

White Paper on Business Sustainability: What it is and why it matters



Welcome

Introductory remark

In the 21st century, business sustainability needs to be understood in terms of the environment, economic development, human rights, women's empowerment, and rule of law. Smart businesses are incorporating these broader principles of sustainability into their business decisions, and developing practical standards and metrics to help apply these principles in practice. These measures work to maximize opportunity and minimize the negative impact their core businesses have on the environment, the community and the economy in places where they operate.

The idea that sustainability has multiple dimensions emerged from the Brundtland Commission's report, *Our Common Future*, which laid the foundation for the current understanding of sustainability as a three-legged stool involving people, the planet and profits. It cites efforts by businesses that are working with their supply chains to balance these three aspects. They do so by adopting transparent sourcing and distribution strategies that are informed by consultation with local communities, are environmentally sound, and at the same time enhance business growth. These sustainable business strategies will help advance a post-2015 development agenda.

Since its inception, the World Economic Forum has recognized the importance of encouraging sustainable business models and practices, and has several Global Agenda Councils addressing various aspects of sustainability. Given the importance of this issue and the various ways in which sustainability is defined and discussed, this White Paper presents an integrated picture of business sustainability and offers a foundation to guide future work in this area.

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Michael Posner

Professor, NYU Stern School of Business, Chair Global Agenda Council on Human Rights

Foreword

The Network of Global Agenda Councils is a unique, global community of over 1,500 premier thought leaders who are the foremost experts in their fields of academia, business, government, international organizations and society. Grouped in over 80 Councils, Global Agenda Council members commit their extensive knowledge, expertise and passion to jointly shape the global, regional and industry agenda. The Global Agenda Councils are committed to addressing the most pressing issues and opportunities of our time and aim to provide new thinking and solutions.

This joint statement on business sustainability is the product of a collective effort by seven Global Agenda Councils. It draws on their expertise to set forth an integrated view of business sustainability. The statement aims to help shape the Forum's ongoing consideration of the development of sustainable business models and practices. It can also serve as a resource for businesses, governments, civil society and other actors seeking to incorporate understandings of sustainability into their business decisions and models.

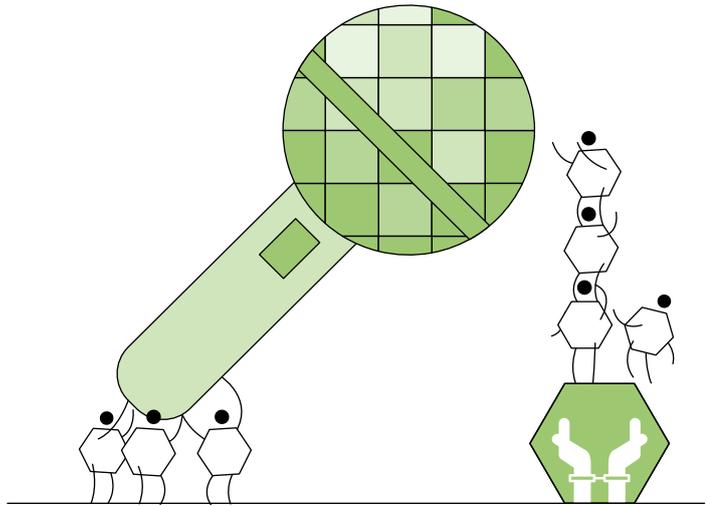
This integrated understanding of business sustainability should provide a catalyst for debate and a welcome starting point in the development of future business policy and practice.



Martina Larkin

Senior Director, Head of Global Agenda Councils, World Economic Forum

Joint statement



Global Agenda Council on Human Rights

Michael Posner

Professor, NYU Stern School of Business
on behalf of the Global Agenda Council
on Human Rights

Respecting human rights and fostering sustainability are mutually reinforcing goals. While protecting the rights of citizens is the primary duty of states, business also has an important role to play. In 2011, the UN Human Rights Council unanimously endorsed the Guiding Principles on Business and Human Rights, which state that business has a responsibility to respect human rights. In practice, companies now are beginning to address human rights issues as they relate to their core businesses, setting clear standards and building internal systems

to fulfil these commitments and providing accessible remedies when these standards are not met. Companies that incorporate these elements into their business models are in a stronger position to meet the challenges they face while doing business in an increasingly interconnected and transparent world. Such actions help them to reduce risks and put these companies in a better position to capitalize on opportunities and create benefits to their shareholders, consumers, employees and the communities with which they interact.

