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- Vertaeon Introduction

- Sustainability: Definitions & Drivers
  - Definitions: Pertaining more & more to business point of view
  - Drivers – why should the Board & C-Suite consider a program?

- Relating Triple Bottom Line to Businesses
  - Internal Value chains, innovation perspective

- Does sustainability mean the same to all?
  - Between sectors, within a sector – multiple co. perspectives, relevance to value creation
  - Examples, Case studies

- Sustainability process & reporting complexities

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Vertaeon Introduction

Vertaeon is a boutique firm providing program planning and implementation support for organization-wide initiatives that involve strategic frameworks, integration to organizational goals, and data management/analytics including

**Advisory Services:**
- Corporate Sustainability
- Enterprise Risk Assessment
- BU market and growth strategy

**Data Analytics:**
- Sales Performance, Customer & Market
- Operational Data Analytics (& related sustainability data)

Vertaeon addresses three key questions:
- How to plan and deploy organization-wide initiatives?
- How to implement and ensure long-term viability of program?
- How to analyze and leverage data towards relevant insights & decision making?

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Sustainability Definitions

From resource conservation:

“Meeting the needs of the present without compromising the ability of future generations to meet their own needs”
(Brundtland, UN World Commission on Environment & Development, 1987)

"Sustainable means using methods, systems and materials that won't deplete resources or harm natural cycles" (Rosenbaum, 1993)

To economic aspects and risk management:

"Corporate Social Responsibility is the continuing commitment by business to contribute to economic development while improving the quality of life of the workforce and their families as well as of the community and society at large.“ (WBCSD Definition)

“Balance short-term and long-term profitability by holistically managing economic, social and environmental risks and opportunities” (SAP, 2009)
Sustainability – Key Drivers

**Macro level:**
- Leadership agenda
  - Country, Industry and Forums
  - Climate change initiatives

**Company-specific:**
- Regulatory push – compliance aspects
- Multi-Stakeholder interest
- Brand/image
- Ultimately, survival of the company, its profitability and stock price
Sustainability goals – value creation

- Reduce costs
  - E.g. better branding/image leading to less hiring costs
  - Energy efficiency programs
- Improve productivity
  - E.g. Process improvement, better asset utilization
- Increase market share
  - Initiatives providing new products & services opportunities
- Reduce risk
  - Operational, business and reputational
- Increase revenue and profit as a result!
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Triple Bottom Line (TBL)

- Framework incorporating three dimensions of performance
- Responsibility of Corporations to various stakeholders
- Goal of sustainability
Triple Bottom Line

Examples:
- People: Average hours of training/employee, safety incident rates..
- Planet/Environment: Greenhouse gas emissions, energy use..
- Profit/Economic: Jobs created, Revenue/profit generated..

Overall scope of sustainability program will depend on:
- Size of the company, geographic scope, type of initiatives
- Expectation from stakeholders
- Position in the value chain

Performance indicators set by GRI (Global Reporting Initiative)
- Economic, Environmental & Social
- Limited sector & stakeholder differentiation
Integrating Triple Bottom Line into Internal Value Chain

Recycle

Operations (incl. innovation, EHS etc.)

Product Sales & Marketing

Logistics

Procurement

Reduce

Reuse

Ref: M. Berns et al; M. E. Porter, Vertaeon Notes

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Key Stakeholders

• “Any group or individual who can affect or is affected by the achievement of the firm’s objectives.”

• Multiple Expectations

• Potential for tension

• Balanced approach needed

• A defendable plan

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Materiality of initiatives

- Materiality (GRI definition) on aspects covered by sustainability reporting:
  - "Reflect the organization’s significant economic, environmental and social impacts; or Substantively influence the assessments and decisions of stakeholders."

- SASB Definition of materiality: “A substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the ‘total mix’ of information made available.” (TSC Industries, Inc. v. Northway, Inc., 426 U.S. 438 (1976), US Supreme Court)

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Indicator Formulation

Where is the need?
- Materiality assessment results

Where’s the impact?
- Environmental
- Social
- ..

Where is the value creation?
- Differences among core activities and revenue generation

Sector-specific thinking
- Sustainability Accounting Standards Board (SASB)
- For Investors

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Examples of sustainability Indicators

• GHG Emissions
• Emissions to air – air pollutants
• Emissions to water
• Safety & Health
• Employees - # of employees, personnel costs
• Excluded: Economical Indicators

• 6 strategic areas
• People: Safety, stakeholder engagements, ethics & compliance
• Planet: Forest Stewardship, GHG emissions, water use

• Improving health & well-being: Health & hygiene; improving nutrition
• Reducing environmental impact: GHG, water use, waste & packaging, sustainable sourcing
• Enhancing livelihood: Fairness in the workplace, opportunities for women, inclusive business
• Improved brand equity, stock price, increased market share and profit...
Case Studies

Nike:
• Going from boycotts and PR issues to a leader in the sustainability space
• Increased transparency
• Improved supply chain, innovation
• Supplier policies & audits

GE:
• Commitment to reduce environmental impact at customers & reduce own environmental footprint
• 2005-2014: $15Bn invested in R&D and generate ~$200Bn from qualified products
• GHG emissions reduced by 31% & freshwater use by 42%
• Cost reductions & productivity improvement
Business Case for Each Initiative

In addition to the Materiality assessment:

- Where is this initiative in the overall prioritization?
- What are the costs of implementation?
- How are the results measured?
- What are the benefits & savings?
  - Financial & Non-Financial
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Reporting is a Challenge
Increasing External Reporting Needs & Guidance.

Reporting Organizations

NGOs, Thought Leaders

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Reporting: Differences raising complexity

Why report?

- Stakeholder expectations
- Industry/sector based participation
- Peer participation

- Different sections and variations within same section
  - E.g. Water, energy & climate change

- Addressing different stakeholders (communicate what’s ‘material’)

- Need for prioritization in report preparation

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In Conclusion

Sustainability is a journey

- Start small and build a strong foundation
- Develop clear objectives
- Set goals, measure results

“Sustainability is not some foo-foo dust. It’s hard-wired and you get what you measure”

Paul Polman, CEO, Unilever
HBR, June 2012
Questions?