

How Leading Organizations Are Driving Sustainability

November 2010



Where to start?

- **Have a vision**
 - Aligned with business goals
 - Specific, measurable, actionable, relevant, timely
- **Start small**
 - “Ratchet change”
 - Phased approach for larger, longer projects
- **Demonstrate success**
 - Build on wins
- **Communicate progress**
 - Unleash the power of “managing by storying around” inside your organization

*“Early to bed,
Early to rise,
Work real hard,
Then advertise...”*

Jeff Reichard
Former VP Supply Chain
AlliedSignal Automotive
December 1992

Example: Reinvestment in the Community

Union Bank

California based, Japanese owned



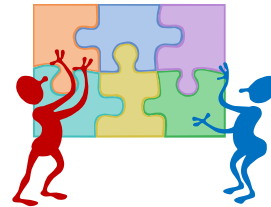
- Commitment to low- and moderate-income (LMI) communities where it conducts business
- Awarded an "Outstanding" rating for surpassing the terms of the Community Reinvestment Act (CRA) in 2009
 - Lending levels that reflect an appropriate loan distribution to geographies & borrowers of different income levels
 - Overall excellent level and nature of community development investments
 - Branch system that makes banking offices readily accessible to geographies and individuals of different income levels
- Further evidence of its community involvement
 - Its Business Diversity Lending program represents 24% of all commitments
 - Its Community-Based Financing program provides alternative financing for small business owners that fall outside of the bank's lending criteria, e.g. start-up companies and firms with credit scoring issues

Source: CSRWire
November 9, 2009

Examples: Diversity in the Workplace

1) Coca-Cola, based in Atlanta, Georgia

2) a small retailer in Australia



- Coca-Cola
 - Strong focus on workplace culture
 - In 2009, named one of the "Best Companies to Work For" by the Great Place to Work Institute® in Argentina, Australia, Brazil, Chile, France, Ireland, Mexico, Peru and The United Kingdom.

Respecting Individuals + Valuing Differences + Representing our consumers and the markets where we do business = **DIVERSITY**

- Small retailer in southern Australia – retail appliances
 - Lowest employee turnover in their franchise network
 - Few formal practices / policies
 - Diversity is vision of the CEO – "walks the talk"
 - Buddy system upon hiring
 - Diversity practices are part of the assessment/compensation process

Source: Manjit Monga, HRM practices to manage multicultural workforce: do the recommended best practices work for small business? A case study. European Journal of Management, Summer 2008; Coca-Cola website, March 2010.

Example: Energy Cost Reduction

Back River Wastewater Treatment Plant

Baltimore, Maryland

- Annual energy spend for City of Baltimore ~\$40M
- Wastewater leftovers power electricity/steam generators using residual of treated wastewater as fuel
- Plan will generate more than 2.4 megawatts of electricity per year providing steam to offset process heating requirements and produce hot water for boilers
- An added benefit – reduction in emissions
 - Transforms solids that previously produced methane gas to fuel
- Annual savings ~\$1.8 million or 4.5%



Source: Johnson Controls, Inc.
Case Study CSST-PS07-007

Example: Environmental Responsibility

Best Cleaners

Madison, Wisconsin

- Founded in 1974
- Until 2000, the company used perchloroethylene (perc) to dry clean clothing
 - Hazardous and potentially carcinogenic substance
 - Used by 85% of the drycleaners in the U.S. and around the world
 - Potential contamination to the air and ground with various hazardous chemicals
- In 2002, the company scrapped his previous dry cleaning process, invested \$100,000 in his business and began using the environmentally friendly GreenEarth Cleaning system
- The owner says his investment has paid off
 - Lower operating costs
 - Increase in customer base

