

THE 21ST CENTURY CORPORATION: THE CERES ROADMAP FOR SUSTAINABILITY



FEATURING 20 EXPECTATIONS FOR COMPANIES BY 2020

GOVERNANCE

STAKEHOLDER
ENGAGEMENT

DISCLOSURE


PERFORMANCE

ACKNOWLEDGEMENTS

DESIGN

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www.neenahpaper.com

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www.ceres.org/CeresRoadmap

**THE 21ST CENTURY CORPORATION:
THE CERES ROADMAP FOR SUSTAINABILITY**



Mindy S. Lubber, President of Ceres

TODAY, CORPORATIONS FACE NEW REALITIES, WITH NEW RISKS AND OPPORTUNITIES.

In the 20 years since Ceres began, we have strongly held to the principle that addressing the world's greatest environmental and social challenges is an imperative for the corporate and financial communities and that failure to address these challenges jeopardizes our ability to create prosperity in the long-term.

Ceres has created key building blocks for weaving environmental and social challenges into core business practices to achieve sustainability. We began with the Ceres Principles, a 10-point code of corporate environmental conduct drafted in response to the Exxon Valdez oil spill. We then launched the Global Reporting Initiative, now the international standard for sustainability reporting, used by over 1,100 companies worldwide. We also introduced the concept of "climate risk"—now deeply integrated into the corporate and investor lexicon.

These actions have moved us forward, but more must be done to produce the results we need. Incremental progress in tackling global climate change and other sustainability threats is not enough. We need accelerated performance improvements from companies that reflect the true scientific and economic impacts of unchecked carbon pollution, growing water scarcity and billions of people still working and living in poverty.

Business is astute at solving problems, and many of the biggest global challenges we face are social and environmental. As a result, it is business that must lead the way by turning these challenges into opportunities.

This means fully integrating sustainability considerations into governance, performance, accountability, R&D and overall business strategy. Tracking results, analyzing data and implementing actions to increase efficiency and competitiveness are cornerstones for success. The bottom line: sustainability must be the foundation of the 21st century corporation.

Last year, Ceres unveiled a bold vision, [Ceres 20-20](#) for achieving a sustainable global economy by 2020. It reflects the somber reality that our achievements to date are not enough—that companies and investors must do significantly more to truly align their business models and investment strategies with the bold solutions needed to ensure a prosperous and sustainable future.

Ceres 20-20 lays out four key pillars to achieve global sustainability: ensuring honest accounting to reflect pollution's true costs; setting new standards and expectations for business leadership; accelerating green innovation; and changing the rules of the game so sustainable businesses can compete on a level playing field.

The *21st Century Corporation: The Ceres Roadmap for Sustainability* focuses on the second pillar—setting new standards and expectations for business leadership. It is a guide to companies on their journey to comprehensive sustainability—from the boardroom to the copy room—and throughout the supply chain.

The report has 20 key expectations related to governance, stakeholder engagement, disclosure and performance. Within governance, we encourage board diversity and sustainability expertise, and executive compensation packages that align with sustainability performance. In the disclosure section, we encourage reporting of "material" performance data and goals for key environmental and social challenges. Under stakeholder engagement, we encourage "opening the doors" to investors, non-governmental organizations (NGOs) and other groups focused on a company's sustainability strategies.

But the roadmap's biggest priority, by far, is performance. Companies must produce tangible results that put us on a truly

sustainable path. For climate change, that means a 50 percent improvement in energy efficiency and a 25 percent lower carbon footprint by 2020. It means eliminating hazardous waste, having closed-loop systems in place, decreasing the footprint of suppliers and increasing human rights standards by 2020.

Performance will be the ultimate measure for evaluating a company's progress towards achieving sustainability. The best performing companies of the 21st century will be those that recognize this evolving new order, and invest

and act now. These companies will be best positioned to thrive in the coming low-carbon, resource-constrained global economy of the 21st century.

The race for sustainability is on.

