

Predictions: the year ahead

The big issues for responsible business in 2007

Sustainability expert Paul Hohnen and Ethical Corporation's Tobias Webb, Lisa Roner and Oliver Balch reflect on what 2007 might hold for sustainable development and commerce

Tobias Webb, editor: What will be the big corporate social responsibility trends in 2007?

Paul Hohnen: Barring a global recession, I think it is pretty clear that CSR issues will continue to maintain momentum. The impact – and potential – of the business sector is too big to ignore. My prediction is that 2007 will be an “ABC” agenda: Africa, BRIC countries (Brazil, Russia, India and China) and climate.

A quick look at the governmental events calendar says it all. First, the fact that it is 20 years since the Brundtland report on sustainable development will prompt a good deal of “where are we now?” soul searching.

Second, the German G8 meeting will focus again on Africa and climate change. In the wake of the November 2006 China/Africa summit, level playing field issues surrounding trade with Africa can no longer be ignored. Will Africa continue to move towards improved governance and transparency, or will it take short cuts? What does the new high-level relationship with China mean for human rights and environmental standards on the ground? What international standards will globalising Chinese and Indian companies use?

Third, the release of the fourth report of the Intergovernmental Panel on Climate Change will add to the momentum created by the Stern report. Increasingly, large businesses will simply have to have a clear climate policy.

Tobias Webb: What about human rights?

Paul Hohnen: There is obviously mounting interest in what the final report of the UN secretary-general's special representative John Ruggie will say. As with so many CSR issues, the tension is between aspirational “one size fits all” global standards and special pleading by emerging economies and businesses working in them.

While I am personally sympathetic to the position that it is not always possible to implement global standards immediately, if a standard is morally right – such as “no slave labour” or “gender equality” – it is good policy to commit to it, and develop a timetable to implement it, or explain why you are not doing so. People will understand and want to help.

Tobias Webb: Looking at the US, what impact will the Democratic majority in Congress have? Will the progressive Californian climate legislation be picked up by other states?

Lisa Roner, North America editor: The new Democratic Congress certainly changes the momentum on a number of issues. Although a change of course in Iraq, wages, healthcare and taxes are all sure to garner the lion's share of lawmakers' attention in the 110th



Will Bush be frozen out by Congress?

Congress, climate change certainly is on the minds of most Americans as a key issue that needs to be tackled sooner rather than later.

With the Democrats leading and setting the agenda in all congressional committees, environmental issues as a whole will certainly figure more prominently on the nation's “to do” list. The Democrats not only took control of Congress but also won many key governor races and legislature positions at the state level. So it is probably safe to say we will see climate legislation inspired by measures enacted in California popping up across the country, but particularly in the north-east states.

The question at the national level, however, will be how much progress can be made with a Democratic Congress and Republican White House. Both parties are well aware that voters will be closely monitoring their accomplishments when they head back to the polls in 2008 to pick the next president. At this point, it behoves both sides of the aisle to buckle down and get some serious work done.

Tobias Webb: What about Latin America? Does the trend towards greater nationalisation of resources have implications for human rights and the environment?

Oliver Balch, Latin America editor: It depends. Certainly, the trend towards nationalisation in Bolivia, Ecuador and Venezuela is clear and can be expected to continue this year. In terms of national sovereignty, such moves are probably long overdue. But for basic rights such as employment, health and education, the history of nationalisation in Latin America would suggest this is a backward step.

The temptation to use profits from nationalised companies for social spending rather than reinvestment can also bode ill for the environment. The regular spills and accidents suffered by Pemex, the state-run Mexican oil company and government cash-cow, is a case in point. Environmentalists fear the same could be true for nationalistic land reforms. Without very careful planning, attempts at redistributing land to disenfranchised groups – as currently proposed in Bolivia – can quickly result in disastrous mismanagement. Ultimately, it is the environment that then suffers.

Tobias Webb: The UN is going through some big changes. What can we expect there?

Paul Hohnen: There will be some more open discussion about how well the UN system is engaging with the business sector and CSR issues. Eyes will be on the position the new secretary-general Ban Ki-Moon takes, including on initiatives like the Global Compact. I

would be very surprised – as would many companies – if he did not endorse and seek to build on the good work being done there.

A strong case was made in the 2006 UN High Level Panel “Delivering as One” report for better coordination between the various UN and World Bank offices at the national level. I think most people regard this as overdue. National governments in the developing world would be well served by a more concerted effort, one that engages better with local business. Here, Global Compact local networks can play a key role. Multinationals that have adopted “bottom of the pyramid” business strategies will also see this as being in their interests.

Tobias Webb: Talking about the bottom of the pyramid, how do you see the UN Millennium Development Goals impacting company CSR strategy?

Paul Hohnen: A good question, especially since 7/7/07 is seen as the halfway point between the launch of the MDGs and the 2015 target date. The “are we on track?” discussions will doubtless identify problems with progress, and a search for new ways to add impetus. I think there is already enough evidence that business can find new markets, use these to roll-out cleaner technologies and help deliver on specific MDGs. The Philips “Lighting the Bottom of the Pyramid” strategy is one example. How far governments will use their development aid programmes to accelerate these sort of business-led initiatives remains to be seen.

Tobias Webb: Financial markets were pretty active on the CSR front in 2005-6. After the launch of the Principles for Responsible Investment and the release of



Ban Ki-moon: diplomacy skills to the fore

the new IFC standards, how do you assess the appetite for new initiatives?

Paul Hohnen: I think there will be a period of consolidation, as initiatives like those you mention plus the Carbon Disclosure Project and the Equator Principles gain traction. NGOs like BankTrack can be relied on to challenge breaches by Equator Principles signatories, and hopefully also non-adhering banks. We will continue to see further SRI mainstreaming, as performance data confirms that SRI investments usually do as well as, or better than, non-screened investments. The real change would be if the simmering discontent about the lack of control over hedge funds created real pressures for transparency.

Tobias Webb: But don't you see elements of CSR fatigue? The European Commission CSR policy is widely seen as having thrown the baby out with the bath water in the name of competition.

Paul Hohnen: My assessment is that we are witnessing an inevitable – and welcome – maturation of the CSR market. We are seeing less talk about what CSR is, and more doing, at least among leading companies. The concept of “responsible competitiveness” is taking root; the notion that business can build innovation, market and brand based on response to societal values. The irony is that just as the EU commission has seemingly abdicated its leadership, many leading US companies are now converts to the value of sustainable development and stakeholder engagement. Wal-Mart, Goldman Sachs, General Electric and Microsoft are all experimenting with greater stakeholder engagement and sustainability-oriented business.

Paul Hohnen: How do you see NGO views on CSR evolving? At one level we see in effect an NGO boycott of the EU Multi-stakeholder Forum, while at the company or sector level, many NGOs seem to be more prepared to work with industry leaders. It seems a long time since Brent Spar: do NGO opinions still matter to governments and business?

Tobias Webb: I think so. Do not forget government policy in many parts of the EU now reflects what many NGOs have said for years. The challenge for NGOs in 2007 is to figure out what genuine, credible transparency looks like for their sector, and then to encourage solutions that both business and government can live with.

The other major role they perform – pushing new, often radical ideas – should not and will not be diminished. The EU will need to listen to NGOs more to avoid a polarised debate, and business, I hope, will take an enlightened approach to supporting them where possible, as in the case of UK retailers and Reach chemicals legislation (in part) and climate change. The big debate of “collaborate or campaign” – and how NGOs can really do both effectively – will roll on and on. ■

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