



Sustainable champions

10 unsung heroes of corporate responsibility

By Oliver Balch

Ever been frustrated that the same names crop up time and again in award ceremonies? Ever wondered who else is out there other than the big names? Well, we have. We went in search of corporate responsibility's unsung heroes – the companies that deserve more credit for their sustainability efforts

What makes an unsung hero? Ethical Corporation's list makes no claims to be either exhaustive or scientific. Consider it a taster – an introduction to a handful of companies making impressive strides on sustainability below the radar.

First, definitions. The term "unsung" we've defined as widely unknown or under-reported, when it comes to a company's record on social and environmental performance. To be a "hero" means going the extra mile or achieving something genuinely distinctive.

Our experiment invites an immediate question: if companies have a stellar sustainability record, why do they remain unsung? The answer, our selection process suggests, is threefold.

First and most simply, many companies just choose not to sing about their activities. Local, family-owned businesses conform particularly to this subsection of unsung heroes. In such cases, the impetus for high performance usually traces back to a strong ethical commitment on the part of the company's owner or management. Good

practices are intuitive, and formal policy comes a distant second.

These silent champions of the corporate responsibility world often derive little benefit from widespread publicity. Their markets tend to be local. Or the benefits of good practice lie internally, such as employee morale, staff retention and skills development. "They don't need to shout about this as the business benefits aren't about external perceptions," says Vicky Gashe, communications manager at Business in the Community, a UK membership organisation.

Small companies dominate the second category of unsung hero: high-performing organisations that would benefit from widespread publicity but lack the communications budget to obtain it.

Regional or industry-specific business awards can be a good way of building reputation without breaking the bank, Gashe says. The trade press can also give an important leg up to sustainability-minded small businesses, especially those working in a niche sector.

Of course, large companies can also struggle to get their story out. Even good ratings in league tables is not a guarantee as top performers are bundled in together with their peers, says Rona Frier, editor of Progressive Investor magazine. Sometimes the fault lies with poor communication. If that's the case, the solution is straightforward: sack your PR agency and find a better one.

More often, though, the problem lies with the audience. Stakeholders have traditionally given responsibility issues short shrift. That's beginning to change, especially for big brands in the public eye. Even so, the majority of fast-food customers still want their meal quick and cheap. Whether the chicken was reared with a nametag holds little consequence.

Those companies that are taking a proactive stance on sustainability in spite of a lack of consumer pressure for them to do so should be considered genuine leaders. Such steps prove the integrity of their commitment. They also serve to educate consumers in matters sustainable and thereby raise the bar for themselves and the business sector in general.

The final category is made up of new companies or those operating in new industries. This is where some of the most exciting action is found. By their nature, cutting edge industries are frequently overrun with talent. Clean technology, nanotechnology and third-generation renewables all provide cases in point.

Yet sustainability takes time to perfect. Start-ups, however ethical, should not be surprised if their early claims are met with a wait-and-see scepticism. For that reason, our list mainly focuses on big companies with a track record over time.

Crédit Agricole

Sector: Finance
Country: France
Sales: £12.36bn
Profit: £3.36bn
Employees: 86,866
Achievements in sustainability: tailored financial services

Agriculture is not a headline-grabber in the finance world. Yet Crédit Agricole has faithfully plugged away over decades, helping its farming customers in good times and bad. Today, it provides 80% of bank loans to France's agricultural sector.

Its product list reflects this long-standing commitment to the sector. Innovations such as precautionary savings, harvest insurance and long-term coverage schemes all help farmers ride out the sector's inevitable down times.

At the heart of Crédit Agricole's strategy is its vision of "agriculture raisonnée", a form of environmentally friendly and socially beneficial farming. Its strategic partnerships are structured



Helping farmers through the rough and the smooth

with this goal in mind. Typical is its successful alliance with Agence Bio, a non-profit group specialising in organic farming.