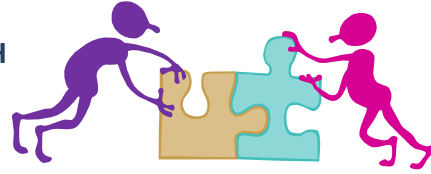


Source: www.sustaindane.org
March 22, 2010

Example: Partnership in Environmental Responsibility

Williams-Sonoma & NewPage Mills

San Francisco, CA & Miamisburg, OH

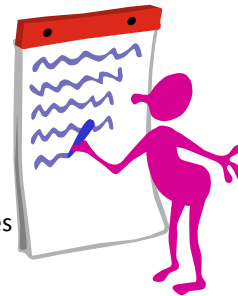


- Williams-Sonoma wanted catalog paper to be obtained from FSC® (Forest Stewardship Council) certified sources
- In 2006 few mills held FSC chain of custody certification – most were committed to the Sustainable Forestry Initiative (SFI)
- Talked to NewPage Mills – who initiated a crash course in FSC requirements, procedures, risk assessments & certification bodies
- At first, appeared to be redundant – after analysis, an opportunity
 - Independent, third-party certification organizations carry out assessments of forest mgt
 - Verify that companies claiming to sell FSC certified products have tracked their supply back to FSC certified sources
- By Nov 06, Williams- Sonoma began sourcing virtually all catalog paper from FSC
 - Being first major catalog company to print all catalogs on FSC certified paper, Williams-Sonoma assumed an environmental leadership position in the industry
 - NewPage has encouraged landowners to develop forest management plans based on strict environmental standards and to pursue certification sfi, FSC and PEFC

Source: www.awarenessintoaction.com
2008

Ethics – elements of a ethics management system

- A “cookie cutter” approach won’t work
- Characteristics of good ethics programs
 - Specific organizational roles to manage ethics
 - Ongoing assessment of ethics requirements
 - Required operating values and behaviors established
 - Organizational behaviors aligned with operating values
 - Awareness and sensitivity to ethical issues
 - Ethical guidelines integrated with decision making
 - Structured mechanisms to resolving ethical dilemmas
 - Ongoing evaluation and updates to the program
 - Employees believe that attention to ethics is not just a knee-jerk reaction done to get out of trouble or improve public image



Source: Carter McNamara, Complete Guide to Ethics Management: An Ethics Toolkit for Manager
March 22, 2010

Example: Health & Safety

DuPont

Wilmington, Delaware



- Key elements of DuPont's sustainable growth strategy
 - Climate and energy
 - Food and nutrition
 - Safety and security
- The 'DuPont Commitment' outlines several specific targets
 - Zero injuries, illnesses and incidents
 - Zero waste and emissions
 - Conservation of energy and natural resources, and habitat enhancement
 - Continuously improving processes, practices and products
 - Open and public discussion, and influence on public policy
 - Management and employee commitment, accountability
- Commissions external consultants to conduct an environmental audit of its safety, health, and environment program to measure against :
 - External expectations, such as the EPA
 - Internal auditing standards
 - Generally accepted audit practices in comparable companies

Source: www2.dupont.com
March 22, 2010

Example: Integrated Plan for Community Sustainability

City of North Vancouver

Canada

Community vision: To be a vibrant, diverse and highly liveable community that strives to balance the social, economic and environmental needs of our community locally



THE PROCESS

1. Preliminary Meeting with City staff planning and engineering
2. Review all relevant guidelines with the Development team – developer, architect, landscape architect, general contractor, etc.
3. Submit a Sustainability Strategy as part of your development application – including targets in each of the economic, environmental and social sections of the guidelines
4. Consider responses and input from staff and advisory bodies and revise development proposal (including the Sustainability Strategy) as necessary, or practical
5. Council approval (or rejection) as part of the development application
6. Implement through construction and report on how the development met, exceeded or failed to meet expectations

Source: City of North Vancouver Sustainable Development Guidelines
Dec 2002

Example: Sustainability thru Life Cycle Management

TetraPak

Lausanne, Switzerland

- TetraPak's Approach
 - Protecting the contents
 - Minimizing food waste
 - Environmental excellence
 - Caring for the community
- Life of a carton
 - Using renewable materials
 - Minimizing resource use
 - Minimizing emissions
 - Transport
 - Working with customers
 - Recycling
 - Life cycle analysis
- Annual Sustainability Reports



Source: International Institute for Sustainable Development, www.issdglobal.com
March 2010

