

# Sustainability: What It Is and Why Multinational Companies Should Care About It

By  
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Continental Automotive Systems  
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Continental Teves Plant  
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# Why Companies Don't Pursue Sustainable Development

1. Don't understand what sustainability entails; think it's about:
  - producing a large, glossy report
  - extreme environmentalism
  - high-priced public relations
  - halting business growth
2. Don't see business value; think it's an unaffordable luxury
3. Not aware of sustainability trends and potential business impacts
4. Don't know how to approach it with limited resources

What is  
sustainable development  
(sustainability)???



# Meaning of Sustainable Development

a. Intuitive meaning from NAFTA debates

b. Traditional definitions

= Meeting the needs of the present without compromising the ability of future generations to meet their own needs (UN Brundtland Comm. 1987)

= Global long-term well-being

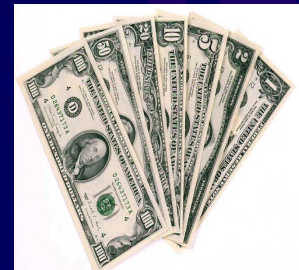
= Triple bottom line (economics + environmental + social)

= Respect for people and other living things + wise use and management of economic and natural resources (2Rs)

# A Corporate Commitment to Sustainability

## (A Sample Sustainability Policy)

It is within the best interests of our company and society as a whole that our company move along the path to sustainability. To that end, we will strive to achieve the following vision of performance:



### 1. Economic success: the wise use of financial resources

#### a. Company Economic Prosperity

Our business is positioned to survive and prosper economically.

#### b. Community Economic Prosperity

We are helping our community survive and prosper economically.

# Examples of Economic Topics

Sales

Profits

Dividends

Cash flow

R&D investment

Capital expenditures

Debt and interest

Wages

Market share

Retained earnings

Liabilities

Return on investment

Community donations

Taxes

Tax subsidies

Local purchasing

Credit rating

Brand strength

## 2. Social responsibility: respect for people

### a. Respect for Employees

We treat our employees in a respectful, fair, non-exploitative way, especially with regard to compensation and benefits; training; open, constructive dialogue with management; involvement in decision-making; working conditions that are safe, healthy and non-coercive; rights of association, collective bargaining and privacy; employment-termination practices; and work-life balance.

### b. Diversity, Fair Hiring Practices

We promote diversity and use hiring practices that are fair, responsible, non-discriminatory, and non-exploitative for our employees, board members, and suppliers.

### c. Responsible Governance

We manage our risks properly, use our economic power responsibly and operate our business in a way that is ethical and legal.

### d. Respect for Stakeholders

We are transparent, respectful and fair to local populations, investors, suppliers and other stakeholders outside our organization who may be affected by our operations. We work collaboratively with our communities to enhance the well-being of others.

### e. Fair Dealing With Customers

We are honest and fair with our customers, competing fairly for their business, respecting their privacy, and providing them safe and effective products and services under the conditions we promise.



# Examples of Social Topics

Ethics	Workplace safety	Employee shared values
Product usefulness	Corporate governance	Employee work-life balance
Product quality	Employee relations	Human rights (security policies, etc.)
Product safety	Product labeling	Fair advertising and labeling
Union relations	Board diversity	Impacts on local cultures
Producer responsibility	Supplier diversity	Employee diversity
Consumer privacy	Employee privacy	Employee training and development
Emergency preparedness	Non-discrimination policies	Employee wellness programs
Child labor	Community outreach	Employee assistance programs
Forced labor	Employment	Employee turnover
Disciplinary practices	Transparent public reporting	Employee layoff policies
Flexible work options	Dependent care benefits	Anti-sexual harassment policies
Charitable donations	Bribery and corruption	Political contributions
Antitrust practices	Securities regulation	Helping the disadvantaged
Occupational health	Industrial hygiene	Food product nutrition
Legal compliance concerning the above topics		Support for community services

### **3. Environmental responsibility: respect for life; the wise management and use of natural resources**

#### **a. Resource Conservation**

We conserve our use of natural resources to the extent practicable.



#### **b. Waste Prevention and Management**

We reduce to the extent practicable the volume and degree of hazard of the wastes we generate from our operations, and handle them in a safe, legal and responsible way to minimize their environmental effects.

