

WHAT CAN WE LEARN FROM THE PRACTICES APPLIED BY THE BEST GLOBAL COMPANIES IN THE FIELD OF CORPORATE SUSTAINABILITY

Prof. Adriana Rejc Buhovac, Ph.D.

University of Ljubljana, Faculty of Economics

Matej Drašček, M.Sc.

Faculty of Economics, Radeče papir nova d.o.o.

What is corporate sustainability?

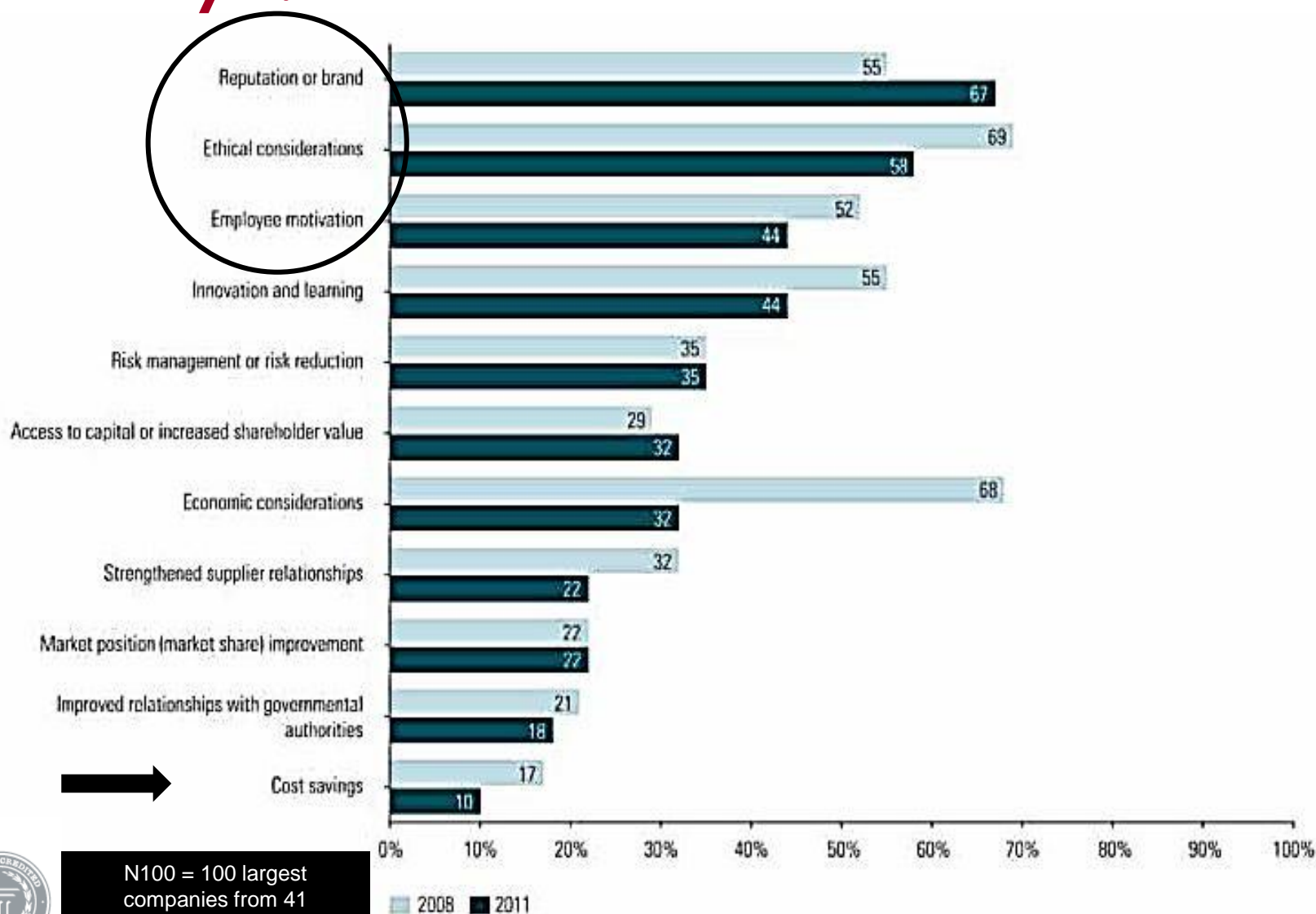


24 April 2013: 1,100
workers, Dhaka

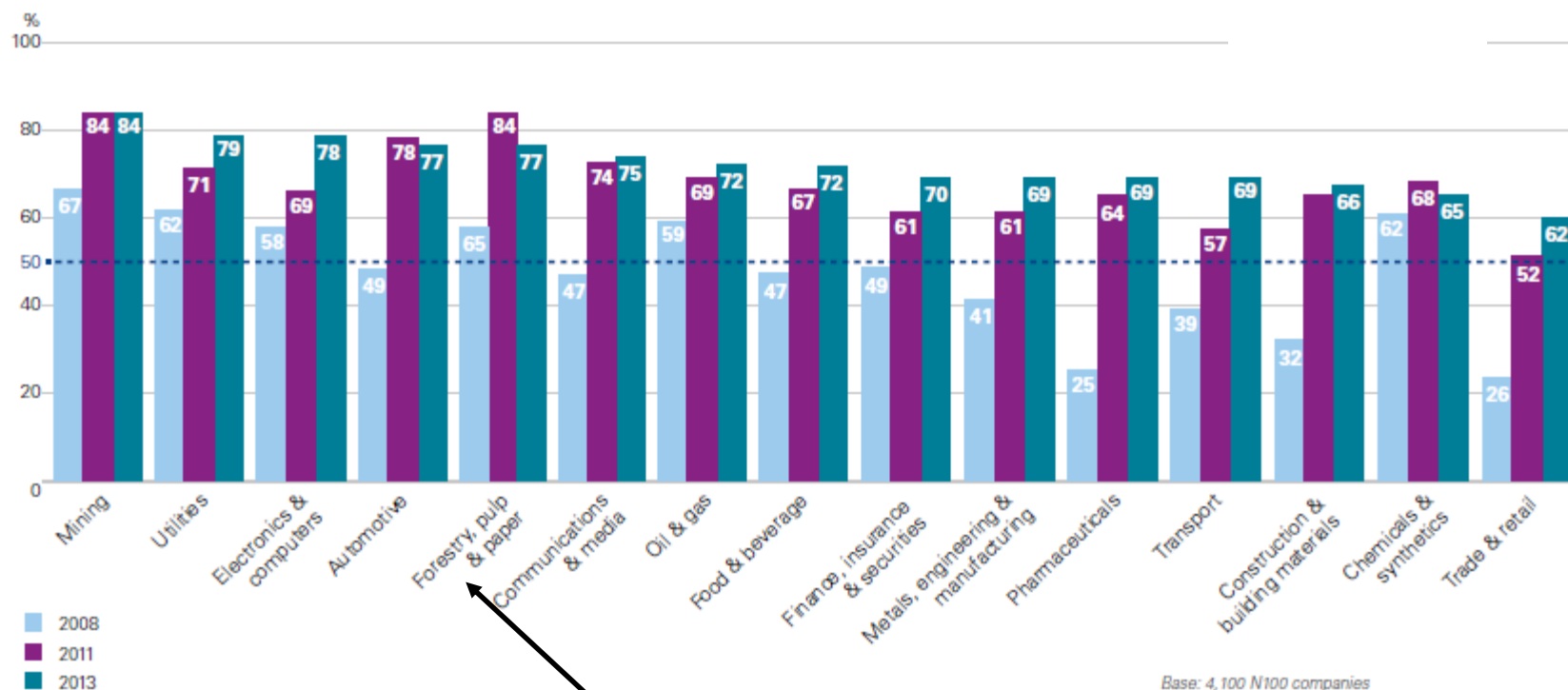
Why corporate sustainability?

1. **Costs** – corporate sustainability is increasingly governed by legislation and branch regulations, also by rules of conduct. By complying with the laws and regulations we can avoid penalties and compensations, falls in production and sales due to ad hoc inspections, potential plant shutdown, **injured reputation** and similar. Corporate sustainability can substantially decrease operating costs also on account of improvements in processes, products and services.
2. **Income** – if we find out which social and environmental topics are important to key stakeholders we can win their loyalty and trust. Company's reputation gets better, sales go up
3. **Creating a competitive advantage** – by implementing sustainable processes and products/services, many companies have managed to create their permanent visibility and competitive advantage (Nike, P&G).
4. **Moral stance of managers** – responsibility can only be personal. More and more managers understand that company's operations affect the environment, society and economy (also in a negative way), and that it is their personal responsibility to try to have negative effects (externalities) under control and to increase the positive ones.

What do researches reveal about “Why”?



Who reports most about sustainability?



Base: 4,100 N100 companies
Source: KPMG International, The KPMG Survey of Corporate Responsibility Reporting 2013, December 2013

