

# Integral Business

Integrating sustainability and business strategy



# Contents

## Top line

### Integral

Entire or whole, belonging as a part to the whole (\*).

### Business

Dealings, commercial activity (\*).

## Under line

**Sustainable development** Development that meets the needs of the present without compromising the ability of future generations to meet their own needs (Source: Brundtland Commission).

### A sustainable business

Enhances long-term shareholder value by satisfying the needs of all its stakeholders, adding economic, environmental and social value through its core business functions (Source: PricewaterhouseCoopers).

### Triple bottom line

A framework for measuring and reporting corporate performance against economic, social and environmental parameters (Source: SustainAbility).

### ValueReporting™

A new approach developed by PricewaterhouseCoopers to address the gap between the current financial reporting model and the demand by investors and other stakeholders for more information on market dynamics, strategy and intangible and non-financial drivers of shareholder value.

## Bottom line

### Profit

To gain; the gain resulting from the use of capital, (vt) to make progress, to improve (Shakesp) (\*).

(\* Source: *The Chambers Dictionary*)

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- By Malcolm Bailey, Global Sustainability Industries Leader, and Sunil Misser, Global Leader, Sustainable Business Solutions

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# Introduction

'Sustainability is more than a vision of a distant future. Sustainability is the core of our corporate strategy.'

Source: Dr Norbert Reithofer, *Board Member, Worldwide Production, BMW AG*



A company's wider footprint – its overall integrity, its relationship with suppliers and customers, its environmental performance and its role in society – are all integral to its health and growth prospects. At the same time, the world itself is more integrated. Global communications and knowledge mean that there are few barriers in the way of information (and dis-information) being rapidly disseminated and accessed by consumers, investors, employees, and other stakeholders.

Making sustainability an integral part of a company's business strategy delivers the potential of very real bottom-line benefits. Productivity improvements, cost savings, risk reduction, human resource gains, increased reputation and an enhanced licence to operate are all tangible outcomes cited by companies. At the same time, the insights that come from sustainable business practice give opportunities to reshape strategies for competitive advantage and growth.

Companies are facing increasing external pressures to decide how, when and if to address the challenges being posed. In some cases, this comes in the form of government regulations, such as France's requirement for public companies to include social and environmental information in their annual reports. Companies may also be facing pressure from their peers: 2002's World Summit on Sustainable Development saw over 700 companies playing a significant role in the debate about sustainable development.

Furthermore, the increasing emphasis on the reporting of non-financial information, and new measurement tools herald the prospect of clearer and more direct connections between a company's worth and its governance, values, and social and environmental strategies. The business-integrity issues raised by recent corporate scandals have, in turn, heightened the focus on transparent and relevant reporting. With regulators, non-governmental organisations (NGOs) and other constituency groups increasing the pressure to respond, many companies have chosen to set the pace themselves rather than wait for regulation to set the agenda for them.

These shifts pose challenges and opportunities for all organisations. This paper is being published to give focus to the issues and their implications. We hope this is a useful contribution in your efforts to integrate sustainability and business strategy.

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# The Integral Company

## Value

### Snapshots

#### Centre stage

The emergence of new stock market indices is adding to the momentum for companies to put sustainability at the heart of their strategic thinking. The Dow Jones Sustainability Indexes (DJSI) comprises one global and three regional indices. The DJSI World Index selects the leading 10 per cent of companies on the basis of scores for setting standards for best practice and demonstrating superior environmental, social and economic performance.

The FTSE4Good series comprises four benchmark and four tradable indices with constituent companies screened according to criteria covering environmental sustainability, social issues, stakeholder relations, and human rights.

#### Hard facts

Every single index in the FTSE4Good series has outperformed its unscreened benchmark over a five-year period. A 2001 report states that nearly 12 per cent of investment assets under professional management in the US (US\$2.32 trillion) is involved in socially responsible investing, giving companies that can demonstrate good social and environmental performance wider access to capital. (Source: *Social Investment Forum, 2001 Report on Socially Responsible Investing Trends in the United States*).

#### The value equation

What's driving this out-performance? Is it merely demand for investments, which satisfy the investor's conscience? Is it sound management applied simultaneously to economic, environmental and social dimensions? Or does it reflect an increasing sense that sustainable business practices lead to reduced risk and improved future earnings? There are probably elements of all three. In any event, it is not difficult to rationalise how integrating sustainability with business strategy can increase value and improve share price performance.

It is well understood that investors look beyond traditional financial measures to establish an organisation's value. There are two main reasons: firstly, it is future financial prospects that primarily affect value; and secondly, many non-financial factors drive risk and future performance.

Investors have traditionally framed these factors in terms such as the quality of a company's strategy, the strength of its franchise, and its agility in the face of change. Underscoring all of these is the underlying quality of a company's relationships with its stakeholders and its focus on the three key themes of economic stewardship, the environment and social responsibility (see Figure 1).

