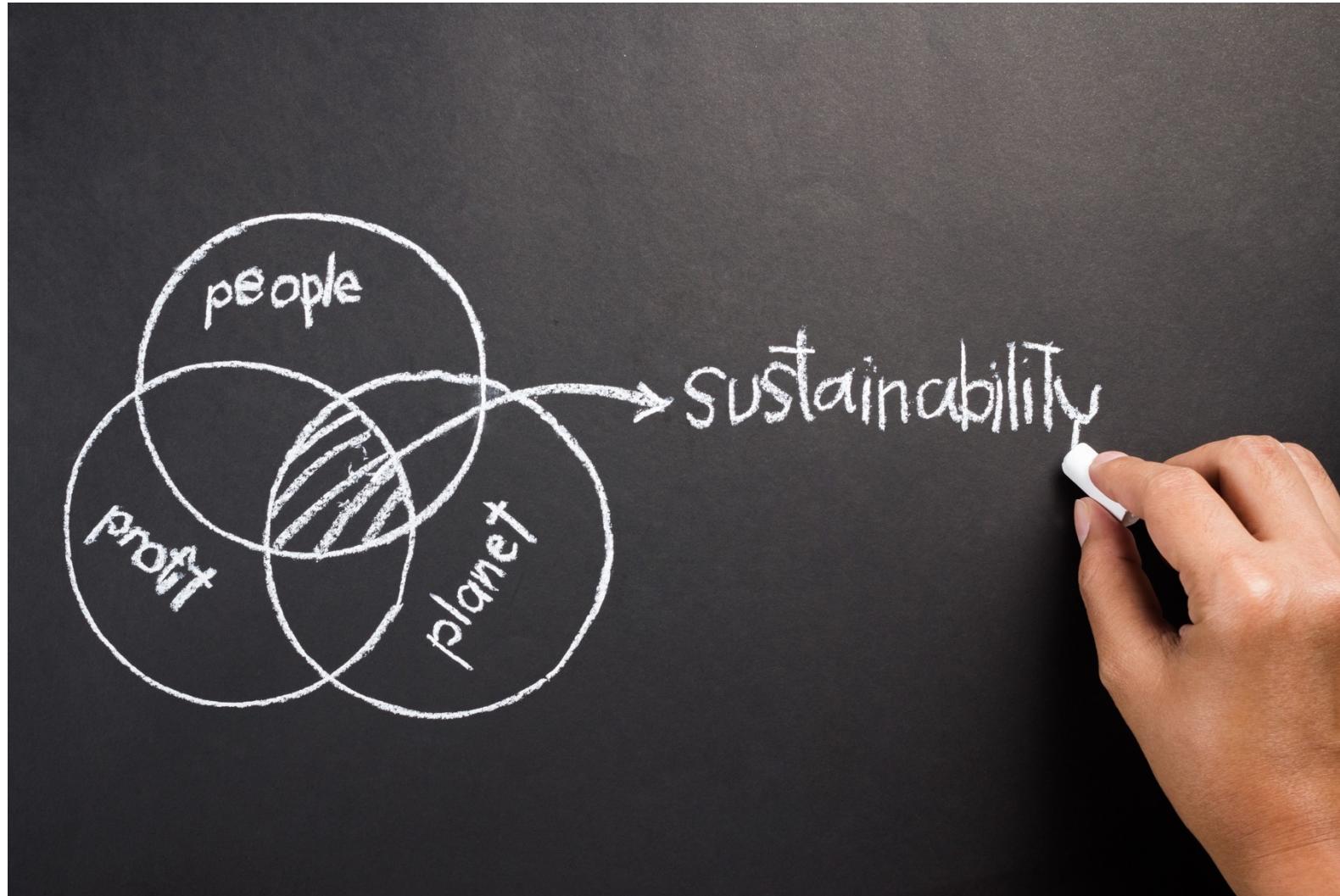


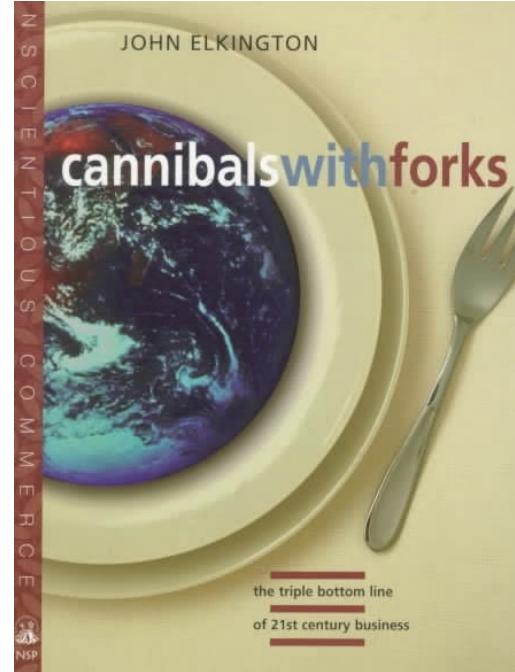
Sustainability and the Triple Bottom Line



Sustainability and the Triple Bottom Line...