N100 = 100 largest companies from 41 countries: 4,100 companies

The industry with a major fall in reporting

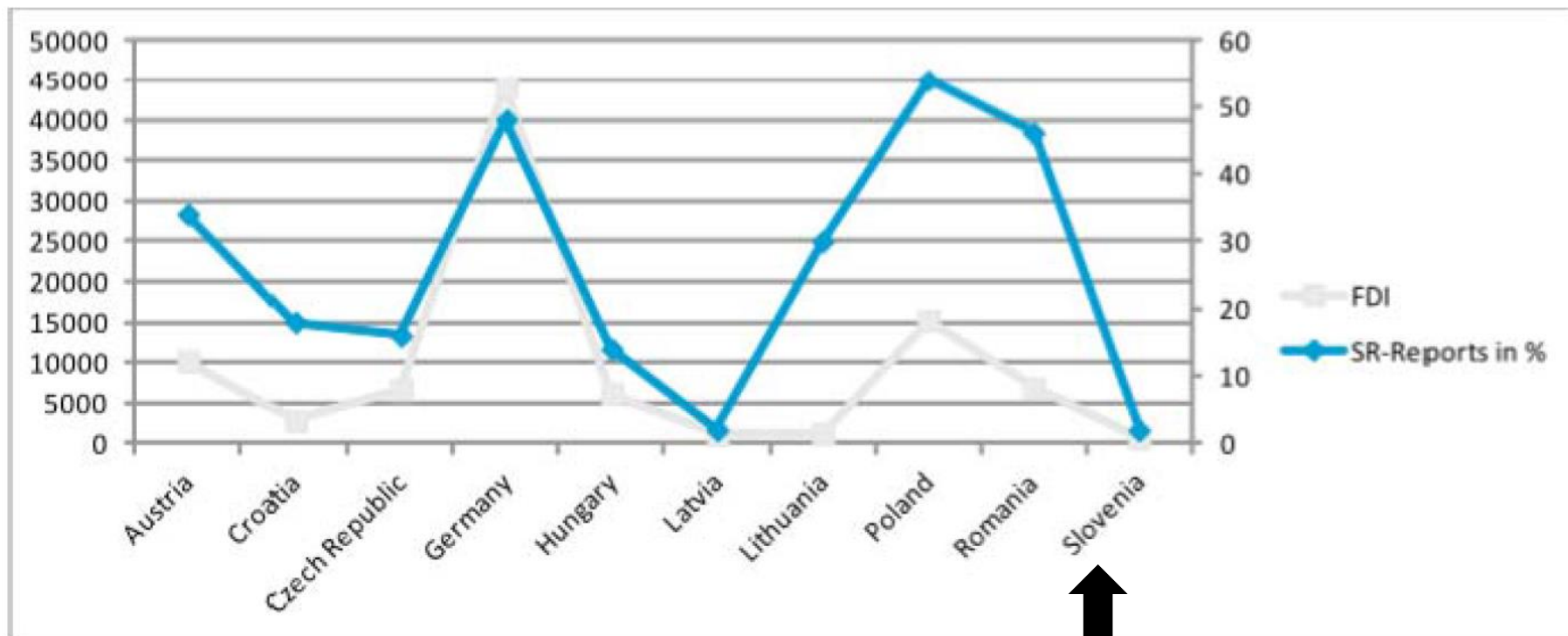
Source: The KPMG Survey of Corporate Responsibility Reporting 2013, p. 27.

What about sustainability reporting in Slovenia?

Country	Stand Alone SR (in %)	SR included in annual report (in %)	SR on company website (in %)	IR (in %)	SR activities overall (in %)	Member of Global Compact (in %)	SR in national language available (in %)	GRI used in stand alone reports in %
Austria	32	4	0	6	48	22	81	100
Croatia	18	6	28	0	52	12	77	56
Czech Republic	16	54	22	0	92	0	88	25
Estonia	12	76	10	2	100	18	50	100
Germany	48	8	4	10	70	48	85,7	88
Hungary	14	2	2	4	44	2	100	57
Latvia	2	4	22	2	30	2	100	0
Lithuania	30	16	0	0	46	16	53	7
Poland	54	6	18	6	84	18	74	59
Romania	46	12	24	6	88	2	17	78
Slovakia	28	46	12	10	96	9	7	86
→ Slovenia	2	54	0	0	56	10	100	100

Source: Pütter et al: Sustainability Reporting in Central and Eastern Europe – Comparative Study

Is there a connection between sustainability reporting and direct foreign investments?



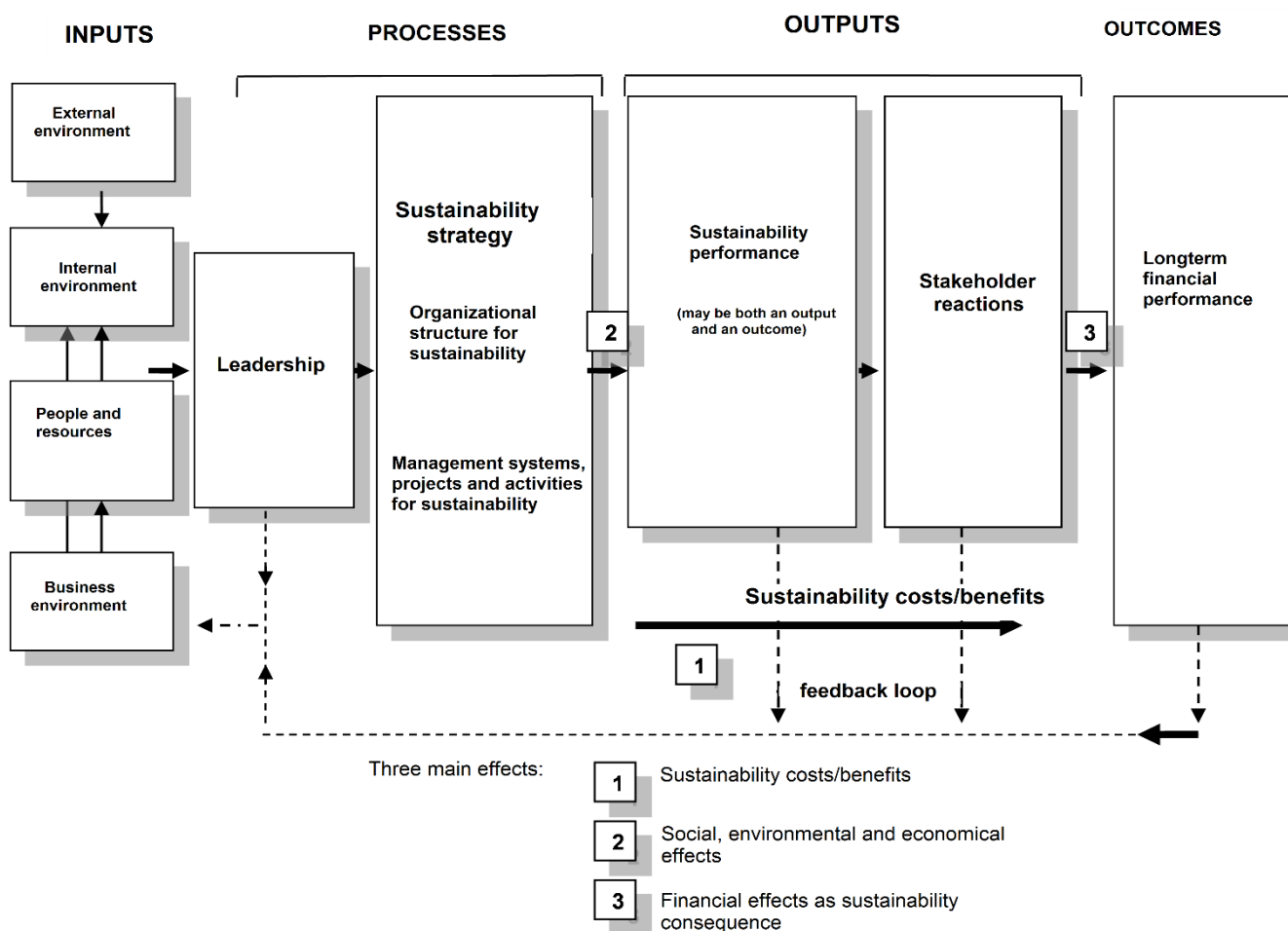
Source: Pütter et al: Sustainability Reporting in Central and Eastern Europe – Comparative Study

