

**Making Profits-Saving Earth:
Corporate Responsibility for Environmental Performance**

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A. Growing Economy, Growing Crisis

1. We are entering an Anthropocene era in which humans have become so dominant that our species, for the first time, has begun to influence global ecosystem services. Nowhere is this more obvious than the Asia-Pacific region, where continuing population growth and demand for resources (including waste “sinks”) combined with emerging middle-class affluent consumer societies will impose unbearable burdens on the planet. For the foreseeable future, Asia will be the engine driving the global economy. Clearly, a globally sustainable future is not possible without finding a way to make development in Asia and the Pacific sustainable.

2. Experience dictates that we cannot rely on governments alone to ensure sustainable growth. Although strict environmental laws and regulations must remain in force, what is needed is a significant change in behavior and practices by the region’s 50 million business enterprises, held in check by robust partnerships with civil society and governments.

B. The Tidal Wave of Pressures

3. Economic growth and environmental protection are often seen as opposing forces. However, increasing evidence worldwide shows that the private sector is expected to do more to pursue the goals and objectives of sustainable development. There is a looming “tidal wave” of pressures coming from external forces, which companies in the Asia-Pacific region can no longer ignore.

4. Public-private partnerships, predominantly in the northern hemisphere, are being formed to achieve environmental objectives. In the corporate sector, commercial banks, stock exchanges, and insurance companies are requiring borrowers to demonstrate environmental commitment. Chambers of commerce are embracing charters of sustainable development. Global environmental performance standards are becoming a badge of good corporate governance and are being passed on to small and medium enterprises (SMEs) through supply chain relationships with multinational corporations.

5. Reflecting growing awareness of the critical environmental issues facing the planet, consumers are demanding evidence that goods were produced in a sustainable manner and are prepared to boycott companies suspected of ignoring environmental and labor laws. Environmentally and socially responsible investment funds are shunning poor environmental performers and rewarding “green” companies. Anti-globalization activists armed with modern communication technologies are demanding greater accountability. Corporate annual reports are increasingly expected to cover social and environmental performance. Stockholder advocates are pushing wide-ranging resolutions at annual meetings.

6. So far, much of this pressure has emphasized voluntary commitment by corporations, but the trend is inexorably towards more mandatory requirements.

Companies in the Asia-Pacific region will be gradually, but surely, caught up in these worldwide trends.

7. For those companies in Asia-Pacific that recognize this worldwide trend and are prepared to move towards compliance with environmental regulations and standards, it is often a confusing mélange of requirements, coming from commitments of their governments to global standards and treaties, from national governments formulating strategic plans and standards, subnational and sectoral standards, and industry standards, eco-labels, and benchmarks. Sorting through these requirements and deciding on which ones to comply with, requires better information from regulators and industry associations. The good news is that a relatively new set of regulations and standards is emerging from public-private partnerships that will guide negotiations among partners who were previously viewed as "enemies." Voluntary agreements and co-regulation, that allow firms to decide on how best to meet agreed standards, are likely to replace or supplement outmoded command and control (or end of pipe) regulations.

C. A Sustainability Toolkit for Corporations

8. Once the inexorable global trends are realized and the corporation has identified how to distinguish between "hard" and "soft" standards in the national landscape, the question remains how to implement changes within the corporation that will lead towards, and hopefully beyond, compliance. Fortunately, there is an emerging toolkit of internal change processes comprising environmental management systems (such as ISO 14001), environmental auditing and accounting, environmental reporting, and internal management changes to ensure that these tools are mainstreamed into the business and are not some public relations add-on. Although many of these tools were developed in OECD countries, they can (and often must be) adapted to differing cultural and environmental conditions in Asia and the Pacific.

9. From a company perspective, in addition to this emerging "stick" of greater stakeholder expectations, time-consuming partnerships, increasing government regulation, and internal change processes (which all seem to imply additional costs), there is the "carrot" of possibly expanding business opportunities afforded by the progress towards sustainable development.

10. Opportunities for both new and for old businesses to meet new consumer demand for "green" products are flourishing. Millions of new jobs are being created in the environmental goods and services industry, although generally, companies in developing Asia-Pacific have been slow to capitalize on these opportunities. Research and development for environmental goods and services is even contributing to the "brain drain" from developing countries. One particular challenge is for governments and corporations to enter into partnerships to create opportunities for the top scientists and technologists to stay put and have their creations and innovations promoted by entrepreneurial firms in the region.

D. Emerging Technologies—Solutions in the Wings?

11. Despite recognizing these global trends, some laggard firms in Asia and the Pacific may still believe that there is no need to move towards or beyond compliance, either because they think they can still fly under the radar screen of regulation or new technologies are coming along that will make the environmental concerns of the past few

decades obsolete. While some technologies such as nanotechnology and biotechnology may offer the promise of doing so, they could also make many old-style businesses in the region equally obsolete. Information technologies and the phenomenal growth of e-business, tailoring production to precise consumer demands, and just-in-time production systems may make the old hierarchical corporate forms obsolete. The business community in the region, dominated by family-owned firms, state-owned enterprises, and small and medium enterprises needs to be aware of these trends, participate in finding solutions to environmental problems, and be ready to adopt new opportunities. Blissful ignorance is no longer an option.

E. Partnering for a Sustainable Future

12. Governments and other institutional actors in the Asia-Pacific region need to play "catch up" and create an enabling environment that will allow firms in the region to leapfrog over outmoded policy approaches and technologies. Partnerships are key, and the challenges daunting. But the alternative—the consequence of continuing down the current path of environmental degradation—is unthinkable. Global sustainability depends on what happens in Asia-Pacific over the next 20 to 50 years. If this region cannot achieve sustainability, then the rest of the world cannot compensate for its failure.

13. Corporate responsibility for environmental performance in the Asia-Pacific region is the subject of an investigative report being prepared by Asian Development Bank (ADB) for the Asian Environment Outlook 2005. This is the second in a series of overview reports on key issues affecting the region's environment and it will be released early next year. The bottom line of the investigation is to determine if the myriad companies in Asia and the Pacific can form productive partnerships with national governments, civil society, and other stakeholders to lead the way to an environmentally sound and sustainable future. Or, in a rapidly globalizing world, driven by revolutionary changes in technology and communications, are many of the region's corporations doomed to obsolescence? If they are to participate, what do governments and organizations like ADB need to do to create the most effective enabling environment? What role should consumers, stockholders, advocacy groups, and civil society play in reforming the region's environmental laggards?

14. To ensure a sustainable course for the Asia-Pacific region and for the rest of the world, we must form meaningful partnerships between and among governments, businesses, civil society, and other stakeholders. Only by working together can we lessen the burden of regulatory control, help create new business opportunities, and harness the power of corporations to address the massive environmental challenges in Asia and the Pacific.