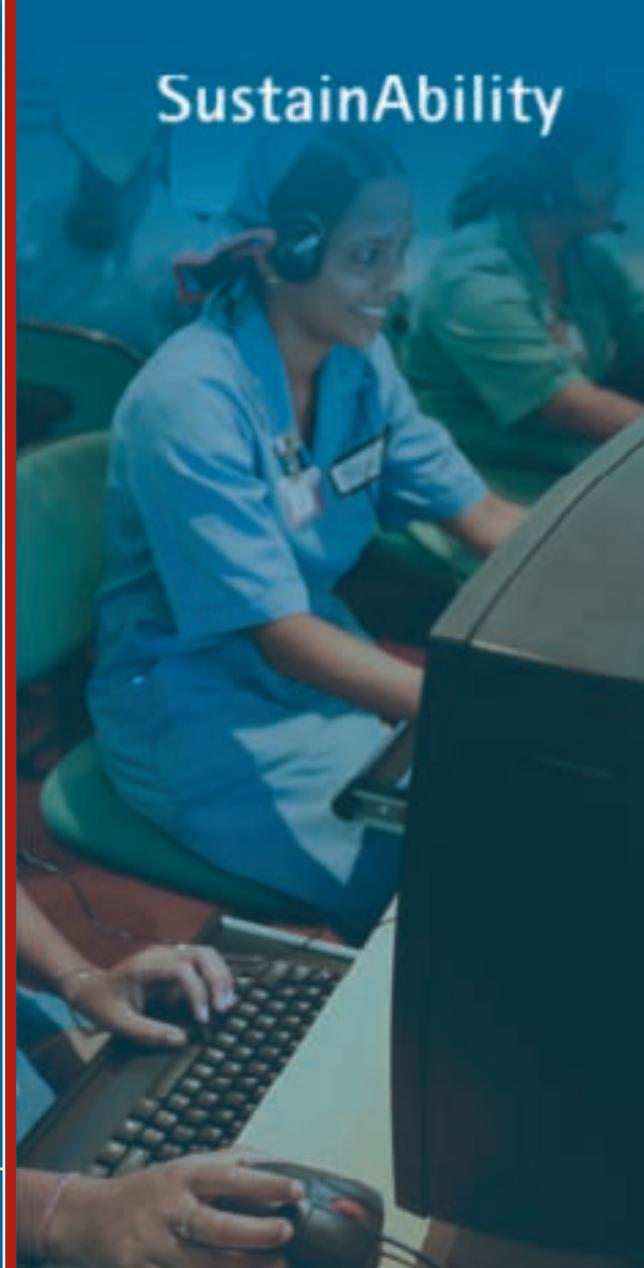


Market Movers

Lessons from
a Frontier of Innovation



A companion piece to *Developing Value:*
The business case for sustainability in emerging markets



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FOREWORD

Corporate pioneers are using sustainability to create business opportunities in emerging economies

How can business combine long-term success with sustainability – with demands for a healthy environment and a just society? Few chief executives would admit that this question was not near the top of their agenda. And it is not just of concern to boardrooms in London and New York. According to a World Economic Forum CEO survey, sustainability has emerged as a challenge for companies globally, with some of the most innovative practices undertaken in developing countries.¹

Market Movers tells the stories of a number of firms in emerging economies that have managed to find business value in strategies based on sustainability. The firms are driven by world-class business leaders and range across the globe, from Beijing to Sao Paulo – in many cases operating in some of the most challenging environments in which to foster commercial success. The report goes on to draw some lessons from their experiences and to make recommendations as to how other emerging-market businesses might create value from sustainability.

While we recognise that any measure of the value added either to their bottom line or to society by businesses' sustainability strategies is necessarily imprecise, it is none the less real for that. In all our cases there is a close correlation between sustainability and business success, even if there is no irrefutable evidence of causation between the two. The entrepreneurs who built up these companies invariably attest to it.

This report is a companion piece to *Developing Value: The Business Case for Sustainability in Emerging Markets* published in 2002 by the International Finance Corporation (IFC), SustainAbility and the Ethos Institute. It was the first large-scale study to examine specifically the risks and opportunities of sustainability for businesses across emerging economies. At that time, there was a widespread assumption that good governance and corporate responsibility were the almost exclusive preserves of western corporations. Yet the report found that many businesses in emerging economies were gaining benefits (such as higher sales, reduced costs and lower risks) from better corporate governance, improved environmental practices, and investment in social and economic development.

Throughout the case research we have used the same conceptual underpinnings as in this earlier report. Unlike that report, however, where we focused our analysis on specific actions and investments, here we look at enterprises as a whole, seeking examples where sustainability has been integrated into business strategy. The aim is to show by example that sustainability strategies can work almost anywhere in the world.

“Perceiving social responsibility as building shared value rather than as damage control or as a PR campaign will require dramatically different thinking in business. We are convinced, however, that CSR will become increasingly important to competitive success.”

Michael Porter and Mark Kramer (*Harvard Business Review*, December 2006)

A note on language

Discussions around sustainability and business strategy are frequently confused by the language being used. In *Market Movers*, we have provided a glossary (see page 46) to help reduce any such confusion. But in general we use the term ‘sustainability’ to refer to a business approach that creates value by embracing opportunities and managing risks derived from environmental, social and governance issues. Many investors, however, prefer the acronym ‘ESG’. So we use that term also, as and when it seems appropriate.

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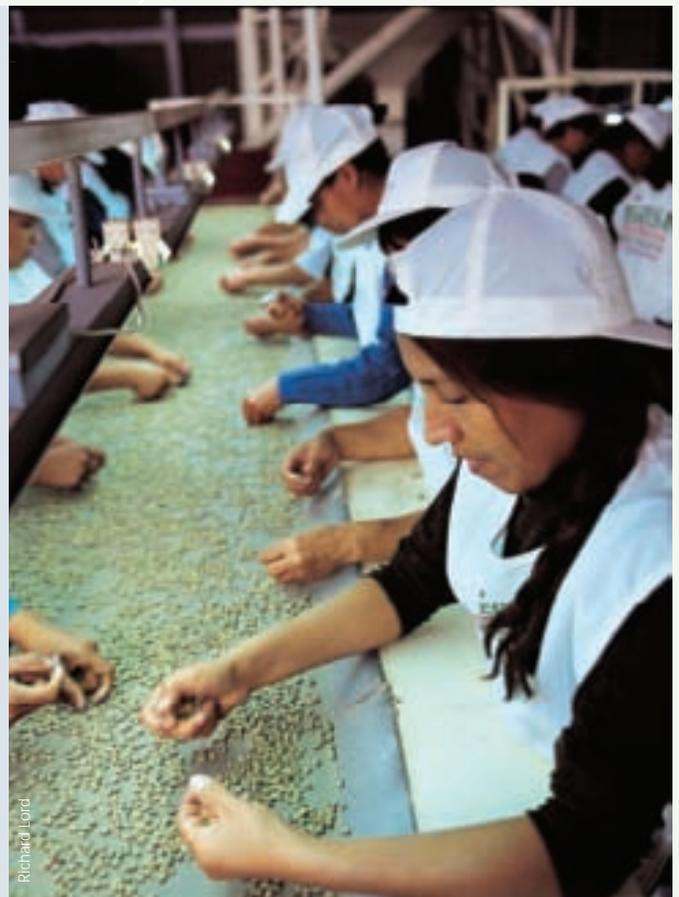
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“Sustainability has made [us] a market leader, and a market leader will not only survive out of crisis, it will thrive out of crisis.”

Zhong Kaimin, chief executive of Deqingyuan

“Twenty-first century companies need to integrate themselves much more closely with what is happening in society in general. Those that don’t will be relegated to Jurassic Park.”

Julio Moura, president and CEO of GrupoNueva



Richard Lord

How to use this report

Market Movers is not necessarily intended to be read from cover to cover. It is divided into three sections, and although they are interrelated, each can be read independently, based on the reader's interests and needs.

Part I (Executive Briefing) provides the main messages and analysis. While it contains the essence of the report, it is not a simple summary of what follows. The analysis presented in it is not repeated elsewhere.

Part II (Cases in Detail) profiles the four companies that are the bedrock of the report. It identifies how sustainability contributed to their business success, and it points to some of the ingredients of that success.

Part III (Tools and Guidance) provides practical guidance to help companies identify, understand and analyse sustainability issues, and to see how they are related to business success. It aims to help companies communicate their approach and strategy to investors, business partners and others.

Our main target audience is **CEOs and senior executives** in emerging economies. The report aims to help them understand the contribution sustainability can make to strategy, risk management and innovation. This audience will probably be most interested in Part I and some of the cases in Part II (see Figure 1, 'Index to case studies').

We also hope that the case studies in the report will be relevant for the financial community – **investors, lenders and their agents** (such as analysts and consultants). This group will be most interested in Part I and sections of Part III.

Finally, we hope the cases will provide support to **sustainability specialists**, who are charged with helping companies to discuss, investigate, measure and communicate elements of sustainability, and who sometimes struggle to gain the understanding of the wider business community. This group will likely be interested in the whole report.

FIGURE 1: INDEX TO CASE STUDIES

	Sector	HQ	Operations	Illustrates	Business Case
Amanco	pipes & construction	Sao Paulo	14 countries in Latin America	innovation	<ul style="list-style-type: none"> – brand value through sustainability governance – market creation through economic development – cost savings through environmental efficiency
Deqingyuan	agribusiness	Beijing	China	leadership	<ul style="list-style-type: none"> – sales & market access through good environmental standards – brand value through good environmental standards – access to capital through good corporate governance
Jubilant Organosys	chemicals & pharmaceuticals	Noida, Uttar Pradesh	India US	integration	<ul style="list-style-type: none"> – operational efficiency through environmental efficiency – licence to operate through community development – access to capital through transparency & governance
MAS Holdings	apparel & textiles	Colombo	mainly Sri Lanka & India	differentiation	<ul style="list-style-type: none"> – strong client relationships through high labour standards – employee productivity & lower turnover through good workforce management – licence to operate through socio-economic development

PART I – EXECUTIVE BRIEFING

INSTANCES OF EXCELLENCE

Four companies; five ingredients... and countless valuable lessons

Companies from emerging economies are increasingly making their presence felt in the global business community. Not only are they acquiring more and more companies in the developed world, but they are also pursuing strategies that are highly competitive with those of established businesses in western markets. India, for example, is well known for its progressive firms in different areas of the knowledge economy, including IT and pharmaceuticals, while Brazil has become a global leader in biofuels. On the evidence of this report, companies from emerging economies are also integrating sustainability in their

business strategies in innovative ways that stand comparison with those to be found anywhere else in the world.

In a recent article in the *Harvard Business Review*,² Michael Porter and Mark Kramer argue that too much of the debate about corporate responsibility pits business against society as if they were separate entities, “when clearly the two are interdependent.” The essential test guiding sustainability is not “whether a cause is worthy, but whether it presents an opportunity to create shared value – that is, a meaningful benefit for society that is also valuable to the business.”

There are companies in emerging economies that have been observing that test for years before it was spelled out in the *Harvard Business Review* – developing original business strategies that gain competitive advantage by being environmentally and socially responsible. These companies are creating value both for their business and for society, and this report presents some examples. The implication is not that these companies are representative of all companies in emerging economies, but rather that other companies can, if they try, replicate aspects of their success.

BOX 1: BUSINESS IN EMERGING ECONOMIES

Since 2002, the significance of emerging economies has grown rapidly. According to *The Economist*, the collective gross domestic product (GDP) of emerging economies recently exceeded that of developed economies for the first time in over a century.

What is more, not only has the amount of foreign direct investment into developing countries grown enormously in recent years, but so too has the amount flowing out. Foreign direct investment from developing countries

amounted to \$120 billion in 2005; up from \$16 billion in 2002.³ Witness the recent acquisition of the Anglo-Dutch group Corus, one of the world’s largest steel producers, by India’s Tata Steel following a fierce bidding war with another emerging economy rival – Brazil’s Companhia Siderúrgica Nacional (CSN).

Thanks to more free trade and cheaper telecommunications, corporations from emerging economies are increasingly being integrated into the global economy. CVRD, a

Brazilian mining company privatised in 1997, is now the second largest mining company in the world. The result is that such corporations are increasingly affected by changing expectations around global business. They often are, or have ambitions to be, quoted on one or more of the world’s leading stock exchanges, for example. They know they have to observe continually rising standards of disclosure and governance if they are to gain access to the planet’s deepest pools of finance.

² Michael Porter and Mark Kramer, ‘Strategy and Society: The Link Between Competitive Advantage and Corporate Social Responsibility’, *Harvard Business Review*, December 2006.

³ All figures in this report are in US dollars except where otherwise indicated.

BOX 2: FOUR CASES IN POINT

At the heart of *Market Movers* are four case studies (see Part II), four very different examples of a successful combination of profitability and sustainability in emerging economies.

Amanco, a Latin American pipe maker, has developed an approach based on innovative products and services, including a range designed specifically for low-income customers. This, coupled with a reputation for an ethical business approach, has built Amanco into a strong brand and helped create new markets with substantial potential for growth.

Beijing-based **Deqingyuan** took on one of the world's most severe business challenges – the production of healthy eggs for

the Chinese market. It led the way, banking on the idea that China's increasingly health-conscious consumers would pay a premium for a quality brand. And it succeeded. Its brand emphasis on health and safety has been popular and its eggs are now being sold as far afield as Hong Kong.

MAS is a Sri Lankan apparel manufacturer whose roll-call of blue-chip customers includes Victoria's Secret, Gap, Marks & Spencer and Nike. In a market replete with low-cost rivals, MAS differentiated itself based on its exemplary employment practices and turned its employee programme into a brand (called 'Women Go Beyond'). This persuaded several western firms to choose it as a strategic partner.

Jubilant Organosys was a bulk chemicals producer that seized the opportunities presented by the opening up of India's economy in the 1990s to shift into speciality chemicals and pharmaceuticals. In this new market it discovered that its emphasis on environmental management and local communities was a powerful competitive weapon. The company integrated the productive use of wastes and effluents into product development and manufacturing, and thereby reduced operating costs, built up relationships with local communities and attracted partners with similar concerns from Europe and the US.



Recipes for success

There is no simple formula for ensuring that a sustainable business strategy will be more successful than any other strategy. However, the aim in analysing our chosen case studies was to understand the relationship between sustainability and business success, and to understand why these four chosen companies were successful in their strategies.

