WHITE PAPER

The Business Case for Corporate Sustainability Tools

by Reg Shiverick, President, Dakota Software

There was a time when corporations treated sustainability as nothing more than the topic du jour of environmental activists, or an issue they recognized only because the law required it. The corporate sustainable practices of today have undergone a remarkable shift. Now, sustainability is pursued by way of an intelligent and conscious decision by corporations focused on the scope of their business as a whole. Part of that scope is environmental regulations, adherence to which is the first step on the corporate sustainability path. By implementing the right tools, executives can limit their risk of an inadequately prepared sustainability agenda in regard to not only the current regulatory climate, but also any future regulations. →

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The era of corporate sustainability has arrived, and it is beginning to entrench itself as fundamental to the basic workings of business.

Sustainability is being integrated into the bottom-line of businesses. Leading global companies have paved the way for sustainable innovation. Investors and consumers are increasingly weighing green footprints in decision-making and senior levels of management have realized the benefits it carries. The era of corporate sustainability has arrived, and it is beginning to entrench itself as fundamental to the basic workings of business.

Global leaders signal trend toward sustainability

One of the most easily identifiable heralds of the importance of sustainability in the corporate structure is the way influential multinationals have approached the subject.

In the Carbon Disclosure Project's 2012 Global 500 Report, findings indicated that not only were S&P listed companies making progress in taking sustainability into account, but were doing so at a swift rate (1). The CDP designates a disclosure score to companies on a scale of 1 to 100, with 100 being the best. In the 2012 report, the average score had increased by 13 percent to 70 in just one year. **Fifty-two percent of companies reported emission-reduction activities, compared to 35 percent in 2011.** Seventy-three percent of respondents had also incorporated climate change into business strategy, 65 percent had done so in 2011. Notable companies included Microsoft and UPS, both had a score of 99, Sempra Energy, 97, and Air Products and Chemicals, 95.

The 2012 Sustainability Leadership Report by Brandlogic and CRD Analytics detailed the same trend in corporate sustainability (2). The study used a similar 100-point system, and of the 100 prominent global companies reviewed by the study, 93 had improved their sustainability scores. The gains led to a significant uptick in the mean sustainability scores: 51.7 in 2012, compared to 42.4 in 2011, a 9.3 point increase.

But it's not all scores and indexes for companies when it comes to measuring sustainability, their efforts are tangible and real.

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Wal-Mart, an often-cited leader in the drive for corporate sustainability, recently announced **it would save $150 million thanks to sustainable initiatives** like solar and wind energy, fuel cell installations and a zero-waste program. In an internal report, Wal-Mart said it kept 80.9 percent of waste created by its U.S. operations out of landfills in 2011 (3).

Ikea, the popular furniture retailer, also announced it aims to only sell LED lamps and bulbs in its stores by 2016. As part of the kick-off in its sustainable initiative, Ikea plans to change out more than 1 million light sources inside its stores and replace them with LEDs and other efficient lighting sources. It also gave each of its 130,000 employees an LED light (4).

Consumers drive sustainability, demand results

While some companies do partake in sustainable initiatives of their own accord, consumers also have an influential place in the increasing attention paid to corporate social responsibility.

In a study by Cone Communications, researchers found that not only do consumers factor in a company's sustainable record when making a purchasing decision, they also want companies to effectively convey specific results of their dedication to sustainability (5). Eighty-six percent of consumer respondents said they would be more likely to trust a company that reports corporate social responsibility results, and 82 percent said they are more likely to buy a product that clearly demonstrates those results.

86% of consumer respondents said they would be more likely to trust a company that reports corporate social responsibility results

Not only do consumers favor socially responsible businesses, they're even willing to pay more for their products. University of Missouri researchers found **consumers would be more willing to pay between 15 and 20 percent more** for retail products from companies that support sustainable practices (6).

Sustainability a key consideration for investors

Engaging in and effectively communicating sustainable practices also presents businesses with a wealth of opportunities for establishing credibility. Investors often reference this when deciding with whom they will trust their money: The aforementioned CDP report was conducted on behalf of an investor group representing $78 trillion in assets (7).

Financial institutions and investors have increasingly trained their sights on sustainability, and the result has been the creation of stock indexes specifically for leading sustainable companies. Both the Dow Jones and the NASDAQ maintain and review a sustainable index.

Other studies point to the notion that it isn't just a trend that investors are focused on sustainability. Instead, it is a pattern of financial behavior that will only continue to grow.

