

Sustainability Matters: The Corporate Executive's Strategic Agenda

March 2009
Jhana Senxian



In support of the Marrakech Process of the United Nations
on Sustainable Consumption and Production

~ Underwritten, in Part, by ~



Executive Summary: Making the Business Case for Sustainability

Aberdeen data shows that for a growing number of companies, positive social and environmental performance is inextricably tied to their vision of long-term viability and success. The emergence of responsibility-framed strategies for business sustainability underscores the increasing importance of social and environmental stewardship to shareholders, customers, trading partners, and regulators alike. The increasing integration of sustainability criteria into organizational strategy marks a dramatic shift in the culture of the business ecosystem worldwide. Indeed, this shift in vision and action has decisively transformed the global market and the very nature of internal and external processes, requirements, alliances, and opportunities.

Findings continue to demonstrate that sustainability delivers dramatic competitive advantages - particularly in recessionary times. In fact, responsibility-driven companies are achieving impressive benefits all across the value chain - from bottom line cost reductions and enhanced brand value to optimized performance and an improved ability to attract and satisfy both talent and customers. This report illuminates Best-in-Class sustainability priorities, practices, and technology focus areas from the corporate executive's strategic agenda for 2009. Results demonstrate that the Best-in-Class have made a resoundingly strong business case for the adoption and expansion of genuine, sustainability-driven strategies and initiatives.

Best-in-Class Performance

Carbon and cost emerged as the top two metrics that mattered most for companies looking to measure the success of their sustainability initiatives. Therefore, Aberdeen used three key performance criteria that significantly impact both corporate carbon emissions and operating expenses to distinguish Best-in-Class companies. The Best-in-Class achieved:

- An 11% decrease in paper costs
- A 10% decrease in overall facilities costs
- A 9% decrease in energy costs

Competitive Maturity Assessment

Survey results show that firms enjoying Best-in-Class performance share several common characteristics:

- 73% of the Best-in-Class have executive-level leadership of company-wide sustainability initiatives
- The Best-in-Class are three-times as likely as Laggards to have real-time visibility into sustainability conformance across the value chain

Research Benchmark

Aberdeen's Research Benchmarks provide an in-depth and comprehensive look into process, procedure, methodologies, and technologies with best practice identification and actionable recommendations.

Glossary of Key Terms

Sustainability brings together social, environmental, and economic goals with the intention of ensuring that the needs of the present are met without compromising the ability to meet the needs of the future. The long-term viability and prosperity of the business ecosystem depend on the long-term viability and prosperity of the social and environmental ecosystems.

Corporate Responsibility (CR) posits that firms have a responsibility to be social and environmental stewards and that having a positive impact on society and the planet is as important as profit.

Triple Bottom Line (TBL) determines that a business has positive impacts on the three P's (people, profit, and planet) and is a standard framework for CR agendas.

Millennium Development Goals (MDGs) are eight goals agreed upon by every country in the world and leading development institutions that form a blueprint to combat global poverty. Many companies have aligned their TBL strategies to address one or more of the MDGs.

Green refers to practices, processes, and products that have a minimal impact on the health of the environmental ecosystem. The emphasis is on non-hazardous, recyclable, reusable, and energy efficient products and processes.

- The Best-in-Class are 2.5 times as likely as all others to use sustainability and Corporate Responsibility (CR) performance management solutions

Required Actions

In addition to the specific recommendations in Chapter Three of this report, to achieve Best-in-Class performance, companies must:

- Establish a baseline of organizational performance and attentively track and communicate progress, challenges, and areas of opportunity
- Collaborate for success and transparency with internal and external stakeholders, clients, and supporting organizations
- Strengthen your Triple Bottom Line (TBL) goals and outcomes by integrating the management of social, environmental, and business strategy and impacts

Table of Contents

Executive Summary: Making the Business Case for Sustainability.....	2
Best-in-Class Performance.....	2
Competitive Maturity Assessment.....	2
Required Actions.....	3
Chapter One: The Sustainability of the Business Ecosystem.....	6
Redefining Responsibility in Recessionary Times	6
The Maturity Class Framework.....	8
The Best-in-Class PACE Model	8
Focus on Sustainability: Holding Steady or Increasing.....	9
Investments and Budgets.....	11
The Top Five Elements of the Sustainable Action Plan.....	14
Best-in-Class Strategies.....	15
Chapter Two: Making Sustainability Sustainable: Benchmarking	
Requirements for Success	19
Competitive Assessment.....	20
Capabilities and Enablers.....	21
The ROI of Responsibility: Bringing it Back to the Business Case.....	26
Chapter Three: Required Actions: Focus on Performance	30
Laggard Steps to Success.....	30
Industry Average Steps to Success	31
Best-in-Class Steps to Success	32
Appendix A: Research Methodology.....	34
Appendix B: Related Aberdeen Research.....	36
Featured Underwriters	37

Figures

Figure 1: Top Pressures Driving the Sustainability Agenda.....	6
Figure 2: Sustainability Goals Guide Corporate Strategy	10
Figure 3: The Impact of the Economy on Sustainability Agendas	11
Figure 4: Sustainability Solution and Service Investments in 2009 (\$ US)....	12
Figure 5: The Top Five Actions to Achieve Business Sustainability	14
Figure 6: Improving Customer and Trading Partner Relationships.....	22
Figure 7: A Look at 10 Metrics That Matter Most.....	26
Figure 8: Top Challenges to the Full Implementation or Success of Sustainability Initiatives.....	27

Tables

Table 1: Focus of Sustainability Goals and Activities	7
Table 2: Top Performers Earn Best-in-Class Status.....	8
Table 3: The Best-in-Class PACE Framework	9
Table 4: Three Additional Cost Reductions Achieved by Top Performers....	9

Table 5: Areas of Policy Development..... 16
Table 6: The Competitive Framework..... 20
Table 7: KPIs Selected..... 28
Table 8: The PACE Framework Key 35
Table 9: The Competitive Framework Key 35
Table 10: The Relationship Between PACE and the Competitive Framework
..... 35

For Internal Use Only
Not For Distribution

Chapter One: The Sustainability of the Business Ecosystem

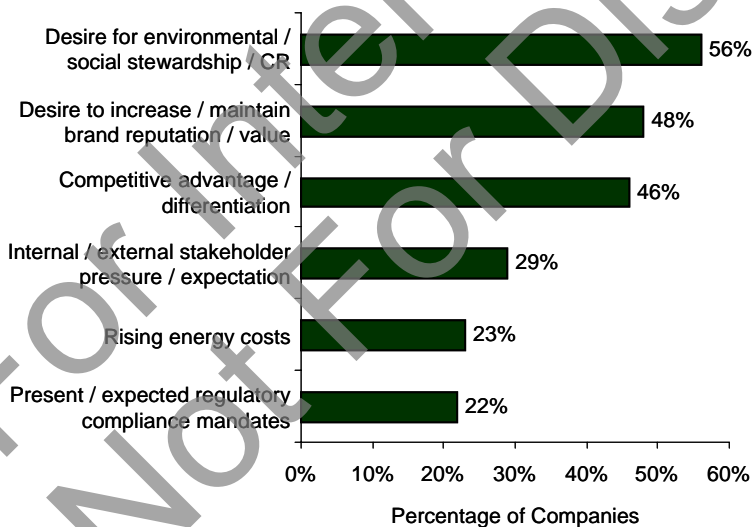
Redefining Responsibility in Recessionary Times

Aberdeen data shows that for a growing number of companies, positive social and environmental performance is inextricably tied to their vision of long-term viability and success. The emergence of responsibility-framed strategies for business sustainability underscores the increasing importance of social and environmental stewardship to shareholders, customers, trading partners, and regulators alike. The increasing integration of sustainability criteria into organizational strategy marks a dramatic shift in the culture of the business ecosystem. Indeed, this shift in vision and action has decisively transformed the global market and the very nature of internal and external processes, requirements, alliances, and opportunities.

Market Pressures

While rising energy costs was noted as a top pressure (38%) driving a focus on sustainability and green initiatives last summer (as reported in Aberdeen's July 2008 report, *Getting From Green to Gold*), for the over-200 companies in this sample, the top business drivers have dramatically shifted from the tactical and reactive to the proactive and strategic (Figure 1).

Figure 1: Top Pressures Driving the Sustainability Agenda



Source: Aberdeen Group, February 2009

Though energy costs and compliance are exceedingly dominant business concerns and have previously been stronger drivers for green and sustainability initiatives, their fairly low-ranking presence as key drivers for sustainability in this study attests to the way in which business sustainability is understood in the current historical moment. Sustainability is heavily

Fast Facts

How long has your company had a sustainability initiative / strategy?

- ✓ 1 to 5 years: 41%
- ✓ 5 to 15 years: 18%
- ✓ Less than 1 year: 8%
- ✓ More than 15 years: 7%

"Corporate image is extremely important to a company. More efficient movements of vehicles will improve asset utilization, reduce fuel cost, and improve throughput reliability."

~ EVP, Large North American Transport Company

"Sustainability initiatives reduce our costs and strengthen our company and brand image. Sustainability initiatives enable us to develop new products that better meet customer and societal needs and desires. Younger employees hold strong environmental values and are attracted to companies that share these values. Our sustainability strategy focuses on the Triple Bottom Line - so we have integrated our business sustainability goals with social and environmental stewardship goals. This has resonated tremendously with customers and our employees, as well."

~Chief Sustainability Officer,
Large European Food and Beverage Company

driven by dramatic changes in the social, political, and economic cultures upon which business depends. The top four pressures for sustainability strategy: desire for stewardship (56%), enhanced reputation (48%), competitive advantage / differentiation (46%), and pressure to meet stakeholder / market expectations (29%) represent a significant shift in the language and assessment of lasting business success.

Few would argue the value of a brand being associated with not only quality products or services, but also with quality behavior and relationships. In the July report, *Getting From Green to Gold*, it was demonstrated that a reputation associated with good corporate citizenship conferred positive impacts and opportunities to the company, particularly in terms of customer loyalty. The current global economic crisis has brought increased discussion of the long-term viability and true benefit of sustainability strategy, to the fore. In this study, the desire for social and environmental stewardship is the number one driver for the adoption of sustainability strategy (56%) and results also reveal that genuine stewardship conveys a competitive advantage to those organizations able to respond to the mounting expectations of a market increasingly oriented toward social and environmental responsibility.