In analysing the case studies, the link between each company's environmental, social and governance efforts and its business success was explored. This analysis was based on a series of factors that influence a firm's financial results:

- **sales and market access** – revenue, sales, market share, access to new markets

- **operational efficiency** – the impact on a company's costs
- **access to capital** – access to debt or equity capital, the cost of capital
- **risk management and licence to operate** – the control of loss, damage or disruption, ensuring ongoing acceptance of the company's operations
- **talent and human capital** – the knowledge, skills and talent of employees and contract labour
- **brand value and reputation** – public perception of a company, its products and its brands.

Figure 2 summarises the most important 'business cases' – the ways in which sustainability performance influences business drivers and strategy in each of the four case studies. These are not

meant to be exhaustive – they do not detail every benefit that the companies have found. Rather they provide a quick reference of the major aspects of each case. An image of this matrix is also repeated within each individual case study in Part II to help orient the reader.

There is no simple formula for ensuring that a sustainable business strategy will be more successful than any other strategy.

Through the research, a number of 'ingredients of success' were also identified. These were factors that contributed to the strong results in all four case studies and helped them overcome some of the constraints that many emerging-economy companies face. Other companies may find these can help with business strategies that create value both for themselves and for society. The five ingredients are summarised below.

Leadership. The role of the chief executive or chairman is often crucial in pushing through a strategy based on sustainability. While that is true in any country, it may be particularly true in the family-run firms common in emerging economies, where a business leader who has a clear vision, backed by rigorous market analysis, can be a powerful force. Zhong Kaimin, the founder of **Deqingyuan**, had a very simple vision: to provide good, healthy eggs, first for his family and friends, then for the people of Beijing. But that simple vision is leading to something far more profound in China's poultry business.

FIGURE 2: SUMMARY MATRIX OF BUSINESS CASES

DQY = Deqingyuan JOL = Jubilant Organosys

	Environmental Performance	Social Performance	Governance Performance
Sales & Market Access	DQY	Amanco MAS	
Operational Efficiency	Amanco JOL		
Access to Capital			DQY JOL
Risk Mgmt & Licence to Operate		JOL MAS	
Talent & Human Capital		MAS	
Brand Value & Reputation	DQY		Amanco

Integration. Sustainability elements were often embedded in corporate strategies from the very beginning. In the case of **Jubilant**, for example, at the same time as the company was moving up the value chain, developing a range of speciality chemicals and research services, it was improving its cost competitiveness with a number of highly integrated manufacturing facilities that allowed for the productive use of by-products, effluents and wastes.

Innovation. The companies studied use sustainability as a source of innovation. **Amanco**, for instance, wanted to move away from being a commodity-type producer in order to increase profits. Its sustainability strategy allows it to differentiate itself from the crowd by using environmental and social problems as a source of ideas. Once a challenge is identified, the company applies creativity to develop new products and services to address it, such as financing for irrigation systems for low-income farmers.

Differentiation. Successful companies have the courage to be different. **MAS** took on the daunting task of producing highly sophisticated garments in a country where they had never been manufactured before. It also chose to build its factories in the countryside, away from the most highly skilled labour. This strategy succeeded because MAS identified (and then met) the main needs of its employees and the local communities – factors which differentiated MAS in the eyes of its major clients.

Quality of relationships. Companies that build strong relationships with their constituencies – suppliers, customers, employees – are at an advantage. Successfully operating in poor rural areas of India, for example, required **Jubilant** to



Companies that build strong relationships with their constituencies – suppliers, customers, employees – are at an advantage.

overcome community distrust. By engaging with its neighbours, listening and acting on what it hears, and involving and empowering the community, Jubilant has helped create an environment of goodwill and understanding – and avoided potential business disruptions. This collaborative approach with the community has also strengthened relationships with the local government and eased the process of obtaining environmental clearances, which require community consultation.

These ‘ingredients’ could constitute a perfectly good list for general business success in both developed and emerging economies. After all, sustainability, simply put, is sound business planning which anticipates and strategically manages changes in a company’s operating environment (which includes changes in

environmental, social and economic conditions). However, the emphasis in emerging economies may be different. For one thing, many firms in emerging economies are family-run, and it may be easier for enlightened leaders to pursue a long-term goal without shareholder pressure to achieve short-term financial targets. Moreover, the potential for innovation is greater (almost by definition) in emerging economies than it is in developed ones, where commercial progress is more likely to occur in small steps than in big leaps and bounds. And the lack of infrastructure and systems common in developed countries means that companies may have to seek other advantages in order to compete. For example, where legal frameworks are weak, the value of trusted relationships may be higher.

A note for investors

A growing body of investors has begun to recognise that environmental, social and corporate governance (ESG) issues are material to a company's performance. Over 50 financial institutions have now adopted the Equator Principles, believing that careful assessment and management of ESG risks in project financing leads to better-quality investments. Research from firms such as Morgan Stanley and UBS are lending support to the idea that ESG issues affect long-term shareholder value. In May 2007, the

McKinsey Quarterly published an interview with Al Gore, America's vice-president under Bill Clinton, and David Blood, a former CEO of Goldman Sachs Asset Management, in which the two interviewees argued that "sustainability investing is essential to creating long-term shareholder value." Society's concern about climate change, for example, inevitably imposes new responsibilities on business while at the same time providing a host of new opportunities.⁴

Nevertheless there are many key decision-makers both inside and outside corporations who have not yet got the message. There are plenty of investors who still tend to see sustainability as something which has only an intangible effect on their organisation's goodwill and reputation. They do not see the value that can be added by integrating sustainability more broadly into corporate strategy. This report aims to help to persuade them otherwise.

A growing body of investors has begun to recognise that environmental, social and corporate governance (ESG) issues are material to a company's performance.

"Sustainability investing is essential to creating long-term shareholder value."

David Blood, managing partner of Generation Investment Management and former CEO of Goldman Sachs Asset Management



Jim Pickrell

⁴Lenny T Mendonca and Jeremy Oppenheim, 'Investing in sustainability: an interview with Al Gore and David Blood', *McKinsey Quarterly*, May 2007.

BOX 3: VIEWS FROM ELSEWHERE

Since *Developing Value*⁵ was published in 2002, there has been a substantial amount of work on the business case for sustainability. The finance sector has been particularly active, led by asset managers and investors involved in initiatives such as the United Nations Environment Programme Finance Initiative (UNEP-FI), the Principles for Responsible Investment or the Enhanced Analytics Initiative. Overall, there is a trend to recognise more fully the materiality of ESG issues and begin to take them into account in long-term investment decisions – and a need for companies to improve communication with investors on sustainability and the business case.

The investment bank Goldman Sachs, for example, has found that ESG issues are likely to be material for competitiveness and reputation, and therefore can have an impact on the company's valuation. In Brazil, ABN Amro Real considered environmental and social concerns in the forestry industry and concluded that they are material and can impact corporate financial results. The Association for Sustainable and Responsible Investment in Asia (ASrIA) also

concludes that ESG factors may impact investment valuation dynamic, and that as investors become better versed in ESG analysis, companies will become more strategic on these issues.⁶

Beyond investors, academics at Harvard, Yale, IMD in Switzerland and INCAE business school in Costa Rica⁷ have also identified a business case for sustainability. They tend to see sustainability as a source of innovation and comparative advantage, and they emphasise the reciprocal relationship between companies and society – a relationship which creates opportunities for mutual benefit or “shared value,” as Michael Porter and Mark Kramer put it in their article in *Harvard Business Review*.

IMD is perhaps the most cautious in this respect – supporting the notion of a business case for sustainability, but warning that it is sector-specific and that stakeholder support for sustainability efforts is ‘unreliable’. It also emphasises that the more that sustainability is embedded as part of business strategy, the more difficult it is to measure its effects. That is because it is hard to separate sustainability- and non-sus-

tainability-related benefits – a finding borne out by the case studies in this report.

However, despite the increasing number of papers highlighting the rising importance of emerging economies and emerging-economy corporations,⁸ the last five years has seen relatively little analysis of the business case for sustainability in emerging economies.

Contributions from the Brazilian Foundation for Sustainable Development, IFC, INCAE and UNEP-FI have generally found that the business case for sustainability tends to hold in emerging as well as in developed economies. An OECD paper on CSR in emerging-economy companies also reaches this conclusion – while emphasising that the specific drivers may be different. The paper finds, as does this report, that companies in emerging economies may often be practising sustainability without calling it such. But it also warns that the gap between leaders and laggards in emerging economies may be greater than it is in developed countries.⁹

⁵ SustainAbility, International Finance Corporation and Ethos Institute, *Developing Value: The Business Case for Sustainability in Emerging Markets*, 2002. It was itself based on an earlier publication: SustainAbility, *Buried Treasure: Uncovering the Business Case for Corporate Sustainability*, 2001.

⁶ UNEP-FI, *Show Me the Money: Linking Environmental, Social and Governance Issues to Company Value*, 2006; Nyenrode Business Universiteit and Boston College, *Knowing the Price, but also the Value? Financial Analysts on Social, Ethical and Environmental Information*, 2005; Goldman Sachs, *Global Energy: Introducing the Goldman Sachs Energy Environmental and Social Index*, 2004; UNEP-FI, *The Materiality of Social, Environmental and Corporate Governance Issues to Equity Pricing*, 2004; United Nations Global Compact, *Who Cares Wins*, 2004.

⁷ Dan Esty and Andrew Winston, *Green to Gold: How Smart Companies Use Environmental Strategy to Innovate, Create Value, and Build Competitive Advantage*, Yale University Press, 2006; European Academy of Business in Society, *Measuring Corporate Responsibility – Linking Financial and Social Values*, www.eabis.org/research/MeasuringCR/ (15 September 2006); Porter and Kramer, 2006; Oliver Salzmann, Aileen Ionescu-Somers and Ulrich Steger, ‘The business case for corporate sustainability: literature review and research options’, *European Management Journal*, February 2005; Ulrich Steger (ed.), *The Business of Sustainability: Building Industry Cases for Corporate Sustainability*, Palgrave MacMillan, 2004.

⁸ Antoine van Agtmael, *The Emerging Market Century: How a New Breed of World-Class Companies Is Overtaking the World*, Free Press, 2007; Boston Consulting Group, *The New Global Challengers: How 100 Top Companies from Rapidly Developing Economies Are Changing the World*, 2006; Jeremy Baskin and Kathryn Gordon, *Corporate Responsibility Practices of Emerging Market Companies: A Fact Finding Study*, OECD Working Papers on International Investment, 2005; Goldman Sachs, *Dreaming with the BRICs: The Path to 2050*, 2003.

⁹ IFC, *The Promise of Private Equity: Environment, Society and Corporate Governance – New Criteria for Success in Private Equity Investments*, 2006; UNEP-FI, *Sustainability Management and Reporting: Benefits for Financial Institutions in Developing and Emerging Economies*, 2006; Baskin and Gordon, 2005.

In closing

There is no decree that industrial progress in emerging economies has to follow the path it has followed elsewhere. Globalisation – the ever faster and farther movement of people, products, ideas and information – is helping business to leapfrog over stages in the process in remarkable (and unpredictable) ways. Places like Bangalore and Shanghai are flying through a totally new trajectory of development from that followed by Manchester or Tokyo.

Similarly, there are companies in emerging economies that are integrating sustainability into their business strategies in unlikely ways, thus creating value both for themselves and for the societies

in which they operate. Those companies are led by people who appreciate that business needs a good society as much as society needs good business. *Market Movers* tells the stories of a selected few of them.

The four companies we profile are very different from each other, ranging from some which started off with an explicit sustainability agenda to those which came to realise that sustainability simply made sound business sense for them at a particular time in their development. In all cases, though, their focus has been on managing issues material to core business, as part of the overall business approach. Small, discreet actions

to tackle specific concerns can add value – but significant results are most likely to arise from strategic ventures.

As market interest and expectations grow, robust sustainability performance is being viewed as a mark of quality management and often a precondition for doing business in the eyes of a growing range of investors, business partners and customers. By understanding, measuring, managing and then discussing the business value of sustainability with these stakeholders, in terms that are relevant to them, firms in emerging economies can be competitive with the very best anywhere in the world.

There are companies in emerging economies that are integrating sustainability into their business strategies in unlikely ways.

Small, discreet actions to tackle specific concerns can add value – but significant results are most likely to arise from strategic ventures.



PART II – CASES IN DETAIL

CORPORATE PIONEERS

Introduction

Developing Value was the first publication to highlight the direct relevance of sustainability strategies for companies in emerging economies, demonstrating some powerful links between sustainability and business success. *Market Movers* builds on *Developing Value* by exploring in more detail how some leading companies from emerging economies are understanding and responding to changing social and environmental trends as part of their overall business approach. By exploring the cases of several companies that have created great value in this way we hope to help other companies to identify opportunities, develop strategies, and then measure and communicate sustainability and its contribution to business success.

The four case studies included in this section embrace firms as far apart as Beijing and Sao Paulo, and although their specific details vary enormously, they contain some common threads and lessons that can be applied in almost any context. The cases capture key moments in the companies' histories that determined their strategic direction, and the motivation that lay behind them. They also identify the most important ways in which sustainability has affected the drivers of business success –

things such as access to markets, operational efficiency, access to capital or superior reputation. Finally, the cases illustrate the five ingredients described in Part I: leadership, integration, innovation, differentiation and quality of relationships.

These companies are not meant to be representative of current corporate practice – but rather relevant references for companies in emerging economies. Nor is it implied that these companies have 'perfect' environmental, social and governance performance. They were selected following a broad trawl of possible candidates nominated by experts, academics, investors and business leaders as examples of companies that have embedded sustainability and are seeing business benefits as a result (see Figure 3). The minimum criteria for nomination were that companies were based in emerging economies, that they exhibited clear business success, and that sustainability played a role in that success. In the four cases that made the final cut, sustainability is clearly integrated into the firms' business approach.

Once selected, the companies were subjected to rigorous research.

Senior executives within them were interviewed at length, as were interested outsiders. The aim was to identify as far as possible the secrets of their success, to discover, as it were, 'how they did it', how sustainability had helped drive profitability.

Given the focus on cases where sustainability was embedded into business strategy, rather than being a separate consideration, it was generally difficult to quantify the specific impact of sustainability on business results. However, the leaders we spoke to were convinced of the positive role that sustainability has played. The analysis was thus concentrated on understanding how sustainability strategies influenced key success factors at each company, to provide lessons on how sustainability can contribute real value. See Appendix One for more details on our research approach.

To keep the links between business success and sustainability in readers' minds, the matrix introduced in Part I is reproduced in each case study. It indicates for each case the three areas where good environmental, social or governance performance has had the clearest impact on business results.

