” issue timed to Earth Day. Muckraked.com estimated that the issue, printed on non-recycled paper, used 2,247 tonnes of trees and produced 4,331,757 pounds of greenhouse gases, 13,413,922 gallons of wastewater and 1,744,060 pounds of solid waste. Vanity Fair scrapped the green theme issue in 2009.

The green marketing trend is certainly not all smoke and mirrors. The boom in environmental marketing has meant more scrutiny of companies looking to differentiate themselves. Green marketers have been forced to raise their game in transparent and creative ways, focusing on eco-innovation and actual corporate responsibility commitments to enhance their brand identity. They need to document their green credentials.

Perhaps the most encouraging twist is not the fragile green buying trend but the turn by manufacturers towards a more sustainable style of business – thank you, Wal-Mart and GE. “I believe the real growth in environmental consumerism will be in the business-to-business space, not in selling to consumers,” says Gupta. “For them it’s not paying premium prices, it’s making investments in sustainable production that significantly lowers long-range costs. Greening the supply chain saves them money.”

Jon Entine is director of ESG MediaMetrics and senior fellow at the Center for Health and Risk Communication at George Mason University.
The idea that sustainability is a way to earn competitive advantage is still novel in Turkey.

Country briefing: Turkey

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Overview

The philanthropy problem

By Amy Brown

If Turkey’s corporate responsibility movement is to drive real organisational change, companies need to see that sustainability is more than philanthropy.

Turkey, one of the fastest-growing emerging economies, is in the midst of major transformation. Since the 1980s, market deregulation has boosted foreign investment. The Turkish economy experienced boom-and-bust cycles throughout the 1990s, culminating in an economic crisis in 2001. Since then, structural reforms have brought political and economic stability. Now Turkey is the world’s 16th largest economy and is expected to grow at a rate of about 5% until at least 2015.

With a population of 71 million, Turkey is a huge potential market. While its economy is much smaller than the Bric countries (Brazil, Russia, India and China), Turkey’s unique geopolitical position gives it a particular importance on the world stage.

Turkey’s sights are focused on achieving membership of the European Union. While the accession process is likely to create adjustment costs and regulatory risks for business, it is expected to raise environmental, ethical, and social standards in areas such as participative democracy, anti-corruption, human rights, and the importance of civil society.

The EU is Turkey’s biggest trading partner, so there is a lot riding on getting it right. As it integrates its economy with developed countries, Turkish companies are competing on a much larger playing field. The notion that a strong sustainability profile is a competitive advantage is only just taking root in Turkey, where corporate responsibility is often regarded as synonymous with philanthropy.

The reasons for this lie in a centuries-old tradition. Since Ottoman times, institutionalised philanthropy, in the form of the “waqf” (a form of charitable foundation from Islamic tradition) was the main basis for the provision of public services such as education, social security and healthcare.

Waqfs generally belonged to wealthy families who used these foundations to share their wealth in the form of public goods. Waqfs are still active in Turkey today and most family-owned conglomerates in Turkey have an associated waqf. In fact, Turkish society has come to expect companies to play an active role in society, especially in education, health, culture, sports and the arts.

Traditional values

Sustainability and corporate responsibility have become mired in this tradition, where philanthropic donations and community involvement are seen as much the same thing. The idea that sustainability is a way to earn competitive advantage through new opportunities, new markets, and new business models, or to minimise risks, is still novel in Turkey.

“Most companies still consider CR as an add-on, not core to the business,” says Melsa Ararat, a professor in strategic management, corporate governance and business and ethics at Sabanci University and the director of the Corporate Governance Forum of Turkey. “Doing good should start with avoiding harm and understanding your
full impacts and Turkish companies are not there yet. CR is still about marketing and PR.”
That view is shared by Atila Uras, manager of the UN Joint Programme to Enhance the Capacity of Turkey to Adapt to Climate Change.

“Planting some trees was enough for the private sector until the first part of this decade,” Uras says. “Then the concept of CR became more familiar and they began to understand that CR requires partnership, not just providing funds or charity work.”

He describes Turkish companies as generally following global trends – not leading them – saying that theirs is “not a strategic approach, but mostly reactive”.

But there are some signs that things are changing. The proximity to Europe, exposure to energy risks exacerbated by growth, Turkey’s reliance on external finance, and the increasing importance of sustainability globally are moving corporate responsibility up company agendas.

Among the developments since 2010: the launch of the Istanbul Stock Exchange’s Sustainability Index; the first Turkish signatories to the United Nations’ Principle of Responsible Investment programme and Carbon Disclosure Project (to date, 20 companies have joined); an increase in the number of Global Reporting Initiative reports published; and a growing number of Turkish companies signing up to the UN Global Compact.

The pressure exerted from external institutions and market forces will probably continue to be bigger drivers for better sustainability practice in Turkey than either government policy or civil society.

“There is no pressure from Turkish society or government for the private sector to improve its corporate responsibility practices, and that is not likely to change,” says Serdar Dinler, president of the CSR Association of Turkey, an NGO.

Change must therefore come from within. And while there is still a long way to go, Dinler is cautiously optimistic.

“A growing number of companies recognise the competitive and reputational advantages of CR and some are implementing better practices,” Dinler says. But only a few are making it a strategic part of their business, and none are taking it to the next level by integrating CR throughout their supply chain. “In Turkey, most leading companies are at the implementation level.”

Consumer demand
Turkish society and its millions of consumers also need to drive sustainability, says Engin Guven, executive director of the Business Council for Sustainable Development Turkey.

“It is not only companies who should be making society aware of sustainability, consumers are also being affected. If there isn’t a demand for products produced in a more socially and environmentally responsible way, there will be less action from industry,” she says.

It comes down to changing corporate culture, she adds. “We have a culture handed down over the generations, so it is difficult to change the mindset.”

As Turkish markets become more competitive, civil rights are better respected, the legal and judicial system improves, and the intensified political and economic interaction with Europe affects social values. Against this backdrop, Turkish business has no choice but to take on a long-term perspective – and that bodes well for sustainability in Turkey.

The importance of sustainability globally is moving CR up company agendas

This briefing has been written by One Stone, with special contribution from Istanbul-based correspondent Jennifer Hattam. One Stone is a global team offering sustainability consultancy and communications expertise. One Stone’s partners and associates are based in Stockholm, Edinburgh, Sydney, Portland, Oregon and Washington DC. One Stone has more than two decades’ experience working with multinational companies to guide sustainability leadership strategies and provide focused sustainability communication.

April Streeter is a writer specialising in sustainability since 1998. Formerly based in Sweden, where she covered Scandinavia for Windpower Monthly, she now lives in Portland, Oregon and is a blogger for Tree Hugger and The Huffington Post.

Amy Brown, based in Washington DC, has written the award-winning sustainability and integrated annual reports for Novo Nordisk, Electrolux and Ericsson. She’s also written extensively for the International Herald Tribune on sustainability issues and was editorial consultant for the World Business Council for Sustainable Development’s 10th anniversary publication Walking the Talk.

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Turkey factsheet

Socio-economic statistics

Population: 78.8 million (2011 estimate)
GDP: 960bn (PPP 2010 estimate)
GDP per capita: $12,300 (PPP 2010 estimate)
Human Development Index: 0.679 (83rd / 169)

Current leadership
President: Abdullah Gul
Type: Republican parliamentary democracy

Import partners
Russia: 13.8%
Germany: 10.0%
China: 9.0%

Export partners
Germany: 9.6%
France: 6.1%
UK: 5.8%

Corporate responsibility statistics: Ethical Corporation survey results

Focus of CSR/sustainability
1. Reporting
2. Employee engagement
3. Resource efficiency

Turkey sustainability leaders most mentioned
Coca-Cola Icecek, Koç Holding

Foreign sustainability leaders most mentioned
Novo Nordisk, Vodafone

Guidelines and initiatives most used
Global Reporting Initiative
Global Compact

Guideline and standards statistics
GRI reports in 2010: 10
Global Compact participants: 13
UNPRI signatories: 7

References:
• Socio-economic statistics obtained from recent publications from the CIA Factbook and the Human Development Index.
• Corporate responsibility data obtained from an August 2011 Ethical Corporation survey. The small sample of this survey means that the results should be regarded as an indication of trends in Turkey and not as scientific research.
• Corporate responsibility statistics obtained during August 2011 from official website of each initiative.
Turkey faces pressure from the EU to provide concrete emissions reductions.

Population growth, urbanisation, rising incomes and energy consumption are straining Turkey’s natural resources. Turkey is also highly vulnerable to climate change, with a carbon-intensive economy that has an increasing energy shortage and dependence on imports.

In contrast with many emerging markets, Turkey is a net commodity importer. About $35bn of oil and natural gas each year has to be imported (equivalent to almost 5% of GDP). The country has an unsustainable carbon-based transport system. And with its large coal reserves, use of coal is expected to multiply over the next decade.

On the bright side, Turkey is one of the pilot countries in the Clean Technology Fund, which finances low-emissions technologies for greenhouse gas reductions within countries’ investment plans. Through CTF, Turkey hopes to jump-start the private market for energy efficiency and renewable energy.

Turkey has substantial renewable energy resources, including hydroelectric, wind, geothermal and solar power. The long-awaited Renewable Energy Law, enacted January 2011, includes an incentive scheme to promote renewable energy use and production.

Looming water scarcity

With a climate strategy criticised as vague, Turkey faces pressure from the EU to provide concrete emissions reductions. Lack of certainty over Turkey’s position with respect to international agreements has led to a weak approach and low awareness of the issue by most corporations in Turkey.

“Water scarcity is a big, big issue,” says Atila Uras, manager of the UN Joint Programme to Enhance the Capacity of Turkey to Adapt to Climate Change.

“Turkey is among the most highly vulnerable countries in the world, and the major impact of climate change will mostly be in terms of water. By 2070 it is predicted Turkey will experience 30% less rainfall, in [what is] an important regional basin for agriculture and food security.”

Few companies embrace the environmental agenda of the country, turning instead to their long legacy of contributing to social needs such as education. Unemployment at 14% is the most pressing economic and social issue, mostly affecting Turkey’s youthful population (44% are under the age of 24).

