

The CEO Agenda

'Three years ago, the word sustainability meant little or nothing to me.'

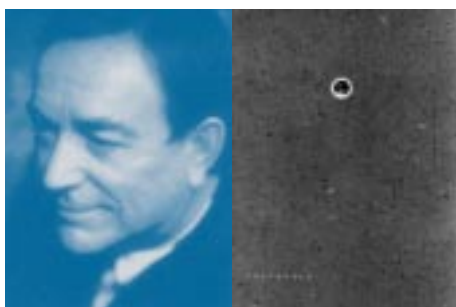
Ray C. Anderson

Chairman, Interface Inc.;
Co-Chair, US President's
Council on Sustainable
Development



Can business leaders satisfy
the triple bottom line?

Interface USA



Ray Anderson
Chairman

*Interface
Sustainability
Report*

Case 01

"It is astonishing that I am writing this today," Ray Anderson, Chairman of carpet-makers **Interface** and Co-Chair of the US President's Council on Sustainable Development, says at the beginning of his foreword. "Three years ago, the word sustainability meant little or nothing to me. For the first twenty-one years of Interface's existence, I never gave one thought to what we did for the Earth, except to be sure we obeyed all laws and regulations." Then his eyes were opened. Read his report to find out how and what Interface is doing to help build a civilisation that flies, rather than crashes and burns.

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Engaging Stakeholders 1998
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The CEO Agenda

Today
Understanding
sustainability



Tomorrow
Making it
happen

Forewords



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From Factory Fence to Boardroom

Who has been responsible for handling the triple bottom line agenda?

70s	→ 70s to 80s	→ Late 80s	→ Late 90s
1 Public Relations Managers	1 Environment Managers	1 Marketeers	1 Board Members
2 Legal Managers	2 Planners	2 Product Designers	2 Strategists
	3 Project Managers	3 New Product Development Specialists	3 Investor Relation Specialists
	4 Process Designers		

UNEP Foreword

The increasingly central role of the private sector calls for companies to manage their operations in a manner which will enhance economic prosperity, ensure environmental protection, and promote social justice. The scale of change in the transition from 'business as usual' to the 'sustainable enterprise' requires vision and leadership from the business community. The few companies that have embarked on this path should be congratulated and supported.

This is one objective of *The CEO Agenda* – to support the leaders and innovators. Another objective is to encourage other companies, of all sizes and from all countries, to integrate the 'triple bottom line' of sustainable development into their business strategies. The report draws on a wide range of sources, but the main focus is on the business leader forewords of an international sample of corporate environmental reports. We feel this 'litmus test' is interesting because this is one place where many business leaders begin to test the waters with new thinking.

We are very pleased to once again be working with **SustainAbility** on this leading-edge issue. The involvement of **The Prince of Wales Business Leaders Forum (PWBLF)** and **The Association of Chartered Certified Accountants (ACCA)** is also key to ensuring that sustainable development is a priority issue in boardrooms around the world. **UNEP** hopes you find this report useful – and looks forward to your comments.

Jacqueline Aloisi de Lardere

Director, United Nations Environment Programme, Industry and Environment

PWBLF Foreword

The triple bottom line agenda is moving inexorably from the margins of corporate life into the mainstream of corporate strategy, competitive positioning and new business development. It recognises that success in today's globalising economy is determined not only by the efficient use of economic capital, but also by the ability to build, sustain and effectively deploy human, social and natural capital.

CEOs have a critical role to play in communicating this new vision and in leading the process of change – both inside their organisations and externally. It surely is no coincidence that some of the world's most successful and respected companies are led by CEOs who are pioneering this emerging corporate agenda. A number of them are profiled in *The CEO Agenda*, which offers a 'snapshot' of how CEOs and senior managers in 100 companies are using the forewords to their environmental reports to spread the triple bottom line message. We welcome this opportunity to work with **SustainAbility**, **UNEP** and **ACCA** in moving the debate forward.

