

# THE BUSINESS OF SUSTAINABILITY:

## *Innovations & Trends*



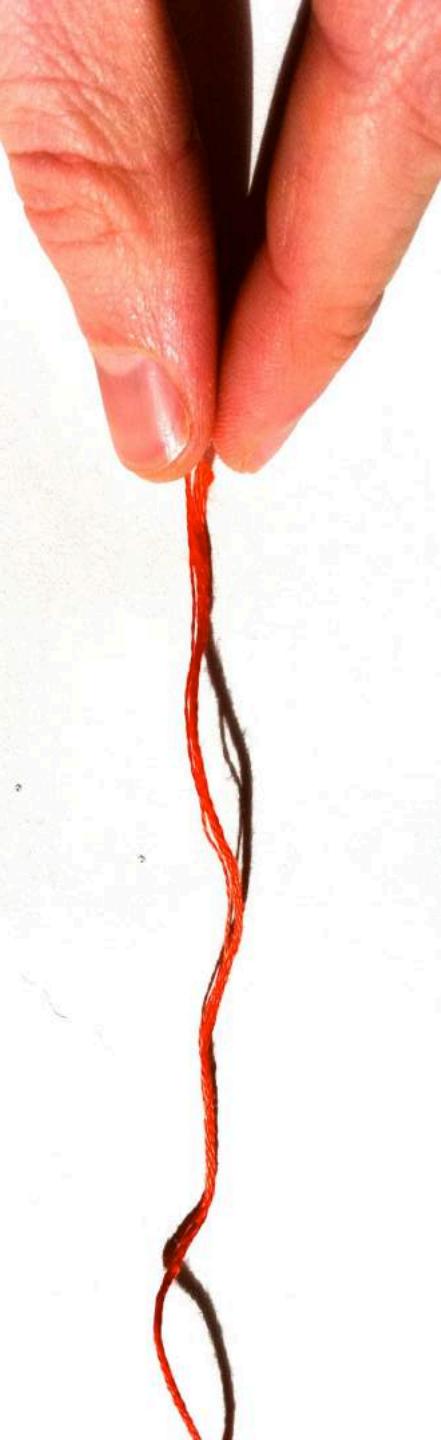
# Aim

- ◆ Share perspectives, recognition & radar
- ◆ Stimulate thinking, provoke discussion

*"In the long run you hit what you aim at, so aim high"*

Henry David Thoreau





## Big Challenges

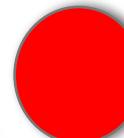
Face a daunting set hurdles

## Role of Business

Ability to innovate & contribute to solving big problems

## Not Easy

But the best act in town: only cross-border actor with skills and resources to get the job done.



## By a mile

Leaders in sustainability, % of analysts polled



Source: GlobeScan/Sustainability Survey



business role in  
solving big  
problems?

## A need for systemic solutions to poverty, inequality, resource scarcity, climate change



- COP 21 Climate Agreement in Paris
- Sustainable Development Goals (SDGs)

But....

Success will be heavily dependent on mobilizing sufficient capital

Kick's off strong ...

2016:

2016:

Complex and Intertwined

Issues that companies  
need to consider are  
multiplying fast



- Water
- Oil prices
- Terrorist threats
- Geopolitical instability
  - Corruption
  - Migrant crisis

# 2016 : Conversation has changed



It used to be about:

***“What direction are we going?”.....***

***“What’s our ultimate destination?”***

And now....

***“What’s the best way to achieve our goals?” ...***

***What speed should we go?***

# Landscape:

What are the key challenges facing global business?



Population &  
Demographics

Economics & Poverty

Natural Resources &  
Ecosystems

Transparency &  
Accountability



# What is the estimated world population in 2050?



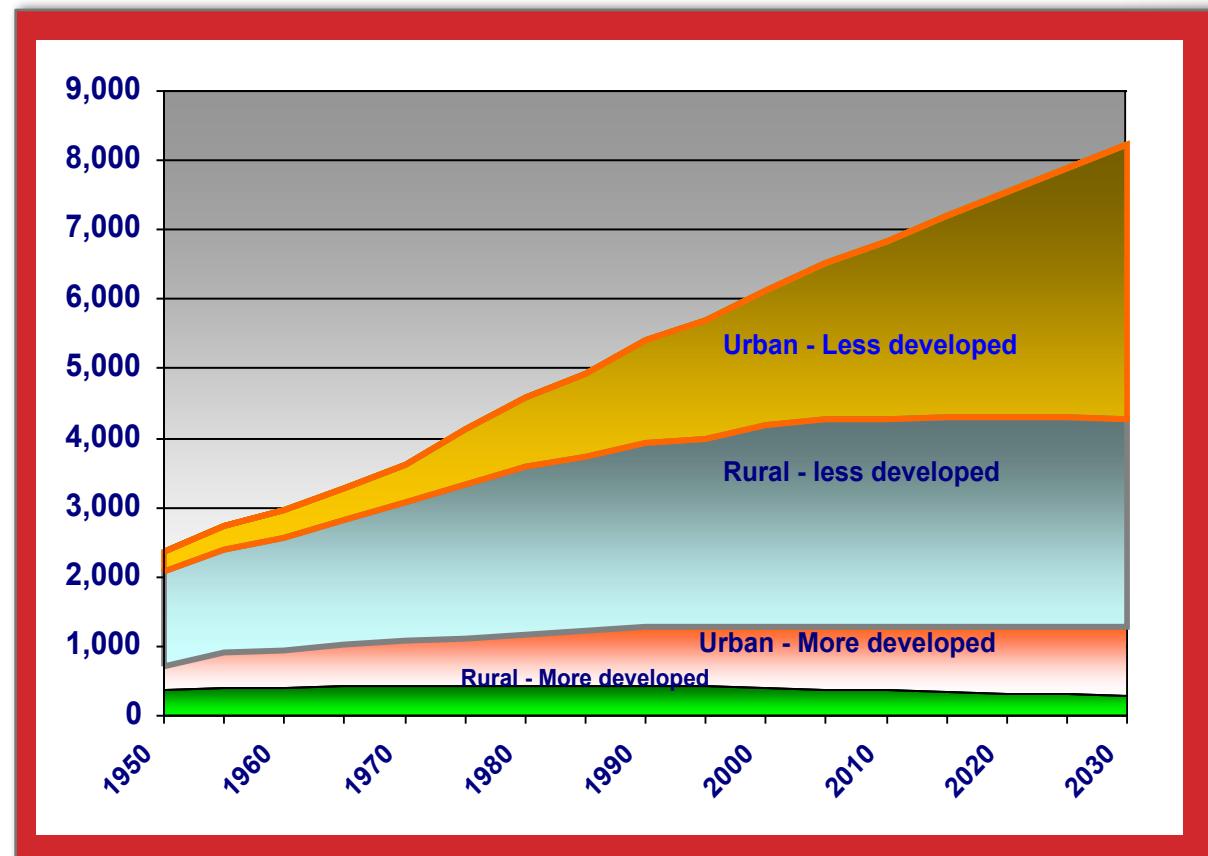
- 1) 7 billion
- 2) 9.6 billion
- 3) 13.5 billion
- 4) 17 billion

85 % will be  
living  
developing  
countries

75% in cities

2.3 more  
people every  
second!

~9.5 billion





Landscape:

What are the key challenges facing global business?

