



Getting It

EXPERT PERSPECTIVES ON THE CORPORATE RESPONSE TO CLIMATE CHANGE

Contents

| | |
|--|-----------|
| Contents | 2 |
| Foreword | 4 |
| Paul Dickinson, CEO and founder of the Carbon Disclosure Project | 6 |
| Martin Hiller, Head of Communications and Campaigns, WWF Global Climate Change Initiative | 8 |
| Tim Jackson, Professor of Sustainable Development, University of Surrey | 10 |
| Professor Mervyn King, SC, Chair of GRI Board | 12 |
| Dr Rory Sullivan, Head of Responsible Investment, Insight Investment | 14 |
| Lord Turner, Chair of the UK Committee on Climate Change | 16 |
| Biographies | 19 |



In advance of the UN Climate Change Conference 2009 (COP15), ACCA and GRI interviewed six expert commentators to gain their perspectives on the business response to the challenge of climate change. The results of those interviews are presented as a series of short essays in this publication.

Foreword

To 'get it' no longer just means to fetch something or to answer a phone or a knock at the door. To 'get it' now also means to understand the dimensions of a challenge or problem.

ACCA and GRI are grateful to all the interviewees for giving up their time in advance of COP15 to set out their views for us, and to help us 'get it'. The common messages from these interviews are the need for clear policy frameworks and the need to place business opportunities within those frameworks.

As Paul Dickinson of the Carbon Disclosure Project makes clear in his interview comments that with the possible exception of inter-stellar travel, climate change may be the last big challenge that humanity has to face, and even space travel is voluntary. Climate change, however, is being thrust upon us and a collective failure to 'get it' is likely to mean the end of the world as we know it today – almost certainly 'the end of nature' as author Bill McKibben once put it,¹ but possibly also the end of our comfortable developed world culture too. Paul is optimistic that business – after a slow start – will 'get it', in time.

Martin Hiller of WWF calls the business response to climate change 'timid' – partly because, until now, it has not been a big enough political issue – and calls on heads of governments to take the lead. In the lead up to the COP15 conference in Copenhagen, increasing emphasis is being placed on emerging frameworks. Martin refers to the need for 'signals' which will direct corporate attention towards a low carbon future.

Tim Jackson – an eminent academic name in the sustainability/climate change field – suggests that business faces various challenges and that, despite the importance attached to it by some, climate change is (too) often just one of those challenges. To any business hauling itself out of the recession of 2008/09, that will make a lot of sense. Tim suggests we better communicate to business the opportunities offered up by climate change. Tim also speaks of the importance – at Copenhagen and subsequently – of placing equity and justice at the heart of the developed/developing world dialogue.

1. William McKibben, *The End of Nature*, Random House, 1989.

Professor Mervyn King has been instrumental in improving standards of transparency and governance over a long period. He also emphasises the need for the opportunities resident in the climate change challenge to be made clear to business. Like many people, Professor King believes that reporting can and does drive performance and calls on the COP15 negotiators to deliver a clear message on the need to report more formally on climate change issues.

Dr Rory Sullivan of Insight Investment is less certain that reporting drives performance. In fact, he suggests that reporting may sometimes drive inappropriate behaviours. He acknowledges that some of the largest companies have made considerable progress but suggests that many could do better – through improved data quality, better assessment of risks and opportunities, more thought through long-term carbon reduction strategies and the strengthening of currently weak emissions reductions targets. Ultimately, he suggests that international agreement on emissions reduction targets is a fundamental requirement so that national governments can effectively direct the business sector.

Our last interviewee, Lord Turner, calls for a clear legal framework within which developed countries commit to strengthening their reduction targets. That may be COP15, or it may come later. But that is the foundation stone for an effective global response to the challenges presented by climate change.

Paul Dickinson, CEO and founder of the Carbon Disclosure Project

The business world's response to climate change so far has been a bit sleepy. The world is about to completely change the way it produces and consumes energy. This is going to make a lot of people a lot of money.

Smart businesses are realising that and acting accordingly. Climate change is like the Internet. It arrives one day, it grows bigger every day, it never goes away. Organisations that fail to see this put themselves at risk. George Bush said that having to come to terms with energy efficiency for Kyoto would cost American jobs. Vehicle manufacturers like Ford, General Motors and Chrysler – who chugged on without doing anything to increase the fuel efficiency of their vehicles – went bust. That did cost jobs. In contrast, Toyota produced the Prius car, which Leonardo DiCaprio famously drove, and has built a successful green business.

Think about business travel and the video conferencing market, in which I have an interest. The video conferencing market is worth \$1 billion today. The business travel market is worth around \$900 billion. If the computer/video conferencing industry could take some of that business, it could double its market capitalisation. There is a lot of money to be made here.