#### **c. Environmental Risk Control and Restoration**

We minimize the risk of spills and other potentially harmful environmental incidents, restore the environment where damaged by us, and enhance it to better support biodiversity.

#### **d. Reduction of Supply Chain Impacts**

We work with others in our supply chain to help assure environmental impacts and risks associated with our products and services are reduced and properly controlled.

#### **e. Collaboration With Communities**

We collaborate with our communities to protect and improve the environment.

# Examples of Environmental Topics

Waste disposal

Chemical spills

Water conservation

Pollution prevention

Packaging reduction

Natural habitat restoration

Animal rights

Precautionary Principle

Endangered species

Compliance with environmental laws and permits

Air pollution

Greenhouse gases

Energy conservation

Recycling

Soil contamination

Wetlands protection

Product energy use

Spill prevention

Radon

Water pollution

Ozone-depleting substances

Natural resource usage

Biodiversity

Product take-back

Wildlife conservation

Customer disposal of products

Renewable energy and materials

Mold contamination

Design for the environment

Why does society have a  
growing concern about  
sustainability?



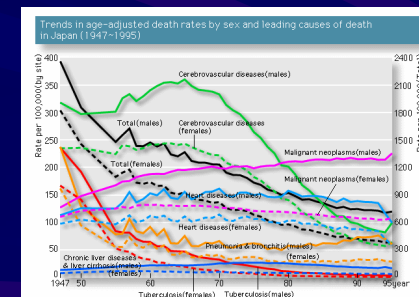
What does long-term survival  
and well-being require?



# Sustainability Trends

## ■ Resource trends

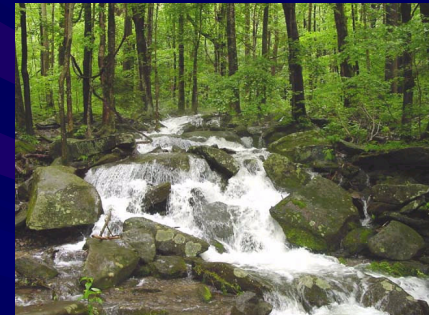
- Fresh water, wetlands
- Petroleum, natural gas/climate change
- Hazardous pollutants
- Biodiversity (fish, birds, etc.)
- Soil quality
- Forests
- Over-consumption



# What's going on with the world's water?

In 2003, the United Nations estimated that by the year 2050, \_\_\_\_\_ people in \_\_\_\_\_ nations will face a water scarcity.

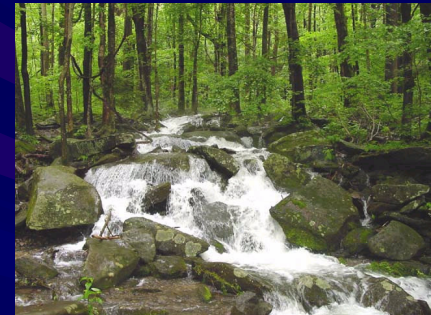
- a. 1 billion in 10 nations
- b. 3 billion in 25 nations
- c. 7 billion in 60 nations
- d. The entire projected population of 9 billion people in all nations



# What's going on with the world's water?

In 2003, the United Nations estimated that by the year 2050, \_\_\_\_\_ people in \_\_\_\_\_ nations will face a water scarcity.

**c. 7 billion in 60 nations**



# What's going on with the world's energy?

According to Shell, at current consumption rates, the known reserves of coal will last 210 years, oil will last \_\_\_\_ years and gas \_\_\_\_ years.

- a. 10 years and 100 years
- b. 42 years and 60 years
- c. 300 years and 200 years
- d. Forever, we can always drill for more resources



# What's going on with the world's energy?

According to Shell, at current consumption rates, the known reserves of coal will last 210 years, oil will last \_\_\_\_ years and gas \_\_\_\_ years.

