

GREEN IS

Corporate sustainability is the new black – and some unusual bedfellows are making the scene. [Mark Kestigian](#) reports.

GOOD

RUPERT MURDOCH LEFT MANY market analysts gasping with his recent claim that News Limited – a company that produces more than 640,000 tonnes of greenhouse gas each year – would be carbon neutral by 2010.

Equally bold environmentally-friendly claims have been registered by other mega-conglomerates, ranging from BHP-Billiton and BP to Generals Electric and Motors and Wal-Mart, to the home of the Big Mac and Home Depot, all promising to do their bit to mollify Mother Earth's worries.

Just how many of these corporate claims are based on solid gold green intentions versus a well-orchestrated, sophisticated strategy based on public relations spin or greenwashing, is one issue that still draws a fair bit of public scrutiny.

What hasn't been so widely reported, however, is the environmental mating dance between industry heavyweights and non-government organisations (NGOs) like Greenpeace and the World Wide Fund for Nature Australia (WWF), seeking suitable joint venture partners.

Huh? Since when did tree huggers and whale lovers cosy up to the enemy? It's all part of the new, improved way of doing battle in the greening debate in which positions, which were, for so long, firmly entrenched in solid bold bars of black or white, are now more likely to meld into softer shades of grey with various hues of green tacked on for good measure.

Lest anyone think this is just for relatively eco-friendly industry sectors like human resources and insurance, think again. The move pervades long-standing non-green giants like heavy manufacturing, mining and oil. It even figures prominently in investment opportunities where investors must pore over hundreds of offers outlining various green screens. [See story this issue, Taking Stock of Green Investing].

The environmental landscape, according to Charles Berger, legal counsel for the Australian

Conservation Foundation (ACF), "has become very complex." Complex, indeed. Berger, and the ACF in general, reflect the way in which both sides of the once Great Environmental Divide have come together.

Prior to joining the ACF in 2003, Berger's CV would be the envy of many top-gun corporate lawyers lurking around the halls of justice in New York, Washington or Brussels. In fact, his background includes stints with a large law firm in both its New York and Brussels offices, as well as serving as an associate to an Australian Federal Court Justice and as a law clerk for the US Department of Justice.

"There's been a good deal of upskilling from both sides concerning their respective positions in the environmental debate. NGOs have become far more sophisticated in their ability to frame conservation-related issues in business terms while at the same time many corporates have sought our assistance in gaining greater appreciation of environmental issues," he says.

"We're now swamped with requests to join companies' environmental advisory panels," Berger adds.

Similarly, the ACF played a key role in orchestrating a business roundtable on climate change in 2006. Such a gathering, which included such corporate heavies as BP Oil, Origin Energy, VISY and Westpac, could never have occurred a few years ago.

"At first glance, collaboration between environmentalists and business looks like an unlikely alliance," says Don Henry, executive director of the ACF, on the occasion of the roundtable. "But when it comes to one of the greatest challenges facing our economy and our ecology – climate change – we have a common purpose. ACF is pleased to be working together with businesses to find effective ways for Australia to address this great and urgent challenge."

Another NGO supporter familiar with the shifting



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**JUST
REWARD**

corporate environmental landscape is Peter Brandis, whose job title as head of corporate partnerships for the World Wildlife Fund's (WWF) Australian operations, sounds like an oxymoron.

Brandis previously worked in the superannuation and financial services sector for such companies as PriceWaterhouseCoopers before moving over to the WWF in 2005. "We work with corporates across various industry sectors giving them anything from knowledge expertise and brand alignment to working with them on specific conservation projects," he says.

Recent alliances include the ANZ Bank and the Peregrine Adventures travel company. Asked if such joint ventures can be seen as 'selling out' by true-green campaigners, Brandis says that it can upset some supporters, but "the economic reality for NGOs is that unless we raise more money, we can go out of business, too."

It's not all one-way traffic, either.

Andrew Laing worked for one of the world's largest oil refinery companies - BP - in various parts of the world for 40 years before turning in his green and yellow corporate colours for one that is pure green in 2003. While BP began making moves towards more sustainable, environmentally-friendly developments in the 1990s, the 'Eureka' moment for Laing came during a casual lunch with his then boss and other work mates. "We all came out with the shared sentiment that our wives and children thought we were bastards for working in the oil industry. That did it for me," Laing offers.

