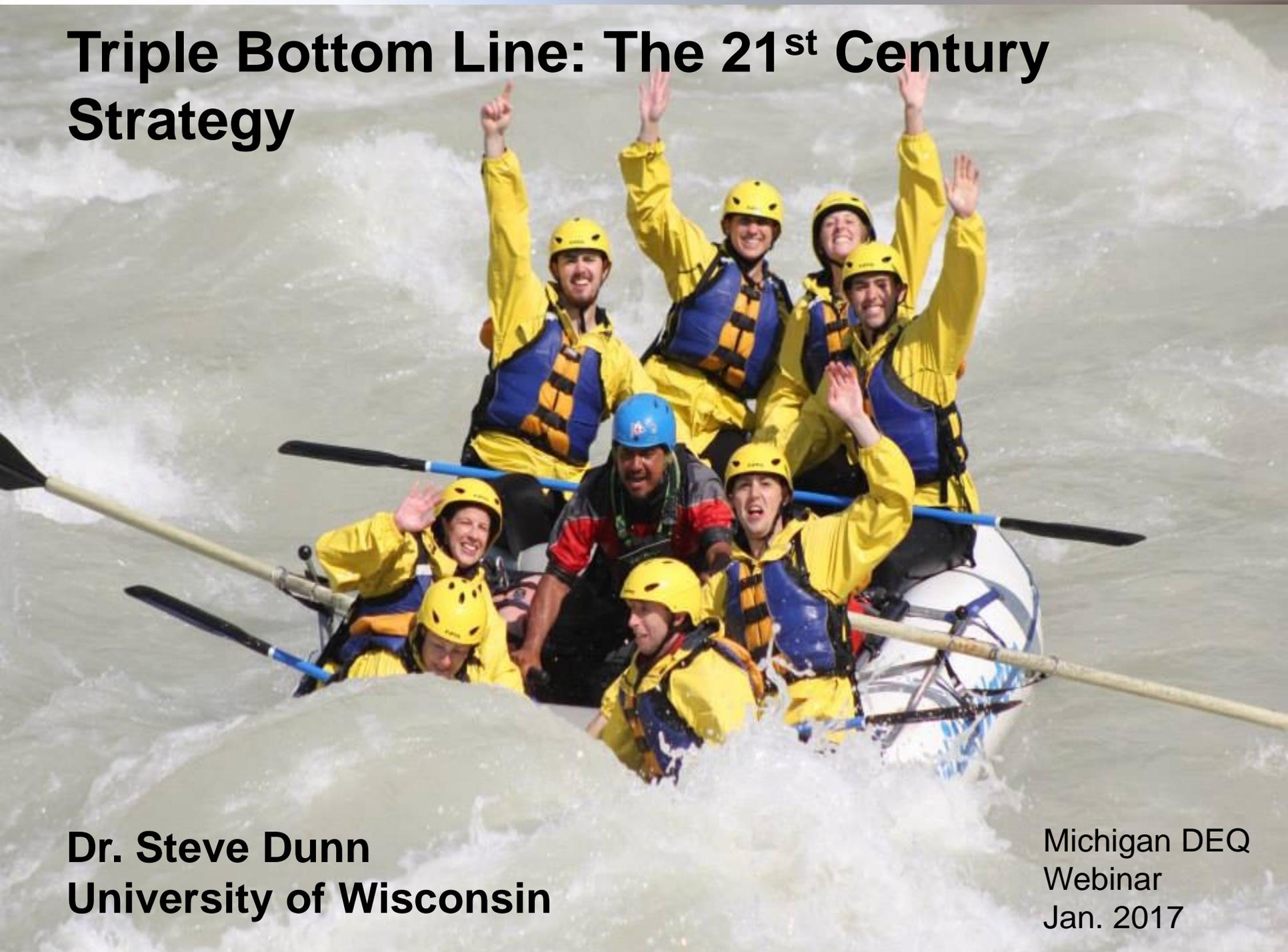


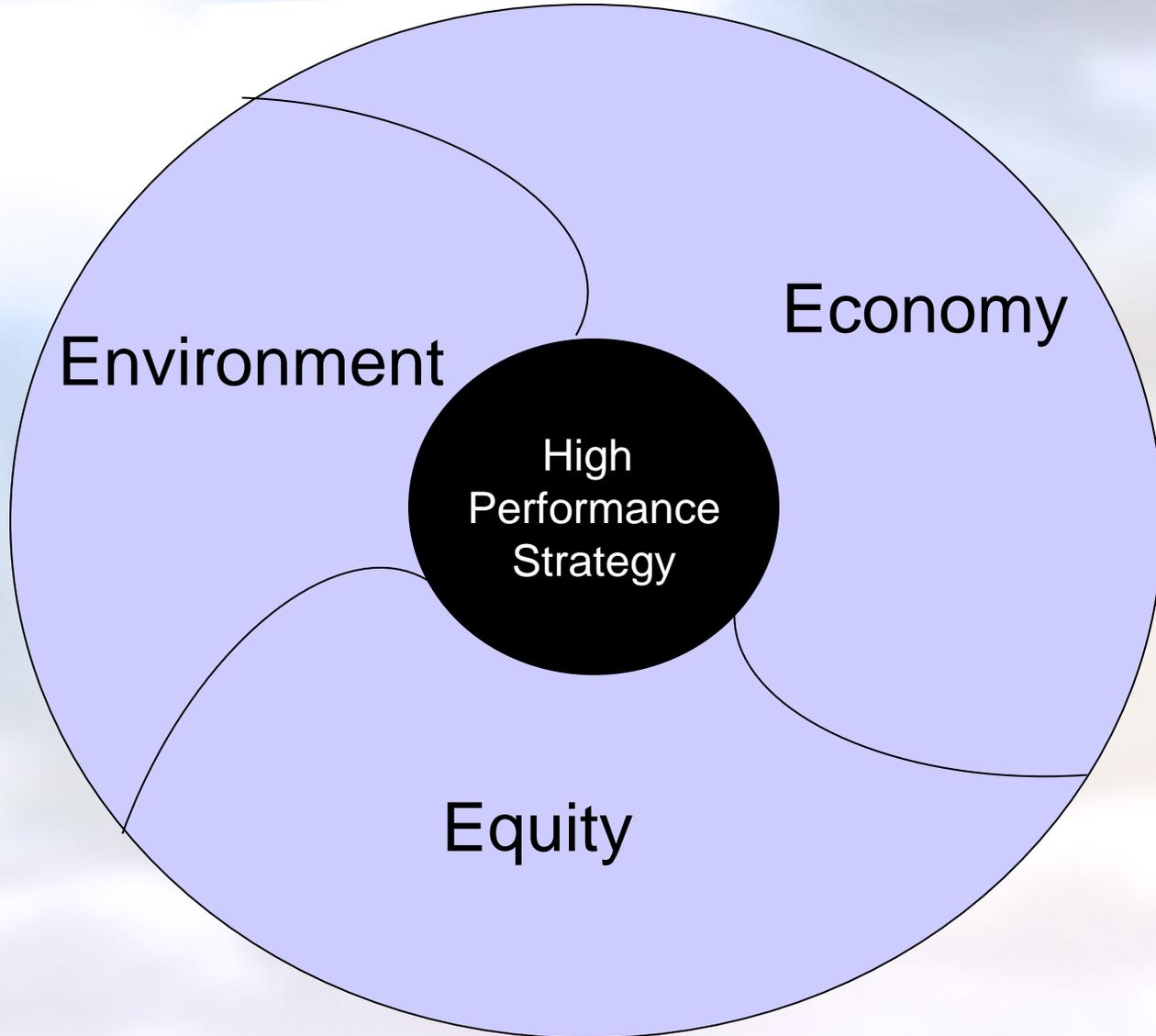
Triple Bottom Line: The 21st Century Strategy



Dr. Steve Dunn
University of Wisconsin

Michigan DEQ
Webinar
Jan. 2017