Through fully-owned subsidiaries such as Calyon and Emporiki Bank, the bank is also directly financing an impressive array of renewable energy projects. Nor does the bank suffer from a Franco-centric perspective. In 2008, it struck a deal with Bangladesh-based micro-credit specialist Grameen Bank worth \$73m. The resulting Grameen-Credit Agricole Microfinance Foundation aims to plug the sector's twin problems of restricted wholesale financing and low management expertise.

Femsa (Fomento Económico Mexicano SA)

Sector: Drinks
Country: Mexico
Sales: £8.42bn
Profit: £465m
Employees: 122,981
Achievements in sustainability: operational efficiency and long-term sustainability vision

Drinks companies are often tarred with the brush of irresponsibility. In Tequila-tonking Mexico, Femsa has shrugged off that image thanks to a comprehensive sustainability strategy.

Moves to improve water efficiency are an example. Operational modifications have resulted in savings of 54% in recent years. Femsa now uses 3.8 litres of water to make a litre of beer. The world average is closer to ten litres. As for energy use, its gas bill has dropped 9% annually and it has saved 140m kilowatt-hours of electricity equivalent since introducing a major energy savings programme five years ago.

Most impressive is Femsa's willingness to invest with a view to the future. More than 60 years ago, it helped found the Monterrey Institute of Technology, now one of Latin America's most important private universities. More recently, it teamed up with Coca-Cola and a local plastics packaging company to build a \$20m recycling plant. More than 12,000 tonnes of bottle-grade plastic a year is saved from landfill sites as a result.



Now only requiring 3.8 litres of water

Henkel

Sector: Consumer goods
Country: Germany
Sales: £13.76bn
Profit: £1.20bn
Employees: 52,303
Achievements in sustainability: integrating sustainability into design

Henkel has a rule for all its product designers. Every new item that rolls off the production line must contribute to at least one of the company's core sustainability focus areas. There are five: energy, water, waste, health and safety, and social progress.

A glance through its catalogue demonstrates the tangible results: window sealant that reduces energy loss; a ground-breaking pretreatment process that protects metals against corrosion; and laminating adhesives with fast curing properties that increase food packaging safety.

Similar imagination spreads through the company's value chain. At the sales end, it has developed a "value calculator". Through the use of basic visuals, customers can quickly understand the sustainability characteristics of Henkel's products.

At the other end of the spectrum, the company has been rolling out a comprehensive assessment of its global suppliers since 2007. Improvements have been identified for three-fifths of suppliers, while poor

performance has seen 2% have their contracts rescinded. As an incentive, Henkel has committed to increase its purchasing volume sourced from audited suppliers year by year until 2012.

Sanofi-Aventis

Sector: Pharmaceutical
Country: France
Sales: £23.66bn
Profit: £6.17bn
Employees: 100,000
Achievements in sustainability: access to medicines

Health is a fundamental human right. Sanofi-Aventis says this as true "for everyone around the world". The acknowledgement, and subsequent action, throws it into the same league as fellow pharma giants Novartis, GlaxoSmithKline and Merck, all of which have well-publicised drug donation and access programmes.

Over the past decade, Sanofi-Aventis has been slowly maturing its relationships with organisations that work in healthcare and medicine distribution. The result is a handful of sophisticated partnerships based on developing treatments for neglected diseases, such as malaria, leishmaniasis, epilepsy and tuberculosis.

The company has a variable pricing system, ensuring that those most in need

get medicines at cost or at discounted prices. In 2008, it gave away 1.5m boxes of medicines and 665,000 vaccine doses.

In the case of malaria, Sanofi-Aventis forewent its patent rights for its galenic formulation. This enabled a single tablet containing two malaria drugs to be created. The \$1 price tag has since become a reference price across Africa for the treatment.

Last year, the company was ranked joint second in the Access to Medicine Index, an initiative of socially responsible investment specialist Innovest. In addition, Sanofi-Aventis runs a €45m humanitarian programme, which boasts emergency response and development projects in more than 50 countries.