FIGURE 3: RESEARCH APPROACH



CASE: AMANCO

PIPE DREAMS



Amanco has grown to be Latin America's leading manufacturer of plastic pipes and fittings with a strategy that has built-in sustainability.

The Sao Paulo-based company was bought for \$500 million in February 2007 by Mexichem, a Mexican chemicals manufacturer that is quoted on the Mexican stock market. Mexichem was one of at least nine organisations interested in purchasing Amanco at the time of its sale, attracted, according to CEO Roberto Salas, due to Amanco's leading position in Latin America, its proven track record of profit growth and its sustainability commitment.

"Twenty-first century companies need to integrate themselves much more closely with what is happening in society in general. Those that don't will be relegated to Jurassic Park."

Julio Moura, president and CEO of GrupoNueva

Sustainability – or the triple bottom line (TBL) approach, as it is called internally – first became part of the company's competitive strategy under previous owner, GrupoNueva, "as Amanco searched for the best way to attain price premiums" notes Andreas Eggenberg, a former senior executive. Amanco is in a market that is highly commoditised. A pipe is a pipe is a pipe. Differen-

tiation through innovation is the only way to escape from that type of low-margin 'commodity hell'. But the benefits of many forms of innovation in the industry often prove short-lived; new products sometimes have a competitive advantage for just a matter of months.

So the company has differentiated itself by developing a brand that is associated with sustainability in all the countries in which it operates. This is partly reinforced by its new products, which systematically take account of environmental and social impact. For example, the company has taken the precautionary approach in identifying a substitute, calcium zinc, which can be used to replace lead-containing compounds in its PVC piping at an extra cost of only 3.5%. Then it developed a new plastic technology for sewage piping that is more water-tight than any comparable material, and also cheaper to install.

The company has a wide range of clients and it develops products and services specifically for different groups. It has, for instance, been developing a scheme based on the base of the pyramid (BoP) concept, identifying products and services designed to improve social conditions for low-income customers while creating value for the business. The company invited its employees to come up with business plans for the scheme and it received 250 proposals, some of which are now up and running.

The initial BoP project was a \$100,000 investment in Guatemala. Small farmers there do not have

access to reasonably priced finance to buy the agricultural irrigation kits that Amanco was proposing to sell, so the company found partners who could help with training and financing – including the Inter-American Development Bank and the NGO Opción. There were sound business reasons for choosing Guatemala – it had some 300,000 small farmers who could be potential customers. Despite their limited resources these farmers have proved to be a good credit risk.

The gradual build-up of the company's reputation for innovation and sustainability through the development of this sort of new product and service has been backed by a concerted attempt to lead discussions across the region on the sustainable use of water resources and on transparency. Amanco was a leading supporter of the Fourth World Water Forum, held in Mexico City in March 2006, and it has signed agreements with other firms in the sector to increase transparency and hence to reduce the opportunities for corruption.

The company's financial performance has been uneven across the continent. Although it is the leader in its Spanish-speaking markets, it has a much less dominant position in Brazil, even though Brazil accounts for over a quarter of the company's total sales and is its biggest single market. Nevertheless, Amanco's efforts to strengthen reputation and brand have been working – and the company has gone from being relatively unknown in Brazil to being widely recognised and highly trusted in only a few years.

Sustainability performance

What you measure is what you get

Amanco has been a pioneer in measuring the impact of its TBL strategy, building on the ideas of Robert Kaplan, a Harvard professor of accounting who in the 1990s developed a method of extending a company's measure of its performance beyond the financial. On the understanding that what you measure is what you get, he set out a concept he called the 'Balanced Scorecard'.¹⁰ This added other yardsticks of company performance, such as customer satisfaction and levels of innovation, to the classic profit and loss account. The idea aroused widespread interest.

Amanco has extended the idea of the Balanced Scorecard to embrace both social and environmental dimensions. It has begun to produce what it calls a 'Sustainability Scorecard' (see Figure 6 on page 41), and its efforts stimulated Kaplan himself to co-author a Harvard Business School case study entitled 'Amanco: Developing the Sustainability Scorecard'.¹¹ It is a constant challenge for companies to measure the impact of the sustainability element of their strategies, and Amanco has gone as far down this road as any.

Amanco first introduced its Sustainability Scorecard in 2003 and it has been continuously refined ever since. Initially it focused on the social impact on employees and the communities around its factories. But it has since been expanded to include business with low-income customers, fighting corruption in the sector, and indicators on accident prevention and eco-efficiency.

It is difficult to measure the impact of every aspect of Amanco's sustainability strategy. The specific benefit

of efforts to lead the debate on water resources and transparency, for instance, cannot be quantified. But Jorge Ramirez, the company's financial director, is convinced that the extensive media coverage that these initiatives receive has a positive effect on consumers' awareness and attitude towards the company. There is less doubt about the benefits of the company's efforts to reduce waste and to lower accident rates. These are all measured and managed, and have a positive impact on costs.

The BoP segment, although still small, already generates over \$4 million in revenues and the company believes the BoP idea has high growth potential, projecting that income from it will double year-on-year. Since the initial project in Guatemala, the company has developed new ideas including a pilot financial services program for the residential building and installation segment in Brazil, launched in 2005. The program provides credit cards to low-income

customers who lack access to the banking system – enabling them to purchase building materials. Amanco has also set up a programme to train plumbers from low-income groups, certifying those who successfully complete the programme as 'Doctores de Construção', a brand which adds value for the plumbers. For Amanco, this is also part of developing the company as an alternative to the market incumbents in Brazil, who were already working with the well-established plumbers. "The only way to success is with surprise – doing something differently," says Salas.

To some extent Amanco's distinctive culture is self-sustaining. The company attracts the sort of employees that want to make it work, and who gain satisfaction from the idea. Amanco has frequently been named as a Top 100 employer in Brazil, and in 2007 Amanco Ecuador was cited as the fifth best employer in all Latin America.¹²



Courtesy of Amanco

¹⁰ RS Kaplan and DP Norton, 'The balanced scorecard: measures that drive performance', *Harvard Business Review*, Jan–Feb 2002.

¹¹ Ricardo Reisen de Pinho and Robert Steven Kaplan, 'Amanco: Developing the Sustainability Scorecard', Harvard Business School Case 9-107-038, January 2007.

¹² Citations by the Great Place to Work Institute, www.greatplacetowork.com/ (27 August 2007).

Conclusion

21st century business

The company's fortunes are closely allied to those of the region. The growth of Latin America's GDP per capita over the past 25 years has been poor – lower than for all emerging-economy regions except sub-Saharan Africa. Moreover, state spending on infrastructure has fallen sharply in all countries except Colombia as fiscal controls have been tightened. Most spending on water and sanitation in the region remains publicly financed.

The company has already been through some hard times. During the economic crisis between 1999 and 2003, Amanco had to close

a number of plants, although the company provided extensive retraining and outplacement services to help laid-off employees find new work. To succeed in the 21st century, Julio Moura, president and CEO of former owner GrupoNueva, has said that companies need a different approach to that of the last century. In essence, they need to integrate themselves much more closely with what is happening in society in general. Those that don't, he says, "will be relegated to Jurassic Park." The big opportunities over the next ten years, he believes, will come from "the things that society is most concerned about". Among which he includes climate change, poverty,

conflict and globalisation. Amanco's new owners seem determined to continue with the sustainability strategy that made the company so attractive when it came on the market. Mexichem has confirmed that it intends to continue with this approach and has created a special board of directors for Amanco, to reflect the company's wide geographical spread and support its sustainability goals. But there will be different challenges in nurturing such a strategy for a quoted company, with the short-term horizons that are imposed on it by its investors, as opposed to those that were faced by Amanco when it was privately owned.

BOX 4: INNOVATION

Like any business, Amanco seeks to increase profits. However, the company is constrained by the fact that pipes are a commoditised product, with traditionally low margins. Amanco has solved this challenge by developing a value proposition based on providing tailored

'water solutions' to different consumer segments. Social and environmental problems such as water leakage or farmers' lack of access to financing are the source of ideas, and then Amanco applies creativity, research and development to try to solve them. Amanco thus turns these problems into

opportunities – innovating products and services to meet needs at a competitive price. Innovation in production processes to reduce resource and energy consumption has also helped the company keep prices down and contributed to increased profits.







Company profile

Amanco is a Latin American producer of integrated water solutions for the construction, infrastructure and irrigation industries. It is also involved in the trading of construction products. It produces an annual Sustainability Scorecard, which measures the results of environmental and social management as well as standard financial results.

key data

FOUNDED

Amanco Holding Inc. was formed in 1994 through the merger of several pipe systems companies owned by Swiss entrepreneur Stefan Schmidheiny.

OWNERSHIP STRUCTURE

Wholly owned subsidiary of Mexichem since March 2007 – previously part of GrupoNueva

SECTOR

Pipe systems, construction products and geosynthetic systems

HEADQUARTERS

Sao Paulo

OPERATIONS

Plants operating in 14 Latin American countries

MARKETS

More than 55,000 points of sale in 29 countries, including primarily Brazil, Mexico, Colombia, Argentina and Central America

MAIN COMPETITORS

Companies used as benchmarks include Wavin (Dutch), Uralita (Spanish), Iponor (Finnish) and Tigre (Brazilian)

EMPLOYEES

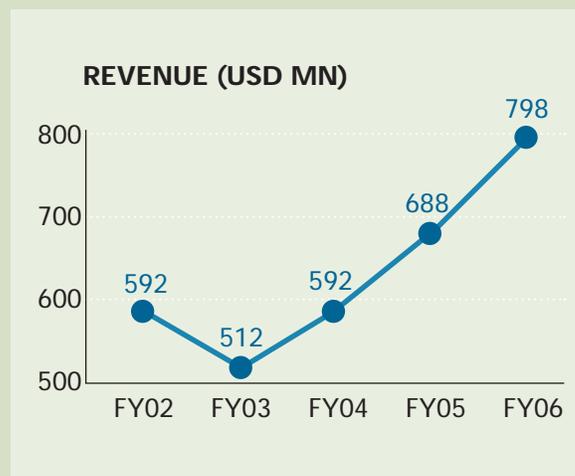
7,100

MARKET SHARE

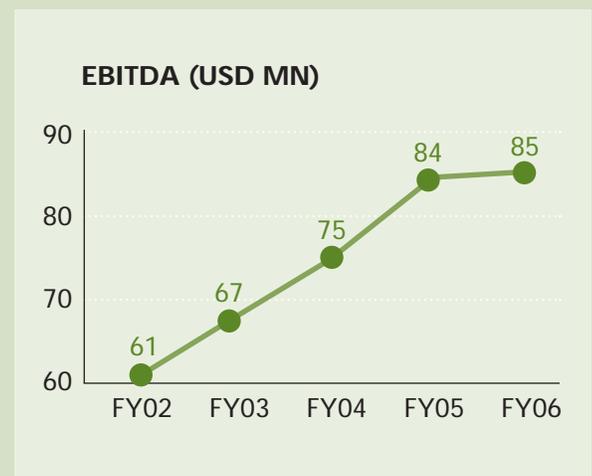
2005: from 17% (Peru) to 66% (Ecuador); 28% across the region

AWARDS AND RECOGNITION

- 2006 and 2007: Amanco (Ecuador) listed in Best Companies to Work for in Latin America by Great Place to Work Institute (ranked 5th)
- 2005: Distinction for Corporate Social Responsibility from Mexican Center for Philanthropy (CEMEFI)
- 2002, 2003, 2004 and 2005: listed in Best Companies to Work for in Brazil by Great Place to Work Institute



Compound annual growth rate (CAGR) from 2002 to 2006: 7.8%¹³



CAGR from 2002 to 2006: 8.6%.

¹³ Here, and elsewhere in the case studies, CAGR has been calculated by the authors, based on revenue, income or EBITDA figures provided by the companies.

The Amanco business case – the three most important factors

Here we highlight the three most important ways in which sustainability performance at Amanco is influencing business drivers and supporting business strategy.

1. Brand value increased through sustainability governance

- Sustainability is an integral part of Amanco's brand differentiation.
- In Brazil, Amanco has gone from being relatively unknown to having 50% brand awareness in less than 18 months.
- Leadership on transparency within sector helps make Amanco the preferred brand to win 'clean' contracts in an industry prone to corruption.

2. Market creation by helping customer's own economic development

- Amanco created new markets at the base of the pyramid.
- Substantial potential as new segment accounts for 80% of customer base but currently only 20% of sales.
- Pilot projects providing new agricultural products and services are now generating \$4.1 million in revenues.
- Amanco estimates income from low-income segments will double year-on-year, compared with just 5–15% growth in other segments.

3. Cost savings from supporting environmental efficiency

- Good environment, health and safety management saves money and contributes to increased margins.
- There were \$850,000 in savings in 2006 through eco-efficient management of plants (reducing resource and energy consumption).

AMANCO BUSINESS CASE MATRIX

	Environmental Performance	Social Performance	Governance Performance
Sales & Market Access			
Operational Efficiency			
Access to Capital			
Risk Mgmt & Licence to Operate			
Talent & Human Capital			
Brand Value & Reputation			

CASE: DEQINGYUAN

A LOT MORE THAN CHICKEN FEED



A small start-up near Beijing is helping transform Chinese egg production – anticipating a market trend towards better food quality and safety.

If you set out to find the most challenging environment in which to start a business, you would be hard pushed to beat the chicken industry in China. A series of food safety and health issues – SARS, bird flu, the Sudan 1 carcinogen – have undermined confidence in the ability of the world's biggest egg consumer (accounting for an extraordinary 40% of total world consumption) to monitor the quality of its poultry stock. This was not helped by the fragmented nature of the industry in China. Prices are continually under pressure from myriad small producers prepared to cut corners on production standards and food safety. Only a couple of farms in the whole country can boast more than a million birds. In Europe and America such farms are commonplace.

Nevertheless, in 2000 one man took on the daunting challenge of producing a quality egg for the Chinese market. He was not a serial entrepreneur with a family background in business. Rather, Zhong Kaimin was an engineer who had worked in the Ministry of Defence for 16 years. But he and his family knew that it was hard to find a decent egg in Beijing. So, with the help and advice of a few friends and family, he set out to fill the gap.

His company, Deqingyuan, based some 90 kilometres outside the Chinese capital, is now producing about 480,000 high-grade eggs a day and accounts for over 70% of

the (growing) branded egg market in Beijing. Profits doubled in 2005 (to over RMB 10 million), and only fell back in 2006 because of heavy investment in expansion – the company increased its infrastructure sixfold in a single year.

