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**Held in Singapore  
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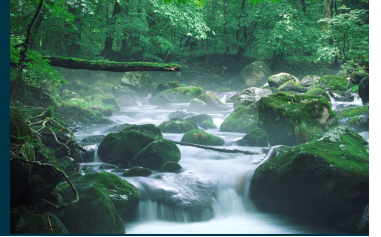
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## ***Embedded Sustainability***

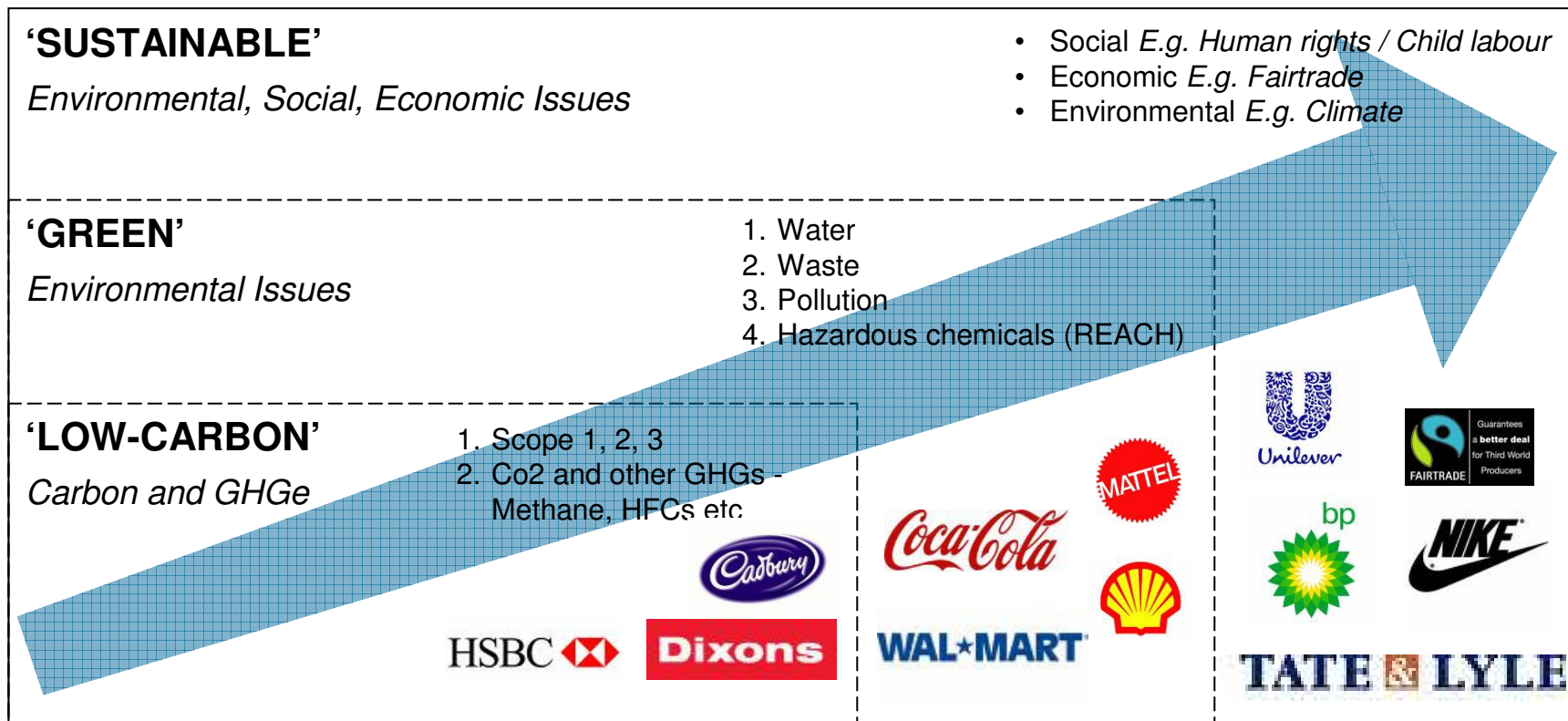
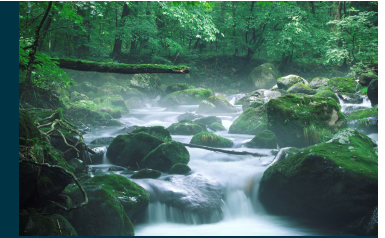
Bruno Berthon, Accenture Global Sustainability Lead  
Futuropolis, Singapore, October 22, 2008

# Agenda

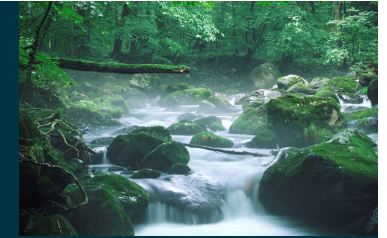


- Introduction to Sustainability
- High-Performance Business Research
- Sustainability and High Performance
- The concept of “Embedded Sustainability”