Figure 1: Stakeholder view of sustainability

		Stakeholders*			
		Customers	Employees	Society	Partners
Themes	Economic stewardship	Meeting standards and guarantees	Remuneration relative to competitors	Respecting culture and law	Fostering equitable relationships
		Product and service value relative to competitors	Investing in employees' future	Contributing to local economies	Fostering responsibility in stewardship
		Awareness of external trends	Avoiding corrupt practices	Promoting fair trade	
	Environment		Availability of profit sharing	Sensitivity in dislocation	
		Responsiveness to customer concerns	Participation in decision making	Strategic alliances	
		Energy and material efficiency			
	Social responsibility	Environmental policy	Fostering environmental responsibility in the workplace	Protection of the environment	Fostering environmental responsibility
		Promoting health and safety – in construction, products and services	Designing initiatives to improve production in an environmentally efficient way	Responsiveness to community concerns	
		Observance of international standards	Transparency regarding performance	Quality of community interface	
		Health and safety record	Research and development project areas		
		Respecting labour and human rights	Promoting health and safety	Fostering responsibility in health and safety	
		Diversity of workforce and management	Respecting and promoting human rights	Respecting labour and human rights	
	Learning opportunities	Stakeholder partnerships	Job creation		

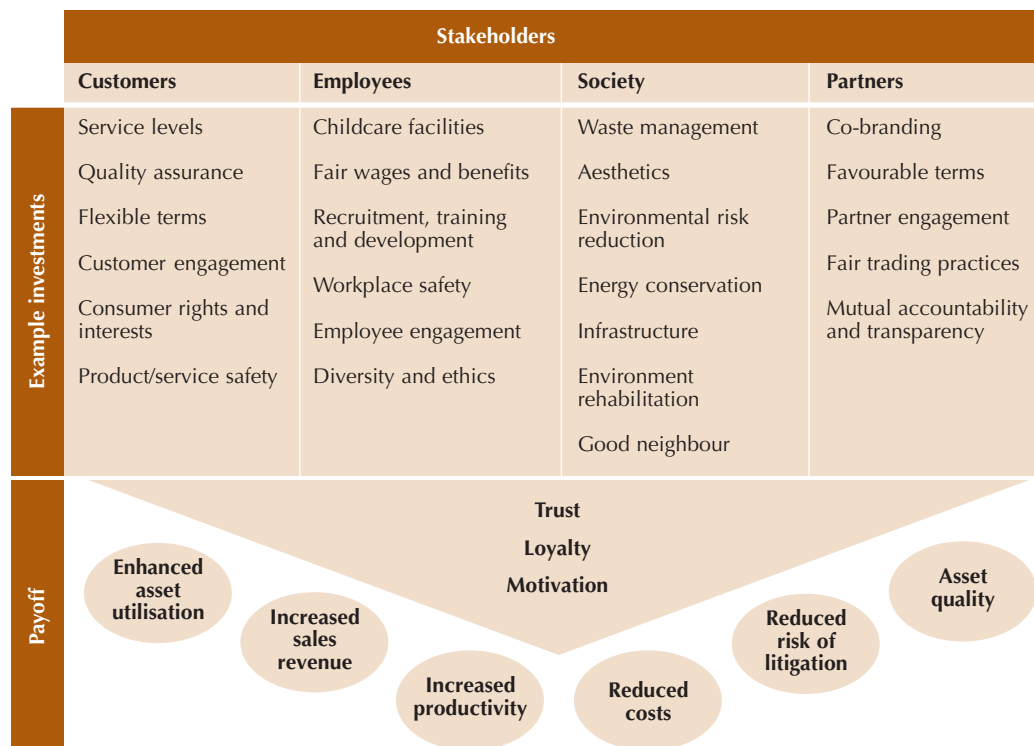
\* Note: Stakeholders constitutes customers, employees, society and partners, including suppliers and alliances, in addition to shareholders. Other groups may also be included.

**integrate** vt to make up as a whole; to make entire; to combine, amalgamate; to incorporate (one person or thing) into another; to desegregate; to find the integral of (math); **to find the total value of.** – vi to become integral; to perform integration. – adj made up of parts; complete; whole.



How then do sustainability initiatives create value for shareholders? Behaving responsibly towards all stakeholders is likely to engender trust, loyalty and motivation. This, in turn, creates value through, for example, improved productivity, improved customer retention, reduced risk of litigation, and a stronger overall license to operate. Correspondingly, expenditure on sustainability initiatives can be evaluated like any other investment, that is, in terms of payoff and net present value (see Figure 2).

Figure 2: Sustainability and value



In contrast to the commonly held view that the interests of shareholders conflict with those of other stakeholders, proponents of sustainability believe that creating value for all stakeholders is necessary to create value for shareholders. Sustainability recognises that being blind to the interests of some stakeholders may deliver short-term financial gain, but almost certainly at the expense of a longer-term cost.

Translating intrinsic value into real share price performance requires appropriate disclosure of a wide range of financial and non-financial information to inform the market view. This should include policy detail, backed up by auditable data, on the company's position on sustainability issues and behaviour towards key stakeholders.

# The Integral Company

## Value

The ability of a company to demonstrate the ‘connected-ness’ of its thinking – from the future to the present, from the most distant supplier to the boardroom – is increasingly critical for its relationship with the capital markets and other stakeholders. Thus, a truly integrated approach would make dialogue with external stakeholders the starting point for understanding and measuring value.

Over the last five years, PricewaterhouseCoopers has conducted a series of global surveys to identify the information that two key sets of stakeholders – investors and analysts – want and need. We then compared this with the information that company managers themselves believed was important. Significant gaps emerged, both in the information reported and in its quality. These gaps emerged across all sectors (see Figure 3).

*Demonstrating and delivering connected communication and thinking is increasingly critical.*

Figure 3: **Falling short – the information gap between investors and managers**

Information gaps across industry									
Industry	Market growth	Market share	Corporate strategy	Quality of management	Earnings	Cash flow	Segment information	Product innovation	Customers
Banking	•			•			•		•
Chemicals			•	•			•	•	•
Consumer products	•		•	•		•	•	•	•
High tech	•	•	•	•	•	•	•	•	•
InfoComms	•	•	•	•		•	•	•	•
Insurance	•			•			•		•
Investment management	•	•	•	•		•		•	•
Petroleum		•	•	•				•	
Pharmaceuticals	•		•	•			•	•	•
Real estate	•			•		•		•	•
Retail	•			•			•	•	•
Utilities	•		•	•					•

• Large information gaps exist.