South Korea is one example of a country that 'gets it' – the potential of the green economy. The government offered reduced property tax where broadband was provided, and now it has the highest broadband penetration of any country. This year South Korea's economic stimulus package was 80% focused on the green economy.

The best way to promote climate change business opportunities is to highlight the success stories – Toyota's green business or Cisco's billion dollar telepresence. When people can see profits, that is the best possible promotion.

The Carbon Disclosure Project has certainly helped to focus corporate attention on energy usage and emissions. Every year since 2003 we have sent a request for information from a group of shareholders to the world's largest companies by market capitalisation. This year we represented 475 institutional shareholders representing combined assets under management of \$55 trillion, across all asset classes. This gives us significant authority. This year 82% of the world's 500 largest companies by market cap answered our questions. In total, 2,500 companies responded in 2009. So the CDP is feeding information to investors and purchasing organisations, enabling them to make better decisions. Some companies, such as Dell, Wal-Mart and PepsiCo, send our questions to their suppliers.

A number of other impressive initiatives are encouraging changes in corporate behaviour. The Global Reporting Initiative covers many different sustainability issues. I am also impressed with the Investor Network on Climate Risk, which has done a great deal of work lobbying the Securities and Exchange Commission to recognise that climate change data is something that should intrinsically be part of the report and accounts.

The GHG Protocol currently provides a standard for companies to follow in their emissions accounting and reporting. The work of the Climate Disclosure Standards Board (CDSB), for which we provide secretariat support, is also valuable. The CDSB issued its exposure draft of a reporting framework at the Copenhagen climate conference in May 2009. Readers can find out more about that online (www.cdsb-global.org). The CDSB is

bringing another level of consistency to the requirements of organisations in terms of their statutory report and accounts.

At governmental level, the Kyoto Protocol is the biggest show on Earth on terms of a global climate change agreement. It's a shame that the US did not ratify it. Where Kyoto has not been ratified it has been less effective. The Emissions Trading Scheme is one of the more successful outcomes of Kyoto. It involves some 11,000 facilities in Europe in a statutory solution. I think history will see Kyoto as the first wave of a comprehensive global system for responding to climate change.

Greenhouse gases are valueless pollutants, so in many respects, government action is necessary to trigger the response we need. But governments have been appallingly slow to introduce legislation on climate change. At COP15 we need to see a binding commitment to emissions reduction.

Politicians also need to do more to explain the impact of climate change. Without doubt the public need to be told about the severity of the situation. There will be opposition from some companies to climate change legislation. That's the nature of the business world – companies do what they need to do to make their profits. Faced with that opposition, politicians will need the support of the public to implement logical climate change policies. But the public won't back them unless they know how serious the situation is. This is where history may judge politicians harshly – for failing to alert the public to the danger they are in.

Even so, I am very optimistic that the corporate world will rise to the climate change challenge – because corporates can make so much money out of it. The essence of my book *Beautiful Corporations*,² published in 2000, was about sustainability product marketing. I don't believe people will put their money into companies that are damaging their children's futures. People increasingly realise they don't want to give money to people who are part of the problem; they want to give it to people who are part of the solution. The real economy can turn on a sixpence if people spend their money differently.

Business has an optimistic vision. It has a candid spirit. So I am very optimistic we can work this out. I am optimistic because the opportunities for 'dematerialising' energy are enormous. Apple iTunes is a favourite company of mine, because it generates millions of dollars of sales using virtually no energy at all. There are no limits to the potential growth in dematerialising goods – whether in the field of art, music, science, etc.

I foresee a great flowering of digital industry. Humans are very inventive. When consumers, governments and industry get together, anything is possible.

2. Paul Dickinson, *Beautiful Corporations*, Financial Times/Prentice Hall, 2000.

Martin Hiller, Head of Communications and Campaigns, WWF Global Climate Change Initiative

When participants gather in Copenhagen for COP15, they need to give the planet a direction – how we will develop our societies to deal with climate change. That direction is critical.

In the end, investors and governments need to know there is a common understanding for the direction in which the planet should develop. Not all the fine print will be considered in Copenhagen – that can be worked up in 2010, but the direction needs to become clear.

The Kyoto Protocol did have some effect on changing corporate behaviour. It wasn't enough, because we have learnt so much more about the climate change threat since then. It is bigger than most of us understood it to be in the mid 1990s. But Kyoto developed the instruments and the understanding for making pollution a commodity one can pay for. For the first time it put a price on carbon emissions. That's a huge change. We have also seen climate change coming to the top of the political agenda. So the Kyoto Protocol has been effective in changing some corporate behaviour, but not yet effective enough.