# From 'Low Carbon' to 'Sustainability', definitions can be confusing

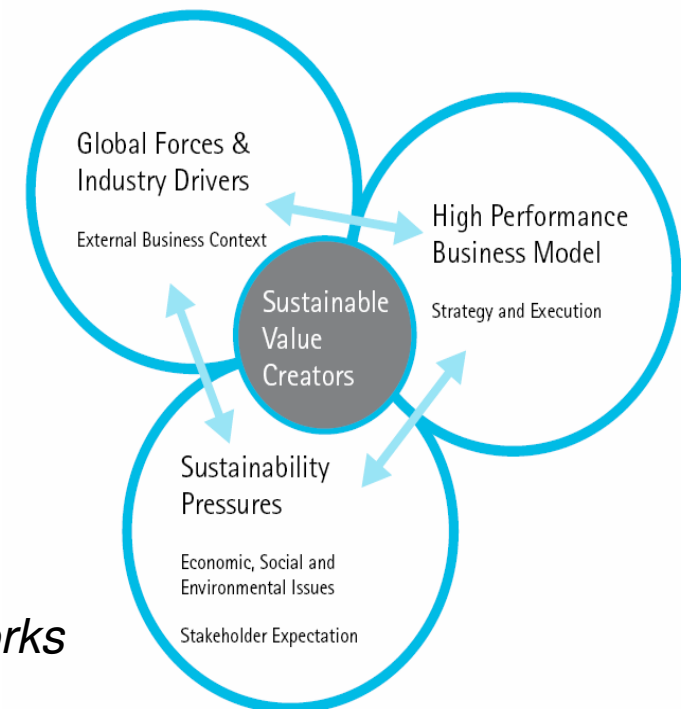


# Accenture view on sustainability

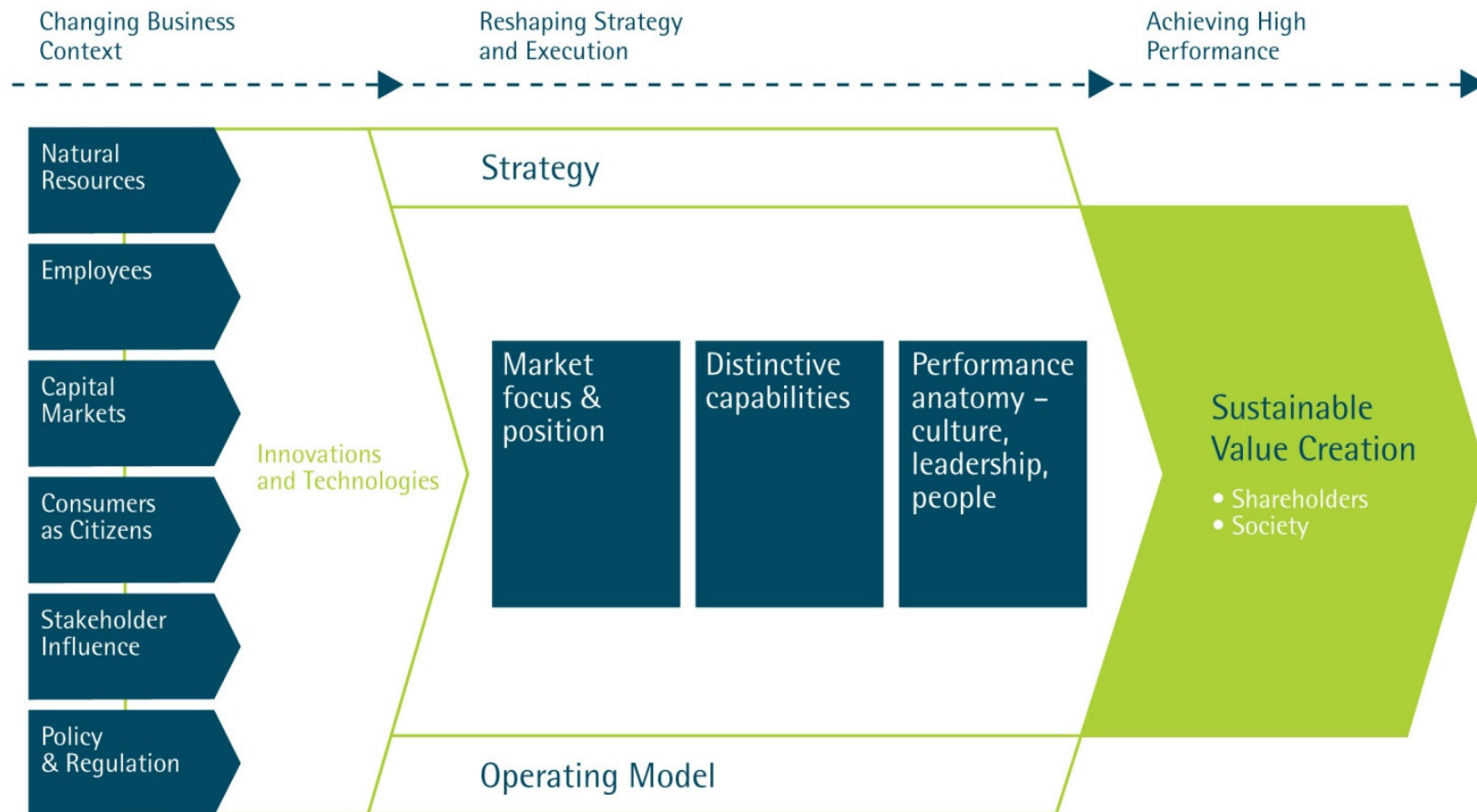
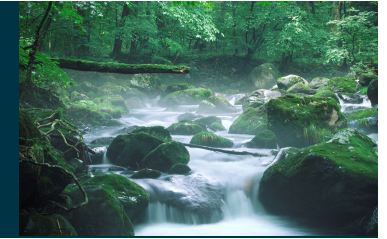


