The Business Case for Sustainability
ABOUT PURDUE MEP

Who we are: Purdue Manufacturing Extension Partnership (MEP)

- Division of Purdue Technical Assistance Program.
- Our staff consists of experts from a wide variety of business and manufacturing sectors.

What we do:

- We work exclusively with Indiana businesses to maximize performance through streamlined processes, increased profitability, and increased competitiveness.
- We offer public workshops, on-site training, and consulting services.
- Through these services Purdue MEP clients report new sales, product and market growth, cost reductions, and job growth.
“Able to last or continue for a long time” – Merriam Webster

“Meeting the needs of the present without compromising the ability of future generations to meet their own needs.” – UN General Assembly, Report of the World Commission on Environment and Development

"In every deliberation, we must consider the impact on the seventh generation." – The Constitution of the Iroqouis Nations
“Sustainability” = doing things because they are better for the planet, without regard for profit.
ACTUAL SUSTAINABILITY

Sustainability = delicate balance of all three factors in the Triple Bottom Line
In 2017, **94% of Fortune 200** companies have sustainability goals.

Sustainability is becoming more critical for all companies to remain competitive.
WHY ARE COMPANIES BECOMING MORE SUSTAINABLE?

Is your company trying to cope with increasing environmental regulation?

Are your customers demanding better environmental performance and data?

Do you want to lower your energy and materials costs?

Are you interested in producing and marketing greener products?
MORE PROFIT

Do companies that invest heavily in sustainability incur higher costs and become less profitable?

No. Global 100’s cumulative return is 24 percentage points higher than the ACWI benchmark.
“Business as usual” is no longer good enough.

44% of business leaders developing urgent solutions cited growth and new business opportunities as reasons for tackling sustainability challenges.
RISK MITIGATION

2016
2015
2014

Hottest years in modern record

16 of the top 17 have occurred since 2000
### Top 5 Global Risks in Terms of Likelihood

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<tbody>
<tr>
<td>1st</td>
<td>Asset price collapse</td>
<td>Asset price collapse</td>
<td>Asset price collapse</td>
<td>Storms and cyclones</td>
<td>Severe income disparity</td>
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<td>Income disparity</td>
<td>Intersate conflict with regional consequences</td>
<td>Large-scale involuntary migration</td>
<td>Extreme weather events</td>
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<td>2nd</td>
<td>Global governance gaps</td>
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<td>Chronic fiscal imbalances</td>
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<td>3rd</td>
<td>Chronic disease</td>
<td>Chronic disease</td>
<td>Chronic disease</td>
<td>Corruption</td>
<td>Rising greenhouse gas emissions</td>
<td>Rising greenhouse gas emissions</td>
<td>Unemployment and underemployment</td>
<td>Failure of national governance</td>
<td>Failure of climate change mitigation and adaptation</td>
<td>Major natural disasters</td>
<td>Cyberattacks</td>
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<td>4th</td>
<td>Oil and gas price spike</td>
<td>Global govemance gaps</td>
<td>Fiscal crises</td>
<td>Biodiversity loss</td>
<td>Cyber attacks</td>
<td>Water supply crises</td>
<td>Climate change</td>
<td>State collapse or crisis</td>
<td>Interstate conflict with regional consequences</td>
<td>Large-scale terrorist attacks</td>
<td>Data fraud or theft</td>
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<td>5th</td>
<td>Chronic disease</td>
<td>Chronic disease</td>
<td>Retrenchment from globalization (emerging)</td>
<td>Global governance gaps</td>
<td>Climate change</td>
<td>Water supply crisis</td>
<td>Managemen of population ageing</td>
<td>Cyber attacks</td>
<td>High structural unemployment or underemployment</td>
<td>Major natural catastrophes</td>
<td>Failure of climate change mitigation and adaptation</td>
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### Top 5 Global Risks in Terms of Impact