Note: Information gap is the difference between the importance investors attach to a measure and how satisfied they are that their information needs are being met by company executives.

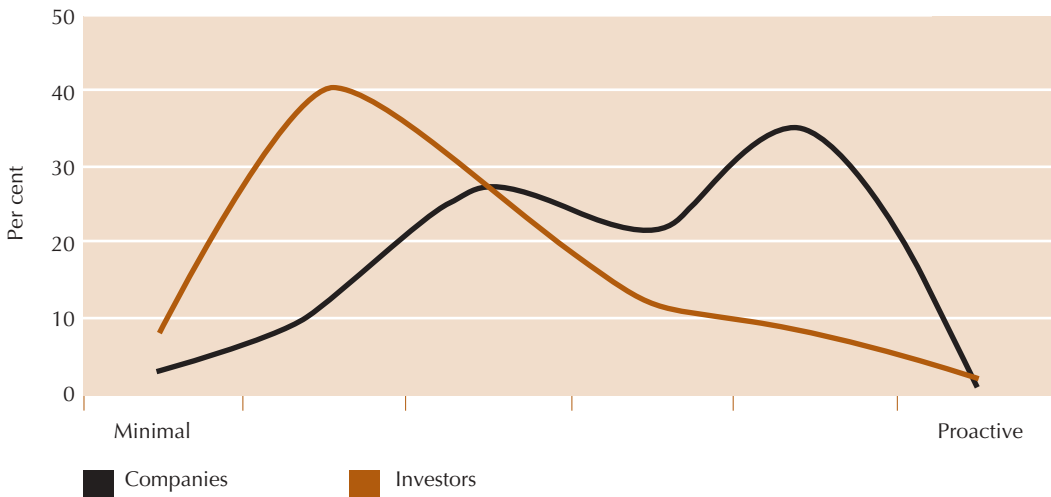
Source: PricewaterhouseCoopers, *Building Public Trust: The Future of Corporate Reporting*, 2002

**integrate** vt to make up as a whole; to make entire; to combine, amalgamate; to incorporate (one person or thing) into another; to desegregate; to find the integral of (math); **to find the total value of.** – vi to become integral; to perform integration. – adj made up of parts; complete; whole.



Not only is there an information gap, but companies believe that their style of dialogue with their investors is highly proactive – as Figure 4 shows, investors do not share this view.

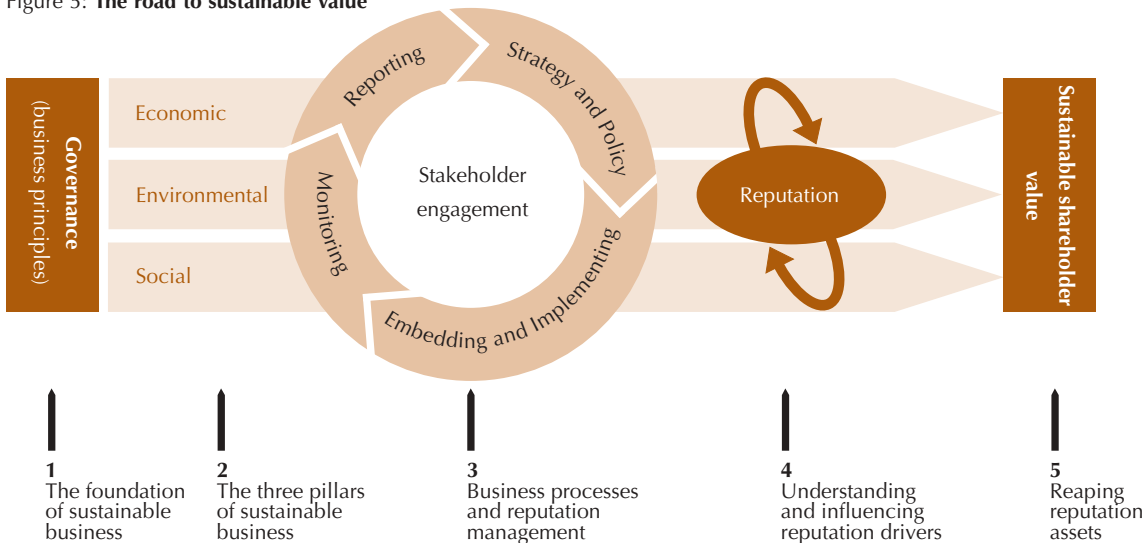
Figure 4: Perceptions of corporate disclosure by companies and investors



Source: PricewaterhouseCoopers, ValueReporting™ Forecast 2002: Bringing information out into the open

ValueReporting™ enables both companies and investors to communicate with each other in terms of the true drivers of company value. A vital component of reporting is the identification of the value drivers that flow from other stakeholder relationships. Indeed, with the advent of sustainability and ethically based investment funds and market indices, information about these wider drivers of value is also increasingly in demand from the investment community. Incorporating a holistic and integrated view of the totality of a company's stakeholder relationships is becoming fundamental to both strategy and accountability (see Figure 5).

Figure 5: The road to sustainable value



Source: PricewaterhouseCoopers Reputation Assurance

# The Integral Company

## Growth

### Snapshots

#### Outperformance

'Companies pursuing growth in the triple bottom line tend to display superior stock market performance with favourable risk-return profiles. Thus sustainability becomes a proxy for enlightened and disciplined management – which just happens to be the most important factor that investors do and should consider in deciding whether to buy a stock.'

(Source: John Prestbo, Dow Jones Indexes President, *Explaining the Dow Jones Sustainability Indexes*, remarks at the World Business Council for Sustainable Development, Liaison Delegates Meeting, 29 March 2000).