Sustainability is the way a company or organization creates value for its shareholders and society by reducing negative impacts and enhancing positive impacts on social, environmental and economic issues and stakeholders to:

- **Grow revenue** – *new / differentiated products and services*
- **Reduce cost** – *increase resource efficiency, lower emissions*
- **Manage risk** – *regulatory, operational*
- **Build intangible assets** – *brand, reputation, networks*



# How is sustainability impacting business?



# Agenda

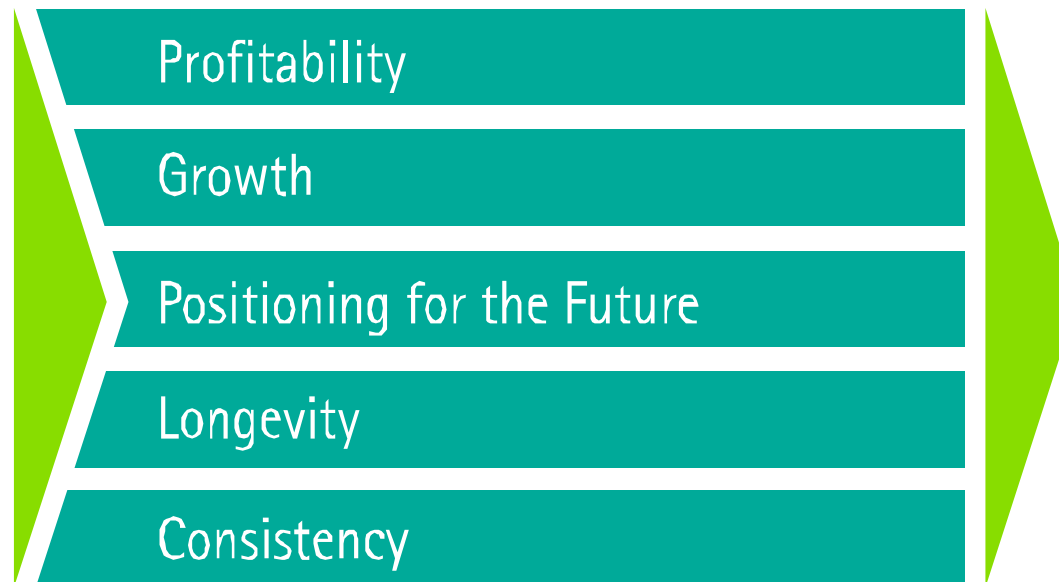


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# Accenture's High-Performance Business Model

