

Ethics, Sustainable Development, and the Triple Bottom Line



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Agenda

- My passions
- What is sustainability? How does it relate to ethics?
- Old ways – A sole focus on GDP
- 21st century ways: Corporate Social Responsibility & the Triple Bottom Line (TBL)
- Global Reporting Initiative (GRI)
- Perspectives on sustainability
 - Contrasting EU and U.S. perspectives and initiatives
 - Ground up: grassroots tools
 - A new tool for small to medium: B Corporations
 - Top down: from corporate leaders

My Professional Activities

- Research & Travel
 - Subjects: Sustainability, TBL, Microfinance, Fair Trade, Direct Trade, Cooperatives, Corporate Social Responsibility, Ethical Leadership
 - Recent: Guatemala, Cuba & Tanzania
 - Service with student groups (current)
 - SGDF, PIFT (formerly STLF)



The outdated way of doing business

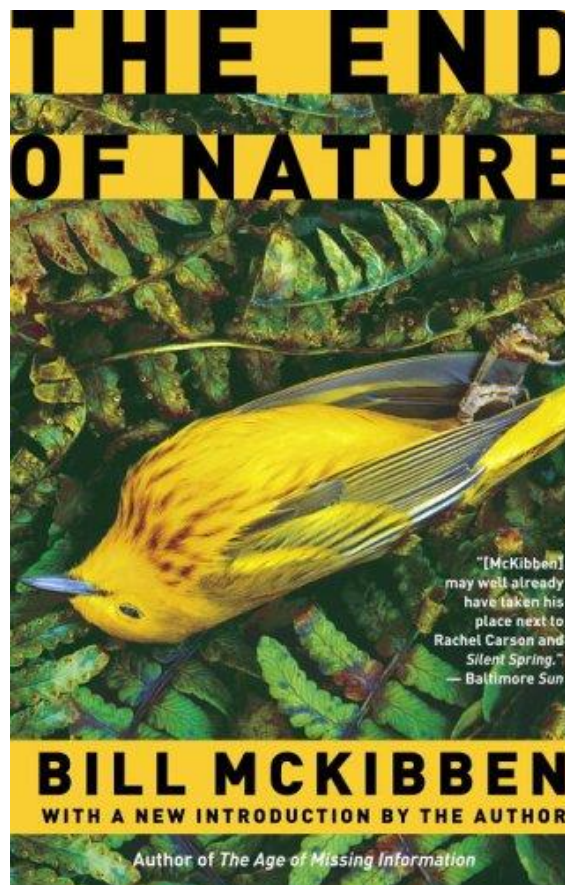
“Focus on GDP”

- GDP assumes that “activity” equals “prosperity”
- Cradle-to-Cradle, page 36:
“[T]he 1991 Exxon *Valdez* oil spill actually increased Alaska’s gross domestic product. The Prince William Sound area was registered as economically more prosperous because so many people were trying clean up the spill. Restaurants, hotels, shops, gas stations, and stores all experienced an upward blip in economic exchange.”
- The GDP takes only one measure of progress into account: economic activity
 - Ignoring social and environmental equity.

What is Wrong with the Focus on GDP? Ray Anderson's Epiphany

After reading Bill McKibben's 1989 book, *The End of Nature*, Ray Anderson, CEO of Interface Carpets, said:

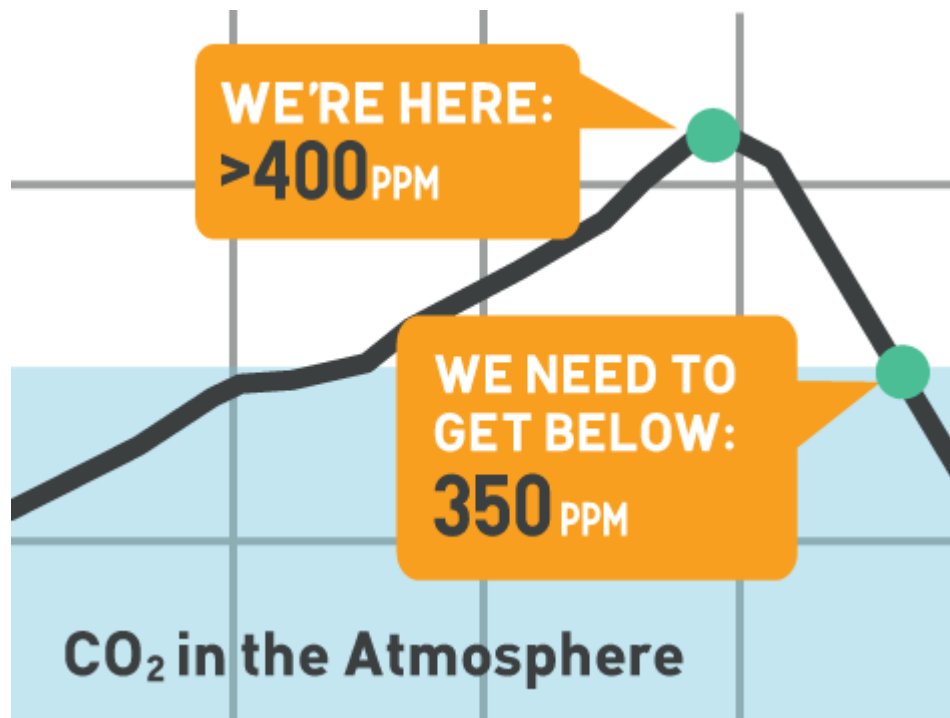
"I stood indicted as a plunderer, a destroyer of the earth, a thief, stealing my own grandchildren's future. And I thought, My God, someday what I do here will be illegal. Someday they'll send people like me to jail."



