# How to get the most value out of your sustainability strategy?

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**DuPont Sustainable Solutions** 

SUSTAINABLE OPERATIONS



Why modern corporations must have a sustainability strategy?

 Which are the steps to build your sustainability strategy and implement it successfully?

What a success story looks like?



#### lt's...

- A systemic approach
- A comprehensive review of internal and external business constraints and opportunities
- A mid- to long-tem path for the company
- Embedded into core business strategy
- Set to build greater resilience into the business
- A commitment from the entire organization

#### It's not...

- An executive leadership exercise
- A sustainability report
- A communication plan
- A website
- A social project
- The CSR department
- A 1 year initiatives
- Turning the lights off and using recyclable paper
- ...

• ...



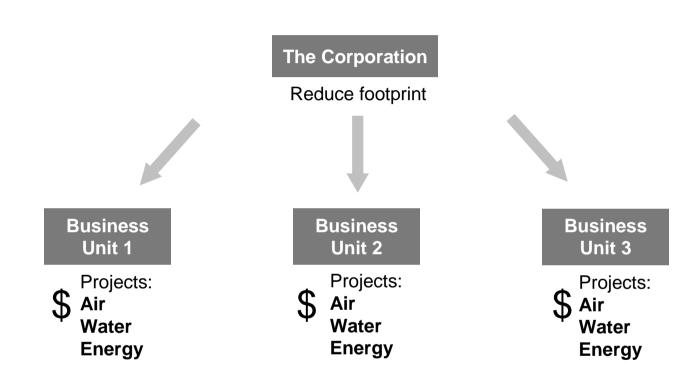
### **Common pitfalls**

- Absence of the business case
- Unclear vision with no set goal for a definite time period
- No leadership commitment and accountability
- Lack of communication & understanding between the corporate leadership and the rest of the organization
- Initiatives are not prioritized based on the return of investment
- No initiatives coordination across business units
- Lack of shop-floor involvement and ownership to identify and implement actions and initiatives
- Lack of knowledge transfer in the organization
- ...



### How to maximize the value capture?

Model 1: The corporation provides a general direction, and the businesses pursue their environmental & sustainability plans

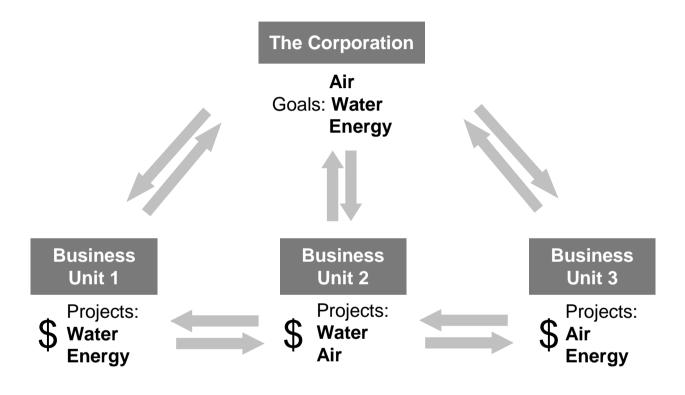


Issues limiting value capture: lack of transparency, duplication and lack of synergies, independent plans and lack of overall progress, greater overall costs, ...



### How to maximize the value capture?

Model 2: Corporate
Strategy, supported by a management system that integrates sustainability planning into the core business process, and focuses on optimizing resource allocation and maximizing returns



Value capture is improved: all opportunities are transparent, leveraging & synergies, coordinated strategies, improved focus and accelerated progress, lower overall costs, ...