“Many young people are graduating without skills, which is a very dangerous thing, a time bomb,” says Serdar Dinler, president of the CSR Association of Turkey, an NGO. “This is a very important challenge for Turkish society.”

Atilla Yerlikaya, corporate affairs director at Coca-Cola Icecek, agrees. “Capacity building for the young, dynamic population of Turkey is extremely important. Formal and vocational education is critical for the future of the country.”

The EU accession process has improved Turkey’s infrastructure for protection of human rights but these institutions lack resources, independence and impact, according to Prof Melsa Ararat of Sabanci University.

Trade union rights are another weakness. The number of workers covered by collective agreements in Turkey is as low as 3% of registered workers. While Turkey has a labour unions law, it
Consumer product manufacturers are investing in environmental efficiency

Concern, given the size of the informal market and low level of unionisation.

The Turkish textile industry has seized on corporate responsibility as a competitive advantage against the threat of Chinese textiles and engaged voluntarily in projects with European civil society organisations such as the Clean Clothes Campaign to improve social standards.

Turkey’s corporate sectors are rapidly internationalising. The automotive and textile industries that depend on trade with Europe face requirements for capping their carbon, or reporting their emissions to their customers.

Multinational companies have a beneficial effect on the growth of corporate responsibility and sustainability in Turkey, with companies such as Unilever, Carrefour, Procter & Gamble and Coca-Cola setting standards that domestic companies must follow to stay competitive.

Consumer-product companies, such as appliance manufacturer Arçelik, which have growing numbers of local consumers who view environmental performance as a differentiating factor, are taking the agenda more seriously and investing in environmentally efficient products.

And the banking sector is often regarded as a leader in corporate responsibility, according to Ararat, not least because international loan institutions set environmental, social and corporate governance standards for loan recipients.

A family affair

Turkey’s corporate landscape is defined by the group of powerful families that own half a dozen leading conglomerates, among them Ekspor Baciver, Kocabiýik, Sabanci, Koç, Yazıcılar and Ozilhan. These conglomerates stand out in opinion surveys about social responsibility conducted by Capital magazine and the market research firm GSK-Turkey.

Given their influence in Turkish society, these companies seem to have embraced the group of powerful families that own half a dozen leading conglomerates, among them Ekspor Baciver, Kocabiýik, Sabanci, Koç, Yazıcılar and Ozilhan. These conglomerates stand out in opinion surveys about social responsibility conducted by Capital magazine and the market research firm GSK-Turkey.

Given their influence in Turkish society, these companies seem to have embraced

Koç Holding: social history

By Amy Brown

“This is not what I was doing with my country,” declared Vehbi Koç, founder of Koç Holding, the largest industrial conglomerate in Turkey. That philosophy has guided the actions of this powerful family-owned company for the past 40 years. A tradition of social responsibility began with the Vehbi Koç Foundation, supporting education and arts. But in recent years has shifted to a more encompassing definition of corporate responsibility that is less about being a wealthy benefactor and more about recognising a business case for sustainability.

Where Koç Holding leads, others follow. It comprises 117 companies, representing 10% of Turkey’s total exports, and generates a combined turnover equivalent to 7% of Turkey’s national income. It is the only Turkish company in the Fortune 500 list.

With that kind of leverage comes a sense of responsibility, says Oya Ünülü Kızıl, head of corporate communications and external affairs. “Our sustainability depends on the sustainability of the society at large,” she says.

With Turkey’s large number of unemployed young, Koç Holding started a vocational education programme with the ministry of education and local NGOs to encourage young people to enrol in vocational education and to contribute to the training of a qualified workforce. This initiative goes beyond philanthropy, explains Kızıl, in that it positively affects business outcomes by increasing the pool of skilled human resources.

On the environmental side, the company endorsed a climate change strategy in 2010 with an eye to transforming potential risks into opportunities. “A low-carbon economy,” Kızıl says, “has significant potential to create important new business and job opportunities.”

An energy efficiency coordination group has shown results: a 100% group-wide improvement in energy efficiency in two years, saving about 30,000 tonnes of CO2 emissions in 2010.

Companies within Koç stand out as leaders, such as Arçelik, which has developed world-leading energy-efficient home appliances, and automakers Tofas and Otokar that produce hybrid and electric vehicles.

Koç produces an annual CR report and was one of the first signatories to the UN Global Compact. In 2010 the group developed a sustainability performance evaluation and reporting system. All of this has to matter to the bottom line if sustainability is to become truly entrenched as a way of doing business, Kızıl says.

“The sustainability of CR activities largely depends on their returns for the companies. It’s a two-way street. The companies’ ability to analyse social and environmental risks and mitigate them through CR activities is the key for their sustainability as well as leadership in the 21st century.”
Their leadership role in raising sustainability on the corporate agenda.

The huge SME sector (SMEs make up 90% of all companies in Turkey) is playing catch-up. SMEs receive a significantly lower share of the credit supply in Turkey, so they are more likely to opt for informality and tax evasion. As a result, it is not uncommon to find a SME extorting an educational or social programme and claiming to have adopted corporate responsibility, while engaging in tax avoidance.

“You cannot call what these SMEs are doing CR as such,” Ararat says. “The activities aim to have a reputational benefit to the company. But at the same time, these companies wouldn’t mind not paying taxes or being involved in the informal economy. They do not see corporate responsibility as a measure of overall good corporate citizenship.”

Among the companies that stand out consistently in Turkish opinion surveys and regional and international rankings on corporate responsibility is Turkcell, Turkey’s biggest communications and technology company. Recognised as one of the top five companies in Europe for its financial disclosure procedures in 2011 by the IR Global Rankings, and recipient of “company of the decade” award by World Finance Magazine (an award partly based on a company’s sustainability track record), Turkcell is the only Turkish company to be listed on the New York Stock Exchange.

Turkcell has become well known for its activities to support education in Turkey. Turkcell’s main educational project, “Modern Girls of Modern Turkey”, which started in 2000, grants scholarships to young women in less developed parts of the country. These “Kardelenler” (snowdrops) projects, conducted in partnership with a local NGO, are now collectively one of the biggest social responsibility projects in the world. So far, 27,500 students have been granted scholarships, 11,000 have graduated from high school, 3,500 passed university entrance exams and 1,250 graduated from university.

Recognising that Turkey needs greater investment in vocational training and human resources, Turkcell also supports a number of youth and vocational programmes and, for example, has an employment creation programme focused on call centres.

“With 34 million customers, we rely on our call centres and at the same time this creates employment opportunities. We are creating community value by investing in the local community,” says Zeynep Ozbil, head of corporate citizenship at Turkcell.

While he sees Turkcell’s initiatives within education as commendable, Serdar Dinler of the CSR Association says the company is still missing the big picture. “CSR is about changing organisational culture, not just a project,” he says.

Among the companies moving away from the philanthropy model to more strategic sustainability is Coca-Cola Icecek (see case study). Risk management and reputation are key drivers, along with global expansion.

“Research and development related to eco-innovation could be better encouraged by the government by announcing specific projects, giving more support to SMEs and joint projects. Such programmes already exist in Europe,” says Oya Unlu Kizil, head of corporate communications and external affairs at Koç Holding.
Coca-Cola Icecek: bottled ethics
By Amy Brown

In a country and region expected to face serious water shortages in coming years, Coca-Cola Icecek (CCI), the Turkish-owned company that is the sixth largest bottler in the Coca-Cola empire, is proud of having the best water and energy usage rates in the global Coca-Cola system.

“We are operating in an environment where natural resources are under tremendous pressure. Therefore efficient use of water, energy and packaging materials is critical for sustainability,” says Atilla Yerlikaya, director of corporate affairs at CCI.

With a total of 20 plants, CCI employs about 9,000 people and has operations in 10 countries in the Middle East. Unlike many other Turkish companies just starting to get the big picture, CCI is well on the way to integrating sustainability.

“It’s a matter of common sense and long-term survival,” Yerlikaya says. “Any CR approach or strategy that is not tied to the future of your business through a business case is destined to fail in the long term.”

While aligned with the sustainability priorities of the Coca-Cola System, CCI has carved out its own priorities around water management, sustainable packaging, energy efficiency and climate change. CCI is hitting all the right notes in entrenching sustainability into the company’s fabric.

Sustainability is embedded in CCI’s 2020 Vision and Strategic Framework. The board of directors’ corporate governance committee is responsible for the sustainability strategy and monitors performance. A sustainability committee led by the chief executive and comprising senior management identifies long-term sustainability targets and sets sustainability metrics. Finally, a sustainability working group includes all function heads and plays a critical role in linking sustainability management with field operations and upper-level management.

The company has been a leader on the reporting front, too. CCI published its first CSR report in 2008, becoming the first company in Turkey to share non-financial performance through a corporate social responsibility report according to the Global Reporting Initiative guidelines. It has continued to report according to GRI in 2010 and 2011 and is a signatory to the Global Compact.

On the climate change front, CCI was among the first companies to sign the Copenhagen Communiqué in 2009 and the Cancun Communiqué in 2010 and the CCI Turkey region president serves on the Climate Change Leaders Group, which supports the business community as Turkey transitions to a low-carbon economy.

“Earning a social licence to operate is only possible through building a business model that takes stakeholders’ expectations into account,” says Yerlikaya. “In the future, companies operating within this framework are going to be more successful than others.”

Taking a firmer line on climate change would also be enhanced by stronger government incentives, she adds. “Establishing a voluntary internal carbon market connected with international regulatory and voluntary markets may be another means to encourage investments to improve energy efficiency and carbon reduction activities.”

Confronting the challenges
Coca-Cola Icecek is among the Turkish companies confronting the issue of gender equality. Its female executive rate is 73%, compared with only 16% globally.

“There is an increasing understanding of the global CR agenda in Turkey, especially in the last two to three years. Right now, I believe Turkish companies are closing the gap with MNCs,” says Atilla Yerlikaya, corporate affairs director of Coca-Cola Icecek.

The “360 degree view” of sustainability is being championed by NGOs such as the Business Council for Sustainable Development.

