Björn Stigson

President, World Business Council for Sustainable Development

EPER Launch

23 February 2004 – Copenhagen

'Environmental reporting and corporate responsibility'

Ladies and Gentlemen,

I am pleased and honored to be with you here today at the launch of the European Pollutant Emission Register (EPER). We believe from the WBCSD in the old business saying that: "what gets measured gets done". And we have since long been working with issues around transparency, accountability and reporting.

But measuring sustainable development is easier said than done. There are some real dilemmas to solve in achieving a clear picture that is useful for the users of the information.

I have been asked to talk today about "Environmental Reporting and Corporate Responsibility". But before I do so, let me now say a few words about the organization that I represent.

WBCSD

The World Business Council for Sustainable Development (WBCSD) is a coalition of 175 leading international companies that are united by a shared commitment to sustainable development. Of these 64 are headquartered in the EU and more specifically 5 are Danish companies.

The WBCSD also benefits from a global network representing 48 national and regional business councils in both developing and OECD countries. This gives us a strong platform in the developing world with about 1000 members in these councils.

Our mission is to provide business leadership as a catalyst for change toward sustainable development and to promote eco-efficiency, innovation and corporate social responsibility. (www.wbcsd.org)

Eco-Efficiency

In the run-up to the Earth Summit in Rio in 1992 we had in the WBCSD the conviction that reducing pollution was a way to achieve higher economic efficiency. And we were looking for a way to describe this. The solution became the Eco-Efficiency concept.

In short, Eco-Efficiency is about creating more value with less impact. This apparently simple idea has proved very effective in helping companies around the globe, to become more efficient.

Greater efficiency is achieved via process improvements, waste and product recycling, less material intensive product designs, remanufacturing, and other approaches.

Eco-Efficiency has also evolved into a widely accepted policy concept. As an example, the European Eco-Efficiency Initiative, which involved the EU, the WBCSD and EPE (European Partners for the Environment), was launched in 1998, to promote Eco-Efficiency as a prime business and policy concept throughout Europe. The Implementation Plan from the World Summit in Johannesburg builds on the Eco-Efficiency concept. And, the OECD has embraced Eco-Efficiency as a policy tool when looking to strategies to achieve a decoupling of economic growth and resource use.

Business and sustainable development

The business activities on sustainable development are driven by two different agendas.

The first one we can call 'The Business Case for Sustainable Development'. There are a number of actions by companies that will improve their efficiency and financial performance at the same time as it enhances a sustainable development. This includes Eco-Efficiency but also having no incidents for personnel injuries and maintaining good relations with local communities. Besides the operational efficiency, the business case for sustainable development is also built around other benefits for companies like risk reduction, recruiting and retaining talent, enhancing value creation, safeguarding the license to operate and innovate, and protecting the resource base of raw materials.

The second agenda driving business actions toward sustainable development is the public policy agenda. This has been growing and becoming more complex in later years. For me, the real challenge for the public policy agenda is how to make trade-offs between conflicting goals. To take just one example – we cannot alleviate poverty without economic growth. That economic growth will require more energy use in developing countries, which will have environmental impacts, potentially also on a global scale.

Corporations play a broad role in society – generating wealth, while caring for the environment and the societies in which they operate. Companies are an integral part of the communities in which they operate, and have a strong stake in their success. Simply put, business cannot succeed in a society that fails.

But defining what business is responsible for and to whom is not an easy task. A balance has to be struck between the "minimalism of doing no more than the law requires and the maximalism of picking up responsibilities for which companies

have neither the mandate nor the capacity," as Richard Holme, the co-chair of our working group on Corporate Social Responsibility, once put it.

The WBCSD and reporting

Let me now turn to reporting. Since its start, the WBCSD has undertaken work on various aspects of reporting. In 1992 in our book *Changing Course,* we defined the concept of sustainable development reporting. Later, we produced reports on *Environmental Performance and Shareholder Value*, *Eco-efficiency Metrics and Indicators.*

Our work on corporate social responsibility also led us to recommend ways for companies to report on social issues.

Together with the World Resources Institute (WRI), we developed the *GHG Protocol* in 2001. This is meant to provide a standard for measuring and reporting greenhouse gas emissions in companies. We are now working on a revised edition of the *Protocol* planned for release this March. To supplement the corporate edition of the *GHG Protocol*, the WBCSD and the WRI are currently also developing a tool for business to quantify emission reductions in standalone projects. This work ties into the flexible mechanisms in the Kyoto Protocol, and in particular the Clean Development Mechanism (CDM).

We are also supporting the build-up of voluntary GHG registries. In particular, those that have agreements with governments for recognition of early actions by business.

In 2000, we launched a project on Sustainable Development Reporting. The resulting report, *Striking the balance,* presents a step-by-step approach to developing a sustainable development report. It also surveys the emerging international field of reporting requirements. Importantly, the report stresses that we must strike a balance between what stakeholders find interesting to know,

what they have the right to know, what can be put to meaningful use in companies, and the cost of producing the information.

Data gathering in companies with many different locations is a big undertaking that requires well-functioning management and information systems. Changing requirements from one set of data to another is an expensive and lengthy process. One of our members has defined this as a three-year cycle, from the moment you decide to report on a particular data until solid information is available.

We now have a new project on 'Accountability and Reporting'. As part of this, we connect with the GRI (Global Reporting Initiative). I am myself a member of the GRI Board.

As the WBCSD, we also strive to encourage reporting practices within our membership. Our conditions of membership include a requirement for reporting.

Reporting on environmental and sustainable development is still faced with many challenges to be resolved. Let me just point at a few:

- How do we set corporate boundaries? How far in the supply chain can a company report go? What about direct versus indirect emissions?
- The need for more convergence between reporting requirements. The present proliferation of requirements makes reports difficult to understand and compare, and costly to produce.
- How to connect external reporting with internal management and reward systems?

Rising emissions is a global trend

Two years ago, in cooperation with the World Resources Institute (WRI) and the United Nations Environment Programme (UNEP), we released *Tomorrow's Markets,* which outlines the global trends that will shape future markets.

Emissions were one of the 19 trends we identified. Emissions and pollution are rising despite successes in pollution avoidance and reduction measures.

Emissions registries like the EPER are part of the sustainable development infrastructure. We need good data that can stimulate creative thinking on how we can further decouple economic growth, resource use and pollution to achieve a more sustainable development.

What data we register is of major importance. So it is also the structure of the registries because we deal with emerging and dynamic issues.

Conclusion

The issues of Environmental Reporting and Corporate Responsibility are central elements in our work in the WBCSD. The demands on corporations are growing but so is the understanding that addressing these issues is a normal part of doing business. Corporations cannot tackle these issues in isolation. It requires interaction with the rest of the society. This is why we engage in multi-stakeholder initiatives like the GRI.

Corporations are not the only ones that need to be transparent and accountable. This is also true for NGOs and governmental agencies. An illustration of this is that, in its business plan, the GRI has targets for reporting also by these actors.

But we should remember that what matters most are not the targets and plans but what we do and the difference we make.

To use a quote by Henry Ford: *"You cannot build your reputation on what you are going to do".*

It is your actions that count the most.
END