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***The Growing Importance of Corporate Social Responsibility***

***The Living Planet- Past and Present***

Thank you. Distinguished Guests, Young Leaders, Ladies and Gentlemen:

I am going to start by referring to a date which should be etched in everyone's memory. No, it's not the one you are thinking about. It's actually the 9 July 2002, when WWF launched the The Living Planet Report. The Living Planet Report is WWF's periodic update on the state of the world's ecosystems - as measured by the Living Planet Index (LPI). We don't have time today to go into the details of this, but I would like you to think of the living planet index as being the environmental equivalent of Dow Jones or Nasdaq.

However, look at what happened, between 1970 and 2000, the Living Planet Index declined by about 35%. Put quite simply, this means that we have lost one-third of the earth's natural wealth, within the space of a single generation!

The Living Planet Report also looks at the human pressure exerted on nature through the consumption of renewal natural resources and we measure this by something called The Ecological Footprint (EF). The Ecological Footprint is a measure of the consumption of renewable natural resources by a human population, (this can be a family, a community, a country, a region or the whole world). A population's EF is the total area of productive land or sea required to produce all the crops, meat, seafood, wood and fibre that the population consumes, to sustain the population's energy consumption, and to give space for its infrastructure. The EF of any population can be compared with the biologically productive capacity of the land and sea available to that population.

Well, let's take the Earth as a whole. The Earth has about 11.4 billion hectares of productive land and sea space. But divided between the global population of six billion people, this total equates to just 1.9 hectares per person.

The EF of the world average consumer in 2000 was 2.3 hectares per person, or 20% above the earth's biological capacity of 1.90 hectares per person.

In other words, humanity's present rate of consumption now clearly exceeds the planet's current capacity to regenerate renewable natural resources.

In fact, quite ironically, humanity's ecological deficit with the Earth started right about the time most of our young leaders were born.

Also, while the EF of the average African or Asian consumer was less than 1.4 hectares per person, the average Western European's footprint was about 5 and the average North American's was about 9.6. This means that in fact 300 million North Americans use as much of the Earth's resources and have as much impact on the natural ecosystems of this planet as the 2 billion Pacific Asians we referred to earlier. Or if we look at it in another way, if everyone alive on the planet today has the future aspiration to have the same standard of living as North Americans enjoy, we would need the resources of 5 planets to meet those needs. But, of course, it is rather unfortunate, but we have only one planet.

### ***What will the Future Be Like?***

We can maintain this global overdraft on a temporary basis by eating into the earth's capital stocks of forest, fish and fertile soils. This is shown by the continuing decline in the number of forest species, freshwater species and marine species. We also dump our toxic wastes into the rivers and oceans, and dump our excess carbon dioxide emissions into the atmosphere. None of these activities are sustainable in the long-term - the only sustainable solution is to live within the biological productive capacity of the earth.

However, current trends are moving humanity away from achieving this minimum requirement for sustainability, not towards it. Furthermore, future projections based on likely scenarios of population growth, of economic development and technological change, as well as demand for meat and fish, cereals, and forest products, taken all together, show us that: The human population of 2050 will need the resources of between 1.8 and 2.2 planets as productive as our present day earth, to meet their demands!

Of course, it is very unlikely that the Earth would be able to run an ecological overdraft for another 50 years without some severe ecological backlashes undermining future economic growth and human well-being. Many people would say that this has already started to happen, for example, with global climate change. In fact, it is predicted that the Human Welfare Index which may improve another 20% in the next 20 years, will start to go into decline around 2025.

From all of these trends, we can see why it is very clear that by the time you Hitachi Young Leaders of 2002 are at the peak of your professional careers, environmental issues and problems will be even more significant, and of even more pressing concern than they are today.

All of you, whether you are leaders in either the public or private sector, will be living in a world with fewer animals such as elephants and tigers in the forests, fewer fish in the sea, less clean drinking water, more chemical contamination of your food, and more greenhouse gasses in your atmosphere.

### ***Taking Control of our Destiny***

The picture I have painted so far, is a rather gloomy one. I am sure you would agree, that it would be much better to try to take control of our own destiny rather than to leave it to the course of events outlined in the scenario above. If we are to return to a sustainable development pathway (i.e. to eliminate our ecological deficit), we need on the one hand to maintain the biological productive capacity of the earth, and on the other hand we need to reduce our Ecological Footprint.

To reduce our Ecological Footprint we need to:

- improve the resource-efficiency with which goods and services are produced.
- consume resources more efficiently, and redress the disparity in consumption between high and low income countries.
- control population growth through promoting universal education and health care.

Changes in corporate practice are essential. Although corporations are often part of the problem, they undoubtedly are part of the solution as well. According to the Institute of Policy Studies (1995), of the world's top 100 economic entities, 51 were corporations and only 49 were countries. Corporate engagement is key to transforming markets, to changing domestic and international law and for adopting and promoting best practice.

