

## A focus on sustainable development in a resource-constrained world



*As President & CEO of World Business Council for Sustainable Development (WBCSD), a CEO-led coalition of about 200 international companies representing a combined revenue of over US\$ 7 trillion, **Peter Bakker** is trying to develop a business ecosystem that gives due space to sustainable development, ecological balance and social progress. The Aditya Birla Group is one of the five direct members of WBCSD from India. In an interview with **Kiran Yadav** he shares why it is crucial for companies to gear up for a more resource-constrained world and how they can do it.*

**Q. Businesses have a crucial role to play in achieving sustainable development. What are the key values that a business must integrate in its philosophy to be able to operate in a responsible manner?**

**A.** Every business should have a value system... businesses with clear values are able to stand for certain things and against others – the best businesses have a purpose beyond merely generating returns for its shareholders. Such businesses challenge strategies, check decisions, and look forward for ways in which they can continue to meet their purpose – they don't settle for the way things are. These are the businesses that operate responsibly, that will develop sustainably.

**Q. Is the idea of a 'circular economy', one that is restorative by intention, utopian? How long before we can hope to see the idea find ground?**

**A.** If by utopian you mean 'perfectly natural' then yes! We want to devise a system whereby we get the most out of every resource. This doesn't mean that there will be no waste at all, but that there will be as little waste as possible and only where necessary. We are exploring new ways of doing things to achieve this. Over the next 20 years we are going to find ourselves living in a world that is increasingly carbon as well as resource constrained; where the population grows to somewhere between 9 and 10 billion people, with the vast majority living in cities. We will not be able to deliver fair and equitable well being to the people and simultaneously safeguard the natural resources, habitats and systems that we rely on, unless we change the way that we do things. Forward-looking companies understand that circular economy business models are amongst the many new ways of doing business that they will have to adopt in order to secure their long-term futures.

**Q. How closely are profit and sustainability linked? Are there any case studies of sustainable business practices that you would like to share in this context?**

A. Profit and sustainability are inextricable. There is no such thing as unlimited growth. In order to deliver sustainable returns (profits) over the long term, companies must carefully manage their risks and opportunities. Sustainability is not a matter of ethics for companies - it is the responsible management of exposure to risks while maximizing available opportunities. If you doubt that sustainability is about risk management then consider climate change. Any company with complicated global supply chains will be exposed to increasingly huge climate-related risks. In year 2012 Unilever estimated that climate-related factors were already costing it €200 million per year. Similarly, companies, whose assets may face risk in the event of global legislation to control carbon emissions, must account for this in their strategic planning.

However, you don't have to perform complicated supply chain analysis to improve your sustainability and your profitability today. There is an abundance of low-hanging fruit, available to nearly all businesses, where action will add to the bottom line immediately. It is prudent for a business to be smart about energy and waste. IKEA, for instance, in warehouse energy efficiency programs alone, has reported savings of \$54 million since 2010.

**Q. What is the biggest threat that industries, as a collective entity, face today? How real is it?**

A. Risks - social, environmental and commercial - vary widely throughout the world. Yet common themes exist. Trust, inequality, and unpredictable regulatory environments are issues that we see time and again, but there are many sustainability-related risks that are significant for businesses. Recently in India, for instance, resource scarcity or the questioning of a 'license to operate' have both resulted in companies having to suspend their operations. As resources such as water come under increasing pressure, we can expect more factories to shut down operations during times of scarcity. Industry does not have a de facto right to the resources it relies on - it will have to share these in future, for instance, with agriculture. Similar disputes could occur around sanitation requirements, just as they could arise between business and communities over land use. The businesses that will succeed in future are those that adapt to accommodate these new risks and make themselves more resilient to inevitable changes, or change the way that they do things to avoid the risks altogether. Companies around the world are gearing up for a more resource-constrained world.

Q. WBCSD offers several tools and methodologies to help its member companies navigate their sustainability journey. Could you tell us more?

A. Our tools help companies to manage themselves towards ways of doing business where social and environmental impacts and opportunities are taken into account. For example, 14 Indian companies have created the India Water Tool, the first country customization of WBCSD's global water tool. It helps an industry identify the locations in their operations where water stress is greatest. They can then target their efforts to bring in water efficiencies and work with communities on mitigation and adaptation strategies such as harvesting and recharge. It can even help influence decisions. The tool uses Indian government ground water data and the next stage will include rain, surface and additional water quality data. Another example is the low-carbon technology roadmap created by the cement sector in India. It charts a low-carbon growth pathway for the Indian cement industry that could lead to carbon intensity reductions of 45% by 2050. These are just two examples. There's a lot more WBCSD is doing, for instance, around eco-system valuation for corporate decision-making and socio-economic impact measurement.

Q. Sustainability is clearly an emerging mega trend – a business imperative. Do you see a new trend shaping up in this domain?

A. Responsible business is becoming the norm by which all businesses are judged. A company is no longer special because it cares about the impact it has on the world around it, both positive and negative. The trend is for companies to be far more skilled at working out where they have negative impacts and how they can deliver benefits to the communities they work with. Lawmakers and NGOs are also getting better at this. They ensure pressure is kept up on those companies that are damaging the environment, or harming communities, and still making profit. As lawmakers, NGOs, and companies get better at valuing both positive and negative corporate impacts, we will see these taken into account by investors and capital markets when they value companies and corporate performance. This will be one of the most important developments in the transition to more sustainable methods of doing business.

Q. What is the biggest challenge that WBCSD as an organization is facing in convincing companies to become good corporate citizens?

A. WBCSD's main focus is to ensure that our programs, and the actions of our members, have the impact that our societies need. WBCSD represents nearly 200 of the most forward-looking companies in the world. However, there are hundreds of thousands of companies across the world and not all of them share the same ideals of responsible business practices as WBCSD member companies. We are living in a time when we realize the seriousness of the environmental and social challenges that we are facing – just as we realize that all the efforts that have been made by organizations such as WBCSD and companies such as WBCSD members, to date, haven't made any significant impact against these challenges.

WBCSD is concentrating on two key areas of work at the moment. Firstly, we are working with our member companies to make sure that we develop business solutions to address the most pressing sustainable development challenges. Through action we will achieve measurable impact at scale. There are nine science-based priority areas within our Action2020 program, and we are helping our members to work together to develop business solutions that push us towards the achievement of key societal 'Must-Haves' in the next few years. Secondly, we are working with our member companies, as well as external organizations and policy makers, to create the conditions whereby more sustainable companies are both recognized and rewarded. We are doing this mainly by working with companies to help them better measure, value and report on their environmental and social impacts and opportunities. In this way, capital markets will be able to calculate more accurately their reliability and resilience to generate sustained returns in an increasingly volatile and crowded world.