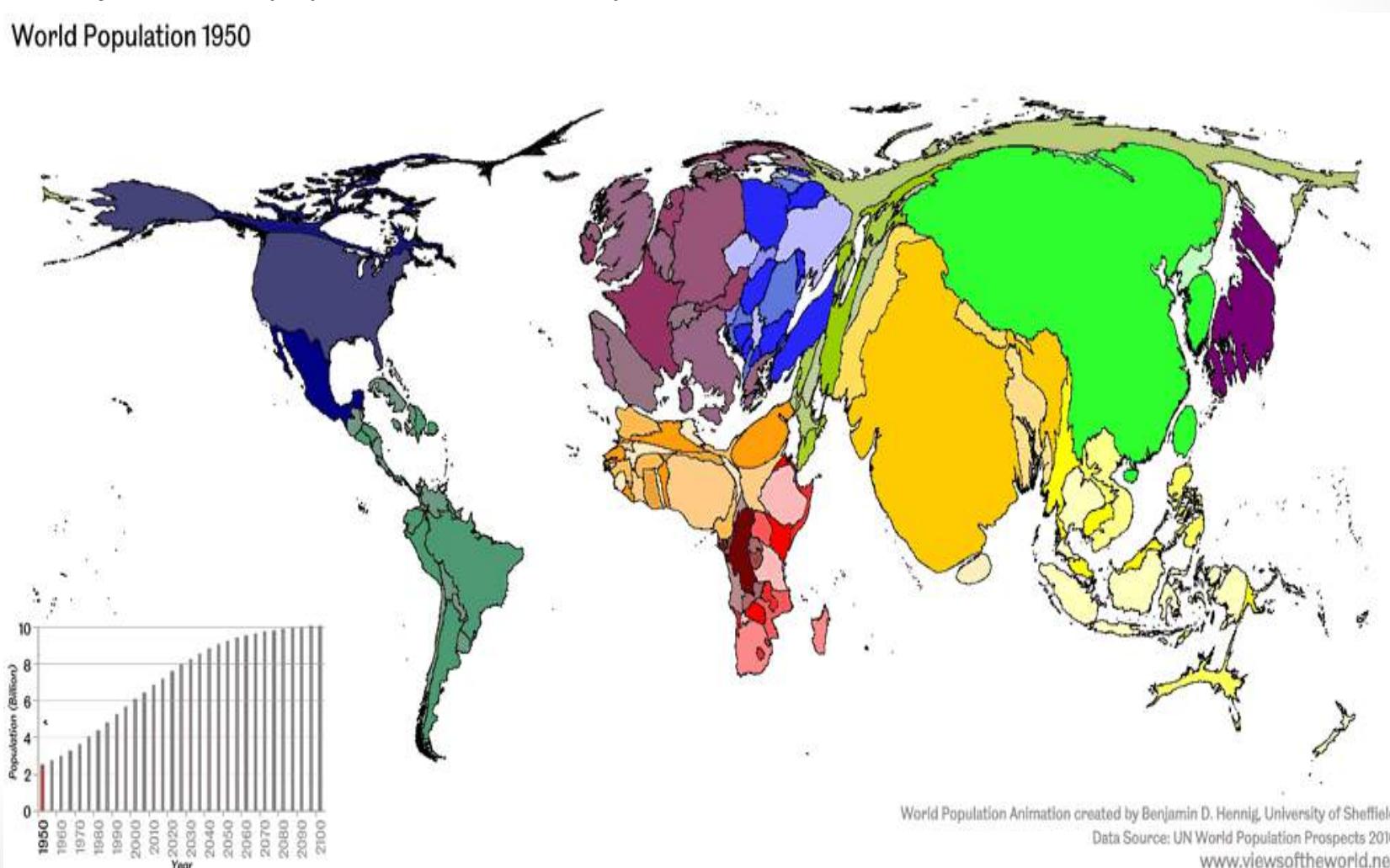
Population & Demographics

Land Area

Adjusted for population

Adjusted for population over 150 years

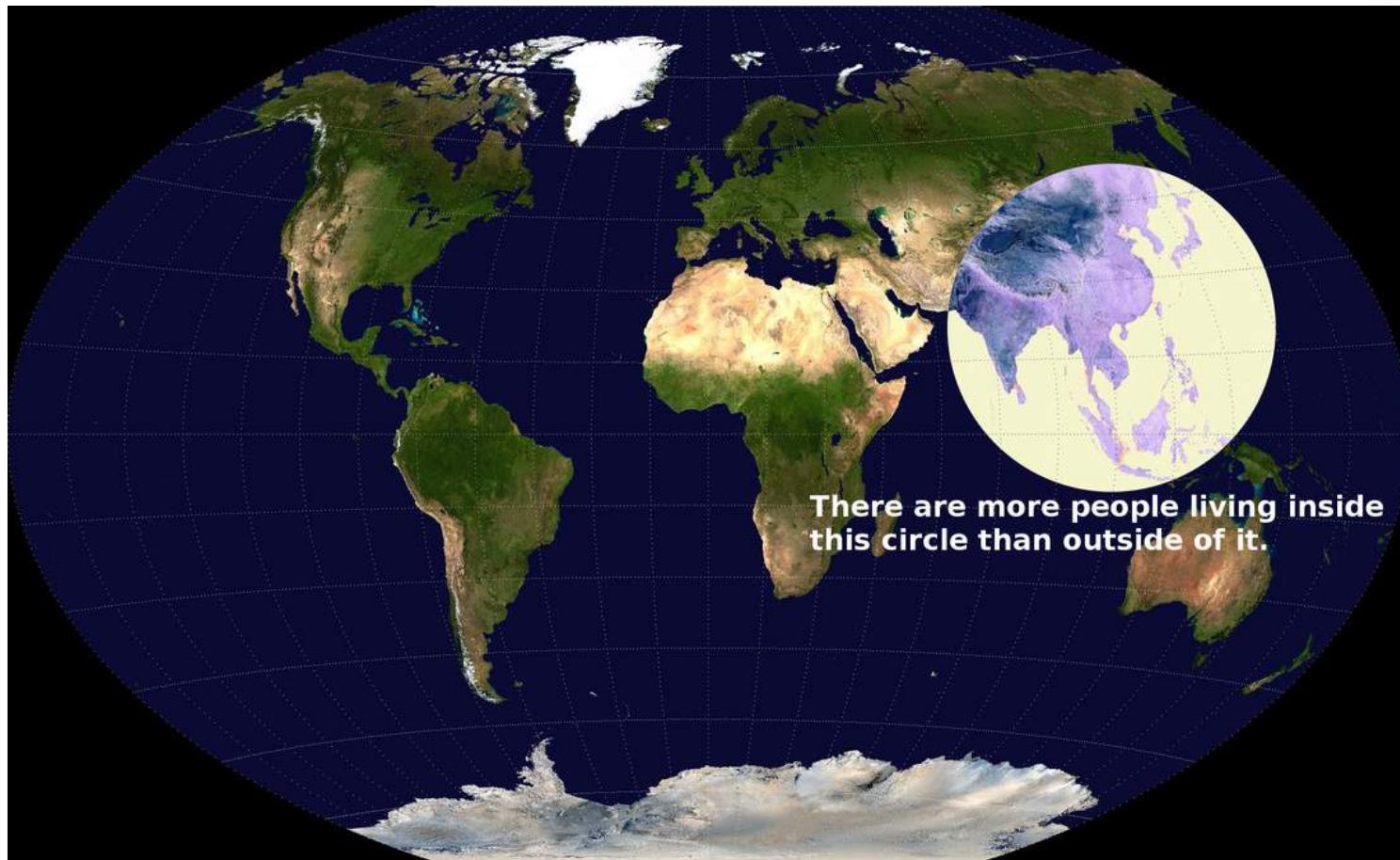
World Population 1950



Process of density equalizing: land area adjusted to show proportion of a specific variable.



## Action East





# 2025: not just the people are moving...

China will be home to more large companies than the US or Europe,

And...

50% of the world's large companies will be headquartered in today's emerging markets



# By 2050, what are the top 3 global economies going to be?



# China, India, USA

Tremendous economic growth but winners and losers

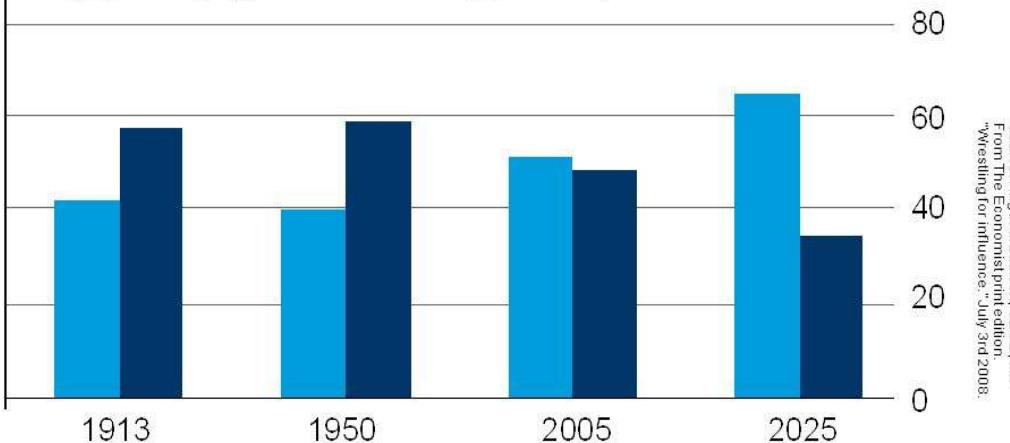
Growing divides between and inside countries

## Shifting Fortunes

% Share of GDP

\* At purchasing-power parity

■ Emerging economies ■ Developed economies



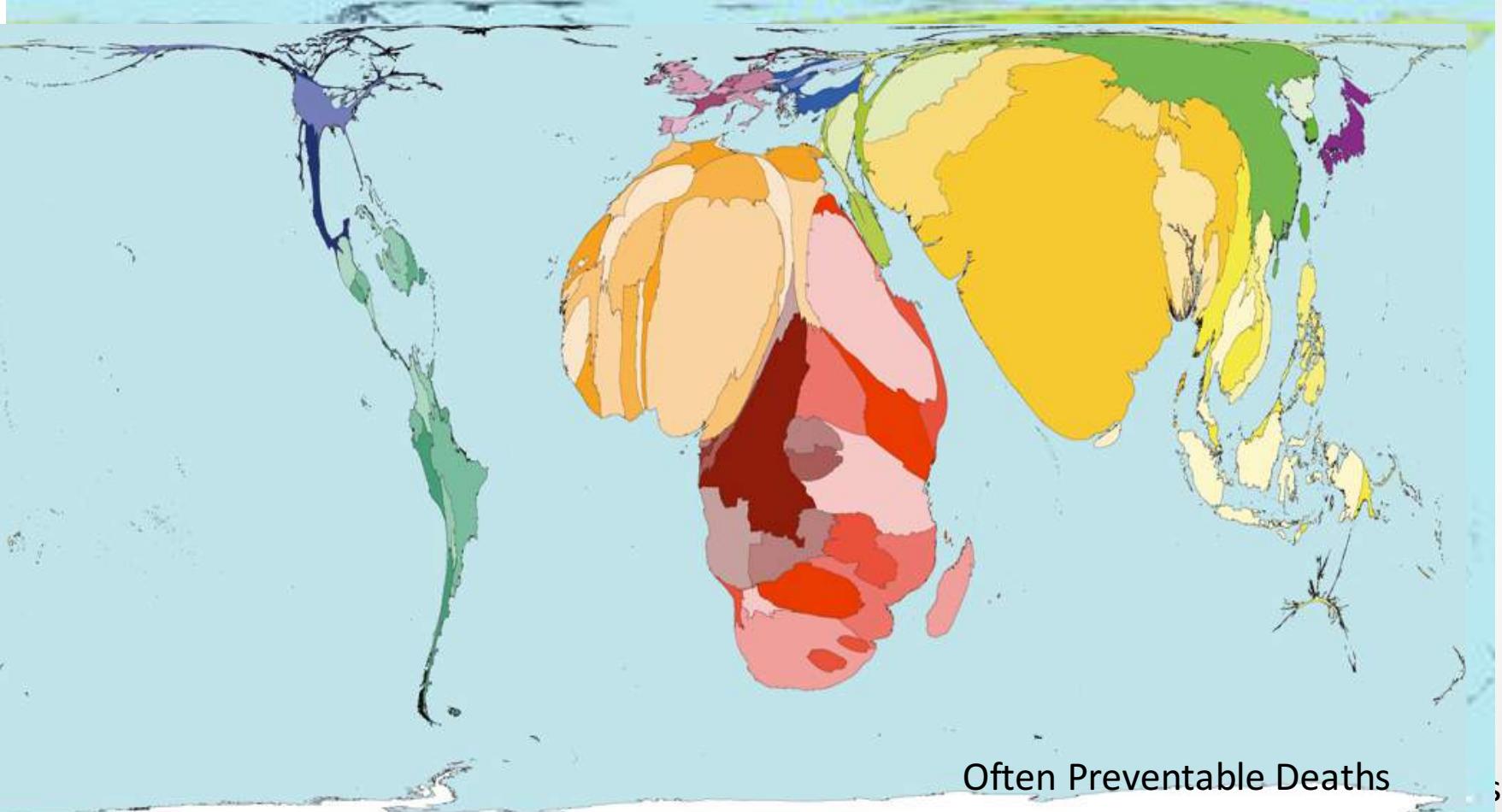
Source: Angus Maddison, OECD, IMF  
From The Economist print edition,  
"Wrestling for influence," July 3rd 2008.

**Emerging economies > 50% of global GDP and trend will continue**

Landscape:

What are the key challenges facing global business?

Economics & Poverty



Often Preventable Deaths

**By 2030, how many people will live in areas of water stress?**

**Water**



- 1) 4 billion
- 2) 6 billion
- 3) 8 billion

~4 billion

There is a lot of fresh water in the world...

...but it is not always where people live

Water is free...

...but infrastructure is expensive

Nature is constantly recycling and purifying water..

...but people pollute water faster than nature can clean it

Five billion people have at least some access to water...

...but over one billion have no access

The pace of industrialisation is increasing...

...but industry requires increasing volumes of water





# Water

Global Water Report 2015\*:

Companies report detrimental impacts to their businesses from water challenges with a financial value totaling more than US\$2.5 billion....

....and yet,

over 50% of 400 surveyed companies fail to do a risk assessment on water security.

