

American Association of Port Authorities Facilities Engineering Seminar and Expo

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Economic Challenges of Sustainability



Sustainability

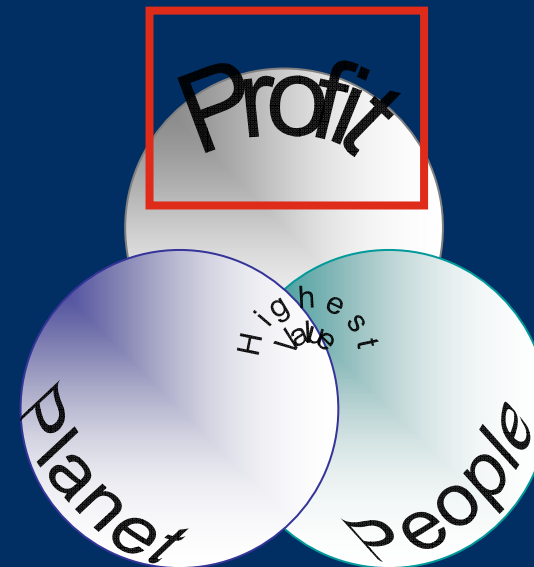
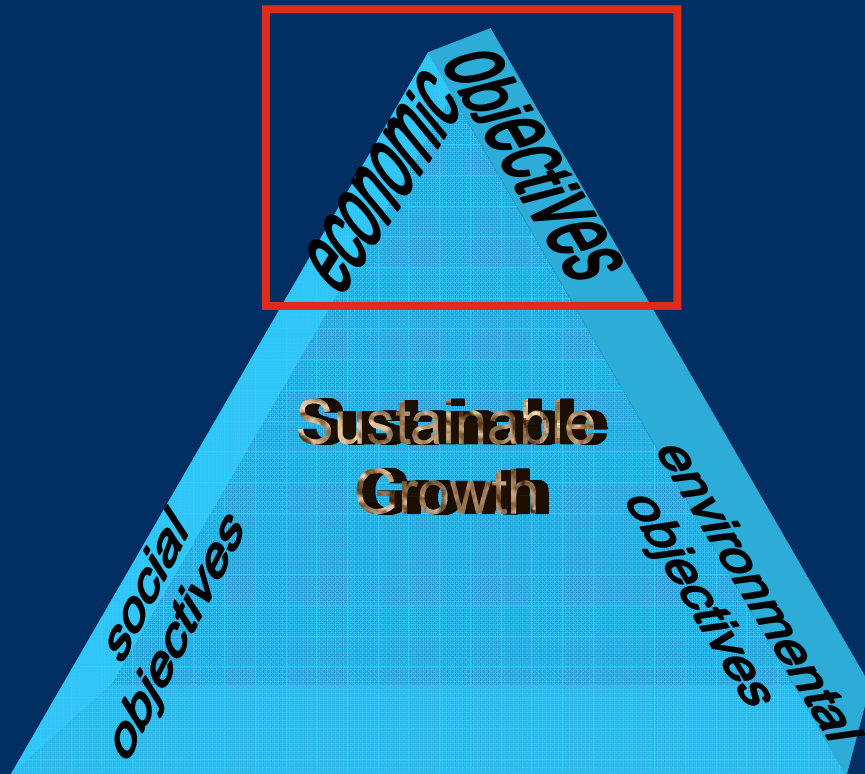
a means of configuring human activity so that society, its members, and its economies are able to meet their needs and express their greatest potential, while preserving biodiversity and natural ecosystems in the very long term

easily put...

sustainability is about thinking and acting in the future tense

(Planning for the Future)

Sustainability:



Outline

- The Leader Business Spectrum
- How Sustainability Creates Value
- Why is the Business Case So Difficult?
- Implementation Strategies
- Port Development Project Economic Considerations
- Example of Pushing Towards Sustainability Leadership
- The Opportunity to Lead

The leader business spectrum

Beginner

- Understanding of key CR issues
- Compliance systems in place

Performer

- Senior-level buy-in
- Vision of sustainable future
- Systems in place to delivery

