



SUSTAINABILITY AND THE BOTTOM LINE:

Symposium Reveals Benefits of Energy/Environmental Performance

What will help businesses sustain profits—and investors—in the future? A company's ability to effectively manage, measure, and communicate its energy and environmental performance will be a major factor in its future success. In fact, as the link between corporate financial performance and sustainable practices such as environmental stewardship and energy savings becomes more obvious, mainstream investors and shareholders will demand that businesses incorporate more sustainable practices, such as ENERGY STAR®. These predictions emerged from a gathering of experts at a two-part symposium on sustainability, hosted by Fairleigh Dickinson University's Corporate Communication Institute. Symposium participants from the private sector, non-governmental organizations, academia, and the government offered their experiences and insights on sustainability's growing importance in creating corporate value.

What Is Sustainability?

Diane Morefield, senior vice president of investor relations for Equity Office Properties Trust, offered symposium attendees the following definition from the Dow Jones Sustainability Index: "Sustainability measures a company's ability to achieve its business goals and increase long-term shareholder value by integrating economic, environmental, and social growth opportunities into the

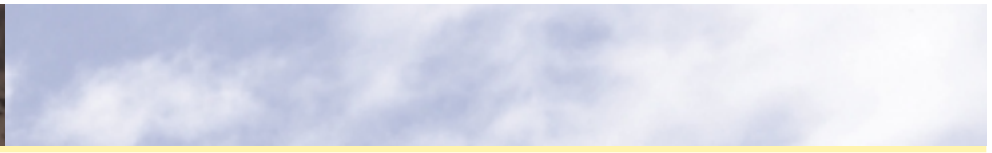
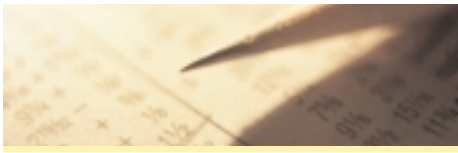
company's strategies." This definition, echoed by other symposium participants, assumes that a company's choices on issues such as environmental management will not only help define its corporate reputation, but also dictate its level of risk exposure, set the standard for competition, influence investor relations, and directly impact its bottom line.

Today's global business climate ensures that environmental management is a key factor in a company's marketplace image. According to Dr. Bernd Schanzenbaeher, vice president of environmental management services at Credit Suisse Group, factors such as increasing international standards and regulatory frameworks, greater professionalism on the part of non-government organizations, and growing public awareness have pushed environmental management to the forefront of corporate image strategy. Many companies participating in government partnerships such as the U.S. Environmental Protection Agency's (EPA's) ENERGY STAR® Program have not only reduced their energy use and operating costs, but also have improved their reputations with customers and stakeholders through ENERGY STAR's public recognition component.

Polls show that Americans are increasingly bridging the gap between

SYMPOSIUM ON SUSTAINABILITY

Hosted by the Corporate Communication Institute (CCI) of Fairleigh Dickinson University, the two-part symposium was held April 25 and October 17, 2001, at Fairleigh Dickinson's Madison, New Jersey, campus and the offices of Neuberger Berman in New York City, respectively. The symposium was sponsored by American Home Products, AT&T, BD, Concert, GPU Services, Inc., Neuberger Berman, Telecordia Technologies, and the U.S. Environmental Protection Agency. Online copies of presentations are available at <www.corporatecomm.org>.



"To establish and sustain trust, corporations must actively engage the public, their customers, their employees, and their partners on the social, financial, and environmental accomplishments and actions of their organization."

—*Dr. Michael B. Goodman,
Director, Corporate
Communication Institute*

perceptions of themselves as consumers and as private citizens. This change in perception benefits businesses that demonstrate leadership in protecting human rights, workplace rights, and the environment. For example, public relations giant Burson-Marsteller calculates that today's shoppers are seven times more likely to purchase the products and services of companies with good reputations than those viewed less favorably.

Who's Watching?

Corporations tend to promote their positive environmental contributions to their customers and the general public, and symposium participants explained how these contributions can now equal more than a good reputation. For example, a growing link exists between environmental performance and Wall Street's perceptions. "Management quality is the leading determinate of stock market performance," said Frank Dixon, managing director of Innovest Strategic Value Advisors. "Research shows that eco-efficiency is a proxy for, and predictor of, superior corporate management, which generates superior financial performance and shareholder value."


A company's energy management strategy might generate substantial savings and help protect the environment, but traditionally these benefits only caught the eye of socially responsible investors. Now, a growing body of government, private sector, and academic research is starting to suggest that organizations that improve their energy performance financially outperform otherwise similar companies that do not make these investments. Symposium attendees agreed this proven connection will start to attract mainstream investors. "Why would sustainability practices be a proxy of good management?" asked Ann Gualtieri, vice president of investor rela-

tions at Dupont. "Because it shows that a company keeps an eye on the far horizon and long-term growth." Ingrid Dyott, vice president of Neuberger Berman, agreed. "If companies start to show that certain types of business lead to significant bottom-line impacts, then analysts will be more interested to see why other companies are not doing that."

