THE GLOBAL 100

CLASS OF 2014

LEGEND

GICS INDUSTRY GROUP

Auto.	Automobiles & Components
Banks	Banks
Cap.	Capital Goods
C.D.A.	Consumer Durables & Apparel
Con.	Consumer Services
Diver.	Diversified Financials
En.	Energy
F.B.T.	Food, Beverage & Tobacco
F.S.R.	Food & Staples Retailing
Health	Health Care Equipment & Services
House.	Household & Personal Products
Insur.	Insurance
Mat.	Materials
Media	Media
Pharm.	Pharmaceuticals
Real E.	Real Estate
Retail	Retail
Semi.	Semiconductors
Soft.W.	Software & Services
Tech.	Technology Hardware
Tele.	Telecommunications
Trans.	Transportation
Util.	Utilities

COUNTRIES

Aust.	Australia
Belg.	Belgium
Braz.	Brazil
Can.	Canada
Den.	Denmark
Fin.	Finland
Fran.	France
Ger.	Germany
H.K.	Hong Kong
Ire	Ireland
Italy	Italy
Jap.	Japan
N.L.	Netherlands
Nor.	Norway
Port.	Portugal
Sing.	Singapore
S.A.	South Africa
S.K.	South Korea
Spain	Spain
Swed.	Sweden
Swit.	Switzerland
U.K.	United Kingdom
U.S.	United States

METRICS

ENERGY PRODUCTIVITY Revenue per gigajoule of energy consumption

CARBON PRODUCTIVITY Revenue per metric tonne of direct/indirect GHG emissions

WATER PRODUCTIVITY Revenue per cubic metre of water withdrawn

WASTE PRODUCTIVITY Revenue per cubic metric tonne of waste produced net of waste recycled/used

% TAX PAID Taxes paid in cash, as a percentage of EBITDA

% OF WOMEN SR. EXECUTIVES Percentage of women in executive management

CLEAN CAPITALISM PAYLINK At least 1 sr. executive's compensation tied to clean capitalism-themed performance targets

CEO-TO-AVERAGE WORKER PAY How much more CEO gets paid (expressed as multiple compared to average worker)

U.S. AND CANADIAN COMPANIES INCREASE THEIR SHARE OF THE WORLD'S MOST SUSTAINABLE CORPORATIONS.

BY DOUG MORROW

Human beings have a predilection for measurement, and throughout our history we have shown great aptitude for pushing out the boundaries of what can be measured. In fields as varied as human genetics, sports research and economics, new measurement tools have greatly improved our understanding of the world, and allowed us to break apart and analyze topics that were once unassailably knotted.

And so it is with corporate sustainability, a topic that *Corporate Knights* has been thinking about and measuring since 2005, when the first iteration of the Global 100 Most Sustainable Corporations ranking was released.

The Global 100 is not the only analytical framework for measuring corporate sustainability, but few can match its longevity, its commitment to transparency, or the credibility that it holds in both the sustainability and investment worlds.

The notion of measuring corporate sustainability is inherently challenging, but the intellectual and financial importance of carrying out this assignment has never been higher. While forecasts of any sort should be discounted with an appropriate degree of skepticism, one does not have to be a prophet of doom to recognize there are a great number of complex, systemic challenges on the horizon that businesses, governments and communities will have to manage.

These include climate change, resource depletion, urbanization, population growth and rising fossil fuel prices.

Projects such as the Global 100, driven by company performance on a series of specialized environmental, social and governance metrics, provide first-level insight into how companies are exposed to these sorts of events.

As has been written about extensively in the pages of this magazine, the Global 100 is, above all, an exercise in data. Companies are scored and ranked based on their performance on a suite of 12 metrics, each of which is quantitative in nature. Examples include a company's revenue divided by its energy use, the total remuneration of a company's CEO compared to the average salary across its workforce, or a company's lost-time injury rate.

The Global 100 incentivizes disclosure and transparency; companies that measure their sustainability performance but stop short of publicly disclosing it will be at a disadvantage. Only data that is publicly disclosed – in annual reports, corporate sustainability reports or through other channels – can be used in the Global 100.

As might be expected, the methodology behind the Global 100 has evolved over the last 10 years. The reporting practices of the world's publicly traded companies have changed dramatically since 2005, and the Global 100 has had to keep pace. For instance, an 11th indicator, Employee Turnover, was added in 2011, and a 12th, Pension Fund Status, in 2012. Other indicators, such as Leadership Diversity, have been refined over the years.

Despite this evolution, the singular objective of the Global 100 has remained constant – to identify the 100 most sustainable corporations on Earth.

Which brings us to the Class of 2014. Based on its strong across-the-board sustainability performance, Westpac Banking came out in top position. Headquartered in Sydney, Australia, Westpac is one of the largest banks in Australasia, with annual revenues of $42 billion and over 36,000 employees (see page 52 for company profile).

The Top 5 were rounded out by Biogen Idec, the U.S.-based biotech firm; Outotec, a Finnish mining technology and capital goods company; Norwegian oil giant Statoil; and Dassault Systemes, a French company that specializes in the production of 3D design software. The geographic and sector diversity of the Top 5 is a clear sign that the drive to do business more sustainably is not specific to particular regions or industries. It's a global, multi-sector response to global challenges with economy-wide impacts.

Still, some countries do stand out. Perhaps the most striking feature of the 2014 Global 100 is the concentration of U.S. and, to a lesser extent, Canadian companies. There are 18 U.S. companies in the 2014 class, up from 10 in 2013. Canadian companies trail slightly with 13, up from 10 a year ago.

What makes this latest distribution interesting is that the U.S. and Canada significantly outperformed – or out-represented – a large number of sustainability heavyweights, including the United Kingdom (8), Germany (7), Sweden (5) and Denmark (1). There's no indication that U.S. or Canadian companies benefited from any specific government policies, which shows that companies can (and do) push for sustainability excellence in the absence of policy incentives.

Corporate sustainability will always be a challenging concept to measure, and management teams will commit to improving corporate sustainability performance for many different reasons, including hard ones (reduced costs or higher revenues) and soft ones (improved brand and corporate reputation). But we can be sure that over time, with access to more and better data, we will come closer to identifying what it means to operate as a sustainable business.