However, for too many companies sustainability is a focus for the benefits it delivers according to metrics that are not measured at all, unevenly measured, or not communicated. As a result, the positive impact of sustainability initiatives on the efficiency, quality, and resilience of a company is often only anecdotally understood while the work of making the business case in quantitative *as well as* qualitative terms is unevenly attended to. Aberdeen data shows that 2009 has begun with companies asking not *why* to adopt a sustainability strategy, but rather a growing number are asking *how* best to implement and manage a sustainability strategy. Yet, for many companies, the way in which the *concept* of sustainability is connected back to concrete and quantified business, environmental, and social outcomes - the TBL business case - remains a challenging, though worthy, goal.

"Our goal is to improve the company's overall use of resources, resulting in lower cost of product and distribution to improve competitiveness. A side benefit is environmental stewardship which will be used in the sales and marketing process. Standard practices will be challenged, and revised thru input from a large group of employees. The ideas foster innovative solutions to improvements to the corporation as a whole. This all clearly ties to acceptance within the local community, the government, and attracts new customers."

~ Vice President, Large North American Chemical Company

Table 1: Focus of Sustainability Goals and Activities

% of companies	People	Planet	Profit
44%	X	X	X
13%		X	X
13%	X	X	
12%			X
8%	X		X
3%		X	
1%	X		
4%	Our initiative has no focus		

Source: Aberdeen Group, February 2009

The Maturity Class Framework

Carbon and **cost** emerged as the top two metrics that mattered most for companies looking to measure the success of their sustainability initiatives. Therefore, Aberdeen used three key performance criteria that significantly impact both corporate carbon emissions and operating expenses, to distinguish Best-in-Class companies from Industry Average and Laggard organizations:

- Decreased energy costs
- Decreased overall facility costs
- Decreased paper costs

Companies with top performance by these criteria earned Best-in-Class status (Table 2). Additional information about the Aberdeen Maturity Class Framework can be found in Appendix A.

Table 2: Top Performers Earn Best-in-Class Status

Definition of Maturity Class	Mean Class Performance
Best-in-Class: Top 20% of aggregate performance scorers	<ul style="list-style-type: none"> ▪ 9% decrease in energy costs ▪ 10% decrease in overall facilities costs ▪ 11% decrease in paper costs
Industry Average: Middle 50% of aggregate performance scorers	<ul style="list-style-type: none"> ▪ 2% decrease in energy costs ▪ 1% decrease in overall facilities cost ▪ 7% decrease in paper costs
Laggard: Bottom 30% of aggregate performance scorers	<ul style="list-style-type: none"> ▪ 19% increase in energy costs ▪ 15% increase in overall facilities costs ▪ 13% increase in paper costs

Source: Aberdeen Group, February 2009

The Best-in-Class PACE Model

Achieving environmental and social stewardship, the top driver for companies in this study, requires a combination of strategic actions, organizational capabilities, and enabling technologies. The Best-in-Class are holistic in vision and action, focused on education, collaboration, and communication, and overwhelmingly more attentive to systematic and analytic strategies for success. Table 3 summarizes the characteristics of Best-in companies (additional information about the Best-in-Class PACE Framework can be found in Appendix A).

“We are trying to incorporate sustainable business strategies into our core business and product planning. We believe that, in addition to it being the right thing to do, it is also just good, smart business - and is the way successful business will compete and survive with energy and raw material costs rising. Sustainable business reduces costs, improves efficiency, reduces waste, and improves profitability. The challenges continue to be to make this a core component of our business culture and not an initiative that is on the periphery. We are taking a broad view of these initiatives and have focused on four key areas: environmentally preferable product development, waste reduction and recycling, energy, and climate and environmental education.”

~ Mark Buckley, VP,
Environmental Affairs, Staples

Table 3: The Best-in-Class PACE Framework

Pressures	Actions	Capabilities	Enablers
<ul style="list-style-type: none"> Desire for Environmental Stewardship and brand value 	<ul style="list-style-type: none"> Adopt or expand responsible procurement / sourcing strategy around green Implement staff collaboration / education initiatives Adopt carbon emissions / footprint reduction plan 	<ul style="list-style-type: none"> Executive-level leadership Sustainability criteria integrated into RFPs and RFIs Third-party verification of sustainability and CR performance Ability to develop products according to sustainability / green / efficiency criteria Formalized organization-wide sustainability policy Ability to measure corporate carbon footprint (including extended supply chain) 	<ul style="list-style-type: none"> Sustainability / Corporate Responsibility (CR) management solutions Stakeholder and partner scorecards Energy or fuel usage tools Recycling / reuse services Quality management solutions Product traceability solutions Carbon / emissions tools

Source: Aberdeen Group, February 2009

Aberdeen Insights — Other Key Wins for Operational Expenses

Table 4: Three Additional Cost Reductions Achieved by Top Performers

Metric	Best-in-Class	Average	Laggard
Waste / disposal costs	Decreased 8%	Remain the same	Increased 7%
Transport logistics costs	Decreased 5%	Decreased 2%	Increased 12%
Packaging costs	Decreased 7%	Decreased 1%	Increased 1%

Source: Aberdeen Group, February 2009

In addition to savings on energy, facilities, and paper, the Best-in-Class also achieve significant cost reductions related to waste / disposal, packaging, and transport / logistics expenses - all costs that have significant impact on carbon emissions. Companies with well-envisioned, implemented, and managed initiatives are already reaping benefits in reduced costs, enhanced brand value, efficiency, and performance.

Further, as the reality of cap and trade looms and other carbon constrained dynamics come into effect, companies without carbon attentive initiatives now will be heavily disadvantaged vis-à-vis their well-prepared and more experienced peers.

The Best-in-Class have shown that, far from being a 'nice to have,' these initiatives are overwhelmingly about securing the sustainability of the business itself. Especially in recessionary times, such outcomes may well determine which companies will or won't have the resilience and competitive edge to survive.

"We have customers impose 'green' programs on us and this is becoming a standard in our industry. The generation of ideas about how to affect the 3Rs (reduce, reuse and recycle) is important to us and creates innovative approaches to tackling these issues. We have to meet or exceed industry standards in order to stay competitive."

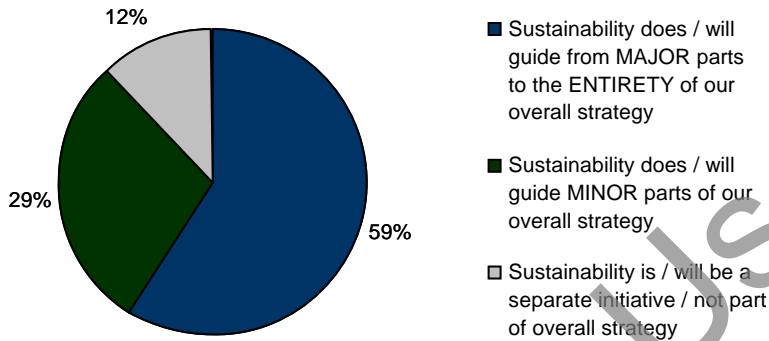
~Engineer, Mid-size Computer Company

Focus on Sustainability: Holding Steady or Increasing

From the highest corporate level, sustainability standards and goals are being integrated into overarching business strategy and championed by C-

level executives. A robust 84% of all respondents already have (66%), or plan to have in the next year (18%), executive leadership for company-wide sustainability strategy. For 44% of all respondents, sustainability presently guides all or at least major elements of their corporate strategy. For just 12% of respondents, sustainability remains a bolt-on initiative, distinct from long-term company goals (Figure 2).

Figure 2: Sustainability Goals Guide Corporate Strategy



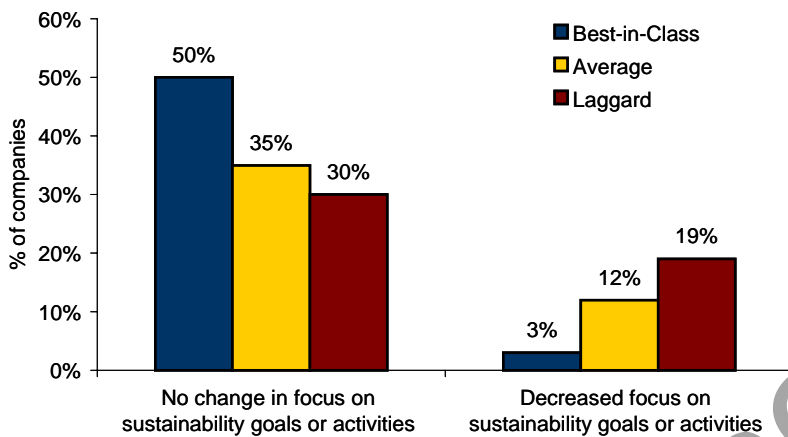
Source: Aberdeen Group, February 2009

When asked directly about how current economic conditions have impacted the goals and activities of the firm's sustainability initiatives, 37% responded that the economy has not changed company focus or activities related to sustainability. In fact, 23% indicated that economic conditions have **increased** organizational focus on sustainability initiatives and activities. For 23%, while the economy has not decreased company focus on these goals, it has curtailed some planned activities. Additionally, 12% of firms indicate that the financial crisis has decreased their focus on sustainability goals and activities. However, these findings are thrown into sharp relief when examined by maturity class (maturity classes defined in Chapter 2 and Appendix A). As richly illustrated by Figure 3, the Best-in-Class are the most likely to have had no change in focus or activity, while Laggard organizations are most likely to have decreased their focus and activities related to sustainability.

"We focus on reducing expenses and costs of energy, transportation and logistics. Ethical sourcing will help to select better and more efficient suppliers. Green offices and stores will increase productivity, and create awareness and loyalty amongst customers besides reducing costs. Product safety will lead to better quality products. Organic cotton will help redesign a more efficient supply chain, with lower return to vendor and higher customer value. Energy efficiency (light solutions and air conditioning) will create better, more attractive and productive environments. Focus on employee engagement will retain and attract better and high performing professionals, with a strong bond to the company."