The Organizational Ecosystem



AKA : People, Planet, Profit

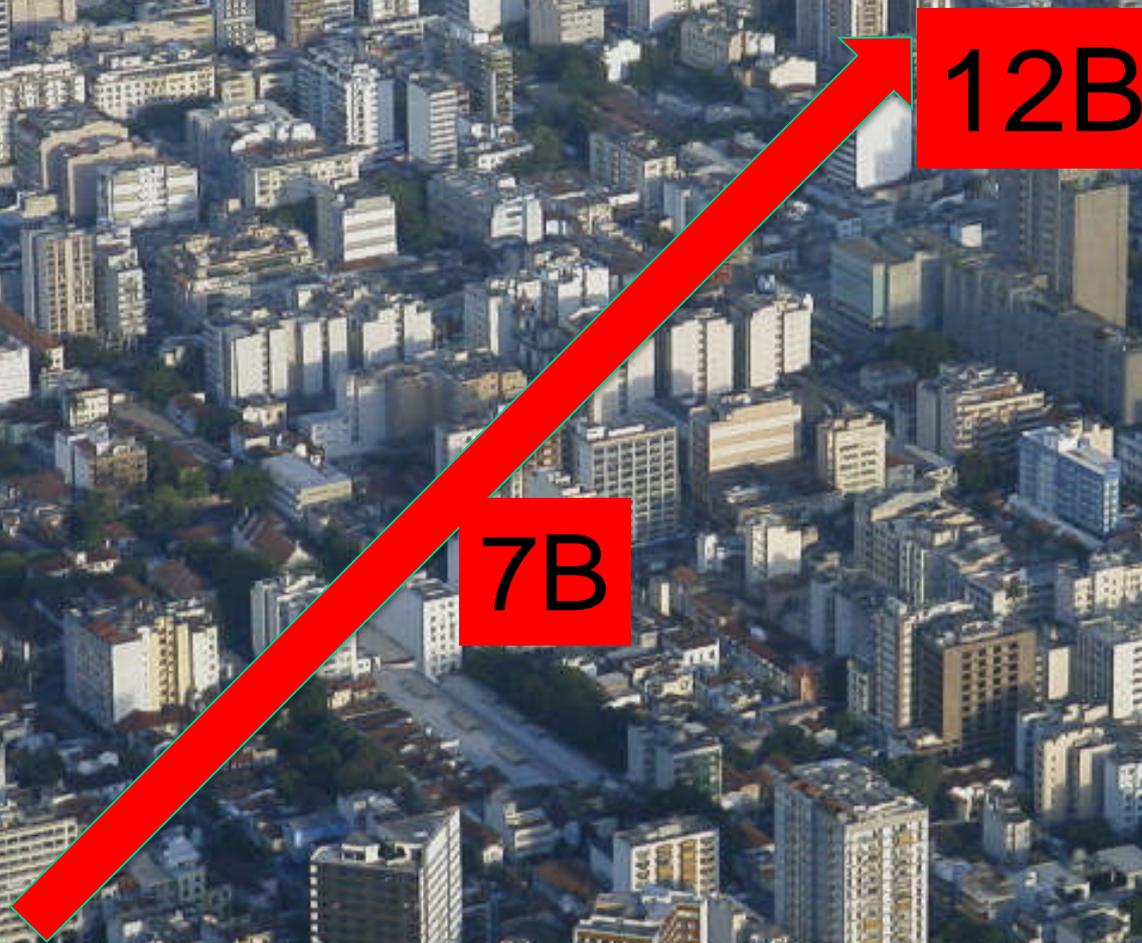
“A business approach to creating shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments.”

