



# The Road to Sustainability: Business' First Steps



“Creating shareholder and social value while decreasing the environmental footprint along the value chains in which we operate.”

DUPONT, 2001

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by Meredith Armstrong Whiting and Charles J. Bennett

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# Foreword

This report contains a “slice in time” summary of a complex idea that has been advancing for approximately 15 years, and is known variously as “sustainable development,” “sustainable growth,” or simply (and most recently) “sustainability.”

This ambiguity in terminology further clouds the definition of a rapidly evolving principle, and has undoubtedly contributed significantly to a general lack of understanding. Our purpose here is to help clarify the concept as it relates to business.

The essence of current sustainability thinking, as projected by business, civil society, and nongovernmental organizations (NGOs), as well as government sectors, is that the long-term survival and prosperity of global society requires that quality of life in all its dimensions—environmental, social, and economic—must improve and become more equitable for all people.

Within this very broad social purpose, the operating challenge for business has been to understand what individual companies can and should do to contribute to the ultimate success of sustainability. This challenge is complicated by a lack of consensus—both within the business community and externally—on a single sustainable business model. Companies are left to define their own, which many are doing.

This report traces the evolution of sustainability, summarizes some of the operating implications for companies, and describes the role of external influences or “drivers.” To give life to the evaluation, case studies of the sustainability approaches of four leading companies are presented.

Many governmental and nongovernmental organizations—often with differing agendas—have been strong advocates of sustainability, but this support has not produced broad public understanding or consensus (especially in the United States). This has complicated the challenges for businesses to fully understand and implement sustainability.

While the tragic events of September 11, 2001 in the United States are not immediately linked to sustainability issues, they do underscore the interconnectedness of global society in a new and dramatic light. Our perceptions and understanding of the world that existed on September 10, 2001—some of which are compiled in this report—have changed and will continue to do so. We expect that these changes will significantly emphasize the need for, and understanding of, global sustainability.

Many leading global companies have already embraced sustainability and are incorporating it in their cultures and operations. This attitude is more prevalent in Europe than in the United States. Steps taken to date are substantive, and demonstrate a real commitment to an idea whose meaning is clearly perceived as important—even if the methods for achieving it have been elusive and not yet fully formed. We believe that these companies' leadership in thought and action will increasingly be sought as business' understanding of its important role in achieving a truly sustainable future continues to grow.



Meredith Armstrong Whiting



Charles J. Bennett

- Sustainability ideas are evolving, and they are steadily becoming more complex and challenging.
- Sustainability is not well understood by the global public, or indeed by many businesses.
- Complementary ideas of corporate social responsibility, corporate citizenship, and other issues are adding to the complexity businesses face in charting a course toward the future.
- Hundreds of companies—perhaps a few thousand—have already initiated sustainability processes, frequently adopting their own individual understandings. Many other companies are observing the leaders’ progress and actions but have not committed—at least not openly—to a course of action.
- Drivers for sustainability range from corporate awareness of its intrinsic importance for future business success, to external pressures in forms ranging from stakeholder activism and externally developed codes of conduct, to self-governance standards or codes developed by business organizations.

# Key Findings

- Processes implemented to date range from environmental/resource management to comprehensive environmental, health, and safety (EHS), community outreach, and economic development initiatives in communities where companies operate (and beyond).
- Leading sustainability companies are developing products and services to stimulate economic and social development in needy societies, while improving their own economic performance.
- Public reporting on sustainability practices and achievements has gained substantial momentum. Reporting not only documents companies' accomplishments, but also provides models for others to emulate.
- Like the definition of sustainability, reporting is a developing practice and has not yet achieved consistency and standardization. Several initiatives are underway to achieve this end.
- Sustainability concepts are slowly being integrated into business school curricula around the world. Some expect that this will increase, especially in the United States.
- Companies have defined their individual operating approaches, which could create future challenges in arriving at a consensus "business model."

# What Is Sustainability\*?

“Providing for the needs of the present generation while not compromising the ability of future generations to meet theirs.”

The “original” definition in the UN’s Brundtland Commission report on “Our Common Future,” 1987.

“Sustainable development [is] environmental protection, social equity and economic growth.”

World Business Council for Sustainable Development.

“Creating shareholder and social value while decreasing the environmental footprint along the value chains in which we operate.”

Dupont, 2001.

“Sustainable development is a very simple idea. *It is about ensuring a better quality of life for everyone, now and for generations to come.*”

UK Strategy for Sustainable Development, adopted by Procter & Gamble.

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\*For the purposes of this report, the word “sustainability” is used to define the issue, except when an alternative term such as “sustainable development” or “sustainable growth” is used in historical context, or when a profiled company has deliberately chosen an alternative term for use within its own culture and in its materials.

Definitions vary, but the fundamental premise of the move toward sustainability is an understanding that:

**The present global system of relationships—among peoples, and between people and the environment and the interaction between them in the marketplace—is not sustainable.**

The sustainability movement, underway since the late 1980s—reaching its greatest intensity during the past decade—has many proponents and participants, ranging from the United Nations to local communities to business. Major global companies have been especially active in the process. Business involvement in the issue has grown steadily since 50 companies came together in 1991 to write the “Declaration of the World Business Council for Sustainable Development (WBCSD)” in anticipation of the upcoming World Summit on Environment and Development in Rio de Janeiro.

### Early Thinking:

#### It’s About Environmental Performance

In business, the concept of *sustainable development* meshed well with pre-existing trends in environmental management. Under pressure from governments and nongovernmental organizations (NGOs), forward-looking companies were working to improve environmental performance long before the Rio summit drew global attention to environmental quality concerns. With the WBCSD playing a significant role, sustainable development came to be interpreted as the need to improve environmental performance and reduce the adverse impacts of business on natural resources and systems. Leading companies developed environmental management systems to reduce material use and wastage, and to generally improve the “eco-efficiency” of their operations. Companies also started reporting publicly on their practices and progress. “Sustainable development” and “environmental performance” were considered the same.

## Recent Thinking: It's About the Triple Bottom Line

More recent sustainability thinking holds that addressing environment and natural resource issues is necessary—but not sufficient—to assure a sustainable future. It has become steadily more evident that achieving a truly sustainable future cannot be accomplished just by redressing the imbalances between human activities and the environment. Economic and social imbalances, exacerbated by rapidly growing population, must also be overcome if sustainability is to be achieved without “Malthusian” consequences.

The focus of the sustainability movement has shifted from an early emphasis on reducing environmental “footprint” and improving resource efficiency to a broader approach that includes economic and social improvement. John Elkington, of SustainAbility, Ltd.—a British consulting firm that has advised such clients as Ford, Shell, and Monsanto—articulated how this broader thinking relates to business with the concept of the “triple bottom line”—business’ economic, environmental, and social impacts, and the accountability these require.

