

**Greenhouse Gas Policies for Corporations:
Rare and Improbable—It's a Government Responsibility**

**BDO Dunwoody CEO/Business Leader Poll
by COMPAS for publication in
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1.0 Introduction

CEOs and business leaders on the COMPAS panel report that businesses rarely adopt environmental policies except as legally required. Very few of the companies they work for or know intimately have a policy for auditing the impact on greenhouse gas emissions of their land-use (locational), manufacturing, purchasing, or other corporate decisions. In the absence of legal obligations to do so, almost none are expected to adopt such policies in the future. It is as if companies act on the Milton Friedman prescription to focus on profit.

Apart from reporting on company policies, respondents were asked about their personal beliefs. They were asked to assess the Friedmanite view that companies are there to make money and not engage in other activities as well as the corporate-social-responsibility (CSR) perspective that companies have an obligation to adopt low emission environmental practices even in the absence of profit-motive. Members of the panel tend to prefer the former. The Friedmanite view is the more popular.

Though companies almost never adopt greenhouse gas-related policies, they do sometimes adopt policies for indoor air quality that exceed legal requirements for doing so.

Panelists do not deny that greenhouse emissions are important to reduce. Indeed, they tend to advocate greenhouse gas-related policies as a priority environmental focus for government. They just do not see much of a role or obligation for business.

These are the key findings from the most recent survey of the COMPAS CEO panel for *The National Post* under the auspices of BDO Dunwoody LLP.



2.0. Do Companies Have an Environmental Duty Beyond the Law and Profit? No, by a margin of Almost 2:1

Respondents were asked to score their agreement with pro- and anti-Friedmanite views on corporate responsibility, with a particular focus on the environment. An overwhelming majority agrees in whole or in part with the Friedmanite perspective (83%) while a slim majority (56%) agrees in whole in part with the CSR point of view, as shown in table 2. Among panelists with decided views (score of 7), Friedman disciplines outdraw CSR advocates almost 2:1.

*Table 2: (Q1) On the topic of the proper role of public corporations in society, please score your own view of the following opinions on a 7 point scale where 7 means agree strongly and 1 the opposite.
[RANDOMIZE]*

	Mean	7	6	5	4	3	2	1	DNK
The proper duty of a company is to focus on lawfully making money for shareholders and protecting their assets and not use shareholder money for other purposes	5.7	43	23	17	5	6	6	1	0
All companies have an obligation to society to adopt low-emission environmental practices in all the decisions they make whether or not they provide benefits in terms of customer or employee goodwill	4.8	24	14	18	25	5	10	4	0



3.0. Incidence of Corporate Policies on Indoor and Greenhouse Gases

Only a small minority of respondents' companies have environmental policies for indoor air and especially for greenhouse gases that exceed regulatory requirements, as shown in table 3A. Among respondents with companies that have no such policies, the probability of such policies in the future is low, especially in the case of greenhouse gases, as shown in table 3B. Finally, respondents know of few companies with such policies, as shown in table 3C.

Respondents repeatedly volunteer concern about the sufficiency or adequacy of scientific evidence. Without adequate science, some say, they have no inclination to back government, much less adopt costly policies themselves. One recommendation is that government should focus its efforts on regulation and financial assistance in sectors that are most problematic. As the head of a transportation company put it, government should not adopt across-the-board policies but target any new regulation or incentive to "the narrow areas that cause a great deal of pollution."

A senior executive in a manufacturing company emphasized that energy use reduction is the key but that most companies cannot afford to cut their energy use. They have no ROI for doing so. "These energy reduction projects do not have acceptable ROI. A small government incentive would put many of these projects 'over the hump'."

Some CEOs called for more and better investments in science. According to one CEO, "the Kyoto Accord was the biggest scam to ever have emerged in the world, [based on] bunk science and sheer conjecture." One panelist, a geologist by training, emphasized that smog is the one issue that we can readily do something about, that we cannot successfully adapt to, and that we know is truly a problem.



*Carbon Emissions, BDO Dunwoody CEO/Business Leader Poll,
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Table 3A: (Q2) Does your organization have a policy...

	Yes	No	DNK
for monitoring or improving <u>indoor air quality</u> beyond current legal requirements	24	69	7
for auditing the impact on <u>greenhouse gas emissions</u> of its land-use (locational), manufacturing, purchasing, or other decisions?	12	80	9

Table 3B: (Q3) [IF NO]: On a 100 point scale, what is the probability that your organization would

	Mean (N=84)	DNK
adopt a policy on indoor air quality in the next year that went beyond legal requirements?	22	0
start auditing the impact of its decisions on greenhouse emissions in the next year if there were no legal obligation to do so?	12	0

Table 3C: (Q4) Thinking of the 10 private sector organizations that you know best, what proportion of them have a policy for...(Please enter a number between 0 and 10.)

	Mean	DNK
monitoring or improving indoor air quality beyond current legal requirements?	2	0
auditing the impacts of their decisions on greenhouse gas emissions?	2	0



4.0. Desirable Government Priorities—Greenhouse Gases

Despite the pervasive evidence reported above limited corporate interest in providing leadership on greenhouse gases, panelists nonetheless acknowledge greenhouse gas as a problem. More than half believe that combating greenhouse gases should be a government priority, especially in the case of greenhouse emissions from transportation, as shown in table 4.

Table 4: (Q8) As you know, the federal government has been moving away from Kyoto and towards environmental targets. Which of the following areas should the government place the most emphasis on in your view? [RANDOMIZE]

	%
Greenhouse emissions from transportation	29
Water pollution from manufacturing processes	24
Excessive consumer packaging and the burden on garbage disposal	18
Greenhouse emissions from manufacturing	17
Greenhouse emissions from consumer energy use at home	5
Water pollution from consumer behaviour	2
Don't know or no opinion	6

3.0 Methodology

The COMPAS web-survey of CEOs and leaders of small, medium, and large corporations was conducted September 20 - 22, 2006. Respondents constitute an essentially hand-picked panel with a higher numerical representation of small and medium-sized firms.



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Because of the small population of CEOs and business leaders from which the sample was drawn, the study can be considered more accurate than comparably sized general public studies. In studies of the general public, surveys of 122 are deemed accurate to within approximately 8.9 percentage points 19 times out of 20. The principal and co-investigator on this study are Conrad Winn, Ph.D. and Tamara Gottlieb.

