

Making Green Choices Symposium

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Lowe's Motor Speedway

5555 Concord Pkwy

South Concord, NC 28027

Does Doing Good Mean Doing Well For The Corporate Bottom Line?

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- Introduction
 - Thank you for the opportunity to speak with you this morning about one of my favorite topics: Corporate Sustainability Practices
- Opening Story – Earth Day
 - Members of the NGO community stated this past year that Earth Day had become mainstream and commoditized
 - In my mind this is a good thing – we have internalized Earth Day as part of our culture
 - As a mother, I don't feel devalued because our culture has commoditized Mother's Day
 - I think it is for the best that Earth Day, and its underlining meaning, have become engrained as part of our culture
- Understanding Sustainability and its Benefits
 - Throw away your Webster definition. To me, sustainability is a suite of activities within a multi-directional process
 - Not an individual action, but rather a change in the paradigm with a set of fairly predictable outcomes
 - A journey, rather than a destination
 - Sustainability is a way for companies to cut waste, increase efficiency, use green approaches, and save money – all at the same time

- In other words, a new business model where doing “good” for mother earth and doing “well” financially are completely compatible
- Why should this matter to your company?
 - Understanding the sustainability challenge, as well as best practices in addressing the opportunities and risks can:
 - Save you money
 - Build your market share
 - Improve your reputation
 - While at the same time, help the planet
 - A recent survey by The Economist Magazine makes a striking argument for sustainable practices – the link between corporate sustainability and strong share price performance
 - The article found that:
 - Companies with the highest share-price growth over the previous three years paid more attention to sustainability issues, whereas those with the worst performance tended to devote less time to those issues
 - The link appears clear – companies that rated their efforts most highly over the three-year period realized annual profit increases of 16% and share-price growth of 45%, whereas those that ranked themselves worst reported growth of 7% and 12%, respectively
 - The take-away message from the Economist survey – in general, the high-performing companies placed greater emphasis on social and environmental considerations at the board level, whereas the poorly performing firms were far more likely to have no one in charge of sustainability issues
- Clearly, the Global Marketplace is Changing in a Good Way
 - I would like to share some brief examples of companies that have realized the benefit resulting from greening their operations:
 - *DuPont*, a multinational chemicals and healthcare company, has cut costs by \$2 billion since 1990 through increased energy

efficiency while reducing greenhouse gas emissions by two-thirds

- *Novartis*, a multinational pharmaceutical company, has been increasing water and energy efficiency for several years, and in 2006, has strategized 32 environmental projects the organization could implement to save the company \$50 million over the next ten years
- *3M*, a multinational conglomerate, after cutting energy intensity by 34% and saving \$82 million in expenses between 2001 and 2005, achieved a further reduction of 9% in 2006, saving an additional \$10 million

(Source: Microsoft.com, Dr. Paul Kliemstra, May 08, 2008)

- *Wal-Mart* has pledged to reduce the company's impact on the environment through a commitment to three ambitious goals:
 - To be supplied 100 percent by renewable energy
 - To create zero waste
 - To sell products that sustain our resources and the environment
 - Not only is Wal-Mart reducing costs and saving money while doing the right thing for the environment, but by actively pursuing an environmental agenda the company would help differentiate itself from its competition, maintain a license to grow, and make its supply chain dramatically more efficient
 - Wal-Mart is paying attention not to one bottom line, the traditional financial one, but is expanding it's scope to focus on a new, triple bottom line – that is, paying attention not only to financial results but also to social and environmental outcomes

(Source: Blu-Skye.com, June 2008)

- Every company can do something to make its businesses more sustainable. In his paper, *A New Mindset on Corporate Sustainability*, British writer David Grayson identifies the following ten steps toward sustainability:
 - Make innovating for sustainability a part of your company's vision