KYOTO WEAKNESSES

The Kyoto Protocol had several weaknesses, first of all in compliance. There is very little threat for governments who do not comply with the targets they have set. Another weakness was that the threshold set for the treaty to come into force was too high. When George Bush declined to ratify the Protocol, everything depended on one country – Russia. Only when Russia

ratified the Protocol did it come into force. It wasn't a very good system.

Another issue is that adaptation is not covered in the Kyoto Protocol. Adaptation is an issue that has a much higher profile than it used to have, because we are seeing the first countries being threatened with disappearance. Small islands like Tuvalu or Kiribati are already planning their exodus. Adaptation needs to be addressed at Copenhagen – it is a very important part of the negotiations. For almost a decade countries have been waiting for governments to provide a US\$2 billion adaptation fund for the poorest countries. The money is still not there. They haven't done it because it isn't a big enough political issue.

One feature of Kyoto that needs to change at Copenhagen is the lack of emissions goals for developing countries. There should be an aim for the big developing countries to divert from a 'business as usual' emissions pathway – to start to reduce emissions per capita.

OTHER INITIATIVES

In terms of other initiatives that have had an effect on corporate behaviour, Al Gore has played a pivotal role. Even before the movie *An Inconvenient Truth* he gave a lot of presentations and put himself behind the climate change message.

There are also a number of business programmes that have had some impact, including our WWF Climate Savers programme. We demand of companies that they really reduce their absolute emissions. The programme was started in 2001, at about the time that George Bush said he wouldn't be signing up to the Kyoto Protocol. Even so, some American companies signed up to our programme. They realised it was a way of looking at their resource management and cost savings and doing

something that makes them fit for the future. IBM and Nike, for example, have joined the programme. There are other companies from Japan and Europe, such as Sony and La Farge. With the Climate Savers programme, we get a technical consultant to go in and work with the company to scope where they could reduce emissions. That takes between six to 12 months. Then we agree a level of commitments with them and the company signs a memorandum of understanding with us, before the company starts implementing their programme. We have regular reporting every half year to see how it is working and whether the company is reaching its goals. It's quite a straightforward system.

LOW-CARBON ENCOURAGEMENT

If we can get the right signals from Copenhagen, then it should become clear to companies that investment needs to go into low-carbon sectors.

There needs to be cooperation between industry and government, with legislative developments to help businesses move into low-carbon sectors. Staying below the two degrees Celsius threshold – the target global warming limit – requires a massive investment push. Government needs to bring in funding to help investors push into low-carbon technologies. This needs to be a time of radical change, moving away from oil.

At the WWF we are working frequently with information and communications technology companies. They are used to massive technological change, and rapid change, so they are interesting to us, and they have applications that are helpful for low-carbon strategies. I think these technology-heavy companies will engage much more intensely with the climate change issue now. Companies like Nokia and HP are looking more at the opportunities.

BUSINESS RESPONSE

So far the business world's response to climate change has been, if put into one word, timid. There are some sectors like renewable energies, that are pushing ahead and trying to grow their businesses. But then you have obvious enemies to change – the oil and coal industries mainly. There are also a lot of people somewhere in between, who sit on the fence. Those on the fence need legislation to encourage them to take action. Investors need clarity beyond 2012 about what climate change regimes will look like. This is now a question for heads of state and heads of government to address. Climate change is not a matter of purely environmental policy. It's a prime ministerial issue. They need to take the lead and prepare the ground for action.

Looking to the future, the corporate world has to rise to the climate change challenge. There is no choice. The ones who respond early will have the advantage of the early bird. Those who are late will starve.

Tim Jackson, Professor of Sustainable Development, University of Surrey

The business world's response to the climate change challenge has been very varied so far. There is a split between bigger businesses and SMEs, and within those categories a split between those who are fairly proactive and those who do little more than window dressing. Companies range from those who do the best they can to those who will resist until they are required to reduce carbon. Within SMEs, for example, there are some visionary companies who 'get it' and try to reconstruct the business model. But there are also some people for whom the debate is remote. In general, businesses with high energy costs will get it faster than businesses with low energy costs. If your business depends on its public profile, you will get it faster.

This is partly because climate change is not the only message businesses are facing. They are facing challenges around the economy and in relation to their supply chain, and trying to negotiate all these issues while operating their companies day to day. That's the space in which the climate change message is received, or not received.

Some research suggests that money on above the line advertising is better spent in the personal sector, rather than the corporate.

This is about people getting the message personally and then bringing it into their business – rather than them responding to regulation or a compliance message to the business. Some people are exposed to the personal message, receive it, understand its importance and then begin to think about the implications for their business.