An appreciation of this interconnectedness—more actively embraced to date by European than by U.S. business—has also brought increased emphasis on “corporate citizenship,” “corporate social responsibility” (CSR), and sometimes simply “corporate responsibility.” The result is an increasingly complex—if not confusing—terminology. Is sustainability the overarching concept under which environment, economics, and social accountabilities reside (the three-legged stool concept), as many have argued? Or is “sustainable development” a part of corporate citizenship or corporate responsibility? One answer could be that:

**“Sustainability” is the desired end. “Sustainable development” is the means of achieving that end.**

For a variety of reasons, business is increasingly seen as the entity most accountable for achieving sustainability. In the view of many stakeholders:

- Business has the **resources and global reach** necessary for success (more than many governments).
- Business is a **major part of the problem**.
- Business has a **vested interest** in achieving success (“There is no business on a dead planet.”—David Brower).
- A number of businesses have been **publicly reporting on progress** for a decade, especially in the environmental, health, and safety areas.
- Investors are **increasingly screening companies** for sustainable performance.
- **Globalization has made business a key actor in many global issues**, with or without the involvement of governments.

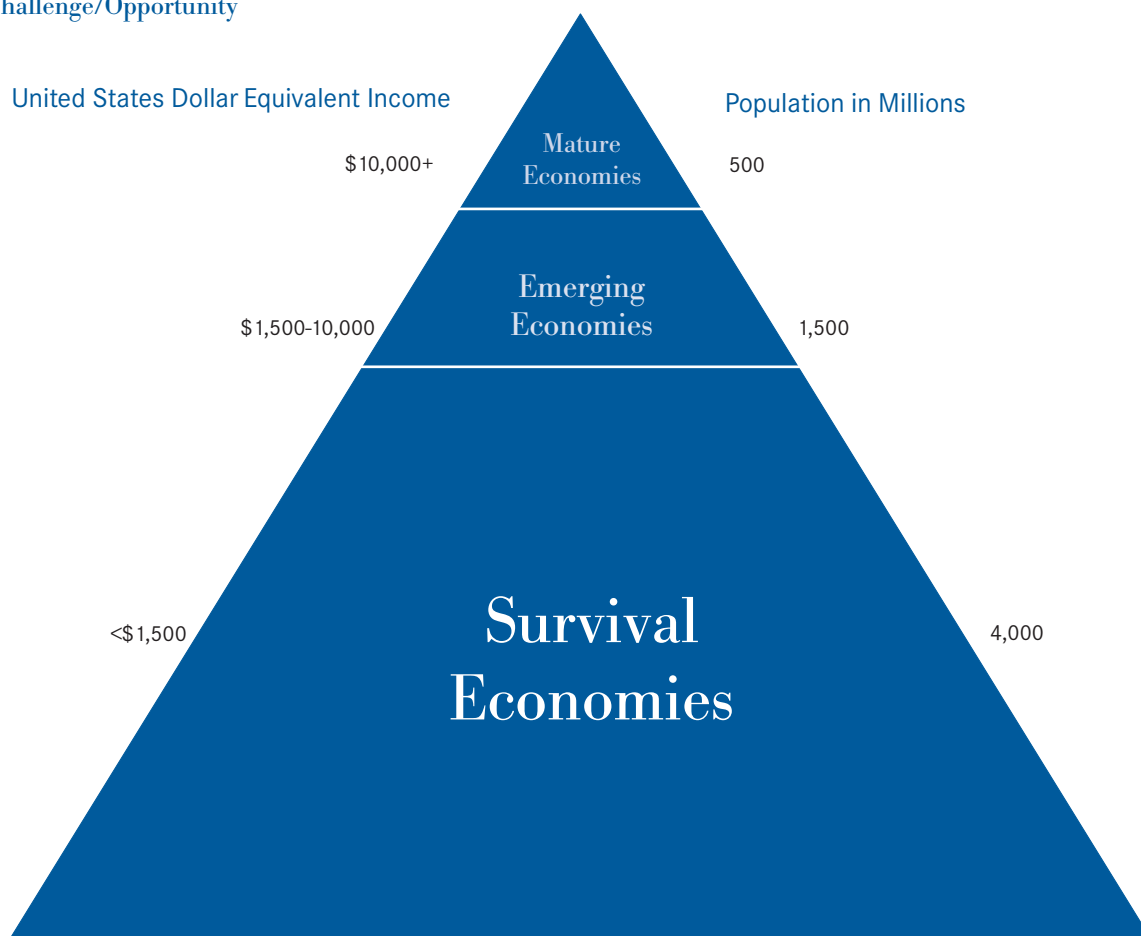
Many multinational corporations have taken high-profile initiatives, through both the WBCSD—which now has more than 150 member companies—and individual company programs, an activity which will in all likelihood increase. A driving force may be the Rio+10 World Summit on Sustainable Development (WSSD)—the first to focus on the sustainability theme, contrasted with the conference a decade earlier, which focused primarily on the environment. The first Rio Conference inspired creation of the WBCSD; former Shell Chairman Sir Mark Moody Stuart recently announced formation of Business Action for Sustainable Development specifically to prepare a business posture for the Rio+10 summit.

Most experts agree that achieving sustainability means nothing less than, as Professor Stuart Hart of the University of North Carolina says, “turning the existing way of thinking on its head.” At a recent Conference Board conference, Hart summarized both the challenge and opportunities: “Unspoken assumptions [are that] the corporate sector serves the rich, and the government and NGOs should protect the environment and the poor. The real opportunity

lies in breaking this code linking the poor and the rich across the world in a seamless market organized around the concept of sustainable development.”

Clearly, “emerging” and “survival” economies, as illustrated in the model below, represent enormous long-term business opportunities because of their growth potential. However, the challenge of responding to the opportunities is huge.

Exhibit 1  
The Challenge/Opportunity



Adapted from Professor Stuart L. Hart  
Conference Board Sustainability Conference, April 2001

## Responses of Businesses

Besides pooling their thinking and resources through the WBCSD, leading companies—especially global ones—are:

- Aggressively pursuing “eco-efficiency,” otherwise known as “greening.” Examples include such traditional operations as AT&T, Anheuser-Busch, Johnson & Johnson, and ABB (whose efforts are profiled later in this report).
- Working to reduce their operational impact on the environment and on the natural resource base. Recently, Unilever in India and Grameen Telecom in Bangladesh have begun experimenting with sustainable development business models.
- Acting to help less-developed areas improve social and economic conditions, instead of leaving this solely to governments. Examples include P&G’s school development program in China, or Shell’s social development program in South Africa.
- Reaching out to governments, NGOs, and other stakeholders to better understand their needs and expectations.
- Reporting publicly on their progress, and providing models for others wishing to pursue sustainable development.

According to SustainAbility, Ltd., very few companies have done much beyond required compliance with Environment, Health, and Safety (EHS) standards, and all are watching the progress of those who have taken an aggressive, forward-looking approach.

As reflected in their reporting, a few hundred corporations have pursued sustainability to some extent. In some cases, sustainability thinking converges with the parallel concepts of corporate citizenship and corporate governance (which extends corporate accountability beyond the realm of the shareholder to the more intricate realms of multiple stakeholders).