RANK	COMPANY	GICS INDUSTRY GROUP	COUNTRY	ENERGY PRODUCTIVITY	CARBON PRODUCTIVITY	WATER PRODUCTIVITY	WASTE PRODUCTIVITY	% TAX PAID	% OF WOMEN SR. EXECUTIVES	CLEAN CAPITALISM PAY LINK	CEO-TO-AVERAGE WORKER PAY	OVERALL SCORE
1	Westpac Banking Corporation	Banks	AUST.	$45,715	$230,409	$87,094	$36,125,446	34%	18%	100%	80:1	76.5%
2	Biogen Idec Inc	Pharm.	USA.	$4,743	$64,980	$9,930	$2,413,150	23%	11%	100%	N/A	75.3%
3	Outotec OYJ	Cap.	FIN.	$16,277	$197,377	$38,732	$1,568,753	30%	8%	0%	20:1	74.2%
4	Statoil ASA	En.	NOR.	$482	$8,145	$11,133	$231,286	50%	20%	50%	11:1	74.0%
5	Dassault Systemes SA	Soft.W.	FRAN.	$13,318	$200,940	$51,545	$35,728,702	16%	22%	50%	22:1	74.0%
6	Neste Oil OYJ	En.	FIN.	$910	$6,203	$3,090	$816,966	7%	11%	100%	13:1	69.2%
7	Novo Nordisk A/S	Pharm.	DEN.	$5,540	$74,881	$5,446	$1,017,324	23%	14%	100%	22:1	68.8%
8	Adidas AG	C.D.A.	GER.	$24,693	$274,493	$55,077	$6,341,181	20%	28%	0%	66:1	68.0%
9	Umicore SA	Mat.	BEL.	$2,206	$22,988	$3,441	$298,077	11%	0%	100%	41:1	67.8%
10	Schneider Electric SA	Cap.	FRAN.	$7,332	$67,178	$12,534	$1,584,581	15%	13%	50%	116:1	66.5%
11	Cisco Systems Inc	Tech.	USA.	$7,257	$63,778	$20,024	$37,056,315	18%	27%	50%	58:1	66.2%
12	BASF SE	Mat.	GER.	$633	$3,757	$46,167	$41,406	25%	17%	100%	65:1	66.2%
13	Bayerische Motoren Werke AG	Auto.	GER.	$6,193	$75,317	$25,937	$8,914,608	12%	13%	50%	82:1	65.9%
14	Aeroports de Paris	Trans.	FRAN.	$1,973	$23,945	$2,157	$103,004	16%	8%	50%	19:1	65.8%
15	ASML Holding NV	Semi.	N.L.	$6,096	$64,725	$10,123	$45,513,113	12%	0%	0%	36:1	65.4%
16	The Sage Group PLC	Soft.W.	U.K.	$11,120	$86,259	N/A	N/A	21%	13%	0%	22:1	65.3%
17	Keppel Land Limited	Real E.	SING.	$8,071	$57,369	$2,882	N/A	19%	33%	50%	62:1	65.1%
18	UCB SA	Pharm.	BELG.	$3,071	$45,925	$4,585	$3,763,240	20%	22%	50%	13:1	65.1%
19	Australia & New Zealand Banking Group Limited	Banks	AUST.	$45,405	$193,897	$255,242	$21,574,310	13%	23%	50%	102:1	64.9%
20	Sigma-Aldrich Corporation	Mat.	U.S.A.	$1,336	$11,844	$1,424	$6,290,173	22%	17%	0%	60:1	64.7%
21	Life Technologies Corporation	Pharm.	U.S.A.	$5,293	$43,072	$8,190	$2,295,658	18%	13%	50%	N/A	64.2%
22	Tim Hortons Inc	Con.	CAN.	$14,075	$92,209	$45,537	N/A	25%	25%	50%	N/A	63.6%
23	Natura Cosmeticos SA	House.	BRAZ.	$12,078	$475,321	$13,035	$689,175	22%	25%	50%	N/A	63.3%
24	Bombardier Inc	Cap.	CAN.	$3,684	$53,868	$8,359	$1,201,856	7%	22%	50%	71:1	63.0%
25	Commonwealth Bank of Australia	Banks	AUST.	$78,280	$369,640	$297,087	N/A	12%	31%	50%	51:1	62.4%

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26	Centrica PLC	Util.	U.K	$386	$5,131	$56	$2,195,277	21%	17%	50%	52:1	62.2%
27	Siemens AG	Cap.	GER.	$6,280	$41,885	$9,567	$1,381,167	18%	15%	100%	116:1	61.9%
28	Croda International PLC	Mat.	U.K.	$443	$9,088	$238	$65,996	21%	18%	50%	17:1	61.9%
29	StarHub Ltd	Tele.	SING.	$4,497	$31,869	$77,053	$15,763,305	10%	36%	0%	31:1	61.6%
30	Shinhan Financial Group Co Ltd	Banks	S.K.	$35,287	$146,548	$60,703	$51,631,081	4%	4%	50%	N/A	60.8%
31	Hang Seng Bank Ltd	Banks	H.K	$41,427	$226,385	$83,615	$19,742,102	15%	33%	0%	51:1	60.4%
32	Stockland	Real E.	AUST.	$4,159	$14,496	$1,797	$169,072	1%	0%	100%	12:1	60.2%
33	Banco Espirito Santo SA	Banks	PORT.	$23,750	$301,483	$83,569	N/A	5%	30%	0%	9:1	60.2%
34	Samsung Electronics Co Ltd	Semi.	S.K.	$1,550	$23,861	$2,602	$4,928,699	13%	8%	50%	N/A	60.1%
35	Wolters Kluwer NV	Media.	N.L.	$12,028	$126,994	$67,618	N/A	12%	50%	100%	41:1	60.0%
36	Geberit AG	Cap.	SWIT.	$3,177	$28,504	$14,360	$1,109,461	15%	7%	0%	30:1	59.9%
37	Monsanto Company	Mat.	U.S.	$628	$6,290	$149	$747,353	17%	15%	50%	142:1	59.2%
38	Scania AB	Cap.	SWED.	$5,303	$60,620	$22,969	$864,721	15%	13%	0%	37:1	58.9%
39	City Developments Ltd	Real E.	SING.	$11,906	$83,126	$3,540	N/A	13%	22%	0%	N/A	58.6%
40	Vivendi SA	Tele.	FRAN.	$6,801	$85,393	$69,299	$16,775,107	11%	0%	100%	104:1	58.5%
41	Teck Resources Limited	Mat.	CAN.	$220	$3,252	$55	$119,920	11%	3%	100%	84:1	58.3%
42	Swiss Re AG	Insur.	SWIT.	$101,517	$2,435,000	$137,983	$25,473,846	18%	0%	0%	34:1	58.2%
43	Coca-Cola Enterprises Inc	F.B.T.	U.S.	$2,991	$37,623	$1,343	$40,848,764	13%	36%	0%	183:1	57.3%
44	SAP AG	Soft.W.	GER.	$6,738	$115,253	$22,564	$2,086,076	21%	17%	0%	151:1	57.1%
45	L'Oreal SA	House.	FRAN.	$10,543	N/A	$9,876	$4,555,152	22%	20%	0%	65:1	57.1%
46	Atlas Copco AB	Cap.	SWED.	$8,425	N/A	$21,469	$4,286,843	20%	22%	0%	57:1	55.9%
47	Duke Energy Corporation	Util.	U.S.	$8	$160	$52	$1,701,090	0%	0%	100%	N/A	55.8%
48	Koninklijke Philips Electronics NV	Cap.	N.L	$2,210	$37,411	$6,563	$1,578,403	15%	20%	100%	57:1	55.7%
49	Bank of Montreal	Banks	CAN.	$16,317	$194,051	$20,985	$26,988,387	5%	21%	50%	79:1	55.6%
50	Motorola Solutions Inc	Tech.	U.S	$6,983	$49,251	$10,886	$3,685,593	27%	15%	0%	N/A	55.4%

DRIVING INNOVATION THROUGH THOUGHT LEADERSHIP

Canadian businesses shaping our future through the Global Compact Network Canada.