With regard to its own employees, the company carries out extensive efforts to combat cancer. In August, it was awarded a prestigious award from the CEO Roundtable on Cancer for its screening and care efforts in the US.

Hennes & Mauritz

Sector: Clothing

Country: Sweden

Sales: £7.08bn

Profit: £1.22bn

Employees: 72,497

Achievements in sustainability: supply chain and ethical marketing

Until recently, green issues – worthy, scientific, do-goody – stood as the antithesis of everything cool. H&M is on a mission to turn the environment's image on its head.

Heavily dependent on cotton for its products, the clothes retailer is now using its buying power to push producers away from using harmful chemicals. "Organic Cotton" labels now hang from H&M's racks in increasing numbers. In 2009, the company expects to use about 3,000 tonnes of the environmentally friendly fabric – up from 30 tonnes just three years ago.

Today the company finds itself alongside big players such as Nike, Wal-Mart and Pottery Barn as one of the world's top ten buyers of organic cotton, according to the non-profit advocacy group Organic Exchange. H&M is also working to reduce the negative impacts of conventional cotton growing through the cross-sector Better Cotton Initiative alliance.

The moves build on H&M's ethical product policy. Among other measures, the 11-point document places a ban on the sale of genuine fur and prohibits the purchase of silk from India due to poor working conditions. The exclusions reflect a deep-seated commitment to keep its supply chain as free from ethical infringements as possible.

H&M employs about 60 auditors to ensure the company's 800 core suppliers are meeting its code of conduct. Buyers are able to access summaries of the results, providing a commercial incentive to the better supply performers. The company participates in the cross-sector Fair Labour Association and recently stopped sourcing from Uzbekistan after reports of child labour in cotton cultivation.

Manpower

Sector: Recruitment

Country: US

Sales: £14.88bn

Profit: £151m

Employees: 30,000

Achievements in sustainability: investment in human capital

As one of the world's largest temporary recruitment companies, Manpower's business is based in presenting employers with the requisite employees. Less well known, but equally merit-worthy, are the services that it offers to its own 33,000 employees. Its job of integrating genuine diversity in its workforce, especially people with disabilities, is world class.

Unlike many companies, its workforce-development programmes extend to temporary as well as permanent staff. Every Manpower employee, for instance, has

access to more than 3,600 free courses at the touch of a button via the company online training initiative.

A similar inclusive approach is seen in its external projects too. Manpower sets out to act as a "bridge" for getting marginalised individuals into the workplace. Last year, it helped 27,000 long-term unemployed or under-employed people find work. In total, during 2007 Manpower found jobs for five million people in 400,000 companies.

Schemes to provide jobs and skills training exist in most of the 82 countries where the company operates. Typical is its Vocational Training Centre in Tamil Nadu, whose thousand of trainees have seen their average wages increase sevenfold.

Sekisui House

Sector: Construction

Country: Japan

Sales: £10.62bn

Profit: £80.8m

Employees: 16,215

Achievements in sustainability: sustainable design

"Construction" is a featureless, functional word. "Home making", in contrast, inspires a sense of warmth and harmony. Japanese house builder Sekisui House has made this second category very much its own. Everything from its choice of design to its use of materials keeps in mind that houses are made to be lived in, happily and at length.

Sekisui offers its own warranty system to ensure that houses stay in the same hands over the long term. Eco-design innovations also abound. Next-generation insulation and fuel-cell-driven power generators are now fitted as standard.

Outside, Sekisui promotes a concept of gardening known as "gohon no ki", which puts a priority on maintaining local biodiversity. This is backed up by a corporate commitment to plant 1m trees a year.

As for procurement, all wood and chemical substances are sourced from certified, closely monitored suppliers. Last year, the company unveiled a zero-emission house – a signpost for the industry of things to come.

Another trendsetter is its Everloop appraisal system, which provides homeowners with an estimated sale price for their property. The idea is to persuade people to upgrade their existing houses rather than demolish and rebuild them, as the Japanese are wont to do.



