

The 'triple bottom line', new model or utopia?

Round table // Environment and development



Moderator

Brice Terdjman

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Speakers

Stef van Dongen

Founder, Enviu

Elisabeth Laville

Founder, Utopies

Fanny Picard

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Executive summary

Reporting models based on the 'triple bottom line' approach are spreading. However, the concept remains vague and is often viewed as full of contradictions. Is the 'triple bottom line' rhetoric misleading? Is it a smoke screen that companies use to hide the absence of actual social and environmental performance? Is it a business standard that companies should seek and reach? The round table brought together experts, investors, evaluators, and company representatives to better understand the different standpoints regarding the 'triple bottom line' concept.

The 'triple bottom line' approach involves analyzing the performance of a company according to 3 criteria: social, environmental, and economic. It can be seen as the integration of sustainable development into commercial activities. Its implementation might be motivated by various factors: it might be trig-

gered by the necessity to address new needs related to current social and environmental problems, by the directors' will to manage their business in a responsible way, or by new consumers' expectations for people and environment-friendly products.

Regardless of the reason these approaches are developed, certain factors are required to assess the social and environmental performances of various stakeholders. Several measurement methods have been tested, yet no general standard has emerged. At this stage, these methods are usually flawed, as we are not yet capable of gauging some factors, but they still allow for a comparison between different projects with respect to some of their social and environmental outcomes.

Synthesis

Brice Terdjman opened the round table with a brief introduction of the concept of “triple bottom line” (TBL). This approach consists in evaluating company performances from an economic, environmental, and social perspective. It can be used by very different stakeholders: NGOs, investment funds, fundraisers, companies, social entrepreneurs, etc. How do these stakeholders enforce this concept within their organizations? What is their underlying motivation and which evolution do they seek?

In the first intervention, **Fanny Picard** introduced **Alter Equity**, an investment fund based on the idea that the search for profitability is compatible with ethical business practices. Its aim is to provide investors with dynamic returns while contributing to the common good from a dual perspective:

- A sectorial perspective: investing in companies (not listed on the stock exchange) that have a positive social or environmental impact;
- An operational perspective: supporting the implementation of a non-financial business plan, to encourage and oversee progress towards increased social responsibility.

Elisabeth Laville then explained the origin of **Utopies**, a consultancy firm specializing in sustainable development. Utopies was created in 1993 in response to the fact that businesses were not taking environmental and social issues into account in their strategic planning, whereas these were crucial factors, as a company could not prosper in a deteriorating human environment. Moreover, social and environmental questions can have a significant financial impact. Companies therefore need to incorporate these dimensions into their business strategies.

In **Elisabeth Laville's** view, while progress has been made towards understanding the concepts associated with sustainable development, shortcomings remain and more radical changes are needed. According to her, the problem lies in the fact that business strategies and sustainable development strategies are designed separately. A link between them has to be clearly established in order to raise awareness on their interconnection. It is therefore a governance issue.

For **Pierre Victoria**, of **Veolia Environnement**, the TBL is part of the very nature of business. As an environmental services company, Veolia has to meet the expectations of local authorities who regard regional sustainability as a core element of their strategies and positioning. Veolia hence had to build an economic model that answers social, environmental, and economic concerns.

Stef van Dongen is the founder of **Enviu**, an organization that develops innovative solutions in response to social and environmental problems. He holds a less pessimistic view on the current situation: young people are increasingly involved and innovation is implemented extremely rapidly. He believes that change in sustainable development is already underway and that the challenge for stakeholders in the sector is now to successfully coordinate their efforts to introduce socially responsible companies on the

market and be able to actually measure their social impact.

The social dimension is hence critical, in **Pierre Victoria's** opinion. Veolia is fighting precariousness in various ways: for instance, a new system, “Allô Solidarité” (Hello Solidarity), provides help for precarious employees, a range of training opportunities, water coupons, etc.

For **Elisabeth Laville**, the emergence of these social and environmental issues is linked to the crisis we have experienced over the past few years, and companies are taking advantage of them to improve their image. She is therefore not very optimistic as to the capacity of major companies to take these dimensions on board, despite some positive cases where a corporate commitment can be observed. Marks and Spencer, for example, commits to proposing 50% of sustainable development labeled products. There are very few initiatives like this one across the world and yet, according to **Elisabeth Laville**, big companies ought to transform the market: “The potential for responsible consumerism does exist and just needs to be fuelled by the market supply. It is up to the companies to educate their shareholders.”

Fanny Picard stated that consumers and employees are driving companies into attempting to launch socially and environmentally worthwhile initiatives. Many surveys have verified this evolution in consumers' behaviors:

- 75% of French people say that they expect companies to produce eco-friendly products, 71% that they should offer good quality products, and 52% that they should treat their staff well (EURO RSCG-Harris Interactive Survey, Nov. 2009).
- 76% of French people agree with the statement “I favour eco-friendly products even though they are a bit more expensive” (IFOP-Journal du Dimanche, Feb. 2009).
- For 69% of French people, a company's first responsibility is to care for its employees' health and safety (Ethicity-TNS Media, Feb.-Mar. 2010).

This major consumer tendency, following the 2008 financial and economic crisis, has led to rapid structural changes in various companies. This move towards social and environmental responsibility bears hope. Unfortunately, it is not enough to instill optimism in the face of the timeline and the magnitude of the challenges that climate change and social destitution pose.

According to **Stef van Dongen**, companies are already investing a lot of money in sustainable development issues and will not be able to change the market on their own. All stakeholders should coordinate their efforts to completely rethink current value and property standards as the change has to come from the outside.

What about investors? For **Fanny Picard**, financial markets are not currently interested in any return but the financial one. SRI (Socially Responsible Investing) represents around 3% of the Paris stock exchange's capitalization, i.e. a marginal proportion. But attitudes and practices are

rapidly changing. Within private equity, investing in non-listed companies gives way, in all countries with a long-established financial culture, to the rise of stakeholders that support social and environmental responsibility. With respect to the stock markets, the issuers will most likely be pointing out to the market the intensity of the demand that can be observed among their customers and their employees. It is likely that the markets – even though they have not yet integrated this evolution – will get there in a rapid and dramatic manner once they grasp the potential fallout in terms of profit as well as risk mitigation, the latter being even more fundamental.

The importance of innovation to implement change was then underlined. For **Elisabeth Laville**, sustainable development needs to be regarded as a lever for innovation to scale up. In addition, **Stef van Dongen**, in its introduction of impact investing, mentioned that it represented an opportunity for NGOs to be potential pioneer force in the utilization of this innovative instrument. **Elisabeth Laville** recommended watching current tendencies and drawing inspiration from tried and tested methods. In the USA, for example, several initiatives already exist. The problem is that many of the elements are not quantifiable although they require to be taken into account.

Fanny Picard said that even if current social welfare or environmental progress indicators are still imperfect, they foster the accumulation of early stage experiences; they shed light on the stakeholders involved in these evaluations; and they allow comparing projects overtime and cross-checking them.

While **Stef van Dongen** acknowledged the difficulty of measuring welfare, satisfaction or other non-quantifiable elements, he also emphasized the need to be accountable to shareholders and stakeholders. Finally, how useful are these indicators in a discussion about growth in a society whose survival depends on plundering and consuming fewer resources despite an increasing population?

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