Nancy Ladenheim
CEO, Bryan Mills Iradesso

Sustainability is no longer an option for leading corporations. It has become the critical ingredient to achieving brand integrity across all sectors. Leaders are embedding sustainability into the DNA of the organization and its brand promise.

Barrick is proud to be part of the Global Compact Network Canada, where we are working with other Canadian members to advance the UN's development goals, sharing ideas, creating best practices and promoting ethical conduct, all in support of a more sustainable global economy.

Jamie Sokalsky
President and CEO, Barrick Gold Corporation

Darren Entwistle
President and CEO, TELUS

The TELUS team believes there is a symbiotic relationship between our company, our team and the health and prosperity of our communities. We foster this relationship through our triple bottom line approach to business, focusing on the social, economic and environmental sustainability of the communication and health solutions we provide Canadians.

Global Compact Network Canada

Building the capacity of Canada's corporate sector and empowering businesses to become architects of a better world is what the Global Compact Network Canada is achieving today. With over 10,000 signatories in over 130 countries, committed to ten universally accepted principles, the United Nations Global Compact is the world's largest voluntary corporate responsibility initiative.

HUMAN RIGHTS LABOUR ENVIRONMENT ANTI-CORRUPTION

New business thinking and models must be deployed. We must show the courage and foresight to measure the things that we do not yet know how to measure. The United Nations Global Compact is an important vehicle for gathering international, credible voices and effecting meaningful change.

John Coyne
Vice President, Legal and External Affairs, Unilever Canada Inc.

Kevin Coon
Managing Partner-Canada, Baker & McKenzie LLP

International Human and Labour Rights, Environment and Anti-Corruption are fundamental areas of reputational and legal risk facing companies in today's global marketplace. The Global Compact is at the forefront of promoting those principles and engaging stakeholders in advancing compliance.

As a Canadian company celebrating 100 years of responsible resource development, Teck is proud to support the work of UN Global Compact LEAD in advancing sustainability across industry.

Don Lindsay
President and CEO, Teck

George Cope
President and CEO, BCE and Bell Canada

As Canada's first telecom signatory to the United Nations Global Compact and the first certified to the ISO 14001 standard, the Bell team is proud of our sustainability leadership.

Canadian companies yearn for collaboration opportunities and global best practice knowledge. The Global Compact Network Canada empowers companies to become architects of a better world.

Helle Bank Jorgensen
Head of the Global Compact Network Canada

Learn more about Global Compact Network Canada and get involved in working groups, peer reviews, and learning programs:

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Follow: **@UNGCCanada**

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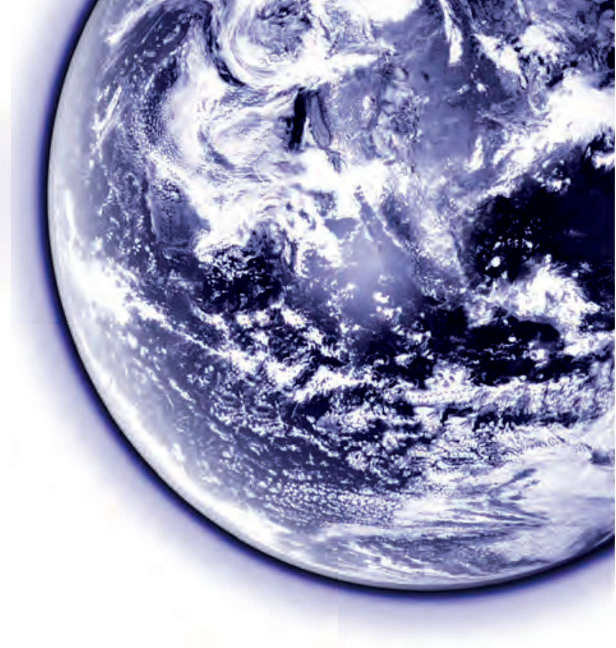
51	Royal Dutch Shell PLC	En.	N.L.	$481	$5,767	$2,301	$149,969	40%	0%	100%	27:1	55.2%
52	Cenovus Energy Inc	En.	CAN.	$220	$2,916	$1,228	$19,768	12%	13%	100%	67:1	55.1%
53	Suncor Energy Inc	En.	CAN.	$137	$1,850	$269	$16,111	14%	10%	100%	57:1	54.9%
54	Prologis Inc	Real E.	U.S.	$31,220	$259,369	N/A	N/A	13%	13%	0%	N/A	54.9%
55	Telefonaktiebolaget LM Ericsson	Tech.	SWED.	$9,490	$94,550	N/A	$2,101,617	2%	27%	50%	67:1	54.8%
56	Galp Energia SGPS SA	En.	PORT.	$541	$6,733	$2,049	$720,882	N/A	8%	50%	34:1	54.6%
57	Johnson & Johnson	Pharm.	U.S.	$5,035	$56,813	$5,949	$868,258	15%	17%	50%	N/A	54.6%
58	CapitaLand Limited	Real E.	SING.	$903	$5,684	$326	$43,453	20%	27%	50%	101:1	54.3%
59	General Electric Company	Cap.	U.S.	$2,908	$30,197	$5,238,872	$1,517,210	12%	26%	50%	145:1	54.3%
60	Daimler AG	Auto.	GERM.	$3,743	$41,908	$9,612	$1,615,074	15%	13%	0%	125:1	54.2%
61	Agilent Technologies Inc	Pharm.	U.S.	$6,779	$56,213	$5,402	$2,414,534	10%	26%	50%	173:1	54.1%
62	Acciona SA	Utilit.	SPAIN	$815	$11,152	$948	$15,124	5%	15%	50%	110:1	54.0%
63	Electrocomponents PLC	Tech.	U.K.	$8,473	$97,142	$37,039	$2,923,418	18%	0%	0%	22:1	54.0%
64	H&M Hennes & Mauritz	Retail	SWED.	$5,160	$51,575	$8,843	$7,171,033	25%	35%	50%	44:1	54.0%
65	Daiwa House Industry Co Ltd	Real E.	JAP.	$3,539	$72,758	$3,648	$653,678	22%	0%	0%	46:1	54.0%
66	Mitsubishi Heavy Industries Ltd	Cap.	JAP.	$3,499	$80,172	$3,486	$2,154,449	19%	0%	0%	80:1	53.4%
67	Intact Financial Corporation	Insur.	CAN.	$22,233	$414,243	N/A	N/A	N/A	32%	100%	N/A	53.4%
68	Weyerhaeuser Company	Real E.	U.S.	$53	$2,644	$288	$38,617	18%	27%	50%	N/A	53.0%
69	Eisai Co Ltd	Pharm.	JAP.	$4,423	N/A	$2,208	$1,469,056	24%	9%	0%	25:1	52.8%
70	TELUS Corporation	Tele.	CAN.	$2,277	$27,549	$19,791	$1,606,517	37%	13%	100%	220:1	52.5%
71	BG Group PLC	En.	U.K.	$179	$2,440	$9,606	$255,851	27%	0%	100%	N/A	52.5%
72	Staples Inc	Retail	U.S.	$4,952	$137,778	$22,864	$608,175	18%	20%	50%	135:1	52.3%
73	BCE Inc	Tele.	CAN.	$3,329	$69,882	N/A	$6,159,975	2%	15%	50%	141:1	52.1%
74	Nissan Motor Co Ltd	Auto.	JAP.	$3,603	$35,654	$4,225	$3,480,966	8%	0%	50%	464:1	51.6%
75	Enbridge Inc	En.	CAN.	$428	$4,162	N/A	N/A	6%	25%	100%	183:1	51.1%



Making a world of difference.