Mindy S. Lubber, President of Ceres
March , 2010

“/”
The report has
20 KEY EXPECTATIONS
related to **governance, stakeholder engagement, disclosure and performance.**

thought leader perspectives

“We simply cannot afford to wait any longer. Our planet’s natural resources are depleting at unprecedented rates. We are already seeing real leadership from some of the largest companies around the world. The time has come for all in the business community to stand up, take meaningful action, and become part of the solution.”

*Frances Beinecke, President,
Natural Resources Defense Council*

“Integrating sustainability is not just a good opportunity for business. It is essential for success in a world of constrained resources. Right now every business has a choice to make. We choose to move fast, using sustainability as a force for innovation. We choose to embrace transparency, collaboration and advocacy as tools to unlock opportunity and enable us to thrive in a clean and green economy.”

*Mark Parker, CEO and President,
Nike*

“We expect our portfolio companies to do what is necessary to position themselves for a sustainable economy. Environmental, social and governance issues are core to business performance. We are looking for companies that are managing these risks, developing business opportunities, and disclosing their results.”

*Anne Stausboll, CEO,
California Public Employees’
Retirement System*

“Our economic future depends upon establishing a low-carbon energy system. We need to dramatically increase our investments in energy efficiency, renewable energy, smart grid technologies, and other innovations. These investments will ensure that our future is not only sustainable, but prosperous.”

*Peter Darbee, Chairman of the Board,
CEO and President, PG&E Corporation*

NEW IMPERATIVES FOR LEADERSHIP

THE RACE IS ON TO ESTABLISH A LOW-CARBON SUSTAINABLE GLOBAL ECONOMY AND THE COMPETITION IS FIERCE. TRILLIONS OF DOLLARS AND THE WELL-BEING OF BILLIONS OF PEOPLE ARE AT STAKE, AS WELL AS THE HEALTH OF THE PLANET THAT SUSTAINS US.

Companies and the capital markets are center stage, and success will depend on their ability to place the Earth and its people at the core of corporate strategies. It is a pivotal moment with enormous opportunity and challenge—a moment that demands excellence in corporate leadership, vision and innovation.

Cutting-edge technologies and the information revolution have transformed the way we live, accelerated the spread of information and catalyzed economic growth. Open markets have created vast business opportunities while helping to lift living standards for many—but not all—across the globe. Never before have we experienced such explosive change and unprecedented growth within the span of just one lifetime.

But this growth has come at a cost. Our climate is warming due to human behavior. Short-term thinking has left us with a global recession. Ever-increasing food and water shortages are undermining governments, stimulating conflict and exacerbating global poverty. World population, already straining limited resources, will top 9 billion in 2050.

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**\$6 TRILLION
ENERGY INDUSTRY**

must be retooled to minimize energy use and to have a substantially lower carbon footprint.

Business innovation and the power of capital markets are urgently needed to address these challenges. Companies on the leading edge are responding with a new business paradigm that makes sustainability^a performance a linchpin for future growth. They recognize that “business as usual” is no longer acceptable and that ad hoc sustainability initiatives are no longer sufficient.

Success requires placing sustainability at the epicenter of business models.

Environmental, social and governance issues must be seamlessly integrated into strategic planning and investment decision-making. Company practices must reflect an understanding that they are dependent upon goods and services provided by nature, and that nature’s limits and finite resources must be fully valued and managed for long-term growth and prosperity.

Companies, in essence, must lead the drive to a sustainable global future and they need to start today, not tomorrow. Delay is not an option.

introduction

Enormous opportunities arise during transformative times. The \$6 trillion energy industry – six times larger than the Internet economy – must be retooled to minimize energy use and to achieve a substantially lower carbon footprint.¹ Clean, energy-efficient technologies will power economies for decades to come, and businesses that put themselves out in front will benefit the most. Companies with products and services attuned to the new economy will emerge as winners.