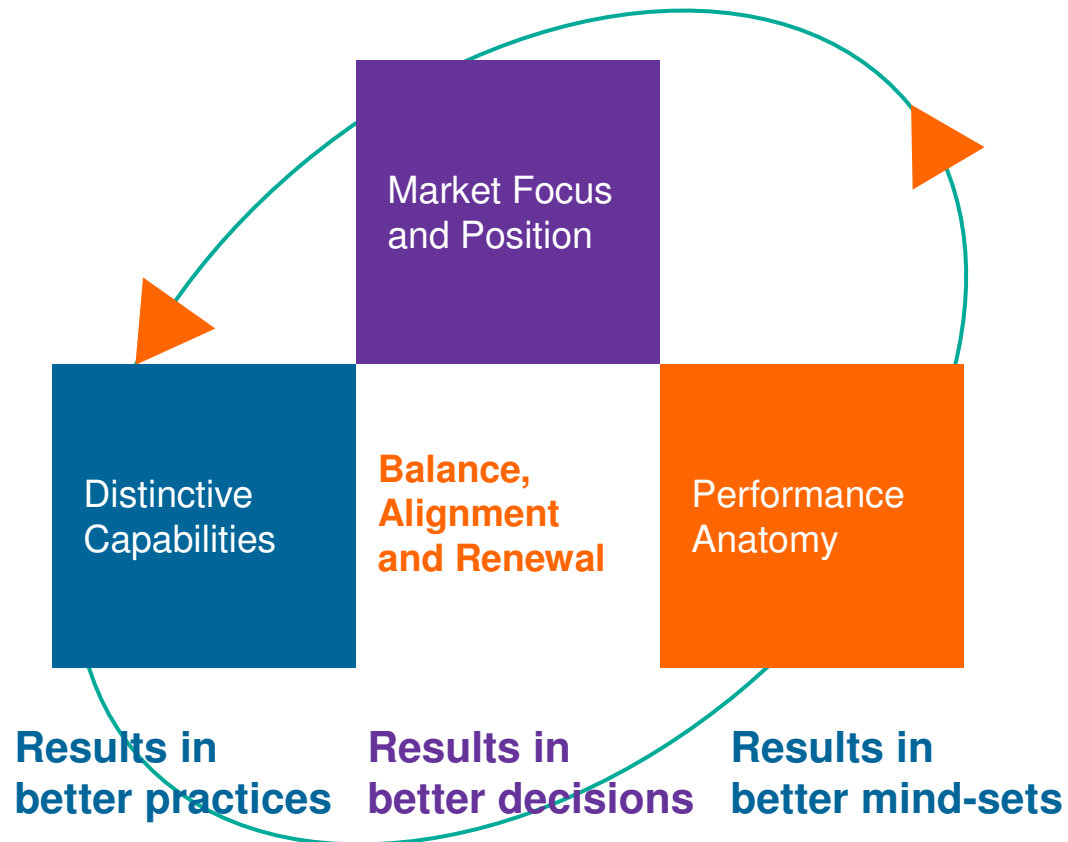


Universe of  
Companies



Short list  
of High-  
performance  
Businesses

# High performance requires creating and aligning three building blocks

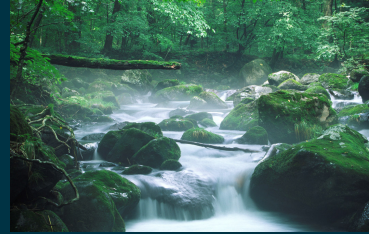


# High Performers by sector from our proprietary sustainability research



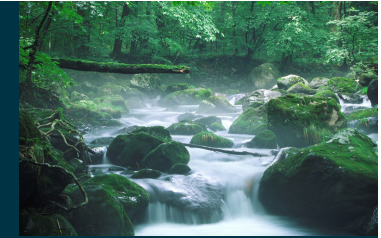
- Automotive Suppliers
  - Johnson Controls 6.0
  - Denso 3.0
- Computers and High Tech
  - Dell 7.0
  - H-P 7.0
- Food Products
  - Diageo 9.0
  - Coca-Cola 6.5
- Industrial Equipment
  - General Electric 6.5
  - Bharat Heavy 4.0
- Mining
  - BHP Billiton 7.0
  - Rio Tinto 6.0
- Oil and Gas (Non-Supermajors)
  - Petrobras 7.0
  - Shell 7.0
- Pharmaceuticals
  - Novo Nordisk 9.0
  - Sanofi-Aventis 6.0
- Utilities
  - Iberdrola 6.0
  - Duke Energy 4.0

