

Georg Kell  
Executive Director  
United Nations Global Compact

As prepared for  
**Sustainia Award Ceremony**  
The Danish Royal Theatre  
30 October 2014

## **A Silent Revolution is Taking Place**

### **CORPORATE SUSTAINABILITY HAS GROWN**

**We have over a decade of progress showing that business and investors around the world increasingly see the connection between the bottom line and the health of societies.**

- Corporate responsibility initiatives, standards and activities are booming at national and global levels. What began as a peripheral, ethical movement has evolved into a mainstream, strategic corporate practice.

**I can say with confidence that a truly global movement is underway, changing markets from within.**

- In an interdependent and transparent world, it is increasingly true that long-term financial success goes hand-in-hand with social and environmental responsibility and sound ethics. The business case for sustainability has evolved significantly in the past 15 years.

**A vanguard of companies in all key markets is taking action.**

- At the Global Compact launch in 2000, roughly 40 companies came together with a dozen labour and civil society leaders to commit to universal principles. Today, the Global Compact stands at more than 8,000 companies and 4,000 non-business signatories based in 145 countries.
- Our participants represent nearly every industry sector, size, and come equally from developed and developing countries. The idea and practice of responsible business has been rooted in all continents, from China to Chile, Mexico to India, Norway to South Africa. We have 100 country networks which are convening companies and acting on key issues at the ground level.

- The spread of this movement was unthinkable just 15 years ago when few companies in even progressive markets were considering their impact on the environment and society.

**We see corporate sustainability becoming the DNA of business culture and operations. Quality drives change.**

## **THE GOOD – THE EVIL, THE TWO FACED PRACTICES**

**While we have made much progress, we still have a long way to go. Companies are making commitments, defining goals and setting policies at high rates, but still have much work to do to on the action steps.**

- For example, 65 percent of Global Compact companies develop sustainability policies at the CEO level, but only 35 percent train managers to integrate sustainability into strategies and operations. **There is a clear gap between what companies “say” and what they “do”.**
- Examples of human rights violations, worker exploitation, environmental destruction and corruption by business are still being revealed. The fact is that until sustainable business practices are rewarded by markets and supported by Governments, companies devoid of responsibility will keep winning contracts, cutting corners and seeking profits at any cost.

**Companies and investors both observe that the case for aligning words with action often comes down to spending money effectively and efficiently.**

- Inconsistent or uninformed policy influence is a waste of time and money. This could include money spent on lobbying, trade association membership, political or research organizations, or even how companies allocates their pension plans.

**Short-termism in investment markets is a major obstacle to companies embedding sustainability in their strategic planning and capital investment decisions.**

- Investing for the short-term destroys value, yet institutional investors are key sources of short-term pressure. In order to address this issue, a long-term approach makes sense for both asset owners and companies, because it allows for increased focus on long-term value drivers and management of different forms of capital.

**Too many trade associations are built on ideologies of the past.** Forty-five of the Global 500 companies reported to CDP in 2014 that they are board members of a trade association with climate positions inconsistent with their own. Their responses suggests that:

1. Companies seem to take a few common approaches;
2. Some companies choose to take no action at all; and
3. There is much room for more active engagement.

**Companies are not conveying a consistent message, including through their engagement in trade associations.**

- Multiple individuals, not always under the same direct management, may each be communicating a company's views on climate policy.
- For everyone familiar with Doctor Jekyll and Mr Hyde, they also had this strange relationship. Jekyll asks his lawyer to make sure a will is carried out. **Doctor Jekyll reassures:**

*"The moment I choose, I can be rid of Mr. Hyde".*

Jekyll is ready to make the obvious choice, to choose responsibility, to choose "good" the moment he is ready for it.

And we can see that companies are becoming ready:

- At the UN Private Sector Forum during the Climate Summit, **Feike Sijbesma, CEO of Royal DSM** concluded:  
*"Business should stop lobbying against the obvious."*
- The **Rockefeller Brothers Fund**, built with profits from their great-grandfather's Standard Oil Company, is now selling investments in the fossil fuel industry in a move to pressure companies that are adding to climate change. Rockefeller Brothers will divest from investments in fossil fuels by joining a group of institutions and individuals who will abandon companies reliant on coal and tar sands.
- For the first time, large companies or large industrial groups are deciding to leave the chambers of commerce and business associations because these institutions oppose progressive policies on climate. Recently **Unilever** ended its membership of BusinessEurope, hinting at tensions over the lobby group's stance on environmental policies and sustainability issues. **Microsoft** also ended its relationship and funding arrangements with the American Legislative Exchange Council (ALEC), a controversial United States lobby group accused of seeking to thwart ambitious renewable energy and climate change policies.