Example: Sustainable Supply Chain Strategy

Diageo

London, England

- Lots of varied supplies – can source locally, regionally, globally
- Diageo's East African Breweries sourced 76% of supplies locally
- Works with suppliers to encourage standards similar to its own
 - Labor standards, health and safety, environmental mgt, business integrity
 - Standards based on external codes, e. g. International Labor Organization core conventions on human rights and the United Nations Global Compact
- A member of independent Suppliers Ethical Data Exchange - Sedex
 - Participating suppliers post self-assessments on-line
 - Can be accessed by any of their customers signed up Sedex
 - Eliminates duplication of reporting separately to customers
- 300 suppliers representing the potentially highest risk are in the process of registration, self-assessment



www.sedex.org.uk

Source: Global Compact Network
March 22, 2010

Support tools from ISM to help you on your Sustainability & Social Responsibility journey

- **ISM's Metrics and Performance Criteria for Sustainability and Social Responsibility Initiatives**
 - Developed to provide supply professionals and management with a broad-based list of possible metrics
 - Supply professionals must consider impact, influence, and positioning when selecting and developing metrics to embed throughout the (1) supply organization, (2) entity and (3) supply base
 - Integrating goals and objectives with relevant measurements ensures the ability to track and report progress across initiatives
- **ISM's "A Call to Action – Social Responsibility Business Case"**
 - Helps work through the process for developing or enhancing a Social Responsibility program
 - Designed to walk supply professionals through the considerations of building a compelling business case to gain executive support and internal consensus
 - Provides a template for the Sustainability and Social Responsibility business case

Path to action

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Open session for questions and discussion

Sustainability

"The ability to meet current needs without hindering the ability to meet the needs of future generations in terms of economic, environmental and social challenges."

Institute for Supply Management



MWV How brands
take shape™

MWV Sustainability Leadership

Leadership Positions

- § World Business Council for Sustainable Development
- § Sustainable Packaging Coalition
- § Wal-Mart Sustainable Value Network
- § Sustainable Forestry Board
- § Abundant Forests Alliance



Global Recognition

- § Dow Jones Sustainability World Index (DJSI World)
 - § "Best in Class" for Containers and Packaging last four years
- § Ethisphere's World's Most Ethical Companies in 2007
- § CRO's 100 Best Corporate Citizens in 2008
- § Environmental Defense Fund: 2008 Innovation Review



Conservation Partnerships

- § The Nature Conservancy – International
- § National and Regional Wildlife Habitat Protection Efforts



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Sustainable business practices

- **Energy Conservation**
 - Biomass, which is carbon neutral, represents over 60% of all the energy used for MWV U.S. operations
 - Self, or co-generate two-thirds of the total electricity required by our packaging mills
- **Voluntary commitments to reduce our CO₂ emissions**
 - Founding member of the Chicago Climate Exchange
 - Institutionalizing energy use and carbon reductions into our business processes via key performance indicators
 - Carbon Disclosure Project, a voluntary disclosure to climate-related questions from the investor community
- **Measure Sustainability Metrics**
 - Governance, Environmental, Social and Economic

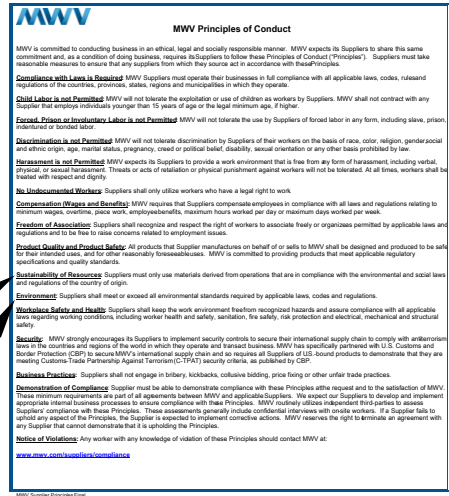


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MWV's Principles of Conduct for Suppliers

- **Compliance with Laws is Required:** Suppliers must operate their businesses in full compliance with all applicable laws.
- **No Child Labor:** Suppliers cannot employ any person below 15 years of age.
- **No Forced Labor:** Suppliers cannot employ or use prison, slave, indentured or bonded labor.
- **Sustainability of Resources:** Suppliers must only use materials derived from operations that are in compliance with the environmental and social laws and regulations of the country of origin.
- **Environment:** Suppliers shall meet or exceed all environmental standards required by applicable laws, codes and regulations.