John Elkington
1949 -



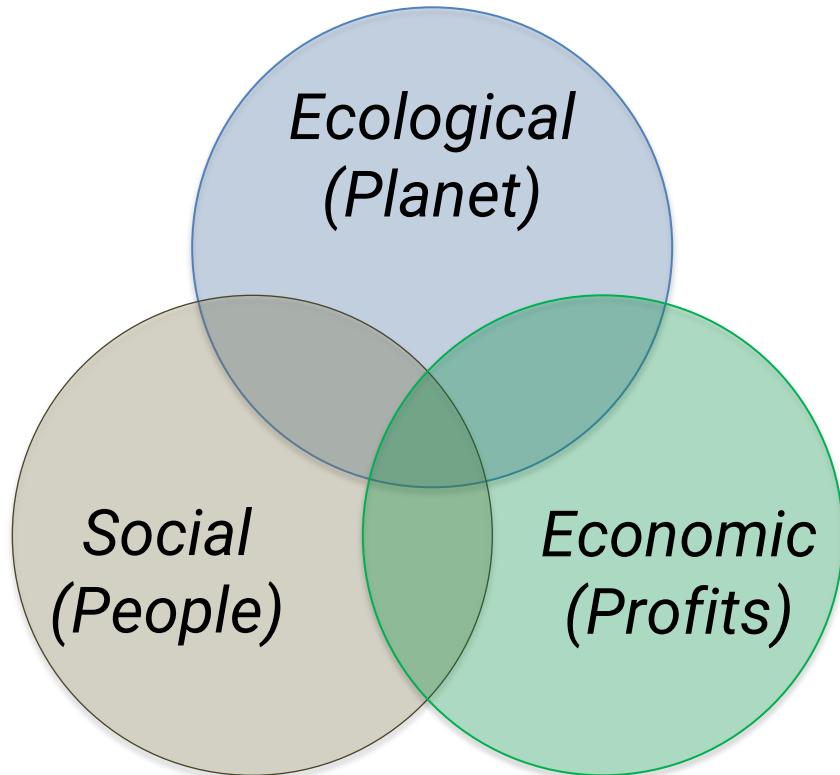
1997

*Introduces the
“Triple Bottom Line”*

Companies should be evaluated not only on their profits, but also on their social and environmental impacts. Formal accounting systems need to change to include all three performance indicators.

Sustainability and the Triple Bottom Line...

The Triple Bottom Line (“TBL”)...



Integration of:

- Ecological (Environmental) sustainability
- Social Inclusion (Equity)
- Economic Opportunity (Profitability)

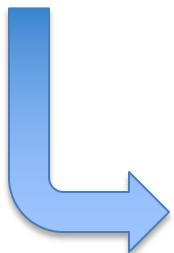
The 3 Pillars of Sustainability

3P's: People – Planet - Profits

Sustainability and the Triple Bottom Line...

From Shareholders to Stakeholders...

The company's responsibility is to maximize profits for its shareholders. That's it.



The company's responsibility is to all its stakeholders:

- Shareholders
- Customers
- Employees
- Suppliers
- Communities where they operate

Sustainability and the Triple Bottom Line...

The Triple Bottom Line (“TBL”)...

People (Social Equity): fair labor practices, living wages, safe working environment, considered a partner with the community. (Human Capital)

Planet (Environmental): practices that minimize the company's environmental footprint, externalized costs are internalized, rate of depletion equals rate of regeneration/restoration. (Natural Capital)

Profits (Economic): the company's financial bottom line, now accounting for its social and environmental costs. (Financial Capital)

Sustainability and the Triple Bottom Line...

The Challenge of the The Triple Bottom Line...

Great concept – how do we calculate it?

How do we create a method that is used everywhere in exactly the same way?

How can we compare results between projects? among companies?

Yikes! Should we actually monetize Mother Nature?!

Getting to a common framework for the TBL has been really tough.

Sustainability and the Triple Bottom Line...

Different Measures for each "P"...

Economic Measures

- Profit / Loss (conventional)
- Job Growth
- Employee Income & Growth
- Procurement Practices

Easy...

Environmental Measures

- Material Consumption
- Energy Consumption
- Water Consumption
- Emissions & Wastes
 - Gaseous Pollutants & GHGs
 - Liquid Wastes
 - Solid Wastes
- Land Use Changes

Harder...but doable

Social Measures

- Unemployment Rate
- Female Labor Force %
- Child Labor & Human Rights
- Anti-Corruption Practices
- Compliance
- Product Safety
- Marketing Ethics

Much harder...

Getting to a common framework to compare one company to another is very challenging.

The Global Reporting Initiative...

The non-profits “Coalition for Environmentally Responsible Economies” (“CERES”) and the Tellus Institute established guidelines for sustainability reporting.