The Triple Bottom Line.....

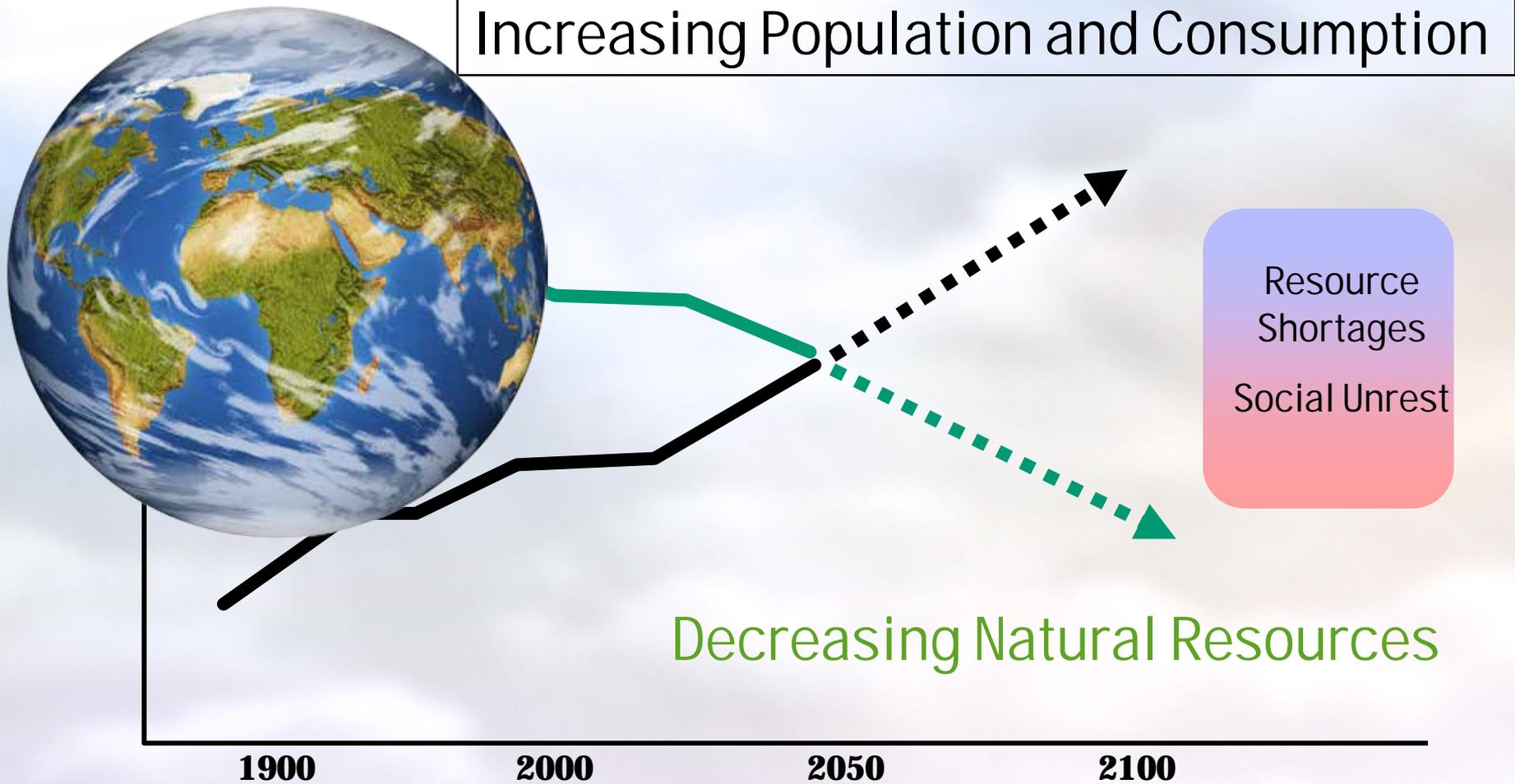
17 SDGs



Are we overshooting our carrying capacity



The "Big Squeeze"