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<td>1st</td>
<td>Retrenchment from globalization (developed)</td>
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<td>Climate change</td>
<td>Water supply crises</td>
<td>Water supply crises</td>
<td>Climate change</td>
<td>Rapid and massive spread of infectious diseases</td>
<td>Weapons of mass destruction</td>
<td>Extreme weather events</td>
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<td>2nd</td>
<td>Slowning Chinese economy (-6%)</td>
<td>Oil and gas price spike</td>
<td>Oil price spikes</td>
<td>Geopolitical conflict</td>
<td>Food shortage crises</td>
<td>Chronic fiscal imbalances</td>
<td>Water crises</td>
<td>Weapons of mass destruction</td>
<td>Water crises</td>
<td>Natural disasters</td>
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<td>3rd</td>
<td>Chronic disease</td>
<td>Chronic disease</td>
<td>Chronic disease</td>
<td>Asset price collapse</td>
<td>Chronic fiscal imbalances</td>
<td>Diffusion of weapons of mass destruction</td>
<td>Unemployment and underemployment</td>
<td>Interstate conflict with regional consequences</td>
<td>Large-scale involuntary migration</td>
<td>Major natural disasters</td>
<td>Failure of climate change mitigation and adaptation</td>
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<td>Oil and gas price spike</td>
<td>Chronic disease</td>
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<td>Fiscal crises</td>
<td>Fiscal crises</td>
<td>Extreme energy price volatility</td>
<td>Failure of climate change mitigation and adaptation</td>
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<td>Severe energy price shock</td>
<td>Failure of climate change mitigation and adaptation</td>
<td>Winter storms</td>
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<td>5th</td>
<td>Pandemics</td>
<td>Fiscal crises</td>
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<td>Extreme energy price volatility</td>
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- **Economic**
- **Environmental**
- **Geopolitical**
- **Societal**
- **Technological**
## Stages of Sustainability

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<tr>
<th>Stage</th>
<th>Description</th>
<th>Key Attitudes</th>
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<tr>
<td>Stage 1</td>
<td>Green not part of the organization mission</td>
<td>View Environmental Initiatives as Costs</td>
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<td>Stage 2</td>
<td>Green enters into the organization mission as it is legally required</td>
<td>Sustainability can save money</td>
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<td>Stage 3</td>
<td>The organization considers the proactive application of Green to be consistent with the profit mission</td>
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<td>Stage 4</td>
<td>The organization transforms into a Green organization. Green is viewed more as an opportunity than a cost</td>
<td>Sustainability part of corporate strategy</td>
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<td>Stage 5</td>
<td>The organization approaches business as a holistic, restorative company</td>
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**KEY DRIVERS**

- **Energy/Cost Saving**: 94% Stages 1 & 2, 96% Stage 3, 95% Stages 4 & 5
- **Regulation**: 60% Stages 1 & 2, 68% Stage 3, 97% Stages 4 & 5
- **Customer Need**: 48% Stages 1 & 2, 68% Stage 3, 75% Stages 4 & 5
- **Competitive Advantage**: 48% Stages 1 & 2, 60% Stage 3, 80% Stages 4 & 5
- **Staff Retention**: 24% Stages 1 & 2, 42% Stage 3, 59% Stages 4 & 5

- On average, 81% Report that the Public is Expecting Sustainability from Corporate America - up from 66% in 2009
- All are driven by energy and cost savings... _but_
- Firms in higher stages also recognize importance of intangible metrics
SOFT BENEFITS

Currently Evaluate Benefits with Soft Measures

- Yes: 16%
- No: 84%

Similar use in 2009 (14%)

Soft Measures of Sustainability Used

- Health Care Claims: 62% (2009), 68% (2012)
- Worker Productivity: 90% (2009), 65% (2012)
- Employee Retention/Turnover: 66% (2009), 65% (2012)
- Absenteeism: 58% (2009), 52% (2012)
- Customer Loyalty: 59% (2009), 52% (2012)
ENVIRONMENTAL WASTE CATEGORIES

- Water
- Air
- Solids
- Toxicity (Chemicals)
- Energy
Energy Efficiency Projects:

- Immediate, monthly cost savings
- Quick ROI
- Repeating annual cost savings
- Labor/Maintenance Savings
- Environmental Emissions Reductions
SUBARU STANCE

"I think because of the years of kaizening and improving our equipment, it was a very easy transition into the environmental part of the business...Each manager has a goal for the environment that they must meet as a part of their performance review. It's also part of our management bonus program, that our overall corporate goals must be met with regard to the environment."

- Jim Myers, Subaru of Indiana Automotive
"After all, anything we buy, we emit, send down the drain, burn in an incinerator or put into landfill, we pay for. If we can save it we will automatically contribute to our bottom-line. Therefore it has to make good business sense."

- Steve Hope, General Manager, Environmental Affairs and Corporate Citizenship at Toyota Motor Europe
WHAT ARE YOU WAITING FOR?
CONCLUSION

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