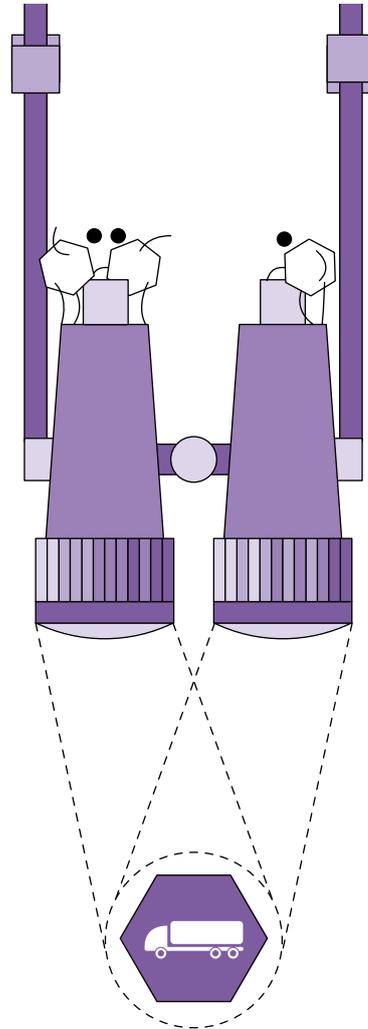
Global Agenda Council on Logistics & Supply Chain Systems

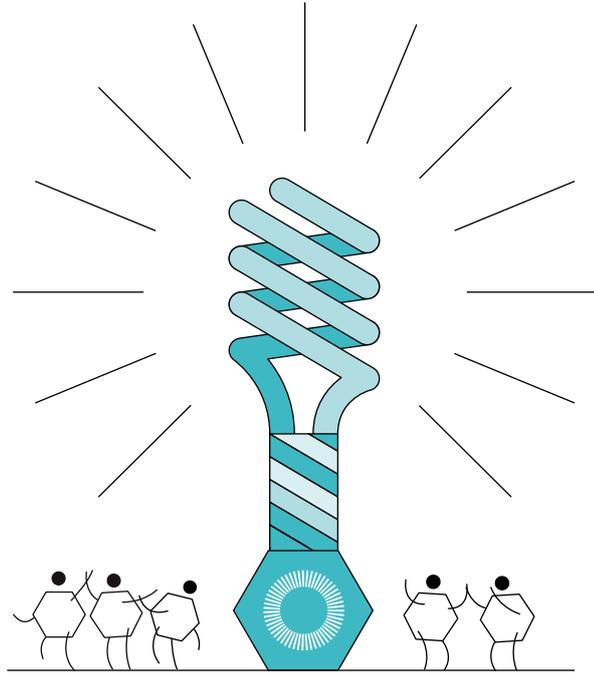
John Manners-Bell

Chief Executive Officer, Transport Intelligence
on behalf of the Global Agenda Council on
Logistics & Supply Chain Systems

Globalization has been fundamental to lifting many millions of people out of poverty, and the unbundling and outsourcing of production by Western manufacturers has led to the industrialization of developing countries and consequent improvement in standards of living. This process has meant that, today, global retailers and manufacturers have a responsibility not only to their shareholders but also for the working conditions and the environmental practices

that occur throughout the entire supply chain. They have a duty to ensure that they are fully aware of their suppliers' environmental practices and working conditions, and take steps to comply with a globally acceptable standard. Their logistics suppliers also have a responsibility to provide services that have a minimal impact on societies and the environment. This is not only a moral responsibility but it is also in the long-term commercial interests of retailers, manufacturers and logistics suppliers.





Global Agenda Council on Climate Change

Changhua Wu

Director, Greater China, The Climate Group
on behalf of the Global Agenda Council
on Climate Change

Climate change has been recognized as one of the most daunting challenges for human development in the 21st century. Global sustainable development goals and objectives cannot possibly be achieved without success in tackling climate change issues. While governments have a key role to play in setting effective policy incentives to regulate the market and drive innovation, corporations today are at the forefront of actions and solutions. Business leadership that promotes investment in R&D, innovation and talent is key to commercial success. It is also critical for businesses to manage and minimize risk to maximize their positive impact on climate change.

Many companies have embarked on a journey towards net positive impacts, and zero emissions, zero waste, and zero discharge are becoming the norm. By taking this step, companies discover and capture opportunities to reduce costs, minimize risks and increase resilience. This success may encourage politicians to promote policies that grow the economy in a green, low-carbon and sustainable manner. What is required to address climate change is an integrated approach consisting of close public-private partnership, and clear and certain policy direction to drive technology innovation and capital flows and scale up the markets for clean technologies, products and services worldwide.