## Signing On to the Sustainability Track: Corporate Leadership Required

When sustainable development was primarily focused on EHS and resource issues, much of the burden of accountability and progress resided in EHS departments and operations. Board and senior management commitment were needed, but with the exception of communications and public relations functions, other business operations were often only marginally involved. Pursuing sustainability as it is currently understood requires a broad organizational commitment:

- The Board of Directors must set the vision and direction, and guide the process. The CEO must take an active lead both internally and with external stakeholders, establish accountability, and measure progress.
- There should be a dedicated senior leader (or leaders) to direct and coordinate the complex company-wide process and align with industry initiatives. A senior management coordinating team can support the process and assure internal alignment across departments and divisions.

- Marketing departments can help evaluate opportunities for sustainable products and businesses in coordination with R&D, which can develop new products, processes, and services.
- EHS and operations must work continually to reduce waste of materials, improve the “eco-efficiency” of production and distribution processes, and improve employee working conditions and safety.
- Sourcing can seek raw materials that are produced in a sustainable manner—to assure accountability and eco-efficiency throughout the supply chain.
- Human resources can pursue ways to improve the quality of employees’ work life, and develop systems to recognize and reward new accountabilities.
- Community affairs and corporate contributions offices can devise outreach and giving strategies consistent with the company’s overall sustainability goals.
- Investor relations and corporate communications departments can be actively involved with socially responsible investing (SRI) organizations and other interested stakeholders, to assure that the company’s progress and messages are accurately communicated and heard.
- Employees and contractors must understand and live the company’s commitment in their everyday work life.

# Communicating

## the Commitment to Sustainability

Some 2000 nontraditional corporate reports (those that go beyond the usual financial reporting) were estimated to have been produced in 1999—the last year for which figures are available from the Global Reporting Initiative (GRI). That number has surely increased dramatically and will continue to do so—driven largely by demand from NGOs and the general public for transparency and evidence of good faith.

**The Reporting Dilemma:**

**How Much, When...and Getting it Right**

## Why Report?

*Engaging Stakeholders 1999: The Social Reporting Report*, prepared jointly by the United Nations Environmental Programme (UNEP), SustainAbility, Ltd., and the Royal Dutch Shell Group, summarizes the reasons for reporting:

- Reinforce and communicate a company's core values and visions.
- Identify areas of weakness, pinpointing high-risk activities requiring sound management.
- Promote stability and protect organizations from unexpected shocks.
- Create “windows on the world,” helping companies explore and understand stakeholders' concerns and interests.
- Help all organizations, including NGOs, understand how to manage intangibles such as reputation and trust.
- Provide a credible means to communicate with stakeholders.
- Help companies to attract, understand, motivate and retain employees in an economy increasingly reliant on knowledge and relationships, not just products.

## Choosing a Reporting Direction

While many companies would agree that some form of triple bottom line reporting is desirable, deciding on the level, type, and form of disclosure is a challenge. A survey conducted by The Conference Board's Research Forum and Working Group on Global Corporate Citizenship found that more than 60 percent of the respondents publish either a “contributions or philanthropic” report or a “social or citizenship” report, and an additional 27 percent plan to publish one or both of these reports in the near future.

The form and content of these reports vary widely, however, undermining efforts to quantify reporting performance. An analysis by UNEP and SustainAbility, Ltd. of year 2000 “sustainability reports” compared 50 of the top-ranking reports, using a scoring scheme comprising 196 total points. The average score was 84, and only six companies—all European—scored over 100.

In its third annual survey of nontraditional reporting, the consulting firm csr network looks at the environmental and social reporting practices of the 100 largest firms listed in *Fortune's Global 500 (G100)*. Findings confirm that “varying strategies are being adopted for reporting. Some companies combine their social and environmental performance, reflecting a trend toward ‘sustainability’ reporting.”

The report also finds that while most *G100* companies report on environmental and social issues, few of them provide comprehensive data—either because of difficulties in creating accurate global data, or because measurements have yet to be agreed upon. Environmental reporting holds the high ground in this area, particularly in the area of greenhouse gas emissions, global EMS specifications and standards, and supply-chain management.

# External Guidelines and Performance Ratings

## Rating Corporate Performance

Analysis of corporate sustainability efforts by independent groups and fund managers is on the increase, as is shareholder activism. An examination of the 2001 proxy season by the Investor Responsibility Research Center (IRRC) revealed that of 136 social policy proposals coming to a vote at U.S. corporate annual meetings, 36 received the support of 10 percent or more from voting shareowners. This compares to just 25 proposals out of 150 the previous year. And SocialFunds.com, a Web-based personal finance site devoted to socially responsible investing, reports that there are now nearly 60 socially responsible mutual funds that employ multiple social and environmental screens in the United States, confirming that the trend is reflected in mutual fund management as well.

Coupled with evidence that “socially responsible” funds often perform as well (and in some instances better) than traditional indices, these statistics make a compelling case for a corporate commitment to sustainability.

The Dow Jones Sustainability World Index (DJSWI) aims to provide a bridge between companies who are actually implementing sustainability principles and investors wishing to profit from superior performance and favorable risk/return profiles. A joint venture between Dow Jones and Zurich-based SAM Sustainability Group—a pioneer in corporate sustainability assessment—the DJSWI attempts to quantify corporate sustainability strategies in financial terms.

Components of the index are selected through a systematic assessment based on SAM’s Sustainability Rating, and include only the leading sustainability companies worldwide. New ratings include more than 300 companies from 62 industries in 26 countries—a 25 percent jump over the previous year. This increase is seen by SAM as reflecting a new corporate commitment to sustainability as well as a growing interest on the part of fund managers. “We have nearly doubled the number of asset managers that use our index for a variety of investment products including mutual funds, equity baskets, certificates, and segregated accounts,” says Alexander Barkawi, Managing Director of SAM Indexes.

## External Sustainability Guidelines

Efforts to help companies develop a credible sustainability strategy and report their progress range from very general sets of goals to stringent sets of reporting standards. In the former category, an abundance of guidelines for corporate efforts has developed. These are produced by governments—such as Japan and Denmark—and by independent evaluators, including Global Reporters. Additionally, various “standards” groups have promulgated their own individual sets of expectations. Among the most widely used (and presented here as representative of the genre) are the Global Compact and the OECD Guidelines for Multinational Enterprises—both non-binding recommendations intended to guide corporate societal behavior.

## The Global Compact

Introduced in 1999 at the World Economic Forum at Davos, the Global Compact asks world business to:

- support and respect the protection of international human rights within their sphere of influence;
- make sure their own corporations are not complicit in human rights abuses;
- uphold freedom of association and the effective recognition of the right to collective bargaining;
- uphold the elimination of all forms of forced and compulsory labor;
- uphold the effective abolition of child labor;
- uphold the elimination of discrimination in respect to employment and occupation;
- support a precautionary approach to environmental challenges;
- undertake initiatives to promote greater environmental responsibility; and
- encourage the development and diffusion of environmentally friendly technologies.