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# A maturing set of external drivers are pressuring companies for more sustainability

#### **External drivers**

1. Resource costs volatility

Whilst resource costs have decreased since highs of 2008, volatility and price forcast is still a driver for resource efficiency

2. Public policy

Regulatory and fiscal measures are intensifying – creating new market and operational constraints. For example cost of CO2 compliance in the Electric Utilities can go from 1,5 up to 40% of EBITDA

3. Access to capital

The investment community is now making material decisions based on the social and environmental performance of a company's investment portfolio. In 2015, 1\$ out of 5 will be a SRI

4. Public accountability

Companies are now unlocking value from disclosure by strengthening engagements with key stakeholders. The number of Fortune Global 250 companies disclosing non-financial data more than doubled since 1998

5. Competition

Sustainability has become a fiercely competitive issue. 68% of EU consumers are looking for the 'green option' in their daily habits (purchases, transportation, energy use,...)

Sources: Generation IM (2007), Freshfields Bruckhaus Deringer (2005), EU Eurobarometer Survey (2008), Salterbaxter (2007)



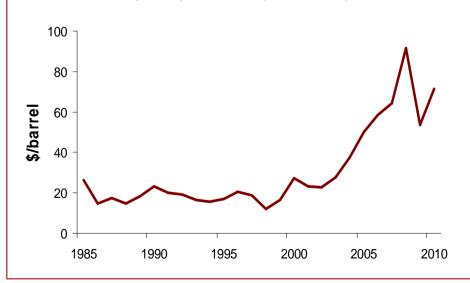
### Rising costs are focussing greater attention on resource efficiency

### Oil prices per barrel

"The high oil prices will encourage us all to focus on renewable energy. We will have to push harder."

Krairit Nilkuha, director-general of the U.S. Alternative Energy Development and Efficiency Department (Jan 2011)

#### Oil price per barrel (1985-2010)

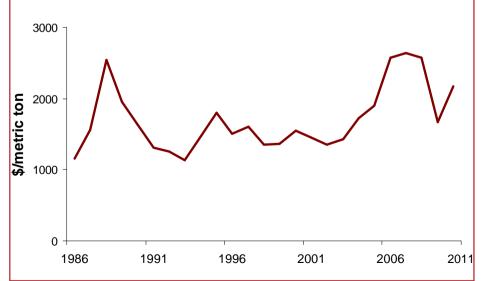


#### Cost of materials

"Steel prices will continue to increase in the line of raw material cost"

Mr B. Muthuraman, Tata Steel Vice-Chairman (Feb 2011)