BCSD’s executive director Engin Guvenc says that the organisation’s role is to make sure companies understand their risk areas and help contribute to the company’s financial strength. “For example, without knowing its carbon emissions impact, a campaign to plant trees is clearly just for marketing purposes. But if the company is aware of their emissions impact and sees the risks associated, and this awareness becomes part of the culture of the company to address these emissions – that is more corporate responsibility and sustainability.”

Particularly when it comes to climate change, companies are no longer able to hide their heads in the sand, Atila Uras says.

“Climate change is emerging in Turkey as an issue for corporates, both to address within the organisation and as a marketing tool,” he says. Uras believes that companies are beginning to see that the return on investments in energy efficiency or waste reduction is coming back very quickly and that there is an enormous opportunity for greater visibility and communication around a more environmental, low-carbon, responsible way of operating their business.

“As more evidence of the business case emerges, I expect to see growing investment by companies as they realise there is an opportunity to do something good and receive economic benefit at the same time.”
Growing pains, some gains

By April Streeter

Turkey’s NGOs and business associations are in the challenging process of convincing businesses of the risks and opportunities of sustainability.

A quest by engineer Sibel Bulay to bring sustainable transport to Turkey is an apt analogy for the current challenges of many of the country’s responsibility-focused NGOs and business associations. While opportunities abound, there are also growing pains.

Until recently, businesses’ charitable and philanthropic activities were moulded by the historical “waqf” structure. Proper corporate responsibility requires a more comprehensive view, however, and so organisations have the challenge of both growing stakeholder engagement in a society that has had limited activist involvement, and increasing corporate involvement in order to press forward with a sustainability agenda.

Turkey’s fairly steady macroeconomic growth beginning in 2002, and the subsequent coming of age of a powerful group of Turkish entrepreneurs spurred the first wave of sustainability-related NGOs and business associations. Successful, civic-minded leaders such as Hayrettin Karaca and Nihat Gökyigit founded Tema (Turkish Foundation for Combating Soil Erosion) and retired bank chief Ibrahim Bertil started Tog (Community Volunteer Foundation).

Tog, for example, has had success at raising awareness among the Turkish public about renewable energy, especially in the youth population (aged 17-25). For example, the Solar Generation project now at seven universities is getting students to look for renewable projects on campuses and advocate for policy change to their administrations.

Tema has a high profile with the public and has made inroads inside companies. The “81 Forests in 81 Cities” campaign helped bring the plight of Turkey’s forests to the attention of regular Turkish citizens. In partnership with Tema, Is Bankasi decided internally to shift funds it would normally use to send favoured customers New Year’s gifts and instead allocate them and other cash ($6.5m in total) to the planting of 2m trees. Nearly a million are already in the ground, planted by Tema volunteers, including elementary school children, at 81 urban locations.

However, meeter responsibility-centric NGOs frequently run into the cultural resistance of Turkish companies to see beyond simple philanthropy to actual opportunities and risks of embracing a broader sustainability agenda. As Serdar Dinler, president of the CSR Association of Turkey, has put it, 80% of companies see philanthropy as synonymous with corporate responsibility, leaving NGOs with an enormous, even overwhelming educational task.

Bulay’s organisation, Sum Türkiye, has encountered these challenges. Bulay, a former Ford product development engineer passionate about mobility, was sponsored by the World Resource Institute’s Embarq network to start her organisation.

She dived into the country’s snarly transport issues – in Istanbul, for example, most working men and women commute for two hours or more in crawling traffic and smoggy air conditions.

Organisations have the challenge of growing stakeholder engagement in a society that has had limited activist involvement.

Restrictive laws

Sum Türkiye started by working on an emissions inventory of road-based traffic with BP. Bulay soon realised, however, that Sum Türkiye’s fundraising opportunities were limited, due to Turkey’s restricting NGO laws. Thus a significant portion of her working hours recently have been spent setting up a foundation and changing the organisation name to Embarq Türkiye.

Now, Bulay’s new Embarq Turkey must embrace a partnership model for success. There are two reasons for this. The influence from European and US multinationals’ sustainability approach is only just now spilling over to Turkish domestic corporations, making them not primed for joint projects just yet.

In addition, as Guvenc Engin, executive director of the Turkish BCSD notes, a critical, in-your-face approach, favoured by many existing Turkish NGOs (she mentions Greenpeace) is not going to be fruitful for corporate responsibility and sustainability issues.

“Few NGOs have the understanding of sustainability to pressure companies – many
were established years ago and work with a business-as-usual approach – and to criticise companies is the main attraction. Greenpeace can do this, but other local NGOs can be more successful by taking the more constructive approach,” Engin says.

Bulay clearly knows this, and favours a constructive approach for Embarq Turkey.

Yet as far as domestic corporations are concerned, education about corporate responsibility is still lacking, Bulay says, and with Embarq the sole NGO specifically concentrating on sustainable mobility, it is beyond her organisation’s capacity.

Embarq is unlikely to grab any flashy headlines or prizes, as Is Bankasi has with “81 Cities”. Instead, Bulay says she must work to gain the trust of stakeholders, now and in the future. That way, she says, “when companies are ready to invest their CSR dollars, we can align their objectives with CSR initiatives”.

Embarq Turkey has partnered with the city of Sakarya’s Transport Directorate, as well as the Dutch NGO Interface for Cycling Expertise (I-CE), to train a local team to design safe bicycle corridors in this mid-sized city. Over 90% of Sakarya’s cyclists are male – unsafe conditions are seen as a barrier to women riders – and at least 10% of riders have been in collisions.

Bulay sees the greatest success in Sakarya thus far as the Transport Directorate’s realisation that cycling is actually a mode of transport, worthy of initiatives. She wants to see that kind of attitude shift spread to other cities – Antalya will be next to develop a pilot cycling corridor – and to domestic companies.

“It’s the idea that it’s not about cars per se, it’s about climate change, mobility, democracy,” she says.

Who carries the torch?

Back to CSR’s educational deficit, and older, established NGOs such as Tog and Tema are pursuing the slow process of raising awareness of environmental and social sustainability issues among the Turkish populace. Yet since smaller nimble players such as Embarq may not have the institutional capacity, who will press the CR agenda inside companies?

Probably not the business associations, it seems. In existence since 1971, the Turkish Industry and Business Association (Tusiad) is one of the country’s most influential business organisations. Following Turkey’s application for EU membership in 1987, Tusiad has worked ceaselessly to align Turkish business standards and practices with those of the EU. That would seem to give corporate social responsibility at least a place at the conference table.

Tusiad president Ümit Boyner has made the right speeches about the low-carbon economy and Turkey’s needed to transition.

NGOs frequently run into the cultural resistance of Turkish companies to see beyond simple philanthropy

“Intensive work,” she has said, is under way inside the organisation, for example, to create a framework for Turkey’s response to climate change.

When it comes to action, however, others in the corporate responsibility community are not so clear that Tusiad is committed. A CR study group, established in 2007, started out robustly but has seemed to peter out, according to Serdar Dinler.

That’s in line with what Melsa Ararat, director of the Corporate Governance Forum of Turkey, calls the “lack of success” by Tusiad and other business associations at proselytising corporate responsibility.

“They organise meetings and speakers – may publish papers – but when it comes to supporting the government to improve legislation that impacts the environment or other CSR issues, they do not take any action,” Ararat says. In fact, she suggests that they work to oppose more stringent environmental or other CR-relevant legislation that would impact companies’ competitiveness or profitability.

Observers seem unable to single out any one NGO with clear success in the responsibility/sustainability arena. The Turkish BCSD’s effort to create a Sustainability Index for the Istanbul Stock Exchange seems a current high note, however, especially as 80 companies have expressed interest. And the recent formation of a Turkish Business Network Linked-in CSR group with 500 members is a positive develop-
Facing soaring energy costs amid rapid urbanisation and industrialisation, the Turkish government late last year finally enacted a long-awaited law setting feed-in tariffs for renewable energy generation.

For environmentalists, though, the law contained a major catch. It allowed protected nature areas to be used for production facilities for renewable energy – including the massive hydroelectric dams they have been fighting for years.

The inconsistency reflects what the deputy director of the Regional Environmental Centre’s Turkey office calls a lack of overall vision on environmental issues. “There are a lot of laws but they are not enforced and do not serve a target,” says REC’s Kerem Okumus. “There is no sustainable long-term regulatory framework.”

The situation parallels that of most Turkish companies, which largely adopt individual initiatives that might fall under the heading of “corporate social responsibility” without making deeper changes to their practices and processes.

“Many companies do not get what sustainability is about,” says Aykan Gulten, a former Nike Corporate Responsibility manager who now heads works in corporate affairs for Coca-Cola Icecek. “They do not assess their impact on the environment and society but try to be recognised as responsible through donations and PR work.”

Garanti Bank, the country’s second largest private bank, has, for example, been much praised for its longstanding sponsorship of the environmental group WWF Turkey. The same bank has, however, been a target of fierce criticism domestically and in Europe for its support for the Ilisu Dam project, a massive hydroelectric power plant in south-eastern Turkey that would inundate a 2,000-year-old city and displace its current residents. European funders have already pulled out of the project.

“There are a growing number of firms adopting incremental CSR measures, but as far as I can tell, no company in Turkey is truly migrating towards sustainability in a way that meaningfully challenges the business model,” says John Buffington of Karbon Ekonomi, a firm that offers sustainability consulting to Turkish firms.

Many say the government, since 2007 under Abdullah Gul, gives companies little or no incentive to do so, despite various commendable laws, including ones mandating building energy performance and other efficiency measures.

Lacking pressure
“Environmental regulation in Turkey is pretty sophisticated but there is not enough monitoring, enforcement, and criminal sanctions,” says Gul. “There are no regulations holding companies back from improving environmental performance but there are not enough encouraging it either.”

According to REC’s Okumus, one of the most important changes the government could make would be to establish an emissions-reduction target that companies would have to figure out how to meet. Turkey’s per-capita carbon emissions are near the world average of 4.5 tonnes a year, but at the current rate of growth, he says, this figure could hit 9 tonnes by 2020, leaving the country trailing.