## Today, how many people lack access to proper sanitation?

## Sanitation



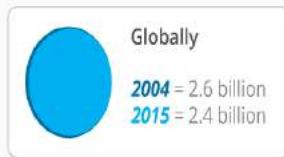
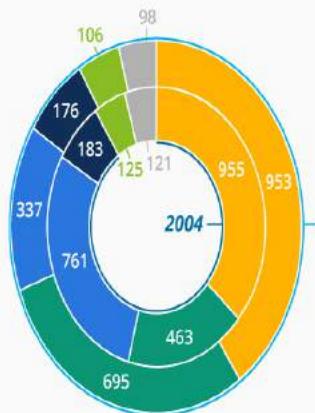
- 1) One out of every 3
- 2) One out of every 10
- 3) Everyone has a place to “go”

# Sanitation

## One in Three People Lack Access to Proper Sanitation

Population (millions) without improved sanitation by region and year

- Yellow: Southern Asia
- Dark Blue: Southeastern Asia
- Green: Sub-Saharan Africa
- Light Green: Latin America and the Caribbean
- Blue: Eastern Asia
- Grey: Other regions

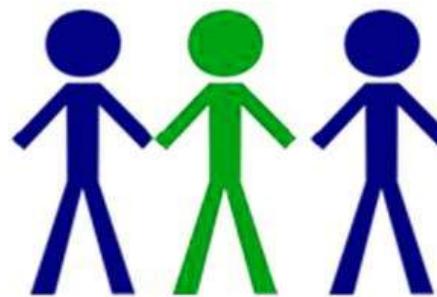


statista

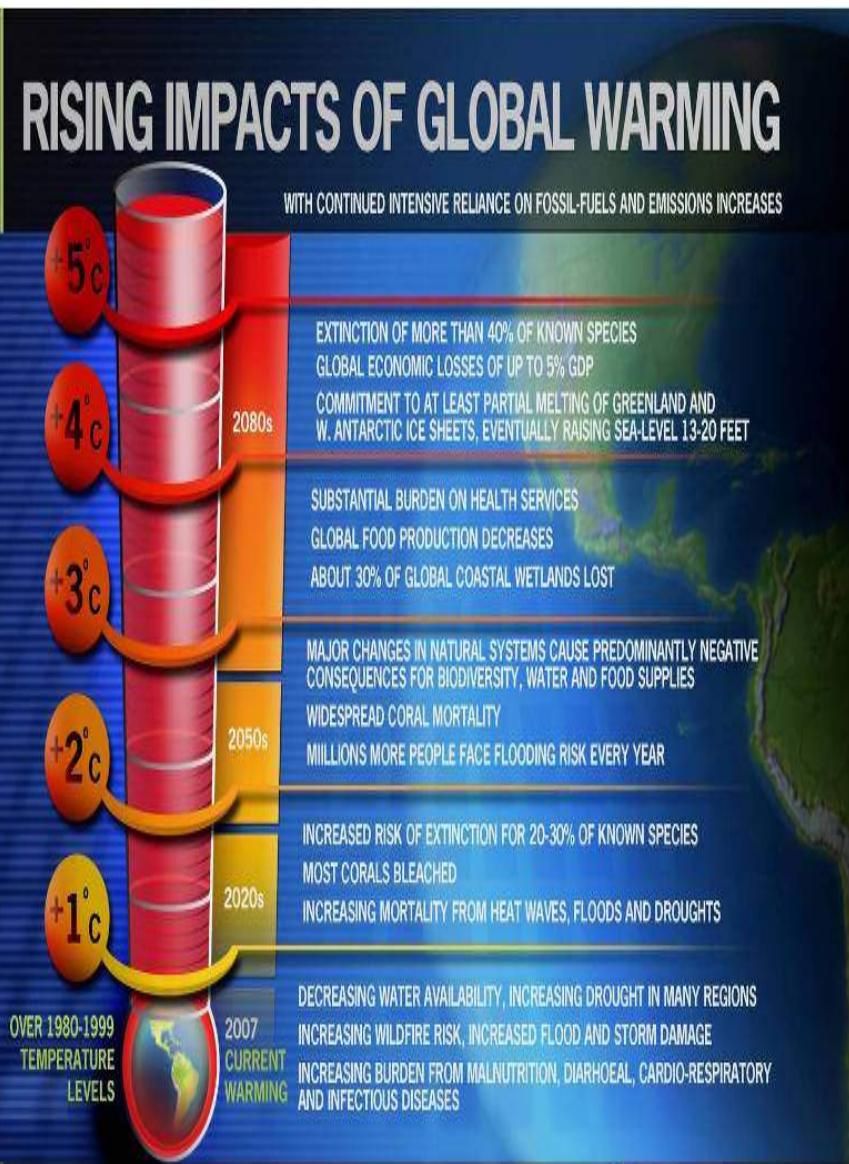


Source: WHO/UNICEF Joint Monitoring Programme  
(JMP) for Water Supply and Sanitation

~ 1 of every  
three people



# Emissions



GHG are projected to grow by a further 52% to 2050

An increase in global temperature in the range of 1.7-2.4° C

heat waves  
droughts  
storms  
Floods

=

damage to: infrastructure  
crops

# Emissions



The United Nations Global Compact-Accenture CEO Study

## Special Edition: A Call to Climate Action

[Read the full report here](#)

### Caring for Climate: An Urgent Priority

91% of business leaders believe that climate change is an urgent priority for business

34% believe progress is on track to restrict global warming to less than 2C

66% believe business is not doing enough to tackle climate change



Landscape:

What are the key challenges facing global business?

# Transparency & Accountability



Global governance:  
living in a « CNN »  
world

The number of non-governmental organizations (NGOs) has climbed steeply since 1950.

How many exist today, according to informal estimates?

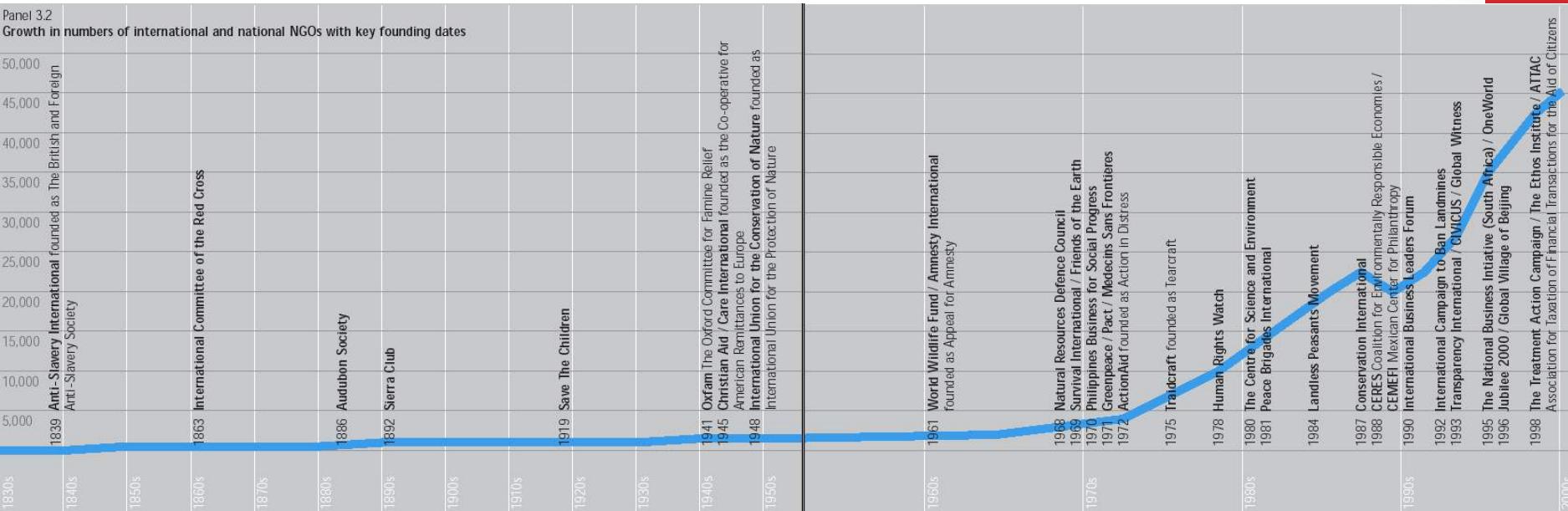
Landscape:

What are the key challenges facing global business?

# Transparency & Accountability

+ One million

## Founding dates of key NGOs



Landscape:

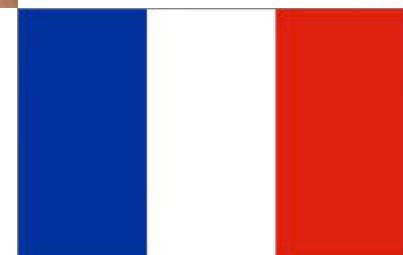
What are the key challenges facing global business?

# Transparency & Accountability

- ◆ 31 million employees
- ◆ 7% of global workforce
  - ◆ 1 out of every 8 service sector workers



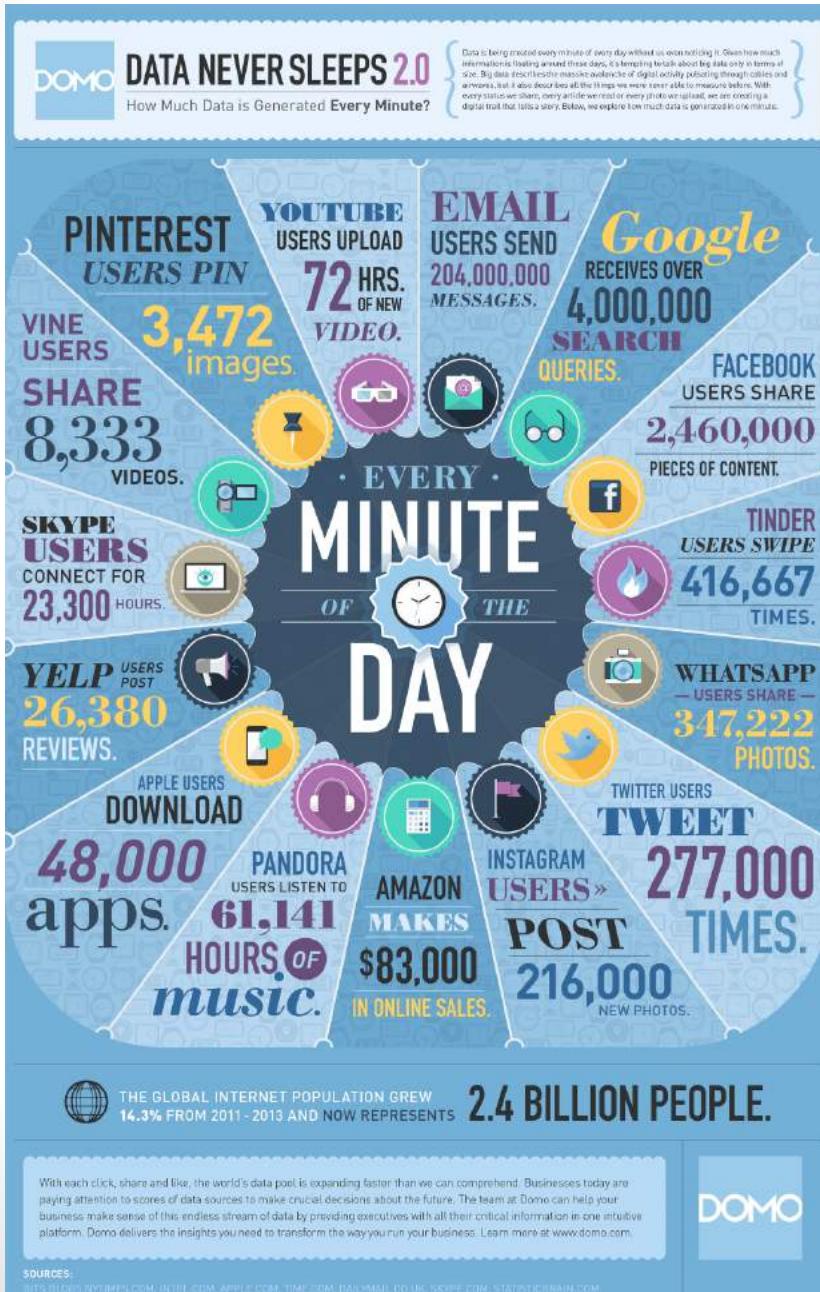
If a country (national economy), would be the 8<sup>th</sup> largest globally (between the UK and France)



Landscape:

What are the key challenges facing global business?