<http://www.youtube.com/watch?v=OUG4JXE6K4A>

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Bill McKibben's students founded 350.org



art.350.org

<https://350.org/>
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Short Definition of CSR

“Corporate initiative to assess and take responsibility for the company's effects on the environment and impact on social welfare.”

Ethics = values or moral principles
Environmental and social equity are values

<http://www.investopedia.com/terms/c/corp-social-responsibility.asp#ixzz2Kpv7kazN>

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Defining Sustainable Development

The 1987 United Nations Brundtland Report - Our Common Future

“Development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”



Consider the Perspective of Indigenous People in the Western Hemisphere


The Great Binding Law of the Iroquois:

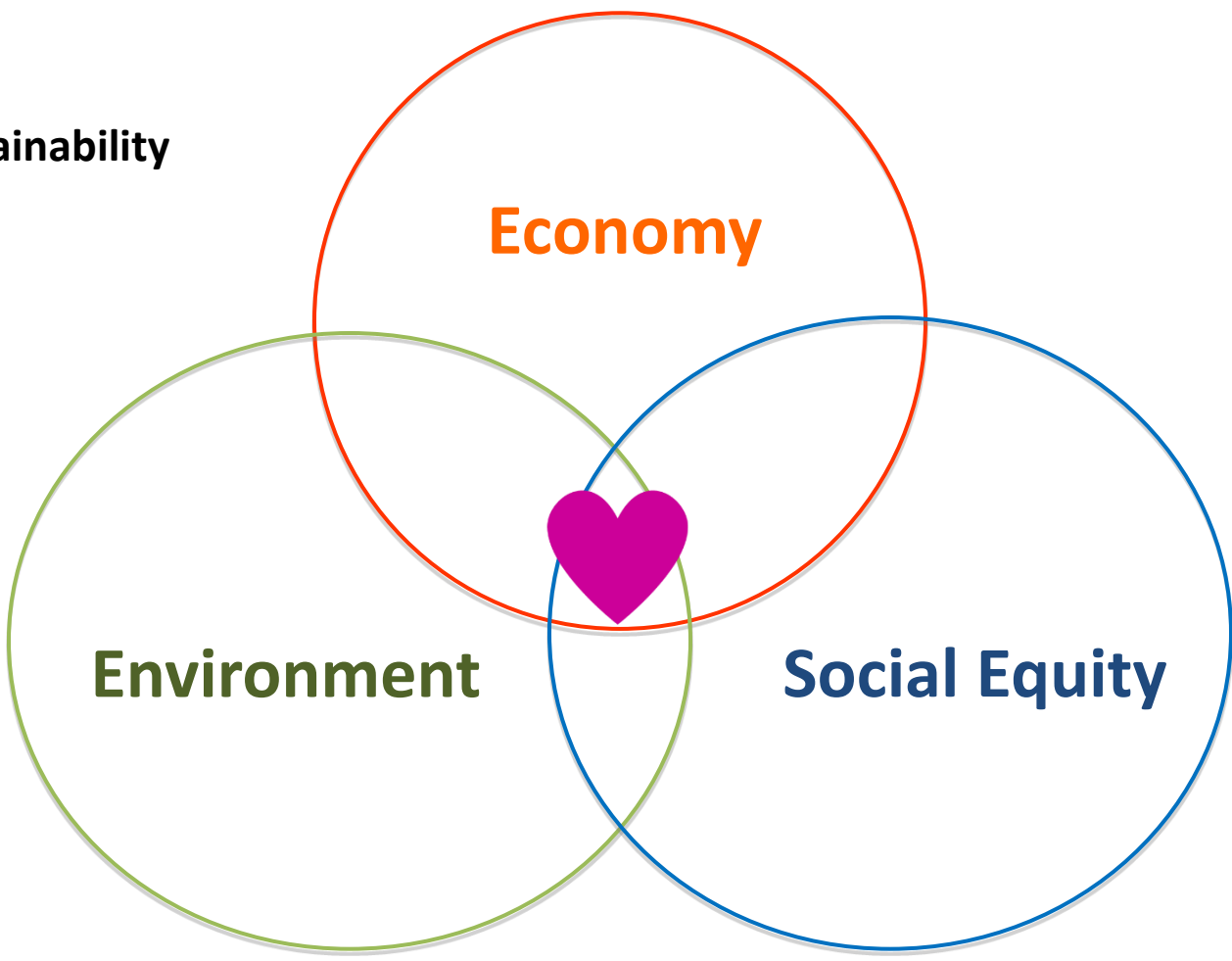
“In our every deliberation, we must consider the impact of our decisions on the next seven generations.” **