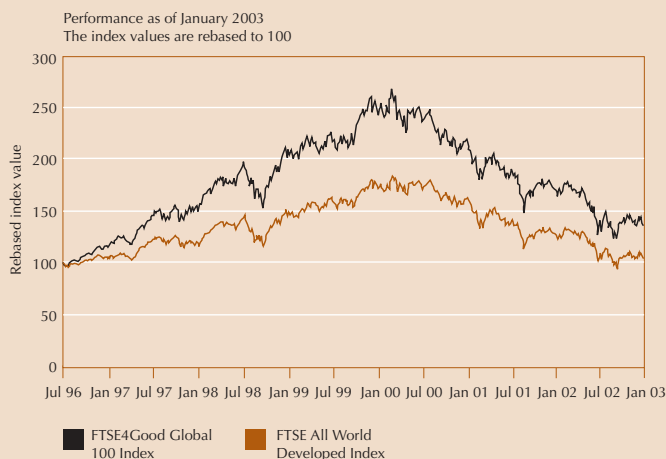
#### Profitability

Sixty-nine per cent of those surveyed in the PwC Global CEO Survey prepared for the 2002 World Economic Forum stated that they believe 'corporate social responsibility is vital to the profitability of any company'. And more CEOs agree today: the same survey conducted in 2003 resulted in 79 per cent of CEOs agreeing. In addition, an impressive number of CEOs (68 per cent) said they would 'sacrifice short-term profitability in exchange for long-term shareholder value when implementing a sustainability programme'.

#### Upward curve

Comparison of FTSE4Good Global 100 against its benchmark index (see Figure 6).

Figure 6: FTSE4Good beats its base index



For any company, the ingredients of growth lie in the interplay between business goals and the dynamics of the wider environment and society. This wider world is its marketplace and it lives and dies by the relevance, reputation and excellence it creates. More and more companies are using sustainability reporting – encompassing the social, environmental and economic impact of the company's operations – not just as an accountability tool but to drive strategy, unlocking new sources of revenue and growth.

Companies are not turning to sustainability for altruistic reasons. Profitability and growth are at the heart of their reasons for building sustainability tools into their business strategy. At a macro level, the results of sustainable business practice are reflected in the performance of the new stock market indices. Backcasting the FTSE4Good and the DJSI shows continual outperformance of their conventional index counterparts. Over a five-year period the DJSI performed an average of 36.1 per cent better than did the Dow Jones Global Index (DJGI), and energy companies in the DJSI performed 45.3 per cent better than those in the DJGI (Source: Ethical Corporation, 4 March 2002).

At a micro level, the insights and opportunities that stem from sustainability practice can flow straight to the bottom line. DuPont, for example, reports that, since it began measuring and reporting on the environmental impact of its activities, annual environmental costs have dropped from a high of US\$1 billion in 1993 to US\$550 million in 2001. Floor-covering manufacturer Interface says it has eliminated more than US\$165 million in waste from products and processes, following its refocus on a sustainable approach.

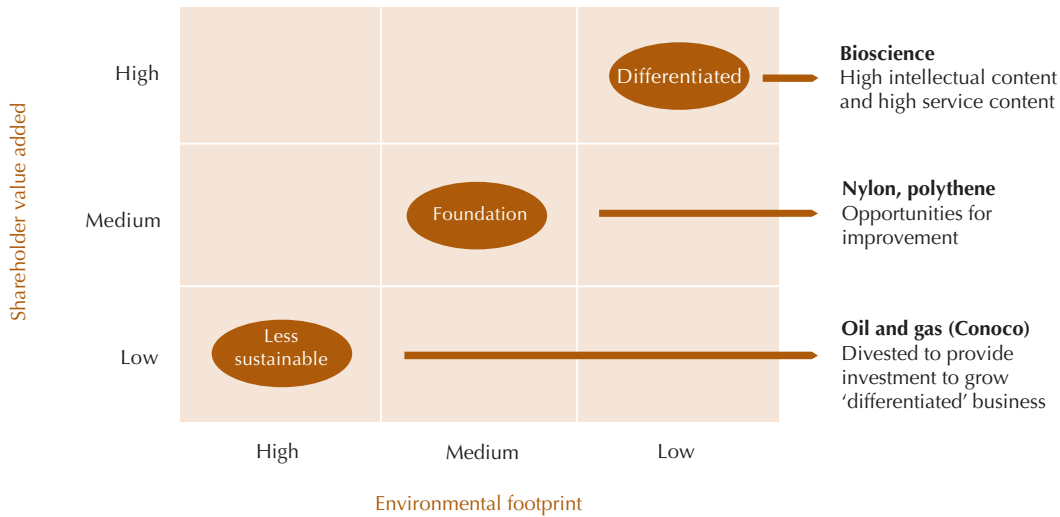
But the big prize for those pursuing truly integral sustainability strategies is longer-term durability and prosperity and better management of external and inherent risks. The potential for longer-term growth is ultimately greater if companies follow the logic of not borrowing from tomorrow to satisfy shorter-term gains today. The emphasis on wider stakeholder interaction and the discipline of integrating social and environmental as well as economic costs into business planning also means that companies are better placed to stay ahead of the curve. Calculating social and environmental costs can spur innovation as well as identify gaps in the market, as illustrated by DuPont's portfolio matrix (see Figure 7).



**integral** in'ta-gral, also *in-teg'ral*, *adj* entire or whole; not fractional; not involving fractions; relating to integrals; **unimpaired**, intact; intrinsic, **belonging as a part to the whole**. – *n* a whole; the whole as made up of its parts; the value of the function of a variable whose differential coefficient is known (*math*).