TELUS takes its responsibility to protect the environment to heart, and we are honoured to be a Global 100 company for the fourth time.

We're passionate about moving information and ideas instead of people and paper. Our Future Friendly Workplace leverages TELUS technology to allow employees to work where it makes sense for them and our customers. In 2013, this program **eliminated** 15.6 million kilometres of travel, **reduced** CO_2 emissions by 3,707 tonnes, and **returned** 924,264 hours to employees.

Our corporate footprint must also be sustainable, and so we are proud of our LEED Platinum and Gold buildings, including the TELUS House developments in Toronto, Ottawa and Québec City, as well as TELUS Sky (Calgary) and TELUS Garden (Vancouver), two new developments slated to be amongst the most environmentally-friendly sites in North America.

To view our social responsibility report please visit **telus.com/csr**

GLOBAL100

TELUS
the future is friendly®

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76	Encana Corporation	En.	CAN.	$142	$1,032	$150	N/A	12%	22%	100%	72:1	50.9%
77	Ricoh Co Ltd	Tech.	JAP.	$4,586	$51,099	$5,429	$5,464,734	17%	0%	50%	57:1	50.5%
78	EMC Corporation	Tech.	U.S.	$5,731	$52,397	$27,258	$531,852	7%	13%	50%	126:1	50.5%
79	Sun Life Financial Inc	Insur.	CAN.	$8,592	$150,164	$496,185	$2,069,744	20%	18%	50%	N/A	50.3%
80	Storebrand ASA	Insur.	NOR.	N/A	N/A	$431,385	$36,065,493	4%	38%	0%	6:1	50.3%
81	London Stock Exchange Group PLC	Diver.	U.K.	$7,903	$54,103	$57,204	$17,422,911	19%	11%	50%	26:1	50.2%
82	LG Electronics Inc	C.D.A.	S.K.	$4,698	$33,503	$3,921	$903,270	10%	0%	50%	37:1	49.9%
83	Husqvarna AB	C.D.A.	SWED.	$3,347	$26,866	$3,383	$743,355	12%	0%	0%	19:1	49.8%
84	Johnson Controls Inc	Auto.	U.S.	$2,154	$17,992	$6,524	$165,693	18%	22%	50%	N/A	49.6%
85	British Sky Broadcasting Group PLC	Media	U.K.	$17,142	$109,878	$75,446	$9,752,919	18%	22%	0%	62:1	49.5%
86	Nestle SA	F.B.T.	SWIT.	$699	$13,514	$663	$67,097	17%	8%	50%	N/A	49.2%
87	Alcatel-Lucent	Tech.	FRAN.	$3,900	$31,790	$7,240	$3,634,545	9%	10%	0%	19:1	49.1%
88	Hess Corporation	En.	U.S.	$803	$6,498	$3,123	$289,143	27%	11%	50%	N/A	48.9%
89	Muenchener Rueckversicherungs AG	Insur.	GER.	$49,384	$557,971	$93,346	$11,199,319	10%	0%	100%	40:1	48.2%
90	The Toronto-Dominion Bank	Banks	CAN.	$10,180	$135,498	$10,085	$18,888,394	16%	27%	100%	114:1	47.9%
91	Intesa Sanpaolo SpA	Banks	ITALY	$7,537	$203,424	$9,502	$129,162,783	N/A	39%	0%	46:1	47.8%
92	Wesfarmers Ltd	F.S.R.	AUST.	$1,985	$12,021	$4,527	$376,032	30%	7%	100%	214:1	47.2%
93	Unilever PLC	F.B.T	U.K.	$2,174	$30,135	$1,518	$10,457,341	18%	0%	0%	209:1	47.1%
94	Roche Holding AG	Pharm.	SWIT.	$4,502	$59,188	$2,452	$751,407	16%	18%	0%	N/A	46.9%
95	BRF - Brasil Foods SA	F.B.T.	BRAZ.	$399	$28,616	$190	$329,090	4%	18%	50%	N/A	46.6%
96	Campbell Soup Company	F.B.T.	U.S.	$815	$10,298	$325	$187,985	21%	20%	50%	N/A	46.5%
97	Danone SA	F.B.T.	FRAN.	$1,796	$15,407	$457	$98,997	9%	10%	50%	102:1	45.7%
98	Kesko OYJ	F.S.R.	FIN.	$2,757	$60,030	$12,193	$2,268,232	23%	25%	0%	48:1	45.7%
99	Novartis AG	Pharm.	SWIT.	$2,935	$34,325	$598	$427,442	11%	0%	50%	114:1	45.4%
100	Essilor International, Compagnie Générale d'Optique	Health	FRAN.	$3,333	$81,203	$2,143	$282,900	27%	17%	0%	54:1	42.4%

G100 CLASS OF 2014

TOP 5 BY SECTOR

CONSUMER STAPLES

NATURA COSMETICOS S.A.	BRAZIL	63%
COCA-COLA ENTERPRISES, INC.	UNITED STATES	57%
L'OREAL S.A.	FRANCE	57%
NESTLE	SWITZERLAND	49%
WESFARMERS LIMITED	AUSTRALIA	47%

FINANCIALS

WESTPAC BANKING CORPORATION	AUSTRALIA	77%
KEPPEL LAND LIMITED	SINGAPORE	65%
AUSTRALIA & NEW ZEALAND BANKING GROUP LIMITED	AUSTRALIA	65%
COMMONWEALTH BANK OF AUSTRALIA	AUSTRALIA	62%
SHINHAN FINANCIAL GROUP CO LTD	SOUTH KOREA	61%

HEALTH CARE

BIOGEN IDEC INC	UNITED STATES	75%
NOVO NORDISK A/S	DENMARK	69%
UCB S.A.	BELGIUM	65%
LIFE TECHNOLOGIES CORPORATION	UNITED STATES	64%
JOHNSON & JOHNSON	UNITED STATES	55%

INDUSTRIALS

OUTOTEC OYJ	FINLAND	74%
SCHNEIDER ELECTRIC S.A.	FRANCE	67%
AEROPORTS DE PARIS	FRANCE	66%
BOMBARDIER INC.	CANADA	63%
SIEMENS AG	GERMANY	62%

INFORMATION TECH.