MEGA ISSUES

Climate crisis

Water crisis

Pollution/Health

Erosion of trust

Pandemics

Resource wars

Energy

Food



Environmental Topics

Waste disposal

Chemical spills

Water conservation

Pollution prevention

Packaging reduction

Natural habitat restoration

Animal rights

Precautionary Principle

Endangered species

Compliance

Air pollution

Greenhouse gases

Energy conservation

Recycling

Soil contamination

Wetlands protection

Product energy use

Spill prevention

Soil erosion/depletion

Water pollution

Ozone-depleting substances

Natural resource usage

Biodiversity

Product take-back

Wildlife conservation

Customer disposal of products

Renewable energy and materials

Environmentally sensitive design

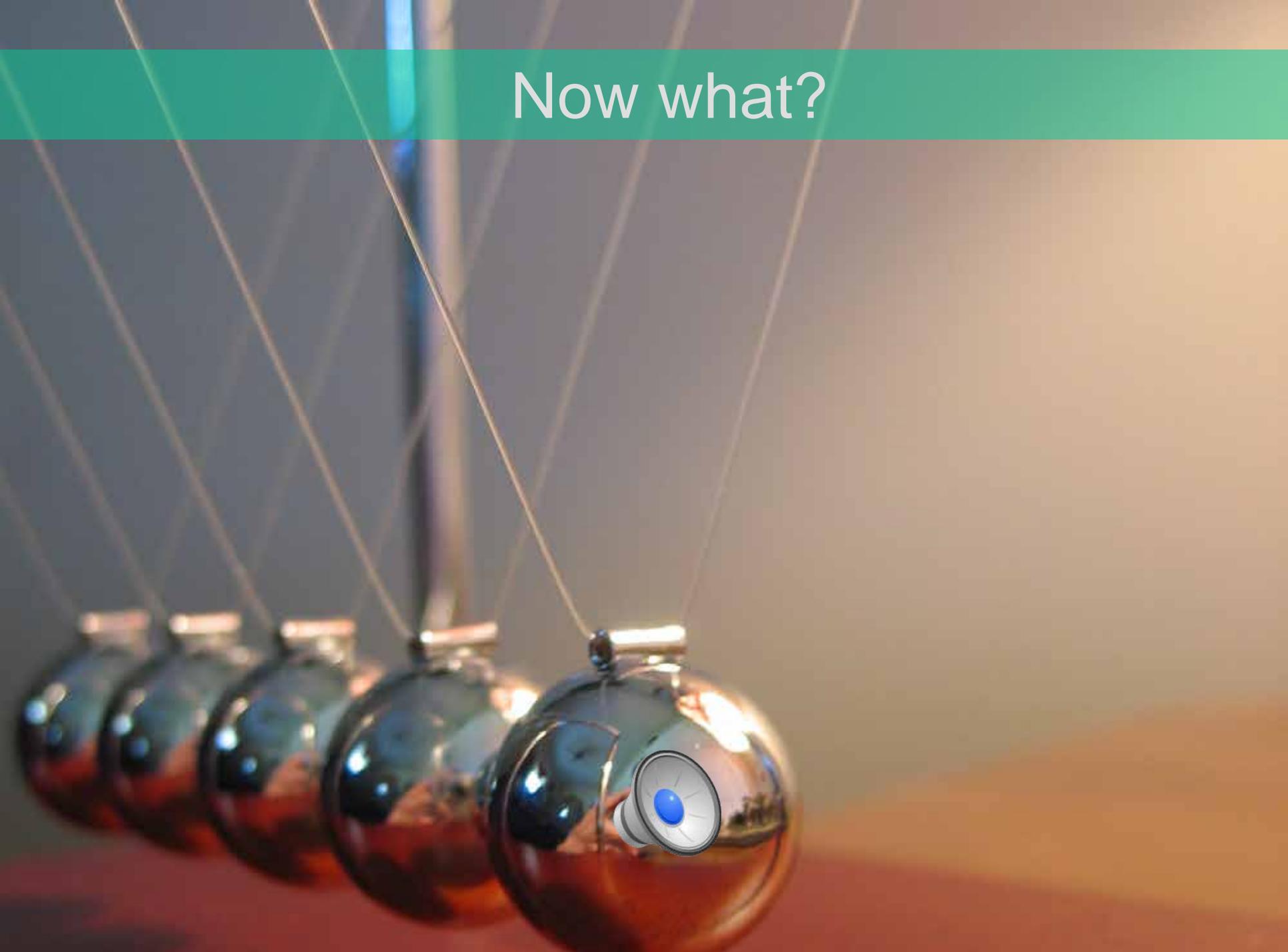
Social Topics

Ethics
Product usefulness
Product quality
Product safety
Union relations
Producer responsibility
Consumer privacy
Emergency preparedness
Child labor
Forced labor
Disciplinary practices
Flexible work options
Charitable donations
Antitrust practices
Occupational health
Bioterrorism
Indoor air pollution
Legal compliance

Workplace safety
Corporate governance
Employee relations
Product labeling
Board diversity
Supplier diversity
Employee privacy
Non-discrimination policies
Community outreach
Employment
Transparent public reporting
Dependent care benefits
Bribery and corruption
Securities regulation
Industrial hygiene
Worker violence
Indigenous rights

Employee shared values
Employee work-life balance
Human rights (security policies, etc.)
Fair advertising and labeling
Impacts on local cultures
Employee diversity
Employee training and development
Employee wellness programs
Employee assistance programs
Employee turnover
Employee layoff policies
Anti-sexual harassment policies
Political contributions
Helping the disadvantaged
Food product nutrition
Support for community services
Access to healthcare by the poor

Now what?



