

NEWS CLIP



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Special Reports: Ethical leaders of 2008

Our pick of the individuals who have done most to advance the cause of responsible business over the year

Barack Obama, US president-elect

For making the perfect start to addressing the world's biggest challenges in 2009

Barack Obama electrified the world with his historic – and in the end, comfortable – victory in the US presidential election.

As the first African American to be elected president, Obama embodies the change he says he wants to see in the world. He also gave us a glimpse of what a confident and controlled leader he could be when he moves into the White House.

Obama's focus and calm sense of purpose won him admirers throughout his campaign. His style has inspired business and other leaders across the world. But now he will be judged on the substance of what he does in office.

The president-elect has already proved himself as a man who inspires confidence – something that will be crucial during his first term, which begins on January 20. Then he will have to make the tough decisions that will inevitably disappoint some voters, including his supporters.

A decisive election victory, and Democrat majority in Congress, give Obama the perfect platform to take the bold action needed to address the global financial and energy crises. The signs are that Obama understands what must be done to tackle these challenges, and that he will support business just as much as he will seek to prompt them into action.

Obama's plan, for example, to fight both climate change and the credit crunch by creating thousands of new "green jobs", by building a new energy infrastructure for the US, shows that he is thinking big. Faced with the bleak economic prospects of 2009, this is exactly what the world needs.

Bill Gates, founder of Microsoft and philanthropist

For outlining the opportunity side of responsible business with his vision for creative capitalism

When Bill Gates speaks, the business world listens. So when the Microsoft founder outlined his vision for creative capitalism at the Davos World Economic Forum, in January 2008, the chief executives present will have taken note.

In the speech, Gates made a passionate challenge to companies to find ways of using market forces to help the world's poor. Creative capitalism, according to Gates, harnesses the "two great forces of human nature – self-interest and caring for others". He called for a world where companies, government and civil society work together to extend the reach and benefits of markets to all.

The concept is not without its problems, of course. The main one is Gates himself, who in 30 years in charge of Microsoft gained a reputation as one of the most ruthless capitalists on the planet. He has shown his caring side more recently, since he began to focus on his charitable work through the Bill and Melinda Gates Foundation.

Also, the creative capitalism idea itself is vague. Bottom of the pyramid business models and microfinance are often cited as two ways to stimulate demand from the poor. But beyond these two examples, what else really is there? Gates clearly had in mind something grander, although he could not say what.

Despite this, Gates deserves to be recognised this year for at least sparking another search for the land of corporate social opportunity, where companies can genuinely do good by doing well.

Richard Lambert, director-general, Confederation of British Industry

For proactive business leadership in setting the UK climate change agenda

Former Financial Times editor Richard Lambert has transformed the way that UK business engages in the climate change debate.

As director-general of the CBI, Lambert has lobbied for the dual goals of cutting greenhouse gas emissions and enhancing UK economic competitiveness. He has succeeded in keeping both high on the business and political agenda.

In two years at the CBI, Lambert has capitalised on the concern about climate change generated among business leaders by the Stern report of October 2006. He convened a CBI climate change task force, made up of the biggest names in UK business, which reported in November 2007. It showed that UK companies were serious about engaging with climate policy.

In 2008, the CBI has continued to show that it means business on global warming with a series of practical recommendations for policymakers. These include ideas for making carbon markets work better and demanding bigger R&D spending on alternative energy.

The CBI, which this year established a climate change group, is also actively putting forward the business case for ideas such as green taxes, carbon reporting, and low-carbon innovation.

Donald MacDonald, chairman, UN Principles for Responsible Investment

For leading the UNPRI through the most significant year of its history

The UN Principles for Responsible Investment continue to go from strength to strength under the leadership of Donald MacDonald – and never more so than in 2008.

MacDonald, who is also a trustee of the £38bn BT pension scheme, has chaired the board of the initiative since it began in 2005. This year he has been instrumental in galvanising supporters of the principles, which already has more than 400 signatories with combined assets of \$15 trillion, to become more vocal advocates of corporate responsibility.

In 2008, PRI signatories have started to use the principles as a banner under which to rally support for campaigns against companies perceived to be lagging on sustainability.

In November, PRI institutional investors with combined assets of \$4.4 trillion called on 9,000 companies to sign up to UN Global Compact, a set of corporate responsibility principles. This followed a campaign in January by a smaller group of PRI asset managers to demand that companies already signed up to the compact met their commitments to report on their progress under the guidelines.

This more vocal and campaigning direction would seem to suit the PRI, and should raise the profile of the principles. MacDonald must take much of the credit for this. Using the skills he perfected as a former president of the UK Communication Workers Union, former BT engineer MacDonald rallies his fellow asset owners on the PRI board to back campaigns that start to bring more investor pressure to bear on companies to be responsible.