DASSAULT SYSTEMES S.A.	FRANCE	74%
CISCO SYSTEMS, INC.	UNITED STATES	66%
ASML HOLDING NV	NETHERLANDS	65%
SAGE GROUP PLC	UNITED KINGDOM	65%
SAMSUNG ELECTRONICS CO., LTD.	SOUTH KOREA	60%

MATERIALS

UMICORE S.A.	BELGIUM	68%
BASF	GERMANY	66%
SIGMA-ALDRICH CORPORATION	UNITED STATES	65%
CRODA INTERNATIONAL PLC	UNITED KINGDOM	62%
MONSANTO COMPANY	UNITED STATES	59%

NUMBER OF TIMES ON THE GLOBAL 100

10	Adidas AG	8	Enbridge Inc	6	L'Oreal SA
10	Kesko OYJ	8	Neste Oil OYJ	6	BG Group PLC
10	Unilever PLC	8	Westpac Banking Corporation	6	Royal Dutch Shell PLC
10	Novo Nordisk A/S	8	Sun Life Financial Inc	6	Statoil ASA
10	SAP AG	8	Atlas Copco AB	6	Storebrand ASA
10	Ricoh Co Ltd	8	Koninklijke Philips Electronics NV	6	Geberit AG
10	Centrica PLC	7	Roche Holding AG	6	Mitsubishi Heavy Industries Ltd
9	Danone SA	7	General Electric Company	6	Electrocomponents PLC
9	Agilent Technologies Inc	7	Scania AB	6	BASF SE
8	H&M Hennes & Mauritz	6	British Sky Broadcasting Group PLC		

G100

FROM BEHIND THEIR CURTAIN, THE WIZARDS OF WESTPAC AIM TO TAKE CORPORATE RESPONSIBILITY TO THE NEXT LEVEL, ALL WHILE INCREASING VALUE FOR SHAREHOLDERS.

THE WONDERFUL BANK OF OZ

BY TARA PERKINS

The company that stands above all others in this year's *Corporate Knights* Global 100 ranking is a firm that has been at the forefront of the sustainability movement for decades, and that continues to stay ahead of the curve.

Westpac Group is Australia's oldest bank – in fact, one of the country's oldest companies with roots tracing back to 1817. Its latest annual report boasts that between 2012 and 2013 its customer base rose from 11.8 million people to 12.2 million, its profits climbed from $5.97 billion Australian to $6.82 billion, and its return on equity increased from 14 per cent to 15.4 per cent.

But it also notes that the bank's emissions from in-house activities and energy purchases in Australia and New Zealand fell from 183,937 tonnes CO2-equivalent to 180,862 tonnes, while its total indirect emissions (excluding energy purchases) were reduced from 91,855 tonnes to 85,013 tonnes. At the same time, the use of office paper fell from 1,579 tonnes to 1,523 tonnes.

Westpac is not perfect – the percentage of its pre-tax profits going to community investment dropped from 1.5 in 2012 to 1.33 in 2013 – but it has demonstrated its ability to challenge itself, measure its progress and provide transparency in terms of both its successes and shortcomings.

In 1992, Westpac became the first of Australia's four major banks to publish an environmental policy. In 1997, it was the first to create a formal community-volunteering program, and in 2001 it established a board committee dedicated to sustainability. A year later, the bank became the first of its peers to publish a sustainability report and to establish a sustainable supply chain policy. It endorsed the UN principles for responsible investment in 2007, and in 2008 launched a five-year climate change strategy.

These actions have produced results. Between 1996 and 2008 the bank reduced its emissions by more than 40 per cent. It recently became a carbon-neutral operation.

Last February, after much thought, Westpac took its sustainability ambitions a step further and launched a new strategy for 2013 through 2017 that includes 10 measurable goals in what it deemed to be three areas of priority: improving the way people work and live, finding solutions to environmental challenges, and helping customers to have a better relationship with money.

The resulting "sustainability scorecard" for the coming years was the outcome of much brainstorming and work by both the bank's sustainability people and its senior leaders.

"It was time to really take it up to the next level and look at the future and understand what are the emerging issues," says Siobhan Toohill, Westpac's head of sustainability.

The work involved a thorough assessment of what Westpac sees as the key issues that will emerge over the next 30 years. The 10 objectives it set include extending the length and quality of working lives, anticipating the future needs of aging and culturally diverse customers, providing products and services to help customers adapt to environmental challenges, and increasing lending and investment in clean technology and environmental services.

Westpac is already making progress toward its new goals. The proportion of women in its leadership ranks has risen to 42 per cent, up from 40 per cent in 2012 and 35 per cent in 2010. It has earmarked $6 billion for lending and investment by 2017 in clean technology and environmental services (including renewable energy, water efficiency and waste management activities), which amounts to a doubling of its current investment in the sector. And it has recently introduced new technology to further reduce wasted printed paper.

The bank is now trying to lower its electricity consumption at both its retail and commercial sites by 10 per cent per square metre, make its data centres more efficient and increase the recycling rate at its head office in Sydney to 75 per cent. It is also at the forefront of the burgeoning social investment sector, and has begun spending much time on social impact evaluation.

Westpac recently led a consortium with the Commonwealth Bank of Australia and the Benevolent Society (Australia's first charity) that won a tender from the New South Wales government to issue a $10-million five-year social benefit bond.

Funds from the bond, issued in early October, have been used to create a service called Resilient Families, which will seek to reduce the number of children who wind up in foster care. The senior tranche of the bond will return anywhere from zero to 10 per cent per year, depending on how successful the program is at preserving families, with the returns being paid from the funds the government will save on foster care.

"We see this broader area around impact investing growing, and we're excited to be at the front end of helping to design initiatives," Toohill says.

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For more than 90 years, we have been helping people like Nancy Johnson live better lives. Today, Nancy Johnson is one of 382 million people living with diabetes.[1] Unless things change, by 2035, she could be one of 592 million.[1]

We have the industry's most comprehensive insulin portfolio, making it easier for people with diabetes to control their condition and live longer, healthier lives.

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G100

IT STARTS BY RECOGNIZING THAT DIFFERENT INDUSTRIES HAVE DIFFERENT MOTIVATIONS.

BY ELIZABETH KURUCZ AND ANDREE GOSSELIN O'MEARA.

HOW TO CREATE SUSTAINABLE LEADERS

In an era of diminishing resources where ecosystems are under intense pressure and human systems are increasingly challenged by social and economic issues, the question arises time and again: how best to address these problems and who will lead the way forward?

Wicked problems of sustainability are complex and require the collaborative efforts of economic, environmental and social actors. Traditionally, coordination of such activities has come from political leaders, often at the national level, where policy levers can direct attention and behaviour for individuals and industry toward commonly held social and environmental goals.

Countries such as Sweden and Denmark have been recognized for their foregrounding of sustainability as part of their national agenda, where creating a sustainable society is a key country goal and well-being is defined in economic, social and environmental terms.