## The OECD Guidelines

The OECD guidelines were developed to provide voluntary principles and standards for responsible business conduct, which “aim to ensure that the operations of these enterprises are in harmony with government policies, to strengthen the basis of mutual confidence between enterprises and the societies in which they operate, to help improve the foreign investment climate, and to enhance the contribution to sustainable development made by multinational enterprises.”

In addition to prescribing general policies, the guidelines extensively outline appropriate behavior in the areas of disclosure, employment and industrial relations, environmental issues, combating bribery, consumer interests, science and technology, competition, and taxation.

## The Global Reporting Initiative

Through its Sustainability Reporting Guidelines, the Global Reporting Initiative (GRI) attempts to walk companies specifically and thoroughly through the sustainability reporting and verification process.

Transition director Allen White outlined GRI's new mission at The Conference Board's 2001 Leadership Conference on Global Corporate Citizenship. The organization is moving from its status as a joint venture of the Coalition for Environmentally Responsible Economies (CERES) and the United Nations Environment Programme (UNEP) to that of a permanent, independent, international body with a multi-stakeholder governance structure. White said: "Our core mission is to develop, disseminate, and maintain globally applicable guidelines for reporting on the economic, environmental, and social performance of corporations, governments, and nongovernmental organizations. We seek to make sustainability reporting as routine and credible as financial reporting in terms of comparability, rigor, and verifiability, and to elevate sustainability reporting practices worldwide to a level equivalent to financial reporting."

The GRI model calls for a corporate sustainability report containing six elements:

- A CEO statement covering the highlights of the report and explaining the company's commitment, successes and failures, performance benchmarks, and challenges facing the organization.
- A corporate profile outlining the organization's products, scope of operations, and sales/revenues figures, and noting significant changes over the previous reporting period.

- An executive summary of the organization's key environmental, economic, and social indicators.
- A vision and strategy statement with regard to its approach to its economic, environmental, and social performance.
- An overview of the organization's governance and management systems, and mechanisms for its consultations with stakeholders.
- Reports on the organization's environmental, economic, social, and integrated performance for the reporting period.

This last section calls for detailed, organization-specific data on environmental performance—the area that has the longest reporting history. In the June 2000 version of the Guidelines, specific information needed for social and environmental reporting is set forth, with the caveat that these section outlines are preliminary and will be refined through user feedback. In addition, two types of "integrated" performance are called for:

**Systemic indicators** are those that link the performance of the reporting organization with "economic, environmental, or social conditions at the macro level." An example would be company wage scales *vs.* prevailing regional scales.

**Cross-cutting indicators** "bridge information across two or more of the three elements of sustainability." An example would be the linkage between facility emissions and health conditions in the vicinity.

# Charting an Individual Course

The case studies that follow outline the goals for, and initial steps taken toward, sustainable development programs as established by four global companies—all recognized sustainability leaders—in widely differing industries.

While each company takes a distinctly different approach to its sustainability effort, the strategies of the four—DuPont, ABB, Procter & Gamble, and Baxter International—share a number of things in common. All express a firm belief that:

- sustainable development is the most viable course for multinational business;
- virtually every aspect of corporate operations must be attuned to the issue; and
- transparency through reporting is crucial.

Differences in the four approaches may be attributable to differences in their industries. DuPont is working to create social and economic growth while reducing its “footprint” to zero in terms

of emissions, safety, and use of resources and energy. With its heavy concentration of energy-related products, ABB has divested many of its traditional energy holdings and is emphasizing alternative energy production. As a leader in the field of medication delivery and bioscience, Baxter International stresses triple bottom line accountability, ethical behavior, eco-efficiency, and involvement in NGO efforts. Procter & Gamble’s choice is to focus on water, health, and hygiene for all people—especially in lesser-developed nations.

## DuPont Sustainable Growth as the Overriding Objective

DuPont Chairman and CEO Charles O. Holliday, Jr. describes sustainable growth as a “nuts and bolts business reality” that will be “the common denominator” of the most successful global companies in the twenty-first century. In a recent speech, Holliday stated that: “Some would argue that the standard of living in the developed world must be lowered to allow the developing world to progress. We disagree with that premise. If we can use our creativity and scientific knowledge effectively, we can improve the standard of living for all. The solution is to optimize markets so that they can help promote and sustain social equity, economic prosperity, and environmental integrity. That is the new definition of social responsibility, and it is joined at the hip to business self interest. Business will not succeed in the twenty-first century if societies fail or if global ecosystems continue to deteriorate.”

Cementing that premise in the context of its operations in 70 countries and its 94,000 employees, DuPont has set four goals for 2010:

- to derive 25 percent of revenues from nondepletable resources—up from 10 percent today;
- to reduce global carbon-equivalent greenhouse gas emissions by 65 percent, using 1990 as a base year—the company anticipates achieving a 60 percent reduction when final year 2000 calculations are complete;
- to hold energy use flat, using 1990 as a base year; and
- to source 10 percent of the company’s global energy use in the year 2010 from renewable resources.



**Founded:** 1802

**World headquarters:** Wilmington, Delaware

**Products:** Science-based food and nutrition, health care, apparel, home and construction, electronics, and transportation brands

**2000 Revenues:** \$28.3 billion

**Employees:** 85,000 (half outside the United States)

**Operations:** 135 manufacturing/processing facilities in 70 countries; more than 75 research and development and customer service labs in 12 countries.

Dawn Rittenhouse, DuPont’s Director of Sustainable Development, describes the organization’s progression from a legendary safety culture to that of sustainable growth proponent:

“In 1989, Ed Woolard used his first speech as chairman of DuPont to set a new direction. He believed that we needed to change from a compliance orientation to one based on public trust—in other words, we needed to be where the public wanted us to be. With this statement, Ed created a new set of corporate goals which went well beyond legal requirements, and which included a 90 percent reduction in air carcinogens, a 60 percent reduction in air toxics, and a 50 percent reduction in packaging waste to landfill, among others.

“In 1993, the environmental policy committee of the company’s board of directors challenged the organization to create a new safety, health, and environmental policy that was more in line with our actual actions. In 1994, that policy was adopted, and among other things, committed the organization to a goal of zero injuries, illnesses, incidents, waste, and emissions. It also mandated employee and management accountability for meeting the policy.

“Four years later, as the new chairman, Chad Holliday took the next step by establishing sustainable growth as the company’s overriding objective. DuPont defines sustainable growth as creating shareholder and societal value while decreasing our footprint throughout the value chain. We define our footprint as all injuries, illnesses, incidents, waste, emissions, and use of depletable forms of raw material and energy. Chad Holliday serves as chairman of the WBCSD, and also co-chaired its working group on sustainability through the market. He also actively communicates DuPont’s position on sustainable development both in public and in management meetings.”