A company with its eyes open

Reed Elsevier

Sector: Publishing

Country: UK

Sales: £4.53bn

Profit: £948m

Employees: 35,000

Achievements in sustainability: linking its core business into its corporate responsibility programme

Companies' corporate responsibility programmes should start with what they do best. In the case of Reed Elsevier, a worldwide publisher of specialist books and journals, that means reading and writing. Its list of global charitable partnerships shows a welcome degree of creativity, ensuring the biggest impact for its limited resources.

A good example is its alliance with Sense about Science, a charitable trust that responds to the misuse of science in public debates, such as those on genetic modification or stem cell research. As publishers of leading titles such as *New Scientist* and the *Lancet*, Reed Elsevier's reputation rests on the objectivity and accuracy of its materials. As such it carries out a rigorous ethics "sniff test", including regular editorial audits, peer review and a strict policy on responsible advertising.

Thought is also given to patients. For a nominal fee, Reed Elsevier gives access to full-text medical articles from its suite of academic journals. The company is also a founding member of the industry-led group Publishers for Responsible Environmental Paper Sourcing. The group operates a database on technical aspects of the pulps and forest resources that go into producing paper – and 94% of the paper used by Reed Elsevier is graded as sustainable.



Paper sourcing scenario to avoid

Plant Health Care

Sector: Agriculture

Country: UK

Sales: £11.5m

Profit: -£2.6m

Employees: 81

Achievements in sustainability: eco-friendly agricultural services

Herbicides and fungicides provide an easy way out of a complex problem. Bug-killing biochemicals are no panacea, however. Study after study shows the negative impact that synthetic fertilisers and pesticides have on ecosystems.

Now, consumers worried about food health are voicing their concerns too. All of which place this development-stage company at the cusp of future farming techniques.

Plant Health Care's philosophy is simple: meet the core needs of plants, and the rest will look after itself. It boasts a suite of green products, based on beneficial bacteria and other common components of healthy soils, that help increase plant nutrient levels.

Harpin, one of its products, recently received the US EPA's Green Chemistry Award. And last December, Plant Health Care signed a commercialisation deal with seed giant Monsanto to develop its Harpin-based technology. As the company's product portfolio grows, it expects to recoup its up-front outlay on research and development in more deals such as this.

Plant Health Care also advises farmers on holistic land management, equipping clients to use microbial inoculants, to manage water resources more efficiently and other steps towards a more natural form of agriculture. It is employing a similar approach to initiate change in commercial landscaping and land restoration, two industries that are heavily chemical-dependent at present. ■



Keeping the lights on

National Grid

Sector: Energy

Country: UK

Sales: £15.62bn

Profit: £947m

Employees: 27,373

Achievements in sustainability: long-term commitment and planning

Public utilities often find themselves the first to be auctioned off in mass government privatisations. Customer concerns often mount as a result. Delivering gas and electricity, as National Grid does, is considered a "public good". The fear is that

such goods will either be mismanaged or priced too high.

Quieting those legitimate worries by providing reliable, affordable, safe services year-on-year is not to be sniffed at. More admirable still is National Grid's realisation that changes are required if its high standards are to be maintained.

For the power industry, the biggest risk on the horizon is climate change. Proving itself aware of the challenge, National Grid recently gave its US electricity users the opportunity to choose all or part of their electricity from renewable sources. The move comes on the back of an award-winning programme to help residential and business customers to reduce their energy consumption.

This year and next, meanwhile, the company is carrying out an extensive inventory of the direct and indirect greenhouse gas emissions throughout its value chain. The move is a key milestone towards achieving its ambitious 80% carbon reduction target by 2050.

All sales and employment figures are for 2008.

Thanks to all members of the Ethical Corporation magazine advisory board for their input on this feature, and in particular:

- Peter Kinder, president, KLD Research & Analytics
- Peter Lacy, head of sustainability practice, Europe, Africa and Latin America, Accenture
- Brendan May, director, Rainforest Alliance
- Penny Shepherd, chief executive, UKSIF