Meeting the needs of billions of people in emerging markets represents a substantial responsibility and challenge for business. Many of the world’s 4 billion poorest – are moving beyond subsistence to active participation in market economies, yet their fundamental needs – for clean water, better nutrition, energy, healthcare and mobility – are not being met. This gap presents tremendous opportunities – estimated at \$5 trillion a year – for companies that are positioned to innovate and deliver low-cost, sustainable technologies and services.²

Investors are growing increasingly aware of the risks that climate change, water scarcity, workplace conditions and other environmental and social issues present to companies’ bottom lines. They are telling companies they invest in to respond with aggressive strategies that transform risk into opportunity.

Already, many companies are rethinking their business models to address these fast evolving risks and opportunities. More than half of global executives in a 2008 survey by the Economist Intelligence Unit considered corporate social responsibility (a synonym for sustainability) a high or very high priority – up from 34.1% in 2005.³ A growing number of companies are asserting leadership on sustainability performance to distinguish themselves from their peers.

This paper outlines Ceres’ vision and expectations for corporate best practices in the coming years – practices that must come to represent the norm, not the exception. The sustainability journey has already begun for many companies and for those who are just starting out, we offer a realistic and clear roadmap to accelerate their efforts. It is intended to challenge, as well as inform and assist, those who aim to integrate sustainability into their business. It explores the rationale and key considerations involved in making the shift to sustainability, details strategies and tools being used by some companies, and provides suggestions for the next generation of best practice.

The paper lays out four broad areas of activity that companies should focus on and achieve by 2020. Those areas include **governance, stakeholder engagement, disclosure and performance.** While the attention given to each component depends upon the particular business and industry, we believe this roadmap will prove invaluable to all companies.

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Meeting the needs of billions in emerging markets presents tremendous opportunities:

\$5 TRILLION A YEAR



← World population, already straining limited resources, will top

9 BILLION IN 2050

The first section outlines core **governance** building blocks – management structures, goal-setting and strategic decision-making processes – that are needed to integrate sustainability. Companies can use proactive **stakeholder engagement**, highlighted in the next section, to assess the relative importance of specific goals and the effectiveness of strategies. **Disclosing** critical information to stakeholders, according to the expectations set out in the third section, will help show that a company’s commitment to sustainability is real and its performance credible.

Lastly, the roadmap details key **performance** areas for measuring how companies are progressing on sustainability. It includes demanding performance expectations in keeping with the scale and urgency of the sustainability challenges before us.

Now, more than ever, companies must begin calibrating their performance goals against national and international performance standards that are grounded in science. In the case of climate change, for example, companies must reduce their greenhouse gas emissions by at least 25 percent below 2005 levels by 2020 in order to meet reductions that leading scientists agree are necessary to prevent catastrophic warming.⁴

Just as sound business decisions must be based on science it is also important for companies to respond to societal expectations. It has become clear that it is not acceptable anywhere in the world to produce goods in unsafe or exploitative conditions. These are real business risks for global companies.

In the coming years, the strategies that companies pursue will determine not only their shareholder value, but also the future of our species and our planet. It is at once a daunting challenge and a huge opportunity.

↓ DEFINITION

Sustainability

- a. Brundtland’s is the standard definition of sustainability: “Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. It contains within it two key concepts: the concept of needs, in particular the essential needs of the world’s poor, to which overriding priority should be given; and the idea of limitations imposed by the state of technology and social organization on the environment’s ability to meet present and future needs” (Our Common Future, Report of the World Commission on Environment and Development, 1987). When Ceres talks about sustainability, we are referring to how environmental, social and economic considerations are integrated into corporate strategy and capital markets for the long term.

KEY DRIVERS OF SUSTAINABILITY

COMPETITION FOR RESOURCES

The world's population is projected to increase to more than 9 billion people by 2050. Rising living standards will result in both expanded markets for goods and services and unprecedented demands on the planet's natural resources. Many of the resources once considered renewable—like forests and fresh water—have become finite when we consider that human demands are growing more quickly than the ability of natural processes to replenish them. While exhaustion of commodities can be monitored

and measured, the impact of depletion on ecosystems is harder to gauge and often impossible to remedy.