Top Reasons For Increased Focus on Sustainability

(Source: 2007 Conference Board)

1. Reputation, brand
2. Stakeholder pressure
3. Reduce waste (and costs), increase productivity
4. Employee morale, motivation and recruitment
5. Peer pressure (competitors, high-visibility companies)
6. Marketing opportunities
7. Publicity on climate change



THE "PERFECT STORM" OF RISKS

Pollution
& Health

Climate Change & Energy Crisis

Food &
Water Crises

Poverty &
Social Injustice

Overharvesting &
Species Extinction

Tangibles
/ Financials

Employees

Customers

Governments

Government

Regulators

Customers

Intangibles
/ Reputation
/ Goodwill

Communities

Regulators

Markets

Investors

Communities

Employees

Competitors

Public

(NGOs)

(Scientists)

Who's Social Standard?

What happens to your supply chain when one of the stakeholders cheat?



RISK OF FINES & COMPLIANCE COSTS

EPA enforcement actions cost companies **\$13.7B**



- \$20.8B: BP for Deepwater Horizon damage
- \$14.7B: VW for cheating on emissions tests
- \$425M: Tesoro and Par Hawaii Refining for pollution
- \$319M: Marathon Petroleum for pollution controls
- \$172M: Enbridge for pipeline spills and prevention
- \$5M: Southern Coal for water pollution controls

“Environmental Enforcement Actions Cost Companies \$13.7 Billion in 2016,”
Environmental Leader, Dec. 2016.

Climate change is real...



CLIMATE CHANGE DAMAGE



Extreme weather events were responsible for **90%** of documented natural catastrophe loss events in 2013, causing **\$124.5B of overall losses** out of the \$135B total natural catastrophe losses.

CLIMATE CHANGE RISKS

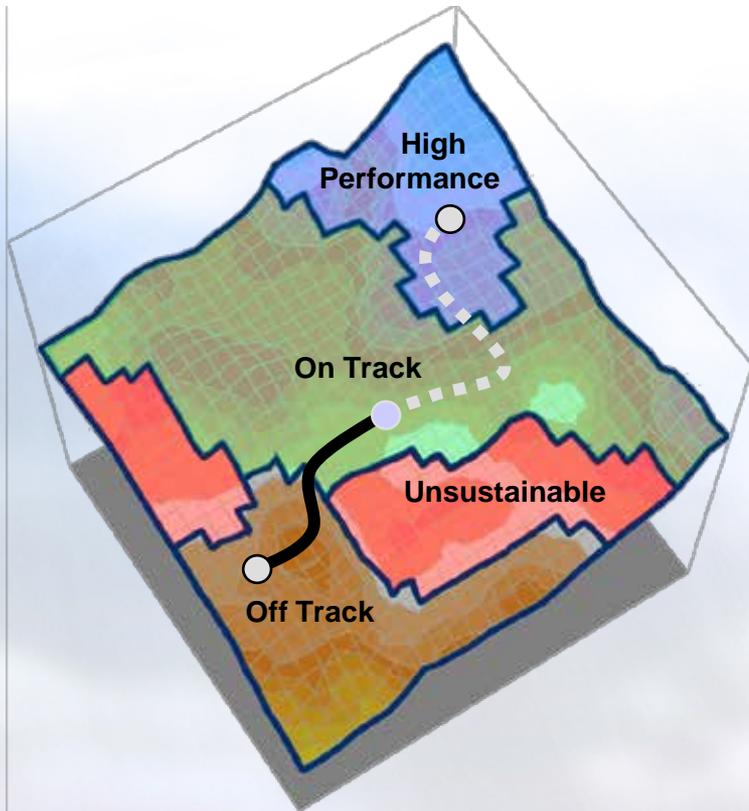
- **Physical Damage:** To company, suppliers, or customers
- **Supply Insecurity:** Higher cost of raw materials and resources
- **Reputation with Customers:** Backlash if do not react / help; lost revenue if rivals develop climate-friendly products & services first
- **Threat to Market Value:** Viewed as “material risk” by investors and banks; difficult to access capital
- **Loss of Top Talent:** Best people walk way
- **Access to Markets:** Complex, different regulations
- **Regulatory “Price on Carbon:”** Cap and trade or carbon taxes; mutual accountability for impacts throughout value chain
- **Litigation:** Lawsuits for GHG pollution



You Need Global Supply Chain Resilience



Understanding what actions to take that will give the best chance of success



Insight + Action = Successful change

7 SUSTAINABILITY DIMENSIONS

This is a socially and environmentally responsible organization

Community and Society

This organization plays an active role in the community

Customer Relationships

This organization is fair, respectful and honest with customers / clients

Environment

This organization works to minimize the impact of its operations, products / services on the environment

Supplier Relations

This organization makes purchasing decisions that take social and environmental values into consideration

Corporate Governance

This organization considers long-term social, environmental, and economic impacts when it makes decisions

Employee Relations

Employees are treated fairly, respectfully, and honestly in this organization

Human Rights

This organization respectfully manages human rights in its operations

Key Players to Track

- *Rule Makers and watchdogs*
 - NGOs, regulators, politicians
- *Idea generators and opinion leaders*
 - Media, think tanks, academic institutions
- *Business partners and Competitors*
 - Industry associations, buyers, competitors, suppliers
- *Consumers and community*
 - Executive peers, consumers, the future (kids), communities and employees
- *Investors and Risk Assessors*
 - Shareholders, analysts, capital markets, insurers and banks

Action

- The environmental issues that 'touch' the business
 - SWOT
 - SC
- What stakeholders think about the environmental performance of the company
 - Mapping
- Whether the company has the capabilities it needs to address its environmental challenges
 - Know yourself- match with issues most pressing

Categories to explore

- Alternate fuel vehicles
- Building energy use
- Carbon trading
- Clean technology
- Corporate reporting
- Employee commuting
- Employee telecommuting
- EMS
- E-waste
- Green office space (LEED)
- Green power use
- Packaging intensity
- Paper use/recycling
- Toxic emissions

WALMART'S SUSTAINABILITY INDEX

2009: 15 questions about suppliers' overall company operations.