### Organizing for, and Reporting on, Sustainable Growth

“We used the DuPont safety culture as a starting framework, and that has helped us enormously in our move toward sustainable growth. The value has been in expanding safety beyond workers to include our products, the communities in which we operate, and society as a whole. Our sustainable growth initiatives are championed through our safety, health, and environment (SHE) excellence center, but sustainable growth is a line responsibility, so each organization is responsible for setting goals and objectives, initiating and implementing programs, and reporting on progress.”

DuPont’s 2000 annual sustainability report, the company’s third, emphasizes this overriding objective, and provides background on its definition of sustainable growth. Global reporting is managed by the SHE center, but individual reports for regions, sites, and businesses are handled by the respective organizations. (*Note: Approximately 20 additional sustainable growth reports are currently published by individual DuPont businesses; most of them concentrate on community-oriented sustainability programs. The number grows each year, with encouragement and support from corporate offices.*)

Progress on corporate goals—for instance, the 65 percent reduction of greenhouse gases by 2010 from a 1990 base—is monitored through the corporate environmental plan in the form of a database system that allows the corporation to assure that the most cost-effective initiatives are supported by the individual businesses.

Rittenhouse continues: “A huge aspect of our current effort is to get a life-cycle view of our products—from extraction of raw materials to manufacturing processes to recycling and reuse of materials, and final disposition. All of our new investment is planned to align with our goal of zero emissions. The challenge is that it is much harder to retrofit ongoing operations than it is to design for zero emissions from the beginning.”

## Endorsing the Global Compact

“DuPont chose to endorse the UN Global Compact because of its emphasis on stakeholders worldwide working together toward solutions to difficult issues. We find value in all of the organizations that are developing sustainability charters, but felt that we needed to focus our efforts on just one. Having said that, we are working hard to make our actions and reporting as consistent as possible with all of the initiatives.”

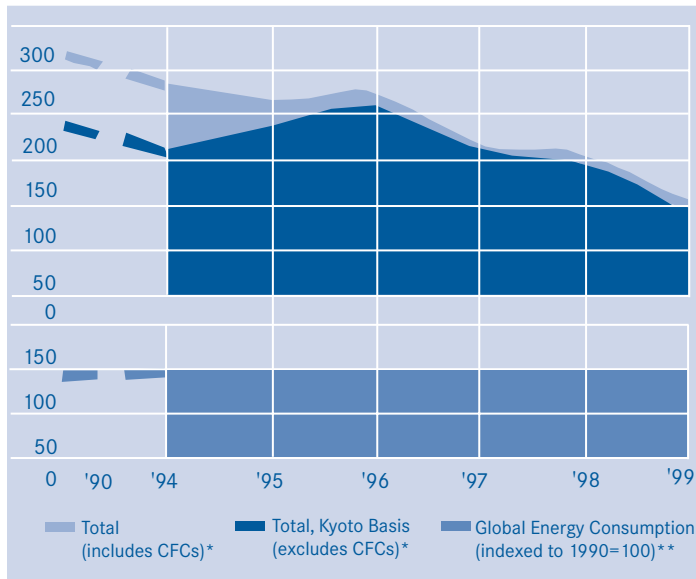
## Planning for the Long Term

“We look at our planning in three time frames. Each business is expected to have plans for each of the three, but the focus may be different depending on the specific business:

- For the short term, we are focused on productivity improvements, which include eliminating waste and emissions.
- In the intermediate term (two to six years), we are focused on increasing our knowledge intensity, which translates into creating more value with less material.
- In the long term (over six years), we are focused on creating new businesses that are inherently more sustainable and create high value for the corporation.

“We already see a return on our investment in sustainable growth. We find that customers who are interested in sustainable development are seeking out DuPont as a potential partner. A significant bonus is that many of the accomplishments under the sustainable growth initiative have eliminated waste and reduced costs in our operations.”

Exhibit 2  
Global Greenhouse Gases and Energy Consumption



\*Billions of pounds, carbon dioxide equivalents

\*\*Percentage

Data indicate a 57 percent reduction (49 percent reduction of Kyoto basis of gases) in greenhouse emissions since 1990. DuPont expects to achieve a 60 percent reduction (Kyoto basis) by the year 2000. Global energy consumption has been nearly flat since 1990, despite a 35 percent increase in production.

ABB

## Focused on Products, Employees, Common Efforts, and Social and Environmental Performance

In ABB's first sustainability report, published in 2001 for the year 2000, then-Senior Vice President for Environmental Affairs Jan Strömblad explains the organization's switch from a strictly environmental management report, emphasizing that: "The new title is intended to demonstrate that ABB has taken steps to formally include the social dimension in its programs, responding to increased expectations among stakeholders regarding corporate social performance."

In fact, even the environmental affairs department has changed its name, and is now known as ABB Sustainability Affairs—a sign of the confidence placed in the effort by the company's executive committee.

Michael Robertson, Sustainability Affairs Officer for ABB, describes the evolution of the sustainability concept: "ABB was first motivated to seriously address sustainability (or sustainable development) by the United Nations Earth Summit in Rio de Janeiro in 1992. Stefan Schmidheiny, at that time a member of ABB's board, took a high-profile role at that meeting. He and ABB's then-CEO, Percy Barnevik, were involved in crafting industry's inputs and expectations concerning the event. We recognized that success would depend on the participation of industry and business, and that application of eco-efficient technologies—technologies that ABB could develop and supply—would be crucial, a win-win for the environment and business.

# ABB

**Founded:** 1987 as ABB Asea Brown Boveri, Ltd., from a merger of ASEA AB in Sweden and BBC Brown Boveri Ltd. of Switzerland

**World headquarters:** Zurich, Switzerland

**Products:** Industrial, energy, and automation products for the process; utility; oil, gas, and petrochemical; manufacturing; and consumer industries

**2000 Revenues:** \$22.967 billion

**Employees:** More than 160,800 in more than 120 countries

"ABB signed the ICC Business Charter for Sustainable Development that same year, and adopted the Charter's 16 principles for good environmental management; and ABB's Environmental Advisory Board was formed, chaired by the CEO and staffed with seven external specialists. A corporate staff for environmental affairs was established, reporting directly to the CEO. Shortly afterward, ABB was among the first companies to join the World Business Council for Sustainable Development (WBCSD)."

### Organizing for Sustainability

Robertson explains ABB's approach to corporate sustainability policy, management, and reporting:

#### Policy

"In addition to adopting the ICC charter, ABB produced a social policy after benchmarking an initial draft against the OECD Guidelines for Multinational Enterprises, the SA 8000 social accountability standard, the UN Global Compact, and the Global Sullivan Principles. We also support the Alliance for Global Sustainability (AGS), and are sponsoring and leading its biggest project—the China Energy Technology Program, which is developing a methodology to help China benefit from electrification, without unnecessary environmental degradation. We are also involved in a pioneering group of peer companies,

looking for ways to apply the principles of the Global Compact to concrete projects in developing countries. Lastly, because we see greenhouse gas abatement as the biggest single environmental challenge facing governments, industry, and society today, ABB is a member of the Pew Center on Global Climate Change, and we are striving to help support the aims of the Kyoto Protocol.”