But while Laing spends much of his time in a company called "coolnrg" working at the grassroots end of the spectrum, encouraging individual homeowners to save energy and water, his time in the corporate sphere gave him many insights into what it takes to get big business revved up about reducing their environmental impact.

"Doing well always takes precedence over doing good, so if a company is going to be truly committed, the strategy must have a commercial focus drilling right down to the bottom line rather than to some appeal based primarily on corporate responsibility, which comes to be seen

more as a charity or philanthropic activity than as a business outcome."

Paul Gilding, CEO of Sydney-based Ecos Corporation, takes it even further. "The trend towards corporate sustainability represents the most dramatic economic transformation since the Industrial Revolution," he says.

Gilding adds that a great deal of venture capital - particularly in the US - is being pooled into sustainable ventures in a manner that has not been rivalled since the 1990s dotcom boom. "The major difference this time around though is that it's being driven by an overwhelming social need rather than just as a technology play as was the case during the dotcom boom," he explains.

Not everyone trusts the motives of big business when it comes to adopting supposed environmentally-friendly policies. "If eco-friendly policies are entirely 'win-win,' then why did corporations resist them for so long?" asks Philip Matera, director of Washington, DC-based Corporate Research Project.

He says that while some companies are no doubt true-blue in their green intentions, there are still a large number that are better described as 'green-washing', the term coined by environmentalists to portray attempts by some industries to put a positive spin on unsavoury environmental practices.

"The suggestion that the new business environmentalism flows simply from a heightened concern for the planet is far from the truth," Matera says. "Corporations always act in their own self-interest and one way or another are always seeking to maximise profits."

Another close observer of the situation is Richard MacLean, President of Arizona-based Competitive Environment Inc, an environmental, health and safety (EHS) management consulting firm that has worked in this space for 12 years.

MacLean says that major events in the 1980s like Union Carbide's Bhopal disaster and Exxon's Alaskan oil spill convinced big business that they had to become more sophisticated in their handling of the environmental sustainability debate.

The market and internal benefits of ensuring corporate sustainability are one thing. But getting a global gong for your efforts that you can put on your corporate mantelpiece is another, and much sought after.

"The Global 100 Most Sustainable Corporations in the World" was launched in 2005, and annual results are unveiled at the World Economic Forum in Davos. It is a project initiated by Corporate Knights Inc in association with Innovest Strategic Value Advisors Inc, a research firm specialising in analysing extra-financial drivers of risk and shareholder value, including companies'

performance on social, environmental and strategic governance issues.

Innovest suggests that "The Global 100 companies are sustainable in the sense that they have displayed a better ability than most of their industry peers to identify and effectively manage material environmental, social and governance factors impacting the opportunity and risk sides of their business."

In the 2007 lists, there are three Australian firms, all in the financial sector: Insurance Australia Group; Investa Property Group; and Westpac Banking Corporation.

"In the 1980s, most large companies were dealing with pollution and compliance issues, which NGOs could attack vigorously. As the landscape shifted to softer issues like 'sustainable development,' thanks in large part to the increased budgets allocated for public relations and marketing spin, industry became a far more difficult target to attack," MacLean says.

At the same time, according to MacLean, other factors came into play adversely impacting the way many firms responded to environmental issues. "Many senior environmental managers began retiring in the 1990s, with the end result being that companies' lost countless amounts of intellectual capital.

"Since the pollution and compliance battles were largely won by the early 1990s, many companies now began dramatically cutting their environmental and safety budgets. It's at the point now where I believe only about 25 per cent of big business understands the major issues facing them regarding the environment," he adds.

He says a classic case in point is a large North American company with more than 150 separate business sites and only two dedicated staff members handling environmental and safety issues. "These two people can't hope to keep up with routine compliance issues, let alone get time to think strategically about such larger issues as climate change, water pollution and loss of topsoil."

One company that has been doing its bit for the environment is Fuji Xerox (FXA). Amanda Keogh, manager of environmental and sustainability for FXA, says the company has employed 'eco-manufacturing' or re-manufacturing practices since the 1960s.

Remanufacturing is a method of production that takes a used part or component and through a series of sophisticated manufacturing and engineering processes restores the part to an 'as new' condition. The remanufactured product is as least as good as the original component and in many cases, is re-engineered to a superior standard. "The difference is that it takes fewer resources to produce a remanufactured product than a new one while also giving us keener insight into changes we can

introduce to later models making our products more efficient and cost effective," she says.