To be sustainable and commercially successful at the same time ...

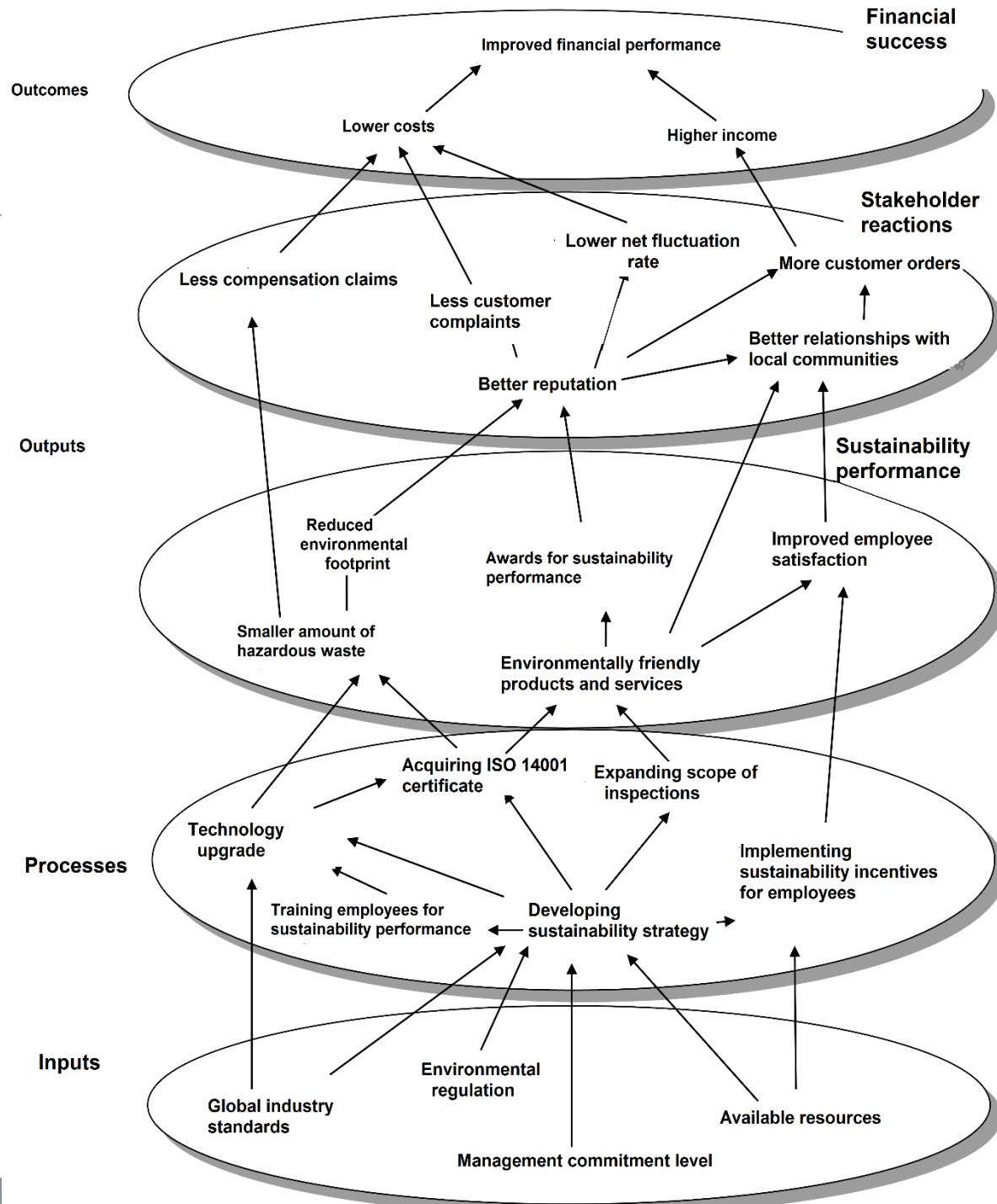
... is demanding,

- because the goal is to be successful in the social, environmental, economic and financial fields **simultaneously**;
- because, at times, goals in the field of sustainability **are difficult to be measured in the short term**;
- because managers are often **under the pressure of short-term financial goals** (which are, as a rule, the criteria for **incentive payments**). In such situations it is difficult to decide correctly and choose among various possibilities;
- because it is difficult to foresee **the responses of various stakeholders** of the company;
- because **the priorities** in society have been constantly changing.