#### Aluminium price (1986-2010)

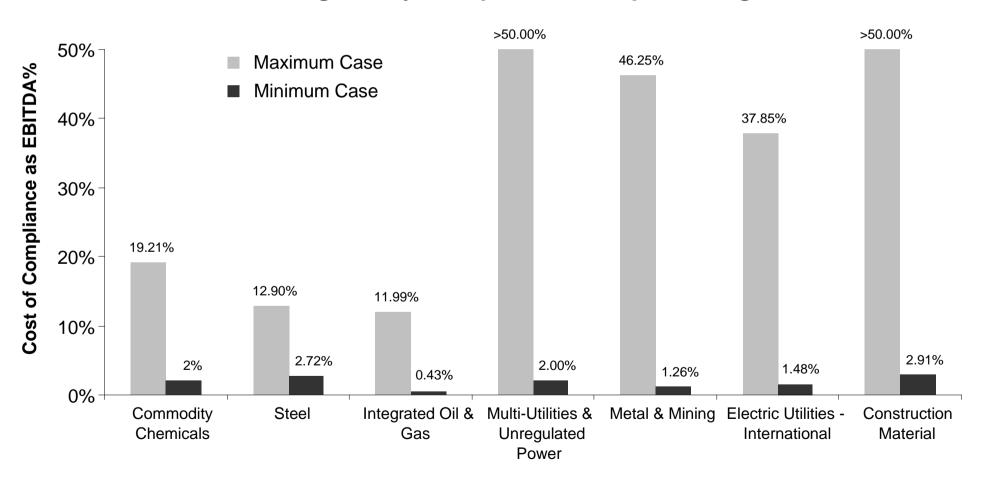


Source: US Department of Energy, www.metalsmarket.net. www.reuters.com



### The cost of compliance differs widely depending on the industries

### Cost of CO₂Regulatory Compliance as a percentage of EBITDA

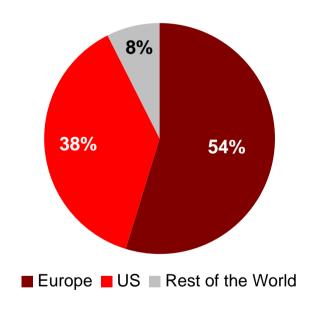


Source: Innovest (2008) cited in WWF report: Fund Management in the 21st Century

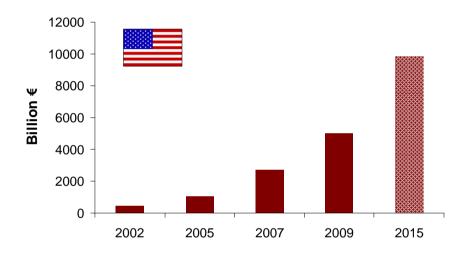


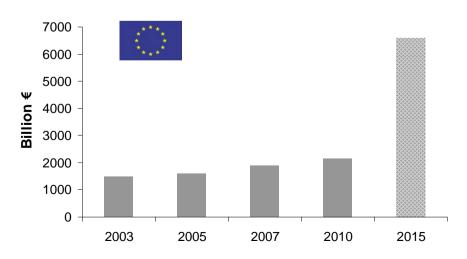
# The global Socially Responsible Investment market is expected to reach 15% of the total assets under management in 2015

### Global SRI markets (2007)



Asian SRI market holds a small share but will experience a CAGR of >150% between 2007-2015



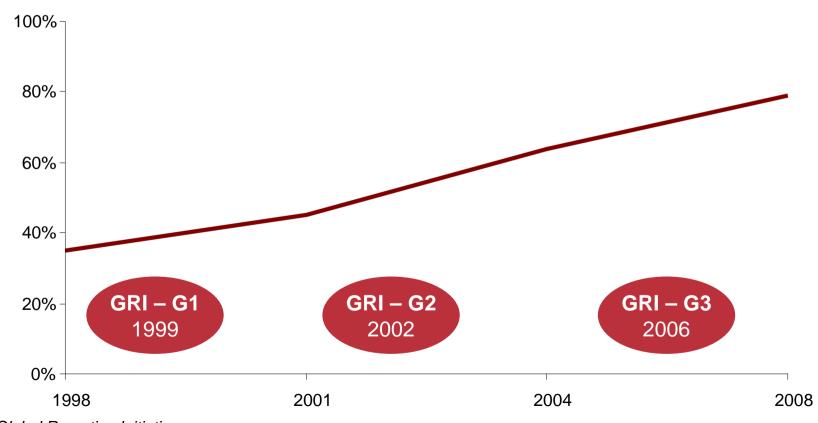


Source: Social Investment Forum,, Eurosif, Robeco, Booz&co



The number of Fortune Global 250 companies disclosing non-financial data more than doubled since 1998