Leader

- CR a strategic opportunity
- Sustainable innovation across business

Pioneer

- Business model refocused to profit from sustainable value creation

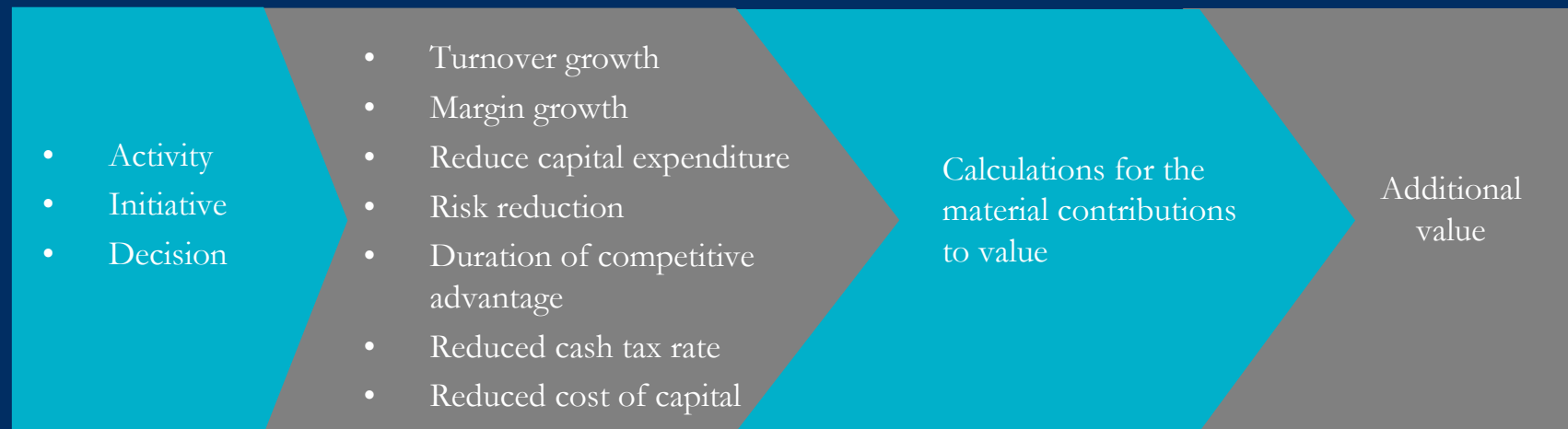
How sustainability creates value

1.
Create value

2.
Identify material
contribution to drivers of
value

3.
Calculate specific
financial contributions

4.
Combine to give
addition to value



How Sustainability Creates Value (cont'd)

Financial Drivers	
Reduce capital expenditure	Avoiding unnecessary demand for fixed assets
Duration of competitive advantage	Shaping the market to the company's advantage
	Attracting people
	Prompt action on emerging strategic issue
	Enhanced access to key resources
Reduced cash tax rate	Reduced payments to government
Reduced cost of capital	Improved access to financial capital at lower rates

How Sustainability Creates Value (Cont'd)

Financial Drivers	
Turnover growth	Product differentiation
	New products
	New customers / market share / reputation / brand equity
	Innovation
Margin growth	Eco-efficiency
	Motivating and retaining people
Risk reduction	Increased security and quality of supply chains
	Reduce regulatory risk
	Reduced reputation risk
	Maintain license to operate

Why is the Business Case so Difficult?

There is no “one size fits all” business case

The “societal case” doesn’t automatically for all make a business case

People have led with “responsibility” which feels like compliance

The more you look, the more you find

Sustainability and finance professionals speak different languages

The “no business case, no permission” vicious cycle

- ❑ Only try to find your company’s business case
- ❑ Don’t expect a business case to exist now the things the company needs to do
- ❑ Opportunity trumps responsibility: frame sustainability as a way of unlocking opportunity for the company now and into the long-term
- ❑ Plan to explore how to make sustainability commercial, and how to keep improving your company’s business case
- ❑ Frame the case for sustainability in terms your finance director will understand, ideally in drivers of shareholder value
- ❑ Plan small steps to iteratively a virtuous circle of permission and results

Implementation Strategies

1. See finding your business case as part of a wider change program.
 - Who are the key stakeholders? Who can be your champion in the finance function?
 - What are your consistent key messages?
2. Go to the finance department with a safe pilot.
 - Identify a decision/project which won't trigger defense routines and only needs a small amount of resource to investigate.
3. Use the pilot to build credibility and awareness.
 - Where possible, have the finance function do the analysis – building their capacity
 - Demonstrate you are concerned with finding the business case, not only justifying sustainability
4. Keep creating a “permission and results” cycle
 - Address larger and more important areas: key decisions and financial processes (ie capital expenditure)
 - Keep building capacity of key individuals along the way

Port development projects

Economic considerations:

- Longer Term benefits
- Lower discount rates
- Lower transportation costs
- Less ship delays
- Direct/indirect sub job creation
- Induces/supporting jobs

Example of pushing towards sustainability leadership:

Balfour Beatty 2020 Vision

PROFITABLE MARKETS

- Customers
- Influence

LEADERSHIP

HEALTHY COMMUNITIES

- Our people
- Our supply chain
- The communities we serve

INNOVATION

INTEGRITY

Sustainable
Successful
Balfour Beatty

LONG LASTING

ENVIRONMENTAL LIMITS

- Climate change
- Waste
- Water
- Materials
- Ecology

Example of pushing towards sustainability leadership (cont'd)

Balfour Beatty will deliver, manage and own sustainable infrastructure that helps communities and individuals live within environmental limits. We will build on our heritage to lead the sector in providing our customers with a combination of innovative solutions, and engineering excellence that lasts, all in accordance with our ethical framework.

We believe that profitable markets, healthy communities and environmental limits are not competing interests; they are shared outcomes that closely align with one another. In order to be a successful and profitable company, we need to realize that alignment.

Over time, our leadership will lead to sustainable infrastructure consistently being the best option.

“More capital is now focused on sustainable business models and the market is rewarding leaders and the new entrants in a way that could scarcely have been predicted even 15 years ago.”

Goldman Sachs, *Introducing GS SUSTAIN*, 2007

The opportunity to lead

- **Sustainability does pay**

“Most executives (57%) say that the benefits of pursuing sustainable practices outweigh the costs”...involves “a shift away from defensive behaviour towards more active exploration of the opportunities sustainability can present”



- **Execution is problematic**

“On a range of environmental and social outcomes less than 10% of respondents rated their efforts as outstanding on each, barring public relations”

Source: Economist Intelligence Unit (2008) Doing good: Business and the sustainability challenge, p.5