“Right now there is no motivation, no incentive, no regulatory pressure,” Okumus says, adding that consumer demand and market pressure are also lacking when it comes to sustainability.

“Turkey’s environmental agenda is 100% related to the EU accession process. Every year we’re incorporating new EU regulations and directives and there’s a huge amount of compliance work being done at the company level,” Okumus says, adding that international climate change negotiations also play a significant role.

“[EU accession] has been one of the drivers in the Turkish clean-tech industry,” says a business leader in the renewable-energy sector. “The EU has been pressuring Turkey since its economy has been growing at high rates in the last decade, but without much care for the environment.”

The increasing globalisation of the Turkish economy has had a similar influence, with multinationals operating in the country often at the leading edge of corporate responsibility efforts. “The real drivers right now that I’ve found are a foreign parent company that has a global programme and foreign investors asking for it,” Buffington says.

When looking for a corporate partner for her social entrepreneurship project, Copmadam founder Tara Hopkins likewise found success with Unilever, a large multinational. “We did go to several big Turkish companies, asking them to sponsor a Turkish development programme, and they were less than interested,” she says.

Others remain hopeful, however, that awareness and action are on the rise, particularly in the private sector.

“Turkey is going through the same period the western world completed a few years ago,” Gul says. “At the end of this period, companies with real commitment will be able to differentiate their position from greenwashers.”

Jennifer Hattam is a freelance journalist based in Istanbul.
Desperate to be friends

Paul French says that the Chinese government needs to act very differently if it wants to be popular in the west

Earlier in the summer, two things grabbed the attention of China watchers. The outspoken and internationally lauded Chinese artist Ai Weiwei was finally released (on bail) after 75 days of detention and Chinese premier Wen Jiabao visited London to push the Beijing line on things.

The release of Ai occurred the week before Wen arrived in London. This is not presumed to be a coincidence. Meanwhile Wen’s trip was less the usual trade mission and more another step in China’s search to find out why nobody loves her.

In fact very few, if any, new contracts were concluded during the trip. Instead we saw some minor announcements mixed with some long-arranged deals finally authorised by Beijing (the Diageo stake in a traditional Chinese spirits maker).

There were also some examples of what the Foreign Office calls (off the record) “reheated” agreements that have long been in place but get rolled out one more time during these visits to inflate the numbers (for example, the contract for a clean coal plant in Inner Mongolia that may, or may not, ever happen).

Why the hush?

Two things struck me about these events.

First, shouldn’t British business have shouted a little louder, or at all, about Ai Weiwei?

Second, why is Beijing so seemingly desperate to be loved in the west? Wen went on a rather cack-handed charm offensive in the wake of Ai being pictured on the front of every UK newspaper, freed but unable to speak to journalists and obviously having had the frighteners put on him. This did not endear Wen to the British public.

Most of Fleet Street and the UK arts community publicly showed support for Ai. Penguin published one of its “specials” on him; Anthony Gormley and other British artists called for his release; and his installations at London’s Somerset House and Lisson Grove Gallery were well attended. But little comment came from the business community.

Speak out?

So what? Why should business speak out for Ai?

Well, for one thing his work had recently been the Unilever Installation at London’s Tate Modern. Ai’s Sunflower Seeds featuring 100m handmade ceramic seeds attracted much praise – and many visitors. Unilever presumably sponsors the installation to appear to be supporting creativity and free expression. Yet I cannot find even a small press release from Unilever in response to Ai’s detention. Total silence.

Of course, Unilever does more than €1bn of business a year in China, a country where the government regularly takes reprisals against companies that don’t stay on-message. But is it acceptable to us, as consumers, that Unilever gets all the press coverage, kudos and soft power from sponsoring Ai but then, within weeks of his installation ending, and when he’s been banged up by Beijing, says nothing?

Kerry Brown, head of the Royal Institute of International Affairs China programme at Chatham House in London, has just returned from a trip by western academics to Beijing where the purpose was to “engage” with the Communist party on its image issues overseas.

He tells me that one of the party leaders’ major concerns is that they feel unloved.

They believe they have delivered growth, better standards of living and a stronger China – so why don’t people appreciate the party more? Similarly, Beijing feels that the world doesn’t understand or accept a stronger China.

No emotional contact

The leadership believes China has been a bulwark against an even deeper world recession and the world should be grateful. That the west focuses on human rights, Tibet and Ai Weiwei genuinely perplexes Beijing. As Brown puts it, “the party is frustrated that it has failed to make an emotional contact with the people”.

Still, Beijing’s marketing and PR are not really improving – even as Wen was still in London the cadres in Beijing were announcing that Ai was an “economic criminal” while telling critical British journalists to go and learn more about the “real China” but denying those journalists visas to enter the country.

For now, Beijing and the party should probably just get used to being unloved.

Paul French has been based in China for more than 20 years and is a partner in the research publisher Access Asia.
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Can pay, should pay

By Oliver Balch

As tax blasts its way onto the public agenda, companies should concentrate on where they pay, as well as how much.

Four years ago, the world was a different place. JPMorgan still signed cheques, “bailouts” were what sinking seafarers did and we were all a lot better off.

So when the Oxford Centre for Business Taxation asked companies about corporation tax, the conclusion was categorical: the issue was “too complex or obscure” for the average man on the street.

How things change. In March 2011, more than half a million citizens took to the streets of London to protest against “tax injustice”. Spearheaded by the campaign group UK Uncut, their anger homed in on big business. Tax “dodging” by large companies, it was claimed, is costing the UK exchequer £95bn in lost revenue every year.

The speed at which tax has become a major public issue in the UK and elsewhere is astonishing. Tax hardly has the emotive appeal of slave labour or toxic waste. Yet its explosion onto the public agenda is not entirely surprising. In times of fiscal tightening and spending cuts, all eyes turn to the question of who pays what into the public pot.

“In a time of austerity, you’ve seen campaign groups look around and ask if the burden is being borne by all in an equal measure,” says Louise Rouse, director of engagement at UK campaign group Fair Pensions.

Media attention has played its part too. In the UK, the Guardian newspaper ran a series of “Tax Gap” investigations into big brands. Likewise, in the US, the New York Times has turned the spotlight on the tax policies of corporate giants such as GE and Google.

Tax practices may be attracting headlines, but the ethics of tax is not entirely new. Corporate tax payments in the developing world have long been the subject of scrutiny. The Extractive Industries Transparency Initiative, for example, which attempts to increase disclosure of payment by natural resource companies to governments, dates back to 2002.

Responsible business issue

What definitively is new, however, is the general recognition that tax is now a core responsibility issue for business.

At its most basic, the ethics of taxation ultimately derives from companies’ social contract with the countries in which they operate. Taxes fund public goods such as education and healthcare. When large companies evade or avoid tax, governments are left with one of two choices: cut spending, or tax individuals and smaller domestic businesses more.

Mitigating tax payments may not be illegal, but neither is it entirely responsible when such practices negatively impact a country’s social and economic wellbeing. So argues John Christensen, director of the Network for Tax Justice, a UK-based campaign group.

“In other words, don’t use aggressive tax avoidance and evasion and then try to pretend that you are engaged in a corporate responsibility agenda. The two are quite simply incompatible,” he says.

The message appears to be seeping into the C-suite. Andrew Witty, chief executive of GlaxoSmithKline, recently condemned the habit of international companies to “float in and out of societies” depending on tax regimes. The practice is “completely wrong”, he told the Observer newspaper.

What’s good policy?

- Abide by a general “anti-avoidance principle”.
- Acknowledge that tax has major economic impact on society and is therefore a responsibility issue.
- Report on tax policies and practices in annual accounts and corporate responsibility reports.
- Adopt tax mitigation techniques subject to consideration of their social and economic impacts.
- Integrate tax policy and practice in corporate governance systems.
- Report tax on a country-by-country basis.
- List all subsidiary entities and publish accounts for their activities.

Source: Tax Justice Network

In times of fiscal tightening, all eyes turn to the question of who pays what into the public pot
Ethical Corporation • September 2011

Responsibility approaches to tax

Management steps
- Create a company tax policy setting out the principles to be applied and the practices ruled out.
- Disseminate this policy to internal and external stakeholders.
- Ensure board level oversight of internal tax policymaking.
- Disclose a range of qualitative and quantitative information on your tax practices and their impacts.
- Work with peers and stakeholders to formulate a mutually agreed code of conduct.

Source: Action Aid/FairPensions

Have you paid an appropriate level of tax?

"Appropriate levels of tax" are the rates stipulated by the relevant tax authority within the country where the company’s tax liability falls, minus 3%. The lower figure is because taxable profits and accounting profits are not the same thing.

As a result, it is unlikely a company will pay exactly the tax rate laid down in law on its declared taxable profits. The rate may be higher because some costs allowed for accounting purposes are disallowed for tax, such as IT equipment and other capital items.

Source: Profit Through Ethics/See What You Are Buying Into standard

Don’t be a tax dodger

Ethics aside, a compelling business case for responsible tax planning can also be made. Reputations are at risk. Recent months have seen protesters camped out in front of Boots, Top Shop, Vodafone and a host of other high street retailers.

It’s not just bad press companies need to worry about. A “tax dodger” badge, fair or otherwise, can lead to a host of costly repercussions, from legal challenges to the loss of favourable tax status.

“Once a pattern of uncertainty in taxation reporting is known to exist, then it is possible that a company may trade at a discount to its true value for fear that further uncertainties will be revealed,” consultancy firm SustainAbility stated some years ago in a far-sighted report on tax.

Of course, where irresponsibility becomes illegality, the costs can run far higher. Commodity traders Bunge, Cargill and Dreyfus could face bills running into hundreds of millions of dollars if an investigation into unpaid taxes and duties by the Argentine government goes against them.

So what does a responsible approach to tax look like? Campaign groups are fighting it out with corporate tax departments to determine just that. Companies aren’t paying enough, according to the former. All legal requirements are being met, respond the latter.

Amid this polarising debate, one thing seems certain: tax avoidance, tax evasion and abuse of tax havens and offshore secrecy laws all lie beyond the pale.

A small number of corporations opt for the wrong side of the law. They often do so with the active complicity of accountants, banks and law firms – a practice John Christensen describes as "wilful blindness".