Figure 7: DuPont's portfolio matrix



Source: DuPont, published in John Elkington, *The Chrysalis Economy*, Capstone Publishing, 2001

One of the dangers of debates about corporate sustainability is that it is seen as only having relevance to specific sectors, for example, extractive industries or the clothing, toy and footwear product markets, where activities may carry environmental costs or impact on poor communities. However, as Figure 8 shows, it is being embraced by companies across a range of sectors, to enable them to stay competitive and protect their reputations. It is as relevant to a media company wanting to ensure that their digital TV or pay-per-view roll-out does not become the medium of yesterday before it has even come of age today, as it is to an automotive company or an energy company seeking to develop technological answers to meet the environmental challenges.

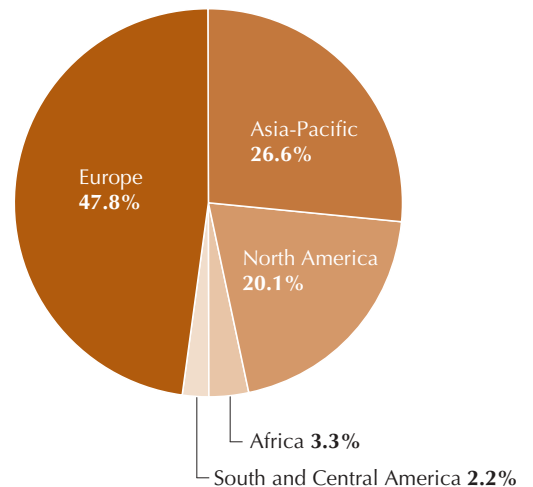
Figure 8: Sustainability spans sectors and the globe

Industry and regional breakdowns of organisations producing reports using the Global Reporting Initiative's Sustainability Reporting Guidelines (as at 20 January 2003)

Industry sector breakdown	No.
Industrial products (includes Engineered Products, Chemicals, Metals & Mining, Construction, and Forest & Paper)	39
Energy and utilities	36
Technology	25
Retail and consumer	23
Financial services	17
Transportation	10
Pharmaceutical	9
Information and communications (includes Entertainment and Media)	9
Automotive	8
Services (includes Transportation, Posts, Education, Not for Profit and Professional)	8

Source: Global Reporting Initiative, [www.globalreporting.org](http://www.globalreporting.org)

Regional breakdown (as at 20 January 2003)



# The Integral Company

## Governance

### Snapshots

#### Sustainability reporting

'The Global Reporting Initiative (GRI) is an international, multi-stakeholder effort to create a common framework for voluntary reporting of the economic, environmental and social impact of organisation-level activity. The GRI mission is to elevate the comparability and credibility of sustainability reporting practices world-wide. The GRI incorporates the active participation of businesses, accountancy, human rights, environmental, labour and governmental organisations'.

(Source: [www.globalreporting.org](http://www.globalreporting.org))

#### Taking a lead

The GRI effort has resulted in guidelines designed to provide 'the first global framework for sustainability reporting encompassing the triple bottom line of economic, environmental and social issues'. British Airways, Ford, NTT, Procter & Gamble, Shell, Siemens and South African Breweries are among the more than 200 companies now using the guidelines for their own reporting efforts.

#### Added impetus

An additional push is coming from legislators. On the environmental front, EU 'producer responsibility' legislation is requiring companies to take greater responsibility for the full product life cycle. Germany now requires providers of pension products to disclose how environmental, ethical and social criteria are considered in the investment of assets. Similar guidelines already exist in the UK. And France now requires public companies to include social and environmental information in their annual reports. Legislators hope that the obligation to disclose sustainability-related information will lead to competition regarding best practice.

A globalising economy and an increasingly interconnected world present new governance challenges. It is no longer sufficient for companies to take a narrow view of governance. Understanding the business through all three dimensions – social, environmental and economic – is a prerequisite of good risk management.

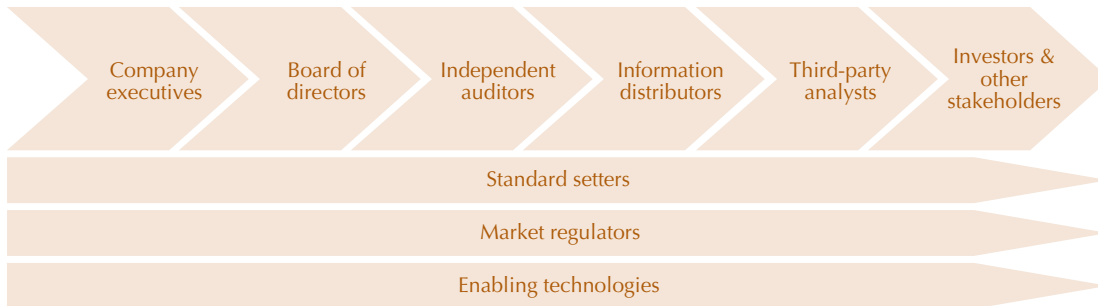
Companies are under much greater scrutiny than ever before. New media and communications technology is enabling more people to gain not just access to information but also opportunities to debate instantly and relay fact, opinion and gossip. At the same time, the Enron collapse has given added impetus to put pressure on the business community to increase the effectiveness and transparency of its corporate governance practices. The Enron failure has shaken public trust in the corporate reporting supply chain. Like all supply chains, its effectiveness depends on how well all the elements work together and it is only as strong as its weakest link. The links failed in the Enron case.