# Transparency & Accountability



# Blackrock CEO .... An impactful move

Feb 2. 2016

Lawrence D. Fink, Chief Executive, Blackrock, ***the world's biggest investor*** with \$4.6 trillion, sent a letter to chief executives at S&P 500 companies and large European corporations.

- ... “We are asking that every CEO lay out for shareholders each year a ***strategic framework for long-term value creation.***
- *Generating sustainable returns over time requires a sharper focus not only on governance, but also on environmental and social factors facing companies today.*
- *These issues offer both risks and opportunities, but for too long, companies have not considered them core to their business – even when the world’s political leaders are increasingly focused on them, as demonstrated by the Paris Climate Accord.”*

BLACKROCK

# Landscape:

What are the key challenges facing global business?



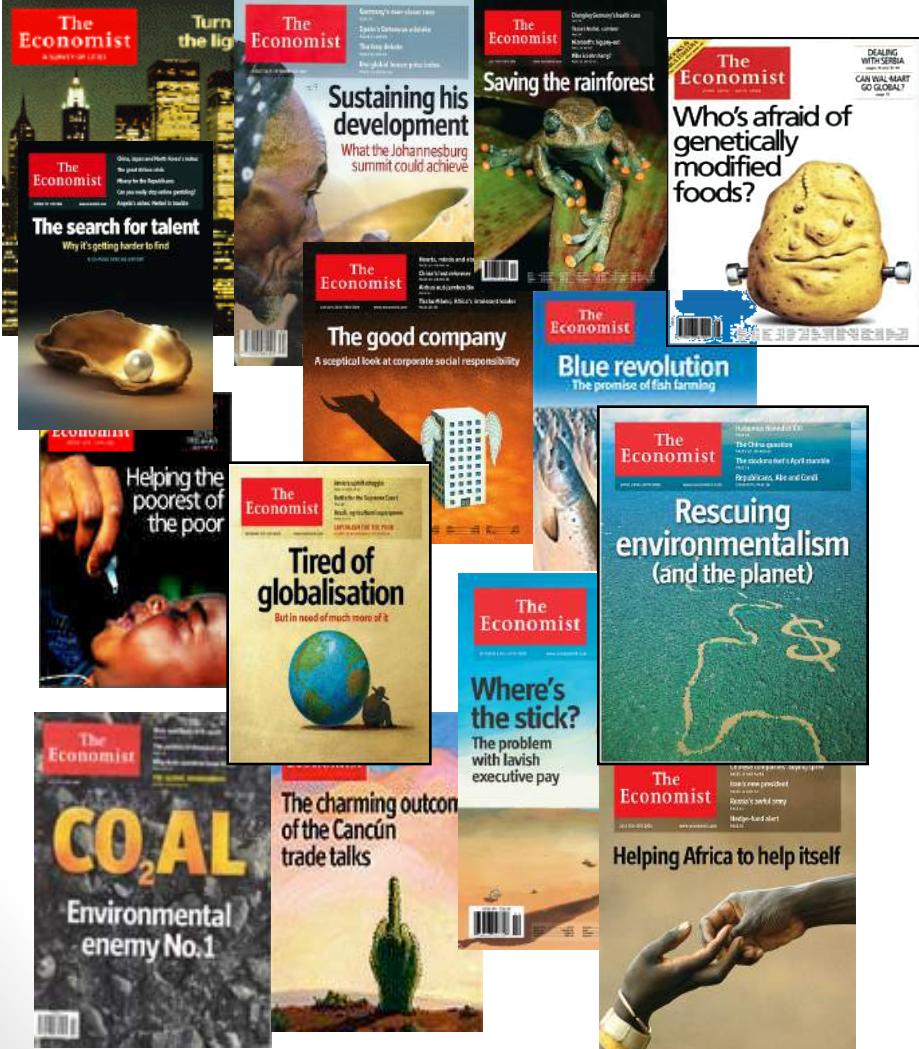
Conclusion:

The landscape will increasingly be...

- ✓ Crowded
- ✓ Poor (in many places)
- ✓ Urban
- ✓ Eastern (asian)
- ✓ Water, soil, mineral, climate stressed
- ✓ Transparent / “fish-bowl”
- ✓ Connected

# Landscape:

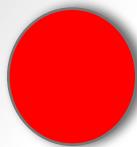
What are the key challenges facing global business?



What does this mean  
for business  
innovation...?

- New markets
- Innovation across society
- Technological breakthroughs
- Creative incentives
- New ways of tackling big problems
- Different economic models
- Radical reforms in education
- Product adaptation
- Etc.....



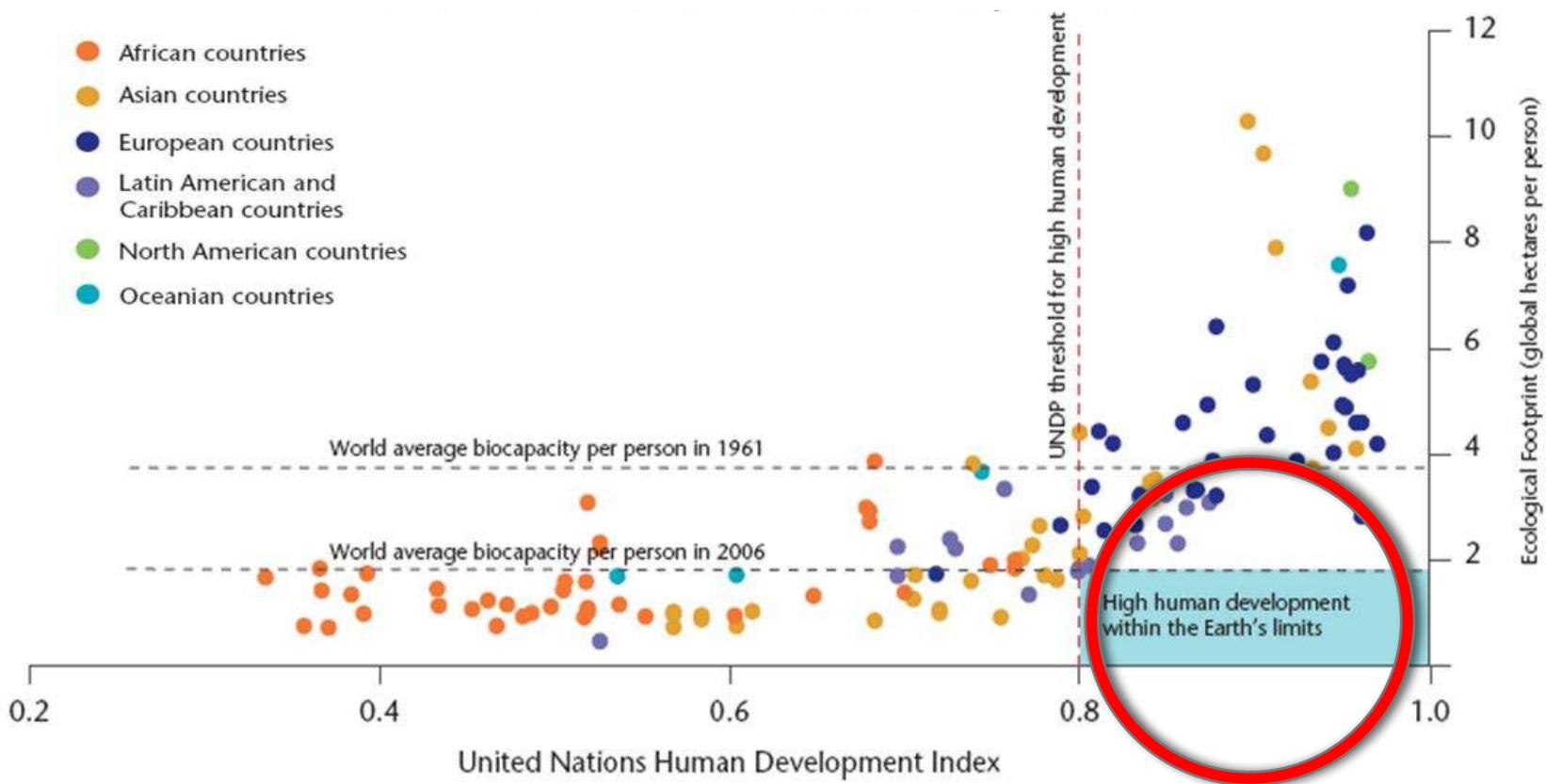


# Drivers:

What will drive solutions?

## Meeting the dual goals of sustainability

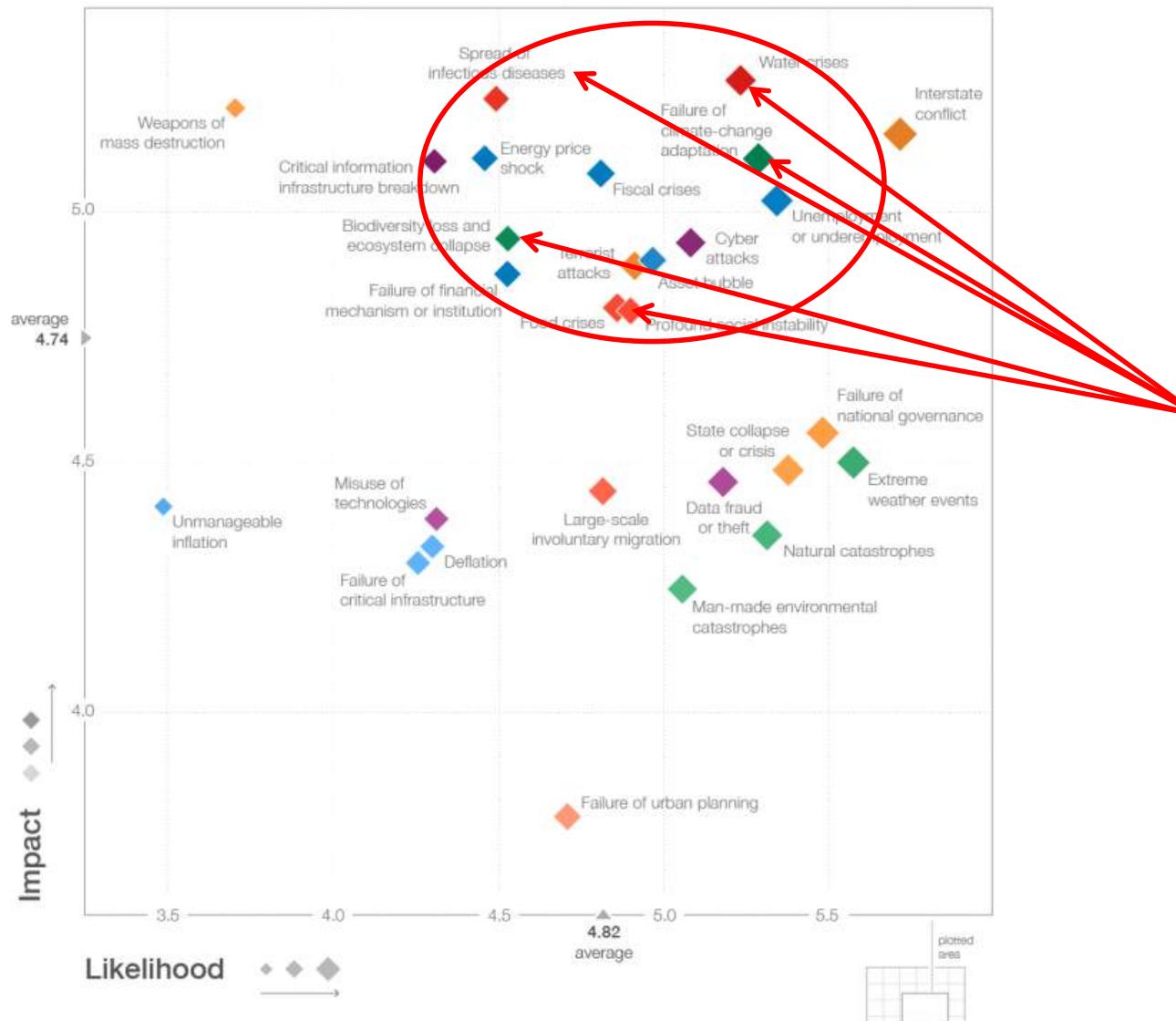
High human development and low ecological impact



# The Global Risks 2015 Report

## The Global Risks Landscape 2015

Respondents were asked to assess the impact and likelihood of each global risk on a scale of 1 to 7 and in the context of a 10-year time frame.