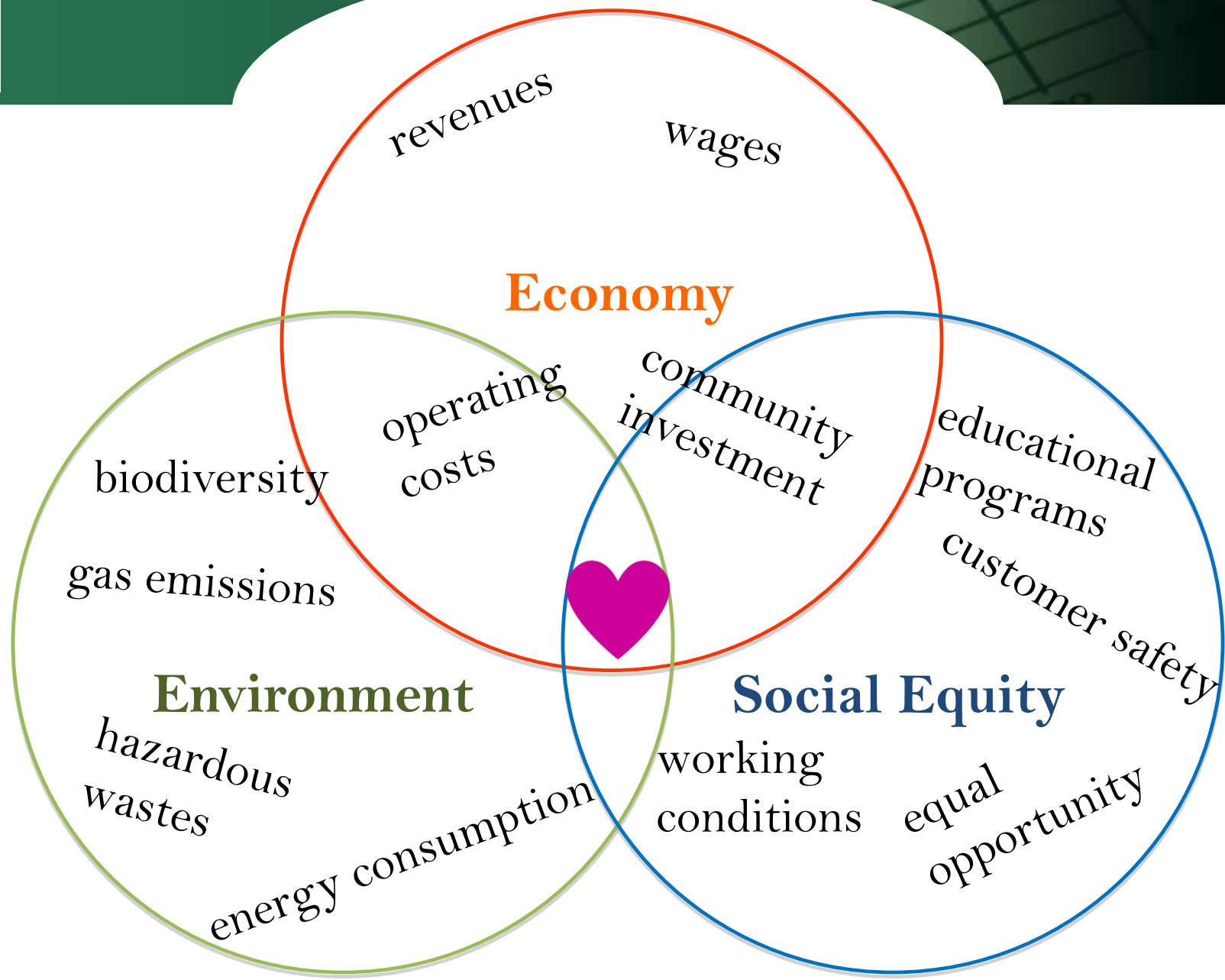


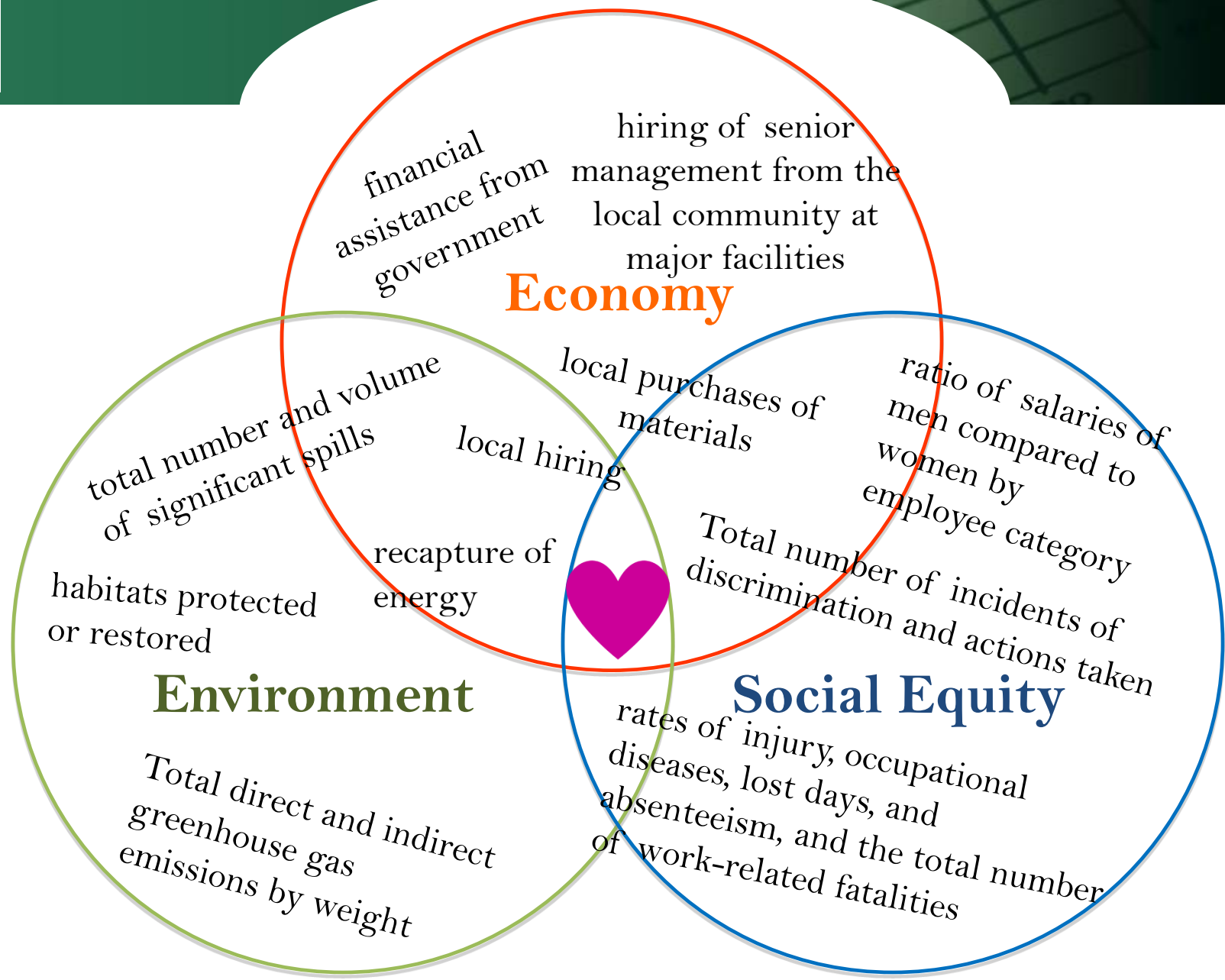
** *THE CONSTITUTION OF THE IROQUOIS NATIONS: THE GREAT BINDING LAW, GAYANASHAGOWA*

Components of the Triple Bottom Line (TBL)

 = Sustainability







How does CSR relate to sustainability?

- Corporate social responsibility (CSR) is taking responsibility for social equity and environment
 - Two of the three legs of the TBL.
- Increasing numbers of corporations embrace CSR and sustainability in their corporate mission statements.

<http://www.investopedia.com/terms/c/corp-social-responsibility.asp#ixzz2Kpv7kazN>

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Why do Business Managers Care about CSR?

Mixed motives – depending on the company

Ethics are values or moral principles

- Ethic: Caring and respect for fellow humans
- Ethic: Environmental protection
- Ethic: Manage the company's image
- Ethic: Maximize profits for shareholders
 - Less \$ to handle toxic materials
 - Managing risks, in turn, lowers insurance rate
 - Self-regulation hoping to avoid government regulation

- Holistic approach is essential. One action (or failure to act) has ramifications throughout society.
- Long-term perspectives are essential just next quarterly report.
- In U.S. both were missing in majority of businesses for most of the 20th century.
 - EU became proactive much earlier than U.S. and continues to be more proactive

V.P. of Ford Motor Company told a GBL faculty member:

If you are not teaching sustainability [at MSU], you are not doing your job!

<http://www.investopedia.com/terms/c/corp-social-responsibility.asp#ixzz2Kpv7kazN>

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The Big Picture: What are Major Corporations Doing?



Global Reporting Initiative: Measures Progress Toward Sustainable