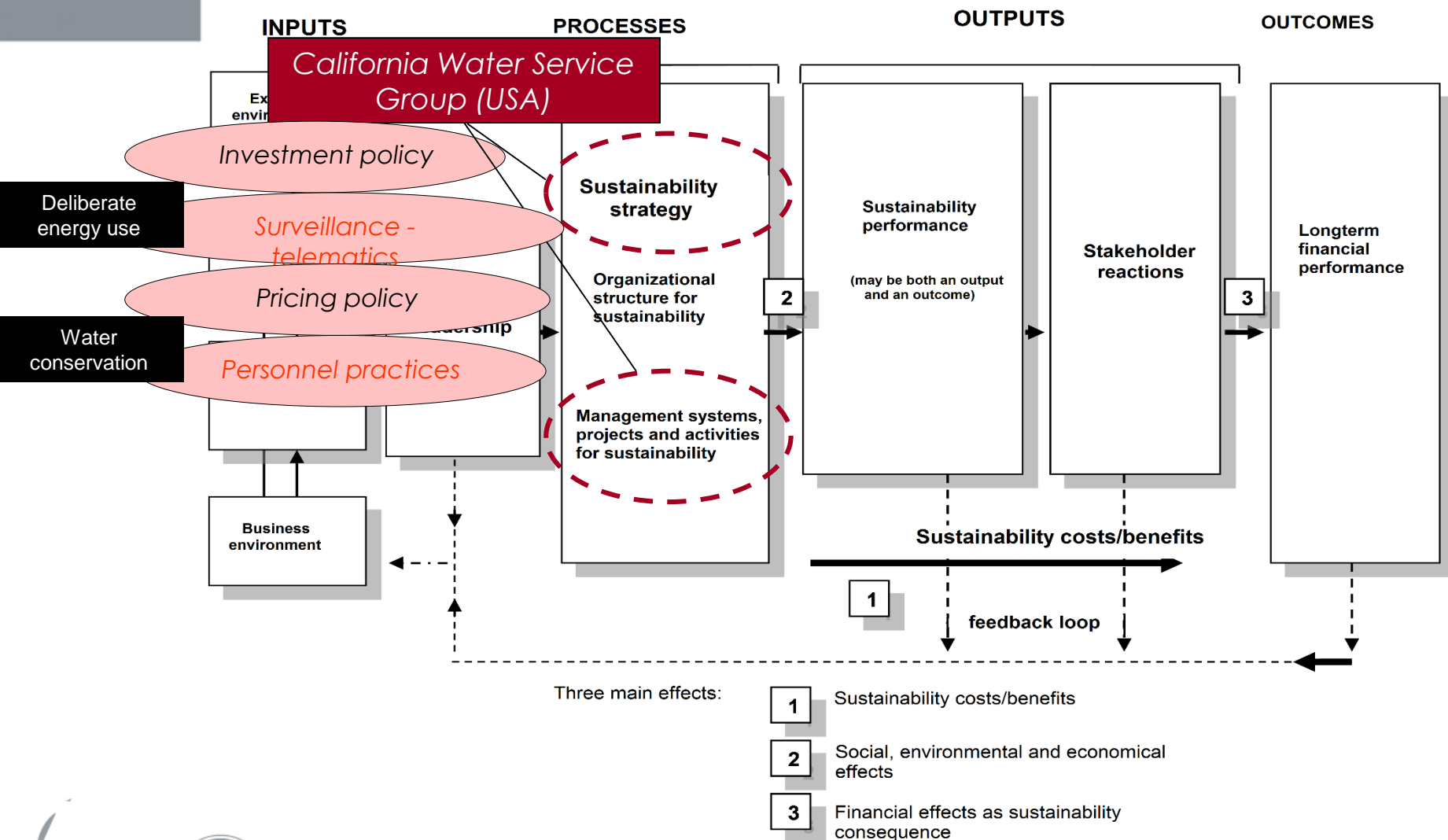
Corporate sustainability model

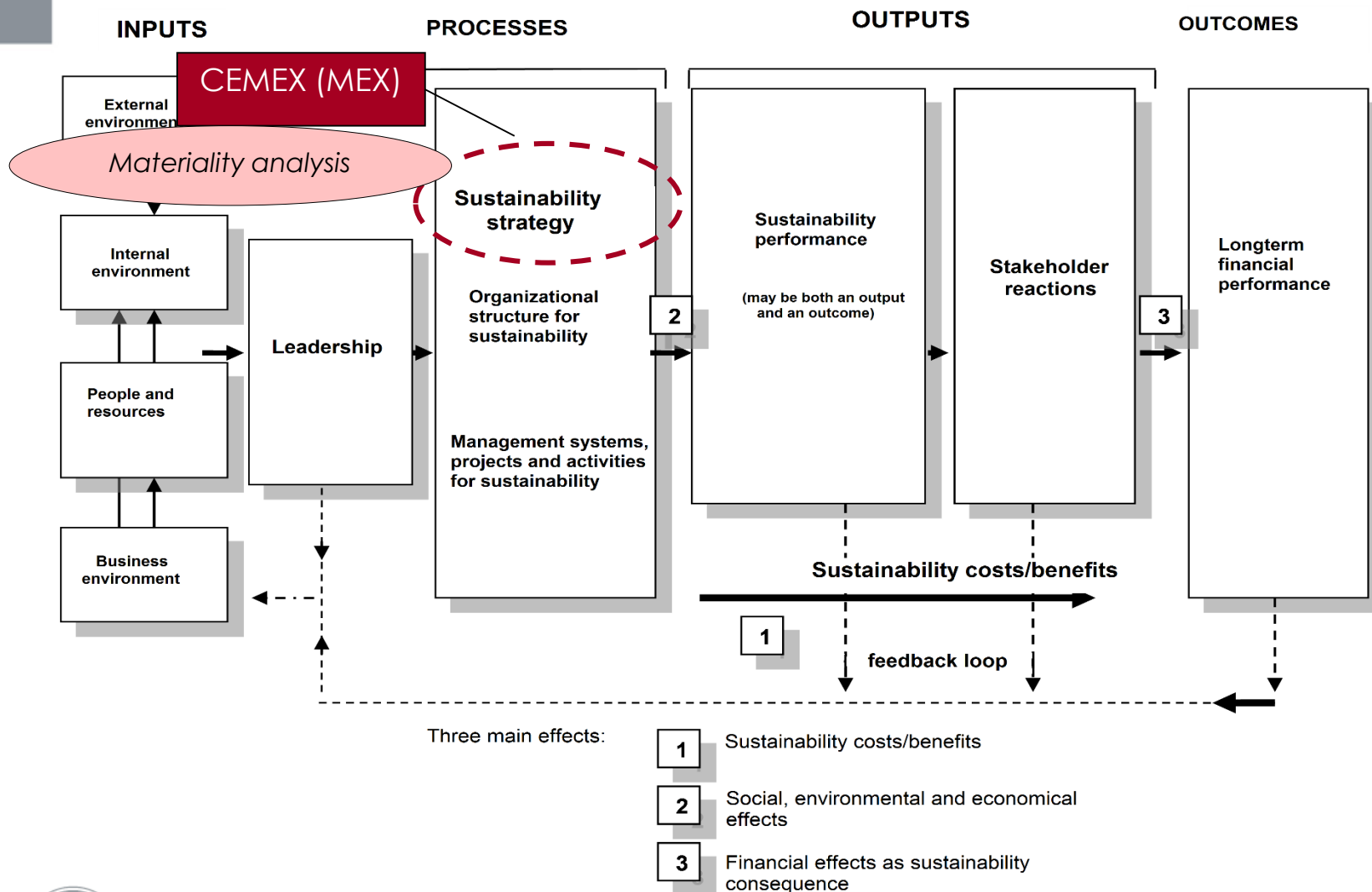


Cause-effect relations in corporate sustainability



Drinking water supply,
sewage system: population
2m, 4 Z federal states

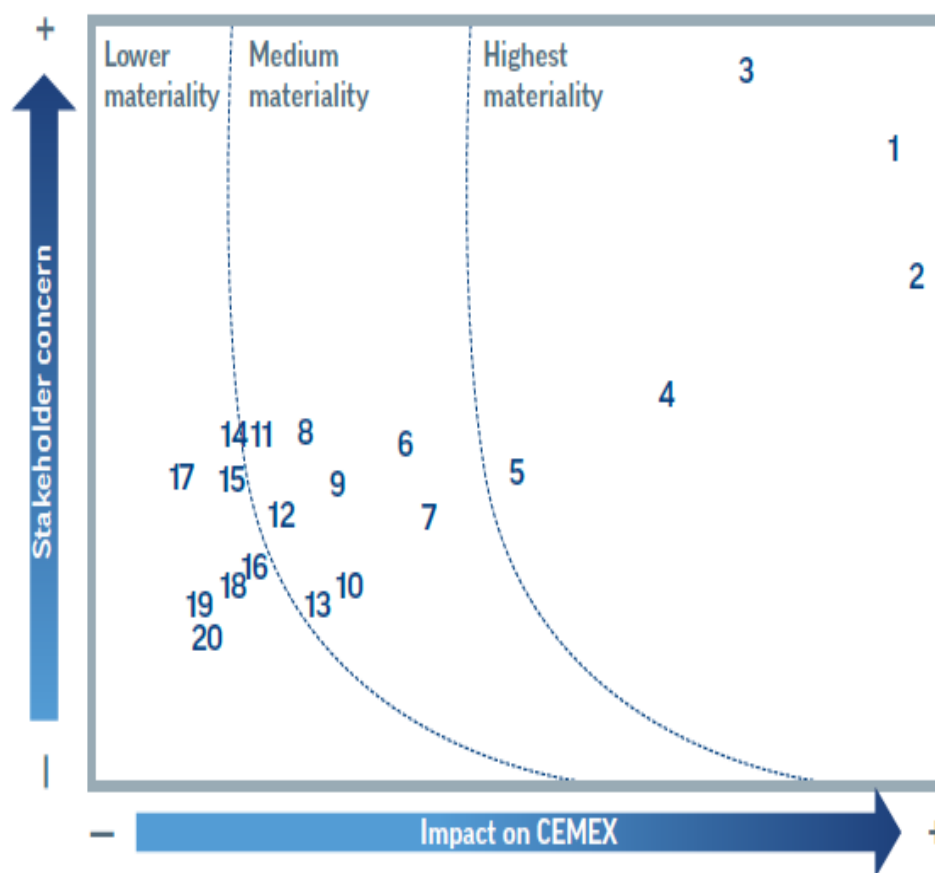




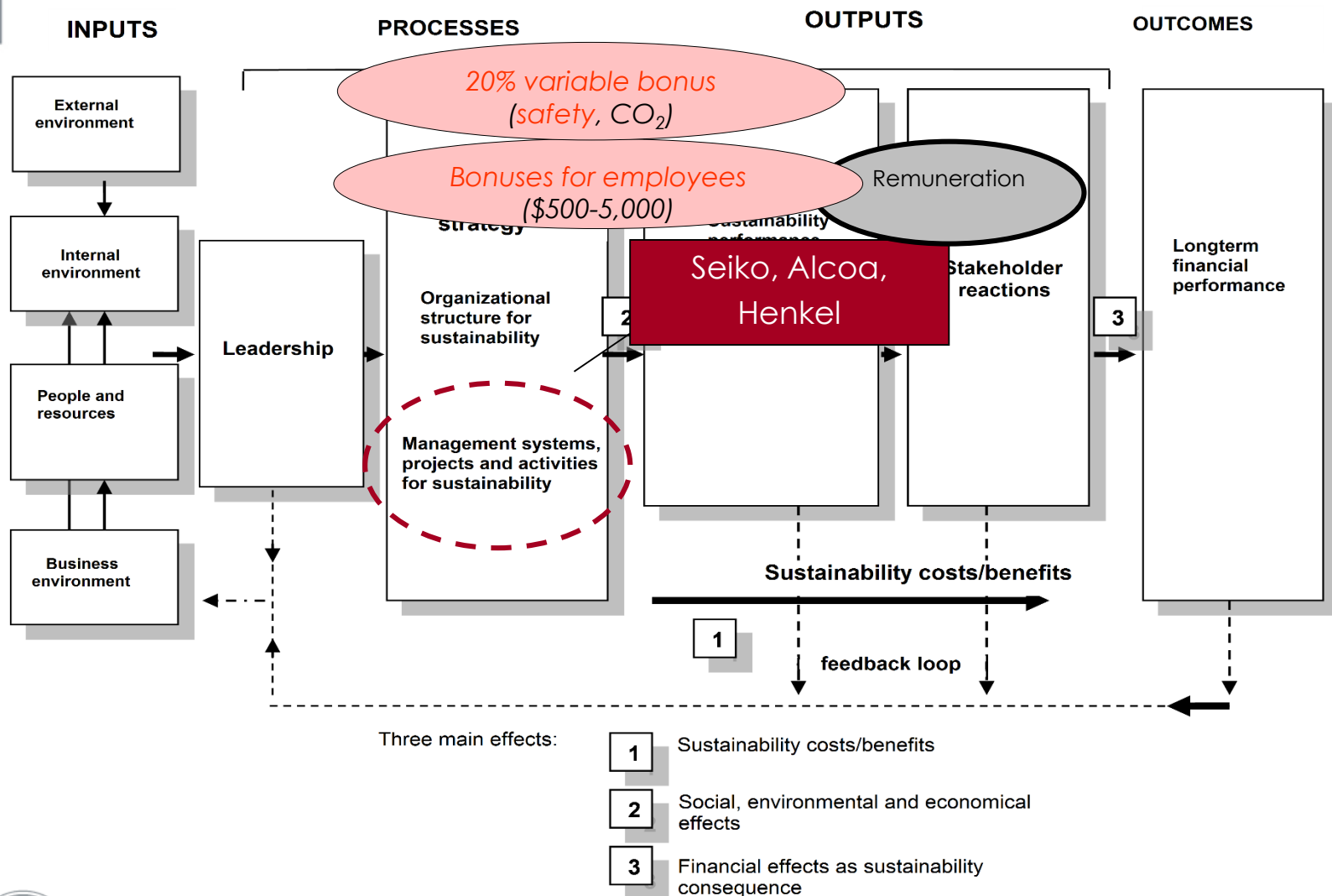
CEMEX

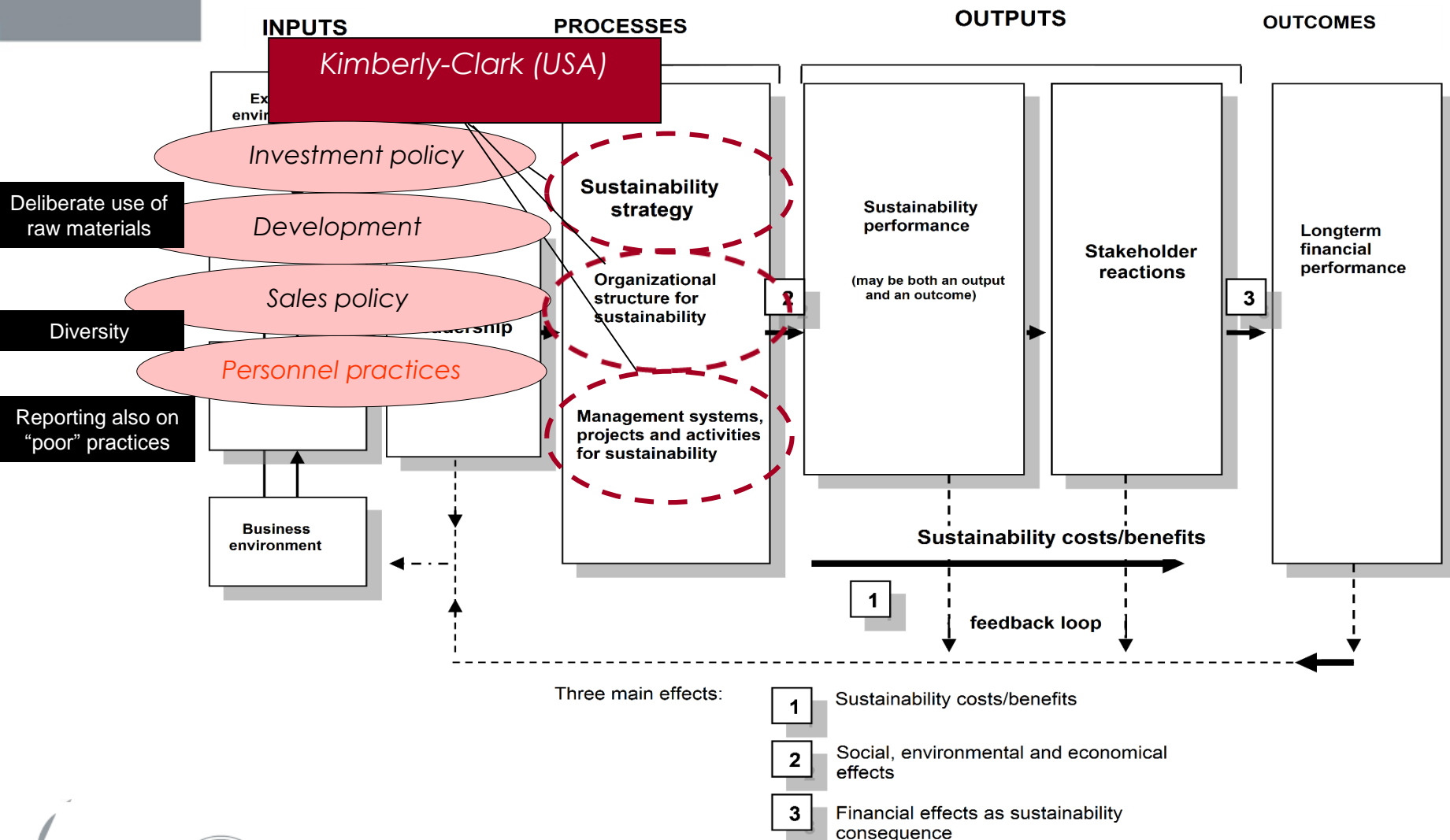
Source: CEMEX, Building the Cities of the Future,
2012 Sustainable Development Report

Materiality Matrix



1. Economic value creation
2. Customer engagement & satisfaction
3. Health and safety for our employees, contractors & clients