# Agenda

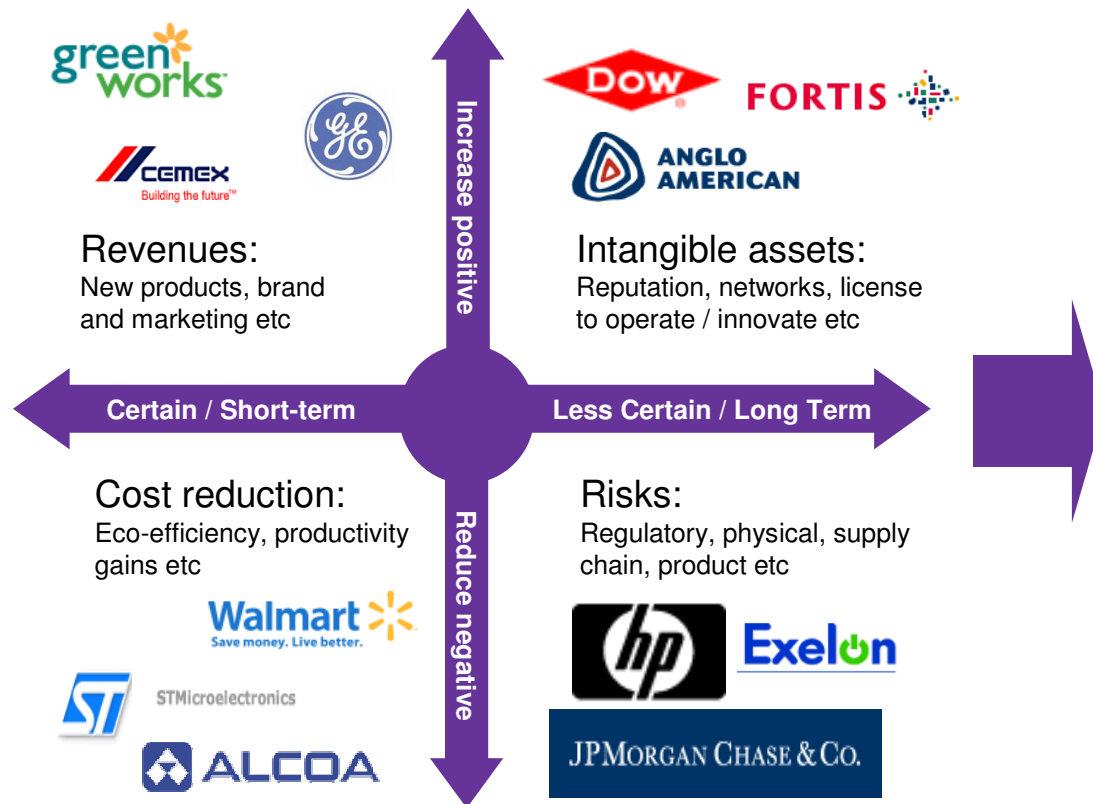


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# Key finding: Industry leaders turning to sustainability for competitive advantage



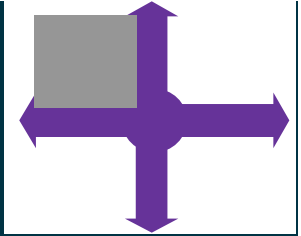
## Strategic Framework for Sustainability






## Competitive Strategy options

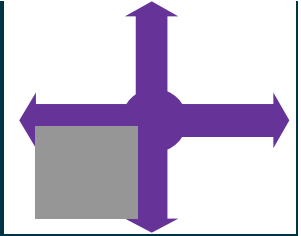
- Go it alone
- Collaborate in partnerships and clusters
- Collaborate at an industry level
- Shape regulation and policy




# Increasing revenue through innovation



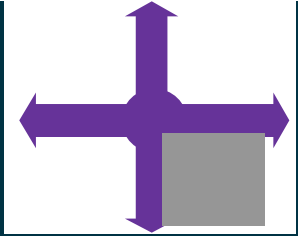
COMPANY	ACTIVITY	BENEFITS
	<p>Partnered with The Sierra Club to develop and market new line of natural cleaning products</p>	<p>Projected by some industry analysts to top \$300 million in revenue in its first year - making in perhaps the biggest new consumer product in the past several years</p>
	<p>Added “fly ash”—a byproduct of coal burned in power plants—in its mixture for concrete. The ash contributes to a concrete that is more workable and stronger, and requires less water.</p>	<p>Move positioned CEMEX to capture share of the green-building products market</p>
	<p>Launched Ecomagination product line based on realization that the company needed to make adjustments to great changes coming in their markets</p>	<p>By 2007, GE’s Ecomagination products were responsible for \$14 billion in sales. GE now seeks \$25 billion in annual sales of those products by 2010</p>




# Improving cash flow by reducing costs



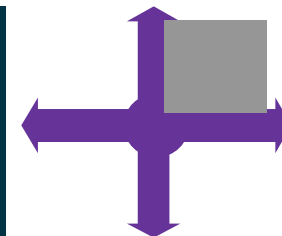
COMPANY	ACTIVITY	BENEFITS
	<p>Wal-Mart measures 60,000 suppliers on their ability to develop environmentally friendly packaging and conserve natural resources</p>	<p>The company projects that reducing product and logistics packaging by just 5 percent will yield a savings in its global supply chain of US\$11 billion by 2013, including US\$3.4 billion flowing directly to Wal-Mart</p>
	<p>STMicroelectronics revamped factories to use less energy, investing some \$300 million between 1994 and 2006 toward that end</p>	<p>The estimated ROI was significant: a net of more than \$1 billion over that period</p>
	<p>Alcoa launched its Energy Efficiency Network to identify energy efficiency opportunities, disseminate best practices and provide support and access to further resources as needed</p>	<p>Alcoa has successfully identified more than \$80 million in savings opportunities, and has reduced its operating costs by more than \$20 million</p>