- Founded 1997 Boston – CERES
- 501(c)(3) non-profit
- Coalition of investors, environmental organizations, public interest group.
- Mission statement: “Mobilizing investor and business leadership to build a thriving and sustainable business economy.”

<https://www.ceres.org>

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Global Reporting Initiative: Measures Progress Toward Sustainable



- Voluntary
- Thousands participating
- World's benchmark “for measuring, monitoring, and reporting corporate sustainability efforts.”*
- Reporting format modeled after “generally accepted accounting principles (GAAP).”*
- Goals: clarity, accuracy, usefulness, comparability*

<https://www.globalreporting.org/information/about-gri/Pages/global-community.aspx>

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Global Reporting Initiative: Economic Indicators

- Sales, profits, and return on investment
 - Shareholders? Managers?
- Are employees paid fair wages?
- Taxes paid (supporting communities) or avoided?
- Jobs created or eliminated
 - POSITIVE: local jobs
 - NEGATIVE: jobs moved to other states or countries?
 - Does it shut down local, small businesses?

Global Reporting Initiative: Social Indicators

- Labor practices
 - Unions? Are unions respected? Workplace discrimination?
- Meet human needs?
 - Health care? Education?

Global Reporting Initiative: Social Equity Indicators - continued

- Human rights
 - Respect indigenous people?
 - Respect women and minorities? (*e.g.*, compulsory pregnancy tests in violation of law, equality in promotions, equal pay?)
- Product responsibility
 - Expose employees, consumers, or community to toxic materials or emissions?
 - *E.g.*, Expose workers and customers to plastics with phthalates?
 - *E.g.*, Pesticides on foods?