With resource depletion comes risk of conflict as people struggle to meet their basic needs. Take water—population growth, economic development and climate change are straining access to fresh water globally. By 2025, two-thirds of the world's population will live in water-stressed countries, posing significant risks to the economic and social stability of entire regions and to the corporate operations in those regions.⁵

CLIMATE CHANGE

Our current fossil-fuel based economy has led to a growing concentration of greenhouse gases in the atmosphere that is driving more extreme weather events, more severe and frequent cycles of drought and flood, and rising sea levels. These phenomena are being met with new policies and regulations including those designed to limit and put a cost on carbon emissions. Businesses need to plan for a policy environment increasingly hostile toward carbon emissions and for the costs of adaptation to climate change.

A large number of businesses and investors have come together to call on governments at the national and global level to implement comprehensive climate policy. These groups include [Business for Innovative Climate and Energy Policy \(BICEP\)](#), US CAP, The Prince of Wales Corporate Leaders Group on Climate Change, the [Investor Network on Climate Risk \(INCR\)](#) and the Institutional Investors Group on Climate Change (IIGCC), among others. These businesses recognize the opportunity to profit from technologies that reduce emissions and create solutions to global warming.

ECONOMIC GLOBALIZATION

The integration of national economies into the global economy brings opportunities for business, but often with significant risks. More and more companies operate in or source from multiple countries with wide disparities

in enforced environmental and social standards. Whatever the local enforced standard, many stakeholder groups demand, at a minimum, that companies meet international expectations.

CONNECTIVITY AND COMMUNICATIONS

Advances in digital communication over the last two decades have reduced not only the time it takes to build a reputation, but also the time it takes to destroy one. Communication is increasingly disaggregated across multiple social networks. Facebook has over 65 million users, and is growing by more than 200% per year. Twitter, while having a “mere” 7 million users, has shown

year-to-year growth of over 1000%.⁶ Using these types of tools, it has never been easier for people to track a company's sustainability performance and to widely disseminate their perspectives on it. We have entered an era of “radical transparency.”⁷

b. “Human rights are rights inherent to all human beings, whatever our nationality, place of residence, sex, national or ethnic origin, colour, religion, language, or any other status. We are all equally entitled to our human rights without discrimination. These rights are all interrelated, interdependent and indivisible” (United Nations Human Rights, Office of the High Commissioner for Human Rights—What are Human Rights, 2010, Para. 1).

THE STAKEHOLDER PERSPECTIVE

GOVERNMENT

Governments in developing and developed countries are implementing policies in response to key sustainability issues, including greenhouse gas emissions, toxic chemicals, water use, labor, and human rights.^b In the United States, there is renewed interest in developing

more effective oversight of and accountability for corporate activities that impact society and the environment. In particular, the much-anticipated regulation of carbon emissions will provide a more level playing field for lower emitters.

INVESTORS

More investors are now asking companies to detail and quantify sustainability risks and opportunities in their financial disclosures. As company owners, they look to sustainability performance as an indicator of strong management, strong governance and long-term thinking

about future growth potential. Long-term investors reward companies that integrate sustainability into strategic planning. Sustainability-based stock indices benchmark corporate performance against peer companies and place pressure on businesses to meet increasing expectations.

LABOR UNIONS

Unions expect companies to address issues that affect employees, whether they be socioeconomic issues such as wages and healthcare, or environmental issues such as safety and climate change. They actively mobilize and

represent their members through formal negotiations, engagement on public policy, and collaboration with other organizations that support common positions.

CIVIL SOCIETY

NGOs and community groups expect companies to address their environmental and social impacts. Giving voice to planetary concerns and future generations, as well as those impacted by corporate action today, these

groups pressure companies through legal action, public campaigns and collaboration to address a full range of sustainability issues.