**b. 42 years and 60 years**



## Climate Change Per IPCC

### ■ Now

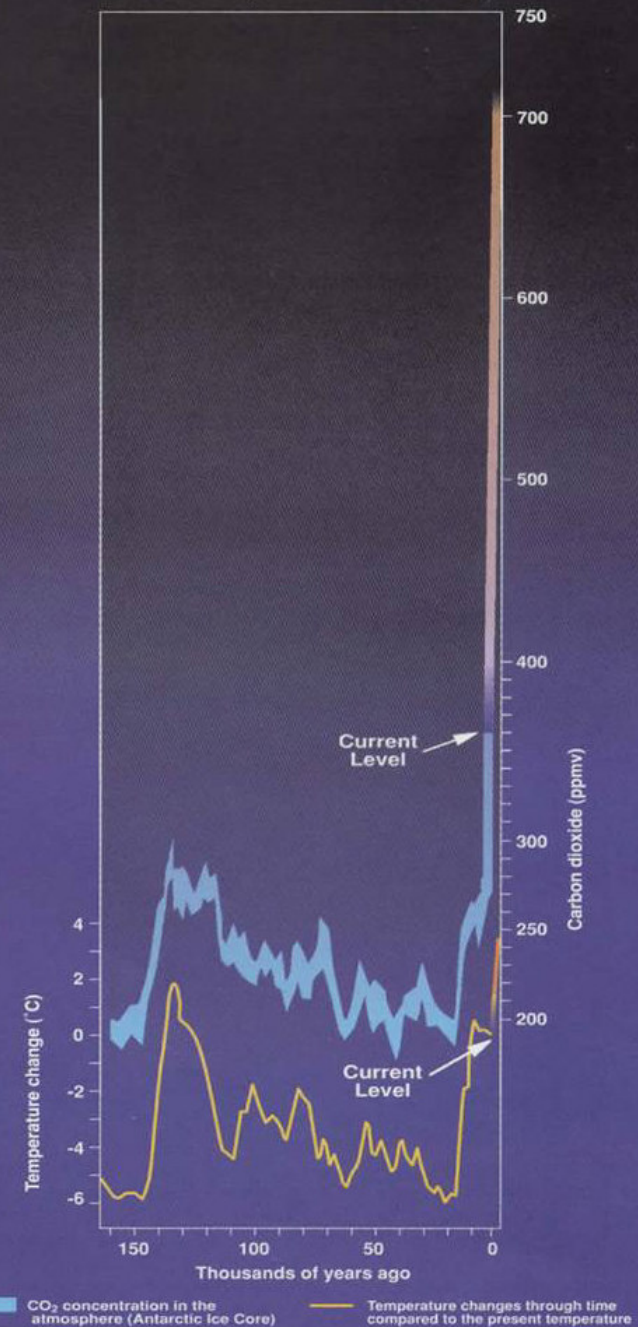
- CO<sub>2</sub> at 370 ppm (up 30% from 1850s)
- 1 °F (0.6 °C) increase over last century
- 4 to 8-inch ocean rise
- Lost 40% Arctic ice

### ■ 2100

- CO<sub>2</sub> at 700 ppm
- 2 ° to 10 ° F increase
- 3 to 30-inch ocean rise
- Spread of tropical disease
- Altered ocean currents
- Changed weather patterns

Source: U.S. Office of Science & Technology Policy

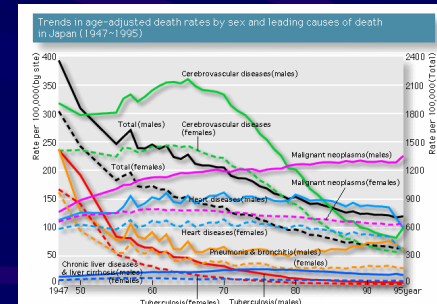
Atmospheric Carbon Dioxide Concentration and Temperature Change



# Sustainability Trends

## ■ Resource trends

- Fresh water, wetlands
- Petroleum, natural gas/climate change
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- Soil quality
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- Over-consumption



# Consumption

- Per person consumption of natural resources in industrialized world: 45-85 tons/year
- Consumption per U.S. citizen vs India citizen:
  - 17x more energy
  - 30x more meat
  - 80x more paper
  - 240x more motor fuel