Global Reporting Initiative: Environmental Indicators

- Air quality
- Water quality
- Energy
 - How much is used?
 - Source of energy?
 - Fossil fuels? And contributing greenhouse gasses to atmosphere?
 - Renewables such as solar or wind?
- Waste (hazardous or non-hazardous) or zero waste?

GRI Reporting Does NOT Prove that Company's Activities Are Sustainable

- It is a reporting system – based on self-reporting
 - It is not an evaluation system
 - Reporting does **NOT** mean the company's actions are sustainable
- Major weakness:
 - No auditing – no outside look at the self-reported data
- What does it do?
 - Gives us information
 - Allows us compare claims of sustainable practices to actual behavior of this company in the past and behavior of other companies at present.

Examples of Corporations Participating in the GRI

- Steelcase -Global leader in furniture sales.
 - POSITIVE: Leader in environmental and social action for decades



<https://www.steelcase.com/>

<https://www.steelcase.com/discover/steelcase/sustainability/>

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GRI Participants That Engage in Many Unsustainable Practices

- Royal Dutch Shell
 - **NEGATIVE:**
 - Many unsustainable activities
 - Lawsuits - oil pollution in Nigeria
 - Exhausts scarce resources
 - Destroys drinking water supplies
 - Greenhouse gasses contribute to climate change
 - Destroys lands – especially those of indigenous people



<http://business-humanrights.org/en/shell-lawsuit-re-oil-pollution-in-nigeria>

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Corporations That Participate in the GRI and Receive Mixed Reviews

- High rates of consumption

Mexico average 728 8-ounce servings per year per person

U.S. average 403 8-ounce servings per year per person.



<https://www.coca-colacompany.com/annual-review/2011/pdf/2011-per-capita-consumption.pdf>

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Corporations That Participate in the GRI and Receive Mixed Reviews

- **NEGATIVE:**
 - High per capita consumption has multiple effects:
 - Health
 - Sugar leads to diabetes and obesity
 - Coca-cola in Mexico often costs less than water or milk
 - Environmental
 - Depletion of aquifers
- **POSITIVE:**
 - Some sustainable initiatives:
 - Replanting forests



More Mixed Reviews

- CEMEX - world's largest producer of building materials and third in cement product
 - **NEGATIVE:** Massive contamination of air & water
 - **POSITIVE:** Has won awards for reforestation.



Global Reporting Initiative: Major EU Corporations that Participate

- The Munich Airport (2nd largest in Germany and 14th busiest international airport)
- CEPI (European Confederation of Paper Industries, 26% of world production)
- Mauser Group (Industrial Packaging, based in Germany, over 1 billion Euros in sales per year)



Global Reporting Initiative: U.S. Corporations Participate

- GoLite (Outdoor equipment and clothing)
- American Electric Power (Owns largest American Transmission system, \$48.3 billion in assets)



Comparing U.S. and EU approaches to Toxic Substance Regulation

U.S. Law: TSCA - U.S. Toxic Substances Control Act (TSCA) – 1976 (some later amendments)

- Existing chemicals “grandfathered in.”
 - 62,000 chemicals never tested.
- Does not require that companies perform risk assessments of new chemicals.
- Does not distinguish hazardous from non-hazardous
- Overall as compared to EU: Far fewer chemicals regulated. Less public access to information.

EU Law: REACH

Registration, Evaluation, and Authorization of Chemicals – 2007

- Requires release of safety data sheets to downstream users (manufacturers, retailers, importers)
- Requires risk assessment by company if produce 1M ton per year. If company produces 10M tons per year, must assess all chemicals it produces.
- Overall: Far more protective of public as compared to the U.S., but not perfect.

Comparing U.S. and EU Approaches to Risk Assessment and Management

U.S.

- Essentially – on the market until proven hazardous. Parallels our “innocent until proven guilty” approach to criminal law.

EU

Precautionary Principle:*

"When an activity raises threats of harm to the environment or human health, precautionary measures should be taken even if some cause and effect relationships are not fully established scientifically."

Basically, if in doubt, do not take the risk. Burden of proof is on the company that wants to put the product on the market.

*For discussion of the precautionary principle: <http://www.sehn.org/ppfaqs.html>

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U.S. Resource, Conservation, and Recovery Act (RCRA)

- RCRA requires tracking wastes from cradle (generator) to grave (permanent or long-term storage)
 - ½ of 55 gallon barrel wastes per month or more
 - Licensing of distributor, each transporter, and ultimate storage site
 - Manifests are filed with Michigan Department of Environmental Quality by each party (oversight by U.S. Environmental Protection Agency)
 - Reason: deals with toxic dump sites, which are the reason, in turn, for Superfund
 - Why companies want to get away from this?
 - Expensive!