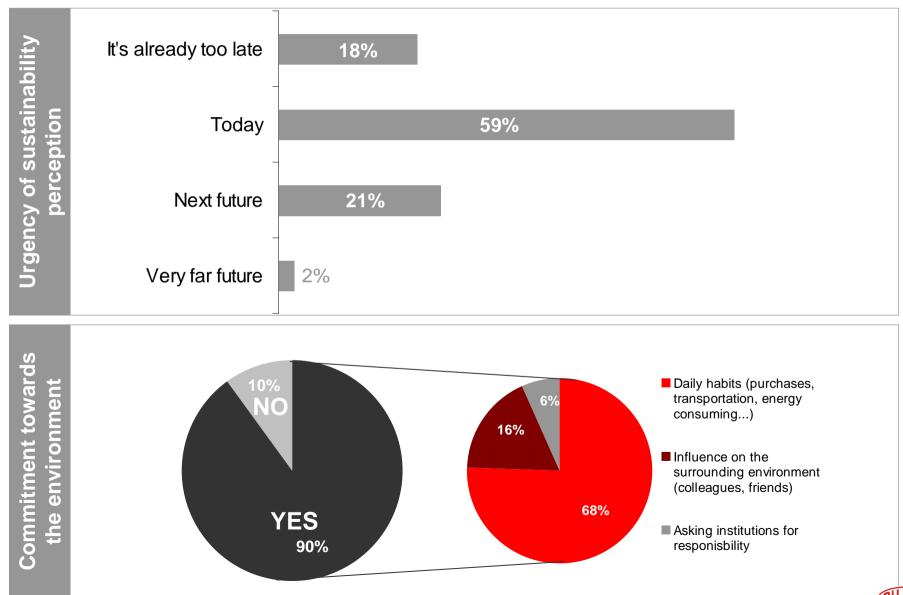
### Percentage of Fortune Global 250 publishing a Sustainability Report



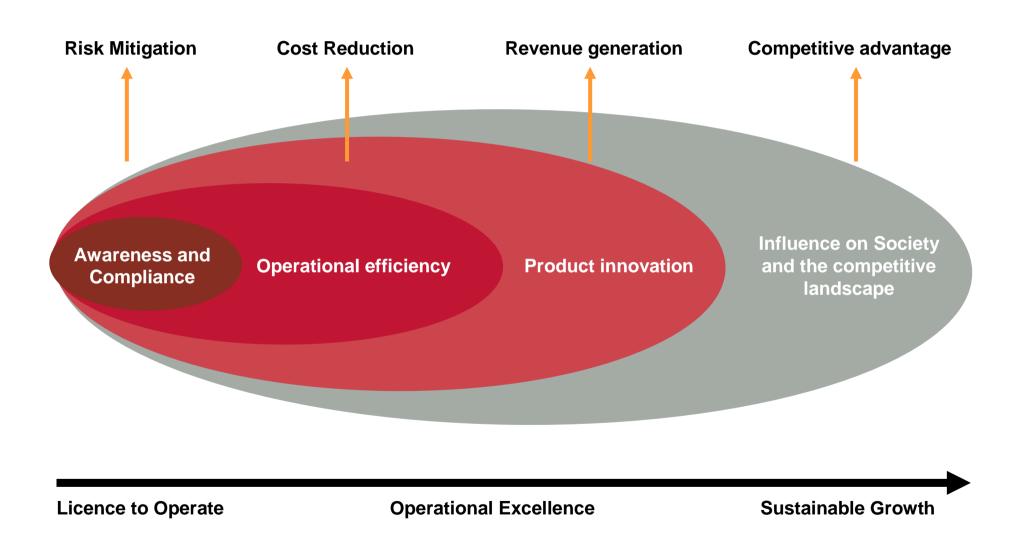




# People have strong awareness of sustainability and favor environmentally friendly products, transportation mode... etc



# In this context, industry leaders are committed to emerge from the pack looking at top line benefit





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# Success will depend on your ability to create and execute the business case for sustainability

### **5 STEPS**

- Build the business case for sustainability
- Understand the key drivers in your sector and assess your current performance
- 3. Set your ambition and integrate sustainability into business vision, strategy and objectives
- Implement your corporate sustainability management system to mitigate risks, reduce costs, create options and build stakeholder's value
- Develop competencies and support behavioural, mindsets and cultural change in order to sustain your results

### **BENEFITS**

- Optimal allocation of resources to ensure the highest return on sustainability investments
- Accelerated progress towards sustainability goals
- Reduced corporate sustainability risks and costs
- Increased organizational alignment, clarity, and operational discipline
- Increased national and international recognition, reputation and interest level for investors



# 1. Build the business case for sustainability, identifying and quantifying its tangible and intangible value

**VALUE** Stakeholder ...for all the company stakeholders. Shareholder Paid Dividends Market Share ...generating tangible Reputation Free Cash Flow & intangible value... Leadership Cost of Capital ...looking at pragmatic **Lower Risk** Strengthen actions that can unlock **Revenue Growth Cost Reduction Exposure Bottom Line** value for the organization... Better Better and Smaller **Products** Safer **Footprint** A sustainable strategy **Processes** is grounded in products, processes and footprint...