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Our approach to Sustainable Sourcing

Why

There is value in creating a strategic approach to sustainability.

What

More proactive inclusion of sustainable principles, tactics and approaches within our strategic sourcing process.

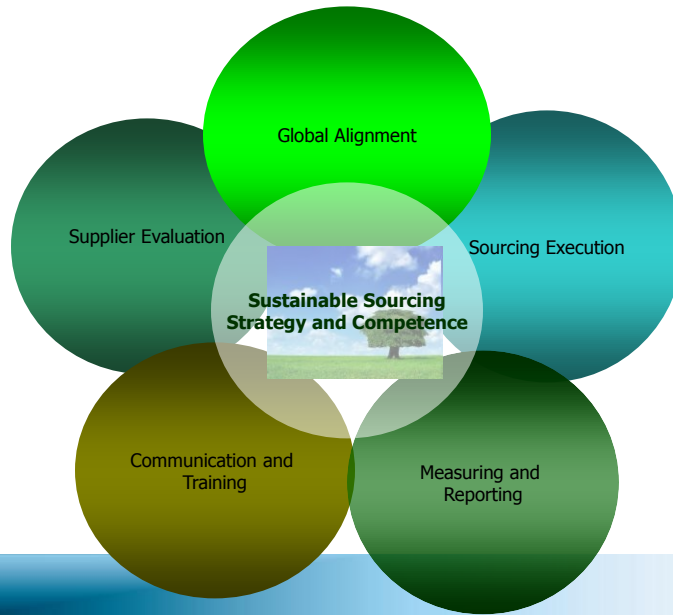
How

Focusing on competency building and sourcing execution.

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Creating an aligned strategic approach to sustainability...



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Tactical Focus Areas	Best Practices	Current State
Policy, Supplier Standards and Assessment:	Having a purchasing policy and procedures that address sustainability related topics (Climate Change, Water Usage, Waste Disposal, Social Commitments etc). Assessing suppliers to understand how aligned they are with policy and standards. Establishing a baseline, KPIs and goals.	MWV Principles of Conduct, Supplier Assessment Survey performed in 2009
Communication, Awareness and Training (Internal and External):	Informing internally and externally on the sustainability policy and requirements. Seeking alignment from Sourcing, Suppliers and stakeholders. Providing awareness of the baseline, goals and expectations.	Procurement Procedures Training (Internal)
Sourcing and Third Party Manufacturing:	Including sustainability criteria in supplier qualification, bid and contracting requirements. Making sustainability a selection criteria. Measuring supplier performance against criteria.	Evaluation criteria.
Transportation, Logistics and Delivery:	Managing inbound and outbound logistics in an environmentally friendly manner that reduces emissions and pollution. Setting expectations that suppliers will also reduce emissions and reduce pollution.	EPA Smartway. Including requirements in bids. Monitoring improvement and measuring.
Aftermarket (Disposal):	Preventing or decreasing the amount of waste being generated through waste prevention, recycling or purchasing recycled environmentally preferable products.	Evaluation criteria.
Metrics, KPI and Reporting	Measuring the impact of our efforts and reporting internally and externally.	DJSI, CDP, Chicago Climate Exchange

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What must be true to implement a Sustainable Sourcing strategy?

		Near Term	Mid Term
Global Alignment	<ul style="list-style-type: none"> Prioritize what's most important with internal stakeholders and leadership. Inform associates that sustainability will be a part of the Supply Chain's strategic focus. 	✓	
Supplier Evaluation	<ul style="list-style-type: none"> Assess suppliers based on aligned priorities. Analyze gaps and opportunities. 	✓	
Sourcing Execution	<ul style="list-style-type: none"> Begin incorporating aligned priorities into the sourcing process through identification, bids, negotiation, contracts, SRM, and Supplier Diversity. 	✓	
Communication and Training	<ul style="list-style-type: none"> Develop communication and training based on aligned priorities. 		✓
Measuring and Reporting	<ul style="list-style-type: none"> Create KPI's, metrics and reports to measure impact. Support internal and external reporting. 		✓