Jane Nelson

Director, Policy and Research,
The Prince of Wales Business Leaders Forum

ACCA Foreword

Ever since **ACCA** initiated its annual Environmental Reporting Award in 1991, the top criterion has been 'evidence of senior management commitment'. In *The CEO Agenda*, **SustainAbility** is asking, in effect, whether there is intelligent life at the top of our multinational companies? Are CEOs – the figureheads and public faces of the corporate sector – aware of the new realities and new potentials of the triple bottom line?

Are they prepared to start the challenging process of placing their companies at the forefront of change in this area? Even if the answer is 'no' or 'not yet', we should not be too disappointed. The research serves the very valid, pro-active task of holding CEOs to account. The report is a reminder that their words do not go unread and unnoticed.

At a time when some are trying to turn back the tide of corporate governance, **SustainAbility** and **UNEP** are to be congratulated for pushing the cause of triple bottom line governance.

Roger Adams

Head of Technical and Research,
Association of Chartered Certified Accountants

SustainAbility Foreword

Sustainable development has come in from the cold (see panel above). As a result, there will be a growing focus on the role of chief executive officers (CEOs), chief financial officers (CFOs) and boards in the sustainability transition. The *CEO Agenda* outlines some of the issues company boards of directors will face in this area.

We warmly thank Jacqueline Aloisi de Lardere and Nancy Bennet of **UNEP** for their committed, consistent support. We are also deeply grateful to the companies listed on page 18 for their financial and – in some cases – intellectual contributions. Thank you, too, to **PWBLF**, particularly Jane Nelson, and to **ACCA**, particularly Roger Adams.

John Elkington

Chairman, SustainAbility

Astra Sweden



Håkan Mogren
President and CEO

*Astra Environmental
Report 1996*

Case 02

"We are convinced that effective management of environmental work benefits the environment as well as our business activities," says Astra President and CEO Håkan Mogren. But what about social and ethical issues? Mogren does not mention that Astra's US operations had been rocked by the exposure of sexual harassment and fraud in the company. A *Business Week* exposé showed the problems involved top people at Astra USA. Is it significant that neither Mogren nor Environmental Director Lars-Göran Berquist mention sustainable development? Triple bottom line accounting and reporting principles would leave Astra no choice but to disclose such problems – and talk about planned responses.

⁰¹ John Elkington, *Cannibals With Forks: The Triple Bottom Line of 21st Century Business*, Capstone Publishing, 1997.

⁰² *Company Environmental Reporting*, UNEP/SustainAbility, 1994.

⁰³ *Engaging Stakeholders Volumes 1 and 2*, UNEP/SustainAbility, 1996.

⁰⁴ *The 1997 Benchmark Survey*, UNEP/SustainAbility, 1997.

⁰⁵ Brian N. Dickie, *The C.E.O. Agenda*, Strategy & Business, Issue 1, Fall 1995.

The CEO Agenda

Today
Environmental
Accountability



Tomorrow
Triple Bottom Line
Accountability

Introduction

This brief report highlights the findings of an international survey of chief executive officer (CEO) and other board-level perspectives on 'the triple bottom' line of sustainable development.

In the simplest terms, the triple bottom line focuses companies not simply on the economic value they add, but also on the environmental and social value added or destroyed.⁰¹ On the evidence presented here, only 11% of CEOs currently show even an embryonic understanding of the emerging agenda in this area – although this figure is a dramatic increase on the position 3–4 years ago, when the figure would certainly have been zero.

The CEO Agenda builds on a series of earlier reports *SustainAbility* has produced with the UNEP and a wide range of corporate partners. In a series of survey reports in 1994,⁰² 1996⁰³ and 1997⁰⁴ we have developed and applied a set of benchmarking tools to the latest corporate environmental reports. *The CEO Agenda* is the first of a new series of *Engaging Stakeholder* reports focusing on specific aspects of reporting: the role of boards, social reporting and the motives of non-reporting companies. All three reports should be published during 1998.