### Management

“ABB had established an environmental management program covering its main manufacturing sites in 38 countries in the early 1990s, and by the year 2000, environmental management systems in accordance with ISO 14001 had been implemented at 535 ABB sites in 49 countries, representing 97 percent of the total. That year, the first elements of social performance were integrated, and the program was re-titled to reflect the expanded focus.

“We employ a network of some 600 country and business area sustainability controllers and local (site) sustainability officers who drive our sustainability performance and who report to the group function—Sustainability Affairs at ABB’s headquarters. To ensure that decisions and recommendations made by the board are implemented throughout the organization, the head of this function reports directly to the CEO, and also serves as secretary of ABB’s sustainability advisory board, which is chaired by the CEO.”

### Reporting

“ABB reports its progress in its annual sustainability report, one of the three-volume set comprising ABB’s annual report. The report is also published in full on ABB’s group Web site ([www.abb.com](http://www.abb.com)).”

### A Far-Reaching Commitment

Robertson emphasizes the importance of ABB’s commitment to sustainability, which he describes as being “set from the top and driven down through the organization by example, leadership, and top management support. Sustainability is recognized in the company’s mission and values statements as one of four ways in which ABB creates value for its stakeholders. The company’s CEOs have consistently made public commitments to the importance of achieving high sustainability performance—such as Göran Lindahl’s proposal via the World Energy Council (WEC) to reduce greenhouse gas emissions by one billion tons per annum by 2005; his participation as a commissioner on the World Commission on Dams; and his appointment as deputy to Kofi Annan to further promote the United Nation’s Global Compact. (*Author’s note: The one-billion-ton goal has already been reached. WEC has now raised it to two billion tons by the year 2005.*)

Robertson credits top-down leadership on sustainability performance as a core value of the ABB Group for the ease with which the concept was integrated, saying, “This is now ingrained in ABB’s culture, and is recognized as one of the four ways in which ABB creates value for its stakeholders. Public success, such as the Dow Jones Sustainability rating, is a valuable reward for the efforts made, and spurs continual improvement. Operationally, it is always a challenge to convince and to demonstrate to managers the added value to be gained from high-sustainability performance, particularly when they are under pressure to achieve short-term financial targets. This was more of a problem at the start of our environmental management program. But today, ABB has many examples to demonstrate the business case for sustainability.”

## Setting Objectives

ABB is striving to meet three main corporate objectives:

**To implement the ISO 14001 environmental management standard at all of its sites.** To date, the standard has been implemented at 97 percent of the company's 535 manufacturing sites and workshops, but the goal is now to extend the coverage to nonmanufacturing sites, such as engineering and development offices, commercial offices, and support facilities.

**To produce environmental declarations for all core products.** These describe and quantify the environmental impacts of products over all phases of their life cycles, based on life-cycle assessment studies. These are seen as a way to both improve a product's environmental performance and to demonstrate to customers ABB's environmental performance against that of its competitors. So far, declarations covering some 20 main product lines have been produced, and all are available on ABB's Web site.

**To further improve the company's new social policy through dialogue with stakeholders** in over 40 countries, and to implement the policy-backed with suitable performance indicators—so as to report progress and demonstrate continual improvement of our social performance.

## Products as Solutions

With its long experience in power generation, transmission, and distribution, ABB is in a unique position to take the lead in the production and distribution of energy. The company has divested most of its fossil fuel and nuclear power generation activities, and targeted alternative energy and small-scale distributed power generation as a growth opportunity complementary to existing power markets. A “full package of solutions” has been developed, including windfarms, fuel cells, and combined heat and power plants using microturbines fueled by natural gas or biogas. Deregulation and privatization have now placed energy choices more in the hands of consumers, so a consumer-oriented communications program is aimed at helping potential end-users relate these often opaque terms to the environmental, social, and economic benefits offered by such products.

## Value Added

“We believe that ABB is regarded as a producer of environmentally sound products and a socially responsible supplier,” says Robertson. “We believe in saying what we do in this important field and letting others judge our achievements. We believe that we have gained a high level of credibility as a company, which is demonstrating by its actions and achievements a consistent effort to continuously improve its sustainability performance. In particular, ABB's decision last year to divest its nuclear, hydro and large-scale fossil-fueled power generation activities has considerably added to our sustainability image and credibility.”



**Founded:** 1837

**World headquarters:** Cincinnati, Ohio

**Products:** Approximately 300 food, family, and personal care brands

**2000/01 Revenues:** \$39.244 billion

**Employees:** More than 110,000 in more than 70 countries

Procter & Gamble

## It's About A Better Quality of Life for Everyone

by George D. Carpenter

Director, Corporate Sustainable Development

The Procter & Gamble Company

In early 1999, Procter & Gamble made a deliberate and strategic decision to shift its focus from environment to the more holistic concept of sustainable development. In part, our decision was recognition that the issues we face as a global company can no longer be put into neat and narrow silos of environment, trade and investment, or worker and human rights. Today, these issues are intertwined, and need the involvement of people and corporations who are looking at them in an integrated fashion and who understand their interrelated nature. But even more important in our decision was a frustration that for all our leadership and effort on environmental issues throughout the previous decades, we had never been able to build a top-line, competitive advantage for those investments.

Our embrace of sustainability is founded upon a determination and a belief that we can build business, shareholder, and stakeholder value from a holistic approach to social, economic, and environmental development.

From the beginning, we understood that to achieve our vision, the real effort and results had to come from our businesses and not from a corporate staff group. While we have a small corporate staff (devoted to sustainability) spread across Europe, North America, and Latin America, our effort has been focused on enrolling our businesses to look for ways we could build real business value, measured in business terms.

The first issue we faced was that many people did not know what sustainable development was, and many of those that did thought it was synonymous with environment. The lack of understanding of sustainability at the level of the general public—and by most business professionals—is a major barrier to unlocking the power of the business world to contribute to a sustainable future.

We tested the UK Strategy for Sustainable Development definition: “Sustainable development is a very simple idea. It is about ensuring a better quality of life for everyone, now and for generations to come,” against the one used in the 1987 United Nations report, *Our Common Future*: “...the ability of humanity to ensure that it meets the needs of the present without compromising the ability of future generations to meet their own needs,” in dozens of focus groups, interviews, and dialogues around the world with thought leaders from government, academia, NGOs, and business. To a person, they told us that both definitions said the same thing, but that the new one said it in a more positive and inspirational way.

We noticed something else that happened when we introduced this definition. People stopped talking about problems, and began talking about solutions and what a better quality of life would look like for their children and grandchildren, and for those in the world less fortunate than themselves. The same thing happened with our business managers within P&G, who began to think about how our technologies and innovation could be used to make significant improvements in the quality of consumer’s lives.