Most large companies, however, operate within legal boundaries. They are too big and too visible to do otherwise. When it comes to tax, however, legality is not the watertight defence it used to be.

“The argument that ‘we are obeying the law and everything that we are doing is technically permissible’ no longer washes in the court of public opinion,” says Rouse of Fair Pensions, which recently published a joint paper on the issue. That leaves many companies exposed.

To date, aggressive tax avoidance strategies such as “transfer pricing” and the use of tax havens have
Naturally, any responsible tax policy must explicitly rule out any illegal activity. The list of other non-negotiables is open to debate, however. Among the steps suggested by responsible tax advocates are: abiding by a general “anti-avoidance principle”; considering the societal impacts of tax mitigation; and publishing financial accounts for subsidiary entities (see box).

The priority above all is transparency. Tax is not an issue that will go away and so companies must “articulate their position clearly”, says Peter Truesdale, associate director at London-based consultancy firm Corporate Citizenship and author of a recent report on responsible tax management.

“This doesn’t necessarily mean companies paying more tax – but it does mean companies identifying a coherent and credible position on tax, and finding simple language to defend it in,” he adds.

To assist in that process, Corporate Citizenship has developed a tax map to enable companies to chart where, how, and what they pay in taxes.

In terms of disclosure, the vast majority of companies go no further than the statutory requirement to include an overall tax figure in their annual tax and accounts. That will “almost certainly” have to change, Truesdale says. “In the modern world, you can’t get away from articulating a position and providing sufficient information to show that you are doing it.”

The spotlight is turning in particular on corporate operations in developing countries, especially those with “material” tax bills. A case in point is Ghana, where one sixth of the country’s entire tax revenues derive from foreign-owned businesses.

Greater disclosure of overseas tax payments is currently under consideration by European and US legislators. Some companies – but not many – are pre-empting the possibility of future regulation by publishing tax payments on a country-by-country basis.

A notable example is Rio Tinto. The mining giant recently “redesigned” its approach to tax disclosure, publishing payments made to governments in each of its main operational markets.

In its recent dedicated tax report, the company states that its $7.4bn tax bill for 2010 marks a “significant contribution to public finances” for the countries where it operates. The report also voices concerns about the threat of tax increases in the future.

Going public is not without its risks. Governments, shareholders and the general public will all have their opinion on whether a company’s tax payments are fair or not.

The debate over tax and ethics is only just getting started, however. By making its payments clear, companies such as Rio Tinto earn a legitimate place in the discussion. More should join them at the table.

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**Emerging practices on tax**

**British American Tobacco** supports the “gradual and predictable” increase in taxes on tobacco.

**Anglo-American**, for five years, has published “taxes borne and claimed” in both developing and developed countries, as well as an effective tax rate by country and weighted average for the company as a whole.

**McDonald’s** publishes a headline tax figure for the company as a whole ($1.1bn), plus its total bill for social and income taxes in its top nine markets year-by-year.

**SAB Miller** talks of a “tax footprint” and reveals the split in its taxes between developed and developing countries.

**Exxon Mobil** publishes its total payment in direct and indirect taxes and duties in the UK (£5.1bn) and compares this to total government expenditure (about 1%).

Source: Tax, Reputations and Responsibility, Corporate Citizenship, May 2010

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**The spotlight is turning in particular on corporate operations in developing countries**
A growing number of companies see that corporate responsibility is about behaviour in core operations.

The “business case” for corporate responsibility was given new resonance this summer by the News of the World phone hacking scandal and the events that followed. For the media companies involved, “corporate responsibility” had been reduced to an optional extra that could be abandoned when management creates a culture of sales targets (circulation and advertising) and profitability improvements at all costs.

In the end, that narrow perspective cost people’s jobs and reputations, a great deal of money and, ultimately, the business itself. That’s a high price to pay for ignorance.

In contrast, there is a growing number of companies whose leaders see that corporate responsibility is about how companies behave in their core operations: how they go about their business and how they make their money.

For such companies – particularly those whose performance has been recognised through Business in the Community’s Awards for Excellence and its Corporate Responsibility Index – responsible business behaviour is embedded in the DNA of the business. It’s part of the organisation’s culture and strategy, manifesting itself in what gets said and done by everyone from boardroom executives to those working at the front lines of the most remote business units. Corporate responsibility is a coherent part of the corporate “story”. It’s not something a company does; it’s what a company is.

“The idea that managing the impact of commercial activity on society and the environment brings business benefits is gaining momentum,” writes columnist Sarah Murray in the latest Financial Times Special Report on Responsible Business.

“Addressing social and environmental concerns is becoming part of mainstream business.”

Revisiting the business case

The companies whose leaders “get” the importance of embedding corporate sustainability and responsibility deep into a business are becoming more intelligent at managing their own corporate sustainability and responsibility programmes – and assessing their impacts on business and wider society.

This is particularly evident in research on the corporate responsibility business case conducted recently by the Doughty Centre and Business in the Community. We worked together to update the 2003 Arthur Little study that examined the arguments for companies to take responsible business more seriously. We also reviewed companies’ submissions for BITC’s Corporate Responsibility Index.

Many academic articles, as well as numerous management consultants’ reports, have been produced since the 2003 study. We found that both the academic theory and practitioner arguments were remarkably consistent with each other.

Our study – which encompassed both an academic and practitioner literature review as well as companies’ own reports of their activities in their BITC’s Awards for Excellence and CR Index submissions over the period 2003-10 – identified seven key business benefits. In order of the frequency with which they were cited, these were:

1. Brand value and reputation – benefits realised from responsible business that improve the value of the brand and/or the reputation of the brand or organisation.
2. Employees and future workforce – benefits from responsible business practice that affects the working life of employees, and the ability to attract and hold on to talent. This includes employee motivation, productivity, recruitment, satisfaction, retention, engagement, and loyalty.

3. Operational effectiveness – improvements and innovation in an organisation’s practices and processes as a direct result of being more responsible and sustainable, creating more effective operations and higher levels of efficiency.

4. Risk management – benefits resulting from CR efforts that improve the organisation’s ability to identify and reduce exposure to risk, and prepare for and manage risks better.

5. Direct financial impact – direct benefit to the financial performance of an organisation. For example improving access to capital, reducing costs, and improving shareholder value.

6. Organisational growth – an opportunity for overall organisational growth derived from being a responsible business, whether through new markets, new product development, lateral expansion, new customers, or new partnerships/alliances.

7. Business opportunity – new opportunities or innovation generation created for all stakeholders specifically because of their efforts in being a responsible business. This can result in new business development, but critically it is about win-win opportunities for a variety of stakeholders.

In addition, there were two new categories of benefit that emerged in the most recent years covered by the review.

- Organisational leadership – defined as “leadership achieved through helping society” which results from a radical change in the internal corporate values and external market reconstitution.

- Macro-level sustainable development – defined as “the impact and responsibilities an organisation has to higher level economic, social and environmental issues”.

The emergence of these last benefit signals an important trend – namely that, as companies have become progressively sophisticated in their management of sustainability issues, the more aware they are of the close interdependence between the fate of their business and that of the world at large.

They are recognising that their businesses have a direct stake in ensuring the success of sustainable development – and therefore their efforts to mitigate the impacts of climate change, poverty, famine, health pandemics, corruption and other global socio-economic, political and environmental crises are not bolt-on extras to the business but are direct investments in the long-term viability of the business.

The emergence of ‘shared destiny’

What is particularly striking about companies recognised in BITC’s 2011 Awards for Excellence is that the boundary between what gets described as “business” on the one hand and “social” and/or “environmental” benefit on the other is becoming blurred. For example:

- EDF Energy’s Zero Harm programme – this aims to achieve “zero harm” (no incidence of workplace injury and no form of work casual or work aggravated illness). The case study cites cost savings, reductions in work-related ill health incidence rates, days lost and musculoskeletal health problems as “business benefits” while employee pride, advocacy and perceived management interest in employee health and well-being – which could also be construed as business benefits – are cited as “employee benefits”.

- Tata Consultancy Services’ Adult Literacy Programme – this utilises TCS IT expertise to create Computer Based Functional Literacy (CBFL), a multimedia software package that tackles adult literacy in a 40-hour programme. By shortening the development time for CBFL products in different languages, TCS can address wide-scale Bottom of the Pyramid literacy problems more swiftly (a social benefit). However, the roll-out of these products, engaging employees and families as volunteers in the process, also helps open up new markets and boosts recruitment, retention, motivation and enhanced company perception – all clear business benefits.

- On the environmental side, The Co-operative Group has focused on reducing its own greenhouse gas emissions as well as providing or withholding of finances to companies in order to...
reduce the impact of the products and services offered. These activities have reduced the environmental impacts of the Co-op as well as its clients and other stakeholders. But they also reinforce the Co-op’s corporate reputation as a leading advocate for sustainability, attracting and retaining customers who have cited ethics/environment as a reason for opening and maintaining an account.

Finally, construction company Wates Group, BITC’s Company of the Year, has engaged a wide range of its stakeholders – including employees, customers, suppliers as well as risk specialists and a network of social enterprises – to redefine its approach to sustainability. Its activities encompass employee development and engagement, community transformation, carbon footprint reduction, elimination of waste and responsible sourcing through its supply chain. This has created a wide range of business benefits including enhanced employee engagement and responsible leadership, improved operational effectiveness, new business opportunities, more effective risk management and enhanced brand reputation.

What does the close alignment of these business and societal benefits signify? In the January/February 2011 edition of Harvard Business Review, Professor Michael Porter and Mark Kramer have written that in light of recent historical trends, “the purpose of the corporation must be redefined as creating shared value, not just profit per se”.

However, the work of these leading-edge companies whose achievements have been recognised by BITC and others suggests that something far more exciting is going on: that enlightened business leaders are recognising that their companies have a “shared destiny”, not only with their employees, customers, suppliers and others in their immediate sphere of influence, but with a much wider range of stakeholders with whom they are inter-connected.