Canada has slipped significantly in recent years from its position on the world stage as a leader in environmental policy innovations. The creation of a Federal Sustainable Development Strategy, where all federal departments and agencies are required to set goals and targets and report on these in a three-year cycle, seemed to move in a promising direction, but has not resulted in any discernible progress to date. Political pundits routinely point to the unwillingness of the Canadian government to take a leadership role on key sustainability issues such as climate change, which has further eroded its international reputation in this domain.

This is not, in fact, an exclusively Canadian problem. The Rio+20 talks were heavily criticized for their inability to build clear momentum toward change, hampered by the hesitancy of most countries to stake out a leadership position on global issues of sustainability. In an era of austerity cuts and financial belt tightening it seems that national interests prevail over biosphere concerns, and economic priorities trump environmental and social value creation. Beyond the rhetoric of sustainability as a "feel good" story, a substantive approach with real implications for policymakers appears to be a decidedly unpopular vision for national leaders. This comes at a time when strong government support appears most critical.

Despite the seemingly grim implication of this inaction, or perhaps because of it, alternatives to government leadership are increasingly pursued by those seeking opportunities to positively impact pressing global issues.

More frequently the focus is turning to the corporate world to lead the way, for the flexibility, resources and potential for innovation that sits in contrast with the cumbersome structures and lagging processes of government bureaucracy. What would have been heresy even 20 years ago has now become our last best hope. But how might corporations fulfil this promise?

David Wheeler, president of Cape Breton University in Nova Scotia, has long advocated for the development of a uniquely Canadian vision of sustainability with the potential to set the country apart and give rise to more robust business models, catalyzing innovation and entrepreneurship across every sector of the economy. Over a decade ago, he initiated Sustainable Canada, a multi-sector study bringing together academics across a range of disciplines with government, civil society and private sector partners, to explore the potential of Canada to brand itself as a leader in sustainability.

Numerous opportunities were identified through this research for organizations in diverse sectors such as finance, forestry, energy and tourism to engage in sector-specific activities to advance sustainability and strategically position their companies internationally. What was lacking in most of these companies, however, was a mindset to connect the idea of sustainability with their core business operations and to use this vision to frame their strategic thinking.

A comprehensive review of the academic literature on the "business case" for sustainability, undertaken in 2008 by Wheeler and colleagues Elizabeth Kurucz and Barry Colbert, identified four distinct modes of value creation used by organizations as the rationale for building such a business case: cost and risk reduction, competitive advantage, reputation and legitimacy, and synergistic value creation. These approaches move along a spectrum from a primarily trade-offs approach focused on sustaining the organization itself, toward a more fulsome integration of stakeholder interests to manage for sustainability.

The findings from that meta-analysis and a related three-year project on Leadership for Sustainability suggested that rather than driving toward one definition or identifying the steps to building a more sustainable organization, no one approach will fit all. However tempting, reducing sustainability to a simple prescription appears to decrease effectiveness by increasing the risk of fragmented, rather than integrative thinking.

The implications of these findings for leaders are described by Kurucz and her colleagues in the book *Reconstructing Value: Leadership Skills for a Sustainable World*, which synthesizes the struggles of hundreds of practising managers across private, public and not-for-profit sectors. Leaders in organizations that have adopted a sustainability vision are trying to make sense of this societal ideal by translating it to their own day-to-day experience. Despite often strong personal motivations and beliefs that sustainability is a worthwhile pursuit, without a context-specific rationale for why their organization should engage in sustainability-focused business practices, the ideas did not gain significant traction or transform their business operations, products or services.

This meta-analysis, along with the insights from practising managers in sustainability-minded organizations, point toward the critical importance of engaging in sustainability conversations that give leaders the opportunity to connect their own business imperatives with a vision of sustainability to motivate participation and enhance the potential to drive value creation for multiple stakeholders.

A question raised through this work is whether some business cases are more prominent in one sector than another and, if so, could this inform policymakers' decision making about how to motivate organizations to engage in a sustainability journey.

MULTI-SECTOR GOVERNANCE INNOVATIONS HOLD PROMISE

A study by Andree Gosselin O'Meara in 2013 explored this question by comprehensively examining the signals that companies across various sectors send to indicate their display of leadership in sustainability. The study focused on 180 companies from the largest six sectors of the Canadian economy (as per the number of companies represented in each sector of the Toronto Stock Exchange). A review of 10 metrics and 14 activities used by each company to signal its leadership in sustainability, supported by interviews with industry experts, identified striking differences among the sectors in what motivates companies to participate in sustainability.

Cost and risk reduction appeared as the main motivation for companies in Consumer Discretionary and Consumer Staples categories, while competitive advantage was the focus for those in Energy, Financials and Industrials. Reputation and legitimacy was the main concern for Materials companies, and while very few were motivated by synergistic value creation, there was moderate interest from the Financials, Industrials and Consumer Discretionary sectors.

The research results suggest there is good potential to identify leverage points to engage organizations in sector-specific conversations about sustainability that can help build momentum across the economy. They also reveal that very few organizations have yet to think about the full potential of sustainability by moving beyond trade-offs toward integrating stakeholder interests to resolve complex problems.

So the question then is: With the leadership challenges at the national level, and such diverse corporate interests, how best to advance these conversations?

A significant surge in new approaches to environmental governance led by the private sector and civil society reveals a range of experiments taking place. Efforts focused on the potential for multi-sector and trans-disciplinary initiatives to yield transformational outcomes acknowledge that addressing sustainability issues requires recognizing and understanding the different priorities of various stakeholder groups, but then refocusing attention on issue resolution, rather than foregrounding individual, sector or national interests.

One such experiment at the regional level is an approach initiated by collaborative civil society organization Sustainable Waterloo Region in Ontario. Since 2008, its flagship Regional Carbon Initiative has attracted over 60 member companies who have made or are working on specific public commitments toward carbon-emission reduction, supported by the region's measurement framework, education forums and public recognition of achievements. This model is currently being replicated in other Ontario regions through a new scaled-up initiative, Sustainability CoLab, launching January 2014.

Multi-sector governance innovations such as this hold potential for us to collectively make progress in addressing issues facing our commonly held resources. Understanding the different motivations for sector partners to engage in sustainability initiatives can help foster these multi-sector collaborations; bringing them together in meaningful conversations can help identify creative ways forward that organizations have difficulty envisioning on their own.

To start these conversations, leaders need to develop the skills to engage all stakeholder groups to challenge their assumptions about business as usual, and to unleash an entrepreneurial approach to governance that generates context-specific solutions to complex global issues. Fostering this form of leadership in our own communities and organizations and focusing on solutions within our own sphere of influence will counteract the cynicism that the fairy tale of heroic leadership in government or industry inevitably produces. In this way, we might craft a new narrative together that will help build a more sustainable world.