<https://www.epa.gov/rcra>

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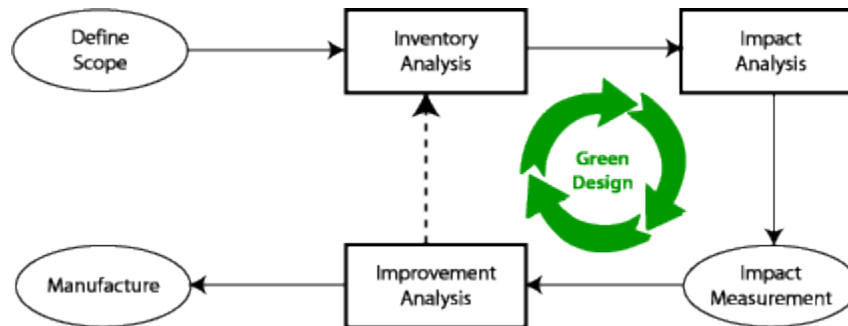
Cradle-to-Grave Approach to Resources: Prevalent in the U.S.

- **“Reduce, reuse, recycle”**
 - The elementary school teaching adds “in that order” for a reason
- **Recycling is first step**
 - Not an end point
 - Down-cycling “less bad” than straight to the landfill, but only an interim step
- **Some companies doing life cycle assessment:**
 - Assesses environmental impacts associated with all stages of a product’s life from cradle-to-grave.



Cradle-to-Grave: Traditional Usage of Resources and Industrial Production in the U.S.

- What is cradle-to-grave?
 - Tracking of raw materials to materials processing, distribution, use, repair and maintenance, and permanent storage of wastes or MAYBE recycling/down-cycling, which delays the permanent storage of wastes
 - Called “Life Cycle Assessment” (LCA)*



*For more information about Life Cycle analysis, see

<https://enviroliteracy.org/environment-society/life-cycle-analysis/>

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Cradle-to-Cradle (C2C): Prevalent in the European Union (EU)

- What is Cradle-to-Cradle?
 - A holistic system
 - Related to Life Cycle Assessment
 - EU requires that companies take back appliances, computers, so that they do not go to garbage dumps.
- Cradle-to-Cradle certification is available through the Cradle-to-Cradle Products Innovation Institute*
- Some U.S. companies starting to use C2C
 - Saves time, money, and resources



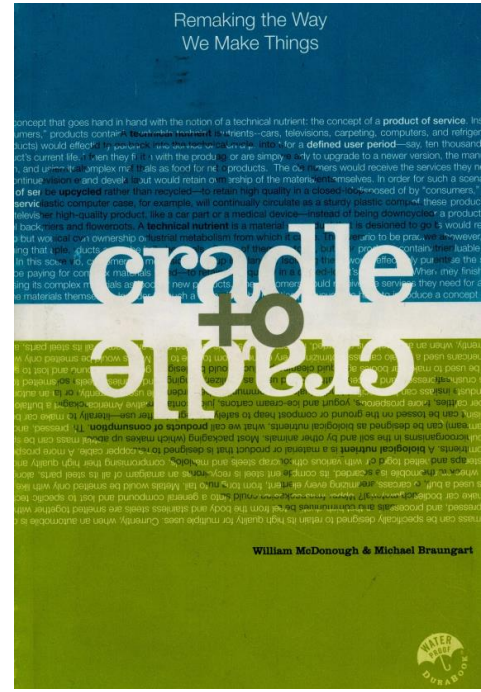
<https://www.c2ccertified.org/>

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Key terms in Cradle-to-Cradle (C2C)

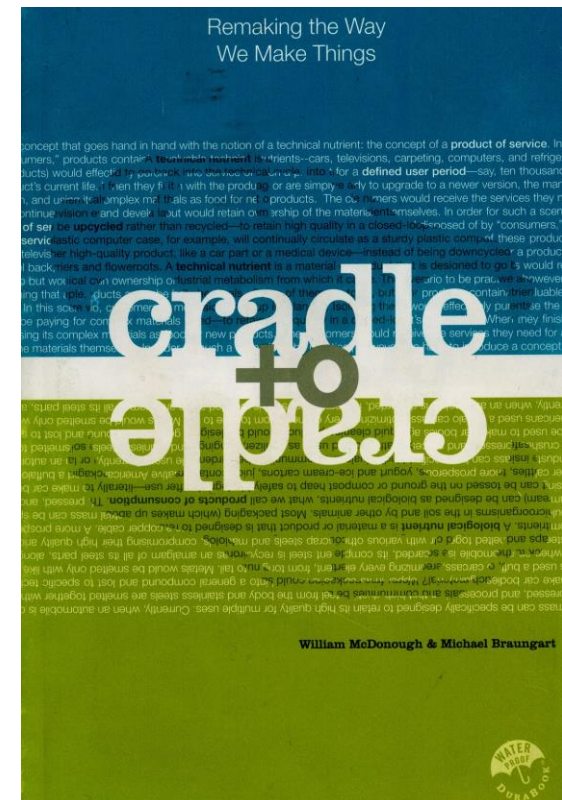
- Down-cycling
 - Reuse of materials in “lesser” products.
 - Example: A plastic bottle is used for a shirt or a park bench.

Produces more contamination: Off gasses,
Uses more scarce resources: fossil fuels used
for transportation, etc.



Waste = Food – a Key concept in Cradle-to-Cradle (C2C)

- Waste = Food
 - Organic waste becomes food for insects and other small forms of life that decompose it.
 - Insects return it to the environment to become part of the soil in which we grow food, thus completing a cycle.



U.S. and EU Differ re: GMOS

U.S.

- Allows GMOs. No labeling required.
- Proposals for labeling are fought by industry.

EU -

Complete ban declared illegal in 2011 by EU court of justice. Now allows each country to decide.