BUSINESS OPPORTUNITIES

The business opportunities arising from climate change could perhaps be better communicated to business. It's partly about understanding what the opportunities are and where, in which sector, and providing support. Businesses respond to signals in their business market, whether from consumers or government.

One business opportunity, in principle, relates to cost savings from better energy efficiency or resource productivity. There are long-standing issues about why there hasn't been better take up. These are to do with the relative prices of resources and labour, the relative connectedness of energy costs with capital costs, and the rates of return. Energy-efficiency investments are still competing for capital with other investments with higher rates of return. Because there isn't full cost accounting across the business or industry, the benefits of the energy-efficiency investments are not seen. There are similar issues with renewables technology. There needs to be support for these sectors at the stage where they don't have critical momentum. If the money is not visible, people won't rush to that sector. This is about creating the conditions in which there is a viable model. Sometimes that will mean public sector subsidy, particularly in the early stages because of the inertia around changing business models and the need for capital investment to be ring-fenced and protected, as learning and costs come down. This is about creating

conditions, structures and incentives, and leveraging capital where capital is needed. These are all tasks for government.

KYOTO IMPACT

I am not sure that the Kyoto Protocol has been hugely effective in changing corporate behaviour. However, people are more aware of carbon because they are to some extent engaged in trading mechanisms, and the general idea of trading carbon was set in place in the Kyoto Protocol. In the UK, there has been an impact on national policy, which has resulted in the Climate Change Act and the Carbon Reduction Commitment. These will impact on industry. It's a long process and it's interesting that there hasn't been more mainstream business change, given that it is 12 years since the Kyoto Protocol was drawn up.

The greatest strength of Kyoto was that it tried to establish emissions reduction targets and put that on the map in political terms. The principal weakness was the inclusion of the trading mechanism, which reduced the emphasis on reducing emissions. Global emissions have risen by 40% since 1990, the Kyoto Protocol baseline. That's the opposite of what we were hoping might be achieved. The Protocol also bent over backwards to accommodate the US in terms of including a trading mechanism, and the US didn't ratify it. So arguably the most important economy isn't included.

An obvious other weakness was that developing economies were not brought in in a way that made a lot of sense, so there was incomplete coverage. It is essential at Copenhagen that emerging economies are brought into the agreement. However, there has to be a sense of justice between developed and less developed economies – I don't think negotiations will be possible without that. Developing economies will hold out for

something that suits them. Developed economies will have to deal with that if they want to reach an agreement that has a global cap on emissions in it.

Funding mechanisms will also be an important issue at Copenhagen, particularly for funding carbon mitigation in developing countries. We need to define mechanisms through which these funds are raised, and then those funds will largely have to come from developed economies.

POLITICAL LEADERSHIP

There is more that politicians can do to counter climate change. There is a need for leadership. It's about someone having the political courage to accept the latent permission of business and the public to take really bold action.

UK climate change secretary Ed Miliband has perhaps gone further than most. John Prescott was a figurehead at Kyoto, but the task was easier then. Now the emissions cuts need to be deeper.

To some extent there is a lack of courage in government to create structural change in the way that's necessary. We still don't have in place the mechanisms that will lead to business and household behaviour changing, to make people get out of their cars, or regulation on issues like stand-by power consumption, to encourage people to live in more sustainable ways. This requires targeted programmes, investment, regulation and leading by example in the government's own estate.

Professor Mervyn King, SC, Chair of GRI Board

Climate change and sustainability issues generally have to be seen in the context of business opportunities. Otherwise companies are not going to respond. This is about a change of mindset in company leadership. I believe the corporate world is realising that we have to start thinking strategically about sustainability issues, because the customer of tomorrow is thinking about it.

Three recent events suggest that the business world will respond, or is doing so. First, in quarter three of 2009, 500 companies and other business organisations, including 12 from South Africa, signed the Copenhagen Communiqué requiring the G20 leaders in December to do something positive about climate change, because of the impact they are sure that it will have on their businesses. Secondly, in September around 5,000 citizens of the world joined in a telephone call in which they told political leaders in one voice to do something about climate change. These citizens are customers and stakeholders.

IMPACT OF CODES

Thirdly, governance codes around the world have recognised that governance standards and sustainability have become inseparable. The Companies Act in the UK says that companies must report and disclose the impact they have on society and the environment, when such disclosures are significant for an understanding of the financial performance of an organisation. There are similar requirements in the German commercial code. Denmark has recently passed a law requiring the largest companies to report on how they are dealing with corporate social responsibility (CSR) issues pertinent to their business.