In March 2007 Deqingyuan began to sell its eggs at a premium price in Hong Kong, a city that has not traditionally sourced eggs from

Enter Deqingyuan, whose eggs are already available in over 500 Chinese supermarkets.

Mr. Zhong did not plunge into his venture totally unprepared. He gained an MBA from the People's University in Beijing and persuaded some friends with business experience to join him. They did door-to-door market research and, once production had begun, they gave

When an outbreak of bird flu caused egg sales to plummet, Deqingyuan continued to sell everything it could produce at its full premium price.

mainland China. It now intends to open two new farms – one in the south of the country near Hong Kong, the other near Shanghai. Within three years Deqingyuan hopes to be producing 6 million eggs a day. Further plans include the production of liquid and powdered egg. These products have a longer shelf life than eggs in their shells and provide an efficient way of dealing with periods of high and low demand.

Meanwhile the egg-distribution system in China is shifting in Deqingyuan's favour, away from the traditional wet markets (which the health authorities are gradually closing down) and into supermarkets, some of them owned by foreign giants such as Wal-Mart, Carrefour and Tesco. World-famous brands such as these do not want to risk their reputations by selling food products of dubious quality.

away half a million eggs in order to show people how much better they tasted than the traditional fare.

Deqingyuan brands its eggs with distinctive packaging, and it stamps them with the date they were laid, the first time this has been done in China. The company also differentiates its product by selling eggs by number, as well as the more traditional approach of selling by weight. When an outbreak of bird flu caused egg sales to plummet (and a large number of producers to go bankrupt), Deqingyuan continued to sell everything it could produce at its full premium price. Local consumers were hungry for a product they could trust, a brand that they could rely on. "Sustainability has made Deqingyuan a market leader," says Mr. Zhong, "and a market leader will not only survive a crisis, it will thrive out of crisis."

Sustainability performance

Waste not, want not

Deqingyuan's business proposition is based on Chinese consumers' growing willingness to pay for food safety. Expenditure on household consumption in the country is rising by almost 7% a year, much of it going towards better quality food. So the highest environmental and animal-husbandry standards are fundamental to Deqingyuan's success. This means protecting the environment that birds live in, ensuring adequate cage size and siting and providing good quality feed, thereby reducing the incidence of disease and the need for antibiotic use in egg production.

The company is unusual in aiming to be green in one of the most polluting industries of all: in China agricultural waste is reckoned to be greater in volume than industrial and municipal waste put together. But the result is a higher quality product, which means that Deqingyuan can charge a higher price for its eggs (Deqingyuan's eggs sell at almost a 200% premium to the price of a standard egg).

Deqingyuan's sustainability concerns stretch well beyond animal welfare. There are significant worker health risks in this industry due to ammonia and dust concentration in the facility. Deqingyuan has purchased advanced equipment to address this problem, and provides a health care system for its employees. Other environmental measures include waste management, energy conservation and rainwater collection for landscape use.

Chickens make a lot of mess, and getting rid of it can be a problem. So Deqingyuan turns much of it into fertiliser which it sells to nearby farmers. But the company now produces far more waste than it can absorb, so the company has constructed a biogas plant, which



Courtesy of Deqingyuan

will come on stream in late 2007. This will convert the waste into methane gas, which can be used to produce electricity. The electricity produced will more than meet the company's own needs, so it will explore opportunities to sell the rest. The company will also benefit from a new revenue stream through the sale of Certified Emission Reductions (CERs).

The company's business goals have also led it to provide support to the local community. Above all, it needs to guarantee good foodstuff for its birds, and it needs to be sure they are not going to be infected by disease from other local stocks. So it provides high-grade organic fertiliser (made from its own waste) to local farmers to enable them to grow corn, which Deqingyuan guarantees to buy as feedstuff at a higher-than-market price. In addition, it gives cheap eggs to villag-

ers nearby in return for them not breeding their own chickens – a deal struck after the avian flu outbreak in 2004.

On governance, Deqingyuan has also set out to follow good practice, aware that without it foreign investment is unlikely. An international accounting firm is working on an audit with a future initial public offering (IPO) in mind. "They're not perfect on governance," says Joan Larrea of the Global Environment Fund, an investment fund focused on clean technologies and emerging economies. "The main attraction is that they do take it seriously." Deqingyuan holds regular shareholder and board meetings, and produces the required financial documents. They have an open discussion between the board and management, and have just added an independent board member.

Conclusion

“Head and shoulders above the rest”

Setting up an operation like Deqingyuan's is expensive. The birds' cages have come from Italy, the fertiliser-making equipment from Germany, and the biogas plant from America's General Electric. Not surprisingly, for some time money was Chairman Zhong's main challenge. He says he devoted up to 80% of his time to fund-raising.

of animal welfare was partly responsible for IFC's interest. The project is smaller than would usually draw IFC's attention, but the institution was impressed by the company's vision of transforming China's egg production at the same time as it pioneered new standards of sustainability. Receiving IFC support was crucial for Deqingyuan, bringing not only money but also expertise – in, for example, the biogas project.

in good stead as it approaches the market. Mr. Zhong says the thing that keeps him awake at night now is the challenge of finding enough suitably qualified people to manage the company's rapid expansion. The industry has traditionally been run by small family firms; trained poultry managers in China are even rarer than good eggs.

The high price of entry may deter competitors from capturing Deqingyuan's market share for the foreseeable future. Those who do enter will in any case be hard pushed to find the management skills required to maintain such high environmental standards. The few rivals that exist in the branded egg market currently outsource at least some of their production to others, handing over birds to their suppliers and collecting their eggs thereafter. Deqingyuan does everything itself and is in control of its birds all the time. It is, says Joan Larrea, “head and shoulders above the rest.”

IFC was impressed by the company's vision of transforming China's egg production at the same time as it pioneered new standards of sustainability.

But he managed to attract some heavyweight foreign investors – including the IFC (which took a stake in the company in 2006) and the Washington-based Global Environment Fund. Mr. Zhong believes that Deqingyuan's high standard

The company is now thinking of a stock-market listing in 2008 or 2009 to give it access to the further capital it will need if it is to scale up its operation to a national level. Its good governance and environmental performance will stand it

BOX 5: LEADERSHIP

Deqingyuan's profitability depends on the company's ability to charge a price premium to cover the higher costs of producing high-quality eggs. This is no mean feat in a country where food quality standards are inconsistent and many egg producers have been bankrupted due to the price competition. However, Mr. Zhong's vision

and leadership allowed him to take the risk. He bet (correctly) that his high-quality eggs would mesh with the growing health-consciousness of Chinese consumers if he could build a brand that became associated with quality. He achieved this in several ways, including organising marketing activities in residential communities, giving away

more than 500,000 eggs for free for people to taste, and developing a unique brand and packaging, with production dates clearly printed. Mr. Zhong's leadership in pioneering higher quality and ethical standards in the Chinese market also helped secure IFC investment – another critical factor that contributed to success.







Company profile

Deqingyuan, based in Beijing, China, produces high-quality eggs for the Beijing and Hong Kong markets. Deqingyuan was established in 2000 with the recognition that local egg quality was poor, and it became the first company in China to sell fresh eggs bearing a production date and trademark.

key data

FOUNDED

Beijing Deqingyuan Agriculture Technology Co. Ltd was founded in 2000 by the current chairman, Zhong Kaimin.

OWNERSHIP STRUCTURE

Owned by: Individual shareholders including Zhong Kaimin (14.9%), DQY Agriculture Technology Company (27.7%), Global Environment Fund (15.9%), Capital Today (15.9%), Innobiz Hong Kong (8.8%), Shanghai Yi Bei (8.6%) and IFC (8.2%)

SECTOR

Agribusiness

HEADQUARTERS

Beijing

OPERATIONS

Beijing

MARKETS

Beijing, Hong Kong

MAIN COMPETITORS

Following Deqingyuan (71% share of branded egg market in Beijing), competitors are Gegeda (25%), Liuminying (1%), Gazige (1%) and Xiaonong (1%)

EMPLOYEES

335

MARKET SHARE

71% of branded egg market in Beijing
3.6% of total egg market in Beijing¹⁴

AWARDS AND RECOGNITION

- National High-Tech Modern Agriculture Demonstration site
- National Food Safety Demonstration Enterprise

REVENUE (USD MN)



CAGR from 2002 to 2006: 107.3%

NET INCOME (USD MN)



CAGR from 2002 to 2006: 150.4%

US dollar figures for revenue and net income calculated by authors based on renminbi figures supplied by company and average annual RMB:US\$ exchange rate from the Economist Intelligence Unit.

¹⁴ Calculation of total market share, based on branded eggs accounting for 5% of all eggs in Beijing. However, this figure is growing fast.

The Deqingyuan business case – the three most important factors

Here we highlight the three most important ways in which sustainability performance at Deqingyuan is influencing business drivers and supporting business strategy.

1. Higher sales and market access from better environmental and safety standards

- Based on Deqingyuan's reputation for quality and safety, sales grew from \$0.4 million in 2002 to \$6.7 million in 2006.
- Deqingyuan has 71% share of the branded egg market in Beijing.
- Deqingyuan entered Hong Kong market, which does not traditionally source eggs from mainland China.
- Deqingyuan commands higher prices per egg in Beijing (0.9 RMB per egg vs average of 0.3 to 0.4 RMB per egg) and Hong Kong.

2. Brand value and reputation built on good environmental and safety standards

- High food safety based on sound environmental approach allows Deqingyuan to create a trusted brand.
- During SARS crisis, which deflated egg sales throughout China, Deqingyuan's sales increased - evidence of high level of trust Deqingyuan enjoys with consumers.

3. Access to capital from good corporate governance

- Although industry has difficulty gaining access to capital, Deqingyuan tapped into international investment from GEF and IFC.
- Investors are attracted by the company's pioneering vision, quality and environmental performance, and serious approach to governance.

DEQINGYUAN BUSINESS CASE MATRIX

	Environmental Performance	Social Performance	Governance Performance
Sales & Market Access			
Operational Efficiency			
Access to Capital			
Risk Mgmt & Licence to Operate			
Talent & Human Capital			
Brand Value & Reputation			

CASE: JUBILANT ORGANOSYS

SWEET SOLUTIONS



The opening up of India's economy in the 1990s made Jubilant's sustainability strategy even more valuable.

Started in 1978 as a bulk chemicals producer, when Indian industry was protected behind high tariff walls, Jubilant Organosys found itself forced to rethink its business model after the opening up of the Indian economy to global trade and competition in 1991. The liberalisation included a gradual reduction of customs duties on chemical products, the prices of which plunged to 30-year lows in the second half of the 1990s. The profits of many firms in the industry were severely depleted.

Jubilant reckoned that it was going to be hard to succeed in this new, competitive global market. So it decided to shift into higher value goods and, over the next decade, transformed itself from an essentially bulk chemicals manufacturer into a low-volume fine and speciality chemicals producer, with a growing focus on supplying the pharmaceuticals industry. It moved itself strategi-

cally higher up the value chain. The company has traditionally relied on an unusual source for its raw material. Most chemicals firms of its kind rely on crude oil-based feedstocks. But accessing them can pose a problem, as their prices are highly volatile and their supply sometimes uncertain. So Jubilant decided to use molasses as its feedstock. Molasses is a waste product from the manufacture of sugar from cane, and India is a huge grower of cane, second in the world only to Brazil. The price and supply of molasses are significantly disrupted only by an extraordinary monsoon. Thus Jubilant was able to stabilise its cost base.

Coincidentally, the choice marked a switch to a more environmentally-friendly way of producing the same products. Molasses is a renewable resource. Its use provides gainful employment for the sugar industry's waste and avoids the need for environmentally-intensive oil extraction.

India is today recognised as a leading global player in generics and a supplier to the pharmaceuticals industry. This success has been

driven by its growing skills base, by big improvements in quality, and by a new breed of entrepreneur. Jubilant has been part of this evolution, and many of its fine chemicals products are now destined for big pharmaceuticals manufacturers. Revenues from international sales account for about 60% of total revenues for the Fine Chemicals division. Even purchases by domestic customers often end up in international markets, as customers are frequently the outsourced operations of international companies.

Jubilant has also developed the capability to come up with new product ideas (it employs 1,200 scientists, who account for almost a quarter of its total staff), and to sell them to western businesses. Jubilant carries out the research in India, sends samples to potential customers and then manufactures them in bulk in India when it has found a buyer. Much of this work is done for life-sciences firms and Jubilant describes its future strategy as being "to become the first-choice outsourcing partner of the life-sciences industry."



Sustainability performance

“What differentiates us is the EHS”

As might be expected from a chemicals and pharmaceuticals company, Jubilant's main focus on sustainability has been directed at EHS – environment, health and safety standards. Many of these are imposed by legislation, but Jubilant has gone far beyond local requirements. It is a major supplier of carbamazepine¹⁵ to Novartis, for example, which it produces at a facility that has gained the approval of America's demanding FDA (Food and Drug Administration). Jubilant's facilities are also OHSAS 18001 certified, and the company has been providing training to foster a stronger safety culture, and strengthening occupational safety systems and infrastructure.

Shyam Bhartia, Jubilant's chairman and co-founder, says that the company's rapid growth has been facilitated by its sustainability strategy. It has helped both its inorganic and its organic growth – the former by making it easier to buy companies in developed markets (Jubilant, for example, currently has some 700 employees in the US), the latter by helping it gain a local licence to operate in a sector that is particularly sensitive, in India as elsewhere. To raise its local profile the company has made its own medical facilities available to local communities, supported local schools by providing teaching materials, and set up women's self-help groups. This has helped Jubilant avoid the problems other companies have faced in India, where there has frequently been strife and mistrust between local inhabitants and their corporate neighbours.

Jubilant has been a pioneer in encouraging sustainability reporting in India, producing its own corporate sustainability report (audited by Ernst & Young) since 2003. It was



one of the first companies in India to produce such a report aligned with the Global Reporting Initiative, and has released its 2006-07 report in line with the G3 Guidelines at application level A+.¹⁶ Jubilant believes that this degree of transparency, which is still rare in emerging markets, has helped in attracting institutional investors. Their ownership of the company increased from 7% in 2004 to 32% in 2006. Jubilant believes that its EHS record is also helping to reassure customers that it can be a reliable partner over the longer term, and it has seen a rise in the volume of long-term contracts (those for over one year) in 2007.

Sustainability is now built into new products right from their conception. As the company produces substantial quantities of effluent, the cost of effluent treatment is a prime concern. Businesses in the group cannot put forward new proposals unless they include EHS cost considerations. “In the future, customers will come to you with the expectation that you will just practise good EHS management, without expecting to pay extra for it,” says Rajesh Srivastava, president of the fine chemicals business. Customers, he says, “are

evaluating you against other companies in India and China who have the cost advantage... What differentiates us is the EHS.”