2013: questions about suppliers' company and product.

Covers **100 product categories**,
such as apparel, electronics and toys.

**Walmart uses the index to assess suppliers
... and evaluate buyers**

By the end of **2017**, U.S. Walmart and Sam's Club stores will get **70%**
of their goods from global suppliers that use the Sustainability Index



Areas

- Materials
 - Packaging
 - Lot size
 - Containerization
 - Reverse logistics
 - Coordination
- Purchasing
 - Quantity
 - Supplier
 - Scheduling
 - Mode/carrier

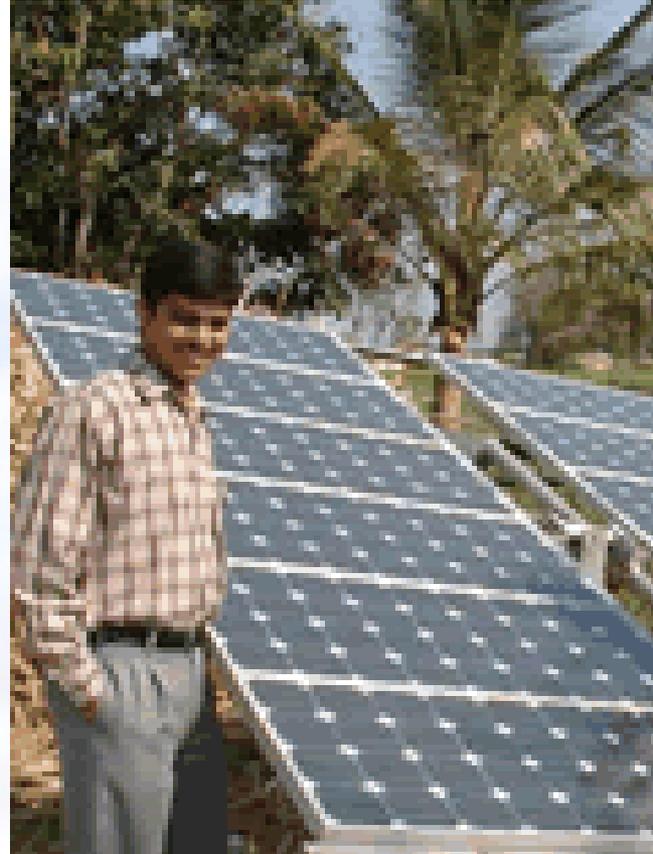
STUFF

Areas

- Operations
 - Scheduling
 - Inventory decisions
 - Location
 - Capacity
 - Process design
- Transportation
 - Mode
 - Carrier
 - Routing
 - Scheduling

Facilities

- Size
- Location
- Egress
- Vehicles
- Utilization



COMPREHENSIVE BUSINESS CASE

- 1. Driving competitive advantage from stakeholder engagement**
e.g. Stakeholder relations can help land permitting, taxation, and regulations
- 2. Improving risk management**
e.g. Climate change risks impact operations, revenue, and expenditures.
- 3. Fostering innovation**
e.g. Nike's new \$1B Flyknit line cuts waste by 80% and has bigger profit margins.
- 4. Improved financial performance**
e.g. Cut costs, lower cost of capital, improve IRR, less volatile share value
- 5. Build customer loyalty**
e.g. Revenue can increase up to 20% due to corporate responsibility practices.
- 6. Attracting and engaging employees**
e.g. Higher loyalty, morale, retention, productivity, and attraction of top talent



Engaging Employees in Transition

- Sell the “What’s in it for me?”

- Motivate employees with the right messages
- Give employees a reason to care (urgency)

- Brand the culture

- Re-define expectations and commitments
- Educate and promote the value to employees