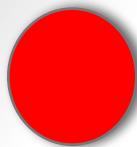


**Which industry sectors have 'skin in the game'?**

**Where are the jobs?**

**.... Winners / Losers?**

- ◆ **Consumer Goods**
- ◆ **Food / Agriculture**
- ◆ **Health / Medicines**



# Drivers:

What will drive solutions?

**1** NO POVERTY



**2** ZERO HUNGER



**3** GOOD HEALTH AND WELL-BEING



**4** QUALITY EDUCATION



**5** GENDER EQUALITY



**6** CLEAN WATER AND SANITATION



**7** AFFORDABLE AND CLEAN ENERGY



**8** DECENT WORK AND ECONOMIC GROWTH



**9** INDUSTRY, INNOVATION AND INFRASTRUCTURE



**10** REDUCED INEQUALITIES



**11** SUSTAINABLE CITIES AND COMMUNITIES



## THE GLOBAL GOALS For Sustainable Development

**13** CLIMATE ACTION



**14** LIFE BELOW WATER



**15** LIFE ON LAND

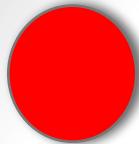


**16** PEACE AND JUSTICE STRONG INSTITUTIONS



**17** PARTNERSHIPS FOR THE GOALS





# Drivers:

What will drive solutions?



1. Mindset & Trust



2. Business Models



3. Standards & Supply Chains



## Drivers:

What is driving the sustainability innovation?

# Mindset & Trust

The role of companies in addressing big problems has changed



### Blind Eye

**“What problems?”**

*Let’s ignore the problems*

*Minimize our role*

*Philanthropy is enough*

### Damage Control

**“Problems could harm us”**

*Let’s donate money to minimize brand damage*

*Increase philanthropy  
Engage stakeholders*

### Good PR

**“We should do something”**

*Let’s create a partnership with the government to build reputation*

*Report on results  
Leverage corporate assets*

### New Mindset

**“We see opportunity”**

*Let’s strengthen our company by solving societal problems relevant to our business*

**POLLUTION**



**ACCESS TO AFFORDABLE MEDICAL CARE**



**POOR NUTRITION AND OBESITY**



**ACCESS TO WATER**



**SHORTAGE OF SKILLS THAT LEAD TO GOOD EMPLOYMENT**



**DEFORESTATION AND CLIMATE CHANGE**



**POVERTY**







Food



Shoes



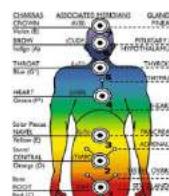
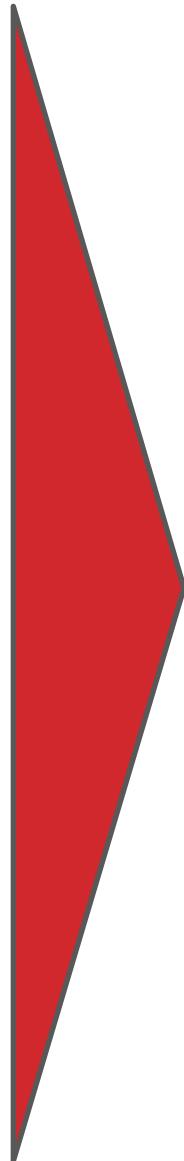
Automotive



Computing / IT



Chemistry



*Nutrition*



*Health*



*Green Mobility*



Rolls-Royce  
Motor Cars Limited

*Smarter Cities*



*Enabling Life*



Drivers:

What is driving the sustainability innovation?

# Mindset & Trust

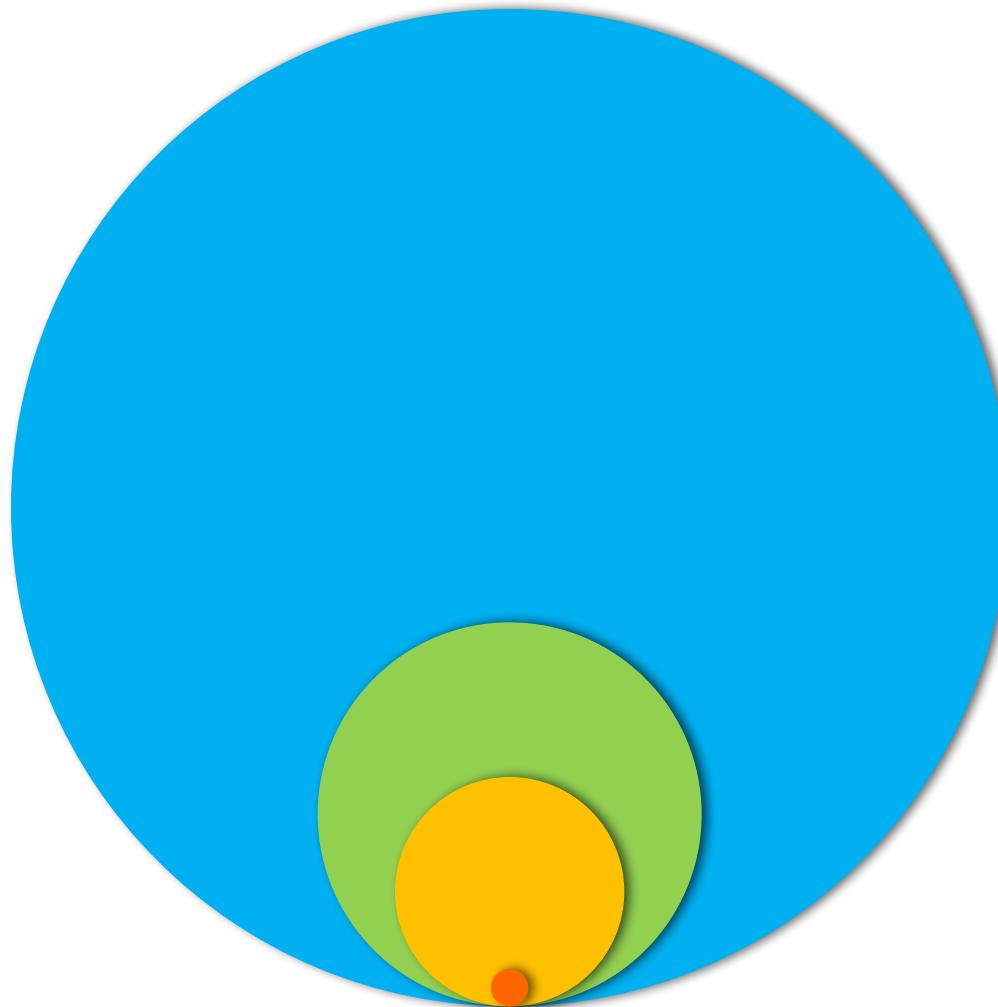
## The Potential Scale

**Corporations**  
\$20.1 t

**Governments**  
\$3.1 t

**Nonprofits**  
\$1.2 t

**Foundations**  
\$300 b



**U.S. Size of Sectors**

*Adapted FSG / Porter, Kramer, HBS, 2011*

## Drivers:

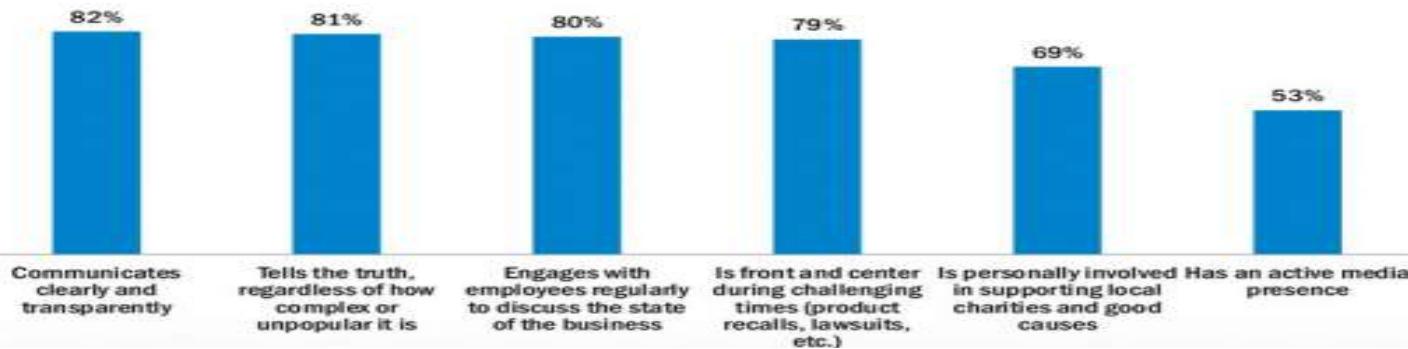
What is driving the sustainability innovation?

# Mindset & Trust

## Trust (or lack of) in Business

### WHAT CEOS SHOULD DO TO BUILD TRUST

ACTIONS A CEO CAN TAKE TO BUILD TRUST IN THEMSELVES AND THEIR COMPANY



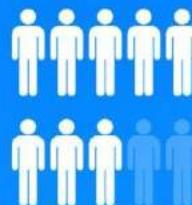
## The Opportunity For Business

AUTHORITY

Across all audiences, business saw the largest increase in trust. Today, business finds itself in a new position of strength, with the chance to help bridge the trust gap.



Business saw the biggest rise in trust



80%

agree that business must play a role in addressing societal issues

## TRUST BY INDUSTRY

How can Energy partner with trusted industries and learn from mistakes of less trusted industries?



Technology



Automotive



Food & Beverage



Energy



Chemicals



Banks



Financial Services  
50%

79%

70%

66%

59%

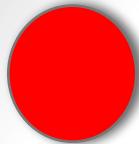
55%

51%

### 2014 EDELMAN TRUST BAROMETER



The 2014 Edelman Trust Barometer is the firm's 14th annual exploration of trust. We surveyed 33,000 people (27,000 General Public and 6,000 Informed Public respondents) in 27 markets around the world on their trust in institutions, credible sources/channels and specific issues and perceptions impacting trust in business and government. Figures in this graphic relate to Informed Publics. For the full energy trust report, visit [www.edelman.com/energy-trust-2014](http://www.edelman.com/energy-trust-2014)



# Drivers:

What will drive solutions?