In South Africa, the *King III Report*, being the latest code of governance principles, comes into effect in March 2010. Listed companies will be required to issue

integrated reports which will include how they impact on society and the environment. King III also recommends that companies adopt the G3 Guidelines of the GRI. Rather than triple bottom line reporting, I talk about reporting in the context of the impact of the business on the community and the environment in which it operates and its financial impact. There must be one report, with these three factors seen to be integrated into the strategy of the company.

So there is a realisation around the world that boards that do not take account of sustainability issues pertinent to their business are not going to have sustainable businesses, and they will lose the confidence of their stakeholders and customers.

Even more important than a corporate governance code is, I believe, an investor's code. The majority of investors are financial institutions. There should be a code saying that, before they invest, they should check the quality of governance, the quality of management, the strategy of the company and whether it has dealt with sustainability issues pertinent to the business, the impact on the environment and community. In South Africa we are developing an investor code that we hope will be out next year.

KYOTO AND COPENHAGEN

The Kyoto Protocol was helpful, but its weakness came from the lack of following. Look at America. The most important country in the world said, No. You could take the Kyoto Protocol and improve it tenfold but it would be almost irrelevant. What is more helpful is what has been happening in Denmark and elsewhere.

Looking ahead to Copenhagen and COP15, I would be quite astounded if the G20 were to arrive at a worldwide agreement which was legislatively enforceable or had

adequate sanctions. Setting targets is fine; it's the enforceability and getting everybody involved which is difficult. But I think they could agree to do what Denmark has done and to say to all companies: We want you to report on a 'report or explain why not' basis how your business has impacted on society and the environment. That would be a vast improvement.

The Japanese have a wonderful saying: If you are going to open your kimono, make sure you have had a bath. If companies are compelled to report or explain how they are impacting on society and the environment, that will bring CSR issues to the fore. The compulsion to report will help people change.

So if governments followed the Danish example, that would be fantastic. It's immediately achievable. Imagine if every government passed one law requiring every company to report from June 2010 on the impact the business has on the community in which it operates and on the environment, or to explain if they don't.

This is also where the GRI comes in. Let's assume a company is carrying on as a good, sensible company. Unless they tell their stakeholders, they won't get the trust and confidence that they need. Having got that trust, they have to maintain it. They have to persuade customers that they have regard to the impact they are having on the community and the environment – certainly if they are to maintain a sustainable business over the long term.

INDIVIDUAL RESPONSIBILITY

I don't think you can point the finger solely at governments or companies when it comes to climate change and our response. What about yourself? You are the person who votes governments in, or the trustee of a pension fund. What are you doing about climate change and sustainability issues?

I have just written a book, *Transient Caretakers: How to Make Life on Earth Sustainable*.³ My theory is that we were put on this earth to take care. Whether you believe in the Darwinist theory or the Bible is irrelevant. We are the dominant species and we are here to take care of the flora and fauna – and we have not taken care. However, we have become the providers of capital to companies – the greatest shareholders are the pension funds. That's your money and my money. The individual has become the provider of capital to companies. We are also customers – we choose to buy from company A or company B. We vote governments in or out. One reason for President Obama's victory was that he spoke positively about climate change action. So we all have an impact.

3. Mervyn King with Teodorina Lessidrenska, *Transient Caretakers: How to Make Life on Earth Sustainable*, Pan Macmillan, 2009.

Dr Rory Sullivan, Head of Responsible Investment, Insight Investment

The drivers for corporate action in response to climate change are clear. There is wide agreement that significant reductions in global greenhouse gas (GHG) emissions are needed to mitigate the worst effects of climate change. The growing consensus is that these reductions will need to be of around 20–30% by 2020 and 60–80% by 2050 against a 1990 baseline. Companies in all sectors – not just those in high-impact areas – will therefore face increasing regulatory pressure to reduce their emissions. Consumer interest in environmentally friendly products and services is also growing, as is stakeholder pressure for credible, transparent information on GHG emissions.

How well are companies responding? A study, published as *Taking the Temperature* by Insight Investment in 2008, which looked at 125 large European companies, found that most have now developed management systems and processes to manage their GHG emissions. They generally score quite highly on governance. But there are some weaknesses that suggest the corporate response may not yet be sufficient for the climate change challenge.

CORPORATE POLICY AND OTHER WEAKNESSES

As I see it, there are four specific issues.

First, the quality of inventory data is mixed. There is often a lack of clarity around the scope of reporting, such as whether all greenhouse gases are covered and whether the reporting applies to all activities and operations. Other issues include doubts about the quality of the emissions calculations and limitations of data verification. And while reporting on direct and indirect GHG emissions is now reasonably well developed, reporting on emissions from supply chains or product use and disposal remains limited.