- Sustain employee behavior change

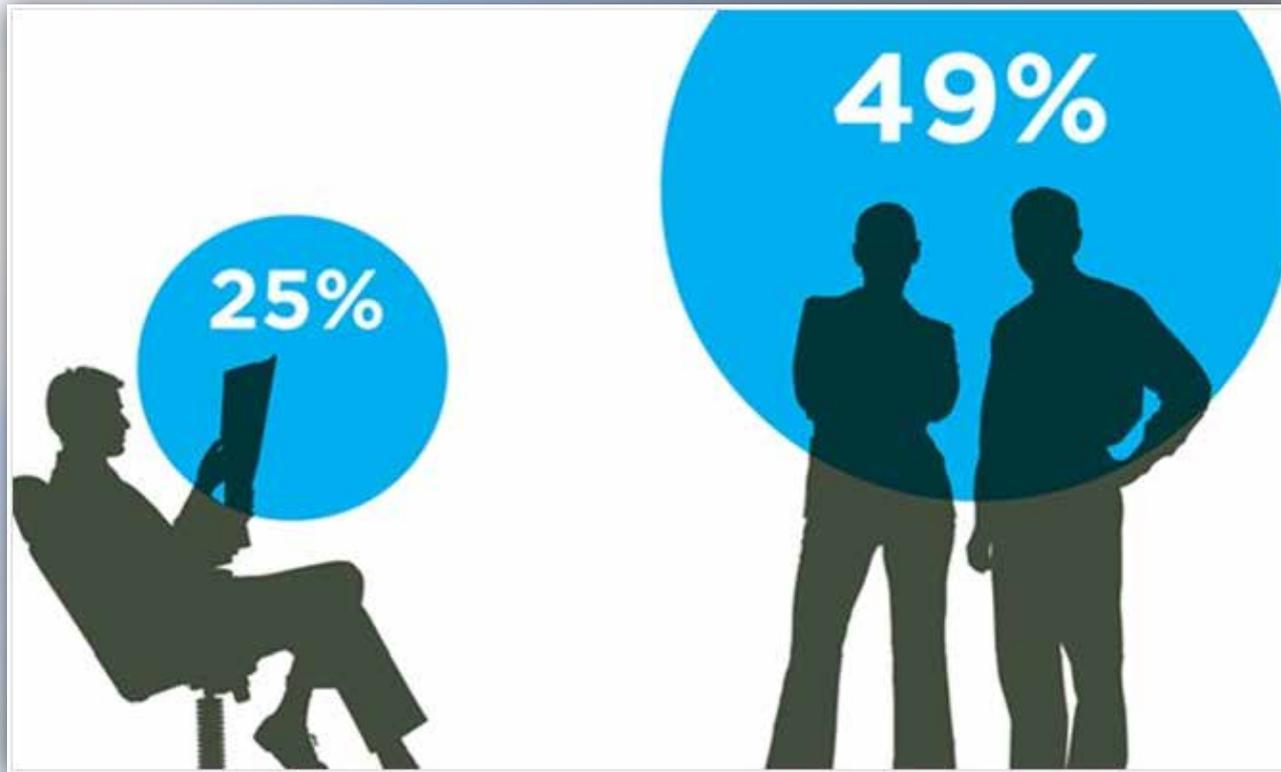
- Embed TBL in the culture
- Actively measure and manage

- Align programs, communications, and delivery

- Create a consistent experience throughout
- Reward/reinforce the right behaviors



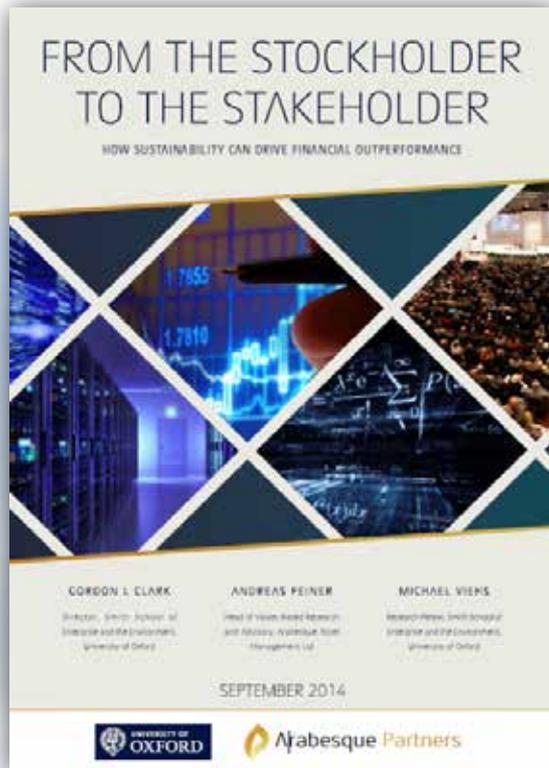
MAKING AN IMPACT MATTERS



Employees who say they have the opportunity to make a **direct social and environmental impact through their job** report **higher satisfaction** levels than those who don't, by a **2:1 ratio**.

Net Impact's "Talent Report: What Workers Want in 2012," June 2012,
Based on a survey of 1,726 senior university students and employed graduates.

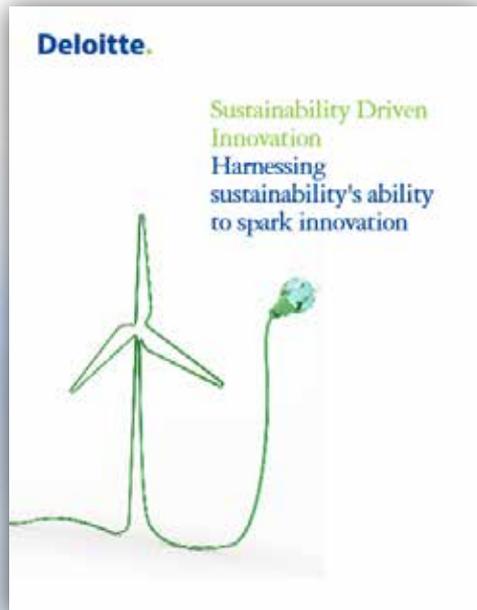
SUSTAINABILITY PAYS



- **88%** of the research shows that solid ESG practices result in *better operational performance* of firms
- **90%** of the studies on the cost of capital show that *sustainability standards lower the cost of capital of companies*
- **80%** of the studies show that *stock price performance of companies is positively influenced by good sustainability practices.*

Arabesque Partners and the Smith School of Enterprise and the Environment at the University of Oxford, "From the Stockholder to the Stakeholder", Sept. 2014. This is a meta-study of over 190 different studies on the correlation of sustainability performance with company performance. Definitions of Sustainable / CSR / ESG / Green / Responsible companies vary in the research studies.