Among 28 members, 19 ban them.

Bans include:

Bulgaria (Oct. 2015)

France

Germany

N. Ireland (Sept. 2015)

Scotland (Aug. 2015)

<http://ec.europa.eu/environment/europeangreencapital/countriesruleoutgmos/>

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U.S. and EU Riffer re: Phthalates (in plastics made from petroleum)

U.S.

Allows phthalates in most products (some are banned from children's toys)

“Name a major public health concern over the past two decades and there's likely some link to phthalates exposure.”*



EU (and many countries around world) ban phthalates – Why? Endocrine disrupters, links to ADD, asthma, breast cancer, male infertility, etc.

*For more in-depth discussion:

<http://www.theguardian.com/lifeandstyle/2015/feb/10/phthalates-plastics-chemicals-research-analysis>.

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U.S. and EU Differ: Short Term v. Long-Term Perspectives

- The U.S. is all about short term, next quarterly report
- Social, environmental, and economic perspectives in EU are far more long-term
- Discussion with Prof. Eric Leurquin, a member of the Committee of the Regions for the European Council, confirms this.

Ground-Up (Grassroots) Initiatives

- Cooperatives
- Fair Trade & Direct Trade
- Microfinance
- Organics
- Local food production
 - Farmers' Markets
 - Community Supported Agriculture (CSAs) e.g., MSU's Student Organic Farm

How to Recognize Fair Trade

1. Certification by a non-profit organization – or–
2. Fair Trade Federation membership –or–
3. Self-declaration by the producer or seller.

This requires active inquiry by the consumer.



The Benefit (B) Corporation: A new tool for sustainable businesses:

Premise: Business must create value for society, not just shareholders

Considers impacts on employees, community, and environment.

B Corporations are FOR- PROFIT. As of Jan. 2019:

- Established by law in 34 states*.
- Legislation proposed in 6 more states*.
 - NOT Michigan. ☹️

*Link to map:

<http://benefitcorp.net/policymakers/state-by-state-status>

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An option around the world if not in a state that provies for B Corps: The “Certified B Corporation”

B Lab, a non-profit based in Pennsylvania, provides certification
As of Jan. 2019: 2,655 B Corporations in 60 countries, 150 industries.



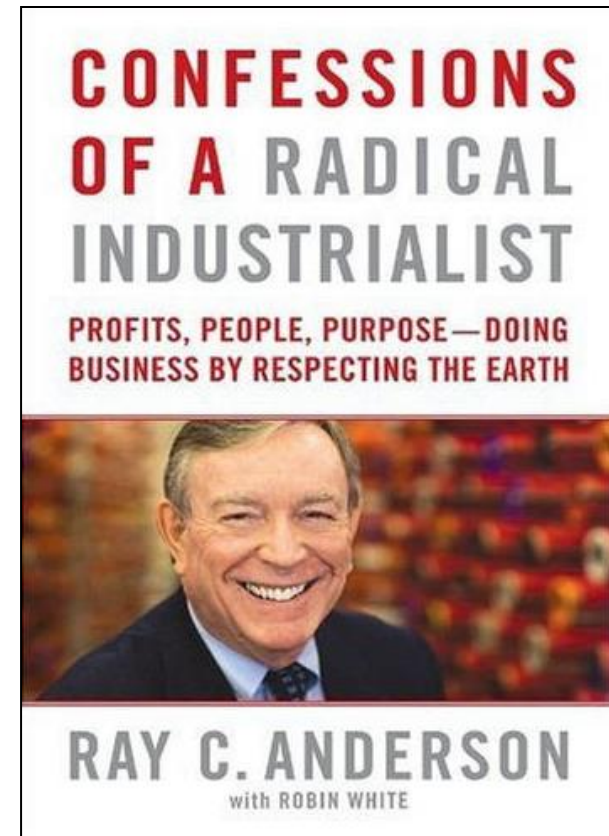
<https://www.bcorporation.net/>
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Top-Down Approach to Sustainability: Interface, Inc.

Interface Carpet Company -
primary component of carpet is petroleum

“Sustainability has given my company a competitive edge in more ways than one. It has proven to be the most powerful marketplace differentiator I have known in my long career. Our costs are down, our profits are up, and our products are the best they’ve ever been.”