# How Fast Does The World Add Enough Additional People to Populate Another U.S.?

- Years:
- a. 1
  - b. 5
  - c. 10
  - d. 25
  - e. 110



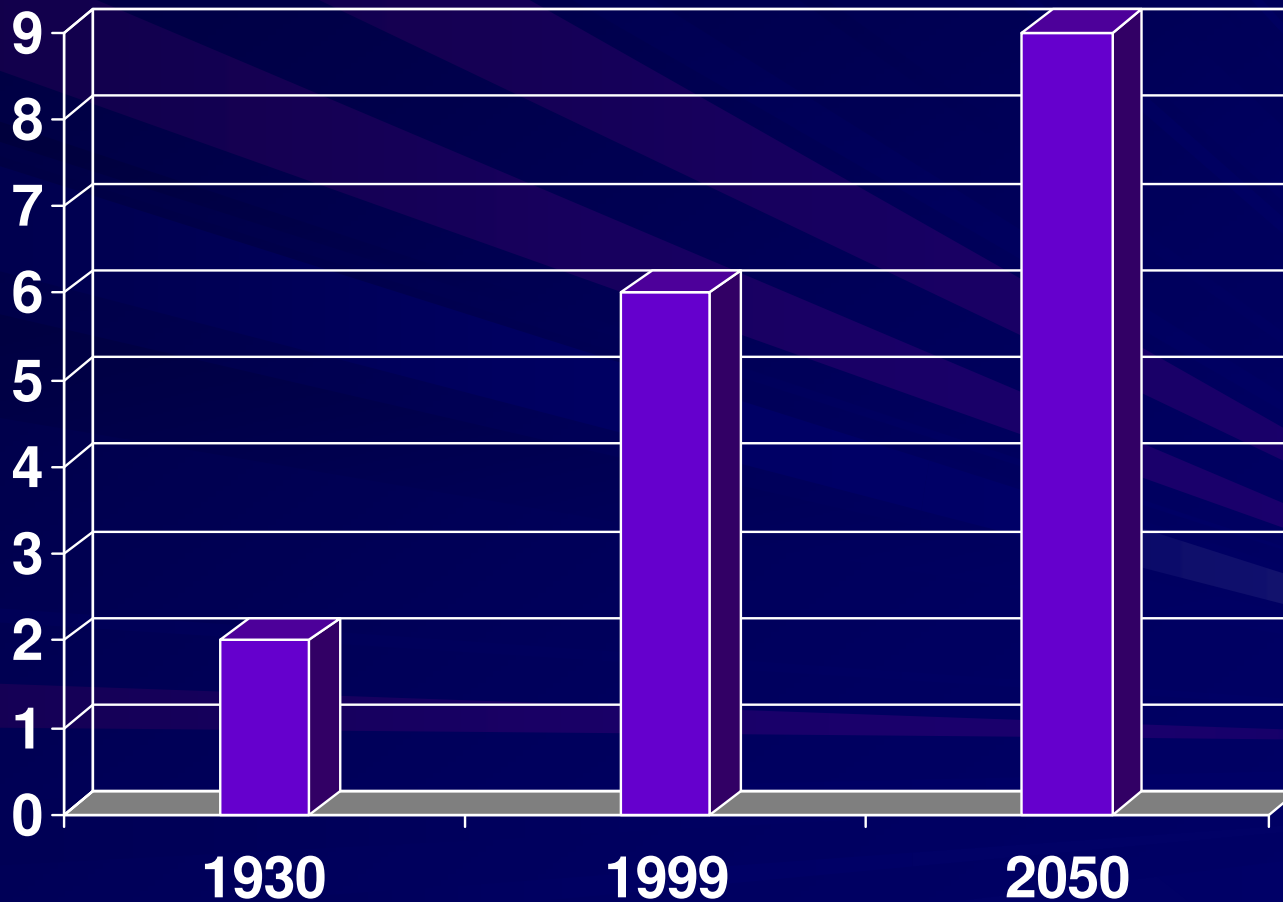
# How Fast Does The World Add Enough Additional People to Populate Another U.S.?