Jessica Sansom, sustainability manager, innocent drinks

For turning the innocent founders' commitment to sustainability into tangible results in the supply chain

As sustainability manager at innocent drinks, Jessica Sansom has had to put in practice one of the most ambitious environmental strategies of any food and drink company.

This year the smoothie-maker proved that it was possible to sell a food product in a 100% recycled bottle. It may sound odd, but this was something the food and drink industry had not thought possible, Sansom says, because of concerns about food safety. "We proved that it's safe," she observes. Packagers from as far away as Brazil wanted to know how the company had done it.

Switching to the 100% recycled polyethylene terephthalate (PET) bottle halved the carbon footprint of that part of innocent's supply chain, at no extra cost, Sansom says. And that was starting from a 50% recycled PET bottle, which the company had been using until this year.

So how did Sansom and innocent do it? By working hard to convince suppliers that it was worth it. She explains: "You need a very strong business case to put to your suppliers. We try to throw as many pins as we can and see which ones stick."

Howard Pearce, head of environmental finance and pension fund management, UK Environment Agency

For proving that asset owners can call their fund managers to account on ethics – provided they are committed enough

Howard Pearce has won a reputation among responsible investors as a no-nonsense asset owner. As head of the £1.5bn Environment Agency pension fund, this year Pearce dropped two fund managers for failing to take account of matters green when investing money on behalf of his members.

Pearce ditched financial services giants State Street and Capital International as his global equity fund managers because of poor annual performance, and because they had not signed up to the UN Principles for Responsible Investment. Asset manager signatories to the principles agree to factor environmental, social and governance factors into investment decisions.

Pearce replaced the failed fund managers in September with PRI signatories Impax Asset Management, RCM and Generation Investment Management. He argued that appointing fund managers that consider risks such as climate change would produce better returns, in a way that was entirely consistent with his fiduciary duty.

For responsible investment to gain traction, more asset owners must adopt the hard-line stance of Pearce. As more investment managers struggle during the credit crunch to hit their return targets, pension funds and other asset owners may be more willing to drop those funds that have not committed to the PRI. Pearce may have started something.

Chris Wille, chief of sustainable agriculture, **Rainforest Alliance**

For helping to take ethical food and drink into the mainstream market

Fourteen years ago, Chiquita sourced its first bananas from farms certified as sustainable under the **Rainforest Alliance** certification scheme. **Chris Wille** was the man who persuaded the banana company to do it.

Under **Wille's** leadership, the **Rainforest Alliance** sustainable agriculture programme continues to expand. It has now certified 33,000 farms in 20 countries. That's a big jump from the end of 2007, when just 23,000 farms had been certified. Farmers in the programme use practices that protect the environment and the welfare of workers.

Another major achievement of 2008 for **Wille** was Unilever's push to certify its tea plantations in Kenya under the **Rainforest Alliance** scheme. As the global tea market leader – with its PG Tips and Lipton brands – getting Unilever on board represents another key step in taking ethical products into the mainstream market. It is another victory for **Wille**, who also converted McDonald's to selling **Rainforest Alliance-certified** coffee in 2007.

Wille explains: “The single most satisfying highlight of 2008, for me, was not an event or an accomplishment but a trend – an unstoppable shift toward sustainability. More and more food companies and farmers are coming aboard. Consumers and opinion makers are beginning to get it.”

For **Wille**, who has worked for over 20 years in conservation in central America, the shift means his vision of sustainable agriculture is starting to become a reality. Engaging small farmers remains a challenge, he admits. But he is encouraged by the experience of farmers who have made investments in sustainability, which he says pay off in lower costs for producers.

The next challenge for sustainable agriculture, he says, is to work out how to reward farmers for the environmental services they provide, such as sequestering carbon and conserving watersheds. **Wille** will no doubt make sure that big brands understand what eco-opportunities exist for them in their supply chains.

Patrick Alley, director, Global Witness

For well-chosen campaigns on corporate complicity in human rights abuses in the Democratic Republic of Congo

In 2008, Global Witness, headed by Patrick Alley, made the UK government acknowledge that UK business was in part responsible for human rights abuses in the war-torn Democratic Republic of Congo.

In August, the government upheld a complaint from the campaigner that Afrimex, a UK-based minerals trader, had contributed to the conflict in the DRC, and had failed to take adequate steps to prevent the use of forced and child labour in its supply chain there.

Global Witness brought the complaint to the UK National Contact Point (NCP), the government body (or until recently, an individual bureaucrat) that considers complaints against companies under the OECD guidelines for multinational enterprises. The NCP does not have power to punish companies.

Alley has been ably supported by his lead campaigner on the DRC, Carina Tertsakian. Both deserve credit for bringing the role of foreign firms in the DRC to light.

