

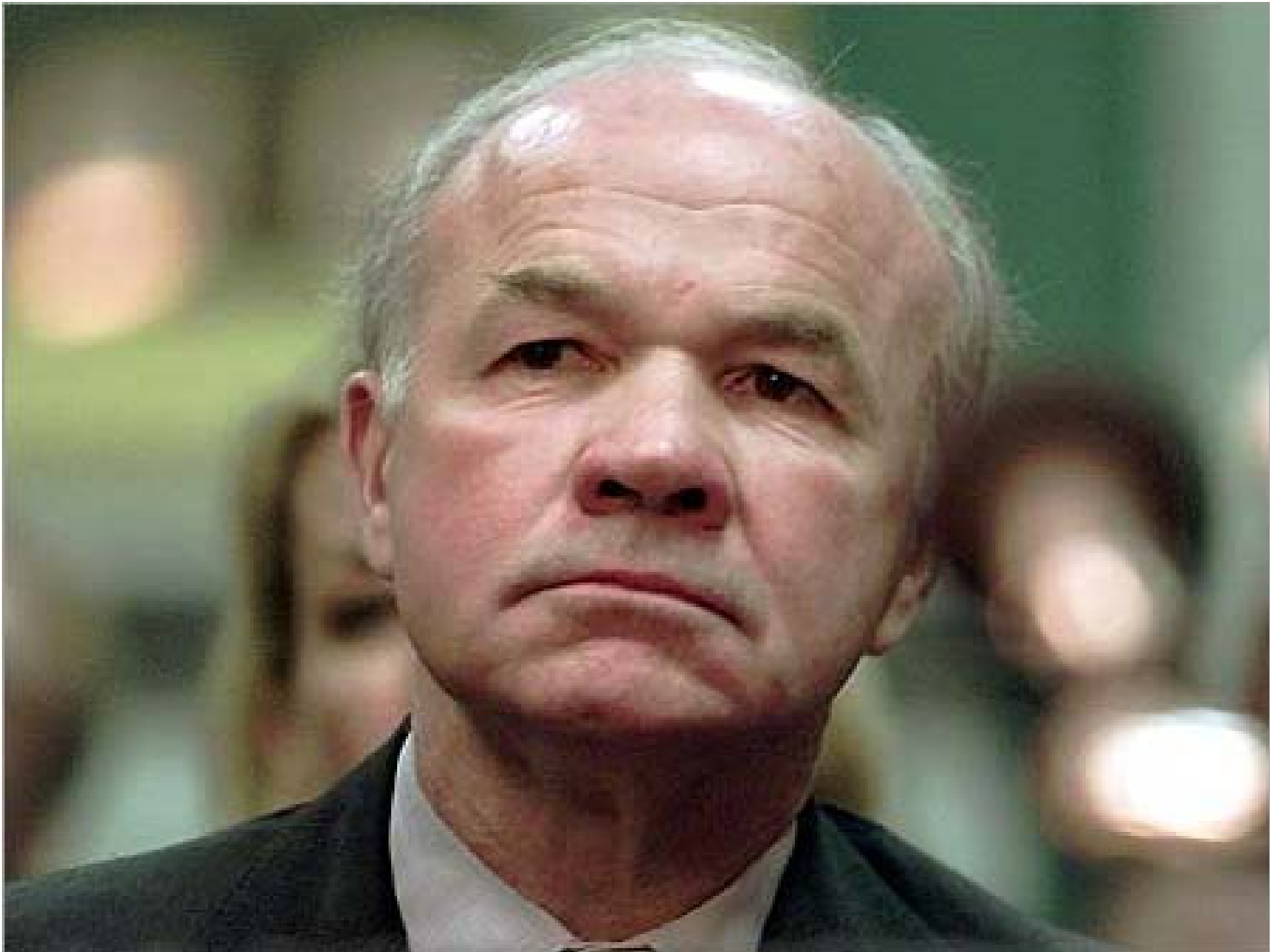
Paola Ghillani & Friends AG

Sustainable Development and Competition: Does it Work Together?

Workshop EIPM
Conference Center Archamps
13.03.2008

Sustainable Development?

- Unifies 3 objectives:
 - Economical performance
 - Social development
 - Respect of the environment
- Corporate Responsibility towards „Stakeholders“





Profit: do something “FOR”?

- Profit maximisation in the short term:
a few beneficiaries only
- Profit optimisation in economical, social and
environmental terms:
benefits to many (stakeholders)

Put again the church in the middle of the village

- What is our reason for BEING?
Human?
- What is the role of the economy?
Purpose of our lives? or instrument for human development?
- Who has got the power?
Sharholders? Or consumers?