These guidelines are updated every few years as new information / databases became available.

The GRI Sustainability Reporting Standards are now the “gold standard” that companies follow when creating their Sustainability Reports.



We'll cover the GRI in much more detail when we discuss Sustainability Reporting.

The Concept of Environmental Services...

Let's consider a tree...

What does a tree actually do?

adds beauty to the landscape

provides shade

converts CO_2 to O_2 (photosynthesis)

stabilizes soil, preventing erosion



If you had to pay for those “services”,
how much would it cost?

Natural Capital: the value and availability of natural resources
upon which human life and our economic livelihoods depend.

The Concept of Environmental Services...

Now let's consider...

Wastewater from your factory contains chemicals that kills 500 trees in the surrounding area...

If your business was charged for the “lost services” provided by the trees, how much would that cost?

If the community needed to install a water treatment facility to remove the chemicals, who typically pays for that?



The Concept of Environmental Services...

Externalities...

A cost generated by the business but shifted from the business onto natural resources (e.g., trees, water, etc.) or 3rd parties (communities).

What if government forced companies to "internalize" their externalized costs – meaning these had to be accounted for in the company's P&L?

External costs reflect a financial risk to the bottom line.

And investors want to know how much risk this really is!

Environmental Impacts...

How do they do this?

How do companies keep track of their environmental impacts?

How do companies know if they are making progress?

How do investors know companies are making progress?

Next time: how Puma started an accounting revolution.

Main Takeaways...

The Triple Bottom Line, or TBL, is a concept that measures a company's performance along three indicators: People, Planet and Profits.

The TBL represents a shift in corporate objectives – from a focus on profit maximization to one of shared value among all stakeholders.

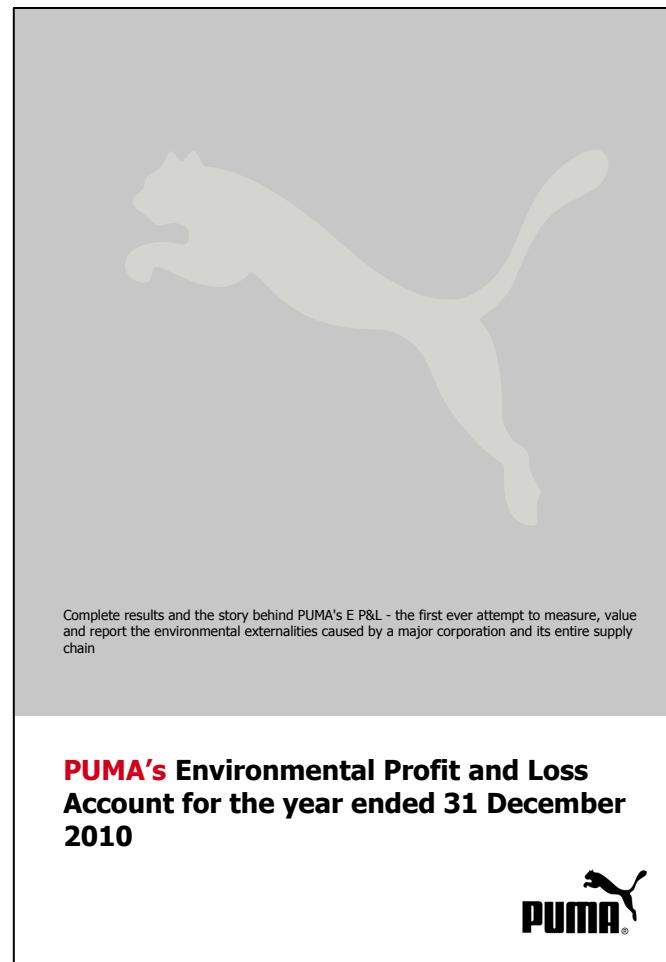
While appealing, putting TBL into practice has been challenging, in part because we don't have systems that fully account for social and environmental impacts (externalities).

Externalities represent a financial risk – and companies and investors want to know what the extent of this risk is, and how to mitigate it.

This is a work in process. Governments and leading financial organizations are looking at accounting standards that allow companies to uniformly implement the Triple Bottom Line, enabling investors to evaluate the true performance of any company.

Next Time...

Puma and the Environmental P&L



Credits & References

Slide 1: Sustainability by patpitchaya, Adobe Stock (65073421.jpeg).

Slide 2: John Elkington, https://commons.wikimedia.org/wiki/File:John_Elkington_06.JPG (accessed June 28, 2022).
Cannibals with Forks Cover Image, https://books.google.com/books/about/Cannibals_with_Forks.html?id=dlJAbIM7XNcC (accessed June 29, 2022).

Slides 9-10: Rain tree isolated on white background.Tropical tree by Suraphol, Adobe Stock (208052678.jpeg).

Slide 14: Screenshot of Puma's Environmental P&L Report, download the report at
<https://about.puma.com/en/newsroom/corporate-news/2011/11-16-11-first-environmental-profit-and-loss>.