THE CASE FOR CLEAN CAPITALISM

MBA STUDENTS FROM AROUND THE WORLD ARE PARTICIPATING IN THE INAUGURAL **BUSINESS FOR A BETTER WORLD CASE COMPETITION,** A PARTNERSHIP BETWEEN CORPORATE KNIGHTS AND THE SCHULICH SCHOOL OF BUSINESS AT YORK UNIVERSITY IN TORONTO. ONLY THREE TEAMS REMAIN.

BY JEREMY RUNNALLS

TEAM DUQUESNE

As a magazine dedicated to harnessing the private sector for good, one demographic we have worked hard to influence for the past 10 years has been business school students. It is for this reason that we continue to push for institutional changes to MBA programs worldwide through our Global Green MBA Ranking. To further engage with students this year, *Corporate Knights* teamed up with the top-ranked program – the Schulich School of Business – to design a case competition.

Using the well-established methodology from the Global 100 ranking (see page 38), students were tasked with building a case for what steps international energy company and competition sponsor Suncor Energy could take over the next 10 years to become a top environmental, social and governance (ESG) performer in its sector.

Teams were asked to apply 12 of the most widely disclosed and tracked sustainability indicators to improve Suncor's performance on the Global 100. They were also required to factor in long-term economic, social and environmental conditions that may affect Suncor's business, mostly through incorporation of the 2050 unburnable carbon scenario established by the Carbon Tracker Initiative. These two features have made the contest unique among the world's responsible business case competitions.

The selection of Suncor as both the sponsor and the case study was specifically made to capitalize on the ongoing debate over the ecological and financial impact of the Athabasca oil sands. Building a sustainable future will ultimately involve the widespread decarbonization of the economy, but *Corporate Knights* believes that fossil-fuel extraction companies should make every effort in the meantime to improve their ESG performance.

After reviewing proposals from 28 teams, and two rounds of judging, three groups remain. Two teams hail from the United States – Duquesne University and the Monterey Institute of International Studies – while the third team is pursuing studies at the Stockholm School of Economics in Sweden.

Not only did the three teams demonstrate a sharp understanding of the ESG circumstances faced by Suncor as an energy company, they stood out with incisive suggestions on how to secure the company's prosperity over the long term. While all three teams were adamant about the need for Suncor to diversify its energy portfolio, they differed significantly in their strategies for improving its ESG performance and thus moving up the Global 100 ranking.

The team from Duquesne believes Suncor should capitalize on partnerships with enterprises that provide technological innovation to the oil sands operators. Emerging technologies such as SAGD Lite and N-Solv may, according to the team, improve performance in water, energy and carbon management.

The students from Monterey took a more strategic approach. While the team made several suggestions for improved performance on a number of indicators, the plan for Suncor is to slowly transition out of the oil sands business and increase its focus on alternative sources of energy such as cogeneration.

The Stockholm team concentrated on the need for long-term targeted investments, along with a number of tactical initiatives largely aimed at the four resource-productivity indicators addressing energy, emissions, water and waste. This team also provided insights into the promotion of leadership diversity through implementation of a mentoring program. Plans were further outlined for establishing a direct link between compensation and improvement in resource productivity at both the executive and employee levels.

The final three teams will get a chance to present their case analysis in front of a live panel of high-profile judges on January 24 at the prestigious World Economic Forum in Davos, Switzerland. The panel includes McKinsey managing director Dominic Barton, KPMG global head of sustainability assurance Wim Bartels, and global corporate sustainability leader at Ernst & Young, Nicky Major.

Photos courtesy of Team Duquesne

G100

CSR RATINGS: DOES MORE INFORMATION ADD MORE VALUE?

BY DROR ETZION, MAGALI DELMAS AND NICHOLAS NAIRN-BIRCH

The ascendance of socially responsible investing as a viable financial strategy has been accompanied by a similar proliferation of ratings schemes for assessing corporate social responsibility. Simply, if investors want to allocate their funds with SRI principles in mind, they need data that will allow them to make informed decisions. Indeed, over 50 rating methodologies for assessing environmental and social performance have been developed, more than a third of them since 2005. At some point, this may have become too much of a good thing.

"We're awash in metrics," said Allen White, co-founder of the Global Reporting Initiative at a recent conference.

Indeed, as more ratings systems emerge, it becomes less likely for each new methodology to provide unique or supplemental information. True, different ratings use different criteria, different methodologies, different weighting schemes and, perhaps most importantly, data from different sources. More information can yield more richness and greater analytical precision, but too much information can also be distracting and confusing.

So, does more information add more value? We decided to examine the extent to which dimensions of CSR behaviour used by various rating organizations are in fact complementary or redundant. Rather than examining a specific rating scheme in isolation, we selected ratings data drawn from multiple sources – in essence, mimicking the approach of a savvy investor with a range of information sources at her disposal.

Specifically, we looked at the ratings produced by three organizations: KLD, Trucost and Sustainable Asset Management (SAM). All three are highly visible not only to investment managers and executives but also to general audiences more broadly. For example, the Newsweek Green Rankings lean on data from KLD and Trucost, while the Dow Jones Sustainability Indexes draw on data from SAM.

More importantly for our purposes, each is designed differently. KLD ratings are based on publicly available information from media providers and do not rely on data provided by the companies themselves. SAM's methodology relies primarily upon company responses to sustainability questionnaires. Trucost, meanwhile, imputes a score for each firm based on government census and survey data, industry data and statistics, and national economic accounts, and then quantifies the environmental impacts and damage costs associated with these extractions.

In our study, we used a statistical technique called principal components analysis. It is commonly used in the social sciences to distill a large set of variables to a small set that retains most of the information. These small sets of variables, called principal components, are uncorrelated to each other, meaning that each captures a distinct aspect of the original data. Our analysis revealed that integration of the KLD, SAM and Trucost rating schemes generates two distinct components of CSR performance:

- **The process dimension captures the management practices and systems that firms put into place to improve their CSR performance.**

- **The outcome dimension captures the impact of these practices and systems on people and the planet.**

The fact that there are two distinct and independent dimensions implies that processes and outcomes are much less linked than we would perhaps expect. Companies may excel at reporting, governance and the utilization of environmental management systems, yet still emit substantial amounts of pollution. Or, more cynically, they may put in place such processes "just for show" rather than actively pursuing meaningful outcomes. Moreover, process measures can be easily communicated by companies (e.g., "all our facilities are ISO 14000 certified"), and perhaps more easily fed into rating schemes.

As a second step, we examined to what degree the two dimensions were associated with market value. We found, of the two, the process dimension is more aligned with market value. Perplexing at first glance, yes, but it actually makes a lot of sense. If process measures are more abundant and can more easily be fed into ratings methodologies, they will influence market valuation.

In a perfect world, these processes would translate into expected outcomes. However, as our analysis demonstrates, processes and outcomes are distinct dimensions. Consequently, market performance corresponds to processes, but not outcomes. Put differently, markets can only respond to information available to them. So, if process measures are more easily integrated into rating schemes, then that is the information made available for investors.

Yet it is outcomes – with their tangible and material impacts on people and the planet – that ultimately matter. Our market systems, it seems, are not yet capable of embracing this fact.