# 2. Understand the impact of the key drivers on your company and combine them with your current performance

### Key external drivers for strategic positioning

#### Regulation

How are regulations influencing your business now and in the future?

#### Stakeholder expectations

What do stakeholders expect from your company regarding sustainability related issues?

#### Cost/benefit

What is the potential social and environmental impact reduction and which actions improve your business value?

# Your Company

#### Competition

How is the current sustainability performance of the industry and what are the best practices?

#### **Technology**

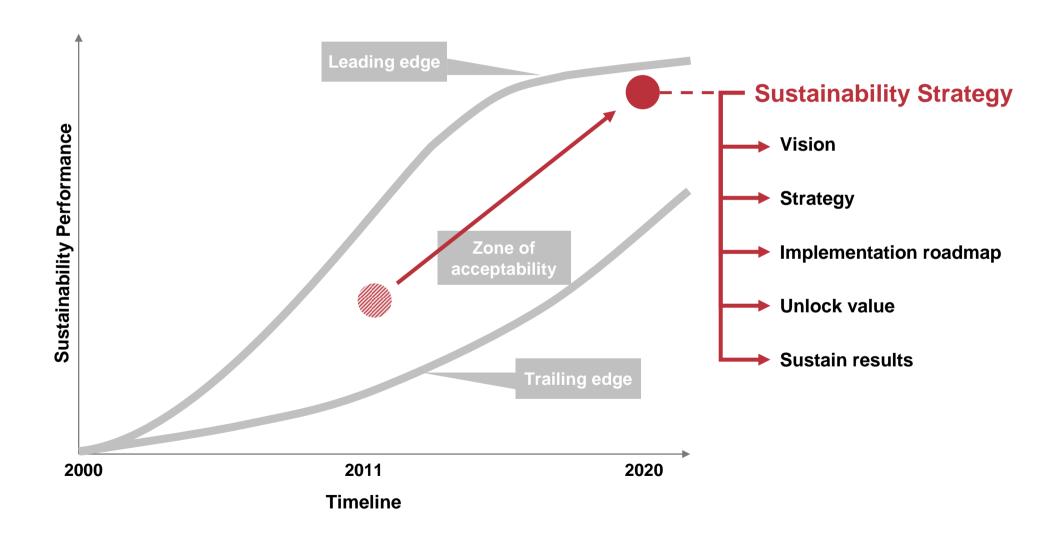
What technology can help you reduce your social and environmental impact across the regions and value chain?

#### Your current performance

How are you running your operations? Are you missing/meeting/exceeding stakeholders expectations?

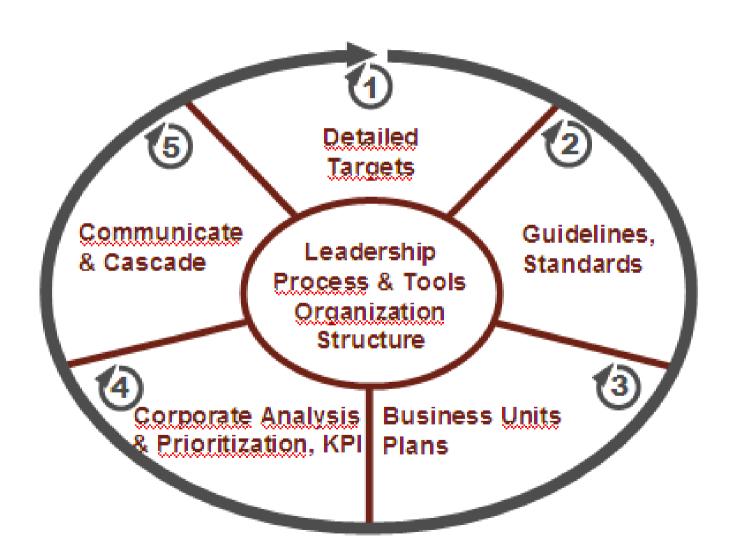


# 3. Set your ambition and integrate sustainability into business vision, strategy and objectives





4. Implement your corporate sustainability management system to mitigate risks, reduce costs, create options and build stakeholder's value