~Chief Sustainability Officer,
Large Latin American Apparel
Company

Figure 3: The Impact of the Economy on Sustainability Agendas



Source: Aberdeen Group, February 2009

Fast Facts

✓ 59% of all respondents indicated that the current economy has not altered – or has **increased** the company's sustainability focus and activities

Results also show interesting outcomes for sustainability disclosure practices: 37% of companies already formally report on their sustainability performance and an additional 39% plan to do so in the future. Only 7% indicated that sustainability will not be part of any annual reporting activities. Companies of all sizes, representing all regions, have signaled the enduring and increasing importance of sustainability platforms to the long-term practice and viability of the organization.

Fast Facts

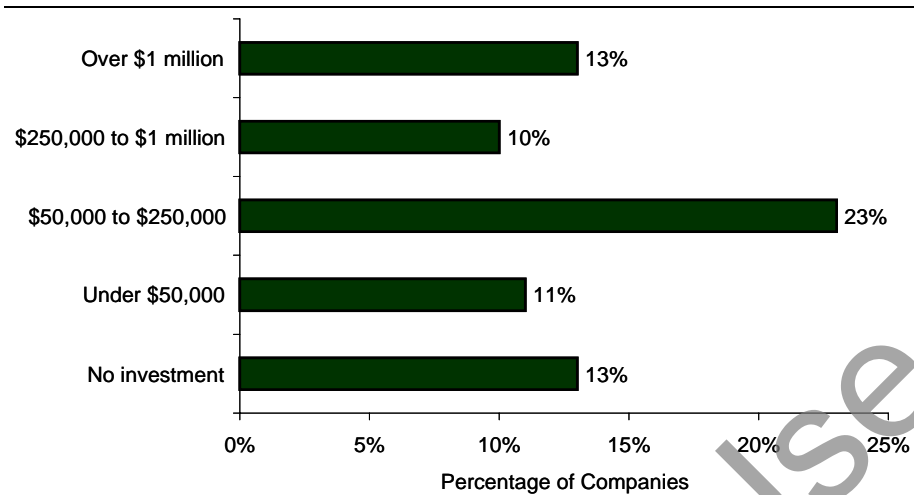
How long has your company engaged in sustainability or CR performance **reporting and disclosure?**

- ✓ Part of *future* reports: 39%
- ✓ 1 to 5 years: 30%
- ✓ More than 5 years: 7%
- ✓ Will not be part of reports: 7%
- ✓ Don't know: 15%

Investments and Budgets

Another major indicator of the seriousness with which businesses are attending to sustainability-driven strategies in these tough economic times, is found in the robust level of financial investment in sustainability-supporting technology and services. When companies were asked about investment in sustainability / CR-supporting technology solutions and services in 2009, 13% indicated that no investments were planned for solutions and services and 30% responded that they did not know. However, 57% of respondents indicated that they have budgets earmarked for 2009 investment in solutions and services.

Figure 4: Sustainability Solution and Service Investments in 2009 (\$ US)



Source: Aberdeen Group, February 2009

"We have been successful by actualizing, communicating and demonstrating sustainability principles within the formal context of our business and its supply chain. Like most companies, we are involved in a constant search for new and sustainable energy - for employee commuters, office-based electricity, freight and business travel - each of which requires new and innovative 'system-based approaches' for constant improvement."

~ Vice President, Small American Media Company

As shown in Figure 4, not only are organizations increasingly looking to technology and services to enable and catalyze the success of their sustainability goals, but they are also putting sizable investments behind them. Further, 70% of all respondents are planning to expand or implement formalized staff education and training on their sustainability initiatives. This is a positive improvement as more companies realize that an investment in the education, engagement, and systematic and tracked behavior change of their stakeholders and partners is foundational to a successful sustainability strategy. Technology supportive of those goals is of growing import for many companies.

Sustaining Thought Leadership and Innovation: The Dow Chemical Company

The Dow Chemical Company is a global leader in agricultural products, chemicals, and plastics. Operating in over 175 countries, Dow has 46,000 employees and annual revenue of over \$48 billion. Dow's acclaimed corporate responsibility and sustainability platform holistically connects the needs of society and the environment with the needs of the business and demonstrate Dow's commitment to the principles of [Responsible Care](#), a voluntary, global framework that promotes safe, sustainable and profitable goals and actions within the chemical industry. Dow's sustainability platform is as broad as it is robust and involves commitments to building relationships in the communities within which it operates, reducing overall environmental impacts, innovating for improved product stewardship, and working aggressively to meet global challenges related to climate change, energy and water, and the Millennium Development Goals. Dow has articulated an array of sustainability goals, to be achieved by 2015. They revolve around the three themes of:

- [Collaborate](#). Dow has established a series of aggressive goals to ensure environmental and community health, safety, and success that include such things as community development projects and a 75% improvement in key EHS performance indicators. By working closely with local stakeholders, Dow has set out a clearly defined and tracked roadmap to achieve enhanced relations, performance, and partnerships that improve overall community quality of life.

continued

Sustaining Thought Leadership and Innovation: The Dow Chemical Company

- **Innovate.** Dow takes a holistic, life-cycle, and cradle-to-cradle approach to product stewardship that will, by 2015, put into place public disclosure and transparency processes on comprehensive safety assessments and product risk characterizations of all of its products, globally. Further, Dow's goals and actions focus on creating solutions and breakthroughs to meet global challenges with sustainable chemistry.
- **Elevate.** Dow has contributed solutions geared to meet global energy and climate change challenges since 1990 and has taken on a series of goals that include: a 25% reduction in energy intensity from 2005 to 2015, initiatives to slow, stop, and reverse global warming, advocacy for policy, and thought leadership around the adoption of sustainable practices.

Dow's strategic goals for superior business sustainability and corporate responsibility were challenged by a lack of a unified, integrated platform to easily track, analyze, and report on their enterprise-wide, EHS performance across their 200 facilities in the United States. They had multiple and redundant legacy reporting systems hindered by inefficient interoperability and a lack of standardized best practices across its many facilities. In 2004, the Dow Environmental Reporting Project was chartered to find and deliver a powerful, multi-media tracking and reporting solution for 200 facilities across the United States. Dow implemented an integrated software solution that incorporates tracking, analysis, and reporting on air, waste, water, and chemical inventory performance and that further allowed them to:

- Enable the interoperability of existing enterprise systems across the corporation
- Develop and standardized best practices with a powerful, unified reporting system across its large U.S. facilities
- Replace the numerous legacy reporting systems

With the full engagement of stakeholders and leadership, a team of experts were assembled to direct the due diligence review, design, and implementation of the solution. The software solution allowed them to automate data capture, have interoperability, and streamline processes with templates, ad hoc query tools, uploaders, and interfaces. The system allowed them to have a centralized support structure that users could engage by role and responsibility across all US sites which eliminated the need for redundant systems, support roles, and structural costs. To support the process changes, the team developed an impressive training and education initiative that included videos and training documentation for Dow's intranet.

Additionally, 30 classes were held and over 600 new software users were quickly trained. By 2007, Dow celebrated the success of its landmark Environmental Reporting Project, the largest emissions management program of its kind. The new platform was delivered on time and on budget and now ensures efficiency and accuracy within a unified framework and reporting structure and with a centralized, web-accessed interface for all of its work procedures, processes, and trainings, across its large U.S. facilities. In addition to enabling consistent performance tracking, analysis, and communication of its sustainability goals related to its EHS performance, Dow also achieved the following results:

- Elimination of over \$2 Million in redundant legacy reporting systems –
- Preservation of Dow license to operate in 200 facilities at 35 manufacturing sites
- Enhanced sustainability of its business through a common work process and interoperability with existing corporate systems
- Improved data quality and availability for business decision making, analysis, and reporting

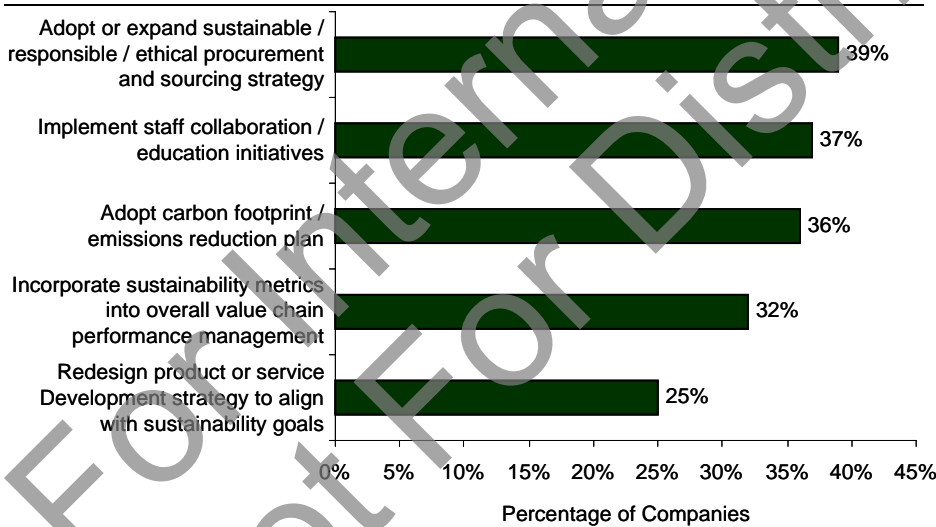
The Top Five Elements of the Sustainable Action Plan

Significantly, the number one action in support of sustainability initiatives from the March 2008 *Building a Green Supply Chain* report, the July 2008 *Getting from Green to Gold* report, and the present study has remained the same: adopt or expand a responsible sourcing and procurement strategy. Organizations are overwhelmingly adopting sustainability-directed criteria for company purchases and supplier relationships in support of both internal and client-facing activities. By starting with highly efficient and responsible materials, products, assets, and also infrastructure, meeting and even preempting evolving expectations and mandates for social and environmental responsibility are more effectively integrated into the fabric of the business. As corporate sustainability agendas continue to evolve and for many clarify for the first time, the top three action items on the executive agenda are statistically close in level of importance and often pursued in tandem. The focus on responsible purchasing and internal stakeholder education and collaboration dramatically catalyzes energy and other reduction goals necessary for meeting carbon targets, reducing costs increasing efficiency, and gaining thought leadership.

“We are developing a green procurement policy and a preferred list of green suppliers of goods and services. It stems from our newly developed and approved environmental sustainability policy and Strategy and it covers the whole lifecycle of our operations from green procurement to waste management - and all the resource efficiencies in between.”