4. Climate change & CO₂ emissions management
5. Renewable & alternative energy sourcing
6. Corporate governance & transparency
7. Employees relations & engagement
8. Products, services and solutions to improve lifestyle in cities
9. Air quality management (SO_x, NO_x and other emissions)
10. Human rights & ethics in business
11. Products, services and solutions for high energy efficiency
12. Community engagement and development
13. Risk management
14. Quarry rehabilitation, biodiversity preservation and ecosystems management
15. Responsible and sustainable management of the supply chain
16. Products, services and solutions for low income families
17. Water use and recycling
18. Waste generation, disposal and recycling
19. Transport and logistic optimization
20. Environmental incidents management





Reporting on sustainability goals

SUSTAINABILITY 2015 GOALS ¹	2015 TARGET	2011	2012	2013	2014
PEOPLE					
Eliminate workplace fatalities	0	0	0	0	0
Socially focused programs in Kimberly-Clark communities	100%	62%	89%	89%	97%
Participation of key suppliers with social compliance standards	100%	99%	67%	64%	87%
PLANET					
Reduce water use and maintain quality of discharge in manufacturing	25%	1%	18%	26%	25%
Purchases of fiber from certified suppliers	100%	100%	100%	100%	100%
Reduction in absolute GHG emissions	5%	1.2%	3.6%	6.4%	6.9%
Percentage of landfill avoidance for manufacturing waste ²	100%	78.3%	78.7%	81.5%	83.9%
PRODUCTS					
Number of new consumer touches	250 million	N/A	110	134	284
Percent of net sales from environmentally innovative products	25%	13%	22%	37%	52%
Percent reduction in packaging environmental impact ³	20%	4%	4%	4%	
Percent of 2015 net sales shipped in environmentally innovative primary packaging ⁴	25%			26%	30%

Conclusion

**Good sustainability performance
means also good business
performance!**

Thank you!