There are a number of reasons for this, such as inconsistencies in definitions of scope and boundaries, data not being readily available, and the often increased costs of gathering data as companies move down the supply chain.

Second, most companies appear not to have conducted thorough assessments of climate change related risks and opportunities. Although the majority publish their views on risks and opportunities, much of this reporting seems to have been triggered by questions in the Carbon Disclosure Project questionnaire rather than internally inspired, rigorous analysis.

Third, companies' climate change policies are generally weak. Most acknowledge that climate change is a business risk and/or that their activities contribute to GHG emissions. Many have a policy commitment to reducing emissions. But few have made explicit commitments to achieving significant reductions in emissions over the longer term. Reflecting the limitations in corporate policies, the GHG-emissions targets that companies are setting themselves also appear weak. While many companies expect to improve the efficiency or emissions intensity of their business activities, most expect their total emissions to increase as their business grows. This seems in conflict with the likely direction of future governmental climate change policy.

Finally, while almost half of the companies we surveyed in *Taking the Temperature* express support for market-based instruments such as emissions trading, this support is frequently qualified by comments about not harming the company's competitive position. The overall impression is that the level of corporate support for strong and effective public policy action on climate change remains weak.

IS REPORTING DRIVING THE WRONG BEHAVIOURS?

Many companies are investing a lot of time and resources in data acquisition across the supply chain. But, paradoxically, this focus on measuring or gathering definitive emissions data for the purposes of reporting or labelling may be moving companies away from the core objective of reducing emissions in a practical and cost-effective manner. This is an issue explored in detail in *Managing Greenhouse Gas Emissions Across the Value Chain: the New Agenda* produced by Insight Investment and Acona in April 2009.

Companies may be focusing on aspects where numbers – even if uncertain – can be gathered and performance tracked, rather than concentrating on areas where they have the greatest influence on emissions. This is a concern. Reporting should not drive corporate action. Companies need to think about their corporate objectives – such as financial or responsibility objectives – and then identify and implement the actions they need to take as a result.

POLICY/ACTION DISCONNECT

Overall, there appears to be a major disconnect between the messages sent by policymakers and the actions taken by companies. The vast majority of companies perceive climate change as having minimal impact on their business strategy or business model – reflected, for example, in the relatively modest targets for emission reductions.

A key reason for this is that there are many uncertainties in climate change policy, including the degree of government support for international action, the specific targets and policy instruments that will be adopted, and the relationship between climate policy goals and other policy goals, such as energy security and diversity of supply. In the face of such uncertainty, the rational business response is to wait for new information about future developments.

But there are some reasons to be optimistic. The EU Emission Trading Scheme (EU ETS) is one example of how a well-designed policy with strong support from government can be effective. The contribution of the EU ETS was not confined to its direct effect on corporate greenhouse gas emissions. Perhaps more significantly, the EU ETS was the key catalyst for European investor interest in climate change because it gave GHG emissions a financial value. It also gave a clear signal that governments can and will act to regulate GHG emissions.

There are clear implications for policymakers. They need to communicate post-2012 ambitions clearly, even if policy mechanisms remain unclear. They also need to accept that action on climate change will cost money, at least over the short and medium term, and be clear about who will meet that cost. Without that explicit acceptance, companies will not take government commitments seriously.

The COP15 Climate Change Conference in Copenhagen has an important role in helping to reduce policy uncertainty. By itself, COP15 will not solve current problems. But without international agreement on emissions reduction targets, national governments will struggle to develop and implement policies that companies will take seriously enough.

Lord Turner, Chair of the UK Committee on Climate Change

The Kyoto Protocol has played a role in changing corporate behaviour because people are aware that there is an overall framework for addressing climate change and a set of legally binding commitments to which many governments have signed up. So, the Protocol has helped to convince business that change is inevitable. It has been part of the process of making business believe that the authorities are committed to climate change action.

The crucial thing for COP15 to achieve is a global agreement to encourage countries to start making substantial cuts in their emissions. We need an agreement to make it absolutely clear that the developed countries are committed to strengthening their reduction targets from current levels and committed to begin constraining the growth of their emissions, followed by more significant reductions thereafter.

The most crucial thing that politicians have to do is to set out a clear legal framework. The UK Climate Change Act, for example, commits us in the UK to emissions reductions with legal certainty. There is no escaping from our obligations, which are to reduce emissions of all greenhouse gases by 80% in 2050. The Act also sets carbon budgets which place a limit on emissions that can be produced across the economy over five year periods. The Committee on Climate Change,⁴ which I chair, is responsible for advising on the level of these budgets and for monitoring Government's progress towards meeting these, thereby enforcing these commitments. We are in a unique position in the UK in having an independent expert committee on climate change that has the authority to do this.