~ Manager, Small Asian Hospitality Company

Figure 5: The Top Five Actions to Achieve Business Sustainability



Other Action Areas

Three more strategic actions to improve the overall sustainability of the business:

- ✓ 22% engage in / expand social or economic development projects
- ✓ 19% adopt / implement sustainability-oriented data analytics
- ✓ 19% implement customer collaboration initiatives

Companies are increasingly focused on systematically tracking the progress of their initiatives and also assessing stakeholders and process areas according to the stated responsibility-framed goals of the firm, as a whole. In fact, 32% of companies are incorporating sustainability metrics into the performance management strategy of the whole value chain with 19% planning to adopt sustainability-oriented data analytics in the areas of business planning and management. For example, 74% of all respondents have integrated (44%), or plan to integrate (30%), CR and sustainability criteria into their human resource management strategies. Interestingly, the

sixth most chosen strategic action (22%) indicates that companies are also planning to engage in or expand social and economic development projects. These initiative areas focus on stakeholders and society – the 'people' pole of the TBL. Many organizations exclusively focus on the profit and planet poles that are more often jointly impacted as companies implement resource and material efficiency initiatives. Case interviews with thought leading organizations advance the supposition that top performing companies are more attentive to initiatives that create positive and mutually beneficial connections and outcomes between their stakeholders, customers, and larger society. Interestingly, the Best-in-Class also indicate that they are active in meaningful and innovative social and economic development projects for reasons not of 'generous' philanthropy, but because it is in the self-interest of creating shared frameworks of value with their present and potential employees, clients, partners, and neighbors. Far from generous philanthropy, Best-in-Class organizations posit that genuine sustainability represents good business practice precisely because the business directly benefits: operationally, financially, and in terms of its relationships and brand value. Social and economic development projects deliver a more stabilized and empowered workforce and infrastructure and often, greater license to operate. Top performers demonstrate that a sustainability-driven strategy results in unparalleled levels of competitive advantage.

Best-in-Class Strategies

The Best-in-Class goal of achieving environmental and social stewardship is realized via company-wide policy regarding relations with partners and customers, product and service development strategy, and day-to-day operational performance. This level of proactive management and process improvement is enabled by an attentive focus on strategic decision making supported by a robust attention to data collection, analysis, and communication. Top performers show that sustainability is a matter of business being responsive to both internal and external dynamically changing needs and expectations.

Best-in-Class CR agendas overwhelmingly revolve around a TBL strategy, and an understanding that deep and dynamic *process* changes must be supported by deep and dynamic changes in enterprise *culture*. In fact, before business processes or strategy can be successfully transformed in a sustainable manner, the Best-in-Class have demonstrated that a cultural and people-centered transformation often makes the difference between good results and great results - or even between wild success and dramatic failure. Sustainability requires organizations to change and innovate in fundamental ways and represents, in and of itself, a sea change in the way society views the role of business and the centrality of business ethics. For the private sector, it also represents a dramatic shift in global business paradigms, systems of value, and models (and opportunities) of success.

"It's a new area of engagement that requires new infusion of knowledge and technology. The change process should open door to new way of thinking and innovation. We have taken on server virtualization, replacement of lighting and air conditioning equipment and education of staff in energy management. Social and environmental stewardship is a part of corporate governance strategy that is incorporate in partner and customer relationship management."

~Director, Small South East Asian Computer Company

Responsibility Driven by Policy

As illustrated in Table 5, the adoption of sustainability-driven policy involving a wide variety of business areas indicate that organizations are becoming:

- more holistic in approach and vision
- more committed in setting and communicating standards and goals
- increasingly likely to implement standards against which to track and manage progress

Sustainability has developed into a powerful, conceptual framework with which companies are articulating values and standards related to workers, transport, packaging, development, and more. Though water reduction policy is presently the least popular area of currently implemented policy, there is a growing focus on not just general water use reduction, but also on water footprint measurement and management. As the fourth most important area of future policy implementation, it is important to remember that, amidst all the discussion of an increasingly carbon constrained economy, that there are already many businesses operating in parts of the world that already experience the realities of a water constrained environment.

Table 5: Areas of Policy Development

Policy	Currently Have	Planning to Implement
Organization-wide sustainability policy	60%	30%
Ethical / green / responsible sourcing and procurement policy	53%	32%
Paper reduction policy	49%	37%
Energy reduction policy	48%	41%
Solid waste reduction policy	43%	29%
Tele-work / remote worker policy	43%	23%
Packaging or packaging waste reduction policy	40%	27%
Responsible/efficient transport / logistics policy	39%	34%
Water reduction policy	28%	32%

Source: Aberdeen Group, February 2009

Staples – Sustaining Innovative Excellence

Staples is an international, retailer of office products operating in 23 countries and with revenue of just under \$20 billion USD, per annum. With an increasingly robust corporate contract business, the company expects corporate contract revenue to outpace the revenue derived from over 1,400 stores, within two to three years. As the business grows, the company is faced with an increasingly complex global supply chain, skyrocketing costs on energy and transport, depleted stocks of raw materials, increased competition for resources, and consumer demand for more corporate transparency and responsibility.

With a focus on market-driven solutions for its global value chain, Staples has invested heavily in sustainability initiatives that focus on a wide variety of areas that leverage sustainability-oriented resources, assets, energy systems, facilities, software, sourcing and supplier management, and customer-centric programs including:

- Environmentally preferable products
- Product end-of-life reclamation programs
- Recycling and reuse initiatives
- Green / responsible sourcing and procurement
- Alternative and efficient energy
- Sustainable facilities design, construction, and management
- Sustainable assets including fleet vehicles,
- Tracking software to support carbon tracking and green supplier management

Additionally, Staples has instituted an intensive supplier code of conduct, a business ethics platform that emphasizes transparency around social, environmental, and working conditions, diversity initiatives for employees and suppliers, environmental stewardship programs that focus on forest ethics, and philanthropy. The company has also focused on creative and collaborative ways to get all 76,000 of their associates to consider and communicate about their role in impacting the environment and society via an initiative called Staples Soul. This wide-ranging, portfolio approach exemplifies the company's desire to leverage its market position to change global trends around commodities, energy use, and social engagement. As a result Staples has focused on sustainability operationally and collaboratively with trading partners, cross-industry peers, and customers.

In 2002, Staples began to focus on replacing existing products with products that were produced using 30% or more of post-consumer recycled content with a goal of increasing that to 50% or more, by 2010. Staples has innovated by producing paper composed of 50% regenerated cotton from reclaimed denim, LEED certified recycled steel for office cubicles, paper composed of 80% sugar cane waste, and is phasing out PVC in all products to avoid the plastic ending up in incinerators. Further, Staples has reduced its energy use by 15%, per square foot, across the company – 20% of total power is from green sources; has 5 LEED certified buildings open or under construction, and has completed 13 solar energy projects using over 3 megawatts of solar power with plans to install solar and daylight harvesting technology in another 150+ locations – all implemented with **zero** capital investment by working with solar energy providers to establish a 20 year purchase plan that has a roll-over provision in the case of a facility change. Additionally, Staples has 4 wind power projects under development; has invested in a fuel cell project designed to run a 300,000k sq. ft. facility, 85% off the grid, and has adopted diesel/electric hybrid trucks that are programmed with speed caps of 60mph which has saved 540,000 gallons of diesel in 2007 alone and resulted in significant reductions in Green House Gas emissions. Lastly, Staples has installed software that allows the company to track the purchase records of their corporate customers that allows Staples to produce environmental reports that show how much paper was purchased using what amount of recycled content and by what amount the more sustainable purchase reduced GHG emissions.

Staples – Sustaining Innovative Excellence

Staples made a decision to embed sustainability within the core business strategy of the enterprise. According to Mark Buckley, the VP of Environmental Affairs, this holistic approach demonstrates a focus on:

- Business opportunity versus risk
- Resource mgmt. versus waste mgmt
- Lifecycle accounting versus ROI
- Quality versus compliance
- Supply Chain impacts versus operational impacts

This approach has led to the realization of a highly successful TBL: great benefits for people, profit, and planet.

In the next chapter, we will see what the top performers are doing to achieve these gains.

Chapter Two: Making Sustainability Sustainable: Benchmarking Requirements for Success

Aberdeen data show that top performing sustainability initiatives are driven by holistic strategies that engage stakeholders in visionary and meaningful activities and projects that improve organizational culture, performance, and processes - as well as society and the environment.

“At Fujitsu, our goal is to make every action green.”

~ Barbara Self, Fujitsu

Fujitsu's Global Green Leadership

Fujitsu, a global manufacturer of electronics, software, and hardware is determined to help solve global environmental issues and exceed required compliance mandates by developing "Super Green Products" and adopting aggressive green standards as part of a comprehensive implementation of its CSR agenda.

Fujitsu is in the process of integrating a stringent sustainability component into relevant aspects of its operations, facilities, services, and product development globally. Areas such as IT, manufacturing, operations, facilities, logistics, and product development are managed according to intensive guidelines that go beyond meeting governmental and industry-specific regulations and guidelines such as RoHS / WEEE and JGPSSI. In addition to requiring that all enterprise and supplier processes meet or exceed governmentally mandated compliance requirements, Fujitsu also conducts secondary controls and certifications in an effort to guarantee adherence to green standards across the entire enterprise. Fujitsu owns its own recycling plants, is intensely invested in eco-design research, and uses alternative energy sources such as hydrogen fuel cells in select facilities such as on its Sunnyvale, California campus. Barbara Self, speaking on behalf of Fujitsu's global environmental initiatives states, "[our goal is to] make every action green."

For every employee across the entire global organization, Fujitsu instituted a multilingual and mandatory green education initiative to educate its internal stakeholders about environmental issues, stewardship goals, and company green policy. The education consists of workshops with some 50 pages of course materials as well as exams and quizzes, and is intended to be completed by all 161,000 employees in the Fujitsu Group.

Fujitsu's level of oversight into its green compliance standards at all levels of the company is having increasingly positive effects on:

- Enhancing awareness of global environmental issues
- Ensuring complex compliance requirements
- Reducing risk and liability
- Reducing waste
- Reducing emissions and pollution
- Reducing the use of energy and natural resources
- Reducing operational costs
- Improving shareholder value

In December 2007, Fujitsu announced the Green Policy Innovation project, which seeks to achieve a cumulative reduction of seven million tons of carbon dioxide from fiscal 2007 through fiscal 2010 by developing energy-efficient products and services for its customers. The project focuses on the development of energy-saving IT infrastructure like servers and storage equipment, and the development of a range of new services intended to help customers reduce their CO₂ output.