BUSINESS PARTNERS AND SUPPLIERS

Companies expect that those they do business with will follow the same standards that they do for integrating sustainability into their business. Business-to-business relationships therefore increasingly incorporate sustainability standards and criteria reflected through changes in Request for Proposals (RFP) and procurement

guidelines. As customers, companies are themselves pushing sustainability across sectors and the value chain. Groups of companies in the [automotive](#), [electronics](#), [electric utility](#), [apparel](#) and [pharmaceutical](#) sectors are among those collaborating to raise sustainability standards across their entire industry supply chains.

CONSUMERS

A growing segment of individual consumers are putting their money where their values are, demanding an understanding of the sustainability impacts of the products and services that they buy. Consumer concerns include the conditions under which products are made, the materials used and post-use recyclability. An increasing interest in

credible sustainability information accompanies this trend, including at the point of purchase. The economic crisis has not dulled consumer commitment to the environment, with 78% of U.S. consumers in a 2009 Cone survey indicating that they are as likely or more likely to buy environmentally responsible products as they were before the crisis.⁸

EMPLOYEES

One of the strongest forces demanding change comes from within. Current employees and talented job candidates seek work that is meaningful and of demonstrable value to society, and they are prepared to receive a lower salary in exchange for work at a socially responsible company.⁹

They seek out employers that have a clear vision for their contribution to a sustainable global economy, and once inside, look to influence the direction of corporate sustainability and drive improvements through their specific responsibilities.

THE INVESTOR PERSPECTIVE

As with the recent collapse of the financial markets – stemming from a lack of regulations, failure of accountability, and inadequate disclosure of risks that investors were assuming—sustainability and climate change also present far-reaching hidden risks to which the financial industry needs to pay closer attention. Increasingly, investors are recognizing and taking action on governance issues, including environmental and social issues that pose material business risks and that have the potential to directly affect long-term financial performance. Conversely, they see substantial benefits to be gained by financing companies that are proactive on these issues.

The **Investor Network on Climate Risk (INCR)** is focused on the financial impacts of climate change. The group was established in 2003 with a membership of a dozen investors representing \$600 billion in collective assets, and now includes over **80 investors with \$8 trillion in collective assets**. INCR has been very active, calling for strong national and international climate policies, asking the U.S. Securities and Exchange Commission for standardized disclosure of sustainability risks, directly engaging companies, filing shareholder resolutions and making significant investments in clean technology.

We have seen an explosion of sustainability and specifically climate focused research and investment products in the past few years, much of it taking place in the midst of one of our greatest economic slow-downs. We have also seen the number of financial indices that address sustainability broaden and deepen. Many of these indices are being managed by “mainstream” financial houses, including the S&P/IFCI Carbon Efficient Index, HSBC Climate Index, Prudential Green Commodities Index, FTSE4Good, and NASDAQ’s Global Sustainability 50 Index. And investors are seeing the results. For example, KLD Research and Analytics (now part of RiskMetrics) launched a Global Climate 100 Index and posted a 57 percent return (17 percent annualized) since its launch in 2006.¹⁰

In addition to stand-alone sustainability indices, financial organizations are integrating sustainability into core decision-making. Numerous banks, including Citi, Morgan Stanley, and Credit Suisse, have put in place a carbon focused due diligence process for any future lending for coal-fired power and other carbon intensive projects. Bank of America has also shown leadership by setting a specific target to reduce the rate of greenhouse gas emissions in its lending to the utility industry, and by disclosing publicly that it is using a \$20 to \$40 per ton cost of carbon in evaluating loans.