The next problem we faced was convincing people that sustainable development was not a synonym for environment. For the first decade of its existence, sustainability was dominated by the issue of environment. For some, it has taken on implications of accepting a world with “less” than we have today, and with the developing world having to scale back their aspirations for a future at least as good as we have today. Only in the past few years have the issues of social equity and economic development risen to a level of interest equal to the environment. The integration of two new concepts into the term sustainability has only further confused many in business and the public at large.

We realized we had to break the link with just the environment in people’s minds if we were to get past the history of the failure of green marketing, and to get business and marketing managers to look again at sustainability, this time with a mindset of finding opportunity. To do this, we focused on the issues of most relevance to our businesses—water, health, and hygiene—and overstressed the social leg of sustainable development. We even went so far as to talk about environmental issues, such as water, in their social context—of water-borne disease or the availability of water for consumers in many parts of the world. This has resulted in business people looking at water, for example, as an opportunity to bring improvements to the lives of women consumers—in how they clean clothes, how much water is used in cleaning, and the time that can be saved and made available for other priorities like education or time with their children.

It has been an agonizingly long and often slow road to bring new product ideas from research and development, through consumer trials, to eventually reach the market. We are still early in our effort to prove the hypothesis that a sustainability mindset can bring true business value. But we have some early successes that fit our model of bringing real improvements in the quality of our consumer's lives. For example, we produce a postmenopausal osteoporosis prescription drug, launched last year in Europe and the United States, which is off to a strong start, with \$150 million in first-year sales. In February of 2001, a study involving 9,300 elderly women—and reported in the *New England Journal of Medicine*—showed that it reduced hip fracture risk by up to 60 percent in women with severe osteoporosis.

In many parts of the developing world, micronutrient malnutrition is a serious problem. A half billion people are clinically deficient in vitamin A, iodine, and iron. Stunted growth, blindness, reduced mental development, and increased mortality in children are the result of this deficiency, along with serious health issues for expectant mothers. We believe this is a problem that can be solved. And we have developed a drink that has a unique technology that can help solve micronutrient deficiency.

As we have worked on new product initiatives that fit our model, we have also realized that there are a number of other things we do, and can do, to address serious sustainability issues in the area of water, health, and hygiene, that also contribute to the long-term health of our business.

P&G's fabric and home care business has successfully partnered with UNICEF to build our market share in Spain, Portugal, the United Kingdom, and North America, while providing 11 million tuberculosis vaccinations in Africa.

Another example is dental health. Dental health and hygiene are still poorly developed in many parts of the world. P&G has partnered with national organizations in many countries, including China, Russia, and Poland, to raise awareness, through advertising, of the importance of dental health and hygiene. In the process, consumers are informed about a public health issue, and we lay the foundation for a new market where one did not previously exist. Clinical studies in Russia and Poland showed over a 60 percent reduction in cavities through this approach.

Unlike the reality of today's global economy, which business, governments, and individual investors must deal with everyday, sustainability remains a concept without a model that people can relate to. It remains a vision and hypothesis defined more by the problems the world faces than by the solutions and successes that would light the fires of opportunity in the minds and imaginations of business leaders. This is where a simple quality of life definition for sustainable development comes together with a focus on those issues directly relating to a company's business. At Procter & Gamble, we look at sustainability as an opportunity to improve lives by bringing innovation and new technologies to consumer products in ways that provide clean and safe water, reduce water-borne disease, use less water, meet nutritional and hygiene needs, and address health concerns.

We are not saying we have sustainability figured out. We do not! Unfortunately, there are painfully few examples and success stories of companies building their future on the concept of sustainability. There are at least as many failures as there are successes. We are exploring new, uncharted territory and learning as we go. We remain committed to the belief that through our innovation and deep understanding of consumers' needs and aspirations, we can help create a better quality of life for everyone, today and for future generations.

## Baxter Sustainability as a Business Principle

Chairman and CEO Harry M. Jansen Kraemer, Jr. outlines Baxter's commitment to sustainability as creating a culture that can effectively balance the needs of multiple stakeholders, stating: "I believe we can do well by doing good. We can do well by providing a good return to our shareholders, by providing a quality workplace and competitive benefits to all of our team members around the world, by producing the highest-quality products while minimizing our impact on the environment, and by making a positive impact in our communities and assisting others in need."

Baxter considers sustainable development as a framework for decision making that helps the company anticipate and address important global trends that can mean serious consequences for business and society—issues such as population growth, depletion of natural resources, globalization of markets, and increased public demand for corporate transparency.

Bill Blackburn, Vice President and Chief Counsel for Corporate Environment, Health, And Safety, explains that the company decided to adopt an aggressive sustainability effort, "...not just as a moral commitment, but as one wrapped in sound business principles. Sustainability reflects the questions that businesses should be asking themselves today to be successful in the future."

Baxter sees sustainability as offering opportunities for the company and for business in general. Among them:

- Reducing waste and boosting safety, thereby increasing productivity

## **Baxter**

Founded: 1931

World headquarters: Deerfield, Illinois

Products: Medical products and services

2000 Revenues: \$6.9 billion

Employees: 45,000

Operations: 250 facilities in more than 110 countries

- Building brand strength and corporate reputation
- Enhancing recruiting by making a company a more desirable place to work
- Attracting capital from investors who work only with socially responsible companies
- Enabling better risk management
- Encouraging innovation
- Helping secure public approval for global expansion and free trade

The company's first sustainability efforts focused primarily on the environment. The drive toward sustainability broadened to include economic and social performance when Baxter agreed to pilot the Global Reporting Initiative guidelines and consequently pulled together existing efforts in various areas, focusing them under the sustainable development umbrella.

Within the context of its triple bottom line approach to sustainability, climate change is a major focus for Baxter—addressed most directly through a determination to reduce energy consumption, and through membership on the Business Environmental Leadership Council of the Pew Center on Global Climate Change.

The company's 2000 sustainability report raises a wide range of issues, including:

- how the company is addressing global healthcare trends, such as the widespread nursing shortage, patient safety, and availability of life-saving medical products and therapies;
- an introduction to Baxter's bioethics policy, one of the first to guide a company's decision to commercialize a biotechnology-derived agent or therapy;
- approaches Baxter is taking to employee learning and development through programs like a mentoring initiative and a global supervisory development system;
- Baxter International Foundation's work helping to meet critical healthcare needs worldwide;
- Baxter's performance in reducing toxic emissions by 99 percent per unit of production value since 1988;
- its 2000 environmental financial statement; and
- its approach to climate change.

### Cultural and Operational Challenges

According to Blackburn, Integrating sustainability into Baxter's many operations worldwide has posed a number of challenges for senior management. He says: "To bring sustainable development to life within an organization, it must run on four legs: a total quality management approach, stakeholder engagement, transparency, and verification of publicly reported data. We have made strides in strengthening each of these legs, but more work clearly is needed (Exhibit 3)."

"Another hurdle has been explaining the meaning of sustainable development. Our sustainability report uses three questions to help frame the idea:

- Do our business activities promote sustainable economic health for the company and the global community?
- Do we conduct our business in a manner that contributes to the well-being of our employees and the global community?
- Do we manage our operations in a way that is protective of the environment to help ensure that the earth can sustain the company and future generations?