Competitive Assessment

The ability of multiple levels of stakeholders to track, analyze, and communicate both financial and non-financial information related to environmental, social, and operational performance through the prism of responsibility and efficiency results in greater visibility, agility, and proactive performance improvement for the business.

Aberdeen Group analyzed the aggregated metrics of surveyed companies to determine whether their performance ranked as Best-in-Class, Industry Average, or Laggard. In addition to having common performance levels, each class also shared characteristics in five key categories:

1. **Process.** The approaches they take to execute their daily operations
2. **Organization.** Corporate focus and collaboration among stakeholders
3. **Knowledge management.** Contextualizing data and exposing it to key stakeholders
4. **Technology.** The selection of appropriate tools and effective deployment of those tools
5. **Performance management.** The ability of the organization to measure their results to improve their business

“Our largest customers show more interest in suppliers who have proved to be able to improve and sustain the improvements long term. It causes more creative thinking throughout all our employees which is a culture change from ‘Executive Management makes set targets and employees react.’ Through our Lean efforts we continue to improve, and with the current depressed market this will really be challenged. We expect that we will thrive largely due to our sustainability culture and this will draw talent to our company. We have factories in many locations within North America and several overseas. These are located near neighborhoods and it is key that we impress our neighbors with our good practices and participate in neighborhood activities. Our people are given incentives to participate.”

~ Supply Chain Analyst, Mid-size Metals Company

Table 6: The Competitive Framework

	Best-in-Class	Average	Laggards
Process	Sustainability criteria integrated into RFP's / RFI's		
	53%	29%	28%
	Ability to develop products according to sustainability / green / efficiency criteria		
	47%	36%	34%
	Ability to measure corporate carbon footprint		
	40%	27%	21%
Organization	Executive-level leadership of company-wide sustainability initiatives		
	73%	68%	53%
	Corporate Responsibility (CR) integrated into human resources strategy		
	50%	42%	39%
Knowledge	Sustainability policy has been formalized and applied enterprise-wide		
	70%	59%	56%
	Paper reduction policy has been formalized and applied enterprise-wide		
	60%	46%	45%

	Best-in-Class	Average	Laggards
Technology	Technology solutions that improve sustainability implementation or management:		
	<ul style="list-style-type: none"> ▪ 43% sustainability / corporate responsibility management solutions ▪ 37% carbon tracking ▪ 20% product traceability solutions ▪ 40% scorecards ▪ 40% quality management solutions 	<ul style="list-style-type: none"> ▪ 19% sustainability / corporate responsibility management solutions ▪ 23% carbon tracking ▪ 17% product traceability solutions ▪ 33% scorecards ▪ 32% quality management solutions 	<ul style="list-style-type: none"> ▪ 17% sustainability / corporate responsibility management solutions ▪ 22% carbon tracking ▪ 7% product traceability solutions ▪ 28% scorecards ▪ 30% quality management solutions
	Services that improve sustainability implementation or management:		
	<ul style="list-style-type: none"> ▪ 50% recycling / reuse services 	<ul style="list-style-type: none"> ▪ 45% recycling / reuse services 	<ul style="list-style-type: none"> ▪ 35% recycling / reuse services
Performance	Third-party verification of sustainability or CR performance		
	40%	25%	24%
	Sustainability performance communicated with automated or streamlined reports		
	27%	19%	18%

"Our sustainability will provide an early adopter advantage in the industry that historically ignores sustainable initiatives - by incorporating sustainable practices into full range of operations, keys in with current 'seamless strategy' approach already adopted."

~ President, mid-sized Asian Construction Company

Source: Aberdeen Group, February 2009

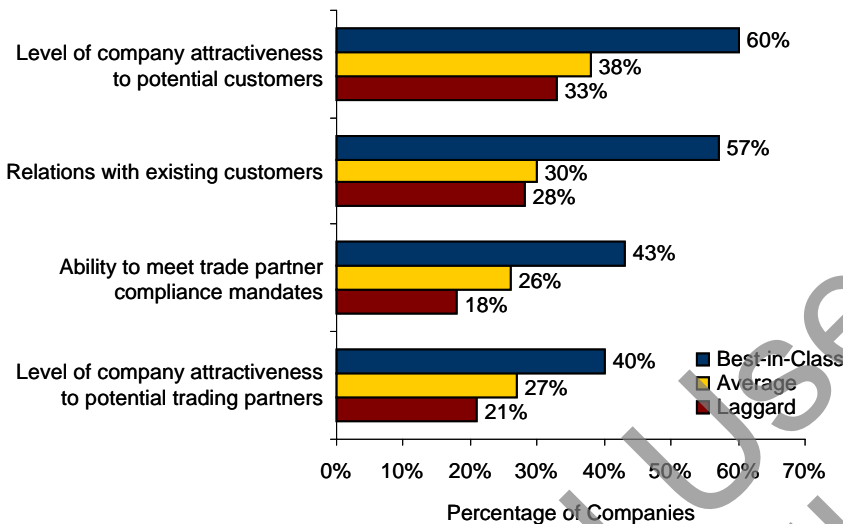
Capabilities and Enablers

Based on the findings of the Competitive Framework and interviews with end users, Aberdeen reveals that the Best-in-Class have visibility into and proactive management of key policy-driven process and performance areas that tie together internal and external activities and goals. Top performers are decidedly more focused on data analytics and carbon. Further, the Best-in-Class repeatedly demonstrate that the adoption of sustainability and CR-oriented services and technology tools are increasingly essential components of success, particularly when it comes to energy or carbon tracking, lifecycle analysis, responsible product development, efficient facilities management, or effective communication and stakeholder engagement across an extended organization. This improved management and tracking of performance allows companies to effectively communicate and connect with partners and customers in ways that deliver competitive advantages in the market.

Figure 6 shows the percentage of companies by maturity class that indicate that their sustainability strategy has resulted in an 'increase' or 'significant

increase' in the quality and effectiveness of their relations with customers and trading partners.

Figure 6: Improving Customer and Trading Partner Relationships



Source: Aberdeen Group, February 2009

Process

Sustainability criteria represent a flexible, philosophical framework that overlays and incorporates many aspects of process improvement programs such as Lean or Six Sigma that, while encouraging a proactive and highly efficient approach to materials and resource usage, also incorporates additional standards influenced by social and environmental stewardship goals and held together by mutually beneficial relationship building and collaboration. This holistic approach is supported by capabilities that the Best-in-Class 'build-in' to day-to-day operations that result in the ability to track and improve organization-wide sustainability conformance, trading partner requirements and incentives, product and service development, and carbon emissions, to name a few. Top performing organizations are more likely to have adopted lifecycle-oriented approaches to process management that include not only a focus on purchasing sustainable assets, materials and products (53% of the Best-in-Class versus 28% of all others), but also on:

- **Developing more responsible products** (47% of Best-in-Class versus 34% of all others)
- **Adopting responsible standards for asset and equipment end-of-life handling** (53% of Best-in-Class versus 39% of all others)
- **Waste monetization / environmental accounting** (40% of Best-in-Class versus 20% of all others)

"Our sustainability initiative has taken over our corporate business plan and informs our annual strategic planning process / goal setting."

~ Partner, North American General Manufacturer

Organization

Best-in-Class organizations combine strategies designed to improve not just the company's impact on the environment but also on people - including their employees, partners, customers, and the local and global communities of which they are a part. Top organizations leverage the vision and passion of an executive leader to engage and inspire internal and external commitment and support. The executive leader can also work to remind the organization that the main engine of a successful sustainability strategy is the vision, energy, and engagement of an organization's people, partners, and clients. In fact, 73% of the Best-in-Class have integrated sustainability and CR criteria into their HR strategy versus 60% of all others.

Aberdeen Insights — The Culture of Sustainability

Though there are many thought leading organizations that were founded with efficiency and standards of social and environmental stewardship already integrated into their identity and strategy, the vast majority of companies struggle to enact not only meaningful process changes but also meaningful organizational culture and behavior changes. Case studies conducted with respondents have revealed that thought leading companies have incorporated such things as company paid / supported employee volunteer time, sustainable, offsite work space, CR-focused incentives, and local and global development programs that attract and satisfy their people. C-level champions work horizontally across the organization to ensure that the standards and goals of the company are effectively tailored and integrated into the business units and relationship networks of the firm.

Leading companies also indicate that the way in which they avoid having their initiatives plateau and lose focus is by attending to the particularly *personal* nature of sustainability goals. Standard efficiency programs or philanthropic projects can elicit both conformance and enthusiasm from a certain percentage of staff, but many organizations report that sustainability is different precisely because, when effectively part of organizational culture, it is self-perpetuating, inspiring, and delivers results across a wide variety of areas that allow people to connect according to what *they* most care about (climate change, recycling, national security, etc.). Sustainability is an initiative that people 'bring home' and often seed into other areas of their lives.

continued

Aberdeen Insights — The Culture of Sustainability

Companies report that the executive champion should ideally provide the possibility and support for company goals to be aligned across actionable projects that can be driven and prioritized in collaboration with the stakeholders themselves. This has been reported to result in the sustainability strategy being engaged with and 'powered' from every level of the organization in a dynamically structured and responsive manner. The business benefits by providing a platform for innovation, collaboration, and education that taps into the passions and creativity of its stakeholders. Not only can employees manifest that purpose in their daily work and interactions, but top performing companies also provide incentives and reward and recognize their people for their performance and dedication.

This framework connects the good of the business to the good of the environment and society in ways that people can personalize precisely because they feel that they are making a difference and having a positive impact on issues that are bigger than any one job role. This culture focused on stewardship, relationships, and genuine engagement also advantages companies seeking to not only retain, but also attract top talent. The TBI of effective sustainability platforms connects the daily work of your people to larger issues - be they local, regional, national, or global.