Facing Challenges

The results of superior energy and environmental management are real, but capturing and demonstrating them is not always a simple task. Symposium participants noted that environmental issues can be extremely complex, far-reaching, and difficult to quantify. Frank Dixon explained, "At the macro level, data quality varies greatly by region. At the micro level, corporate environmental performance data are often unavailable, inconsistent, lagged, inaccurate, unverified, and biased." A lack of hard, objective data is a major reason analysts have shied away from considering sustainability issues in the past.

Over the last few years, however, that reality has changed. Programs such as ENERGY STAR are providing companies with the tools to meet this challenge. For example, ENERGY STAR's online benchmarking tool uses data derived from a comprehensive national survey of office buildings to allow companies to assign each property a percentile score and compare against similar facilities across the country. Sol Salinas, ENERGY STAR's director of strategic planning, explained: "ENERGY STAR allows you to measure your organization's overall energy performance, compare it to others in your industry, and improve your financial bottom line through strategic energy management." ENERGY STAR helps companies provide stockholders, analysts,



and other interested stakeholders with key financial metrics, including what kind of impact energy performance has had on profit margins, earnings per share, and shareholder value.

Talking the Walk

As the tools for collecting and quantifying credible environmental data improve, companies find themselves equipped to make shareholders take note of their sustainability accomplishments. Symposium participants therefore stressed the importance of communicating sustainability efforts to the public and financial analysts. "Sustainability will be driven by companies talking about how their social/environmental programs reduce costs, improve employee morale, enhance public perception, and provide that intangible asset to the company," Ingrid Dyott said.

Amy Muska O'Brien, director of corporate responsibility for the Pension Boards-United Church of Christ, echoed this sentiment, noting that effectively conveying sustainability endeavors drives a company's internal improvements, strengthens dialogues with stakeholders, and increases competitive advantage. Frank Dixon also emphasized the need for communication, advising companies to show how sustainability is integrated into their business strategies and record their performance and progress over time.

Bottom-Line Benefits

Forward-thinking companies must still work to quantify results and pique the serious interest of Wall Street, but

corporate symposium participants agreed that they are realizing tangible benefits from their sustainability efforts. "Over the past decade, we have decreased air toxins, greenhouse gas emissions, and hazardous waste," said DuPont's Ann Gualtieri. "We increased production by 35 percent and we provided 14 percent annual average return to shareholders." Thanks to DuPont's sustainability efforts, Gualtieri noted, the company has gained increased freedom to operate, direct business opportunities, and expanded business models. "In some cases, trying to reduce the environmental footprint creates innovation that provides more bottom line effects," she said.

The results of wise energy management are certainly tangible. ENERGY STAR has estimated that U.S. organizations can save a total of \$130 billion through strategic energy management investments in their buildings by 2010.

"For business leaders, ENERGY STAR is the easy way that makes you competitive, profitable, and valuable because it reinforces the links between energy, financial, and environmental performance."

—*Sol Salinas, ENERGY STAR
Director of Strategic
Planning*



For more information on the Symposium on Sustainability, visit <www.corporatecomm.org> or call the Corporate Communication Institute at Fairleigh Dickinson University at 973 443-8709.

Furthermore, symposium participants noted, over a period from 1994 to 1999, the Dow Jones Sustainability Index outperformed the global index. “The economic value is there,” said Jim Thomas, executive director of health, safety and environment for Novartis Corporation. “The stakeholder value is really there for the kinds of companies that are acting in this way.” Market valuation for companies like Novartis is often based on intangibles such as reputation, he noted.

Far-sighted analysts have realized that sustainability is a bellweather for financial performance. “Screening for environmental performance,” predicted Frank Dixon, “will become a fiduciary responsibility of investment managers and advisors seeking to maximize returns for investors.”

Credible Communication Is Key

The key to getting more analysts to sit up and take notice lies in effective communication of sustainable results. As DuPont’s Ann Gualtieri noted, Wall Street analysts always notice when a company does poorly, but those that are achieving good environmental performance need to find a way to promote it. Andrew King of New York University’s Stern School of Business agreed: “Coming up with a way to credibly communicate this information—those intangibles of good management—is central.” According to symposium participants, this area remains a challenge for many companies.

The Sustainability Symposium showcased companies that are already realizing the short-term payoff of

sustainability, companies that are also poised to benefit as sustainability takes center stage in the future. By tapping into groundbreaking measurement resources and effectively communicating their results, these companies will help secure sustainability as a powerful element in tomorrow’s stock market and in the long-term success of any corporation. More importantly, their sustainability endeavors continue to support the long-term success of their communities and environments.

ENERGY STAR

ENERGY STAR is a voluntary public/private partnership aimed at helping businesses and other organizations prevent pollution through energy efficient products and energy management of commercial buildings and homes. For more information, call 888 STAR-YES or visit <www.energystar.gov>.

CCI

The Corporate Communication Institute (CCI) at Fairleigh Dickinson University brings practicing professionals and scholars together to share information and ideas and serves as a resource center for continuing education through traditional university courses, professional seminars, symposia, publications, briefings, and white papers. CCI is an advocate for the corporate communication field, conducting research and offering forums on topics such as leadership, social responsibility, issues management, and change management. For more information call 973 443-8709 or visit <www.corporatecomm.org>.