The bottom line is that failure to improve the meaningfulness of CSR ratings may jeopardize the confidence that investors place in socially responsible investing, potentially undermining its credibility and raison d'être.

The conclusion is somewhat grim, but there is hope. As sophistication, transparency and market interest in CSR increase, investors are likely to become increasingly judicious in deciding which actions taken by a firm are truly oriented to real impact.

Illustration by Dave Murray

G100

HAVING SERVED THE PAST 44 YEARS AS BOTH AN ENVIRONMENTALIST →
LORD DEBEN KNOWS A THING OR TWO ABOUT GETTING THE MESSAGING →

THE ELDER STATESMAN

The Right Honourable Lord Deben has seen it all. The former chairman of the British Conservative Party, cabinet minister and current member of the House of Lords has held almost every prominent political position possible in Britain. A longtime environmental advocate, he introduced the groundbreaking Landfill Tax in 1993 while serving as the environment secretary under John Major. British NGO Friends of the Earth has described him as "the best environment secretary we've ever had," while the BBC has repeatedly listed him as the "Parliamentarian who did most for the environment internationally."

Lord Deben, whose name is John Selwyn Gummer, has showed no signs of slowing down since joining the upper chamber in 2012. He was appointed later that year to serve as chairman of the U.K.'s independent Committee on Climate Change, which is tasked with monitoring Great Britain's efforts to meet its carbon reduction goals. He continues to chair numerous other organizations such as leading recycling firm Valpak and the NGO, GLOBE International.

Not known for shying away from controversy, as agriculture minister in the 1990s he grabbed headlines after feeding his four-year-old daughter a burger during the height of the mad cow scare. In December, he enraged fracking opponents after endorsing new legislation meant to facilitate natural gas extraction in the U.K.

Corporate Knights recently sat down with Lord Deben to hear his thoughts on the sustainability movement, resource scarcity and the role of business in combating climate change.

CK: What are the fundamental building blocks of a sustainable society?

LORD DEBEN: They start with the key things that all societies need: food, water and energy. Food is the biggest issue for me, as we are moving into an entirely different world involving greater scarcity and supply constraints. A comprehensive sustainable food policy demands that you tackle these issues in a holistic manner.

One of the biggest agents of change, supermarkets around the world have not yet come to terms with the fact that their business model is soon to go bust. What Walmart and Tesco and others really ought to be concerned about is that you can't simply dominate the market anymore. You can't force your suppliers to reduce prices if their raw materials are rising significantly, and this is especially true if you have nowhere else to go. The switch away from boasting about a lack of contracts with suppliers to highlighting the presence of long-term deals has been very noticeable in the past five years. Tesco, for example, are now constantly talking about having all of these long-term contracts, because they are being forced to protect themselves. It's partially because they are very big, so you can't make adjustments in the way you were once able to. There are only two companies in the world that have the capacity to meet Tesco's demand for plastic bags. The need to build relationships with smaller producers is set to revolutionize the marketplace.

CK: Which mechanisms are needed to help preserve and protect our water resources?

LORD DEBEN: You have to take the Coca-Cola concept, which involves putting every

Illustration by Dave Murray

AND A BRITISH CONSERVATIVE POLITICIAN, RIGHT. **BY TOBY HEAPS AND JEREMY RUNNALLS**

THE THING ABOUT PURITANISM IS THAT IT NEVER WINS. | IF THE GREEN MOVEMENT LOOKS LIKE A KILLJOY MOVEMENT, IT WILL NOT SUCCEED.

drop back. It's a very simple process. By the nature of the way in which water is created, you can, through rainwater harvesting, through efficiency and other tools, reduce the amount of water you use to a level at which you can put it all back. I'm rather in favour of moving from water neutrality to something more than that, so that it's water "plus." This means that all industry that has the ability to actually increase the amount of water available should be doing so. We need to treat water as a renewable substance, whose renewal depends on us. So you build a circular logic into the system, which will require a significant psychological adjustment across society. Essential to this is becoming much tougher on the consumers of water, particularly on the commercial side.

CK: You've spoken out in favour of a carbon tax. How do we go about selling it to the general public?

LORD DEBEN: The most important thing is that you price carbon, and you do so using the British Columbia model. What it does is offset green taxes by lowering other taxes concurrently. What has been problematic in Britain, and one thing I've warned against all my life, is that green taxes should either be the replacement for other taxes, or they should be directly hypothecated for ends with which they're connected. So you can have a congestion charge, if it directly pays for the expansion of the tramway. To do that, there's one other trick that British Columbia adopted. To assuage the public's fears, you have an outside body that ensures every penny raised by a carbon tax goes to reducing other taxes at the same time. That's absolutely crucial.

CK: What are some of your greatest frustrations with the green movement today?

LORD DEBEN: The first thing is the puritanical streak that remains quite prevalent. This is about practicality. I'm not a puritan, and the idea that there's something wrong with our society because people are able to travel, or people are able to be warm, is just not true. When people sound like that, and they very often do, it's a very damaging thing. The thing about puritanism is that it never wins. If the green movement looks like a killjoy movement, it will not succeed. There's not enough emphasis on the idea that the world we are trying to create will be a better world, a more exciting world and a safer one.

If we don't present our policies properly, we give the deniers another hook in order to sell their gospel of comfort and ease. They will continue on convincing people that everything will be alright, right up until disaster strikes. We need to be smart enough, or else it will be exploited. The biblical notion of being as wise as serpents and as gentle as doves is absolutely spot on. We're often as gentle as doves but not as wise as serpents.

The third thing is that we're not going to win this battle unless business is at the forefront. There's nothing stronger than the market. Now, the market will need to be corrected to account for some very important elements that are currently missing, but the point remains that the market will be the one making the difference.

CK: What role do you see business playing in carving out policies that move us towards a more sustainable future?

LORD DEBEN: Business has the capacity to see in what direction the world is moving, and to prepare itself for it. The cheapest way for business to meet the demands of the new world has always been to do it in the course of business. Delaying until regulation or popular demands require an immediate change in the business model is needlessly disruptive. Gradual adoption is much more cost-effective for business. So it must be consistently ahead of the curve, because that is the nature of good business leadership. Now, this does not mean pure guesswork. T.S. Eliot said one step ahead means that you're a genius, but two steps ahead means that you should start looking out for men in white coats. You mustn't ask business to be so far ahead of society that you can't make any money, but one step ahead ensures continued viability.

For those businesses that see the writing on the wall, a greater demonstration of peer pressure is needed. As it stands, the naysayers and worst companies are almost always able to get the ear of government. A good example comes from when I was working to ban Tributyltin, the stuff you used to paint on the bottom of yachts. There were three big paint companies, and two of them were progressive. One was extremely reactionary, and it was much more effective at getting its views out to the general public. Now, I did win that battle, but it was an important lesson. Today, in Britain, the vast majority of good, big businesses are supportive of the policies we have in place for climate change. At the same time, the Engineering Employers Federation is demanding that we go slower. The rest of business has to be explaining to Britons the need to ignore the naysayers, not remaining silent on the sidelines.