A litmus test

The survey reported in *The CEO Agenda* focuses on 100 companies from 16 sectors in a total of 18 countries. The companies covered are the same as in our *1997 Benchmark Survey* (see page 19). Note that 1996 company environmental reports are usually printed in 1997.

The focus is on the CEO or other top management forewords in these corporate environmental reports (CERs). A number of the CERs had two or more forewords, but we have concentrated on the foreword signed by the most senior executive. This is perhaps not totally fair, but we are confident that the results of the survey do give a useful indication of the state of CEO and board-level thinking. Think of the survey as a 'litmus test'. We intend to further develop our work on the role of business leaders, boards and corporate governance systems.

As far as methodology is concerned, we carried out a content analysis of the CEO forewords of the 100 company environmental reports – and then used the ten lenses of the 'transitions' first introduced in *Engaging Stakeholders* in 1996 (see back cover) for the analysis. For the purpose of the present report, we have changed the order of the transitions, so that we start with corporate governance and run through to the triple bottom line.

In the margins of this short report, you will find a series of case studies. The only case study outside the 100 companies selected for our *1997 Benchmark Survey* is *Interface* (page 2), which came in late – but caught our interest. These cases are clearly not meant to be comprehensive, nor should they be considered as endorsements of particular companies or reports. Instead, they aim to provoke the reader into thinking about different aspects of the emerging triple bottom line agenda.

Objectives

The objective of this report is to begin the process of assessing the extent of board-level understanding of the sustainable development agenda. More specifically, we have been looking for evidence of whether the triple bottom line is even acknowledged, let alone used as a framework within which to set targets and measure progress.

A linked objective is to raise awareness in boardrooms around the world. This is crucially important given that business is now playing a much more powerful role globally and that business leaders will be central in defining and delivering sustainable development. In identifying corporate leaders and laggards, we intend to signal successful – and less successful – approaches to this crucial set of issues.

The CEO agenda

So why are CEOs and boards of directors becoming involved in the area of sustainable development? Surely the 'CEO agenda' is focused on more important things, like top management organisation, corporate portfolio strategy, corporate finance, mergers and acquisitions, shareholder relations, corporate governance, government relations and risk management?⁰⁵

SAS

Denmark / Norway / Sweden

The answer, of course, is that triple bottom line concerns and priorities are now cutting across all of these areas of top management interest and responsibility.

Yet it is clear from this first survey of the board-level perspectives in CERs that most of the CEOs and other leaders do not even properly address the issue of environmental value added, let alone the wider social dimensions. There is an urgent need for further evolution in accounting methods to embrace all three dimensions of the triple bottom line.

Interestingly, even the business leaders who formally reference this challenge generally do not seem to grasp its true nature and scale. Indeed, the purpose of *The CEO Agenda* is to begin the process of helping them understand what the future holds – and what the CEO and board roles and responsibilities are likely to be.

Key findings

The overall impression left by a close reading of the CEO and senior management forewords is that most of these business leaders are still being led – rather than leading the way. But the following findings show that top management involvement in environmental reporting has exploded in recent years:

- 1 One or more of the CEO, Chairman or President signs a full 74% of the 100 CER forewords in the survey. Clearly, the vast majority of companies now want to signal top management – and increasingly – board involvement in directing the company's responses.
- 2 Another 15% of the CERs: are signed by other directors, such as Vice Presidents or Vice Chairmen only; bear the signature of the Vice President for Environment or environmental manager only; or are signed off in some other way.
- 3 Disappointingly, the final 11% of CERs surveyed had no signed foreword. These came from **BC Hydro, Danish Steel Works, Eastern Group, Fiat, Inter-Continental Hotels, Kirin Brewery, Philips, PVDSA, Saga Petroleum, Tepco and Toyota.**

4 The eight outstanding forewords were by **ABB, The Body Shop, Dow Canada, HL&H, Monsanto, Ontario Hydro, SAS and Xerox.**

5 The signed forewords which impressed us least were by **Exxon, IBM, Seiyo and WMX.** Advice on how to do better next time can be found on page 17.