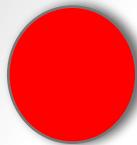
1. Mindset & Trust



2. Business Models

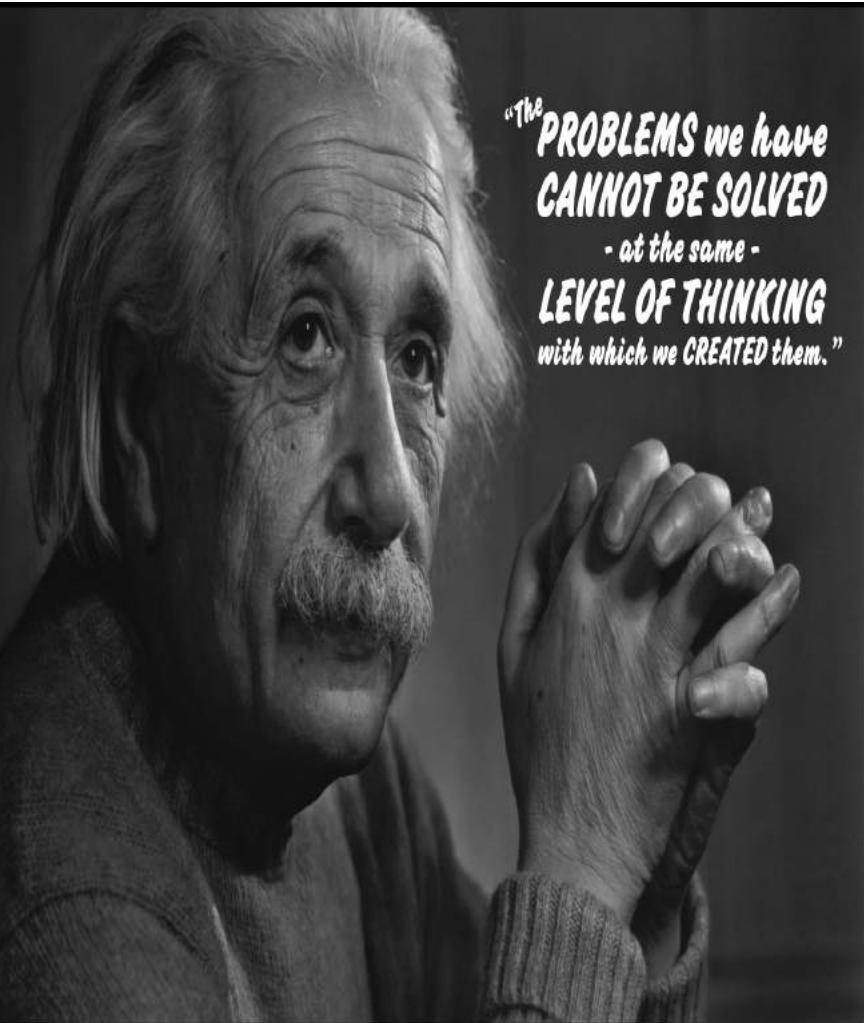


3. Standards & Supply Chains



# Drivers:

What will drive solutions?



1. Many business models are based on the assumption that natural and social capital are in limitless supply.
2. Yet, global trends – environmental, social, political, technological – challenge the viability of current business models.
3. Incremental innovation will become less effective in enabling companies to adapt and succeed: there is an urgent need for fundamentally different approaches to value creation.



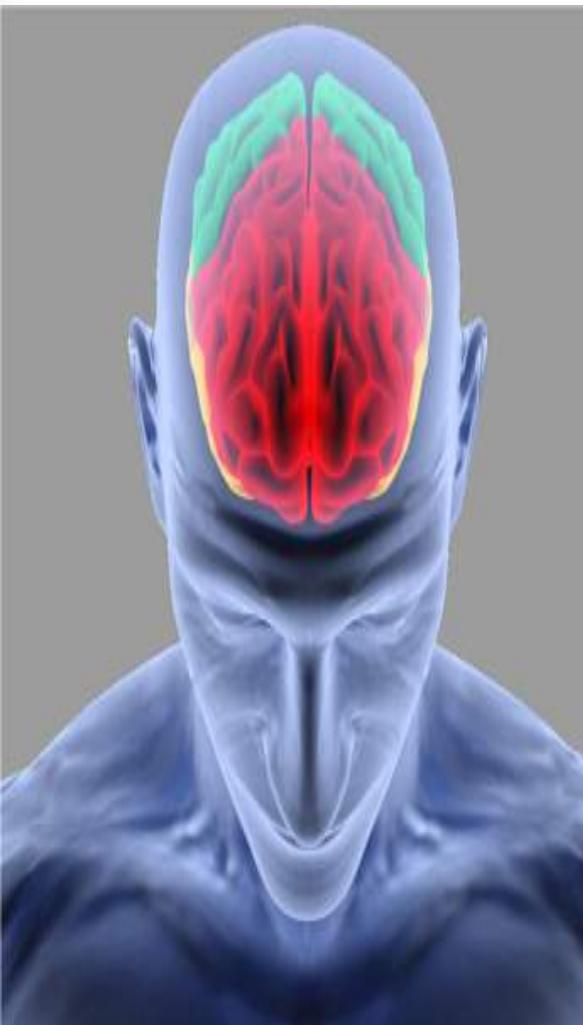
## Drivers:

What is driving the sustainability innovation?

# Business Model

## Innovation

What's Top of Mind for the CEO?



**70%**  
of CEOs that  
name innovation  
as top 3 priority

**93%**  
of CEOs that say  
innovation is vital to  
long-term success

**Nearly 50%**  
of CEOs dissatisfied  
with return on internal  
innovation investments

**1 in 5 CEOs**  
Believe their innovation  
is enabling them a  
competitive advantage

**#1 Obstacle**  
For innovation is  
slow development  
cycle times

**Only 1 in 3**  
CEOs believe they  
have a well-defined  
innovation strategy

\* Business Week / BCG CEO Most Innovative Companies Survey; Accenture CEO Survey, 2014

Drivers:

What is driving the sustainability innovation?

# Business Model Innovation

What are the 'overhauls' that show promise?

Value to Society

## Ways of doing business:

- Closed loop;
- Shared economy;
- Product as service

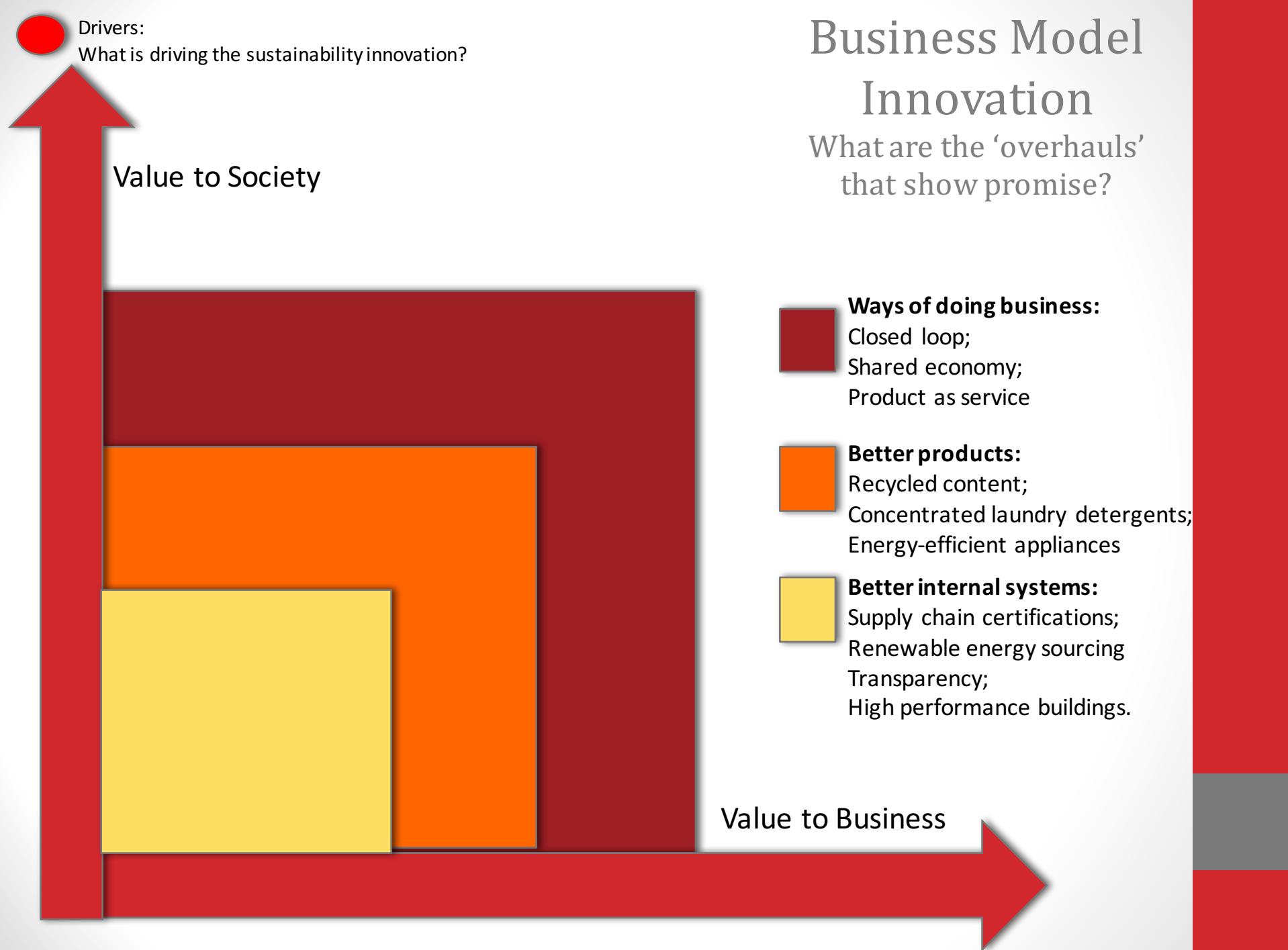
## Better products:

- Recycled content;
- Concentrated laundry detergents;
- Energy-efficient appliances

## Better internal systems:

- Supply chain certifications;
- Renewable energy sourcing
- Transparency;
- High performance buildings.

Value to Business





Solar installation & financing company.  
Capital light model



Surplus food → chutneys / jobs  
for those  
struggling in the  
workforce



\$2 billion  
revenue /  
owned by 750  
cranberry  
growers.



14% of market (cans & consumer electronics).  
Sources 43 % from recycled materials → 80% by 2020

## Environmental Impact

- Closed Loop Production
- Physical to Virtual
- Produce on Demand
- Rematerialization

## Social Innovation

- Buy One, Give One
- Cooperative Ownership
- Inclusive Sourcing



Re-tooling supply chains /  
sourcing directly &  
training 1 million farmers  
in sustainable farming.



Employs health educators to educate a group of villages / pricing innovations / small packaging.

## Financing Innovation

- Crowdfunding
- Freemium
- Innovative Product Financing
- Pay for Success
- Subscription Model



Customers make a small initial down payment for high-quality solar photovoltaic systems. Moving people away from kerosene lanterns – health, education & income generating benefits.