**The time is over for two-faced activities.**

## **PEOPLE AND CONSUMERS ARE MOBILIZING**

**The number of people concerned about our climate and more importantly engaging on climate action has grown enormously in the last few years.**

- In New York during Climate Week we saw the largest climate march in history, with 400,000 people demonstrating in the streets alongside UN Secretary-General Ban Ki-moon and advocates like actor Leonardo DiCaprio.
- Consumers are also demanding sustainable products.

**An irreversible silent revolution is taking place.**

## **POLITICAL MOMENTUM IS BUILDING**

**The UN Secretary General's Climate Summit in New York on 23 September was a breakthrough.** The prospects for a meaningful universal climate change agreement in Paris 2015 look optimistic:

- **China and the United States**

China, the largest emitter of greenhouse gases, expressed for the first time it was ready to act and pledged last month to cut its emissions by 45 percent compared to 2005 levels.

The United States, the largest emitter per capita, pledged to implement more stringent emissions standards for power plants using fossil fuels.

Together, China and the United States, which represent over 40 percent of global emissions of global greenhouse gas emissions, have engaged in strategic policy dialogue and have instituted bilateral agreements on climate issues.

- **Investors**

For the first time, a coalition of investors representing \$500 billion of capital committed to measure and report the carbon intensity of their investments, and to redirect some of their capital to low carbon intensity businesses by late 2015.

This goes hand in hand with new financial mechanisms that are taking hold. For example, so-called "green bonds" issued by commercial banks, investment and development funds allow for green investment to go to scale.

- **Private Sector**

At the Secretary General's Climate Summit we hosted the UN Private Sector Forum. Four hundred global leaders from business, Government and civil society gathered to demonstrate their leadership on climate change.

A number of companies are positioning themselves as leaders in the fight against climate change. Through our Caring for Climate initiative companies, for the first time, have begun to engage strongly on the issue of carbon pricing – one of the most effective economic measures to address climate change.

## **CARBON PRICING CHAMPIONS**

**Markets require regulatory frameworks and incentives to thrive and to help accelerate solutions toward sustainability.**

- The beauty of putting a price on carbon is that it will drive higher energy productivity and provide fiscal revenues to cut other taxes and release resources that can be reallocated to low-carbon investments.

At the Climate Summit 340 global institutional investors representing over \$24 trillion in assets called on Government leaders to provide stable, reliable and economically meaningful carbon pricing.

**The time has come to show true leadership.**

On 23 September at the UN Private Sector Forum, a number of companies in our Caring for Climate initiative for the first time engaged strongly on the issue of carbon pricing – one of the most powerful instruments to reduce emissions and drive innovation and finance for low-carbon, resilient growth.

These companies commit to do three things:

- 1) Set an internal carbon price high enough to significantly influence their investment decisions and reduce their emissions;
- 2) Publicly support the policy mechanisms that lead to a carbon price on the market; and
- 3) Communicate transparently on progress.

**This is true leadership.**

With this strong business support for carbon pricing we are making history. We are laying the foundation for the climate challenge to change markets and reverse political positions.

Carbon pricing is the most effective path for innovation, transition and opportunities. **That is why today we launch Carbon100 with Sustainia.**

- With your support, by December 2015 we will have 100 companies supporting the Business Leadership Criteria on Carbon Pricing and demonstrating that they are “carbon pricing champions”.

## INNOVATIONS AND SOLUTIONS EXISTS

Entrepreneurs like the ones being honoured here tonight by Sustainia understand that many innovative products and "green" services are successfully going to market.

- We no longer look at climate change as something we can deny or ignore. And we don't accept doomsday scenarios about the world coming to an end, with nothing we can do to stop it. Change is within our grasp.
- Innovative corporate leaders like yourselves are exploring where to leverage their unique capabilities to create frontier markets of the future. **You have already realised that stopping climate change is actually a remarkable opportunity.** With your innovations, you are providing the leadership and others will follow. A silent revolution.
- This is why Sustainia is so important. Through Sustainia we can showcase that inspiring sustainability solutions are already available and transforming.

But technology will not automatically advance a low-carbon economy. We need clear policy signals. A reduction of market and regulatory barriers for new innovations and business solutions. **I urge you: Policymakers, Put a True Price on Carbon. Businesses, Support a True Price on Carbon.**

The two degree pathway: Business has a key role to play in climate action.

- Throughout the next year, the Global Compact will mobilize businesses in support of climate action. We will organize with our UN partners, the Caring for Climate Business Forum during COP21 in Paris in December 2015. More than 1,500 companies will be gathered to show that they are ready for a new global economy that takes into account climate issues.
- **With your leadership we can go much farther, much faster.** To meet the 2 degree target the international community has agreed not to cross, we need emissions to peak by 2020. We must then radically reduce emissions and attain carbon neutrality before the end of the century.

With the right policies and with your innovations and solutions we can get there.

*"The only limit to our realization of tomorrow will be our doubts of today. Let us move forward with strong and active faith."* **Franklin D. Roosevelt**

###