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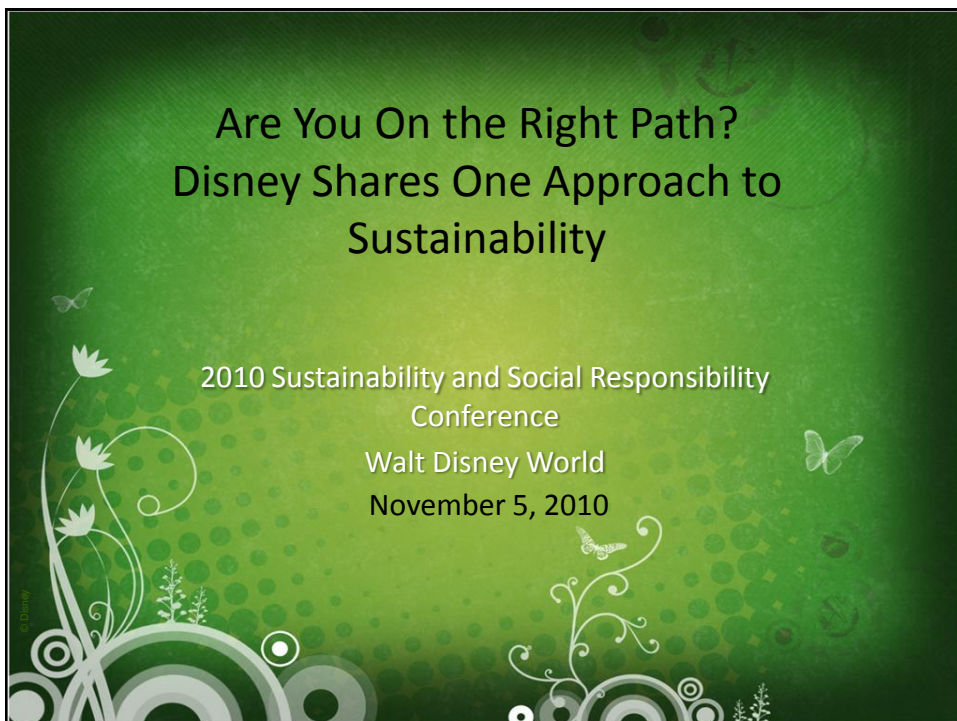
What you should take away

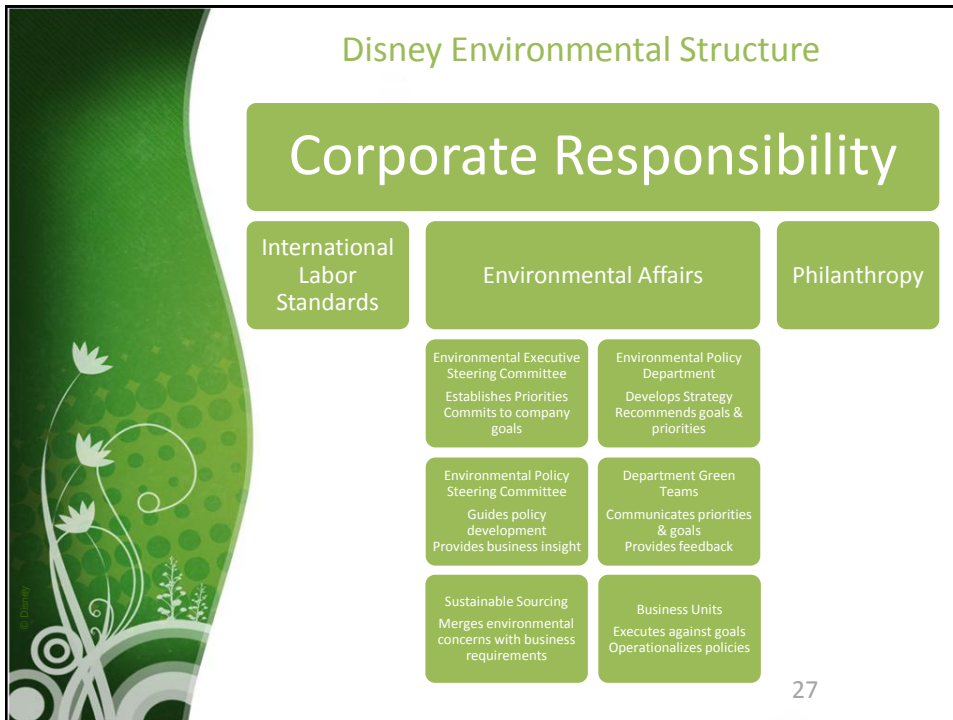
- Sustainable business practices are a part of MWV's culture. We seek suppliers who share our values.
- Focusing on competency building will help align sustainability within a Supply Chain organization
- Assessing and evaluating supplier is an effective way to understand the true value of a supplier partnership