Rebuilding and maintaining public trust demands that transparency, accountability and integrity be demonstrated and proven by every member of the reporting supply chain (see Figure 9). Initiatives on global corporate reporting have a part to play in rebuilding trust. At the same time, investors and other stakeholders need the ability to compare companies in any given industry in ways that go beyond financial reporting. There is a need for industry-level standards to define the industry-specific information that should be reported as a supplement to the global principles. Finally, there is the information and reporting that is specific to individual companies. This includes management's view of the business and the competitive environment, company strategies, unique company value drivers and the company's commitments to wider stakeholders (for more, see DiPiazza and Eccles, *Building Public Trust*, 2002).

**integrity** entireness, wholeness; the unimpaired state of anything; uprightness; honesty; purity. [integer]



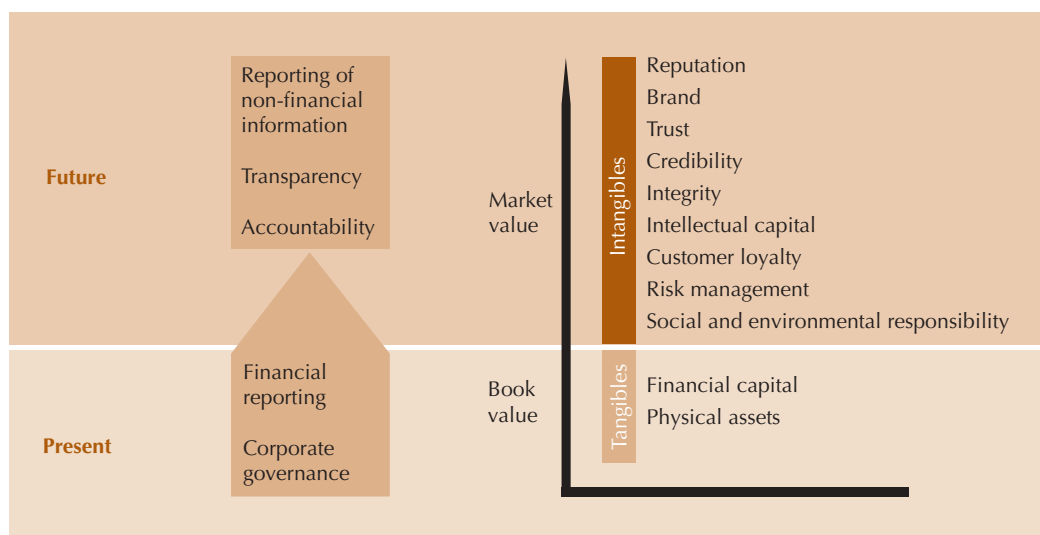
Figure 9: **The corporate reporting supply chain**



Notwithstanding events such as Enron, pressure is also coming from shareholders themselves, both individually and through intermediary bodies such as Pensions & Investment Research Consultants (PIRC) socially responsible investment service in the UK. Analysts and investors are now asking about sustainability-related performance issues alongside financial measures. Increasing numbers of companies are facing questions on environmental and social issues at their annual general meetings.

The momentum for more effective reporting also stems from a realisation that traditional reporting parameters cannot begin to capture some of the key assets that are highly relevant to today's knowledge-based businesses (see Figure 10). This has coincided with developments in triple bottom-line reporting (covering economic prosperity, environmental quality and social justice) that evolved following the 1987 intergovernmental report from the Brundtland Commission.