# Proactively mitigating future risks



COMPANY	ACTIVITY	BENEFITS
	<p>JPMorgan co-developed lending guidelines for capital markets participants that established “a process for understanding carbon risk around power sector investments</p>	<p>JPMorgan’s actions have helped limit their investment risk in heavy carbon emitting companies considering emerging carbon regulations in these investment decisions</p>
	<p>Exelon announced a goal to “reduce, offset or displace more than 15M metric tons of GHG emissions per year by 2020.” Exelon plans to reach that goal by reducing its own carbon emissions and by working with customers to reduce theirs</p>	<p>For its efforts to date, Exelon was recognized by inclusion in the Dow Jones Sustainability Index for North America</p>
	<p>In 2002, HP released its Supplier Code of Conduct to its supply chain partners. In 2007, it audited more than 95% of its high-risk suppliers</p>	<p>HP’s efforts have helped the company to mitigate risks throughout its supply chain and prescribe actions that have boosted suppliers’ margins in the process</p>

# Finding ways to increase intangible assets



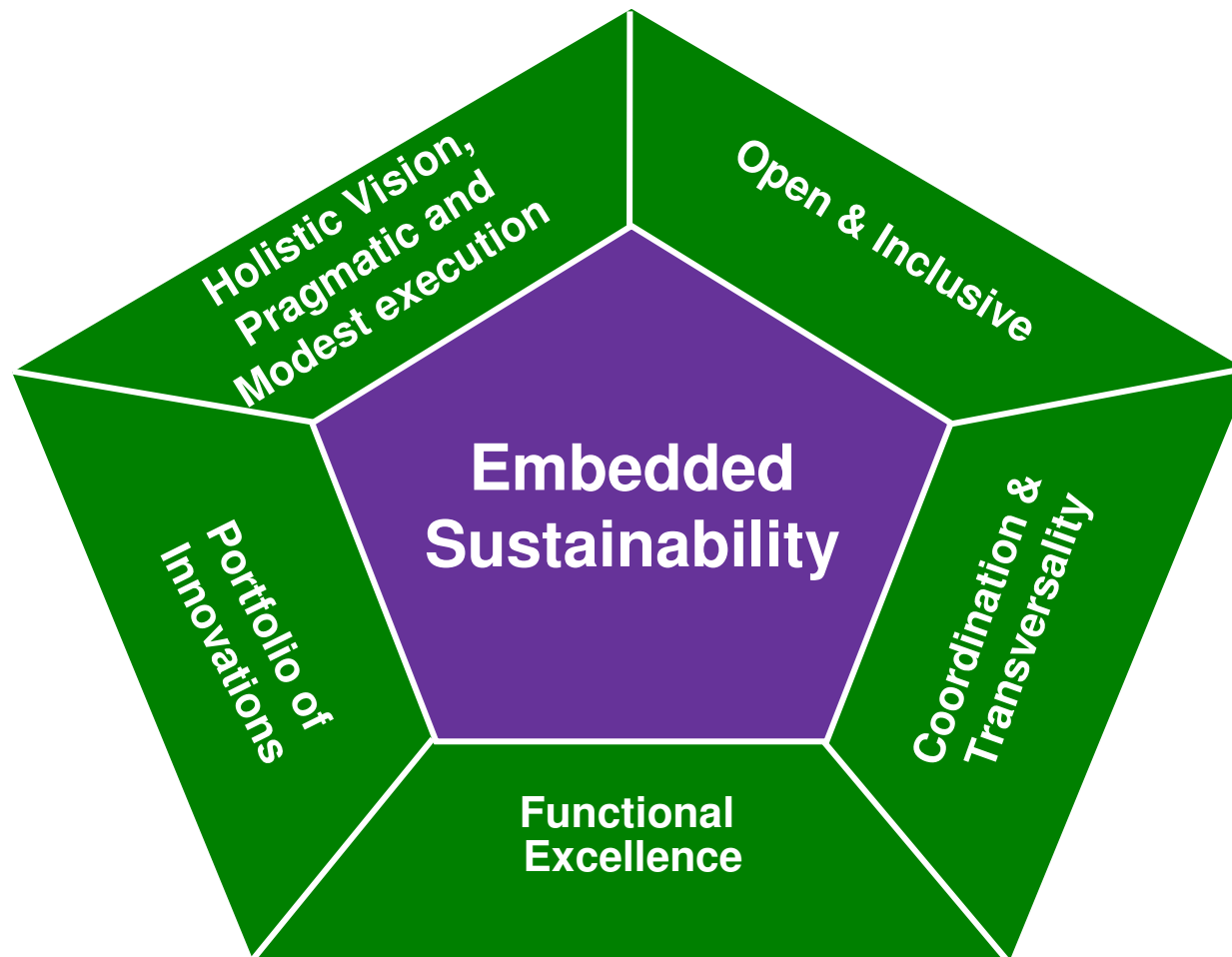
COMPANY	ACTIVITY	BENEFITS
	<p>Fortis formed a Advisory Board for Corporate Social Responsibility to inform Fortis' sustainable development efforts. The Board consists of made up of representatives from the academic world, NGOs, CSR research and business</p>	<p>“The wide-ranging skills and backgrounds of these experts – each unique in their field – will help us make Fortis one of the leading financials in this area.” - Lex Kloosterman, Fortis, Chief Strategy Officer</p>
	<p>Dow Chemical has mapped out energy reduction goals through 2025 and has communicated these aspirations throughout the company so that employees do not lose sight of the goals</p>	<p>Goal inspires continuous renewal of process coupled with significant efforts to develop “game-changing innovations” throughout the company</p>
	<p>Took action to address HIV-AIDS epidemic in southern Africa among its employees, family members and children</p>	<p>In 2006, for example, the company was providing 4,600 employees with anti-retroviral therapy, and Anglo American reports that 95 percent were “carrying out their normal work and leading normal lives.”</p>