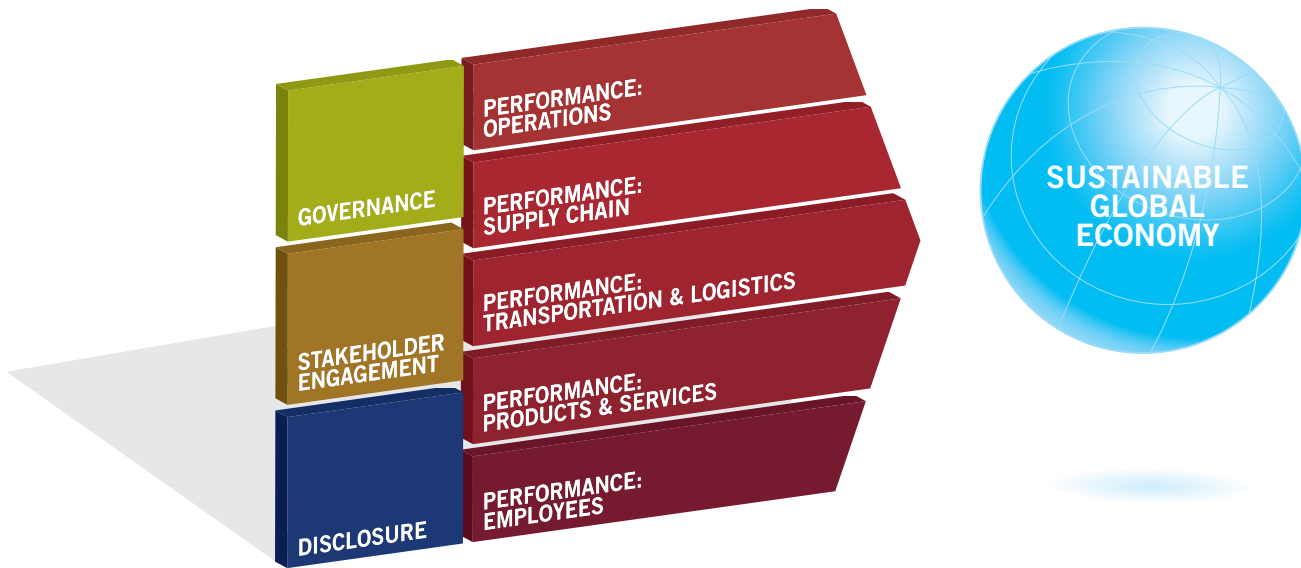
↑ Investors are recognizing and taking action on **ENVIRONMENTAL, SOCIAL AND GOVERNANCE ISSUES...**

Socially responsible investing has evolved from being a “boutique” issue, to growing at a faster pace than the universe of all investment assets under professional management—growing 18% between 2005 and 2007¹¹—while professionally managed assets grew less than 3%. A report by Robeco Investment Management and Booz & Company expects responsible investing to grow to as much as 20% of total assets under management by 2015.¹²

The financial crisis has also resulted in an increased focus on the risk management processes at financial institutions, with a push for greater transparency, holistic risk identification and a longer-term focus. The 658 signatories to the [Principles for Responsible Investment](#), which collectively represent over \$18 trillion of assets, believe it is in the long-term interest of their beneficiaries to factor sustainability into investment decision-making. A 2009 Report by the Asset Management working group of the UNEP Financial Initiative asserts that investors have a fiduciary responsibility to consider sustainability components and those that do not may face very real risk by opening themselves up to legal liabilities.¹³

The bottom line for business is this: investors are rewarding companies that understand how sustainability issues impact their business and that are implementing strategies and actions that will enable them to thrive in a sustainable global economy.

GETTING STARTED WITH THE ROADMAP



IN THIS ROADMAP, WE PRESENT AN INTEGRATED APPROACH FOR EMBEDDING ENVIRONMENTAL AND SOCIAL CONCERNS INTO THE CORPORATE DNA.

The Ceres Roadmap focuses on areas where Ceres sees enormous opportunities for impact; however, it does not cover every aspect of sustainability.

It is designed to be of practical help to all, whether a business aims to establish a leadership platform, to fill gaps in its existing approach to sustainability or is still considering where to begin. Ceres suggests that businesses start by:

- Assessing the company's baseline environmental and social performance
- Analyzing corporate management and accountability structures and systems
- Conducting a materiality analysis of risks and opportunities

A company can then formulate its own route to sustainability based on the key directions laid out in the roadmap. The route a company takes will vary according to sector and corporate culture. Some businesses are further along the path toward sustainability

than others. Companies that have successfully addressed particular challenges are highlighted in this report.