To deal with effluents, as long ago as 1984 the company set up the largest waste-treatment plant in the country for producing biogas from distillery effluents. The energy created now saves the company the equivalent of 250 tonnes of coal a day. Part of the company's bio-degradable waste is also used to produce organic manure, which is being used in progressively increasing quantities by farmers substituting chemical fertilisers. And part is also used for crop irrigation after treatment, as it still contains nutrients helpful for plant and soil. But it took two to three years to convince the farmers that the company was not merely trying to dump dangerous effluent on them. Jubilant employed an agricultural technical university to train the farmers on new techniques and to convey that the company was genuinely interested in their welfare. “Jubilant made the farmers partners,” says Ashok Ghose, the company's chief of Environment, Health and Safety.

¹⁵ An active pharmaceutical ingredient related to central nervous system disorders. Novartis holds the patent for this formulation.

¹⁶ For more information on GRI application levels see the *Sustainability Reporting Guidelines* available at www.globalreporting.org/ReportingFramework/G3Guidelines/

Conclusion

Aiming for the top

There is pressure on health-care costs in all economies, and that looks set to carry on pushing drug prices down. And there is increasing demand for faster and more frequent new products as existing drugs come off patent and become generic. In that challenging environment, Jubilant is hoping for continued rapid growth, based on its relatively low (though rising) cost base and its ability to retain highly qualified scientists.

It is Jubilant's aim to be among the top three in the world in all its major markets. The company is close to being the second largest producer of pyridine¹⁷ and its derivatives globally, catering

to leading pharmaceutical and agrochemical companies. Given its strong customer relationships and its proven reliability, Jubilant expects to be the market leader in the near future. In the market for solid polyvinyl it is third in the world – with 75% of its production exported, mostly for chewing gum to firms like Wrigley and Cadbury. It holds a similar position in the market for latex additives to tyres, and it is the world's second largest producer of carbamazepine. The company acknowledges, however, that increasing globalisation and international competition are going to require it to compete with multinationals not only financially, but right across the triple bottom line of economic, social and environmental performance.

To continue to build its international presence will require more cross-border takeovers – and the positive image created by Jubilant's sustainability reporting and its EHS activities help in making such moves. They also help in recruiting and retaining the top-notch scientists that are so vital to the company's future.

As the company continues to grow and expand internationally, the scrutiny of its activities will almost certainly increase. Stricter environmental regulations are likely in future, including the EU's new REACH legislation,¹⁸ which has recently come into force. Jubilant is well aware of these challenges and knows it will need to innovate constantly to meet new requirements. As a fully fledged member of the global pharmaceuticals community, Jubilant will also have to address some of the most advanced and vexing issues facing the industry, in the areas of bioethics and the use of new technologies in research and development.

Increasing globalisation and international competition are going to require Jubilant to compete with multinationals not only financially, but right across the triple bottom line of economic, social and environmental performance.

BOX 6: INTEGRATION

Jubilant's business model is built on its ability to provide high value-added speciality chemicals and quality research and development services to clients in a cost-effective manner. Yet cost-competitiveness is a challenge in India where costs are higher than in countries like China and where environmental regulation is becoming more stringent. However, Jubilant has succeeded in integrating management of

environmental issues throughout its operations and thereby reducing costs. Effluent treatment costs, for example, are built directly into product development costs. The company has also chosen to use molasses – abundantly available in India as a by-product of sugar production – as its chemical feedstock. Molasses has less cost and supply volatility than the crude oil-based feedstocks used by international competitors, and

is also more environmentally-friendly. Jubilant reuses wastes, converting some to biogas – saving the company money by meeting its energy needs in place of coal. Jubilant also uses biodegradable effluents for crop irrigation, which it supplies to the surrounding communities for free, helping build good relations and reduce operating risks.

¹⁷ Pyridine is a basic organic chemical, a building block and solvent in agrochemical, pharmaceutical and other industries.

¹⁸ REACH is the European Union legislation on the Registration, Evaluation and Authorisation of Chemicals. It is intended to standardise the way chemical substances are evaluated for impacts on health and environment, and affects chemicals that are manufactured or imported into the EU in quantities of greater than 1 tonne.



Courtesy of Jubilant Organosys

BOX 7: QUALITY OF RELATIONSHIPS

Since its origin in bulk chemicals, Jubilant's existence has depended on more than compliance with increasingly stringent environmental regulations. To obtain and keep an informal, societal 'licence to operate', the company depends on local support from those who are affected by issues such as resource use, environmental impacts and

local traffic increases. This is a challenge, given that Jubilant's Indian factories are in rural or semi-rural regions, where community trust in industry is frequently low. Proactive engagement which involves the community, rather than merely seeing them as beneficiaries of charity, has been critical to creating understanding and trust, pre-empting prob-

lems and creating a positive operating environment. This approach to the community has also sped up government environmental clearances, for which community consultation is a pre-requisite, and strengthened customer relationships by providing assurance that the company is identifying and managing this particular set of non-traditional risks.



Company profile

Jubilant Organosys is an integrated pharmaceuticals industry player, one of the largest custom research and manufacturing services companies in India. Jubilant has a presence across the pharmaceutical value chain: from drug discovery, functional chemistry and clinical research services to custom research and manufacturing for advance intermediates, fine chemicals, active pharmaceutical ingredients and dosage forms.

key data

FOUNDED

Founded in 1978 – originally as Vam Organics. It changed its name to Jubilant Organosys Ltd. in November 2001.

OWNERSHIP STRUCTURE

Listed in India since 1981 – shares are traded in Group B1 at the Mumbai Stock Exchange and at the National Stock Exchange of India

SECTOR

Pharmaceuticals, agrochemicals and chemicals

HEADQUARTERS

Noida, Uttar Pradesh

OPERATIONS

Seven manufacturing locations: Gajraula (Uttar Pradesh),

Nanjangud (Karnataka), Roorkee (Uttarakhand), Nira (Maharashtra) and Samlaya (Gujarat) in India plus Salisbury (Maryland) and Spokane (Washington) in the US

MARKETS

130 customers in more than 50 countries worldwide, including US, EU, Japan

MAIN COMPETITORS

Vertellus (USA), Koei (Japan), Lonza (Switzerland), Chang Chun (Taiwan), Dr Reddy's (India), Cipla (India), Hisun (China)

EMPLOYEES

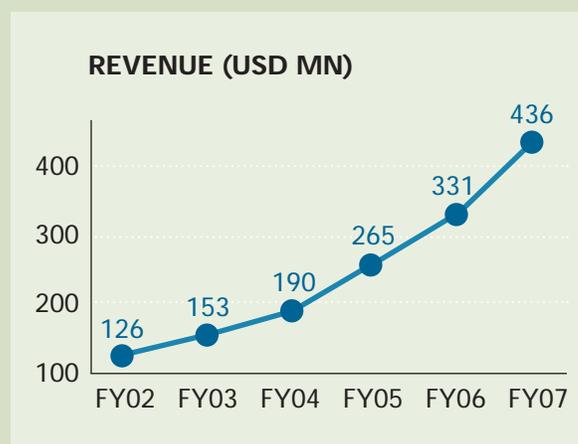
3,425

MARKET SHARE

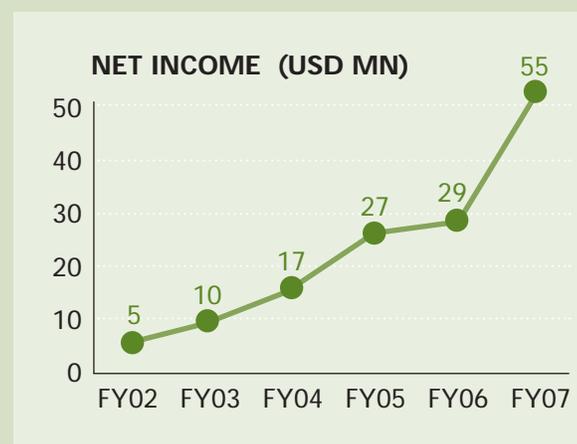
Aminopyridines – 75%
Lutidines & Collidines – 56%
Pyridine and Picoline – 40%

AWARDS AND RECOGNITION

- 2007-08: Golden Peacock Award for Corporate Governance
- 2006-07: Golden Peacock Award for Safety Management (Gajraula unit)
- 2006-07: National Award for Excellence in Energy Management, Pharmaceutical sector by Confederation of Indian Industry (Nanjangud unit)
- 2006-07: Gold Award for Safety Performance (Nira unit) by Greentech
- 2005-06: Golden Peacock Award for Corporate Social Responsibility (Gajraula unit)



CAGR from 2002 to 2007: 28.2%



CAGR from 2002 to 2007: 62.1%

US dollar figures for revenue and net income calculated by authors based on Indian rupee figures supplied by company and average annual Rs:US\$ exchange rate from the Economist Intelligence Unit.

The Jubilant Organosys business case – the three most important factors

Here we highlight the three most important ways in which sustainability performance at Jubilant is influencing business drivers and supporting business strategy.

1. Operational efficiency through environmental efficiency

- Measuring and benchmarking energy and resource consumption, Jubilant identified gaps and improved performance – with links to the bottom line.
- Jubilant’s use of sugarcane molasses as feedstock means lower cost and greater reliability of supply compared with international competitors.
- Jubilant re-uses effluents as production inputs and for biogas, which reduces operating costs. For example, biogas saves Jubilant the equivalent of 250 tonnes of coal a day, with corresponding cost savings and lower CO₂ emissions. Currently, the payback period for investment in biogas plant is three years.

2. Licence to operate from community development

- Many facilities are in economically backward regions. Disparities between employees and the local population plus general distrust of the chemical industry could cause tensions and disruption.
- Jubilant’s participatory approach to social investment, however, brings tangible benefits: avoidance of social conflicts, support from farmers and ease in obtaining environmental clearances.
- Jubilant gained the trust of government, which started using the company as a partner on various social projects.

3. Access to capital through transparency and sustainability governance

- Sustainability, transparency and audited reports give national and international investors confidence in the company.
- Major international investors like CitiGroup and General Atlantic Partners are considering Jubilant’s sustainability credentials before deciding to invest.

- As confidence increased, institutional investors increased their stake – from 7% of Jubilant’s shares in 2004 to 32% in 2006.

JUBILANT BUSINESS CASE MATRIX

	Environmental Performance	Social Performance	Governance Performance
Sales & Market Access			
Operational Efficiency			
Access to Capital			
Risk Mgmt & Licence to Operate			
Talent & Human Capital			
Brand Value & Reputation			

CASE: MAS

GOING BEYOND



Despite a violent ethnic conflict and the removal of trade protections under the Multi Fibre Arrangement (MFA), this Sri Lankan apparel manufacturer has thrived in recent years while championing women's empowerment.

In the mid-1980s, Mahesh Amalean was excited that his small textile business on the island of Sri Lanka had won an order to manufacture dresses out of synthetic fabric for a subsidiary of Limited Brands, a huge American apparel company. Then a change in quota restrictions meant that he could not fulfil the order. Mahesh had to look around for something else to manufacture. He and his two younger brothers, Sharad and Ajay, had pooled all their savings a few years earlier and bought 40 sewing machines. They needed to keep them busy.

On a visit to MAST Industries' office in Sri Lanka, Mahesh spotted

Nevertheless, Mahesh decided to try and manufacture it, and he and his brothers set out to see how it was done. They travelled to Hong Kong and China to gain a deeper understanding of the manufacturing process.

Mahesh also went to Ohio where he managed to persuade senior executives from Victoria's Secret that a couple of unknown Sri Lankan entrepreneurs could produce bras to the very high standards that American consumers demand. With a vote of confidence from Victoria's Secret, the brothers' company, MAS Holdings, found itself with access to American customers and Sri Lankan workers. It was a potentially powerful combination.

Some time later, MAS learnt that a 120-year-old German company called Triumph had the top technology for manufacturing lingerie and, two years after joining

At the time, however, western buyers were focused primarily on price. China was just opening up and the cost of garments was falling sharply in real terms in both America and Europe. Besides, Sri Lanka was not a buyer's natural first port of call. For one thing, wages there are higher than in other Asian countries such as China, Vietnam and Bangladesh. Moreover, the country has been embroiled in a civil conflict in the north and east, which has killed over 60,000 and left close to a million homeless since 1983.

Under such circumstances, it is surprising that the brothers stayed at home. But the Amaleans are of sturdy cloth. From all accounts, Mahesh in particular was driven by a vision that went beyond financial performance. "He used the opportunity to create something much bigger than all of us," says Deepthi De Silva, the group's human-resources director and a man who, prior to MAS, worked for 20 years in the UK. "He created this feeling that we (and Sri Lanka) can be world class."

At the time the company was being set up, good textile workers were hard to find in Sri Lanka's larger towns and cities. Moreover, the urban infrastructure could scarcely cope with a further big influx of labour – the government itself was trying to encourage the apparel industry to move to rural areas. So MAS decided to locate its plants in the countryside. "We took the work to the workers, instead of the workers to the work," says Mahesh Amalean.

"We took the work to the workers, instead of the workers to the work."

Mahesh Amalean, chairman, MAS Holdings

a Victoria's Secret catalogue on the desk of a senior executive that he was meeting. Victoria's Secret was (and still is) one of America's biggest retailers of fashion lingerie. Although lingerie was outside the quota system, Sri Lanka had no expertise in dealing with the fine needlework that such products require.

hands with Victoria's Secret, the Sri Lankan brothers struck lucky once again. Triumph had been looking to set up a plant in southern India, but the plan had just fallen through. The Amalean brothers appeared at an opportune moment and Triumph agreed to go into a joint venture with them. "Sometimes things just fall into place," says Mahesh.

Sustainability performance

“Companies that attract the best people perform better – this is true regardless of where you are in the world.”

From the beginning, MAS set out to be a good employer. In addition to maintaining basic workplace standards (e.g. a limit on working hours and overtime, age limits, safe working conditions), MAS gives its workers – over 90% of whom are women – benefits including free transport and a decent breakfast to start their day, insists that managers eat in the same canteen as everyone else and provides onsite health care services. To some extent they did it because, as Ajay Amalean, the youngest of the three brothers, puts it, “it was the right thing to do. We had absolutely no idea that 20 years down the road, the things we were doing would be called CSR.”