Knowledge and Performance Management

An enterprise-wide commitment to sustainability initiatives comes from a broad-based knowledge of the program and its impact on the person, the company, society, and the planet. Not only are Best-in-Class organizations driven by policies covering a wide array of areas across the organization but 30% of the Best-in-Class also automate the processes for training and certifying employees to sustainability standards and 27% of top performing organizations use role-based sustainability dashboard as compared to 15% of all others. Further, the Best-in-Class are also more likely to communicate performance via sustainability-focused performance scorecards for internal and external stakeholders: 50% versus 37% of all others. Additionally, top performers use third-party verification services to validate their sustainability performance and progress. This extra step provides not only credibility but also practical support as the organization engages with an experienced partner who can help assess progress and prioritize next steps. The result is their ability to not only effectively track, manage and report on sustainability performance, but to provide verification of their sustainable and corporate social responsibility programs for stakeholders, customers and trading partners.

Technology

Technology accelerates sustainability and CR benefits by providing tools to automate business process areas, integrate cross-functional process components, and effectively identify, quantify, track, and report on key

"Increased efficiencies / cost savings equate to fiscal responsibility. A world class organization with a commitment to sustainability will attract a talented and innovative pool of candidates (students and staff). Efficient processes and cost savings equal an opportunity to focus on activities that will impact the environment / society in the future. We will attract individuals interested in developing stronger connections with the world / environment around us. At a local level, individuals will begin making small changes in their behavior that will have long term benefits both globally and locally. Universities should and can be the breeding ground for great ideas and innovation. As a large university in an urban area, we are committed to providing opportunities to support our local economy, where feasible."

~ Procurement Director,
Major North American
University

sustainability outcomes and areas of opportunity. The growing rate at which companies are looking to adopt solutions geared to managing sustainability and CR agendas offers insight into the impressive capabilities available to companies seeking to catalyze results and more easily make the business case for responsibility-driven initiatives.

The Best-in-Class are more than **twice** as likely as all others to use solutions built to manage sustainability and CR initiatives (43% versus 18% of all others). This is a significant area of growing investment across all maturity classes but early adoption has significantly advantaged the Best-in-Class. The Best-in-Class are also adopting carbon (37% versus 22% of all others) management solutions to catalyze their responsibility-led initiatives. The focus on technology that streamlines internal and external communication with employees and partners through the use of scorecards, highlights Best-in-Class emphasis on performance tracking and management (40%). In fact, the management, consolidation, and analysis of often massive amounts of complex data are critical components of successful sustainability programs and enables communication of key information to the appropriate stakeholders, especially for large, global enterprises and complex organizations.

Sustainability-supportive technology and services facilitate and streamline the management and communication of diverse company activities and goals brought together under the rubric of stewardship. For example, water, energy, waste, and their associated usage levels and costs can be analyzed in tandem with metrics such as resource reclamation projects, reuse and donation projects, supplier diversity goals, or the performance of micro credit programs. Successful sustainability platforms are visionary, engaged, and make connections between day-to-day operations, tactical and strategic business goals, and social and environmental stewardship. This is no easy task for a company of any complexity and the Best-in-Class turn to solutions that enable them to be communicative, holistic, thorough, and quantitative in their approach.

Aberdeen Insights — Key Metrics of Sustainable Success

As illustrated in Figure 7, when asked to select the top three metrics that mattered, companies indicated that they are looking to measure the success and business value of their sustainability initiatives in ways that impact cost savings and avoidance, stewardship, and thought leadership. Through the prism of sustainability, companies can take steps to understand how their goals and activities align with the TBL. This is a key conceptual step that creates a winning, holistic strategy that appeals to employees, customers, shareholders, regulators, and larger society.

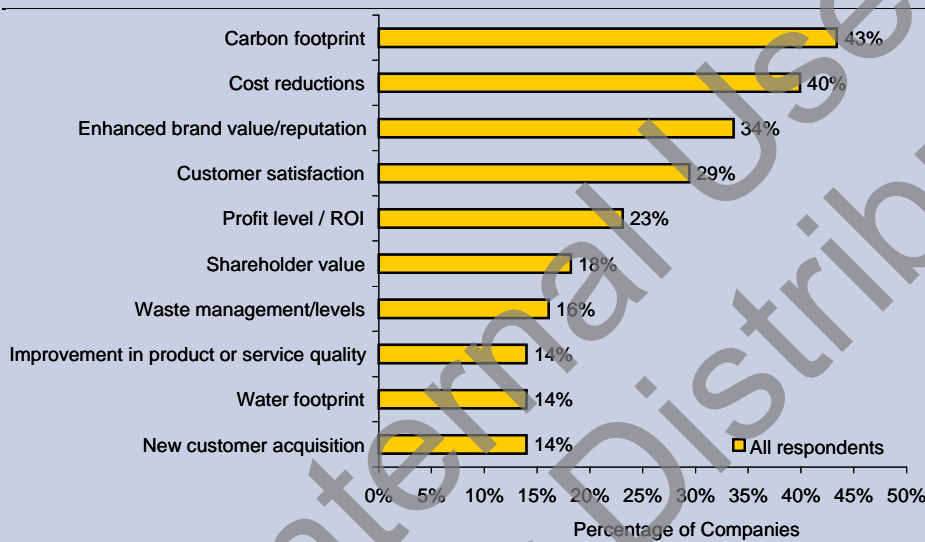
continued

Aberdeen Insights — Key Metrics of Sustainable Success

The data show that top performing companies are able to:

- Reduce costs by stemming traditional energy usage and/or adopting alternative sources
- Ameliorate environmental impact by lowering emissions
- Lower company and in some geographies, national dependence on foreign oil
- Improve brand value and social responsibility by tracking and communicating the efforts and impacts of the previous three actions

Figure 7: A Look at 10 Metrics That Matter Most



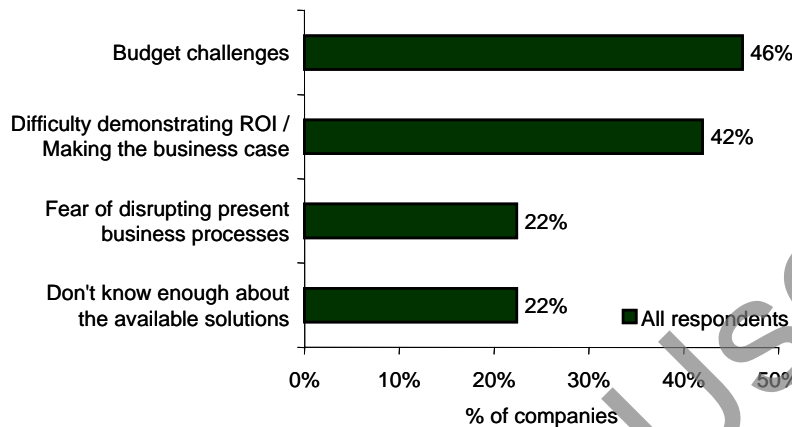
Source: Aberdeen Group, February 2009

The ROI of Responsibility: Bringing it Back to the Business Case

When companies are asked to identify the top three challenges to the success or implementation of their sustainability agendas, the leading reason cited, after budget challenges, is the difficulty in making the business case for, and/or demonstrating the ROI for sustainability initiatives. Though companies are increasingly adopting clear strategies and are showing definite movement toward greater integration and policy around sustainability goals, far too many organizations are still struggling because they are not focusing enough on analyzing, quantifying, and communicating sustainability progress and impacts on the business, environment, and society. The Best-in-Class excel at measuring so that they can manage; collaborating and communicating, and adjusting and reinvesting in improvements as needs and solutions develop. Without this type of visibility and proactive management, sustainability could, for the majority of companies, remain narrowly

understood and not well implemented, resulting in companies leaving a good deal of money, opportunity, and innovation on the table.

Figure 8: Top Challenges to the Full Implementation or Success of Sustainability Initiatives



Source: Aberdeen Group, February 2009

Though still needing to expand the business case for responsibility initiatives, 27% of the Best-in-Class indicate that they are actually **not** facing any challenges - compared to 19% of Industry Average and 5% of Laggard organizations. The Best-in-Class are more than **five-times** as likely as Laggard organizations to state that they have no obstacles or challenges to the success or full implementation of their sustainability initiatives, and the Best-in-Class are also less likely be facing budget challenges (37% versus 48% and 51% of Industry Average and Laggard companies, respectively). The Best-in-Class are further along quantifying and conducting full ROI analyses on their initiatives than other maturity classes (67% of the Best-in-Class versus 51% of all others).

Carrefour: Vision and Technological Sophistication

The Carrefour Group is the number one retailer in Europe and the second largest retailer in the world, by revenue. With over 490,000 employees, tens of thousands of suppliers, and 15,000 stores and franchises operating in 30 countries, the company processes over three billion checkouts per year for annual revenues totaling more than 102 billion Euros. The company operates in diverse retail formats with 59% hypermarket, 23.5% supermarket, 9.7% hard discount, and 7.7% cash and carry.

continued

Carrefour: Vision and Technological Sophistication

Carrefour produced its first sustainability report based on fiscal year 2001 and published in 2002 – ahead of the 2002 French law requiring all companies traded on the stock exchange to make social and environmental data available. For the 2001 report, the company undertook a qualitative, global study of its sustainability performance which collected a wide variety of qualitative data from a number of its business units. Stakeholder feedback, while it praised the company’s effort, stressed the need for quantitative measures of sustainability.

The second iteration of the report for 2003 incorporated quantitative indicators as well as qualitative best practices through a simple Excel form. To improve business unit response rate and data quality a far more sophisticated Excel sheet – complete with macros was developed with intranet guidelines for the third and fourth iteration. The company focused its sustainability metrics on a set of 20 Key Performance Indicators (KPIs) with which to track and score their performance. The KPIs were selected following a detailed review of the Global Reporting Initiative, French law, rating agencies, competitor reports, as well as the measures already incorporated into their own internal processes (cost reduction, risk, commercial opportunity, etc.).

Table 7: KPIs Selected

Energy	Purchase quality
Water	Organic products
Waste	Quality lines (products with end-to-end sustainability criteria)
Refrigeration	Percentage of local suppliers
Paper	Fair trade products
Disposable check out bags	Controlled / own brand products
Hygiene / quality	Accidents
Stakeholders	Women managers
Consumer awareness	Disabled staff
Logistics	Training

Source: Carrefour Group, July 2008

Following the publication of the 2004 (fourth) annual sustainability report the group decided to look for a more dynamic tool for its reporting. The spreadsheet format presented a series of practical problems such as only allowing one user at a time to input or access information. The company needed a sophisticated yet user-friendly tool able to collect, analyze, and efficiently present the data central to successfully manage a global sustainability program for a company of this size and complexity.

continued

Carrefour: Vision and Technological Sophistication

In 2005, Carrefour engaged a French-based software provider of Corporate Social Responsibility (CSR) and EHS management tools that provides the ability to manage standard and customized non-financial performance all across the enterprise. While integrating easily into its ERP system, the tool offers a user-friendly way to input, access, consolidate, and analyze data in a multi-lingual format for Carrefour's 200 users, world-wide. The company input all of its previously collected data into the new system which not only allowed its people to manage present sustainability performance but also compare it to the performance of the previous years.