4. The Committee on Climate Change is an independent body established under the Climate Change Act to advise the UK Government on setting carbon budgets, and to report to Parliament on the progress made in reducing GHG emissions.

A lot of businesses in Europe are responding to the climate change challenge. There is a real distinction between some American businesses, which have spent a lot of time lobbying against any action, and European businesses, which have in last five years largely accepted that they have to do something and focused on how to do it.

You still get lobbying to try and avoid action, but most businesses are getting on with their plans. They could of course do more. Retailers, for example, could have done more on the switchover to energy-efficient light bulbs. You often get a minimal reaction in order to satisfy your customers or employees that you are doing something. On the whole I would give business a mid-range score in terms of their response, but it varies from business to business.

I am not sure that much more could be done to communicate to businesses the climate change opportunities that exist. Most are aware or should be reasonably aware of the energy-efficiency opportunities they face, for example. There are mechanisms to make people aware of these opportunities.

The fact that there will be climate change in 50 years should worry people as citizens and in terms of their children's future. The risks associated with climate change are having a large impact on businesses like insurance companies that need to plan over the long-term. For most businesses though, climate change is not having a huge impact at present.

However, there are still uncertainties that can hamper business decision-making. It is therefore important that politicians create a clear, irreversible commitment to reductions and a certain environment in which business can operate. There needs to be clear policy, certainty, and a clear framework of future taxes and emissions trading schemes – a clear sense of the future price system. We should be setting more certain prices for the future. That's something that the Committee on Climate Change will be considering.

Biographies

PAUL DICKINSON

Paul Dickinson is the chief executive officer of the Carbon Disclosure Project (CPD), an independent, non-profit organisation providing primary corporate climate change information. CDP serves as a system through which organisations and businesses disclose their greenhouse gas emissions and climate change strategies. CDP subsequently uses this data in order to help shape financial and policy decisions, with the mission of motivating investors, corporations and governments to prevent dangerous climate change. This goal is accelerated by CDP's initiatives to unify CEOs, investors and political leaders to take actions against climate change. As the only global climate change reporting system, CDP is an essential resource in making effective policy decisions.

Paul is also founder and chair of EyeNetwork, Europe's largest video conference booking service and, prior to founding CDP, founded and built Rufus Leonard into a multi-million pound turnover corporate communications company. Paul is also an established author whose publications include *Beautiful Corporations*, published by Financial Times/Prentice Hall in 2000.

MARTIN HILLER

Martin Hiller is head, communications and campaigns, WWF Global Climate Change Initiative. Martin has extensive experience in environmental campaigning and in-depth knowledge of climate change and energy issues, covering policy, science and business engagement. He has developed and implemented numerous communications strategies in the international policy arena, communicating complex environmental issues and coordinating and managing cross-cultural teams and projects. He is also a sought-after presenter on climate and communications topics. Before joining the climate change programme, he established the first European communications operation for WWF in Brussels from 1994, and moved to WWF International in 1998 to develop and coordinate communications and campaigning across WWF in Europe.

PROFESSOR TIM JACKSON

Tim Jackson is professor of sustainable development at the University of Surrey and director of the Economic and Social Research Council (ESRC) Research Group on Lifestyles, Values and Environment (RESOLVE). Funded under the TSEC (Towards a Sustainable Energy Economy) programme, the aim of RESOLVE is to develop a robust understanding of the links between lifestyle, societal values and the environment. In particular, RESOLVE aims to provide evidence-based advice to policymakers in the UK and elsewhere who are seeking to understand and to influence people's energy-related behaviours and practices.

Tim sits on the UK Sustainable Development Commission and is the author of the recently published book *Prosperity Without Growth: Economics for a Finite Planet*. In addition to his academic work, he is a professional playwright with numerous radio-writing credits for the BBC.

PROFESSOR MERVYN KING, SC

Mervyn King is a senior counsel and former judge of the Supreme Court of South Africa. He is professor extraordinaire at the University of South Africa on Corporate Citizenship, has an honorary doctor of laws from the University of the Witwatersrand, is chairman of the King Committee on Corporate Governance in South Africa, president of the Advertising Standards Authority, first vice president of the Institute of Directors Southern Africa, a member of the Securities Regulation Panel, which oversees all mergers and acquisitions in South Africa, and chairman of the Appeal Committee of Cricket South Africa.