By engaging the hearts and minds of individuals in these extended stakeholder networks – which can encompass even their own industry competitors (eg the Extractive Industries Transparency Initiative, the Kimberley Process certification scheme and other sector-wide sustainability initiatives) – businesses can build vibrant powerful engines of societal change, in tandem with growing and developing their own companies.

Engaging and building your stakeholder community

What is evident from these companies’ corporate responsibility case studies is that their success depends on creating a sense of “shared destiny” among the company’s key stakeholder groups, particularly among employees and suppliers as well as wider community constituencies. Cooperation, not competition, is central to this process.

The power of cooperation has been recognised by Harvard Law School Professor Yochai Benkler. In the July/August 2011 edition of Harvard Business Review, he draws on research in evolutionary biology, psychology, sociology, political science, and experimental economics to argue that people behave far less selfishly than most assume. Evolutionary biologists and psychologists have even found neural and, possibly, genetic evidence of a human predisposition to cooperate. These findings suggest that instead of using controls or carrots and sticks to motivate people, companies should use systems that rely on engagement and a sense of common purpose.

The same principle applies to building a community of engaged stakeholders to achieve sustainability goals. Our Doughty Centre team believe that engagement is central, not only to embedding sustainability in companies, but to ensuring the success of the company in its widest possible sense. Our team has developed a roadmap for stakeholder engagement as well as a more recent how-to guide for engaging employees with corporate responsibility.

But to create a foundation for engagement with sustainability, one has to begin, not just with the business case for corporate responsibility but at a more fundamental level, with a clear sense of what the business is for: the case for business.

In his landmark 1990 RSA Lecture, Prof Charles Handy made a simple but profound argument: that in the interests of business as well as wider society, companies should be reconceived as wealth-creating, self-governing communities, not as properties. Each corporate community must answer for itself the question, “what is our company for?” He argued eloquently that profit-making was a means, not an end, and every company needed to
discover a purpose beyond itself. That purpose needs to embody a vision that is ambitious and yet accessible to everyone in the corporate community.

Answering this basic question cannot be achieved with a sanitised mission statement written down by a few top executives in a management strategy meeting. Dialogue with your corporate community’s stakeholders is central to this process (see, for example, our Dougherty Centre how-to guide on CR knowledge management to understand the central role of corporate storytelling).

Knowing what your company is for, in the broadest possible sense, means understanding:

- **What your company is trying to achieve** (eg “to help people and businesses throughout the world reach their full potential” (Microsoft)).
- **Who is in your extended corporate community** (eg for many leading-edge companies, this includes not just the usual suspects close to the centre of the organisation, such as customers, employees and investors, but stakeholders who are more geographically remote, for example individuals in Bottom of the Pyramid groups working in factories at the furthest reaches of the supply chain).
- **How your company can best achieve its purpose in ways that respect all the members of your corporate community** (eg promoting the health and well-being of employees; alleviating poverty or tackling illiteracy among potential customers, employers and/or suppliers at the Bottom of the Pyramid; preserving the long-term integrity of natural resources shared with others).

It is only in this context that one can define what corporate sustainability and responsibility means to your company. That definition will be unique to every business. Ideally it should be broad enough – in its vision of who is part of your corporate community and the scope of the timeframe over which your business expects to operate – to encompass innovative, longer-term projects focused on creating sustainable value with a diverse mix of partners (see, for example, our Dougherty Centre Occasional Paper on the work of social intrapreneurs).

In this way it becomes possible to progress beyond maintaining reputation and legitimacy, and cost and risk reduction, to innovation and repositioning, and growth path and trajectory, the four quadrants in Hart and Milstein’s Sustainable Value Matrix.

Finally, your core purpose must be something that people feel, not just think. It needs, above all, to inspire people to work together to achieve some higher goal, through actions great and small, every day they come to work. Because, more than strategy or business plans, inspiration is what you will need most on your company’s journey to sustainability.

References:
4. For details, see http://www.bitc.org.uk/awards_for_excellence/awards_for_excellence_2011_winners/all_results.html.
Ensuring true assurance

Robust independent assurance of sustainability reports trumps mere data verification for securing stakeholder trust, argues Jason Perks

It’s time to make up our minds about how sustainability reporting is assessed. One option is to restrict our remit to basic verification of data. The other is to pursue much more extensive evaluations of how well reports address what matters to stakeholders. I am worried that we may be about to take the wrong road.

If we go down the verification route, it’s unlikely that sustainability reports will properly address companies’ material issues or drive strategic responses. The alternative – robust, stakeholder-based assurance – offers far more value to stakeholders and companies.

Of course, assurance can include verification of claims and data, but that is just one element. It also means establishing the extent to which the report addresses the issues that concern stakeholders and have an impact on the business. It is about checking not only that the things in the report are right but also, more fundamentally, that the right things are in the report.

The choice of direction is upon us today in large part because of pivotal work that’s going on to develop two key sustainability frameworks.

The G4 version of the influential Global Reporting Initiative guidelines is currently out for consultation. At the moment, reporters can add the “+” suffix to the GRI application level they have attained even for superficial verification of one small part of the report. GRI should encourage more meaningful, high-quality assurance, in particular by applying more stringent criteria to the use of the “+” symbol.

Meanwhile, the work of the International Integrated Reporting Committee is gathering pace. The IIRC is aiming to create a framework for integrated reporting that brings together financial, environmental, social and governance information in a consistent and comparable format.

But the fact that IIRC is driven by the accountancy profession means that simply integrating a standard set of sustainability metrics could become the de facto approach in integrated reporting. This would severely restrict the potential of reports to give a full account of a company’s performance.

Get beyond the data

The other main danger is that companies might be tempted to get their financial auditors to examine the whole integrated report. This could encourage data verification at the expense of specialist assurance of the sustainability content. Non-financial reporting should be based firmly on stakeholder needs. In particular, any integrated reporting framework needs to be clear that assurance should examine how well the company has identified, addressed and reported its material issues.

At a recent roundtable examining the future of assurance, participating companies were agreed that, while systems and data checking do add value, stakeholder involvement and a clear set of principles for assurance are vital for credibility.

However, without a clear lead from GRI or the IIRC, it may be difficult to bring about a more general change in behaviour. Many large companies still publish unassured reports, and the majority who do seek an independent check are still only going for verification.

What we need most, if assurance is to deliver on its potential, is a single, internationally accepted framework.

What we need most, if assurance is to deliver on its potential, is a single, internationally accepted framework. This would be a boon for stakeholders because it would enable them to compare companies’ sustainability performance confidently. It would also be a big help to companies trying to decide how best to have their reports independently assessed.

I believe this is achievable in the next decade because, in the AA1000 Assurance Standard, we have something that’s proven and generally applicable. AA1000AS mandates the use of three principles: inclusivity, materiality and responsiveness. At our recent roundtable, attendees resoundingly confirmed the validity of these principles for assurance.

Of course, AA1000AS is not the only assurance standard out there, and it has flaws. But it is the only standard specifically designed for sustainability and based on an inclusive stakeholder-based approach.

Even if AA1000AS isn’t yet widely used for assurance, it is gaining ground among the leaders in sustainability. In the last four annual Corporate Responsibility Reporting Awards, the winners of the Credibility Through Assurance category have all used the standard – including The Co-operative.

Irrespective of whether AA1000AS will be the unifying standard, if the sustainability report is to be a genuine way of helping businesses be more sustainable, it is vital we choose proper stakeholder-led assurance over verification.

Jason Perks is group director of corporate sustainability agency Two Tomorrows. He is a member of the interim standards board for the AccountAbility AA1000 series of standards.
Engaging stakeholders, not policing factories

In the late 1990s, global US retailer Gap was represented by two websites: its official corporate site, and the very much unofficial “GapSucks.org”.

Legitimate concerns about suppliers’ practices overseas put the US clothing brand in the spotlight. Fast forward 10 years and Gap’s name was back in the headlines. The issue read much the same: one of its suppliers (this time in Lesotho) was dumping toxic waste into local landfills. This time public outcry was muted. Why? Because of a decade or more of effective stakeholder engagement by the company.

Engaging stakeholders is easier said than done. The process can be expensive, slow and complicated. For starters, companies must determine which stakeholders to engage and how. Those relationships then need managing. This paper crystallises the management process into five useful steps: draw a stakeholder map, identify material issues, define objectives, resolve issues, and embed engagement.

So what are the key lessons from Gap? First, call off the police. By the end of the 1990s, Gap had more than 100 auditors combing its factories. These still weren’t enough to catch every problem. Its experience in Cambodia highlights the problems of compliance. After years of civil conflict, most workers did not have official papers, making age verification difficult. It took the company several years to accept its legalistic risk-mitigation approach was "broke".

The second major take-away from Gap’s experience comes at the end of the process. How would the company narrow down internal opinion (some of which saw engagement as “selling out to NGOs”) and opinions in the stakeholder world (many of which remained sceptical)? Gap’s approach was to hire in “boundary spanners”, individuals that were familiar with both corporate and civil society discourse. It worked, smoothing relations on both sides of the fence.

Issues of non-compliance may well continue to occur for multinational companies. Their supply chains are complex and multi-tiered. With the right stakeholder relations in place, however, not every issue has to become a crisis.


Curbing C-suite social spending

The stereotype of corporate responsibility being little more than the chief executive signing off cheques for charity is (nearly) much maligned in these days. Today, companies prefer to talk less of charitable philanthropy and more of “strategic social investments”. All the same, the personalities and preference of board members still heavily influence the philanthropic contributions of the companies they govern. In this paper, Marquis and Lee examine 10 years’ worth of data for Fortune 500 companies to determine how such influence plays out.

The headline findings of the research are intriguing. Companies with new chief executives, for example, are likely to give more. Contributions also increase as the proportion of female senior managers in a company increases. And finally, the larger the board, the higher philanthropic spending is likely to be.

In these days of strategic philanthropy, the individual largesse of senior managers appears to run contrary to firm–level strategies. How to rein in arbitrary charitable expenditure remains a crucial question. Organisational structures, such as a corporate foundation, may well help. So too might internal processes. Regrettably, the paper falls short of any firm conclusions. A tantalising case of “more research needed”.