## 5. Develop competencies and support behavioral, mindsets and cultural change in order to sustain your results

### Strong Leadership

- Commitment
- Policies & principles
- Performance
- Goals & plans

People Management Culture

Appropriate
Organizational
Structure

- Supportive staff
- Accountability
- Integrated structure
- Performance & motivation

Focused
Processes and
Actions

- Communication processes
- Training & development
- Best practices
- Audits & re-evaluation



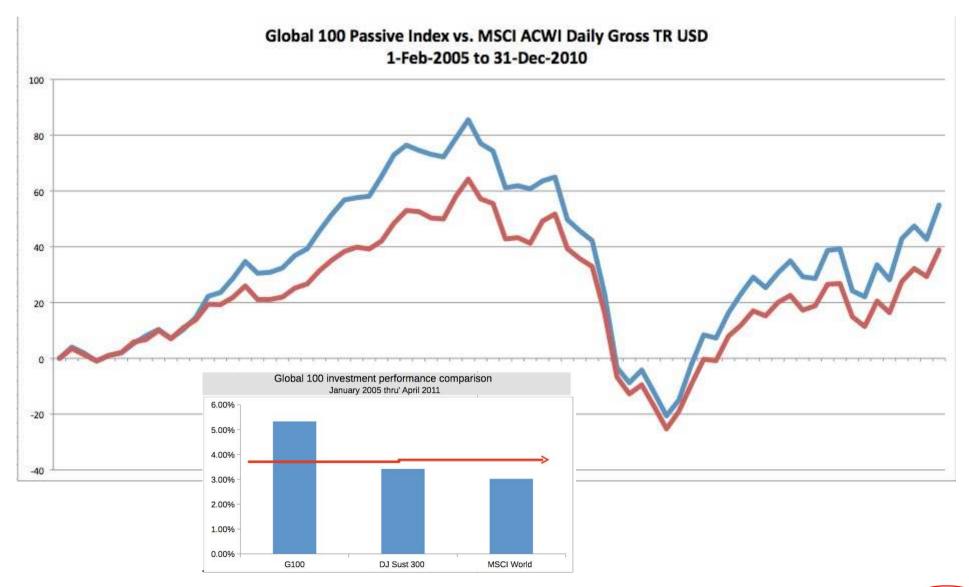
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# Top 100 sustainable companies performed better than market average in the last 5 years





# Global players found the way to un-lock the value of their sustainability strategy

Pursuing resource effinciency in the supply chain, Walmart has identified \$1.5 billion savings amongst top 500 suppliers





Improving energy efficiency at data center, Intel saved about \$100 million (2008-2010) Improving operations and energy efficiency RTA saved 4.2 PetaJoule in the period 2008-2010, amounting to more than \$1.4 billion

Investing in Ecoimagination, enabled GE to generate \$70 billion in sales in the first five years.

GE has saved \$140 million since implementing a comprehensive sustainability strategy five years ago.



Conclusion 25

### What is a sustainability strategy?

It is a yearly exercise to assess and weight into your business strategy, environmental and social long term opportunities and risks

Why modern corporations must have a sustainability strategy?

To capture top line benefit and to anticipate costly and disruptive risks

 Which are the steps to build your sustainability strategy and implement it successfully?

Assess, Envision, Design, Implement, Sustain

How a success story looks like?

Any story is different, your story is unique. Passion and a rigorous approach are ingredients you cannot forget