He is chairman of the Global Reporting Initiative and a member of the Private Sector Advisory Group to the World Bank on Corporate Governance, a member of the international advisory boards of Stern Stewart of the US, Tomorrow's Company of the UK and the Central European Corporate Governance Association. He is the chairman of the Asian Centre of Corporate Governance and Chairman of the United Nations Committee on Governance and Oversight.

He is presently the chairman of Strate, the settlement arm of trades in equities and other instruments in South Africa and a director of JD Group listed in Johannesburg.

He has consulted, advised and spoken on legal, business, advertising, sustainability and corporate governance issues in 38 countries and has received many awards. He is the author of *Transient Caretakers*, with Teodorina Lessidrenska and *The Corporate Citizen*.

DR RORY SULLIVAN

Dr Rory Sullivan is head of responsible investment at Insight Investment and is responsible for leading Insight's thematic research and engagement activities on social, ethical and environmental issues. He has specific responsibility for investment research and engagement relating to climate change and human rights.

He has over 15 years of experience in environmental management and public policy, having worked for the private sector and government agencies in Australia, South-East Asia, Africa and Europe. His experience includes advising organisations on GHG, energy and environmental management issues, and advising Environmental Australia and the OECD on the development and implementation of pollutant release and transfer registers. He also has extensive experience in human rights, having chaired the Amnesty International (Australia) Business Group for three years and subsequently worked for Amnesty International (UK) with a particular focus on trade and investment policy, and multi-national enterprises and the law. He has contributed to various working groups and other bodies on issues such as mining and human rights, and the role of companies in conflict zones.

He is the editor of *Business and Human Rights: Dilemmas and Solutions*. Rory has written over 200 articles, book chapters and papers on environmental and energy policy, corporate responsibility, and related business issues. He is the author/editor of five books on these issues including *Rethinking Voluntary Approaches in Public Environmental Policy* and *Responsible Investment* (edited with Craig Mackenzie).

LORD TURNER

Adair, Lord Turner of Ecchinswell has combined careers in business, public policy and academia.

He was a director of Standard Chartered plc until September 2009 when he stepped down from the board. In January 2008, he was appointed chairman of the UK Climate Change Committee, and, in September 2008, chairman of the UK Financial Services Authority. Lord Turner is also chairman of the Overseas Development Institute. He is a visiting professor at the London School of Economics and at Cass Business School, City University.

He became a cross-bench member of the House of Lords in 2005. He was chairman of the Pensions Commission from 2003 to 2006, and of the Low Pay Commission from 2002 to 2006. His book *Just Capital – The Liberal Economy* was published by Macmillan in 2001.

From 2000 to 2006, Lord Turner was vice chairman of Merrill Lynch Europe, and from 1995 to 1999, he was director general of the Confederation of British Industry. Prior to that, he was a director at McKinsey & Company, building McKinsey's practice in Eastern Europe and Russia between 1992 and 1995.

He is a trustee of Save the Children UK and has been a trustee of WWF-UK

ABOUT ACCA

ACCA is the global body for professional accountants. We aim to offer business-relevant, first-choice qualifications to people around the world who seek a rewarding career in accountancy, finance and management. ACCA has 131,500 members and 362,000 students who it supports throughout their careers, providing services through a network of 82 offices and centres around the world.

Accountants are playing an increasing role in the accounting, compliance and reporting requirements of corporate social responsibility and have considerable expertise in these areas. ACCA champions the extension of corporate reporting to include the social and environmental aspects of a business and has launched awards for sustainability reporting in Australia and New Zealand, Hong Kong, Malaysia, Pakistan, Singapore, South Africa, Sri Lanka, the UK and North America.

In 2002, ACCA became the first professional body to be awarded the prestigious Queen's Award for Enterprise: Sustainable Development, in recognition of its leadership in the sustainability field.

ACCA is delighted to have had the opportunity to partner with GRI on this project. ACCA was one of the original group of GRI supporters and, as a torch bearer for sustainability within the accountancy profession, is proud to have been associated with GRI throughout its evolution into the de facto global standard setter for the sustainability reporting process.

ABOUT THE GLOBAL REPORTING INITIATIVE

The Global Reporting Initiative™ (GRI) is a multi-stakeholder non-profit organisation that develops and publishes guidelines for reporting on economic, environmental, and social performance ('sustainability performance'). The GRI's Sustainability Reporting Guidelines have been used by over 1,000 organisations worldwide, with many more organisations considering them informally during the preparation of their public reports.

The Guidelines are developed through a unique multi-stakeholder consultative process involving representatives from reporting organisations and report information users from around the world. First published in 2000 and then revised in 2002, the Guidelines have now entered their third generation, referred to as the GRI G3 Guidelines which were released in October 2006.

POL-HIS-EP