Figure 10: **The future of reporting**



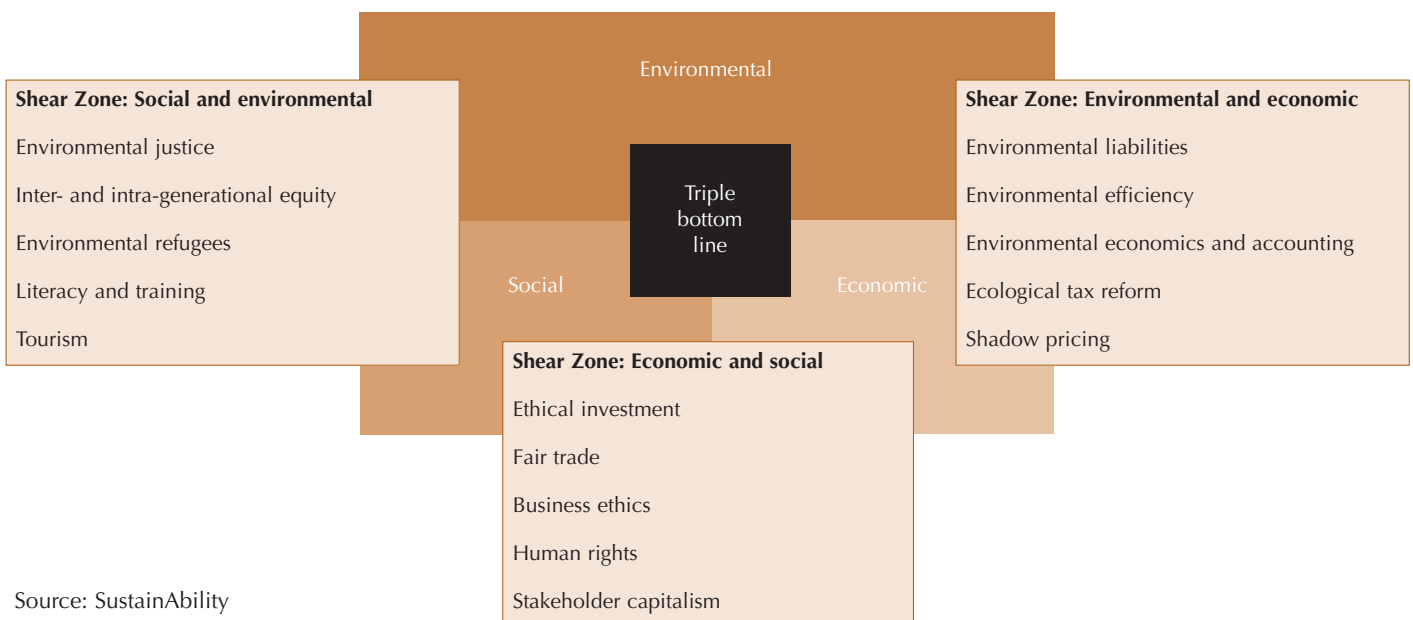
# The Integral Company

## Governance

The concept of the triple bottom line was developed by SustainAbility, a hybrid think tank and management consultancy specialising in corporate sustainability. Its Chairman, John Elkington, emphasises that the triple bottom line is not a constant entity: 'The three bottom lines are not stable; they are in constant flux due to social, political and economic pressures, cycles and conflicts.' As they move relative to one another, dynamic 'shear zones' are created, where the concerns of different areas overlap (see Figure 11). It is here that the most interesting challenges and opportunities arise, 'not within, but between social, economic and environmental areas' (Source: John Elkington, *Cannibals with Forks*, June 1997).

*Companies operate in an increasingly complex world. Changing social, political and financial issues cannot be ignored.*

Figure 11: **The triple bottom line**



Source: SustainAbility

**integrity** entireness, wholeness; the unimpaired state of anything; uprightness; honesty; purity. [integer]



PricewaterhouseCoopers' own ValueReporting™ encompasses the triple bottom-line territory and seeks to deliver a comprehensive coverage of issues. It explicitly addresses a wide number of key areas, recognising the complexities of the macroeconomic environment in which companies operate and changing social, political and financial issues. The ValueReporting™ framework also integrates stakeholder perception and reputation directly into the model.

Many companies are experimenting with new types of indicators to measure and report performance. In September 2001, PricewaterhouseCoopers took a snapshot of what the top 100 global companies by market capitalisation were reporting. Almost all published some form of commentary on social and environmental issues in their annual report and accounts. Just under half also produced a separate report covering either environmental or corporate citizenship issues, or both. Of the 49 separate reports, however, only nine included an external assurance statement from the external auditors or other specialists.

# The Integral Company

## Engagement

### Snapshots

#### Front line

Commissioned by the World Business Council for Sustainable Development, the Mining, Minerals and Sustainable Development Project (MMSD) is an independent two-year project of research and consultation to understand how the mining and minerals sector can contribute to the global transition to sustainable development. Stakeholder engagement with those affected by all aspects of the mining and minerals cycle forms a key part of the initiative.

#### Out there

In South Africa, PricewaterhouseCoopers spearheads a 'sustainability and citizenship' programme through a Corporate Social Responsibility Board that gives independent oversight and scrutiny to its initiatives with employees, suppliers and the wider society. The result is a programme of integrated activities that is helping to develop human capital in South Africa. On the community level, for example, this has translated into the development of school infrastructure. On the business front, it has led to almost 10,000 entrepreneurs being supported in small-and-medium-sized enterprises.

#### Reputation

Social and pressure-groups now form a fundamental aspect of a companies' wider stakeholder approach. Following resumed talks in 2001 over the Kyoto principle, activist groups such as Greenpeace and Friends of the Earth targeted companies for consumer boycott. The spotlight was positioned on those companies deemed to be ignoring the needs of all stakeholders. Activism such as that which occurred demonstrates the need to engage thoughtfully across the wider stakeholder concerns.

Engagement with stakeholder interests is integral to corporate sustainability. In a world where development not infrequently carries moral, ethical, environmental and social controversy with it, dialogue is vital to deliver the right approach for both companies and wider stakeholders alike.

True engagement is deeper than simply reporting information to shareholder and stakeholder interests. It is a two-way conversation that is conducted not just to deliver transparency but to enhance business outcomes. It is the starting point for developing key performance indicators to ensure that a company's 'value story' is shaped and developed to meet stakeholder needs. It is also a continuing cycle of dialogue to review outcomes and build for the future.

Companies are increasingly being rewarded or punished for their 'Triple Bottom Line' impact on their stakeholders. Monitoring, engaging and managing stakeholder support is crucial for organisations to survive and prosper in the short and long-term.

In a post-Enron world, deeper engagement of this kind will be fundamental to creating a 'no surprises' climate that can provide investor confidence and minimise market volatility. Its application to wider stakeholder concerns is also essential to deliver a volatility-free business climate for a company's operations. It is not something to relegate to public relations agencies but instead needs to come from deep inside the company itself.

Spurred by several high-profile, international incidents, the Royal Dutch/Shell Group has become one of the most visible and leading proponents of sustainability reporting. Engagement is central to its approach. The company says 'We see engagement as both a principle and an enabler of sustainable development' (Source: The Shell Report, *People, planet and profits*, 2000). As Eccles *et al* explain, 'In developing the key performance indicators (KPIs) that it uses to measure performance across the triple bottom line, Shell held 33 meetings with stakeholders, systematically recording, analysing, and categorising their input using well-defined KPI screening criteria. Shell also involved shareholders in the KPI engagement exercise, including two large institutional investors as well as a number of other distinctive stakeholder groups such as non-governmental organisations, labour organisations, academia and government' (Source: PricewaterhouseCoopers, Eccles *et al*, *The ValueReporting™ Revolution*, 2001).

Strong engagement by companies is also vital if economic development is to be successful in creating stable, sustainable communities. This is especially the case in the developing world where poverty, inequality, conflict and corruption can drastically curtail business potential.