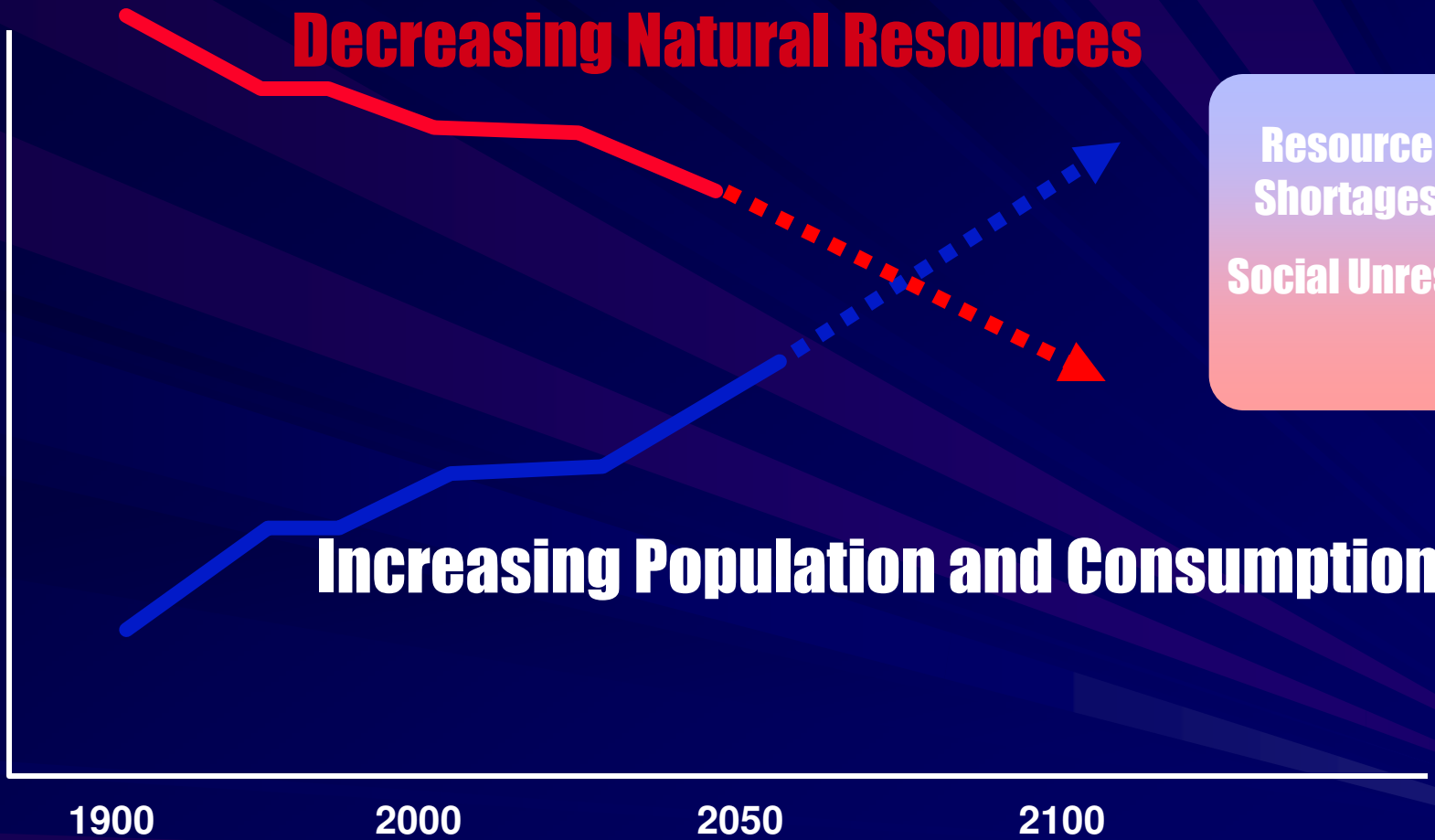
Years:

**b. 5**



# World's Population (Billions of people)

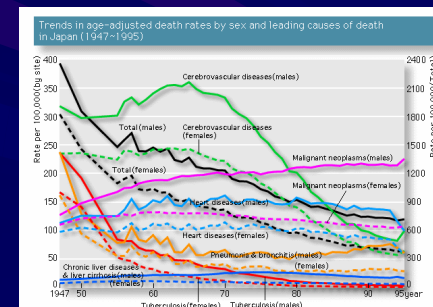




# **The "Big Squeeze"**

# Sustainability Trends

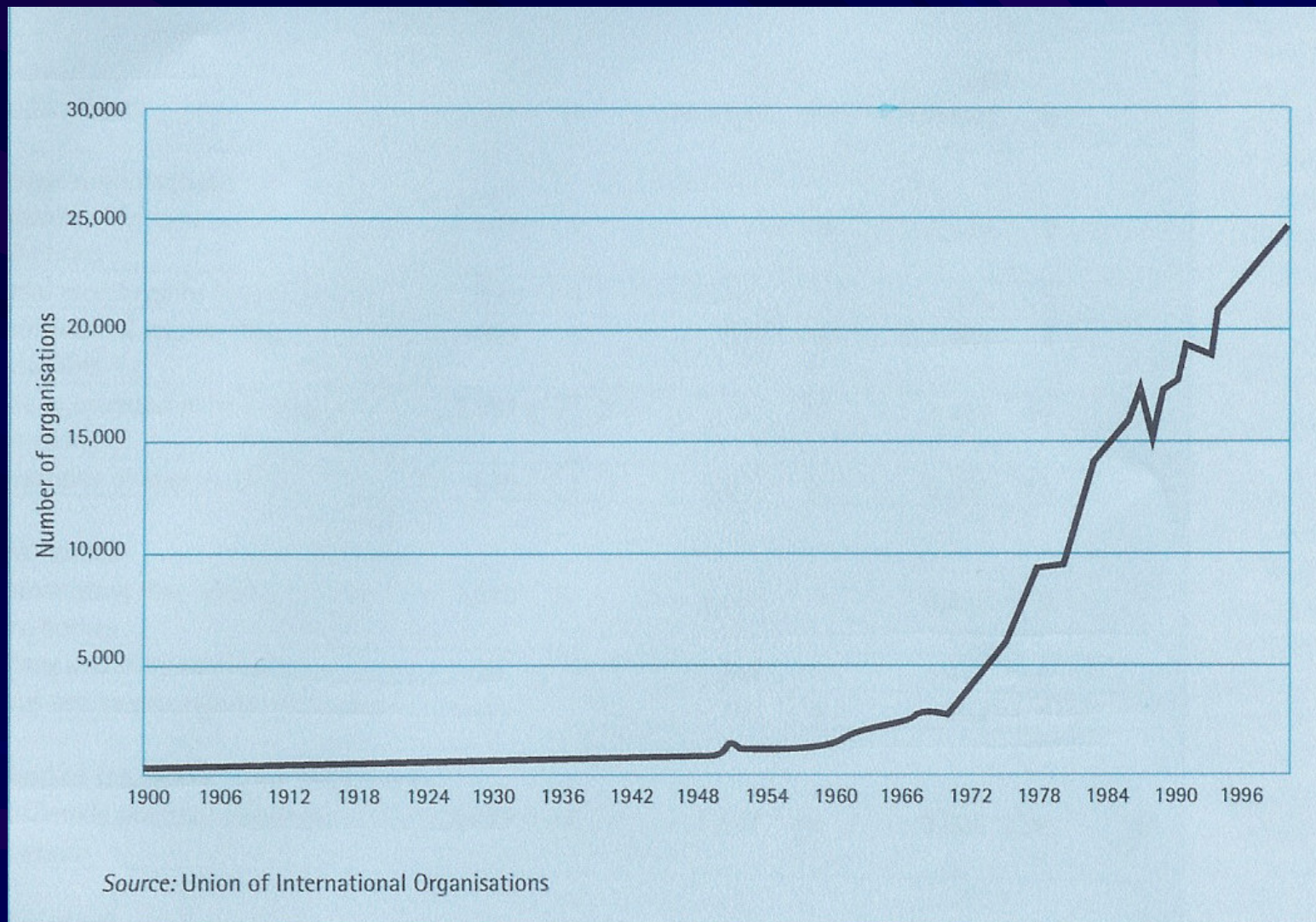
- Trends undermining social harmony and cooperation
  - Population changes
  - Competition for resources
  - Poverty, rich-poor gap
  - Urbanization
  - Globalization debate
  - Corporate credibility



# Trends in Response to Sustainability Pressures

- Global terrorism
- Growth of NGOs/CSOs

# Growth of International Nongovernmental Organizations 1900-2000



# Trends in Response to Sustainability Pressures

- Global terrorism
- Growth of NGOs/CSOs
- Socially responsible investing (SRI)

# Automotive Companies in the Dow Jones Sustainability Index

Delphi

Ford

Mitsubishi

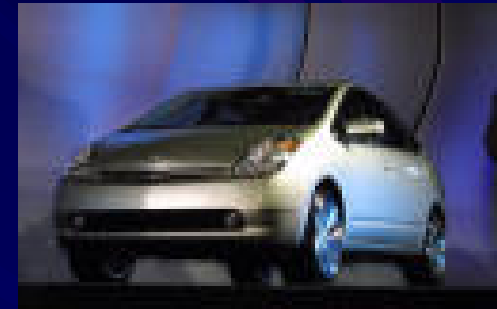
Rolls-Royce

Siemens

Toyota (auto sector leader)

Volvo

Volkswagen



# Trends in Response to Sustainability Pressures

- Global terrorism
- Growth of NGOs/CSOs
- Socially responsible investing (SRI)
- Extended producer responsibility
- Green labeling, marketing, product certifications
- Demands for corporate transparency, public reporting (GRI, etc.)