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# Key finding: Embedded Sustainability



# Form an overall vision and set of core values to drive concrete and modest execution



- Sustainability plays a critical role in the company’s vision. Consider this statement from Johnson Controls:  
*“Our team of 140,000 employees creates a more comfortable, safe and sustainable world through our products and services for more than 200 million vehicles, 12 million homes and one million commercial buildings”*
- But Sustainability market leaders are marketing their sustainability efforts very conservatively
  - Concerned about “green-washing”
  - B2C realm – sell the product’s superior attributes first, then close with the fact that the product is sustainable

# Developing a portfolio of innovations



- Market leaders are finding ways to execute for today and invest for tomorrow
  - Consider HP's innovation efforts:
    - The company has R&D groups in each of their business units. These groups are focused on horizon 1 and horizon 2 innovations
    - The company also has five HP 'Labs,' including one focused on sustainability. These labs are developing innovations for horizon 2 and horizon 3
- We've found evidence of similar commitments to innovation to attend to sustainability in other Fortune 500 companies across different industries
- Enterprise customers are buying sustainable products more rapidly than individual consumers
  - "We've noticed significant growth in the number of RFPs that contain questions about our sustainability<sup>19</sup> initiatives..."

# A driver for Functional Excellence



## - Sustainability's Influence on Corporate Functions -

FUNCTION	IMPACT
Marketing	Changing consumer interests might lead to missed opportunities
Talent Management	Talent pool's growing interest in working with companies that attend to sustainability
Finance	Stakeholders' demand for increased transparency Financial markets' growing evaluation of companies' sustainability efforts
Operations	Eliminating energy inefficiencies in owned operations Ensuring suppliers' compliance with a code of conduct Ensuring access to needed (and limited) resources, such as water and energy
Information Technology	Need to minimize the energy inefficiencies in older technologies
Legal	New regulations with which to comply
Strategy	The very markets in which companies compete are poised for further change

# A driver for Functional Excellence – the importance of the Supply Chain capability



## - Sustainability's Influence on Supply Chain Management -

- Companies are acting on the realization that their accountability isn't limited to their owned operations
- Many companies are enacting supplier codes of conduct, which are consistent with their owned operations' code of conduct
- These companies are then auditing their suppliers to ensure compliance
- They're also using audits as opportunities to help suppliers improve their relations with their employees and stakeholders
- We're finding evidence that this process leads to improved margins for suppliers, mainly as a result of improved employee retention and productivity

# Coordination and transversality are key to sustainability efforts



- Market leaders are coordinating sustainability efforts across business units, functions and locations
  - Consider our findings from conversations with a Fortune 100 global technology firm:
    - Company has central sustainability group that coordinates sustainability strategy development, execution and overall progress management
    - There are additional liaison groups between this central group and the business units
    - P&L owners can remain focused on business management while working with the liaison groups to plan and execute unit specific sustainability initiatives
- We've found evidence of similar arrangements in Fortune 500 companies across different industries

# Open and inclusive involvement in strategy development and execution



## - External Perspective -

- Companies are forming and relying on “stakeholder advisory councils” to gain feedback, advice and expertise from NGOs and other stakeholders
  - Consider our findings from conversations with a Fortune 100 firm:
    - Company has two meetings per year with their stakeholder council; the council consists of NGOs and several of the company’s SVPs
    - “[We are] bringing them into [our] strategy sessions and bringing them into the goal creation process
    - “Then we have quarterly follow-ups on the plan and then a half yearly four- or five-hour conference call as a checkpoint on the status of all that stuff.”