The company was able to incorporate educational aspects into the tool to help its users understand how the company as a whole defines and measures various categories and outcomes. Further, the solution lent Carrefour the capacity for multi-leveled, internal benchmarking, enterprise-wide visibility of progress and challenges, role-based views of real-time data, automated report generation according to a range of reporting criteria, streamlined global collaboration and the assigning of action items, the ability to input any number of qualitative measures, weight various metrics according to their own priorities, and more.

The tool allows Carrefour to drive optimal performance that has been translated into a host of benefits for the entire enterprise. According to Paul Rowsome, Environmental Manager in the Corporate Sustainability Department, "We believe that our sustainability strategy and software tool has powerfully improved collaboration, innovation, and overall performance. It is helping in the drive to reduce total cost of operations, to track developing consumer interest in sustainable products and overall allowed us to better meet our stakeholder expectations. We consider that it contributes to the brand image and to increasing customer and employee loyalty. Carrefour is present in many Sustainability Indexes and a growing number of socially responsible investment funds, world-wide and that is great for our investors and market value. From the very start we emphasized the power of bringing our staff, stakeholders, and customers together around a common goal of responsible and sustainable commerce through dialogue, sharing best practices and building awareness. This has been a phenomenal success for us."

Chapter Three: Required Actions: Focus on Performance

Whether a company is trying to move its sustainability performance from Laggard to Industry Average, or Industry Average to Best-in-Class, all maturity classes stand to benefit from enhanced focus on performance management. Results show that the following actions will help spur the necessary performance improvements:

Laggard Steps to Success

- **Assign leadership and set policy.** Laggard organizations suffer from a lack of executive-level leadership and support. They are most likely to lack budget (51%) and are most likely to struggle with initiatives (95%). Laggards are less likely than all others to have an adequate, clear, or comprehensive policy in place in support of sustainability agendas (56% versus 70% of the Best-in-Class). Laggards should focus on establishing a policy-driven sustainability strategy that is holistic and lifecycle-oriented. While Laggards are slightly *more* likely than Industry Average organizations to have consumer education initiatives in place, they are also slightly *less* likely to have internal staff education initiatives in place. These priorities need to be reversed in Laggard organizations. Laggards have typically put their public rhetoric before substantive and/or meaningfully supported internal improvements.

The importance of having executive-level responsibility for sustainability-driven vision, education, and performance cannot be over-emphasized. The demonstration of commitment and leadership from the very top of the organization creates a clear and coordinated structure for improvements that can be integrated at multiple levels. The conceptual and operational shortcomings of Laggard sustainability initiatives need the attention and commitment of a champion with the organizational muscle to put an effective, integrated, and proactively managed strategy into place. At the present rate and in this economic climate, the dramatic cost increases alone facing Laggard organizations make getting sustainability right a matter of not only success, but also survival.

- **Communicate sustainability criteria into communications with trading partners.** Only 23% of Laggards have integrated sustainability criteria into their RFP/RFI processes, thus creating a major obstacle to effective communication with not only their trading partners, but also their purchasing departments regarding their own purchasing standards and criteria. Though responsible sourcing and procurement is the number one strategic action that Laggard organizations will enact in support of their sustainability strategy, lack of internal clarity - and weak communication with suppliers - about the actionable specifics of that strategy, is clearly not destined for top results.

Fast Facts

Three more strategic actions to improve the overall sustainability of the business:

- ✓ 97% of the Best-in-Class track changes to waste / disposal costs as a metric of sustainability performance
- ✓ 84% of Industry Average organizations track changes to waste / disposal costs as a metric of sustainability performance
- ✓ 65% of Laggards track changes to waste / disposal costs as a metric of sustainability performance

- **Establish a baseline and track performance.** Laggard organizations are as likely as all others to indicate that carbon and cost metrics matter most for judging the success of their sustainability initiatives. However, Laggard companies are most likely to not measure the very metrics used to assess progress and success. Only 9% of Laggards claim to have real-time visibility into sustainability-led performance and conformance across the value chain - compared to 30% of the Best-in-Class. Laggard firms also need to focus on establishing visibility into their baseline performance - against which they can benchmark improvement.

For example, 28% of Laggards don't measure changes in their energy costs or usage - a staggering number when compared to 100% of Best-in-Class organizations that do. Thirty-five percent (35%) of Laggards don't measure or track their performance related to facilities efficiencies and costs - compared to 3% of the Best-in-Class that neglect this KPI. Similarly, 67% don't measure customer satisfaction (also a fairly challenged performance area for the Best-in-Class at 40% that measure), while 30% of Laggards don't measure new customer acquisition (compared to 13% of the Best-in-Class that do not). The results are clear: Laggard organizations must begin to gain visibility into and track the key performance metrics that impact the most important aspects of any sustainability agenda's progress and success.

Industry Average Steps to Success

- **Focus on policy and communicating standards.** Industry Average organizations have done fairly well in terms of having organizational support and leadership from the executive suite (68% versus 73% of the Best-in-Class). They do however, still lack an effective application of company-wide policy that can not only help drive processes in a clear and responsible direction, but that are also necessary to set standards against which they can assess progress, challenges, and areas of opportunity. Industry Average firms stand to gain a great deal by developing policy that is integrated into day-to-day operations and that provide a clear frame of reference when dealing with trading partners and purchasing assets, materials, and products. In contrast to top performing companies in this study, only 59% of Industry Average firms have a company wide sustainability policy.
- **Measure so you can manage.** Industry Average organizations need to increase their focus on tracking a wide variety of performance metrics. This is because Industry Average companies are more driven by brand reputation (39%) than are Laggard and Best-in-Class organizations (28% and 30%, respectively). In fact, brand reputation is the number one measure that Industry Average firms look to in order to measure sustainability success. The challenge here is that Industry Average companies have focused on a metric that is not as easily measured as cost reductions /

avoidance or carbon reductions which are easier to extrapolate from such things as energy, waste, and or paper usage.

To further confound matters, Industry Average organizations are actually the least likely to measure customer satisfaction levels than all others. Only 22% of Industry Average organizations indicate that they measure CSAT levels - compared to 60% of the Best-in-Class and 33% of Laggards. Further, despite the powerful impact that energy and waste reductions have on carbon emissions, 30% of Industry Average organizations do not even attempt to measure their carbon impacts, versus 13% of the Best-in-Class. Industry Average companies need to adopt a robust performance management strategy so that they can not only track and manage their performance across the enterprise but also so that they can streamline the reporting and communication of that performance. The ability to disclose clear and quantified metrics related to sustainability performance is crucial for enhancing brand reputation and value.

Best-in-Class Steps to Success

- **Expand the focus on automation and communication.** Higher percentages of the Best-in-Class have effective vision, supportive leadership, and more holistic strategy, than other maturity classes (though there is room for improvement). Top performers from this study would be best served by continuing down the path of automation in support of managing the communication and performance of their initiatives. Best-in-Class sustainability strategy is multi-directional and considerably more quantitative than other maturity classes especially in the usage of sustainability and CR solutions (43%), scorecards and quality solutions (40%), carbon tracking (37%), and traceability (20%). The facility in gathering, analyzing, and sharing complex data from across and beyond the organization, allow top performers to more successfully coordinate vision and action. The Best-in-Class should expand focus on tools that support the tracking, reporting and communication of organization-wide progress and goals.
- **Focus on managing and verifying carbon and water impacts.** The Best-in-class have benefited from the early adoption of strategies that drive company-wide awareness on carbon. This focus has resulted in impressive benefits from driving down operational costs and increasing efficiency to driving up brand value and competitive advantage. The strategies and solutions chosen by top performers to implement and manage their sustainability goals, are often able to support carbon and emissions tracking at a variety of levels of granularity and rigor. Whether companies need to gain deeper insight into carbon impacts for regulatory, trading, or reputation-related purposes, the company will benefit from greater support, visibility and analytic capabilities related to carbon's many impacts. Further, as one of the more important areas of future policy development, serious attention to water use, re-use, and

'footprinting' strategy will allow the Best-in-Class to achieve cost, efficiency, and brand value benefits as important as those achieved as a result of carbon consciousness. Additionally, the Best-in-Class are also more likely to conduct third-party audits of their sustainability performance (40%) which attests to the confidence top performers have in their ability to clearly present their data and progress to stakeholders and customers. Third-party validation is another key area of Best-in-Class enhancements.

- **Emphasize customer-centricity.** The Best-in-Class must engage more seriously with measuring the satisfaction levels of their customers. As the third most important measure of success (33%) for the Best-in-Class (after carbon 50% and cost 50%), the fact that 40% of top performing respondents do not actually measure customer satisfaction (CSAT) levels, clearly highlights a key area of improvement and opportunity. Top performing companies stand to gain greatly from better understanding how their responsibility-led strategies impact their ability to connect with and satisfy their present and potential clients.

The ROI of Responsibility: Bringing it Back to the Business Case

The results of Aberdeen research show that a rapidly growing number of organizations view sustainability as an essential component of the long-term viability and success of their business and are seeking to integrate responsibility-driven strategy into their organizational DNA. Regardless of industry, geography, or company size, sustainability requires organizations to change and innovate in fundamental ways that support a genuine and holistic engagement in issues encompassing the business, the environment, and society. Based on results from the Best-in-Class in this study - and from the goals and strategies of over 6,000 other companies worldwide, it is clear that initiatives need to be:

- **Comprehensive.** A deep understanding of the company definition of, strategy for, and progress towards, its TBL is essential. Philosophical and practical clarity supported by education and training, will aid the success of the larger goals.
- **Collaborative.** Working collaboratively, internally and externally, allows a superior level of visibility, innovation, and agility in addressing issues that may compromise the goals of an initiative and the larger challenges to which they connect.
- **Controlled.** Executive-level support and oversight of enterprise-wide sustainability objectives combined with clear performance metrics and tracking will allow the company to understand its challenges and successes in ways that are quantifiable and verifiable.
- **Communicated.** Communication is essential to stimulate internal and external stakeholder interest and support. Aligning the brand publicly with genuine commitment and action can also boost brand value and create thought leadership.