But they did it also because it made business sense. “Companies that attract the best people perform better – this is true regardless of where you are in the world,” says Sharmini Ratwatte, director of MAS Investments and a former board member. *Forbes* magazine recently described its 12-acre ‘campus’ near Chennai in southern India: “Past the manicured lawns and the pleasant security guards is an air-conditioned spacious workplace,” the magazine wrote, where there is “a day nursery and two nurses to watch over the well-being of employees and their children.”¹⁹

Although the company’s turnover is high by western standards, it is only one-quarter of the local industry average. Many women leave to marry and then return once their children are at school. To persuade its workers to stay for longer, however, MAS asked them what they would most like

it, as a company, to provide. One thing the workers suggested was education, in particular education in information technology and the English language, and the company is now providing both.

The whole programme has become formalised into something MAS calls ‘Women Go Beyond’, which was launched in November 2003, and which its customers increasingly see as a benchmark for ethical sourcing practices in the industry. The focus is on promoting knowledge, awareness, leadership skills, attitudinal changes, and the ability to balance work and personal life. It gives workers the ability to take on more responsibility and make decisions on behalf of the company, and helps them communicate better with customers. Ultimately, it provides MAS with a deeper pool of talent from which to pick its future managers.

Each year, workers’ achievements are celebrated through the ‘Empowered Woman of the Year Awards ceremony’. Those who receive this award are seen as role models and, says Mahesh, “Others are inspired by them.”

The programme has gained global recognition. In 2005, the programme was awarded the American Apparel and Footwear Association’s Excellence in Social Responsibility Award for women’s issues. In March 2006 one of the world’s leading business schools (INSEAD) published a case study for its Advanced Management and MBA students entitled ‘MAS: Strategic CSR in the Apparel Industry’.

Significantly, the company’s exemplary employment practices have led its customers to trust it in other areas. In 2006, Gap joined hands with MAS to launch a ‘Gap Go Beyond’ programme. In 2007, MAS was chosen by Marks & Spencer to be part of the flagship British retailer’s Plan A, a programme of sustainability that Marks & Spencer’s CEO Stuart Rose has said “will shape everything about the way we do business.” MAS was one of only two companies in South-East Asia to be selected by the British retailer as a partner in developing an iconic green manufacturing plant. MAS believes it was chosen because sustainability (in all its forms) was perceived to be part of its culture.



¹⁹ S. Dinakar, ‘Victoria’s Secret’, *Forbes*, 23 July 2007.

Conclusion

Take your partners for the next adventure

The expiry in January 2005 of the Multi Fibre Arrangement (MFA), a long-standing quota system that governed volumes of world trade in apparel, raised fears in countries such as Sri Lanka that the cheapest manufacturers (China in particular) would decimate their business.

employees increased from 28,000 to 40,000, and it is now Victoria's Secret's largest single supplier.

To some extent the company has benefited from a switch in its customers' priorities. From their sharp focus on price and quality in the 1990s, western apparel firms are placing more emphasis on service, design and innovation. Sri Lanka is

was moving, and by adjusting its approach accordingly, MAS was well situated to enjoy a first-mover advantage when customers came looking for more than price and quality.

MAS' roster of blue-chip customers includes Marks & Spencer, Gap, Nike and adidas. When, in 2004, Nike was looking for suppliers with whom the socially and environmentally conscious American sportswear brand could link more closely as a strategic partner, MAS was selected as one of eight, the only one in South Asia.

The challenge for the brothers now is to anticipate where the apparel business is heading over the next few years. Compared with India and China, Sri Lanka can only ever be a niche player. But MAS anticipated a switch in the industry from a frequently confrontational buyer-vendor relationship to one of 'strategic partnerships' and joint ventures. Its future is increasingly linked to those of its customers. And these customers are demanding more and more that they follow good sustainability practices.

"It was the right thing to do. We had absolutely no idea that 20 years down the road, the things we were doing would be called CSR."

Ajay Amalean, Managing Director, MAS Corporate Solutions

China has certainly gained from the agreement's demise – within six months its exports of apparel to both the EU and the US increased by more than 500%. But Sri Lanka's exports of textiles and apparel increased by 8% in 2005, the first year after the quotas ended, and MAS also thrived in the post-MFA environment. Between January 2005 and 2007 its number of

certainly not the lowest-cost producer. Average hourly wage rates in the industry are 35 cents (US), whereas in China they are 25 cents and in Bangladesh 16 cents.

Western firms too are embracing just the sort of social and environmental programmes that MAS says are part of its corporate DNA. By correctly anticipating which way the market

BOX 8: DIFFERENTIATION

Success in the apparel industry once depended predominantly on price and quality, but today these are taken as a given and key success factors include design, service and flexibility. Since it was founded in 1987, MAS has worked hard to deliver against these rising expectations, including staying cost-competitive while also applying exemplary

employment standards – no mean feat in Sri Lanka, where the cost of labour is relatively high. The pressure on cost has become all the greater since the end of the Multi Fibre Arrangement. At the same time, however, MAS has been able to differentiate itself from lower-cost producers by raising awareness with customers of its high labour standards

and the 'Women Go Beyond' programme. So successful has MAS been that 'Women Go Beyond' has been supported by major customers like Gap and Victoria's Secret. MAS has also been engaging with the Sri Lankan government to encourage it to differentiate the country as a source of ethically produced apparel.





Company profile

Established in 1987 and headquartered in Sri Lanka, MAS specialises in lingerie and sportswear. It is the single largest supplier to Victoria's Secret, and is a preferred supplier to Gap and Nike.

key data

FOUNDED

Three brothers, Mahesh, Sharad and Ajay Amalean, founded MAS Holdings Ltd. in 1987.

OWNERSHIP STRUCTURE

Privately owned, involved in a series of joint ventures with industry leaders (Triumph, MAST Industries)

SECTOR

Apparel and textiles

HEADQUARTERS

Colombo

OPERATIONS

Operations in 10 countries but concentrated in Sri Lanka and India

MARKETS

Main customers are US and European brands including Victoria's Secret, adidas, Gap, Marks & Spencer, Nike, Speedo and Reebok. MAS is also launching its own brand in India.

MAIN COMPETITORS

Ace, Clover

EMPLOYEES

41,000

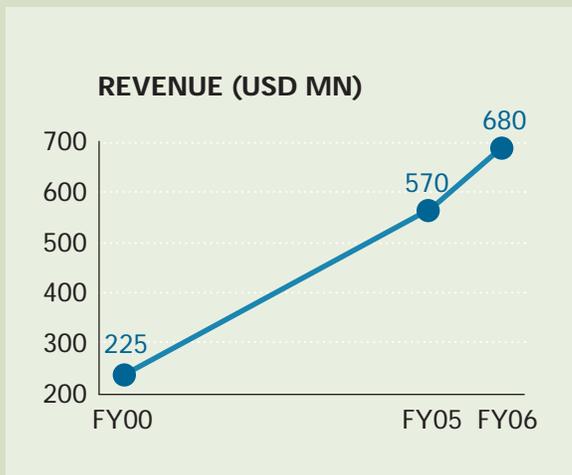
MARKET SHARE

While it is difficult to put a single figure on it, based on MAS' position as the preferred vendor for Victoria's Secret, it is likely to be within the Top 10 of all intimates manufacturers.

AWARDS AND RECOGNITION

- 2007: Amaleans ranked 14th among the Top 20 Asian Progressive Leaders by *World Business Magazine*, which cited MAS' "home-grown corporate social responsibility programme"
- 2006: Vendor of the Year by Victoria's Secret
- 2005: Excellence in Social Responsibility Award for women's issues by American Apparel and Footwear Association

'Women Go Beyond' has been highlighted in the publications of several organisations (e.g. Copenhagen Business School, INSEAD, London Business School, McKinsey and United Nations Global Compact).



CAGR from 2000 to 2006: 20.2%

The net income data for MAS Holdings was not available for inclusion in this report.

The MAS business case – the three most important factors

Here we highlight the three most important ways in which sustainability performance at MAS is influencing business drivers and supporting business strategy.

1. Stronger client relationships as a result of high labour standards

- Despite competition from other manufacturers with lower costs and equal quality, MAS became a strategic partner to brands like Gap, Marks & Spencer, Nike and Victoria's Secret, in large part due to its high-quality workforce and high labour standards.
- Gap and Victoria's Secret have joined in 'Women Go Beyond'.
- As part of its 'Plan A' programme, Marks & Spencer has selected MAS to build a green manufacturing facility.

2. Higher employee productivity and lower turnover from good workforce management

- MAS' reputation enables it to attract and retain top talent.
- Annual staff turnover is 20%, one-quarter industry average.
- 'Women Go Beyond' contributes to greater engagement and motivation of women employees, positively impacting productivity and absenteeism.

3. Licence to operate from socio-economic development

- When factories first opened there was mistrust and concern from local communities that MAS would exploit local workers. Some employees were even attacked.
- Community development efforts include supporting schools, hospitals and scholarships in rural villages, which help generate local licence to operate.
- By 'taking work to the worker', MAS also brings investment and stability to rural communities.

MAS BUSINESS CASE MATRIX

	Environmental Performance	Social Performance	Governance Performance
Sales & Market Access			
Operational Efficiency			
Access to Capital			
Risk Mgmt & Licence to Operate			
Talent & Human Capital			
Brand Value & Reputation			

PART III – TOOLS AND GUIDANCE

HOW TO MAKE IT HAPPEN

No amount of instruction is a substitute for the entrepreneurial flair of the business leaders described in the case studies: of Roberto Salas at **Amanco**; **MAS'** three Amalean brothers; Shyam Bhartia at **Jubilant**; and **Deqingyuan's** Zhong Kaimin. Nevertheless, this section tries to provide some guidance to business managers and entrepreneurs who want to develop a sustainability strategy. Our experience suggests that an examination of the mental maps of these leaders (and of others like them) would reveal a number of common 'landmarks' which had guided them through the

uncertainty that is inevitable in any such pioneering venture.

In *Developing Value*, a four-step process is described for companies to follow when developing a sustainability strategy. That approach is still relevant, and forms part of the guidance set out here. However, to these original four steps, two new steps have been added (Figure 4), reflecting developments in thinking around the business case and business strategy. These provide guidance for companies in identifying and prioritising environmental, social and governance issues (Step 2), and

in communicating their sustainability approach and the business rationale for it (Step 6). Most of this section is devoted to these two steps, with references to *Developing Value* for more information on the original four.

First, a business needs to consider what the key factors for its success are.

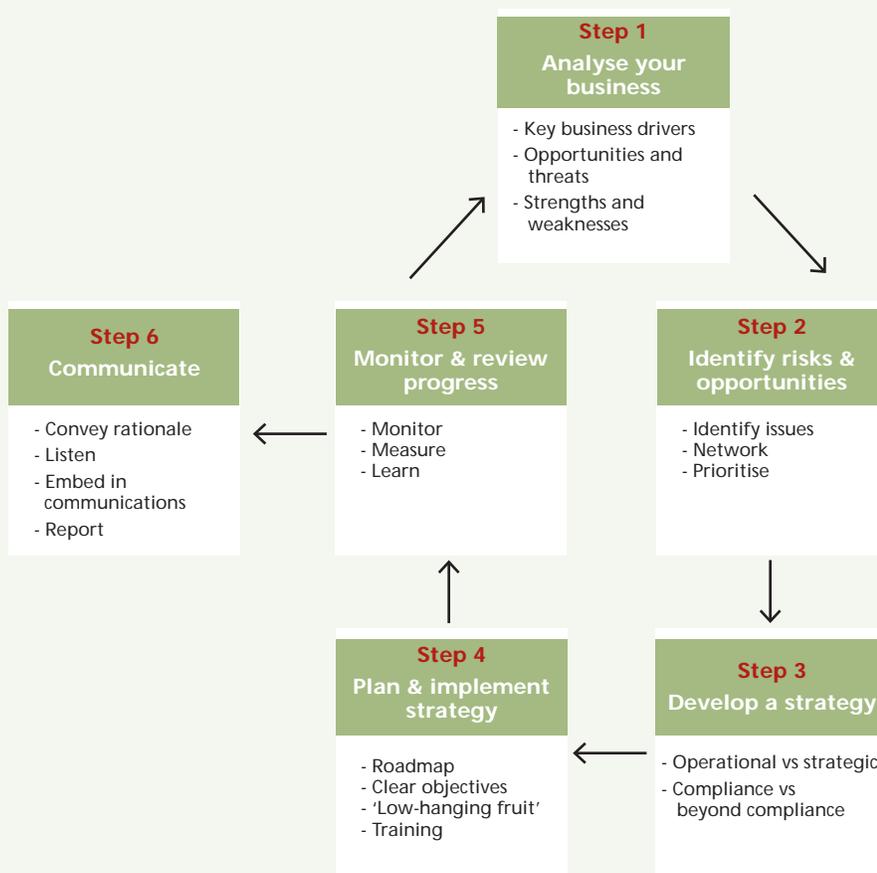
Step 1: Analyse your business

First, a business needs to consider what the key factors for its success are. What is driving its ability to create value? Is it, for example, a sharply differentiated product? Or is it tight cost controls, or great customer relations? A classic SWOT analysis of the Strengths, Weaknesses, Opportunities and Threats that the business faces can strengthen this assessment.

The business value presented by sustainability will differ for each company, since it depends on both the sector and the geographical area in which the company operates. Cost competitiveness, for instance, is integral to **Jubilant's** success strategy, and the re-use of by-products and effluents helps the company to achieve a high degree of operational efficiency.

See also *Developing Value*, page 45.

FIGURE 4: SIX STEPS IN BUILDING A SUSTAINABILITY STRATEGY



Step 2: Identify risks and opportunities

Every business needs to know where-in lies its own particular competitive advantage before it can come up with a strategy for creating further value. But at the same time it needs to understand – and anticipate changes in – the shifting external landscape, the big picture, to see the background against which any future strategy is to be played out. Whatever such an analysis throws up, it is unlikely to suggest that environmental and social challenges are about to diminish.²⁰

Responding to this shifting landscape involves (a) considering the big changes that are taking place in society today;²¹ (b) Network with the wider engaging and developing relationships with external constituencies; and, ultimately, (c) setting priorities among those issues that do arise, deciding which has the greatest potential impact, and when. Many of the entrepreneurs in our case studies did this intuitively, but this section aims to provide guidance to those seeking to develop their approach more systematically.

a) Identify issues. To start with, companies need to analyse current sustainability issues and understand how they might affect their business. For maximum benefit, consideration of the most critical trends needs to be embedded in the firm's main business planning rather than left to a separate ad-hoc exercise.