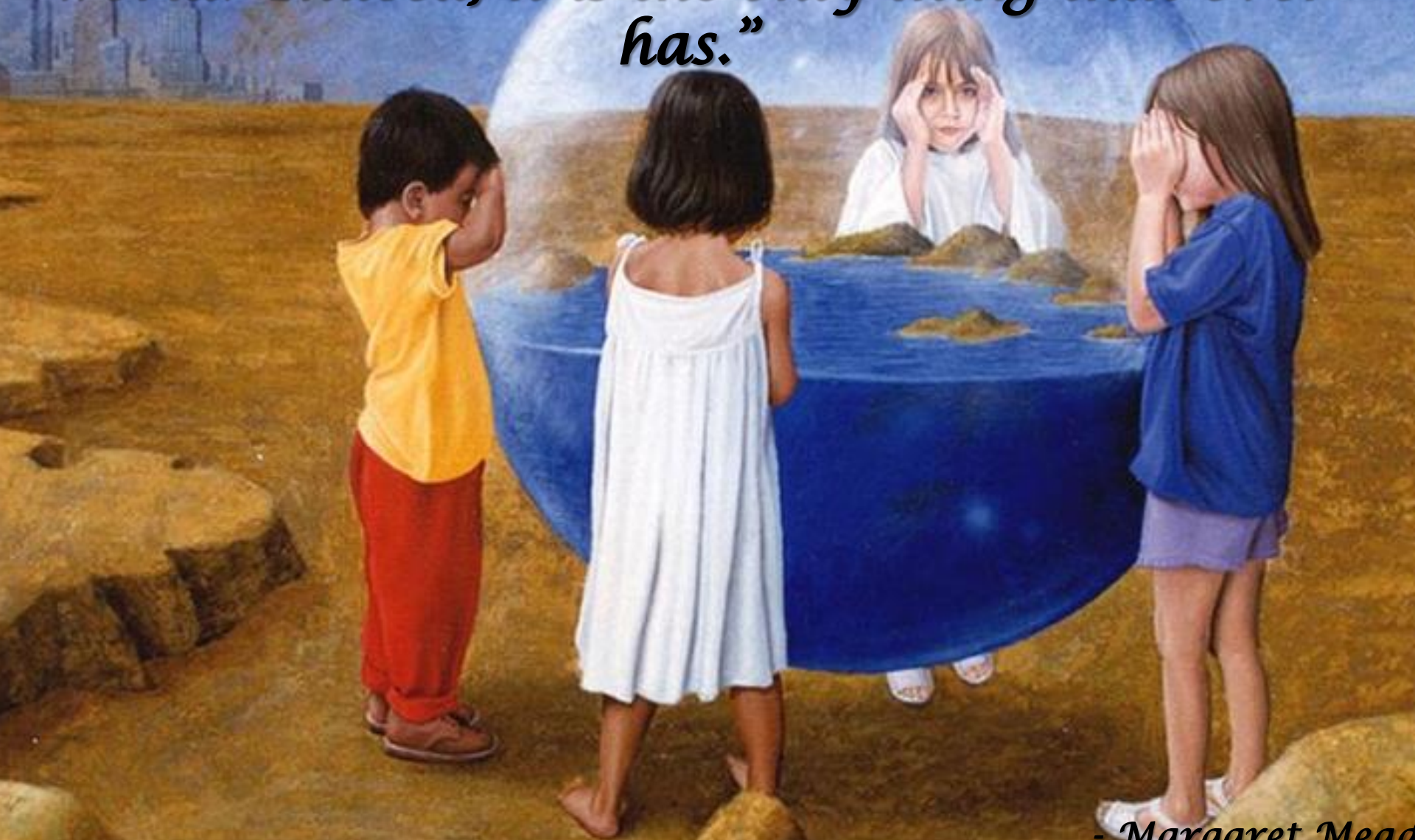
- Ray Anderson, CEO, Interface Inc.



“If we can do it, anybody can. If anybody can, everybody can.” - Ray Anderson, Founder



Remember: "Never doubt that a small group of thoughtful, committed, citizens can change the world. Indeed, it is the only thing that ever has."



Questions and Discussion



Contact Professor Paulette L. Stenzel at stenzel@msu.edu

To learn more about my work in sustainability, visit:

[Website: www.tradeandsustainability.com](http://www.tradeandsustainability.com) and

[Blog: mariposapaulette.com](http://mariposapaulette.com)

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The following slides provide more depth related to Fair Trade. I have not included them in my in-class presentation because of time limitations.

Fair Trade – A Ground Up (Grassroots) Approach to Sustainable Development

Fair Trade is:

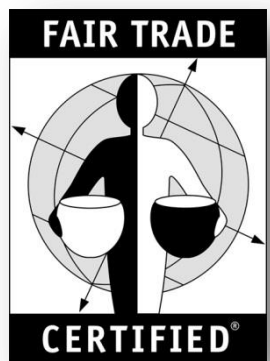
- A process, not an end result.
- Based on TBL



How to Recognize Fair Trade: #1 Certification



Symbol for most of the world, including Canada



Old and New Symbols for Fair Trade USA



Symbol for Institute For Marketecology



Small Producers Association

How to Recognize Fair Trade: Member of World FTF or (U.S.) FTF

#2: Purchase from retailer that belongs to one of these:



How to Recognize Fair Trade When There is Neither Certification nor FTF Membership :

#2: Look for these

Examples of criteria and how they fit the TBL

1. Fair Wages – based on local economy (Economic & Social)
2. Avoids toxic substances (Environmental & Social)
3. Financial & Technical Support for Producers (Economic)
4. Giving Back to the Community (Economic)
5. Transparency --Public Accountability
6. No Inappropriate Use of Child Labor (Social)

EU's greater emphasis sustainability: Demonstrated in Widespread Fair Trade

- Fair Trade originated post WW II in Europe
- Far more people recognize and purchase Fair Trade in EU as compared to U.S.
 - Sainsbury's Markets and TESCO in UK sell only Fair Trade Bananas
 - Dairy Milk Bars – F.T. chocolate in EU.
 - Not in U.S.
 - Starbucks: FT coffee for espresso-based beverages in all stores of EU as of 2010. Why? Market demand
 - Not in U.S.
 - Only 8% of Starbucks world wide is Fair Trade