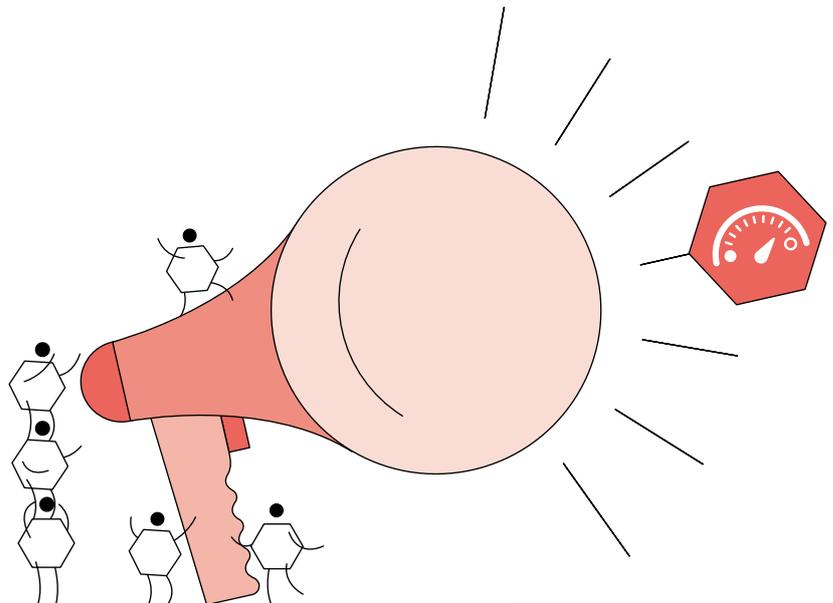
Global Agenda Council on Sustainable Consumption

Dara O'Rourke,

Associate Professor, Department of Environmental Science, Policy and Management, University of California, Berkeley and Helio Mattar, President and Board Member, Akatu Institute for Conscious Consumption on behalf of the Global Agenda Council on Sustainable Consumption

To consume sustainably does not mean to consume less but to consume differently. From an environmental point of view, humanity already consumes 50% more in renewable natural resources than the Earth is able to regenerate. This is true at a time when only 1.1 billion, out of 7 billion people are responsible for 78% of total consumption. The emerging middle class will add another 3 billion people to the mass consumption market in the years ahead. More than four planets would be needed to supply all the goods and services that this expanded market will require assuming that the present models of consumption and production persist. To address this imbalance, a sustainable model of consumption is needed. Such

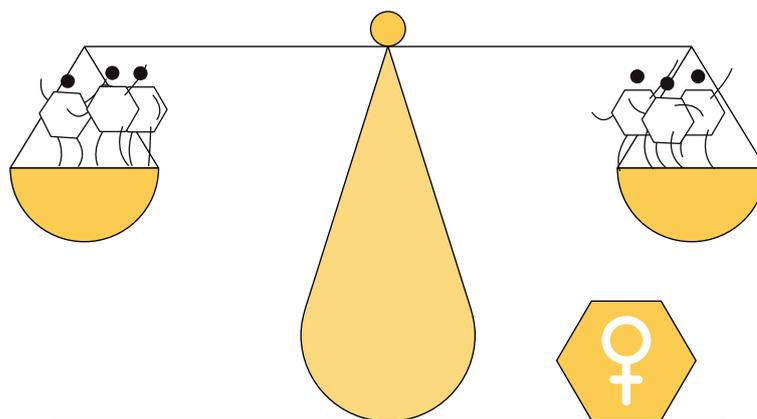
a model will require a complete redesign in the way products and services supply well-being to humanity. Consumers are increasingly aware of the need for a more sustainable model of consumption. This presents a great opportunity for companies to drive growth by redesigning the ways their products and services supply well-being to consumers. For consumers to recognize and value the new ways in which well-being is supplied, companies will need to play a role in educating consumers to change their behaviour when buying, using and discarding products or services. By capitalizing on these opportunities, companies will create sustainable benefits to society and the environment, as well as to themselves, the economy and individual consumers.



Global Agenda Council on Women's Empowerment

Laura D'Andrea Tyson

Professor, Business Administration and Economics, Haas School of Business, University of California, Berkeley on behalf of the Global Agenda Council on Women's Empowerment



Women's empowerment is a substantial and proven driver of GDP growth and plays an important role in enhancing the well-being of families and communities in economies throughout the world from all development levels. Women's participation and advancement in the workforce varies dramatically by country and culture. The evidence confirms a strong correlation between the economic participation and economic opportunities of women in the workforce and economic growth and competitiveness. Sustainable businesses recognize and reflect

these correlations. Governments and businesses should ensure that women have equal access to jobs, wages and opportunities for advancement. Women are often heavily involved in determining sources of energy and water and in land management, and play a substantial role in agriculture and food production in many communities and countries. When women are fully engaged, provided with resources and given power in decision-making, they are important actors in promoting best practices and developing sustainable growth and clean environments.