**interaction** to act on one another; a substance etc, which interacts; mutual action; allowing two-way communication.



### World Economic Forum – The global leadership challenge for CEOs and boards

<p><b>1. Provide leadership:</b> Set the strategic direction for corporate citizenship in your company and engage in the wider debate on globalisation and the role of business in development.</p> <ul style="list-style-type: none"> <li>(i) Articulate purpose, principles and values internally and externally</li> <li>(ii) Promote the ‘business case’ internally</li> <li>(iii) Engage the financial sector</li> <li>(iv) Enter the debate on globalisation and the role of business in development</li> </ul>	<p><b>2. Define what it means for your company:</b> Determine the key issues, stakeholders and spheres of influence which are relevant for corporate citizenship in your company and industry.</p> <ul style="list-style-type: none"> <li>(i) Define the issues</li> <li>(ii) Agree on company’s sphere of influence</li> <li>(iii) Identify key stakeholders</li> </ul>	<p><b>3. Make it happen:</b> Establish and implement appropriate policies and procedures, and engage in dialogue and partnership with key stakeholders to embed corporate citizenship into the company’s strategy and operations.</p> <ul style="list-style-type: none"> <li>(i) Put corporate citizenship on the board agenda</li> <li>(ii) Establish internal performance, communication, incentive and measurement systems</li> <li>(iii) Engage in dialogue and partnership</li> <li>(iv) Encourage innovation and creativity</li> <li>(v) Build the next generation of business leaders</li> </ul>	<p><b>4. Be transparent about it:</b> Build confidence by communicating consistently with different stakeholders about the company’s principles, policies and practices in a transparent manner, within the bounds of commercial confidentiality.</p> <ul style="list-style-type: none"> <li>(i) Agree what and how to measure</li> <li>(ii) Develop a graduated programme for external reporting</li> <li>(iii) Be realistic</li> </ul>
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Source: World Economic Forum Global Corporate Citizenship Initiative and the Prince of Wales International Business Leaders Forum, ‘Global Corporate Citizenship: The Leadership Challenge for CEOs and Boards’, January 2002. [www.weforum.org/corporatecitizenship](http://www.weforum.org/corporatecitizenship)

Some of the world’s leading transnational and domestic oil, gas and mining corporations, together with the World Bank Group, the UK Department for International Development and CARE International, are forging a new ‘tri-sector’ approach to partnership, bringing business, government and NGOs together in a process of deep engagement.

In the natural resources sector, companies such as the Anglo American Corporation, BP, Placer Dome, Rio Tinto and Shell are forging tri-sector initiatives in some of the poorest parts of the world. From the business perspective, tri-sector partnering is one approach to contributing to a positive development legacy for local communities, without generating the liabilities of community dependency.

On a wider market level, initiatives such as the Marine Stewardship Council (MSC) and the Forest Stewardship Council (FSC) seek to promote market-led solutions towards sustainable fish and forestry practices. In the case of the MSC, two global organisations, the World Wide Fund for Nature and Unilever, came together to tackle a shared problem – the decline of global fish stocks. Unilever sells fish to over 150 million people in Europe under labels such as Birds Eye and has committed itself to meeting a target of only purchasing fish from sustainable stocks by 2005. The MSC is proposing independent accreditation which means that only fisheries meeting strict standards are eligible for certification in the scheme and products from such fisheries can carry a logo stating that the fish is from a sustainable source.

# The road ahead

Integrating sustainability into core business practice offers the opportunity for companies to deliver competitive advantage and to unlock new routes to growth.

Companies live or die by their relationships with those around them. Taking a narrow commercial view runs the risk of failing to see the bigger picture, leaving the company exposed to wider trends or seeing it fall victim to unforeseen crises. Engaging actively with all relevant stakeholder interests, on the other hand, enables companies to build more enduring growth on firmer foundations. It delivers a platform not just for enhanced reputation but, crucially, for deeper understanding of key dynamics and their contribution to value and growth.

Putting sustainability at the heart of a business requires a willingness to put the company's interaction with a range of stakeholders at the centre of its strategy. It means looking hard at stakeholder identification, getting dialogue right, developing meaningful indicators and putting appropriate reporting mechanisms in place (see Figure 12).

Sustainability is a journey, not a destination. Strategic plans to include in corporate strategy all of the elements to measure costs of impacts, together with long-term business driving solutions, provide the underpinning of continuous improvement.

## Progress in Johannesburg

The World Summit on Sustainable Development, held in late 2002, was designed to catalyse action. In addition to agreeing an implementation plan for achieving sustainable development and the Johannesburg Declaration on Sustainable Development, the summit went further. Over 300 voluntary partnerships were announced between government, civil society, non-governmental and intergovernmental organisations and the private sector. These projects included expanding access to water and sanitation, improving agricultural yields, managing toxic chemicals and protecting biodiversity.

(Source: PricewaterhouseCoopers, *Bulletin: World Summit on Sustainable Development – Summary and Analysis*, 2002)

Figure 12: Integrating stakeholder relations into business planning and reporting







**The road ahead – integrating sustainability into your business strategy**

<b>Connections</b>	<b>Dialogue</b>	<b>Indicators</b>	<b>Reporting</b>
<p>Identify the full range of connections that are potentially integral to your business success – investors, partners, consumers and wider society</p> <p>Consider what best drives reputation and value in your market</p>	<p>Establish the right mechanisms to conduct dialogue at all potential connection points, and consider the strategic implications of what is learned from these connections</p>	<p>Translate dialogue into meaningful indicators to chart the implications for future strategy</p> <p>Set targets for improvement and monitor performance</p>	<p>Develop reporting mechanisms that are capable of delivering proactive governance and management across the range of mission-critical financial and non-financial factors</p>

A richer, more comprehensive understanding of a company's interaction with the world around it is essential to delivering lasting growth. It is a 'strategy driver' as well as a 'reputation protector'. Getting it right is vital to creating not just a crisis-free landscape but also for building market potential and product innovation for the future.

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