Negotiate through the glass ceiling

It’s a man’s world out there. Or is it? On the face of it, the statistics suggest otherwise. Findings from Catalyst Research show that women make up more than half of America’s management, professional and relations occupations (51.5%).

Look upwards, however, and the infamous glass ceiling seems more bullet-proof than ever. Only about one in every 13 (7.6%) top earners in Fortune 500 companies are women. As for the hot seat, the stats are even more dismal: a measly 2.6% of Fortune 500 chief executives are women.

This short paper summarises thoughts expressed by alumni of Pennsylvania University’s Wharton School. Companies today “are building on masculine norms”, participants contended, with environments that are not conducive to allowing women to “thrive and grow”.

So what would a female-friendly company look like? It doesn’t necessarily mean koi ponds and a farmers’ market at the head office, as retailer Anthropologie’s boasts (however nice). What’s needed is a total shift in mindset to one in which companies are genuinely “sensitive” to women’s family roles as well as their career progression.

“If women do opt out, it’s not because they can’t handle their families", the paper argues. “It’s because they feel they really can’t advance.” One exacerbating problem is the general reluctance on women’s part to initiate negotiations. As work contracts become less fixed, women shouldn’t hold back in pushing for perks and work patterns that work for them.

“Masculine Norms: why working women find it hard to reach the top”, Knowledge@Wharton paper, August 2011.

Campus news

Three hundred speakers are due to address the annual conference of international campus network group Net Impact, scheduled for October 27-29 in Portland, Oregon, US.

The latest annual survey by MIT Sloan Management Review and the Boston Consulting Group finds that six in 10 of the large companies interviewed will increase their sustainability spending in 2011.
Puma has been busy developing an integrated report and now calculates its environmental profit and loss, and isn’t shy about letting everyone know about it

Puma, the German “sports lifestyle” giant, has been a brand to watch this year. But does the company’s 2010 integrated annual report mark a genuine union of business and sustainability?

Initial signs are good. It has introduced some innovative elements of sustainability reporting, such as a separate environmental “profit and loss account”. The supply chain section of the integrated report is comprehensive and shows a commitment to industry collaboration, and a new sustainability scorecard provides solid environmental and social goals. However, as is often the case, the report is not quite as integrated as it seems at first glance.

The company claims that “sustainability is key to Puma’s long-term progress”, yet its “Back on the Attack” business plan is seemingly unconnected to the “Puma.Vision” sustainability plan. The split is even apparent in the chief executive’s letter which, whether by chance or design, discusses business strategy and performance on one page and sustainability on the second, with little to link the two.

One would assume that Puma has built a business case for sustainability robust enough to warrant the kind of investment apparent from its comprehensive supply chain management programme, yet the company remains shy about making an explicit connection. The section on risk management is a good example. Despite identifying “brand image” and “sourcing” as key risks, these four pages contain just one short paragraph on sustainability.

Puma’s environmental and social programme, PumaSafe, is an evolution of the company’s original factory audit function, and supply chain remains a prominent feature of the approach.

Puma has widened the scope of its audit programme to include more third- and fourth-tier suppliers, leading to a significant increase in the number of audits undertaken in 2010. Puma’s commitment to supply chain transparency is also having an impact beyond its own reporting. From 2011 onwards 18 key suppliers, which account for two-thirds of Puma’s products, will publicly report their sustainability performance.

Wages within the supply chain remain one of the most high-profile issues for the garment industry and it is one Puma does not shy away from. In 2010, wages were a key theme at the company’s annual multistakeholder talks and the report includes a range of balanced third-party quotes.

Puma can be commended for reporting on areas of non-compliance from its factory audits and for providing detailed information on its training and compliance work with suppliers. However, there is no discernible link between the two. Shouldn’t the training programmes be designed to tackle these areas of weakness? Also there is no discussion of the process by which the company takes action for persistent infringement. How long can a non-compliant supplier remain before it is replaced?

Long-term goals
Puma has introduced a new sustainability scorecard with hard targets for 2015. There are specific targets relating to the company (offices, stores and warehouses), factories (suppliers) and products (design, packaging, processes and logistics). These targets set out Puma’s commitment to measurably improving performance, such as a 25% reduction in CO2 emissions by 2015. Ambitiously, this goal applies to suppliers’ factories as well as the company’s own facilities. However, longer-term goals beyond 2015 are still lacking.

The quality of data reported against key performance indicators has also improved, though the range of environmental measures remains limited. For example, the company’s environmental profit and loss account includes total water use, but no discussion of water quality or scarcity.

Puma’s internal management of sustainability is something of a mystery. Will it still be down to influential chief executive Jochen Zeitz to promote sustainability from his new role as head of the recently created sport and lifestyle division of Puma’s parent company, the French luxury brands group PPR?

No review of Puma’s reporting would be complete without considering the company’s environmental profit and loss account, released just a month after the integrated report. Through some clever modelling and an amount of guesswork, the P&L estimates the economic cost of Puma’s environmental “pawprint” to be €94.4m.

The methodology has its limitations, but Puma should be congratulated on its attempt to translate environmental (and eventually social) impacts into a financial measure. This is the clearest sign yet that the company is serious about embedding sustainability into core business – the integrated annual report alone would not convince us. We wait with interest to see whether the P&L approach generates results across Puma’s triple bottom line.

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Too much information

By Kathee Rebernak

Toshiba’s 2011 corporate responsibility report and website, together, show in microcosm the confusion that reigns in corporate responsibility – or sustainability, or citizenship – reporting.

If ever there were a poster child for the case to be made for integrated reporting, Toshiba would be it. Toshiba’s 2011 CR report, with its accompanying website and various other reports, provides reams of information. Toshiba largely fails, however, to present a cohesive picture of its overall performance.

To its credit, Toshiba publishes an impressive amount of information on its philosophy of governance and management of environmental and social activities, and the activities themselves. Its corporate reporting consists of an annual financial report, annual CR report, environmental report and a citizenship, or “social contributions activities” report.

In addition, each of Toshiba’s nearly 150 facilities publishes its own environmental report; that most are written in Japanese may prevent many stakeholders from diving more deeply into the data. And then there’s the CR website.

Unfortunately, none of this gives a particularly good picture of how the company’s many, many activities that fall under the umbrella of corporate responsibility – including environmental activities that seem to be a key component of Toshiba’s product and technology development – contribute to Toshiba’s growth and profitability.

Much of the information on the website is copied exactly from the report – or vice versa – but some is contradictory and it is not clear which medium presents the more accurate picture. Complicating stakeholders’ ability to assess performance is the fact that the 2011 environmental and “social contributions activities” reports are not due out until later this year.

The result is confusion. For example, save one vague line in the targets section about supporting “the employment of female employees”, the report contains no discussion of gender diversity. The website does, however, contain a lengthy discussion of gender diversity – or, rather, the lack thereof.

Jilting GRI for ISO 26000?

Toshiba has vigorously pursued reporting in line with the ISO 26000 standard. It has adopted an in-depth approach to assessing performance of a variety of “sub-issues” in each of the seven ISO 26000 subject categories and has set targets and plans for each. And while the company has identified 235 “action items” and established an impressive array of key performance indicators, the large majority of targets stated are qualitative. Nonetheless, the company reports 100% achievement of most of its targets. A rather head-scratching example is that the report counts as a major achievement the fact that it has “achieved the target of improvement in overall environmental efficiency”.

A careful reading of the report might lead one to wonder whether Toshiba has abandoned GRI for ISO 26000, the nascent corporate responsibility guidelines. While the GRI index contained on the company’s CR website references the 2010 report (covering full year 2009) and various others, as well as the company’s main website, there are no references to the 2011 report. Further, although the report points to a materiality analysis, and even displays a 3D graphic to support the idea, the report identifies no issues as material. Both Toshiba’s third-party evaluator and the company’s own consultant express a desire to see the company identify and prioritise its material issues.

Toshiba’s reporting of environmental performance is far stronger than that of its other practices. Its approach is clearly laid out, as is its focus on greening processes, products, and technologies. A discussion of environmentally conscious products (ECPs) is interesting and should lead readers to see connections to business success, even if such connections themselves are not clearly drawn. Toshiba self-certifies a group of products identified as “Excellent ECPs” based on their ability to meet or exceed internally set environmental performance standards. No doubt stakeholders – investors and customers in particular – would be interested in seeing details of these products’ environmental performance vis-à-vis competing products.

Toshiba devotes a considerable amount of space to discussion of its improving eco-efficiency factors but relatively little to better known indicators, such as trend data on GHG emissions, energy consumption, water use and waste generation. The few quantitative environmental indicators reported are centred on reductions of GHG emissions and water usage mainly through ECPs. Stakeholders may be left to wonder why there aren’t more quantitative indicators of performance. Perhaps Toshiba is saving those figures for its still-to-come environmental report.

Next time, Toshiba might consider putting all that information in one place, so stakeholders who want to see performance data don’t have to go hunting for it. And while ISO 26000 is a useful tool in helping direct attention to a variety of environmental, social and governance issues, Toshiba’s use thereof should not preclude rigorous application of GRI – in particular a determination of the company’s material issues. There’s plenty of room in this world for both.
New books
By Oliver Balch

Our pick of the best new publications

**In Good Company: an anatomy of corporate social responsibility**
By Dinah Rajak
Hardcover: 328 pages, $80
ISBN: 0804776091
Publisher: Stanford University Press
Published: September 2011
This critical look at the corporate responsibility movement examines the problems of letting the market rule. Focusing in on mining company Anglo American, the book explores the developmental downsides of this “win-win” theory.

**Corporate Citizenship and New Governance: the political role of corporations**
By Ingo Pies and Peter Koslowski (eds)
Hardback: 208 pages, $139
ISBN: 9400716605
Publisher: Springer
Published: August 2011
Drawing on the fields of strategic management, economics, law and political science, this book offers an in-depth reflection on the theory of corporate citizenship. Questions about how companies’ new roles in society and their part in modern governance structures are tackled head-on. A key book for an international age.

**Corporate Greenhouse Gas Management: from operations to strategy**
By Dr Rory Sullivan
Paperback: 109 pages, £65
ISBN: 953320092
Publisher: Environmental Finance Publications
Published: July 2011
Based on insights from six leading companies – BASF, Deutsche Post DHL, Maersk, National Grid, Standard Chartered and Vodafone – this snappy study examines how climate change is being integrated into business strategies. Plenty of practical guidance as well for those companies looking to follow suit.