Why companies show interested in integrating in their strategy sustainability principles?

- For image/reputation purposes, Megatrend
- To answer consumers demand for more transparency
- To answer the investors demand (financial analysts and media role)
- Because companies see sustainability as a competitive advantage
- Because top managers believe in it

Significance of sustainable consumption

Sustainable consumption defines...

- ...*which* products are produced (Conventional meat vs. Organic vegetables)
- ...*how* products *are produced* (Fair vs. Unhuman working conditions)
- ...*how much will be produced* (each year a new cellphone?)
- ...*how we will consume* (Impact during the consumption phase, switch off stand-by-devices?)

Source: Inrate, rating for sustainable investments

LOHAS Lifestyle

LOHAS (Lifestyle of Health and Sustainability):

- Conscious consumers towards sustainable development prefer fair traded and fair produced, as well Ecological products and alternative medicines.
 - They are ready to pay more for these kind of products.
 - USA: 1/3 of consumers are LOHAS
 - EU: Market share for organic food, growth 1997-2000 up to 75%
 - CH: Market share for organic food, growth 2000-06 up to 52%
 - Turnover FSC wood between 2000-06 resulted 15-times higher
 - D: Market for organic cosmetics has doubled (2003-06)
- ⇒ Sustainable consumption is a *Mega-Trend!*

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Labels and Brands



Challenges: credibility of the standards and independance of inspections and certification decision, traceability, without forgetting the corporate governance of their governing body.



Investment: the Norwegian model

- Advisory Board in « ethic in business » at the Norwegian Central Bank

- Norges Bank administers pension funds essentially coming from the gas and oil industry:

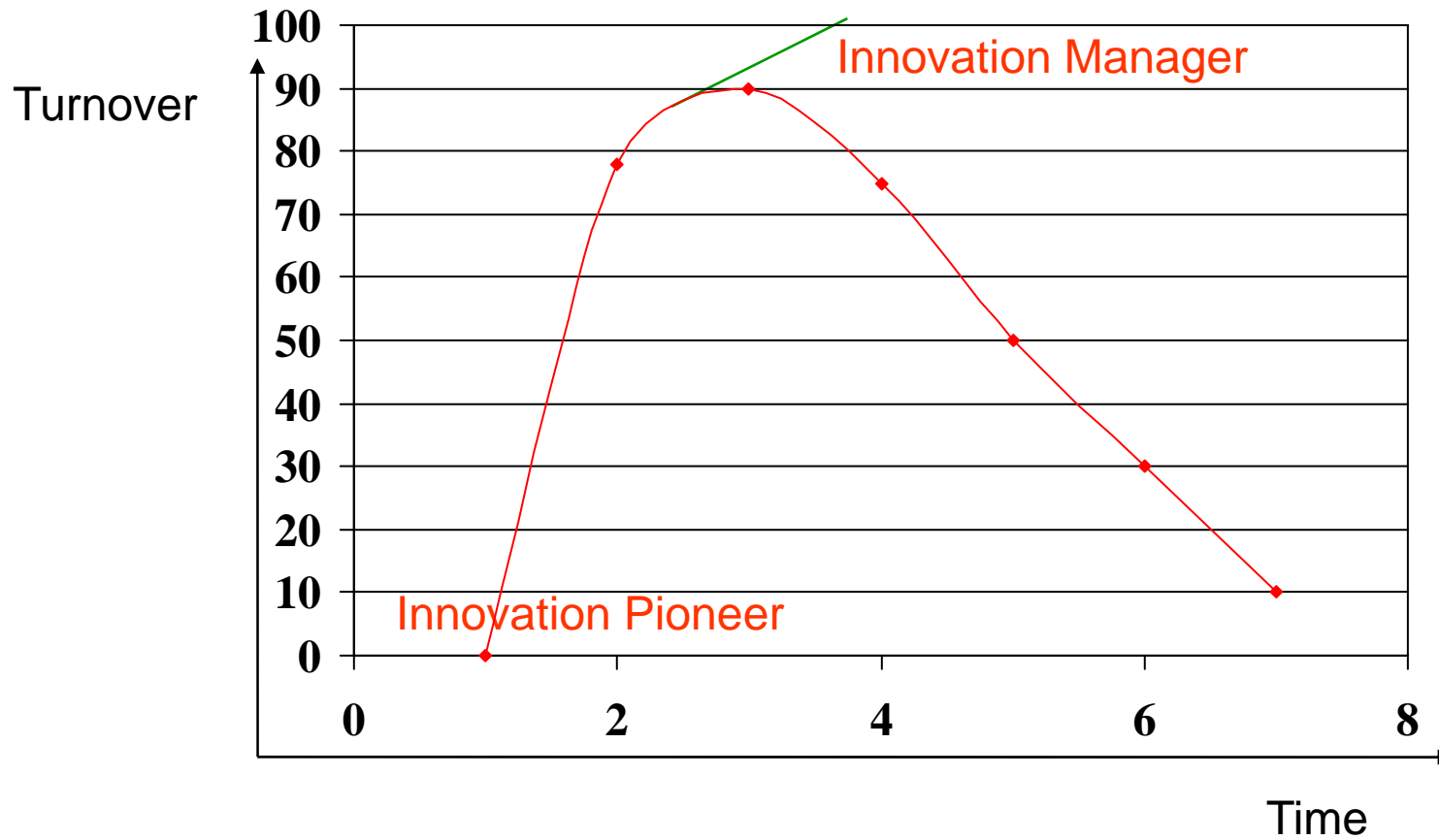
196 Billion EURO: 2nd worldwide

0.3% stocks traded worldwide: 3200 companies

ROI: 11,1% ou 20 Billion Euro

- Ethical Guidelines for pension funds + exclusion criteria, ie. Weapons, etc.
- Pressure on companies where social and/or environmental codes of conduct are not respected, and/or insufficient good practices in the corporate governance

Life cycle of a product/service/enterprise



... generate value answering a need for sustainable development!

'Recipe for this Cailler Milk Chocolate has not changed since 1904'



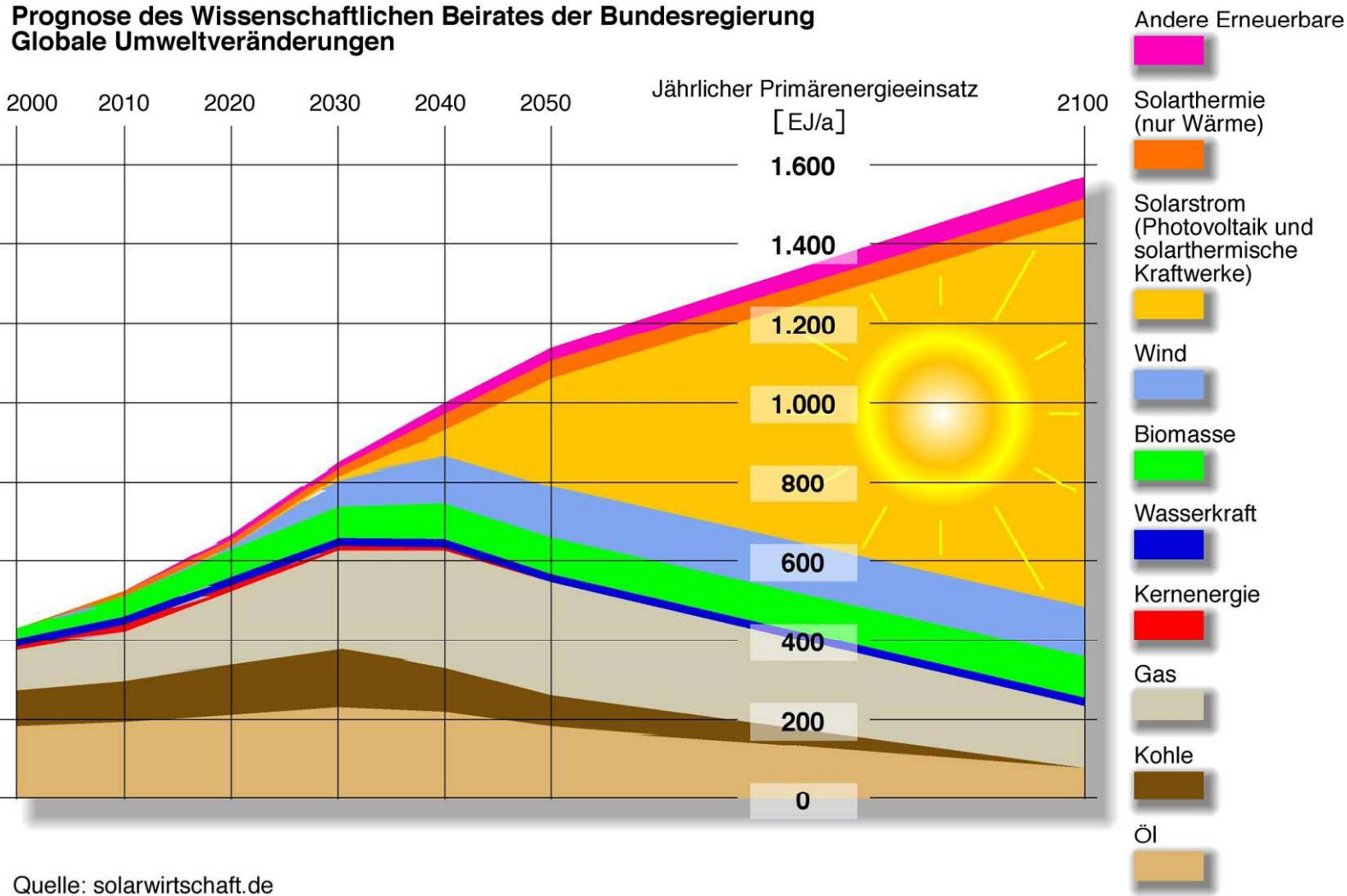
**Design by Jean Nouvel
3 – 4 Mill. CHF cost**