In 2006, for instance, FXA remanufactured nearly 260,000 parts at its Zetland facility in outer Sydney, saving about \$20 million versus the cost of new parts. Additionally, this plant, which has been in operation since 1993, has practically reached the ultimate goal of zero waste going to landfill.

FXA's commitment is mirrored by guidelines it expects all suppliers to comply with. For instance, all paper purchased by FXA must conform to their rigorous specs regarding use of elemental chlorine-free processes and be harvested from plantation forests rather than old growth trees.

Another company committed to green initiatives is the Insurance Australia Group Limited (IAG), which has several local insurance companies under its large insurance umbrella, including NRMA.

Shan Bowen, head of community and communications for NRMA, says the key for them is developing long-term partnerships with local retail businesses and communities in such key areas as crime prevention, improved road and home safety, emergency response and climate change.

Climate change may seem like a long stretch for NRMA, but not when it's explained that nearly half of the last 40 major claims, according to Bowen, have been weather related. "Many of our products are directly related to weather because of the variety of ways in which it can affect our customers, ranging from drought and fire through to severe storms," she says.

Whether weather, water pollution, soil degradation or any number of other environmentally-sensitive topics gets splashed across the news, one thing is certain - Big Business has joined the ecological sustainability party in a big way.

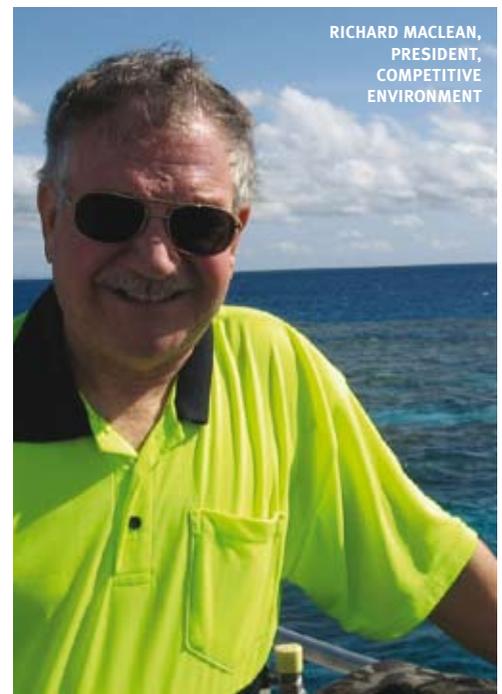
Indeed, while 'green is good' may not have been the first phrase to roll off the acidic tongue of the 1980's most infamous screen idol - Gordon Gekko - there's every reason to believe he'd be smack dab in the middle of the sustainability debate.

"Gekko would be telling his boys to go out there and find him one of those green companies that would make a killing." Andrew Laing concludes. 🍀

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By comparison, there was one firm listed each for Austria, Belgium and Norway; Denmark, Finland, Netherlands and Switzerland had three; Sweden had four firms; Canada and Spain had five; France had six firms; Japan 13; USA 14; and the UK topped the list with 24 firms.

Past Australian winners are Alumina Ltd (2005), and IAG and Westpac (2006).

Of overseas firms, Ricoh has proudly waved its gong, having been listed in each of the three awards so far, as well as claiming a Gold Medal from the World Economic Council in 2003 for being the

world's most sustainable corporation.

Ricoh Australia's business excellence manager, Robi George, says the company has "an ambitious corporate social responsibility program".

"Being a good corporate citizen means striving to be a valued and respected member of society by contributing to its sustainable growth. The Global 100 list is extremely significant as it acknowledges our ongoing efforts towards this end," he says.

On a smaller scale, it also touts winning the Australian Capital Territory No Waste Award for most eco-responsible business in Canberra "where

we went from removing a skip per week of rubbish down to less than a wheelie bin per month".

But climate change is bigger than wheelie bins. Matthew Kiernan, founder and president of Innovest, says it will lead to a "global investment restructuring on the magnitude of that brought about by the advent of the railways or the internet. The restructuring will create winners and losers, and it behoves investors to figure out which is which."

Some of those winners will even get noted in despatches.

Tim Mendham