**Twitter for Good: change the world one tweet at a time**
By Claire Diaz-Ortiz
Paperback: 224 pages, $16.99
ISBN: 1118061930
Publisher: Jossey-Bass
Published: August 2011
Written by Twitter’s head of corporate social innovation and philanthropy, this book sets out to show how the social media site can provide a platform for cause-based campaigns. Packed with dynamic examples from around the world, readers will find guidance and inspiration in harnessing the micro-site for good.

**Building Stakeholder Relations and Corporate Social Responsibility: a sensemaking perspective**
By Barbara Fryzel
Hardback: 268 pages, €65
ISBN: 230236027
Publisher: Palgrave Macmillan
Published: July 2011
This book explores how companies engage in CR activities, how their corporate identity determines the way in which they perceive the stakeholders and, as a result, engage in dialogue-based relations with them.

**The Business of Sustainability: trends, policies, practices, and stories of success**
By Scott McNall et al (eds)
Hardback: 907 pages, $184.95
ISBN: 0313384943
Publisher: Praeger
Published: October 2011
This three-volume collection sets out the why, what, who and how of sustainability and business. Management obstacles, measurement metrics, business opportunities, and pathways to success all merit a comprehensive coverage. An impressively wide-ranging overview.

**Sustainable Business: Financial Times briefing**
By Brian Clegg
Paperback: 160 pages, $59.99
ISBN: 0273746010
Publisher: FT Press/Prentice Hall
Published: October 2011
Pitched as “short, high value, results-focused advice”, this concise briefing from the FT offers senior managers valuable insights into establishing high-value sustainable business strategies. A handy, actionable guide for beginners and veterans alike.

**Screwing Mother Nature for Profit: how corporations betray our trust – and why the new biology offers an ethical and sustainable future**
By Elaine Smitha
Paperback: 256 pages, $19.95
ISBN: 1780280189
Publisher: Watkins
Published: October 2011
Presented as a “wake-up call” to the impact of corporate-led globalisation, this book lays out an alternative based on principles of cooperative competition and “conscious, sustainable growth”. 
People on the move

By Claire Manuel moves@ethicalcorp.com
With thanks to Miriam Heale, Allen & York Recruitment

Jim Peacock has joined Hill & Knowlton’s specialist CR and sustainability team as associate director. Peacock has more than 10 years of corporate communications, sustainability strategy and communications experience. He joins from the Carbon Trust, where he was head of corporate communications and stakeholder engagement.

Karin Mortensen Laljani is the new managing director of Corporate Citizenship, the global full service sustainability consultancy and part of Bell Pottinger Group. Laljani’s remit is to drive sustainability into the marketing function and influence organisations to change the way they are approaching environmental and social issues as part of business strategy. Her most recent position was managing director of Aegis Media plc and she is co-author of Sustainable Communications, which was published in May 2009.

Timberland has hired Mark Newton as vice-president of corporate social responsibility CSR. In this newly created role, Newton will lead Timberland’s global team responsible for managing the organisation’s four areas of focus within CSR: environmental stewardship, global human rights, community engagement and transparency and reporting. Newton joins Timberland from Dell where he most recently served as executive director of global sustainability.

John Ruggie, UN special representative for business and human rights, is to join the corporate social responsibility practice of corporate law firm Foley Hoag. Ruggie, currently a Harvard professor, will join the firm’s Boston office in September as a senior adviser. Ruggie is the author of the Guiding Principles on Business and Human Rights, which the UN Human Rights Council formally endorsed in June after six years of development. The principles provide high-level guidance to companies on managing the human rights impacts of their operations and are likely to affect national law and policy in jurisdictions worldwide. As a senior adviser at Foley Hoag, Ruggie will help multinational companies navigate the principles and apply them to their global business practices.

Standard Chartered has appointed Nii Okai Nunoo, current area head of corporate affairs in west Africa, as its new regional head of sustainability for Africa.

Regnan – Governance Research and Engagement has appointed Amanda Wilson to the newly created position of deputy managing director. Wilson joins Regnan from Suncorp, where she was responsible for culture and performance, including reward, workplace relations, recruitment, systems and talent management. She will be based in Regnán’s Sydney office.

Lexis PR has promoted Michael Hoevel to the position of head of sustainability for Glasshouse Partnership, its specialist CSR and sustainability unit. Hoevel has worked for the company since 2006 on a number of national and international accounts.

Gareth Llewellyn has joined Network Rail as its new safety director. Llewellyn, a former global director for safety, health, environment and corporate responsibility for the UK’s National Grid, was most recently managing director of a consultancy business providing safety and sustainability advice to global clients. As well as having responsibility for safety, Llewellyn is also leading Network Rail’s sustainability agenda.

The Social Investment Business has appointed Jonathan Jenkins as its new CEO. The largest social investor in the UK, The Social Investment Business works to support social enterprises, charities and voluntary organisations to become stronger and more financially sustainable. Jenkins has more than 15 years’ experience in raising finance for small and medium projects from his City career. He is currently on secondment to the Big Lottery and NESTA, working on the Big Society Bank.

NSF International, an independent organisation that protects human health and the environment, has promoted Tom Bruursema to be general manager of NSF Sustainability. Bruursema will lead the growing portfolio of NSF’s sustainability services, including standards development through the National Center for Sustainability Standards founded by NSF International in 2010. Prior to his new appointment, Bruursema managed the NSF testing and certification programme for onsite waste-water treatment technologies.

Appointment of the month

International entrepreneur and philanthropist Ram Gidoomal has become chair designate of Traidcraft, the fair trade company and development charity. Gidoomal was formerly UK chief executive of the Inlinks Group, an international food commodity company.

Gidoomal was co-founder of the Christmas Cracker project, which mobilised UK teenagers to raise money for the developing world in the 1980s and 1990s. His current roles include chair of the Office of the Independent Adjudicator for Higher Education; chairman of the South Asian Development Partnership Trust; chairman of Allia, the social profit society; and board member of the International Justice Mission. He will assume his role as Traidcraft chairman once his election to the board is approved at this year’s AGM.

“Traidcraft has played a pioneering role in the fair trade movement and I am honoured to have been asked to serve as its chair,” Gidoomal says. “I look forward to working with the team as it embarks on a new strategic period in the vital work of helping producer communities in the developing world flourish and prosper.”

Tarmac has expanded its sustainability team with the appointment of Andy Swain as sustainability manager. Working across Tarmac’s UK business, Swain will be developing new environmental tools for customers to help to drive the company’s sustainability programme.
‘We have an imperative to look after the farmers’

Nick Bunker was appointed president of Kraft Foods and Cadbury for UK and Ireland in February 2010. Before this he was vice-president and managing director of Kraft Foods UK and Ireland, Bunker has worked for Kraft since 2000. Bunker spoke to Oliver Balch.

Ethical Corporation: How do you define “sustainability” and what does it mean for a company like Kraft?

Nick Bunker: For us, sustainability isn’t to do with CSR. It’s to do with the fundamental underpinning of our business. We are one of the world’s biggest purchasers of cocoa, coffee and cashew nuts. Therefore we are dependent on the sustainability and security of that supply. We have a social imperative as well to look after the welfare of the farmers on whom we depend.

EC: Is sustainability of supply a growing issue for Kraft, then?

NB: We all know that the pressures on the planet are increasing. We know that rising living standards and increasing populations will make food production harder and we’ll have more mouths to feed. The other context is that most of these commodities are grown in developing countries, which have their own social, environmental and economic challenges.

EC: Devising solutions that are scalable is obviously an imperative. How is Kraft going about this?

NB: Certification is a good example. We have 15 brands that have the Rainforest Alliance or Fairtrade mark. I believe it’s good to support the co-existence of different [certification] schemes. As a significant global player, by working with both we can bring scale to sustainability that maybe others cannot. To put it in context, 100% of our Kenco coffee is bought from Rainforest Alliance-certified farms, which equates to about 96m cups of coffee per week.

EC: How is Kraft looking to make consumers more sustainable?

NB: Kenco offers a case in point. Two years ago, we introduced a refill bag instead of glass jar. The refill has 97% less packaging than the jar, with obviously a huge amount less energy going in to making it. About 25% of our sales are now with the refill bag.

EC: Do you think consumers can realistically drive sustainability?

NB: You only have to look at Cadbury Dairy Milk to see how much sustainability resonates with today’s consumers. Since going 100% Fairtrade in 2009, the brand is growing double digits. The market share and penetration has also gone up for Kenco since becoming certified. Consumers are seeking value for their values. But you have to put it in their language and make it easy for them. You shouldn’t charge a premium.

EC: If you can’t charge a premium, who takes on the extra cost?

NB: It comes from us making investments in our value chain. If we want to make a positive difference with scale, it has to be mainstream. Mainstream means that consumers should not have to pay a premium to be good. That’s very clear from research across a whole range of food categories. So we made a deliberate investment decision in paying more for certified cocoa and coffee, and we manage it like any other business investment.

EC: What practical difference is Kraft’s commitment to certification making to producers?

NB: We’ve sold about 300m bars of Dairy Milk since going Fairtrade. As a result, about £2.5m has been transferred through the Fairtrade premium to cocoa cooperatives in Ghana.

EC: You recently visited Ghana to see the work of the Cadbury Cocoa Partnership. What did you take away from the experience?

NB: Where we’ve seen a real difference being made is when programmes are community-led. So, that £2.5m we’ve given, it’s for the communities to decide how it’s spent – not us. The same goes for the Cadbury Cocoa Partnership. We’ll invest over 10 years some $45m in cocoa growing communities. We work with great partners there – Care and World Vision – but it’s ultimately the farmers themselves who must choose the best paths to their development.

EC: You talked about working through industry initiatives. Why’s this important?

NB: It would be madness to suggest that any company has got everything right. There’s still a lot more to do. These are exceptionally complicated and challenging issues that can only be addressed through coalitions of industry, governments, NGOs, and so on.
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