Global Witness's complaints over business involvement in the DRC were not all upheld. But its use of the UK NCP seems to have paid off. The group is now calling for reform to the NCPs, through the CORE coalition of campaigners on corporate responsibility. Such reform is long overdue, and should contribute to governments taking a greater interest in how committed domestic companies are to human rights abroad.

John Ruggie, UN special representative for business and human rights

For getting the business and human rights agenda back on track

This year John Ruggie completed the first part of his gargantuan task of defining the way business should think about human rights.

The UN Human Rights Council in June unanimously endorsed his “protect, respect and remedy” framework for understanding the duties of states and companies on human rights. It gave Ruggie another three-year mandate to develop concrete guidance for states and business on the issue.

The significance of this development cannot be overstated. Four years ago, the idea that there would be a generally agreed framework on business and human rights seemed ludicrous. In 2004, the UN rejected the NGO-driven “Norms”, which wanted to make companies as responsible as states for protecting human rights. “Things were left in limbo,” says Ruggie. “Now they’re back on track.”

Business supports Ruggie's work and campaigners are slowly coming on board. Amnesty International said in July it supports the framework, which outlines the state duty to protect and the corporate responsibility to respect human rights, and the need for victims of human rights abuses to have access to remedies.

Ruggie has gathered a star-studded advisory board, led by former UN secretary-general Kofi Annan, to raise the profile of his work. He hopes to start working with companies, probably in the extractive sector, to pilot ways of making it easier for victims to seek redress. And he is working with law firms to understand how corporate law might be used to promote human rights.

Even so, Ruggie admits the second phase of his mandate could be even tougher than the first. He says: “In the end it will require some special effort to make it clear what it's all about.”

James Hansen, climatologist and head of Nasa's Goddard Institute for Space Studies

For outspoken and informed criticism of government and business inaction on climate change

Nasa scientist James Hansen this year continued to irk business and government leaders by demanding they do more to tackle global warming.

Hansen has over the past 30 years developed a fearsome reputation as a climate scientist, and has in the last decade been more widely recognised as one of the most influential figures in the US climate change debate.

This year, his views on business and government responsibility for exacerbating climate change have been even more eye-catching. He has claimed, on at least three occasions in 2008, that fossil fuel company executives should be put on trial for “high crimes against humanity and nature”.

But perhaps his most controversial move was to testify on behalf of six Greenpeace activists who were on trial in the UK for causing criminal damage to the coal-fired power station at Kingsnorth. In a testimony that helped the protestors get acquitted, Hansen said: “Somebody needs to step forward and say there has to be a moratorium, draw a line in the sand and say no more coal-fired power stations.”

Some might argue it is improper for a scientist to throw his weight around in this way. Business and government may not like what he says, but Hansen’s is a voice that both should ignore at their peril. It should spur further efforts of companies and others to defuse what he has called the global warming time bomb.

How the leaders were chosen

The 10 ethical leaders highlighted here were nominated by Ethical Corporation magazine’s editorial advisory board.

Mallen Baker, founder, Business Respect

Mike Barry, head of CSR, Marks & Spencer

Dr Leeora Black, director, Australian Centre for Corporate Social Responsibility

Jon Entine, writer, fellow of the American Enterprise Institute, founder of the sustainability practice at the Creating We Institute

Bennett Freeman, vice-president, research, Calvert, Washington DC

Lesley Gaines-Ross, head of reputation, Weber Shandwick

Kaevan Gazdar, head of reporting, HypoVereinsBank

Mark Goyder, founder director, Tomorrow’s Company

Professor David Grayson, director, the Doughty Centre for Responsible Business, Cranfield

Reg Green, senior sustainability consultant, Schuttelaar & Partners

Paul Hohnen, independent sustainability advisor, Amsterdam

Peter Kinder, president, KLD Analytics, Boston

Dr Sue Konzelmann, reader in management, director, postgraduate programmes in corporate governance and business ethics, Birkbeck, University of London

Peter Lacy, director of sustainability, Accenture

Brendan May, director, Rainforest Alliance

Malini Mehra, director, The Centre for Social Markets

Chandran Nair, president, the Global Institute for Tomorrow,

Kate Nicholas, head of communications, World Vision UK

Will Oulton, head, responsible investment, FTSE Group, London

Nataliya Popovych, president, PRP Group (Russia)

Kathee Rebernak, CEO, Framework:CR

Nick Robins, head, Climate Change Centre of Excellence, HSBC

Penny Shepard, chief executive, UK Social Investment Forum

Dave Stangis, vice-president, corporate social responsibility, Campbell Soup Company

Rory Sullivan, head of investor engagement, Insight Investment

Soledad Teixido, director, Pro Humana, Santiago

Ricardo Young, president, Instituto Ethos