CEMEX's Patrimonio Hoy uses a combination of microfinance, distribution innovation and sales training to reach 35'000 families with construction materials.

## Base of Pyramid

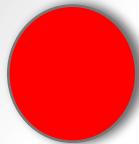
- Building a Marketplace
- Differential Pricing
- Microfinance
- Micro-Franchise

## Diverse Impact

- Alternative Marketplace
- Behavior Change
- Product as a Service
- Shared Resource



Internet access and market pricing that can boost farmers' earning via a technology terminal. ITChas place 6,500 e-choupals in 40'000 villages. Strengthens negotiating power of farmers.



# Drivers:

What will drive solutions?



1. Mindset & Trust



2. Business Models



3. Standards & Supply Chains

# Standards & Supply Chain



A lot of confusion,

Yet....

Required for business  
license to operate.

Question:  
who is driving this  
discussion?

Futility:  
like a dog chasing its tail?



## Drivers:

What is driving the sustainability innovation?

# Standards & Supply Chains extended, complex



Most supply chains not equipped  
to manage in a world shaped by  
sustainability issues:

How many primary materials are  
used in manufacturing of a tire?

Drivers:

What is driving the sustainability innovation?

# Standards & Supply Chains

extended, complex

200 in a tire.

How many in a phone, car or burger?



+ 1000

+ 30,000

+ 100



Drivers:

What is driving the sustainability innovation?

# Standards & Supply Chains

extended, complex



~100,000  
suppliers

~ 783  
million parts



## Drivers:

What is driving the sustainability innovation?

# Standards & Supply Chains

extended, complex

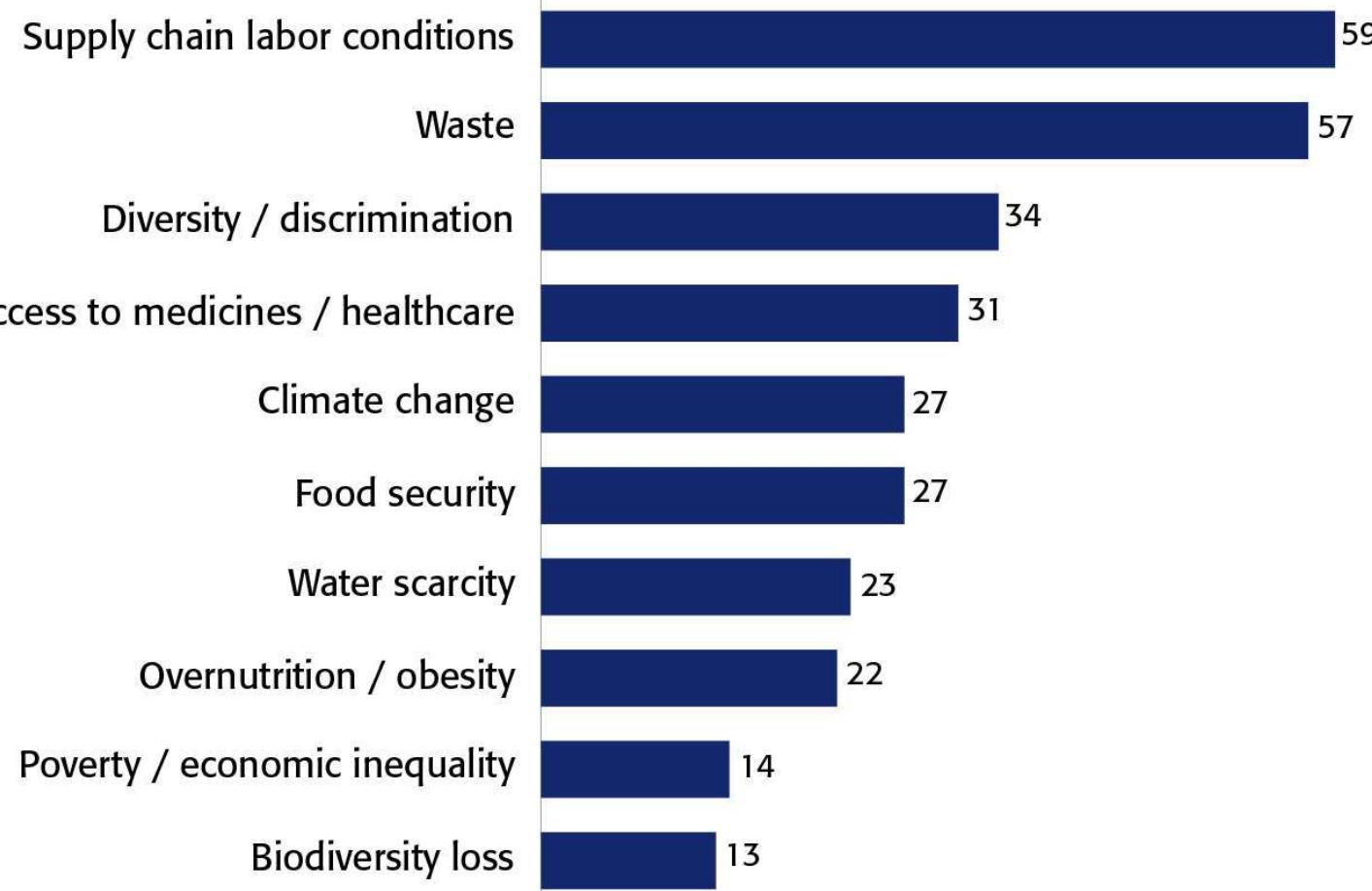


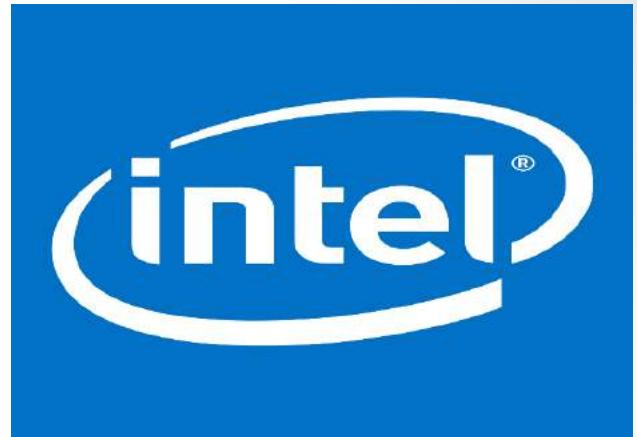
Most business sectors  
10 → 20 global  
multinationals who  
control 80% or 90% of  
each market.

Success will depend on how  
well they work together as a  
global sector and how well  
they partner with  
governments and civil  
society.

# Sustainable Development Issues that Private Sector Collaborations Are Best Equipped to Tackle, According to Sustainability Experts

2014





## Challenge:

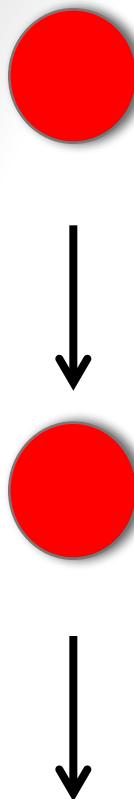
How to rid conflict minerals\* largely sourced from the Democratic Republic of Congo, from microprocessors?

## Opportunity/Innovation:

Intel, the \$56 billion chip-industry, working with 85 smelters across 21 countries, developed audit programs to identify the origins of minerals and establish "a chain of custody" across the supply chain.

## Business results:

- Ahead of the regulatory curve (Dodd-Frank) business strategy pre-empted government regulations
- Compliance could have cost \$8 billion\*
- Boosted corporate reputation, supply chain expertise and employee morale.
- In 2014 Intel announced that its microprocessors were conflict-mineral free



# Climate and Energy: top dog

Trends

How will this ‘play-out’ in the coming year?.. what does this mean for business?



Energy and climate will dominate

Getting practical and tactical will be hard: show me the money?

- Expand carbon pricing
- China launching emissions trading in 2017
- EPA Clean Power Plan in state of confusion
- Divestment movements putting pressure on coal, gas & oil

# Climate and Energy: top dog

Trends

How will this ‘play-out’ in the coming year?.. what does this mean for business?

Energy and climate will dominate

\$12.1 trillion in financing over the next quarter century, which is 75% more than currently projected investments

Renewables



# Climate and Energy: top dog

Trends

How will this ‘play-out’ in the coming year?.. what does this mean for business?



Energy and climate will dominate

Linking climate change with health impacts:

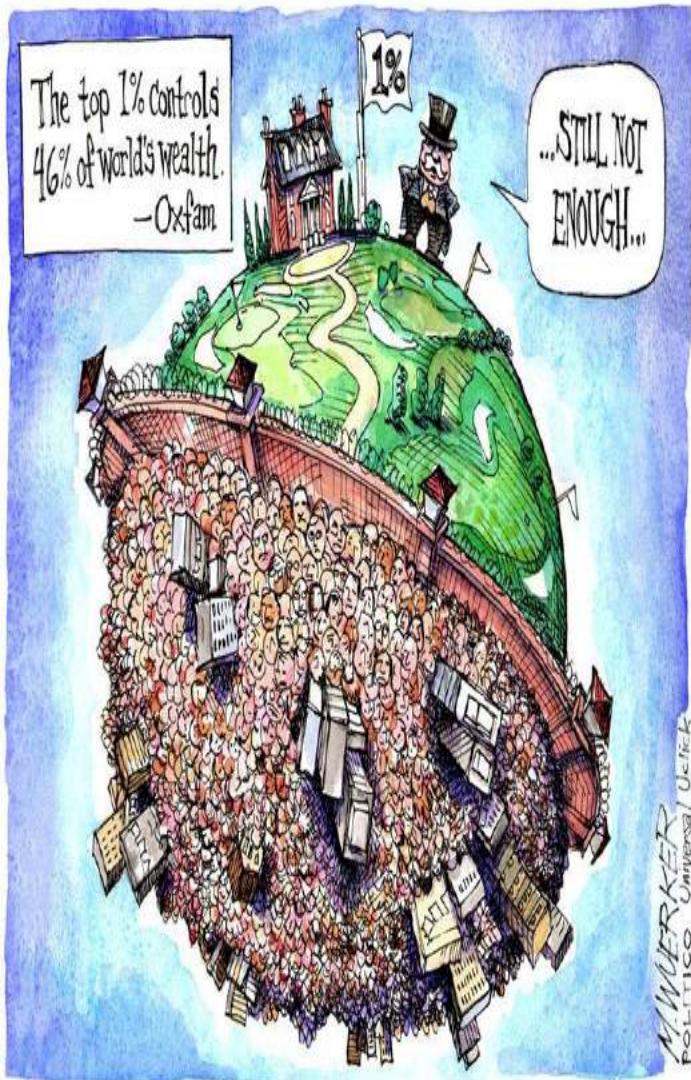
- Injuries and premature deaths related to extreme weather
- Water and food supply impacts
- Spread of tropical diseases
- Air pollution



A lever to motivate corporate action

## Trends

How will this ‘play-out’ in the coming year ... what does this mean for business?



# Inequality: shapes the social agenda

Issue has escalated but:

Lots of talk / little action

Few concrete results

Emergence of initiatives:

Global Commission on Business and Sustainable Development  
Coalition for Inclusive Capitalism  
Conscious Capitalism  
“B” Corps



## Trends

How will this 'play-out' in the coming year ... what does this mean for business?