6 Only 11% of the CERs displayed any understanding of the triple bottom line, whatever they called it.

It is also striking that even companies that produce good environmental reports typically fail to mention highly controversial and current social /ethical issues which reflect on their integrity – or on the quality of management control. Sweden's **Astra** (Case 02) is one example.

Headline conclusions

- 1 Governments, business organisations, companies and communities around the world are continuing to signal growing interest in sustainable development.
- 2 In doing so, companies will increasingly be held accountable against the triple bottom line – which measures economic, social and environmental value added (or destroyed).
- 3 As a result, company boards will be in the spotlight as never before.
- 4 Yet this latest **UNEP/SustainAbility** survey suggests that most boards are ill-prepared for the challenge.
- 5 Our conclusion: business leaders will need to put their boards through a form of sustainability audit to assess the strengths and weaknesses of executive and non-executive directors – and the portfolio for which they are responsible.

Clearly, this conclusion links directly to the emerging interest in assessing the value added by corporate CEOs, boards and board members.⁰⁶ But, strikingly, none of the business leaders in the survey mentioned the role of their boards in this area or discussed the corporate governance issues raised. This is a worrying finding and an area to which we intend to return in future work.



Jan Stenberg SAS Environmental President and CEO Report 1996

Case 03

Aiming its reporting at customers and the financial market, **SAS** talks of "developing profitably by delivering, in free competition, the benefits from air transportation that society demands – with optimal resource utilisation and minimal environmental impact." In his foreword, Jan Stenberg – the airline's President and CEO – sees real competitive advantages in getting the company's response right. As he reports: "In the Norwegian state's current procurement of air transportation services – a deal worth several hundred million Norwegian kroner – environmental information was an essential prerequisite for submitting a tender."

⁰⁶ Jay A. Conger, David Finegold and Edward E. Lawler III, *Appraising Boardroom Performance*, *Harvard Business Review*, January-February 1998.

The CEO Agenda

Today
Corporate
Citizenship



Tomorrow
Competitive
Strategy

The full version of the CEO Agenda
is available directly from:

www.sustainability.co.uk

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Engaging Stakeholders Publications

‘...required reading for all of us involved in preparing reports!’
Hugh Somerville
 Head of Environment
 British Airways



UNEP/SustainAbility
Engaging Stakeholders,
Volume 1: The Benchmark Survey,
 1996.

Covers international trends in corporate environmental reporting; introduces new and revised reporting and benchmarking tools; summarises the 1996 **UNEP / SustainAbility** benchmark survey results.





















UNEP/SustainAbility
Engaging Stakeholders,
Volume 2: The Case Studies,
 1996.

Focuses on the activities and perspectives of 12 very different users of corporate environmental reports, from countries as different as Sweden and Thailand – and ranging from the Danish and Dutch environment ministries, through **Greenpeace** and **CERES** to a number of financial risk rating agencies.



UNEP/SustainAbility
Engaging Stakeholders,
The 1997 Benchmark Survey,
 1997.

Analyses 100 Corporate Environmental Reports (CERs) from 16 different sectors and 18 countries. The survey identifies areas of strength and weakness in company environmental reporting and highlights examples of best practice. Part of the ongoing *Engaging Stakeholders* programme, it has been carried out by **SustainAbility** and is supported by **UNEP** and 18 participating companies.

					
Anglian Water Plc	ASG AB	Bayer AG	Bristol-Myers Squibb Co.	British Petroleum Plc	Danish Steel Works Ltd
					
Eastern Group Plc	General Motors Corporation	Imperial Chemical Industries Plc	Intel Corporation	Kooperativa Förbundet	Neste Group
					
Norsk Hydro ASA	Novo Nordisk A/S	Rhône-Poulenc SA	Rohm and Haas Co.	Royal Dutch / Shell Group	Saga Petroleum ASA

To order *The CEO Agenda* or any other *Engaging Stakeholders* publication, or for any other information, please contact **SustainAbility** at the following address:



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