Each business has to create its own strategy for success, addressing both the risks and the opportunities of participating in the sustainable economy. That said, all of the expectations presented in the Ceres roadmap need to be addressed if a company is to achieve a comprehensive and coherent strategy.

Each chapter in this report follows a similar structure: a statement of the overall vision for that section of the roadmap, followed by an outline of the business rationale and relevant supporting trends. The remainder of the chapter includes a set of expectations with information on, "How to Get There." Case studies, examples and resources are provided throughout.

In this report we provide over 200 company examples, covering 20 sectors, as well as an extensive summary of resources and tools to ensure there is clear illustration for how companies can implement the roadmap and meet these expectations by 2020.

introduction

CERES' 21ST CENTURY CORPORATION VISION: 20 KEY EXPECTATIONS

GOVERNANCE FOR SUSTAINABILITY

G1 BOARD OVERSIGHT

The Board of Directors will provide oversight and accountability for corporate sustainability strategy and performance. A committee of the board will assume specific responsibility for sustainability oversight within its charter.

G2 MANAGEMENT ACCOUNTABILITY

The CEO and company management—from C-Suite executives to business unit and functional heads—will be responsible for achieving sustainability goals.

G3 EXECUTIVE COMPENSATION

Sustainability performance results are a core component of compensation packages and incentive plans for all executives.

G4 CORPORATE POLICIES AND MANAGEMENT SYSTEMS

Companies will embed sustainability considerations into corporate policies and risk management systems to guide day-to-day decision-making.

G5 PUBLIC POLICY

Companies will clearly state their position on relevant sustainability public policy issues. Any lobbying will be done transparently and in a manner consistent with sustainability commitments and strategies.

STAKEHOLDER ENGAGEMENT

S1 FOCUS ENGAGEMENT ACTIVITY

Companies will systematically identify a diverse group of stakeholders and regularly engage with them on sustainability risks and opportunities, including materiality analysis.

S2 SUBSTANTIVE STAKEHOLDER DIALOGUE

Companies will engage stakeholders in a manner that is ongoing, in-depth, timely, and involves all appropriate parts of the business. Companies will disclose how they are incorporating stakeholder input into corporate strategy and business decision-making.

S3 INVESTOR ENGAGEMENT

Companies will address specific sustainability risks and opportunities during annual meetings, analyst calls and other investor communications.

S4 C-LEVEL ENGAGEMENT

Senior executives will participate in stakeholder engagement processes to inform strategy, risk management and enterprise-wide decision-making.

DISCLOSURE

D1 STANDARDS FOR DISCLOSURE

Companies will disclose all relevant sustainability information using the Global Reporting Initiative (GRI) Guidelines as well as additional sector-relevant indicators.

D2 DISCLOSURE IN FINANCIAL FILINGS

Companies will disclose material sustainability issues in financial filings.

D3 SCOPE AND CONTENT

Companies will regularly disclose significant performance data and targets relating to their global direct operations, subsidiaries, joint ventures, products and supply chain. Disclosure will be balanced, covering challenges as well as positive impacts.

D4 VEHICLES FOR DISCLOSURE

Companies will release sustainability information through a range of disclosure vehicles, including stand-alone reports, annual reports, financial filings, websites and social media.

D5 PRODUCT TRANSPARENCY

Companies will provide verified and standardized sustainability performance information about their products at point of sale and through other publicly available channels.

D6 VERIFICATION AND ASSURANCE

Companies will verify key sustainability performance data to ensure valid results and will have their disclosures reviewed by an independent, credible third party.

P1 OPERATIONS

Companies will invest the necessary resources to achieve environmental neutrality and to demonstrate respect for human rights in their operations. Companies will measure and improve performance related to GHG emissions, energy efficiency, facilities and buildings, water, waste, and human rights.