"Communicating the business value of sustainability, and fostering the understanding that our reporting effort is truly an agent for change as well as an enhancement of our credibility—not just a public relations effort to tell only the good things we do—has proven challenging.

"Finally, we continue to sort out the metrics for social reporting, and are experimenting with ways of communicating our commitment to various stakeholders."

### Reporting

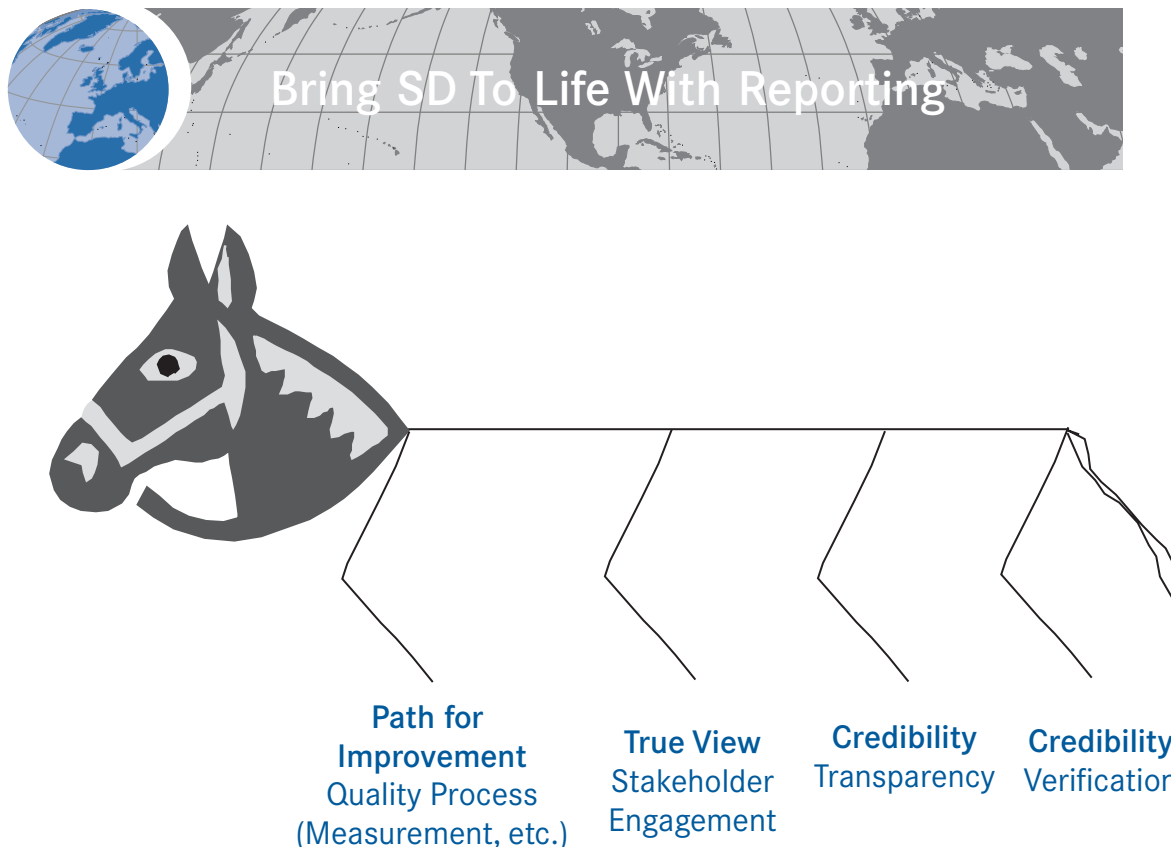
Baxter has published an environmental report since 1992, and launched into sustainability reporting when CERES invited its member companies to participate in the Global Reporting Initiative pilot program. Blackburn says, "We were inclined to do this because we strongly support CERES's goal of transparent public reporting. From my perspective in EHS, sustainability reporting sets a new benchmark for our corporate performance, supporting the message of social responsibility, economic stability, and environmental quality."

The company’s corporate communications arm now pulls together the report using information contributed by a variety of “functional thought leaders.” Corporate EHS drafts the EHS text; other core players are the business practices, employee relations, and community relations groups. Others are involved to a lesser extent. A new “best citizen” objective is expected to drive key elements of sustainability, and progress will continue to be reported annually. Baxter will use its best citizen goal and the quality process to give real meaning to sustainability.

Summarizing results to date, Blackburn says the combination of Baxter’s public commitment and reporting

has “really helped crystallize what sustainable development means to us, and has definitely served as an agent for change within the company; and the effort has clearly exceeded our expectations.” Asked to describe how a long-term commitment to sustainability squares with business planning horizons, he comments that: “As with all things, balance is the key. Like most eco-efficiency initiatives, most sustainable development initiatives provide business value. Prudence is crucial, however, to ensure that business and sustainability objectives are both being served. After all, no company can survive to continue its efforts toward sustainability if it does not also exercise sound business judgment. Sustainability must also sustain the company.”

Exhibit 3



# So Where Are We In This Slice in Time?

In the midst of global anxiety and uncertainty, and on the eve of the 10<sup>th</sup> anniversary of the Rio Conference, which gave momentum to sustainability thinking throughout the 1990s, sustainability is clearly on the business “radar screen.” But its future remains to be seen.

Hundreds—perhaps even a few thousand—of companies have already initiated sustainability processes that reflect their own cultures and goals. But the concepts that comprise sustainability evolve continually, becoming increasingly more complex and challenging. The factors that influence this change range from business’ awareness that future profitability depends on expanding markets beyond the developed world, to external pressures from stakeholder activism, to codes of conduct and standards developed by society, to self-governing instruments that stem from a corporate commitment to ethical and moral behavior.

The policies and programs vary widely—from environmental and resource management to comprehensive EH&S, community involvement, and economic development efforts wherever companies operate, and beyond. Those companies who are recognized leaders in sustainability not only develop products and services that will stimulate economic and social development in needy societies while improving their own economic performance, but take reporting on sustainability progress very seriously. In doing so, they also provide models for emulation by other corporations.

The reporting process itself is in an evolutionary stage and has a long way to go in terms of consistency, clarification, and standardization. A number of organizations are working both together and separately to develop a successful tool for measuring sustainability performance.

One new development signals the extent to which sustainability is regarded as an important issue for business—sustainability precepts are beginning to be integrated into business school curricula. Some experts expect this trend to continue, especially in the United States, following the events of September 11, 2001.

Significant progress has been made in the decade or so since sustainability developed from a nascent concept to an operating idea in business. Much remains to be done if the “vision” of sustainability—a better quality of life for all—is to be realized and the barriers and hurdles overcome. The changes in, or reinforcement of, perspectives on the future that will evolve from the tragic attacks cannot help but increase the momentum toward a more sustainable future. Continued and expanded global business leadership will be an essential contribution to achieving the desired result.



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