The business case for sustainability is amply made in the results of top performing companies who are increasingly focused on a holistic, lifecycle approach with thoroughly quantified business, environmental, and social returns. Implementing an effective sustainability strategy involves multiple steps, processes and an intensive attention on measurement and communication. This shift in focus results in a more agile, efficient, and resilient organization that increases quality and performance and attracts the support and loyalty of stakeholders and customers, alike. Sustainability represents, in and of itself, a profound shift in global business paradigms, systems of value, and models (and opportunities) of success.

Appendix A: Research Methodology

Between January and February 2009, Aberdeen examined the use, the experiences, and the intentions of more than 200 enterprises focused on implementing or expanding sustainability strategy and initiatives. Aberdeen supplemented this online survey effort with telephone interviews with select survey respondents, gathering additional information on strategies, experiences, and results.

Responding enterprises included the following:

- *Job title / function:* The research sample included respondents with the following job functions: C-level / VP / Partner (33%); Director / General Manager (17%); Manager (19%); Consultant / Analyst (14%); Academic (4%); Staff (4%), all others (9%).
- *Industry:* The research sample included respondents from the following industries: IT (consulting services, software / hardware) (16%), transportation / logistics (6%), consumer packaged goods (5%), food / beverage (5%), metals and metal products (5%), automotive (4%), construction / architecture (4%), general sustainability (4%), all others (51%).
- *Geography:* The majority of respondents (65%) were from North America. Remaining respondents were from Europe (19%), the Asia-Pacific region (10%), South / Central America and Caribbean (3%), and Middle East, Africa (3%).
- *Company size:* Thirty-four percent (34%) of respondents were from large enterprises (annual revenues above US \$1 billion); 30% were from midsize enterprises (annual revenues between \$50 million and \$1 billion); and 36% of respondents were from small businesses (annual revenues of \$50 million or less).
- *Headcount:* Half (50%) of the respondents were from large enterprises (headcount greater than 1,000 employees); 27% were from midsize enterprises (headcount between 100 and 999 employees); and 23% of respondents were from small businesses (headcount between 1 and 99 employees).

Solution providers recognized as sponsors were solicited after the fact and had no substantive influence on the direction of this report. Their sponsorship has made it possible for Aberdeen Group to make these findings available to readers at no charge.

Study Focus

Responding sustainability-focused executives completed an online survey that included questions designed to determine the following:

- ✓ The way in which sustainability strategy is crafted, implemented, and managed across the organization
- ✓ The level of present and planned investment in solutions and services in support of 2009 sustainability priorities and goals
- ✓ The structure and alignment of performance tracking and reporting with key performance indicators
- ✓ Current and planned use of technology in support of sustainability strategy

The study aimed to identify emerging best practices for company-wide sustainability strategy and implementation and management, and to provide a framework by which readers could assess their own capabilities.

Table 8: The PACE Framework Key

Overview
<p>Aberdeen applies a methodology to benchmark research that evaluates the business pressures, actions, capabilities, and enablers (PACE) that indicate corporate behavior in specific business processes. These terms are defined as follows:</p> <p>Pressures — external forces that impact an organization’s market position, competitiveness, or business operations (e.g., economic, political and regulatory, technology, changing customer preferences, competitive)</p> <p>Actions — the strategic approaches that an organization takes in response to industry pressures (e.g., align the corporate business model to leverage industry opportunities, such as product / service strategy, target markets, financial strategy, go-to-market, and sales strategy)</p> <p>Capabilities — the business process competencies required to execute corporate strategy (e.g., skilled people, brand, market positioning, viable products / services, ecosystem partners, financing)</p> <p>Enablers — the key functionality of technology solutions required to support the organization’s enabling business practices (e.g., development platform, applications, network connectivity, user interface, training and support, partner interfaces, data cleansing, and management)</p>

Source: Aberdeen Group, March 2009

Table 9: The Competitive Framework Key

Overview	
<p>The Aberdeen Competitive Framework defines enterprises as falling into one of the following three levels of practices and performance:</p> <p>Best-in-Class (20%) — Practices that are the best currently being employed and are significantly superior to the Industry Average, and result in the top industry performance.</p> <p>Industry Average (50%) — Practices that represent the average or norm, and result in average industry performance.</p> <p>Laggards (30%) — Practices that are significantly behind the average of the industry, and result in below average performance.</p>	<p>In the following categories:</p> <p>Process — What is the scope of process standardization? What is the efficiency and effectiveness of this process?</p> <p>Organization — How is your company currently organized to manage and optimize this particular process?</p> <p>Knowledge — What visibility do you have into key data and intelligence required to manage this process?</p> <p>Technology — What level of automation have you used to support this process? How is this automation integrated and aligned?</p> <p>Performance — What do you measure? How frequently? What’s your actual performance?</p>

Source: Aberdeen Group, March 2009

Table 10: The Relationship Between PACE and the Competitive Framework

PACE and the Competitive Framework – How They Interact
<p>Aberdeen research indicates that companies that identify the most influential pressures and take the most transformational and effective actions are most likely to achieve superior performance. The level of competitive performance that a company achieves is strongly determined by the PACE choices that they make and how well they execute those decisions.</p>

Source: Aberdeen Group, March 2009

Appendix B: Related Aberdeen Research

Related Aberdeen research that forms a companion or reference to this report includes:

- [*Going, Going, Green: Planning for the Green IT Ecosystem*](#); January 2009
- [*Meeting Regulatory Compliance with Green Product Development for Aerospace and Defense Manufacturers*](#); January 2009
- [*From Rhetoric to Reality: The 2009 Sustainability Agenda*](#); January 2009
- [*Green Product Development for Industrial Equipment Manufacturers*](#); December 2008
- [*The Greening of Business Culture*](#); September 2008
- [*Sustainability's Power of Attraction*](#); September 2008
- [*Greening Today's Products: Sustainable Design meets Engineering Innovation*](#); August 2008
- [*Getting from Green to Gold: Retail Success Factors and Outcomes*](#); July 2008
- [*Supply Chain Network Design: Architecting a Green Future*](#); April 2008
- [*The 2008 Aberdeen Report*](#); March 2008
- [*Building a Green Supply Chain: Social Responsibility for Fun and Profit*](#); March 2008
- [*Green Marketing: Leveraging Customer Data to Reduce Direct Mail Waste*](#); February 2008
- [*From Green Hype to Sustainable Action: The 2008 Green Agenda*](#); February 2008
- [*Green Initiatives: Lowering Costs and Increasing Efficiency in the Data Center*](#); January 2008
- [*Reducing Retail Waste: How Customer Data Quality Spurs Greener Marketing*](#); December 2007
- [*Sustainable Travel: Reduce Your Carbon Footprint*](#); November 2007

Information on these and any other Aberdeen publications can be found at www.aberdeen.com.

Author: Jhana Senxian, Sustainability and Corporate Responsibility
(jhana.senxian@aberdeen.com)

Since 1988, Aberdeen's research has been helping corporations worldwide become Best-in-Class. Having benchmarked the performance of more than 644,000 companies, Aberdeen is uniquely positioned to provide organizations with the facts that matter — the facts that enable companies to get ahead and drive results. That's why our research is relied on by more than 2.2 million readers in over 40 countries, 90% of the Fortune 1,000, and 93% of the Technology 500.

As a Harte-Hanks Company, Aberdeen plays a key role of putting content in context for the global direct and targeted marketing company. Aberdeen's analytical and independent view of the "customer optimization" process of Harte-Hanks (Information – Opportunity – Insight – Engagement – Interaction) extends the client value and accentuates the strategic role Harte-Hanks brings to the market. For additional information, visit Aberdeen <http://www.aberdeen.com> or call (617) 723-7890, or to learn more about Harte-Hanks, call (800) 456-9748 or go to <http://www.harte-hanks.com>.

This document is the result of primary research performed by Aberdeen Group. Aberdeen Group's methodologies provide for objective fact-based research and represent the best analysis available at the time of publication. Unless otherwise noted, the entire contents of this publication are copyrighted by Aberdeen Group, Inc. and may not be reproduced, distributed, archived, or transmitted in any form or by any means without prior written consent by Aberdeen Group, Inc.

Featured Underwriters

This research report was made possible, in part, with the financial support of our underwriters. These individuals and organizations share Aberdeen's vision of bringing fact based research to corporations worldwide at little or no cost. Underwriters have no editorial or research rights and the facts and analysis of this report remain an exclusive production and product of Aberdeen Group. Solution providers recognized as sponsors of the report have had no substantive influence on the direction of this report. Their sponsorship has made it possible for Aberdeen Group to make these findings available to readers at no charge.



CINTELLATE
COLLECTIVE INTELLIGENCE

CINTELLATE software helps organizations create long-term shareholder value by proactively managing your Environment, Quality, Health, Safety and Risk (EQHS&R) enterprise-wide. As a leading and established vendor, Corporate Sustainability Management is our philosophy on effective management of EQHS&R business processes. CINTELLATE is the one-stop solution for capturing lessons learned, promoting accountability, and driving performance excellence via continual improvement throughout the sustainability value chain. Our clientele includes some of world's largest operating in diverse sectors.

For more information on CINTELLATE:

10375 Richmond Ave, Suite 290

Houston, TX 77042

Phone: 713.954.4970

Email: csm.usa@cintellate.com

Web: www.cintellate.com



StakeWare is a leader in on-demand corporate responsibility and sustainability software. StakeWare provides a holistic way to identify, connect and respond to all stakeholders across the value chain, so companies can focus their green initiatives on areas of greatest value. StakeWare software increases visibility into all social, economic and environmental issues; improves insight into strategy, business operations and metrics; and drives accountability with stakeholders' material issues. Fortune 1000 companies rely on StakeWare's corporate responsibility and sustainability software to increase customer loyalty and brand reputation, while reducing risks and costs.

For more information on StakeWare:

900 Concar Drive

San Mateo, CA 94402

Phone: 650.980.0199

Email: natan@stakeware.com

Web: www.stakeware.com