1. Greenhouse Gas Emissions and Energy Efficiency: Companies will reduce greenhouse gas emissions by 25% from their 2005 baseline by 2020:

- Improving energy efficiency of operations by at least 50%
- Reducing electricity demand by at least 15%
- Obtaining at least 30% of energy from renewable sources

2. Facilities and Buildings: Companies will ensure that at least 50% of their owned or leased facilities, and all new construction, will meet rigorous green buildings standards. When siting facilities, companies will follow best practices that incorporate sustainable land-use and smart growth considerations.

3. Water Management: Companies will assess water-related impacts and risks and will set targets to improve water use and wastewater discharge, with priority given to operations in water-stressed regions.

4. Eliminate Waste: Companies will design (or redesign, as appropriate) manufacturing and business processes as closed-loop systems, reducing toxic air emissions and hazardous and non-hazardous waste to zero.

5. Human Rights: Companies will regularly assess key risks related to human rights throughout their entire operations, and will employ management systems that are aligned with internal policies and support the implementation of universal standards.

P2 SUPPLY CHAIN

Companies will require their suppliers to meet the same environmental and social standards as the company has established for itself. Companies will establish sustainable procurement criteria, catalyze improved supplier performance,

and facilitate disclosure of suppliers' sustainability information.

1. Policies and Codes: Companies will set supply chain policies and codes aligned with overall social and environmental standards.

2. Align Procurement Practices: Companies will address sustainability performance in procurement criteria and contracting.

3. Engaging Suppliers: Companies will ensure that at least 75% of the company's Tier 1 and Tier 2 suppliers and 50% of Tier 3 suppliers meet the company's standards for sustainability performance.

4. Measurement and Disclosure: Companies will disclose a list of their Tier 1 and 2 suppliers and measure and disclose suppliers' sustainability performance.

P3 TRANSPORTATION AND LOGISTICS

Companies will systematically minimize their sustainability impact by enhancing the resiliency of their logistics. Companies will prioritize low impact transportation systems and modes, and address business travel and commuting.

1. Transportation Management: Companies will develop transportation criteria that incorporate distance requirements from site to market and establish decentralized and localized distribution networks.

2. Transportation Modes: Companies will review logistics to prioritize low-impact transportation modes.

3. Business Travel and Commuting: Companies will decrease greenhouse gas emissions from business travel and employee commuting by 50% from a baseline of 2005.

P4 PRODUCTS AND SERVICES

Companies will design and deliver products and services that are aligned with sustainability goals by innovating business models, allocating R&D spend, designing for sustainability, communicating the impacts of products and services, reviewing marketing practices and advancing strategic collaborations.

1. Business Model Innovation: Companies will innovate business models to reduce material inputs and prioritize a transition to sustainable products and services.

2. R&D and Capital Investment: Companies will use sustainability as a primary filter through which all R&D and capital investments are made. 50% of the R&D investment will be focused on developing sustainability solutions.

3. Design for Sustainability: Companies will approach all product development and product management decisions with full consideration of the social and environmental impacts of the product throughout its lifecycle.

4. Marketing Practices: Companies will align their marketing practices and product revenue targets with their sustainability goals, and will market their designed-for-sustainability products and services with at least the same effort as their marketing of other products.

5. Strategic Collaborations: Companies will collaborate within and across sectors to innovate and scale sustainable products and services, and contribute to the development of open source solutions.

P5 EMPLOYEES

Companies will make sustainability considerations a core part of recruitment, compensation and training, and will encourage sustainable lifestyle choices.

1. Recruitment and Retention: Companies will incorporate sustainability criteria into recruitment protocols, employee performance processes, compensation and incentives.

2. Training and Support: Companies will develop and implement formal training on key sustainability issues for all executives and employees, and facilitate coaching, mentoring and networks for sustainability knowledge sharing.

3. Promoting Sustainable Lifestyles: Companies will promote sustainable lifestyle choices across their community of employees through education and innovative employee benefit options.

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