In the case studies examined in this report, the process used to identify such issues was not necessarily explicit but all of these companies saw their business in a broader environmental and socio-economic context. It was that 'vision' that enabled them to add value through sustainability both for themselves and for society.

Amanco clearly identified water supplies and bribery and corruption as critical regional and global issues for a company that produces pipes for major infrastructure projects. It was also aware of the needs and thus opportunities arising from the low-income customer segment.²²

Jubilant identified poverty in the communities around its facilities, and the high quantities of effluents and wastes it produced as major sustainability issues. But it also recognised that it could convert these wastes from a problem into an opportunity by using them to manufacture organic manure. This would have a double benefit – improving the firm's operational efficiency while helping build better relations with local farmers.

MAS focused from the beginning on developing good labour practices in its factories. It subsequently became aware of the increasing pressure for its clients to deliver products made to high labour standards. The opportunity that this gave rise to appeared fortuitously at more or less the same time as the end of the Multi Fibre Arrangement undermined Sri Lanka's competitive position in the textile and apparel industry.

Finally, **Deqingyuan** identified a number of food-safety issues which had to be addressed to develop its high-quality eggs. These relate to animal husbandry, the overuse of antibiotics and the high quantity of waste produced in rearing chickens, as well as the risk of bird flu transmitted from neighbouring communities. At the same time, the company was aware of the need for good governance standards in order to gain international financing.

b) Network with the wider world. Understanding the operating environment of any business

involves knowing the people and organisations that interact with it and contribute to its success. These obviously include investors, employees, customers and suppliers, but they also include governments, civil society and communities that live near to the company's operations. Collectively these groups are often referred to as 'stakeholders': they have a stake in the outcomes of decisions made by the company. Undertaking some form of 'stakeholder mapping' helps firms understand who these stakeholders are and how their needs and priorities create risks and opportunities for the business. This mapping can also create awareness of the benefits each of these groups might expect from a firm's activities – what might be their 'share' of the shared value that the business can create.

The companies in our case studies have approached this mapping with differing degrees of formality. **Jubilant's** stakeholder map, for example, is shown in Figure 5. Early in its history the company crucially gained the trust and support of local communities and government in the regions where it was operating. It now sees sustainability as essential for gaining the support of the overseas businesses it has been purchasing.

Critical stakeholders for **Amanco** included its customers, its competitors (with which it set up joint transparency initiatives), experts in micro-financing, and the World Water Forum. **Deqingyuan's** success has been dependent on financing and technical advice from investors, the trust it has built with its customers, and its relationship with the five villages around its site. **MAS** fostered relationships with international retailers that were demanding high labour standards, and it linked up with the German lingerie manufacturer Triumph.

²⁰ SustainAbility, *Raising Our Game: Can We Sustain Globalization?*, 2007.

²¹ Sources such as United Nations Millennium Development Goals, www.un.org/millenniumgoals/; WWF and SustainAbility, *One Plant Business: Creating Value Within Planetary Limits*, 2007; World Resources Institute, United Nations Environment Programme and World Business Council for Sustainable Development, *Tomorrow's Markets: Global Trends and their Implications for Business*, 2002, are a few sources that can help companies identify such trends.

²² World Resources Institute and IFC, *The Next Four Billion: Market Size and Business Strategy at the Base of the Pyramid*, 2007.

Understanding and building relationships is crucial, and it can take place in many ways. High priority stakeholders can be identified and approached individually in order to gain insight into their expectations and concerns. Employees and customers can be surveyed directly, while local communities can be consulted through public meetings or smaller discussion groups. Investors' opinions can be gauged from analysts' research reports. (See Step 6 for more thoughts on communicating with stakeholders.)

c) Prioritise. As companies develop their sensitivity to the external landscape, they are likely to identify more potential risks and opportunities than they can possibly take on board at once. But not all issues matter equally, and priorities will change over time. Companies must assess how material different issues are to their business – deciding what matters most to them at a particular moment. This analysis must be done in the context of the business strategy and the scale of the risk or opportunity to the business and to society.

In the four cases highlighted in this report, the companies involved

clearly found benefits from a range of different sustainability initiatives. But they directed most of their efforts at just one or two of them: **Jubilant** at the efficient use of waste and by-products, and at building relations with the local community; **MAS** into its human-resources management; **Deqingyuan** towards product safety and quality; and **Amanco** towards product innovation tailored to different customer segments and leadership on water resources and transparency.

Step 3: Develop a strategy

Based on an analysis of the company's competitive advantage and the environmental, social and governance issues which are most relevant, companies are in a position to develop a strategy. There is no one-size-fits-all solution. Each company has to shape its ambitions according to its own particular circumstances, setting priorities and developing approaches in line with the degree of control or influence that the company has over any given issue.

Jubilant, for instance, decided to build on India's competitive advantage in scientific talent and

move up the value chain to provide research and development services for the global pharmaceutical industry. However, the success of this strategy depended on convincing customers in the target markets of the EU and US that the company was a reliable supplier. Jubilant's strong management of EHS and community issues, communicated through an audited sustainability report, helped provide that assurance.

See also *Developing Value*, page 46.

Step 4: Plan and implement the strategy

This involves preparing a roadmap of the various stages involved in achieving the company's ultimate goals. It is advisable to start out with some quick and easy wins while not losing sight of the longer-term strategic objectives.

When **Deqingyuan** decided to produce high-quality eggs, it knew that the first big challenge was to differentiate its production and obtain the trust of consumers. Achieving this involved printing production dates on its eggs, providing lots of free eggs for people to taste, and (eventually) getting the eggs onto supermarket shelves where quality standards are high.

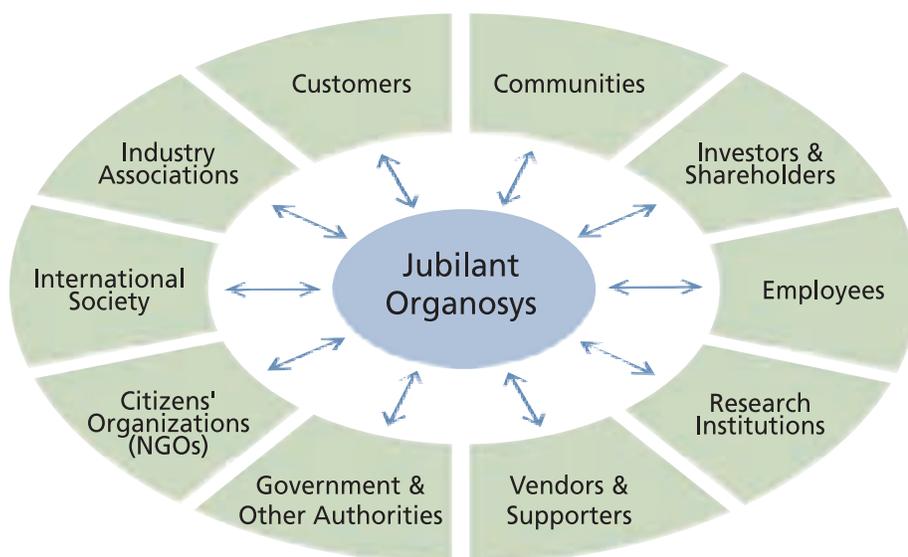
See also *Developing Value*, page 46.

Step 5: Monitor and review progress

At this stage firms come up against the problem of what measures to use in benchmarking their performance. They need to think carefully about how to monitor the value added to the business and to society by their strategy. With its Sustainability Scorecard, **Amanco** has gone farthest down this road (see Figure 6).

See also *Developing Value*, page 46.

FIGURE 5: JUBILANT ORGANOSYS STAKEHOLDER MAP



Source: Jubilant Organosys Corporate Sustainability Report 2005-06

Step 6: Communicate

The cases in this report all emphasise the importance of strategic relationships with other stakeholders, be they financiers, customers, employees, suppliers or communities. But these groups are unlikely to stumble across a firm’s sustainability strategy entirely by accident, nor can they be expected to intuitively grasp the rationale behind it.

Many companies miss opportunities because they fail to realise the extra value that sustainability can add if stakeholders understand what it involves. This is true not just of businesses in emerging economies. But private companies, which predominate in emerging economies, are by definition less inclined to disclose their strategies to the outside world and therefore less likely to get across any message about sustainability. Communicating about sustainability is not a matter of marketing and building reputations. By communicating openly and honestly, a company can build trust and create a foundation for broader relationships with stakeholder groups.

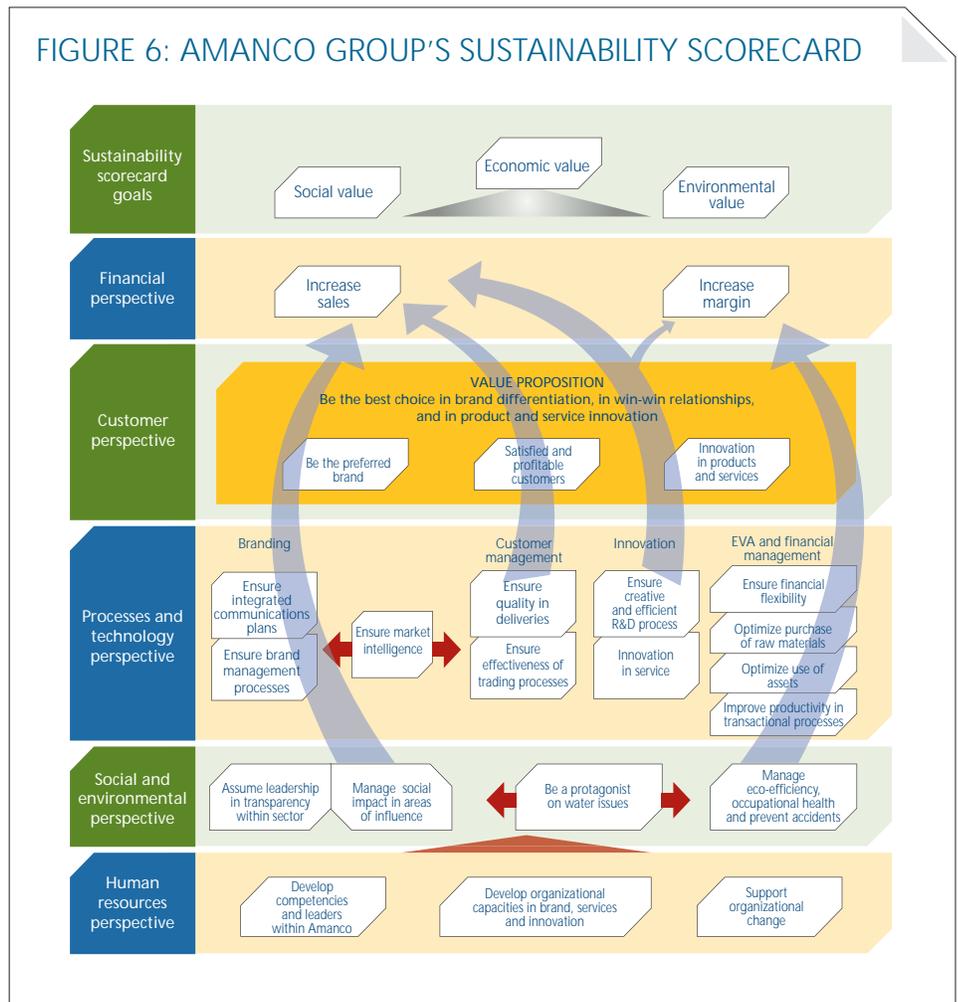
One problem, however, lies with the language that is used to express the ideas of sustainability. The glossary (see page 46) attempts to throw some light on this murky area. But to some extent it merely highlights the degree of confusion around terms such as ‘sustainability’ and ‘CSR’. Since there is no one terminology which is universally accepted, organisations will do best by choosing language that reflects their own culture and existing usage for their internal communications. Then, when talking to an external audience, companies can aim to reflect the language of that audience in a format that is familiar to them.

a) Convey rationale internally. Critical to communications with staff is a compelling message from

By communicating openly and honestly, a company can build trust and create a foundation for broader relationships with stakeholder groups.

the company’s leaders. Senior executives need to be good communicators – particularly when they are trying to convey the rationale behind a sustainability strategy, where the quantitative measures of success are not always immediately obvious. It is important to explain a strategy in terms of the ways in which it will help individuals and departments achieve their own objectives (be they strong client relationships, an increase in brand recognition or higher staff retention).

At **Amanco**, for example, the Sustainability Scorecard that it has developed has been an important tool, allowing the company to communicate internally and externally how sustainability contributes to its business success (Figure 6). The company is now ready to link its managers’ remuneration to variables such as the amount of business they do with base of the pyramid customers and the extent to which they generate public debate about water conservation.



Although strong leadership has been an important element in the case studies featured here, sometimes it is the senior leaders of a company who are the last to be convinced of the benefits of sustainability. For sustainability practitioners, this is a daunting but not impossible situation. In such a case communication can be focused on showing how sustainability issues are of interest to key stakeholders, such as investors, customers and regulators. If sustainability can be communicated to senior business leaders as an investment (which brings a return for the business) instead of simply as a cost, they are more likely to become fully engaged. And if some actions can be identified that have a relatively short payback period, alongside more strategic but longer-term investments, the message will be even more compelling. ‘Quick wins’ of that kind can rapidly build momentum and encourage a broader commitment.²³

b) Embed sustainability in communications with the outside world. Companies with sustainability strategies also need to be pro-active in communicating their business case to investors, business partners and other external stake-

holders in their language and relating to their aims. This does not necessarily require a new communications approach. Rather, improving the knowledge that various managers have of sustainability issues can enable them to communicate their firm’s strategy by including such issues in, for example, customer or investor presentations, or in the annual report.

Despite the amount of time, money and effort numerous companies have invested in communicating their sustainability credentials, much of the information misses the target. The root cause of this is two-fold: no clear definition of the target audience and no clear articulation of the message in the target’s language. For example, investors respond to concepts such as profit forecasts and asset valuations, while customers may relate to messages around product quality and safety. Some other examples are provided in Figure 7.

From **Deqingyuan’s** early marketing, when it distributed free eggs to demonstrate their quality, to its distinctive packaging and date stamp as an assurance of safety, the company’s entire brand is responding to Chinese consumers’

desire for a product they can trust. **Jubilant** has regular visits from local authorities and community representatives. They are engaged with discussions of environmental and community efforts emphasising issues of relevance to this particular set of stakeholders.

More and more investors are acknowledging that ESG is material to the bottom line, and they are seeking information on how companies are managing these issues. The United Nations Principles for Responsible Investment have been signed by managers and owners of funds worth over \$5 trillion. At the same time, a group of managers of European funds with assets in excess of €330 billion have launched what they call an Enhanced Analytics Initiative, a scheme to improve “the integration of extra-financial issues and intangibles” into standard corporate analysis.