# Original GRI Steering Committee

AccountAbility – United Kingdom

Association of Chartered Certified Accountants – United Kingdom

Canadian Institute of Chartered Accountants – Canada

Centre for Science and Environment – India

Coalition for Environmentally Responsible Economies – United States (Chair and co-founder)

Colombian Business Council for Sustainable Development – Colombia

ConNexis Strategy Consultants -- Switzerland

Council on Economic Priorities – United States

Deloitte Touche Tohmatsu -- Denmark

Environmental Auditing Research Group – Japan

General Motors Corporation – United States

Green Reporting Forum – Japan

Investor Responsibility Research Center – United States

ITT Flygt – Sweden

New Economics Foundation – United Kingdom

SustainAbility – United Kingdom

United Nations Environment Programme (Co-founder)

World Business Council for Sustainable Development -- Switzerland

World Resources Institute – United States



# GRI Supplements and Protocols

## ■ Sector Supplements

- Final:

automotive, tourism, financial services (social),  
telecom

- In development:

financial services (environment), logistics & transport,  
mining & metals, public agency

## ■ Protocol Pilots

- Pilots: energy use, water use

- Draft: child labor

- In development: health & safety, reporting boundaries



# Global Reporting Initiative

“By offering a new framework for corporate reporting, the GRI has a unique contribution to make in fostering corporate transparency and accountability of corporate activities far beyond financial matters.”

Kofi Annan  
Secretary-General  
United Nations  
April 2002

# GRI Reporters

- 500 reporters in 45 countries

- Japan, UK, and US lead

- “In accordance” reporters in auto industry ( 26 total)

- Ford

- General Motors

- Others in auto industry using GRI

- BMW

- Denso

- Hyundai

- Isuzu

- Jaguar

- Johnson Controls

- Kia

- Mitsubishi

- Nissan

- Renault

- Society of Motor Manufacturers and Traders (UK)

- Siemens

- Toyota

- Valeo

- Vauxhall

- Volkswagen

- Volvo



# Other Key Sustainability Initiatives Concerning the Auto Industry

## ■ Mobility Forum (UNEP)

- Members: 11 auto makers

- Issues:

- Reducing environmental impacts

- Access to mobility in developing nations

- Approaches:

- Stakeholder dialogue

- Public reporting, GRI supplement

- Best environmental practices (on web site)



# Other Key Sustainability Initiatives Concerning the Auto Industry

## ■ The Sustainable Mobility Project (WBCSD)

### - Members:

- 8 auto makers, Michelin, Shell, BP and Norsk Hydro
- Chaired by Toyota, GM, Shell

### - Issues:

Identifying challenges and solutions for making mobility sustainable; indicators to track progress

### - Approaches:

Studies and report - *Mobility 2030* (2004)