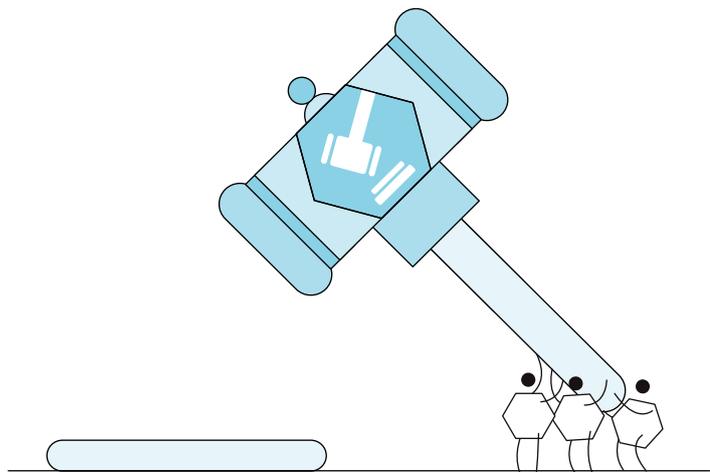
Global Agenda Council on the Rule of Law

Sam Muller

Director, Hague Institute for the Internationalisation of Law on behalf of the Global Agenda Council on Rule of Law

The contribution of rule of law to the sustainability of a business is widely recognized. Secure property rights, transparent regulation, predictable tax systems, independent judiciaries, fair competition regimes – these vital concepts for commerce depend on rule of law. In this context, we commonly think of law in its formal sense: statutes and regulations, and how they are administered by national and local governments. But in the real world, challenges for business often arise when formal rule of law is lacking due to a lack of government capacity or political will. In addressing these challenges, a company may find itself engaged with other constituencies – local communities, civil society organizations, NGOs, government agencies, other businesses – in ad hoc initiatives that require governance notwithstanding the absence of effective rule of law. Yet, even in these circumstances, rule of law principles are relevant; initiatives that incorporate these

principles can benefit from greater legitimacy and sustainability over time. The principles require that those who are involved in any form of governance – government, business, civil society organizations, and any combination thereof – are accountable under clear rules; that the rules are transparent, publicized, stable and fair, and protect fundamental rights; that the rules are adopted, administered and enforced in a way that is accessible, fair and efficient; and that access to justice under the rules is available through competent representatives and adjudicators who have adequate resources and reflect the make-up of the communities they serve. Where an initiative requires governance in the absence of adequate government, finding practical ways to apply rule of law principles to all forms of governance, even informal, can provide business and the wider community in which it operates with a durable foundation over the long term.



Global Agenda Council on Anti-Corruption & Transparency

Leonard F. McCarthy

Vice-President, Integrity, World Bank and Steve Almond, Global Chairman, Deloitte Touche Tohmatsu Limited on behalf of the Global Agenda Council on Anti-Corruption & Transparency



Corruption is a pernicious disease affecting civil society and the global economy. It is bad for business and very bad for sustainable development and the advancement of the human condition. Corruption in business transactions distorts competition, deters investment and increases the cost of goods and services – often to those who can least afford it. The impact of corruption on doing business globally is huge: estimates show that the cost of corruption equals more than 5% of global GDP. Business has a fundamental role to play in sustainable development. But corruption threatens the sustainability of business itself. A strong corporate culture is a

prerequisite to the establishment and sustainability of trust in the business. And trust is a fundamental business asset; it is the source of reputational capital. Reputational capital provides brand strength that is as essential as financial capital to long-term business health and prosperity. Businesses are increasingly helping themselves in the fight against corruption through collective action and are committing to themselves and to each other to design and implement policies and systems to prevent and address corruption. In the long haul, progress in tackling corruption will deliver substantial benefits to the cause of sustainability.

Closing remark

The contributions of the various Global Agenda Councils offer an image of business sustainability that can begin to inform business decisions and the creation of new business models. Progress on this front will require the efforts and inputs of a diverse set of actors. This White Paper serves as a platform for businesses, governments, civil society and the World Economic Forum to work from to adopt broader policies and practices related to business sustainability.

There is support for action from a variety of spheres. It is increasingly understood that sustainable business models enhance long-term profits and the social legitimacy of corporations. Businesses and their stakeholders, including investors, are starting to recognize that financial success and firm survival are dependent on their contribution to the development of a clean environment and to the human rights of societies where they operate.

United Nations Secretary-General Ban Ki-moon has repeatedly recognized that achieving these objectives will require businesses and investors to go beyond short-term shareholder value to a longer-term consideration that takes into account the perspectives of a broader array of stakeholders. While most companies are at an early stage of developing practical business models along these lines, there is little doubt that the concept of sustainability is gaining currency. Now is the time to move discussion forward and to embrace policy and practice consistent with an integrated understanding of business sustainability.



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