# Open and inclusive involvement in strategy development and execution



## - Internal Perspective -

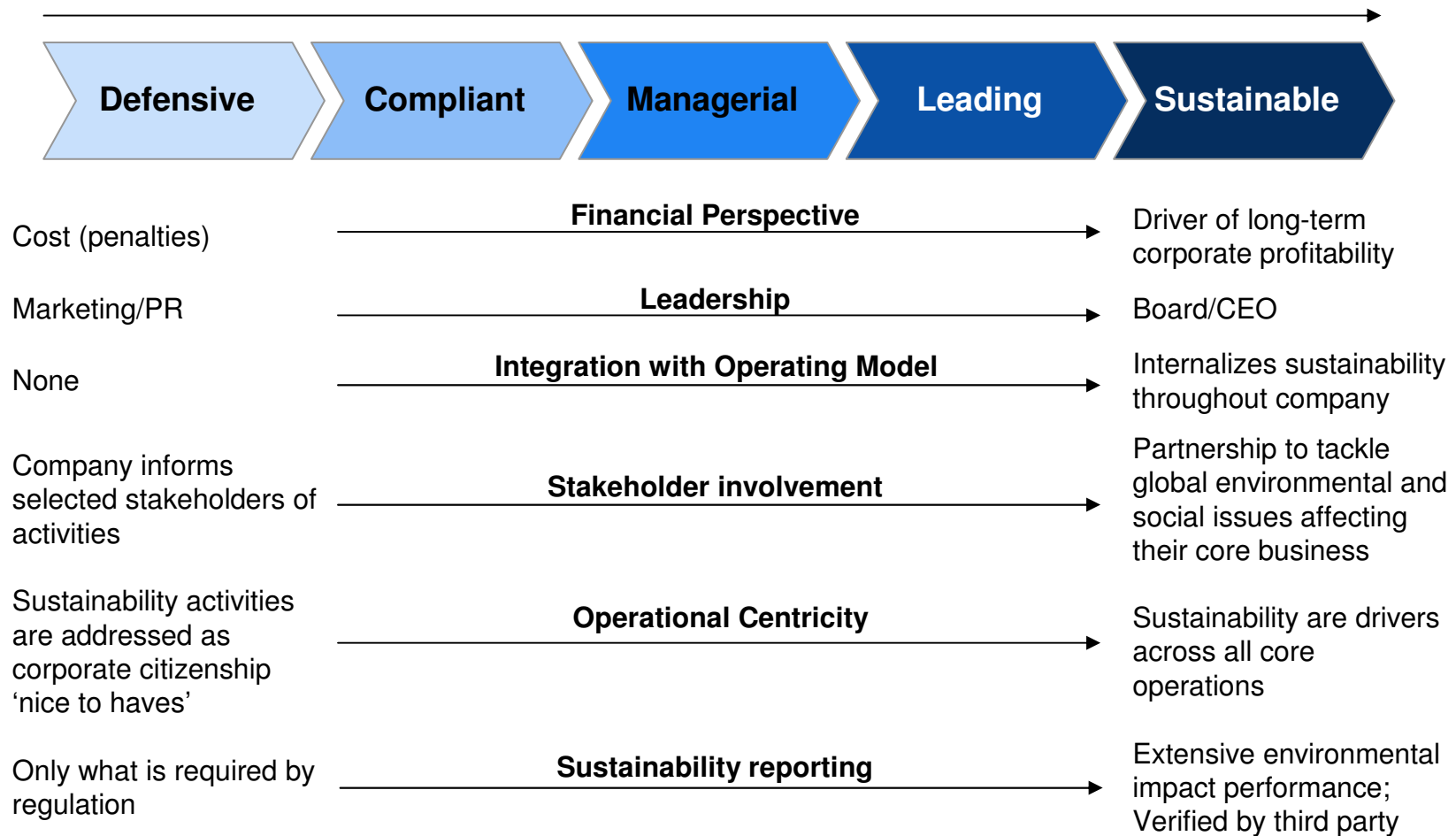
- Sustainability is playing a growing role in companies' ability to acquire and retain talent
  - “Our ability to recruit has never been higher” says GE’s CEO Jeff Immelt.
  - “We’re seeing increased alignment between our employees and our sustainability values...”
  - A Scandinavian pharmaceuticals company has seen its turnover rate drop to 5 percent, half the industry average since it initiated its “Values in Action” program as a way to embed its sustainability principles.
- Some companies, such as Johnson Controls or P&G, have even added sustainability to their core values or mission statement to align their employees with the company’s vision

# Conclusion – Evaluate position on Sustainability maturity curve



## Sustainability Continuum

Maturity of Environmental and Social Efforts



# Questions



# Key Contacts



## ***Bruno Berthon***

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## ***Accenture's Sustainability Practice***

<http://www.accenture.com/Global/Consulting/Strategy/Sustainability/default.htm>