**One supplier with troubles
One supplier bankruptcy
A lot of stock**



**Loss of sales: - 32 % in 05'06; 50% mid-Aug to mid-Sept PY
Retailer Denner: Boycott
Total damage: 24 Mill. CHF**

Evolution to 2100: energy composition



Generating an economic, a social and an environmental value

- Integrate economic, social and environmental objectives in the the Corporate Strategic Plan
- Translate it in a pragmatic Action Plan applicable at all levels of the corporation
- Management by Objectives for teams and for individual incl. Marketeers, Buyers especially in relation to suppliers, etc.
- External audits, audits reports, corrective actions if needed
- Education: managers, staff, etc.
- Issue Management: pro activity allows to ensure a competitive advantage

Principles that needs to be translated into objectives

The Ten Principles

The Global Compact's ten principles in the areas of human rights, labour, the environment and anti-corruption enjoy universal consensus and are derived from:

- [The Universal Declaration of Human Rights](#)
- [The International Labour Organization's Declaration on Fundamental Principles and Rights at Work](#)
- [The Rio Declaration on Environment and Development](#)
- [The United Nations Convention Against Corruption](#)

The Global Compact asks companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment, and anti-corruption:

THE TEN PRINCIPLES

Human Rights

Principle 1: Businesses should support and respect the protection of internationally proclaimed human rights; and

Principle 2: make sure that they are not complicit in human rights abuses.

Labour Standards

Principle 3: Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;

Principle 4: the elimination of all forms of forced and compulsory labour;

Principle 5: the effective abolition of child labour; and

Principle 6: the elimination of discrimination in respect of employment and occupation.

Environment

Principle 7: Businesses should support a precautionary approach to environmental challenges;

Principle 8: undertake initiatives to promote greater environmental responsibility; and

Principle 9: encourage the development and diffusion of environmentally friendly technologies.

Anti-Corruption

Principle 10: Businesses should work against corruption in all its forms, including extortion and bribery.

The Question is:

- Self assessment?

Or

- External monitoring and inspection (ev. certification)?

Inspection Report + Corrective Actions

Example of application, the BSCI code(Business Social Compliance Initiative)

Win-Win for parties involved:

- Efficient implementation procedures than other monitoring systems
- Saves cost and time through prevention of multiple auditing
- Optimizes working conditions
- Increases productivity
- Higher product quality
- Higher satisfaction for workers and consumers
- Same requirements for all suppliers involved through their customers

Amerindian Saying

The day you'll realise that the air is so polluted
And that the birds cannot fly anymore.

The day you'll realise that water is polluted
And that the fishes cannot swim anymore.

The day you'll realise that the earth is so polluted
And that you cannot plant your seeds anymore.

That day, you'll realise that you cannot eat money.

” Don’t ever think that a small group of conscious and dedicated people aren’t able to change the world. In fact this is the way it always happened!”

Margaret Mead

Critical questions?

- We are struggling for survival against increasingly intense competition from countries that have lower ethical norms than ourselves. How should we respond?
- We can all cite many examples of corporations that put great emphasis on ethical practices and fair trading in their annual report and advertising material. How can I as a buyer be sure that they're not just nice words with no real foundation?
- How can I justify to my management that a product which is more expensive but socially responsible is good for the long term of the corporation, particularly if my job performance is measured on year-to-year savings?