WWF, works with progressive elements in business and industry to:

- promote and demonstrate corporate environmental leadership
- develop best environmental practices
- catalyse change at sectoral and political levels
- increase environmental awareness and of course,
- to provide the financial support that we need for our own conservation activities

In some cases, our relationship with a company is only about funding; in some cases it is only about the conservation benefits to be gained by improving the practices of the company, and in some cases the relationship involves a mixture of both the Conservation Agenda and the Cash Agenda, as well as the Communications Agenda.

I hope having seen the information I have presented to you, you share my conclusion that there is a very definite and growing need for companies to show greater environmental responsibility to help secure a better common future for all of us. But why should businesses bother to make the effort now? Why should they want to be more environmentally responsible today? Well, there are many influences exerting themselves on company behaviour. We could spend all day talking about this but here are just a few.

- 4 out of 5 people say social and environmental responsibility is important in forming a judgement of a company.
- 84% of consumers say they have a more positive image of a company if it is doing something to make the world a better place.
- 87% of employees of companies involved with good causes feel a strong sense of loyalty to their company.
- 130 million American consumers continue to say that if price and quality are equal, they are likely to switch to a brand or retailer associated with a good cause.

Now these all based on research in the U.S. and Western Europe, but I am sure that these same trends would become apparent in Asia in the very near future. All things considered, it is therefore easily possible for many companies to build a competitive advantage with increased employee loyalty, and increased brand loyalty of consumers,

through demonstrating increased environmental responsibility and better stewardship of natural resources.

So how can they do it? With a "Business as Usual" approach, as business grows, so does the environmental impact of that business. The challenge for "Environmentally Responsible" businesses is to continue to grow while consistently minimizing environmental impacts.

The first step along this road is obviously full compliance with all existing environmental rules and regulations, along with transparency, accountability and environmental reporting. The next step is "eco-efficiency", which includes using raw materials more efficiently, using less water and energy in production processes, producing less waste, re-using and recycling as much of it as possible; using more efficient packaging and distribution, etc.

This is all rather straightforward. However, the third and most difficult step is "Changing the Rules of the Game". This includes everything from changing the long-term business visions and missions of companies (e.g. the idea of changing from being a motor vehicle manufacturer to becoming a mobility services provider) and changing the consumer's perception of what is a good or desirable product (a good car that is desirable to have should be one that is small, with high fuel efficiency and zero emissions). But I think if we are all honest with ourselves, that is not the kind of car we would all like to drive today.

### ***Corporations and NGOs- The New Symbiosis for a Better Environment***

A major hurdle for companies to overcome is that consumers are generally skeptical. Industry is ranked as the least trustworthy information source (only believed by 2% of people) just behind political parties (3%). In this respect, Business and industry can benefit greatly from working together with environmental NGOs who are considered trustworthy by over 50% of people.

WWF's developing Global Conservation Partnership with Coke is a good example of this. It is relevant to three parts of WWF's Mission - our targets for freshwater, climate change and toxic pollution.

The three pillars of the relationship are:

- 1) The internal practices of in the context of Environmental Leadership/Best Practice - Coke is committed to greatly reducing the amount of clean freshwater used in its production process.
- 2) Global Conservation Action in important Freshwater Ecosystems - Coke will fund some of WWF's important river basin and wetlands conservation activities.
- 3) Public Awareness Raising - Coke and WWF will work together to raise awareness of freshwater conservation.

At the other end of the spectrum, the Corporate Club in Thailand is a Corporate Membership Programme, open to all companies who are interested in supporting WWF's work in Thailand. The relatively small membership fee is the start of an "entry-level" relationship which is basically low-cost/low-benefit, but allows WWF and the companies to have the opportunity get to know each other better. In some ways this is like a courtship - if we decide we like each other we will continue the relationship, starting to get a little bit more serious as the days weeks and months pass by, finally if both sides are committed enough we will go on to develop a more meaningful long-term relationship, hopefully giving birth to some great things in the future!

So, if Hitachi or even The Banyan Tree would be interested in joining our club in Thailand, you are more than welcome.

To summarise, I feel the sooner any company starts to "walk the talk" of environmental responsibility, the quicker it will build its advantage, and the stronger position it will have in the marketplace of the future. Also, I am convinced that the single most important aspect of leadership is vision. To be a great leader in the future, you need to have a great vision, and you need to have the right skills to get others to believe in your vision, to commit themselves to it, and finally to turn it into a reality.

In conclusion, I will say quite clearly to you, that as future leaders in a world where the environment will be even higher on the public agenda than it is today, you will not get to the top, and you will not be able to stay at the top, if you do not have a strong vision of the environment and corporate environmental responsibility. I can only urge you as strongly as possible to start formulating that vision right now!

Thank you.