Nevertheless, many investors are still not getting the right sort of data to help them understand the connection between ESG issues and the bottom line (see Figure 8 for the ‘wishlist’ of one lot of investors). Where quantification is difficult (or not even attempted) analysts tend to underestimate or

FIGURE 7: TAILORING EXTERNAL COMMUNICATION

Audience	Audience Focus	Critical Aspects (illustrative)	Example Output
Regulators	Legal compliance	Emission levels, taxes paid	Audit
Bank (debt finance)	Debt service	Income vs expenditure	Balance sheet and P/L
Equity Investor	Value creation	Profit growth, cash flows	Projections
NGOs	Best practice	Development impacts, resource use	Sustainability report with performance benchmark
Communities	Economic opportunities	Jobs, cash flows	Employment projections

²³ See also Bob Willard, *The NEXT Sustainability Wave*, New Society Publishers, 2005, for thoughts on how to build buy-in for sustainability from corporate leadership.

ignore the financial value of the unquantified item. Firms therefore will need to search for relevant measures of the most material ESG elements in their strategy. This will not only help external audiences value those elements more fully, it can also act as a benchmark by which the firm itself measures the success (or otherwise) of its strategy.

Where quantification is not possible – which is often the case when ESG has been so genuinely integrated into the overall business plan that it becomes hard to separate the specific effects of sustainability alone – firms can focus on communicating instead the fundamental contribution that ESG elements make to the business model and corporate competitiveness.

c) Report. In order to address the information needs of stakeholders (including investors), more and more companies are beginning to publish a broader account of key ESG and sustainability issues (and of the actions they have taken) in a sustainability report. This is sometimes published as a standalone report, sometimes as part of the annual report, or sometimes as a section on the company's website. This fuller disclosure of sustainability

activities helps the company to build broader awareness, and it demonstrates its willingness to be open and accountable for its actions. In addition to building trust, such reporting can help differentiate the company, enable it to steer the public debate towards issues that are important to it, and help support broader sustainability work and advocacy.

Both **Amanco** and **Jubilant** currently produce a standalone sustainability report, which is based on the Global Reporting Initiative's reporting guidelines. Jubilant describes the benefits of this type of transparency as leading to increased employee satisfaction, and helping develop mutual trust with customers, regulators, investors and in international acquisitions.²⁴

These six steps are not unique to sustainability. They are part of any good business planning. Indeed, several of the business leaders we spoke to described their approach

not as sustainability but “just sound business sense”. Others were aiming to address sustainability more directly. Either way, the finding was the same: that a thorough awareness of the operating environment, and the development of a business strategy to respond to it, was necessary for success.

In this section, we have tried to show how companies can make sustainability an integral part of business excellence and success through a structured and pragmatic identification of what matters most to the business and its stakeholders. Any temptation to ignore sustainability altogether or, alternatively, to over-emphasise it rhetorically in an attempt to please all stakeholders is a recipe for disappointment. Real value comes when an entrepreneur engages with the outside world consciously and systematically in order to listen, learn and understand, as well as to explain, enlist and inspire.

A thorough awareness of the operating environment, and the development of a business strategy to respond to it, was necessary for success.

FIGURE 8: WHAT INVESTORS REALLY WANT ²⁵



²⁴ Presentation by Jubilant Organosys at 'Sustainability Reporting Training Workshop', sponsored by TERI-BCSD India, New Delhi, 21–22 May 2007, www.teri.res.in/core/documents/activity/workshop/day1/Presentation%20by%20Jubilant%20Organosys.pdf (31 August 2007).

²⁵ Findings of panel of investment experts to discuss how sustainability reports can better meet the information needs of investors and analysts. See SustainAbility, United Nations Environment Programme and Standard & Poor's, *Tomorrow's Value: The Global Reporters 2006 Survey of Corporate Sustainability Reporting*, 2006, for more information.

APPENDIX ONE:

RESEARCH APPROACH

THE IDENTIFICATION AND ANALYSIS OF THE FOUR CASE STUDIES FEATURED IN MARKET MOVERS INVOLVED THE FOLLOWING STEPS.
1. Establish universe of cases:

A wide number of business examples from across emerging markets were collected, based on the suggestions and nominations of experts, academics thought leaders and businesses from Asia, Africa and Latin America. The minimum criteria were that:

- the company exhibits clear business (financial) success in relation to its industry and peers
- sustainability performance has played a key role in this success
- the company's operations are based in emerging markets.

2. Filter cases: This full universe of cases was filtered to identify companies with a strong business case, which was clearly linked to business strategy. The cases that made the initial shortlist were further analysed through media searches and conversations with specialists, to understand perceptions of the company's business success and its sustainability performance. In deciding on the final group of companies to research, a good geographical and sectoral spread was also sought.

3. Research cases: The case studies were researched to understand the nature of the company's sustainability performance, and how this has impacted financial performance and underlying financial value drivers. This took place via some desk research and, primarily, interviews with executives at the company and external stakeholders (e.g. investors, clients, NGOs) to understand how business and societal value was created by sustainability performance. Although quantitative information and indicators were sought

wherever possible, qualitative information on these linkages was also collected.

WE CONSIDERED THE FOLLOWING FINANCIAL FACTORS:
i. Sales and market access:

impacts on a company's revenue, including increased sales, impacts on market share and access to new markets. It may result from:

- product/service innovation: changes to an existing product or the introduction of a new product
- the ability to charge premium prices based on features of the product/service

- market access: greater and/or more secure access to international and domestic markets/customers
- market creation: innovatively filling an unmet need.

ii. Operational efficiency:

impacts on a company's costs. It may include:

- operational costs, for example:
 - production costs
 - disposal fees
 - material and transport costs
- productivity: amount of product or service produced per employee, contract labour, capital, related for example to:
 - material use and waste generation
 - employee turnover and absenteeism
 - staff satisfaction and employee motivation
- fines and penalties due to compliance breaches.

iii. Access to capital:

company's ability to gain access to capital (debt or equity), as well as the cost of capital. It is influenced by:

- balance-sheet health

- risk profile
- stability of cash flows
- internal rates of return (IRR).

iv. Risk management and licence to operate:

company's ability to control loss, damage or disruption. It may include ability to manage:

- business disruption
- supply chain reliability
- vulnerability to changing regulations
- political risk
- company's licence to operate, either formal (granted by regulator) or informal (through acceptance by society).

v. Talent and human capital:

knowledge, skills and talent of the company's employees and contract labour, which are important in determining its ability to innovate and compete. This factor may include:

- ability to attract and retain employees
- staff satisfaction and employee motivation
- employee empowerment and ability to innovate.

vi. Brand value and reputation:

public perception of a company, its products and brands. This would include the reputation of the company, the personal reputation of the company manager/owner as well as the brand value of the company. Brand value and reputation are difficult to measure, but can be indicated by:

- customer satisfaction surveys, indicating improved customer service
- ranking in lists (e.g. most admired company)
- perception in public opinion polls
- formal valuation of the company's overall brand.

WE CONSIDERED THE FOLLOWING SUSTAINABILITY ASPECTS:

i. Environmental performance:

addresses company's use of natural resources, production of pollution and overall impact on eco-systems and biodiversity. Indicators may relate to any part of the value chain, from 'cradle to grave' and may include:

- energy consumption
- fossil fuel consumption
- fresh water consumption
- emissions and effluents, including greenhouse gas emissions
- environmental investments
- material use
- waste production (total and hazardous)
- spills and accidents
- biodiversity impacts
- environmental impacts related to site selection and site closure, including planning for site remediation or restoration.

ii. Social performance:

addresses company's commitment to social development and delivering economic benefits to the society where the company is operating. It may include:

- direct or indirect jobs created
- siting of facility in an underserved or emerging community
- technology transfer
- recognition of human rights
- benefits to local suppliers through backward linkages
- benefits to local distributors and retailers through forward linkages
- making available a product that meets previously unmet needs
- physical infrastructure development
- other institutional infrastructure such as legal, financial and accounting systems; banking capacity; activities

that support local private sector development

- social capital development
- community investment.

Social performance also addresses the company's commitment to providing a safe, high-quality work environment for its employees – including management, staff and contract labour. This may include:

- employee average compensation (compared with local cost of living or national average)
- providing fair wages and benefits to contract labour
- lost time injury and total injury rate
- employee training
- employee health management (health and safety, HIV/AIDS)
- minimising and offsetting impact of restructuring, down-sizing
- diversity – number of employees by level of responsibility (skilled, non-skilled, executive, Board, permanently outsourced) per significant community segment (minority, gender, disabled, indigenous).

iii. Governance performance:

addresses the importance of sound governance, principles, ethics and management systems in governing a company. It is defined to include a company's engagement with its stakeholders, such as consumers or civil society, as an important element of good management. Indicators may include:

- leadership commitment to sustainability issues:
 - policies or codes of conduct on business ethics, bribery and corruption, human rights, etc.
 - public endorsement of sustainability-related codes of conduct (e.g. UN Global Compact, Principles for Responsible Investment)

– Board structure and effectiveness:

- Board composition (skill mix, diversity)
- Board independence from management structure
- adequacy of control environments, including related to environmental and social commitments
- executive compensation
- protection of minority shareholders

– increased transparency through financial and non-financial disclosure

- financial ratings/risk profile
- environmental, social or economic management systems, including national or international standards and certification (e.g. ISO 14000, SA 8000)
- quality of stakeholder relations
- management of crisis situations.

4. Report:

The results of the research were written up in the four case studies that form Part II of this report, and the common lessons and guidance for companies that form Parts I and III were distilled from these cases.

APPENDIX TWO: GLOSSARY

Balanced Scorecard

A strategic management system developed by Robert Kaplan and David Norton of the Harvard Business School in the early 1990s, centred on the idea of measuring four elements of performance: financial, customer, learning and growth, and business process. It is a concept for measuring a company's activities in terms of its vision and strategies, in order to give managers a comprehensive view of business performance.

Base of the Pyramid (BoP)

Base of the pyramid, or bottom of the pyramid, is a term for the largest and poorest global socioeconomic group, generally classified as those living under \$2 per day. The term was first used in this way in 1998 by Professors CK Prahalad and Stuart L Hart. The BoP has been estimated to be some 4 billion people around the world.

Biogas

Usually refers to a gas produced by the fermentation of organic matter including manure, municipal solid waste and biodegradable waste. It is comprised mainly of methane and carbon dioxide.²⁶

Business Case

The extent to which sustainability improves business value, as conventionally defined.

Corporate Governance

Improving board structures and procedures to make a company more accountable to shareholders, covering issues such as financial reporting, transparency and audit, remuneration of directors, separation of powers and minority

shareholder rights. At its broadest it is the full set of relationships between a company's management, its board and stakeholders.

Corporate Social Responsibility (CSR)

The term corporate social responsibility is used to convey the responsibility companies have towards society, beyond statutory obligations to comply with legislation. According to one common definition, CSR is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large.²⁷ The term is sometimes used interchangeably with sustainability (see below), and sometimes used to refer more to corporate philanthropy and social investment.

Environment, Health and Safety (EHS)

Corporate function responsible for legal compliance and other commitments around a company's environmental impacts, as well as the health and safety of their workers. Often the department may have wider responsibilities for sustainability performance.

Emerging Economies

Also referred to as developing countries – defined as countries with a gross national income (GNI) per capita of \$11,115 or less.²⁸

Environmental, Social and Governance (ESG)

This term is used particularly in the

investment community to refer to non-financial corporate activities or performance. It can be used more or less synonymously with sustainability.

Equator Principles

A financial industry benchmark for determining, assessing and managing social and environmental risk in project financing. See www.equator-principles.com.

Global Reporting Initiative

An international network of business, civil society, labour and professional institutions that have jointly created the most commonly used framework for sustainability reporting. The third generation of this framework (known as the G3 Guidelines) was launched in 2006. See www.globalreporting.org.

ISO 14001

An environmental management standard that aims to help organisations minimise their negative impact on the environment. Certification is performed by a third party.

Microfinance

The practice of providing financial services to low-income groups. Microcredit consists of making small loans, of usually less than \$200, to individuals, often women, especially to establish or expand a small business.²⁹ Microsavings and microinsurance are other examples of such services.

Multi Fibre Arrangement

A system of quotas on textiles and garments that governed global trade between 1974 and 2004.

²⁶ Wikipedia, <http://en.wikipedia.org/wiki/Biogas> (23 August 2007).

²⁷ World Business Council for Sustainable Development, *Meeting Changing Expectations*, 1999.

²⁸ Based on World Bank classifications.

²⁹ Grameen Foundation, www.grameenfoundation.org/what_we_do/microfinance_in_action/ (31 August 2007).



IFC Corporate Relations

It was a measure originally meant to help developed countries adjust to cheap imports from developing countries by imposing restrictions on the amount that could be exported. It officially ended on 1 January 2005.

OHSAS 18001

An occupational health and safety management standard, created to be compatible with the ISO 9001 (quality) and ISO 14001 management systems standards. It is meant to help organisations establish a health and safety system that minimises risks to employees and business operations.

Stakeholder Engagement

The process of communicating information, and listening to and learning from stakeholder concerns and feedback. It includes various forms of dialogue aimed at building trust between a company and

selected stakeholders based on issues of mutual interest.

Stakeholders

Stakeholders are defined as any individual or group – internal or external – that may affect or be affected by a company’s activities. Stakeholders include (but are not limited to) shareholders, employees, communities, government, customers, business partners and civil society organisations.

Sustainability

A term that embraces financial integrity, corporate ethics and dimensions of economic, social and environmental value added. Sustainability refers to a business approach embodying open and transparent business practices, ethical behaviour, respect for stakeholders and a commitment to add economic, social and environmental value.

Triple Bottom Line

Triple bottom line (TBL) is a term coined by John Elkington, founder of SustainAbility, in 1994.³⁰ It is used to describe a broadened spectrum of criteria for measuring business success: economic, social and environmental. The term can be used interchangeably with sustainability.

United Nations Principles for Responsible Investment

A voluntary set of principles for incorporating ESG considerations into mainstream investment decision-making. The principles emerged in 2006 following a nine-month UN consultation process with a 70-person multi-stakeholder group. The principles include incorporating ESG measures into ownership policies and practices, and seeking disclosure on ESG issues. See www.unpri.org.

³⁰ Later expanded in John Elkington, *Cannibals With Forks*, New Society Publishers, 1998.

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