# Migration:

## Where is the business voice?

Growing impacts of the refugee / migrant crisis

Ageing population and shrinking workforce, migration may strengthen fiscal sustainability

Economies NOT sagging

Deep divisions on how to manage: political and social challenges

Yet....

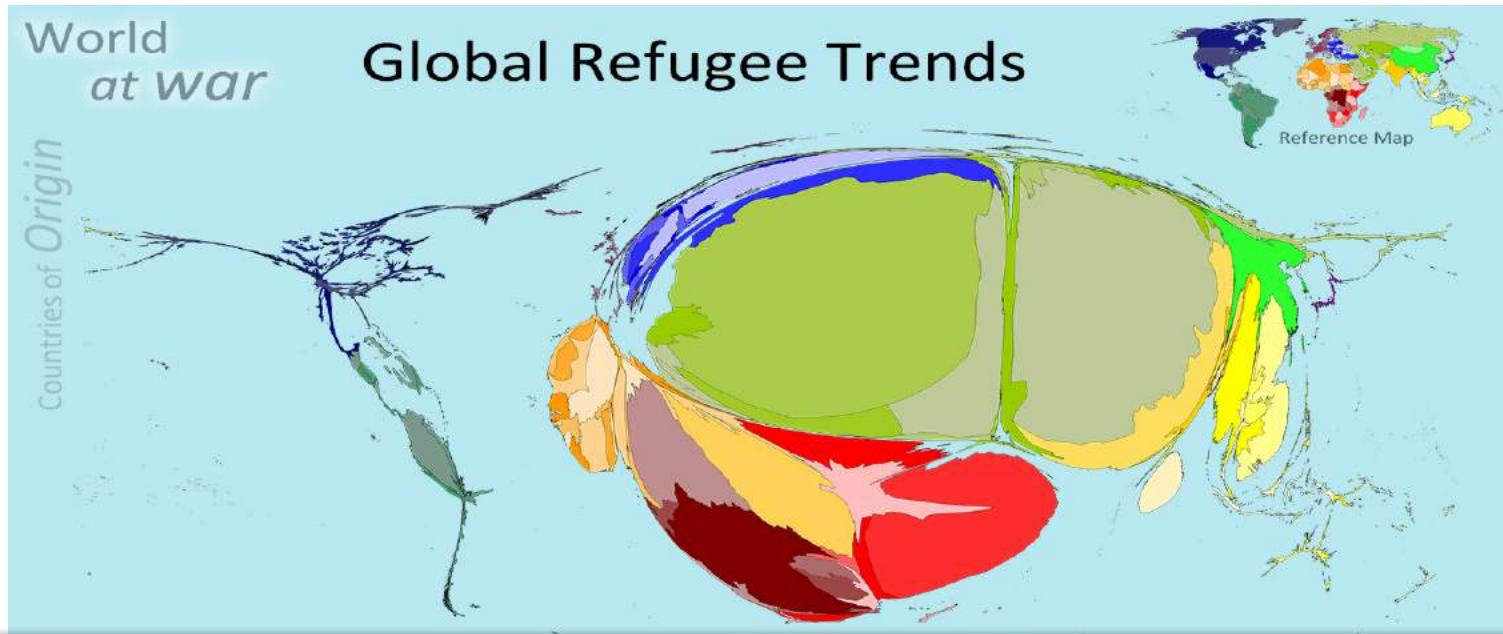
Business largely silent:

You can run ....but you can't hide

Need to be part of policy rather than complaining

Trends

How will this 'play-out' in the coming year ... what does this mean for business?



# Transparency & Accountability

Trends

How will this ‘play-out’ in the coming year ... what does this mean for business?



Transparency is as critical as ever,  
and we still have a long way to go.

Continued scandals and  
breach of trust

Driving...

Greater tools for tracing and  
measuring performance

Equals...

Higher expectations on companies.



## Trends

How will this ‘play-out’ in the coming year ... what does this mean for business?



Slew of new regulations

Companies:

*How are you actively addressing & remedying human rights operations and supply chains?*

UK's Modern Slavery Act  
EU Non-Financial Reporting Directive

(applies to companies with +500 employees)

ILO Forced Labor Protocol

# Human Rights & Business

# Collective Action & Impact

Trends

How will this ‘play-out’ in the coming year ... what does this mean for business?



*Industry-specific  
contributions  
to sustainability*

# Collective Action & Impact

Trends

How will this 'play-out' in the coming year ... what does this mean for business?



Geography/regions

Issues/topics

Sectors/Industry Value Chains

# Collective Action & Impact

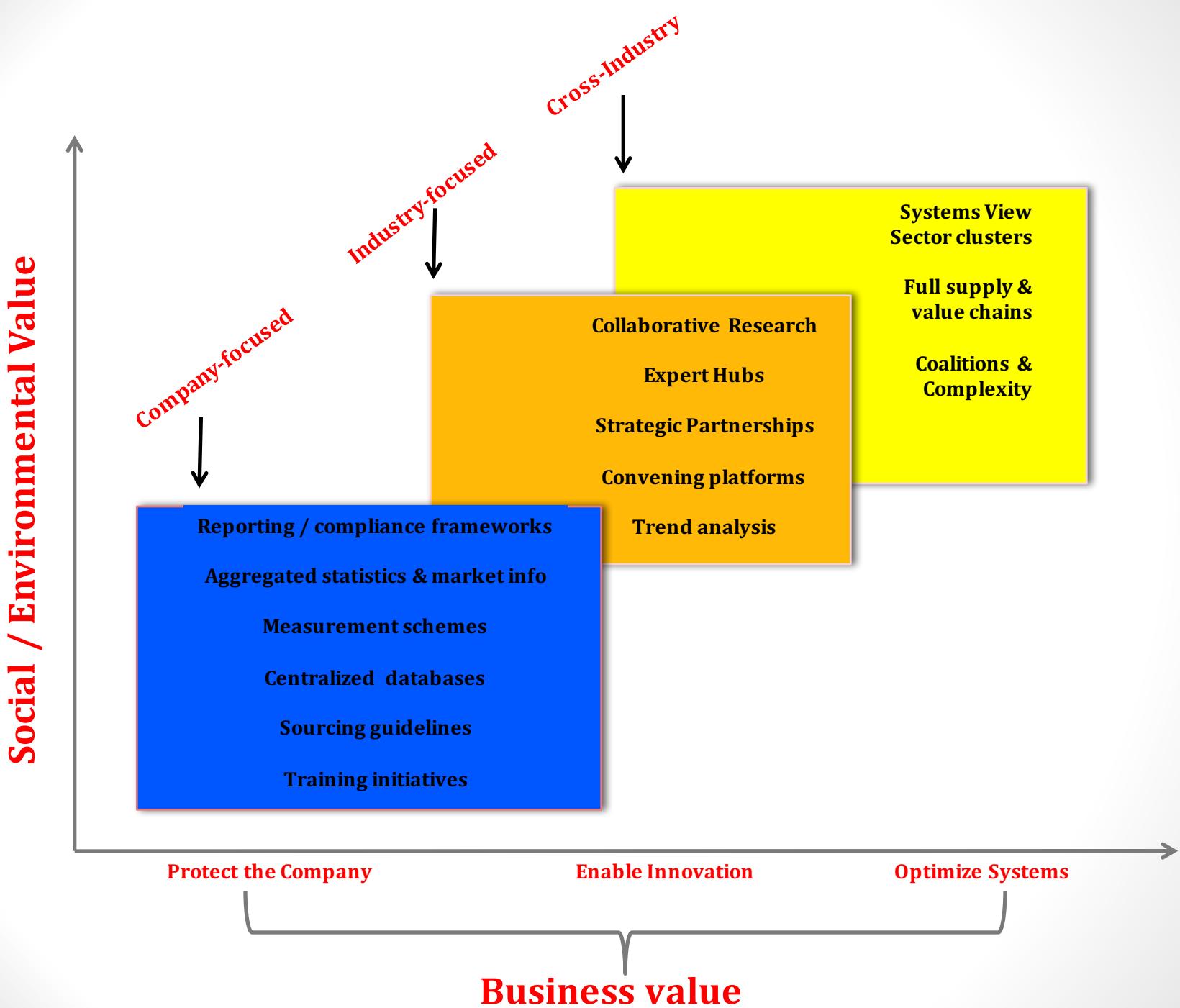
Trends

How will this 'play-out' in the coming year ... what does this mean for business?



value proposition more sustainability-savvy

# How industry associations have evolved



# Landscape:



# Drivers:



# Trends:





## Big Challenges

Face a daunting set hurdles

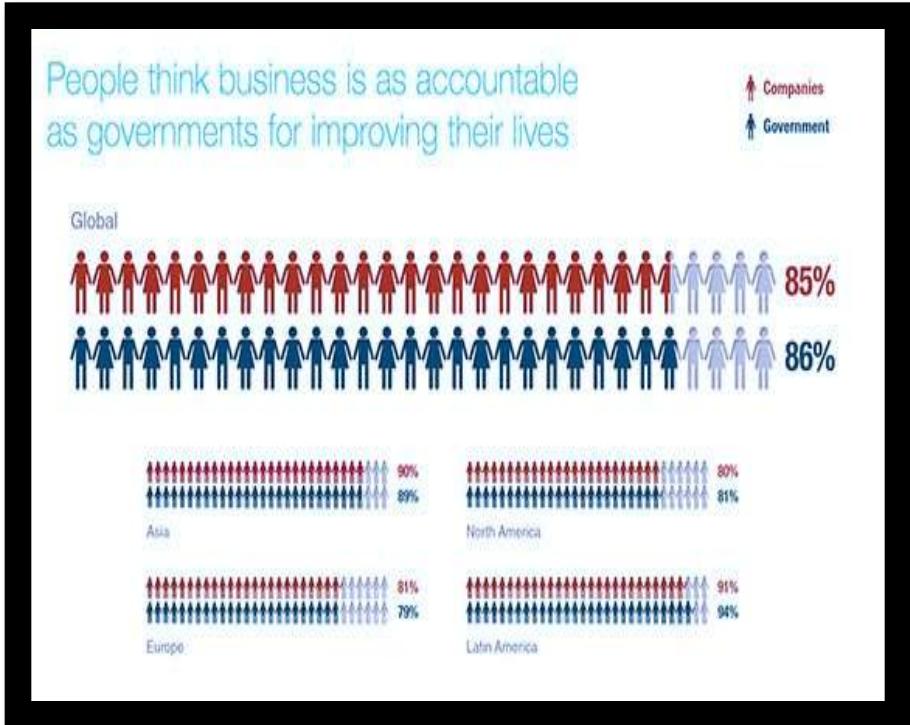
## Role of Business

Ability to innovate & contribute to solving big problems

## Not Easy

But the best act in town: only cross-border actor with skills and resources to get the job done.

**People think business is as accountable as governments for improving their lives.**



Whether optimistic (Asia, Africa, and Latin America) or despondent about the future (Western Europe and North American markets) people expect brands and companies to impact positively on their lives.

Optimism correlates to the expectations on business to improve their quality of life.



business role in  
solving big  
problems?

# THE BUSINESS OF SUSTAINABILITY:

## *Innovations & Trends*



That's a Wrap !  
Thank you

I'd welcome thoughts, comments, questions, critiques, disagreements.....

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