In a 2012 survey by Ernst & Young, 66 percent of executives who were polled said they **saw an increased amount of sustainability-related inquiries from investors in the past year** (8). Seventy percent of those inquiries focused on energy management and greenhouse gas emissions and more than half posed questions about sustainability reporting. The survey also asked investors and shareholders what proposals they made to their company's board in 2011 - 40 percent of proposals carried an environmental or social intent, up from 30 percent in 2010.

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PricewaterhouseCoopers also conducted a study on sustainable investing (9). It found that socially responsible investing (SRI) has undergone significant growth in the last 15 years, particularly since 2008, when not even the 2008 economic collapse could stop SRI asset growth, PWC said. The report found nearly one out of every eight dollars is involved in sustainable and responsible investing.

C-level executives also take notice

In the end, the critical decisions on pursuing sustainable initiatives rest with upper level executives. The good news for sustainability advocates is that they too have recognized the benefits that sustainable practices afford their business.

In a survey by the United Nations Global Compact of 766 CEOs worldwide, **93 percent of CEOs said sustainability issues will be a critical factor to the future success of their business** (10). Ninety-one percent said they would employ various sustainable technologies like renewable energies in the next five years; 96 percent said sustainability should be fully integrated in business strategy; and 88 percent said sustainability should be integrated into the supply chain.

EHS managers who look to upper management for resources in regards to implementing sustainable practices may also have another ally in the boardroom, as a survey of 250 CFOs in 14 countries by Deloitte found CFOs are increasingly aware of the benefits sustainability can bring to the business. **Two-thirds of CFO respondents said they are involved in driving sustainability strategies** and more than 50 percent said their involvement in pushing sustainable practices has increased in the past year (11).

CFOs also responded that sustainability has a big impact on business operations: 74 percent said it had a “meaningful impact” on financial reporting, while 54 percent said it impacted tax matters.

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A foundation of environmental compliance

The very nature of how companies operate has shifted with the evolution of sustainability into a basic tenet of business. Multinational corporations have set the stage for smaller businesses to follow by incorporating sustainability into their strategies. Crucial audiences like consumers and investors that spur growth have made it clear they value companies that

can embrace social and environmental responsibilities. CEOs across the globe have agreed, and they continue to put their companies on the road to a more sustainable, and more profitable, future.

What's clear is that sustainability matters. But what may not be so clear for businesses just entering the sustainability fray is how they can achieve sustainable practices. **The answer begins with a solid foundation of environmental compliance**.

In "Ensuring Environmental Compliance: Trends and Good Practices," the Organization for Economic Co-operation and Development (OECD) wrote that if businesses and countries want to accomplish their various sustainability objectives, they need to treat environmental compliance as the gateway to success (12).

"The design and performance of systems that ensure environmental regulatory compliance is becoming a subject of particular interest in light of society's demand for effective policies that target a high level of environmental protection and are compatible with robust economic growth," the report read. *"Despite good progress achieved in putting such policies in place, OECD countries are generally not on track to reach some of their key environmental objectives. One of the key reasons for this is the so-called 'implementation gap,' which includes insufficient compliance with environmental requirements."*

Success in integrating sustainability programs relies on the ability of a business to comply with regulations, first and foremost. Using tools for sustainability measurement and reporting is easy, but **implementation of EHS compliance through proper tools and culture change is a more potent means of achieving sustainability success**. Companies should prioritize investing in tools that will ensure compliance and establish a solid foundation for world class sustainable performance. ■

About the Author

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Known as an industry expert on the structure and role of environmental, health and safety (EHS) programs, Mr. Shiverick has written and made numerous presentations on the subject. Specifically, he has presented on the role of computerized EHS programs at the American Society for Quality Control, the American Society of Safety Engineers, and The Auditing Roundtable. He values his long standing interest in environmental issues and has been closely associated with the Student Conservation Association, a nationwide force of high school and college-age volunteers who are committed to protecting and preserving the environment.

Mr. Shiverick received a Master's Degree in Business Administration from the Amos Tuck School of Dartmouth College and a Bachelor's Degree in Geology from Bucknell University.

About Dakota Software

Dakota Software is the only provider of EHS compliance solutions that deliver a comprehensive regulatory library through an enterprise-wide EHS compliance process management system. This exclusive feature, combined with Dakota Software's proprietary taxonomy engine, allows you to easily determine which requirements apply to which sites and build the appropriate compliance program for each site. Furthermore, you are automatically notified of upcoming new regulations and pending regulatory changes.

Dakota Software allows you to globally view and orchestrate your EHS initiatives, while at the same time providing you the tools to locally execute compliance programs.

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