SUSTAINABILITY DRIVES INNOVATION



- Sustainability leaders are **400%** more likely than average to be innovation leaders.
- The relationship is **causal**, not just correlation.

Sustainability's ability to spark innovation **can be harnessed**, and it can be incorporated into organizations' innovation processes.

WHAT WORKERS WANT

- **88%** of graduate students and young professionals factor an employer's CSR position into their **job decision**.
- **86%** would consider **leaving** a job if their employer's CSR performance no longer held up.



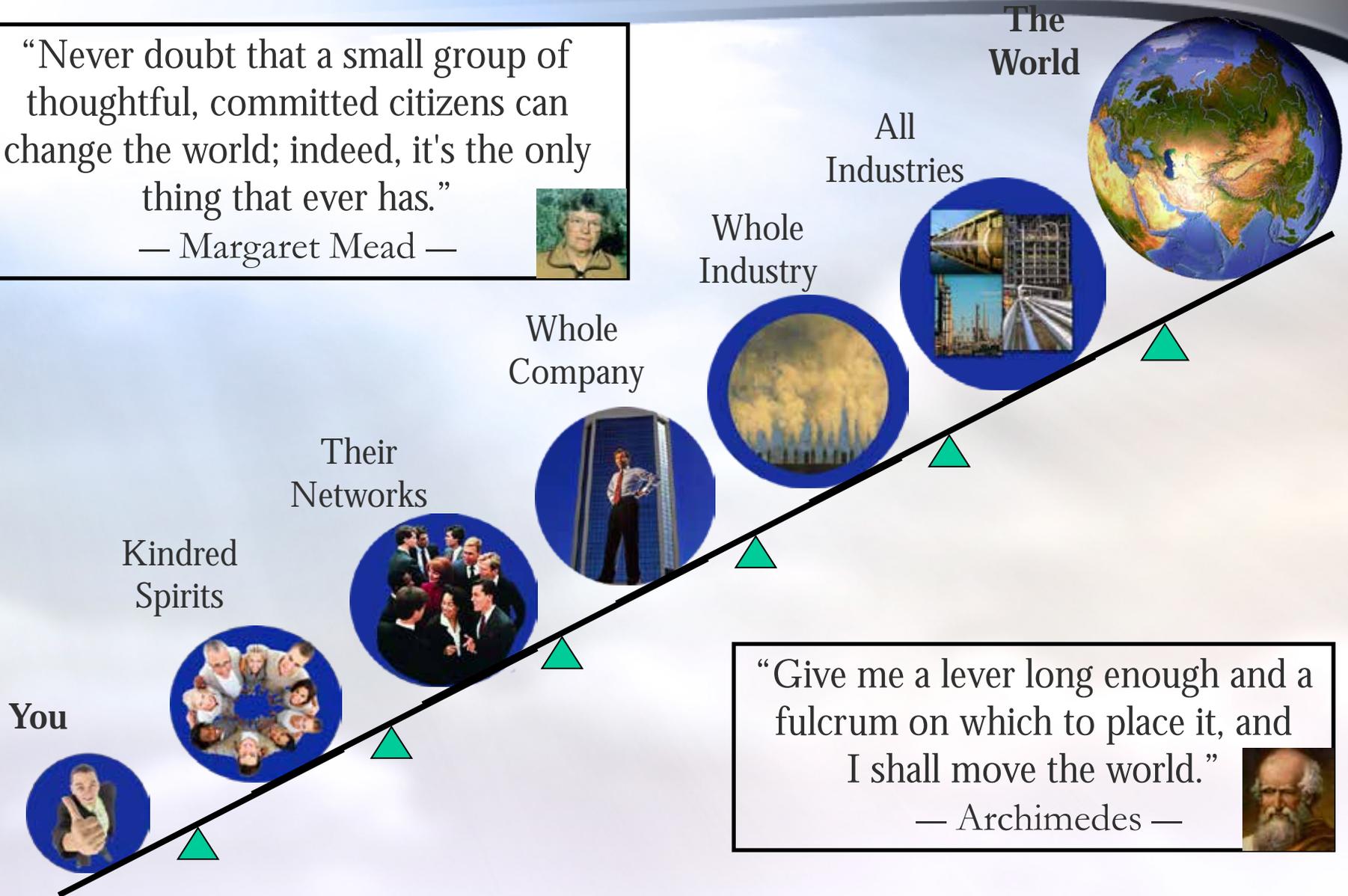
It costs 2 to 3 times an employee's salary to replace him / her.

PwC's "Millennials at Work: Reshaping the Workplace."
Based on an online survey of 4,364 graduates across 75 countries in 2011.

DO IT YOURSELF; CAN'T DO IT ALONE

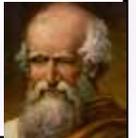
“Never doubt that a small group of thoughtful, committed citizens can change the world; indeed, it's the only thing that ever has.”

— Margaret Mead —



“Give me a lever long enough and a fulcrum on which to place it, and I shall move the world.”

— Archimedes —



IN SUMMARY



Engage and educate the whole enterprise
Earn proactive buy-in from senior leaders
Align management and reward systems



Thank You for participating!!!

January 2017
Michigan DEQ Webinar

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