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ESAP Development Process

- Receive first draft of Environmental Policy**
 - Review policy to identify impacted sourcing categories
- Leverage Sourcing Expertise**
 - Identify the Sourcing experts
 - Engage experts in identifying team members
- Develop feedback**
 - Sourcing experts review the draft policy
 - Interpret the guidelines and translate into actionable goals
- Finalize Performance Deliverables**
 - Assign responsibility for objectives
 - Establish timeline
- Finalize ESAP**
 - Publish within Disney
 - Report progress as agreed

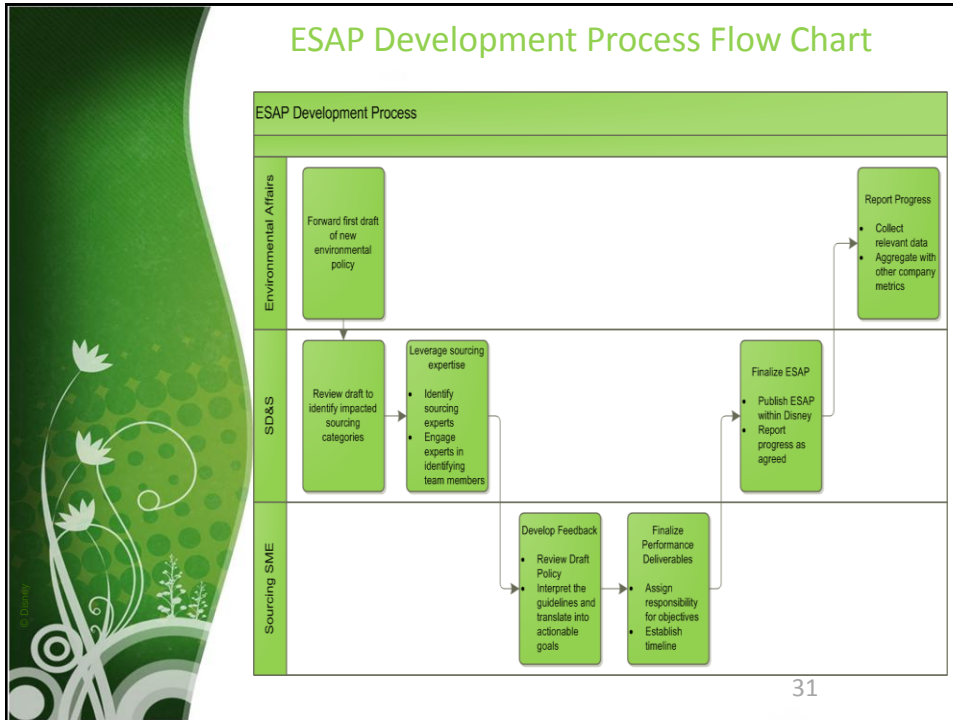
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Environmental Sourcing Action Plan

Policy Name:	
Policy Overview:	
Impacted sourcing categories:	
Sourcing Lead (s):	
Team Members:	
Policy Guideline Implications	
Synopsis of sourcing implications:	
Achievable short term goals:	<div>Goal:</div> <div>Goal:</div> <div>Date:</div> <div>Date:</div>
Measurement criteria:	<div>Criteria:</div> <div>Criteria:</div>
Frequency of reporting:	<div>Due:</div> <div>Due:</div>
Reports submitted to:	
Policy Review date:	
Next Steps:	

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Contact Info

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 Sustainability
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