- Formulate a strategy with sustainability at its heart
 - Embed sustainability in every part of your business
 - Walk the talk: emphasize actions, not words
 - Set up a body at board level with the power to make sustainability matter
 - Set firm rules
 - Bring your stakeholders on board
 - Use people power (e.g. Dow Chemical example – using green chemistry and green jobs as a recruiting and retention tool)
 - Join the networks
 - Think beyond reporting: align all business systems with the company’s vision of sustainability
- Research shows that corporate social responsibility practices not only help improve society, they also tend to benefit the companies by adding value to their relationships with customers, employees, shareholders, their boards of directors, and other firms
- The Fascinating Role of Consumer Demand
 - After consulting consumers, environmentalists, and other stakeholders, General Electric saw that the needs of some sustainability challenges could be met by existing products that they provide and that the company could develop new products to meet the outstanding problems
 - GE’s Ecomagination concept started with energy-saving products, but has moved on to include items such as credit cards for which GE sets aside an amount up to 1% of a customer’s net purchases each month, which is then used to buy carbon offsets every year on Earth Day
 - According to one GE Executive, “We came to the conclusion that we can make money by facing environmental challenges because our customers are demanding it”

(Source: Microsoft.com, Dr. Paul Kliemstra, May 08, 2008)

 - The critical remaining question leading us into my next topic is whether the government regulatory structure will be able to keep pace with this

new mindset, or are old school practices creating unnecessary obstacles and roadblocks?

- What is the Role of Government in the Sustainability Marketplace?
 - The challenges of global climate change and other thorny environmental issues are beginning to demand new structures and new approaches for the government regulators
 - EPA is a perfect example – Its 35 year old structure is based on a world that no longer exists: where air, water, and land are regulated in a fashion that often ignore the realities of cross-media contamination, transboundary pollution, and complex, technical environmental challenges never envisioned by the author's of CERCLA, RCRA, and The Clean Air Act, to name a few
 - Within EPA alone, there are many offices addressing aspects of global climate change, but no specific office has responsibility over this issue
 - Taking it a step further, in addition to EPA, The State Department, Department of Energy, and Department of Commerce have offices looking into climate change issues; but there is not a central government clearing house to identify priorities, maximize research and policy development, and avoid costly duplication
 - My fervent hope is that the incoming Administration, regardless of party, will look at ways that the government can be reorganized to enhance sustainability, incentivize innovation, and reward corporations who lead the way
 - The role of government, thankfully, has begun to evolve from “knowing master of all,” to that of a partner, collaborator, and facilitator
 - If we have learned one valuable lesson from the successful EPA Brownfields program, it is that government at its best harnesses the power of the marketplace, provides technical support and guidance, and builds voluntary partnerships with the companies who will lead us into the new world order that awaits us –
 - A perfect example of this is the Resource Conversation Challenge, run by EPA's Office of Solid Waste and Emergency Response, my former office, as a matter of fact
 - It is a suite of voluntary partnerships designed to encourage and incentivize companies to reduce waste, recycle more, and find innovative

green approaches that save businesses money while protecting precious resources

- I highly recommend that you check in with them to see how your company might participate. The web site is: www.epa.gov/rcc/

- New Frontiers

- We have learned that economic prosperity is an engine that drives environmental cleanup, as well as protection of human health and the environment
- At the same time, our government has an important role in research and development
- There are emerging fields of green chemistry, innovative cleanup technologies, and one that holds, perhaps, the greatest promise, nanotechnology that requires careful study, testing, and evaluation
- By partnering with this world's creative thinkers, the government must explore these new frontiers and make sure that before the "genie comes out of the bottle" the results are safe and protective of all of our citizens
- Take nanotechnology, for example – this is the art and science of manipulating matter at the nanoscale (down to 1/100,000 the width of a human hair) to create new and unique materials and products
- Within these tiny manufactured particles, we may find solutions to the energy crisis, medical breakthroughs never imagined, and tools for living that will save time and money for everyone
- I would like to see a central coordinating government office, reporting directly to the President that is responsible for the care and feeding of nanotechnology research, development, and application across the Federal government

Conclusion

- However, let me note that the government *cannot* and *should not* do this alone.
- To get to a truly sustainable future, it will require the courage, risk-taking and strength of our corporate leadership to show the rest of the world that sustainable practices pay off in many ways

- But beyond that – we must ask our country’s decision-makers to throw away the existing government template and come up with a more systematic way to ensure that sustainability issues are regulated with care and thought, and designed to encourage public/private collaboration
- I would like to close with a sincere thanks to the corporate leaders who have had the courage to step up and embrace sustainable practices
- They are showing the world that greening is more than sloganeering – it is not only the right thing to do, but, while saving the planet, it will protect corporate assets and improve their bottom line same time – truly a “win-win” for all parties

Thank you.

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