# Sustainability Goals Identified in *Mobility 2030*

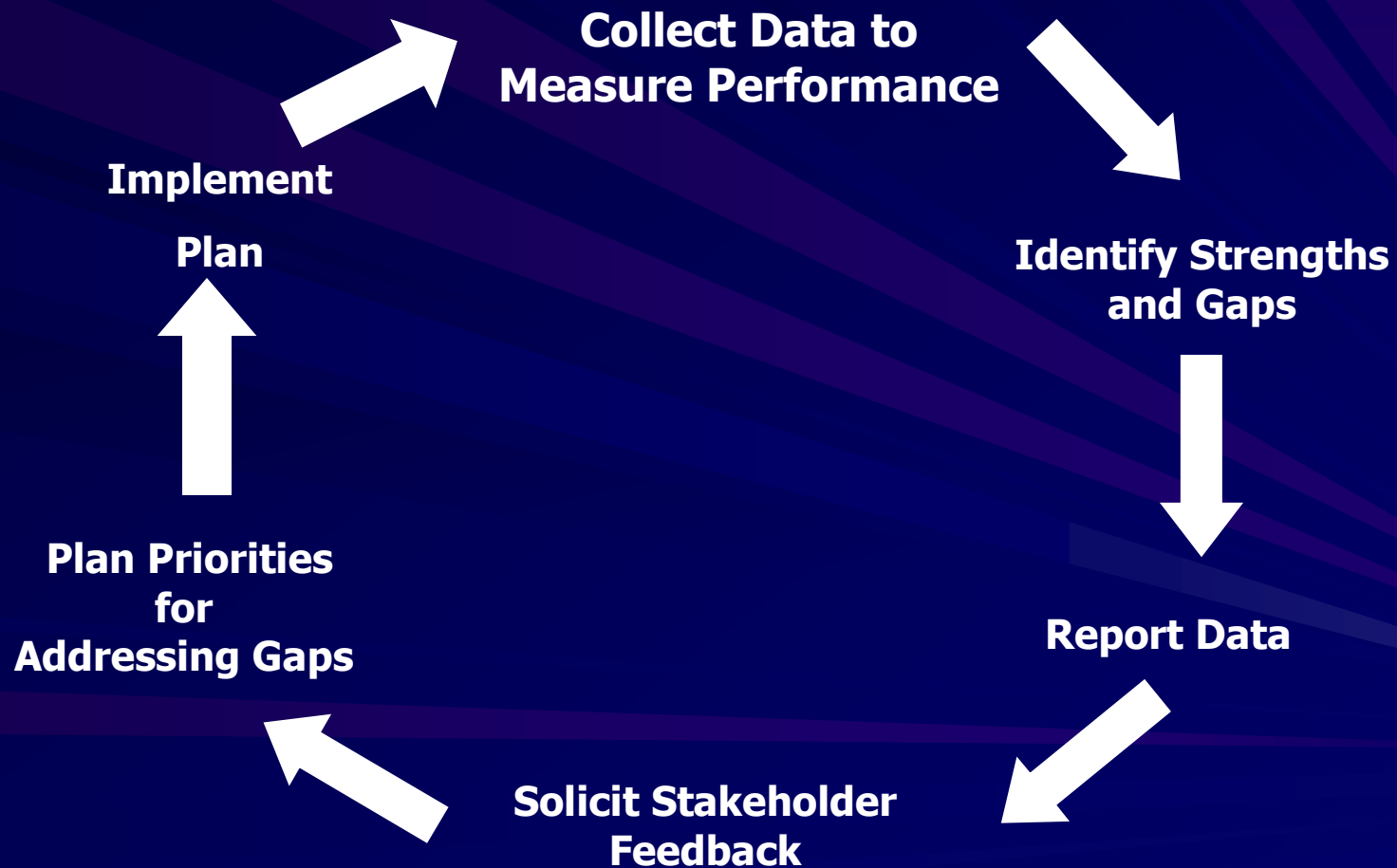
- Controlling traditional pollutant emissions to safe levels
- Limiting Greenhouse Gas emissions to sustainable levels
- Providing greater access to mobility for the poor
- Reducing deaths and injuries
- Reducing transport noise
- Mitigating congestion
- Preserving and enhancing mobility for all



# Some Observations About the Business Case

- Sustainability is not about one thing.
- The business case for sustainability is the wrong question.
- The right question: What is the business case for an SOS?

# Sustainability Operating System (SOS)



# Why Should Companies Adopt a Process to Address Sustainability Issues?

1. Identify and manage risks
2. Improve productivity
3. Anticipate customers' needs (innovation)
4. Explore new markets
5. Enhance reputation with, and secure the support of:
  - customers (brand strength, sales)
  - investors (capital)
  - employees (recruiting, staff retention)
  - governments and communities (expansion, free trade)



# Key Messages

1. Important global trends will increasingly affect the way we do business.
2. Ignoring these trends will impede our ability to compete.
3. Addressing these trends by working toward sustainable development (SD) will make us a stronger, more competitive company.
  - This helps protect us from risk, reputational challenges and inefficiencies that can destroy shareholder value.
4. The best way to incorporate SD into our business is:
  - Internally, through a continual-improvement process integrated into our business processes.
  - Externally, through open communications (including reporting) and dialogue on SD with key stakeholders.

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