

# **SUSTAINABILITY – AN IMPERITIVE FOR THE PORT AND MARITIME INDUSTRY**

BY

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The background of the slide features several sets of concentric circles in a lighter blue shade, resembling ripples in water. These circles are positioned in the lower right and bottom center areas of the slide.

# Sustainability - Defined in Many Ways

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“...**Sustainable Development:** meeting the needs of the present without compromising the *ability of future generations to meet their needs...*”

~Bruntland Commission

**Corporate Social Responsibility:** The overall relationship of the corporation with its *stakeholders*. Elements of social responsibility include *financial* performance, creation and maintenance of *employment*, *environmental* stewardship, *employee* relations and investment in *community* outreach.

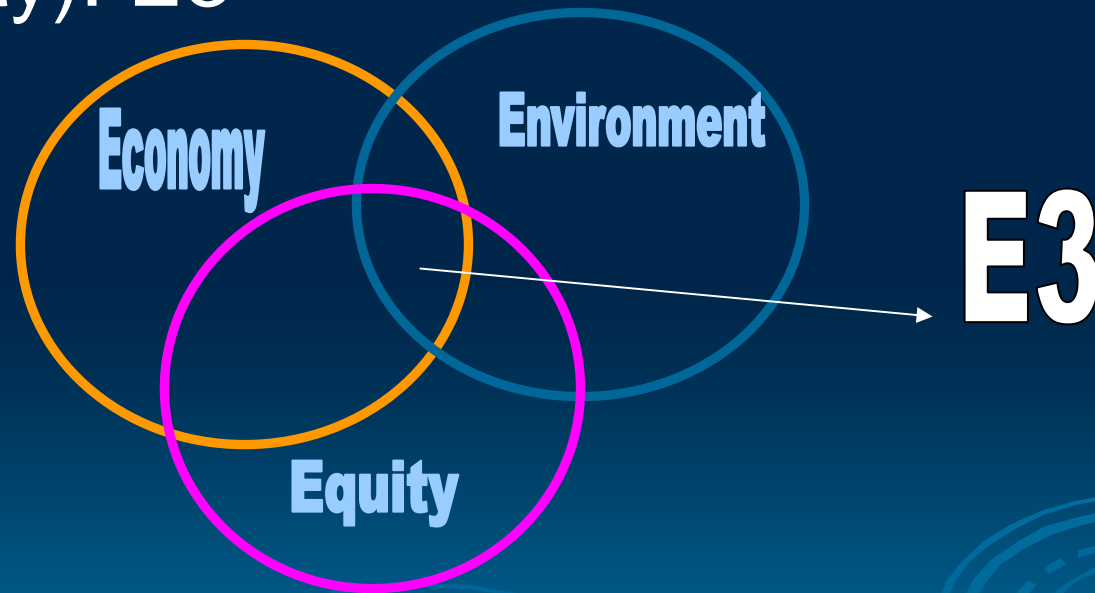
~Conference Board of Canada

**Corporate Social Responsibility:** The commitment of business to contribute to *sustainable economic development* – working with employees, their families, the local community and society at large to *improve their quality of life*. ~WBCSD

# What is Sustainability?

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- Sustainability Triple Bottom Line: Economy, Environment and Equity (Society): E3



# A “Balanced” Definition

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“A three-legged stool’ balanced between economic, environment and social considerations”

– Mark Moody-Stuart, Chairman  
Royal Dutch/Shell



# Stakeholder Accountability

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# Triple Bottom Line

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Accountability extends across the triple bottom line



T H E   T R I P L E   B O T T O M   L I N E

## Triple bottom line accountability demands

**STEWARDSHIP** of economic, ecological and social resources

Progress towards **SUSTAINABILITY** as an ultimate goal

**SOCIAL RESPONSIBILITY** as a corporate citizen

# Sustainability - Framing the Issue

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- ✧ Addressing Sustainability is Significant for Global Organizations.
- ✧ Meeting Stakeholders' Expectations is Critical for Protecting "License to Operate" & Long Term Industry Viability.
- ✧ Delivering Specific, Measurable Business Benefits Enhances Environmental Initiatives Ensuring Maintenance.
- ✧ Reframing Environmental Initiatives/Strategies in Broader Sustainable Development Context Perpetuates Bottom Line Results/Benefits
- ✧ Actively Participating in Sustainability Movement, Increases Port Industry Influence to Shape its Impact

# 5 Stages and Emerging Drivers

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## 5. Purpose / Passion

- Passionate Founder / CEO

Proactive



## 4. Integrated Strategy

- Business Opportunities – “Carrots”
- Risk Management – “Sticks”



## 3. Beyond Compliance

- Regulatory Threat
- Public Relations Crisis

Reactive




## 2. Compliance

- Regulatory Pressure / Enforcement

## 1. Pre-Compliance

# **Seven Business Case Benefits Of Sustainability**

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- 1. Increased Revenue / Market Share**
  - 2. Reduced Operational Expenses**
  - 3. Reduced Risk – Making for Easier (cheaper) Financing**
  - 4. Reduced Expenses at Commercial Sites**
  - 5. Increasing Employee Productivity**
  - 6. Higher Retention of Best Talent**
  - 7. Easier Hiring of Best Talent**
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# Sustainability & Financial Performance

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- 85% of Total Studies Assessed Found Positive Correlation Environmental & Financial Performance
  - Winslow Green Growth Fund – Out Performed Benchmark 20.41%, 5.79% & 11.49%
  - Forest & Paper Companies w/ Environmental Governance & Track Record Out Performed Companies w/Below Average Standards > 43% (1999-2003)
  - 3M Pollution Prevention Program Saved > \$894 Million (1972-2002)

# The Business Case – Reduced Operational Expenses – Baxter International

	Goal %	Base Year	2005 Savings
Reduce air toxic emissions	85	1996	\$ 1 million
Reduce hazardous & regulated waste generation	35	1996	\$ 4 million
Reduce nonhazardous waste generation	35	1996	\$15 million
Reduce energy use ( and assoc. Greenhouse Gases)	30	1996	\$30 million
Reduce packaging materials	20	1996	\$25 million
Reduce : ➤Employee work related lost-day-case rate ➤Rate for all employee work-related injuries and illnesses	60/ 50	1996/ 1999	\$25 million
		<b>TOTAL</b>	<b>\$100 million</b>

# The Business Case – Reduced Risk Ranking & Financing

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## Requirements

- UK - Leading Companies Report on Social & Environmental Factors
- France & Denmark - Corporate Reporting on Social & Environmental Performance
- UK, France, Belgium, Sweden, Denmark & Australia - Social, Ethical, & Environmental (SEE)
- Australia's Financial Services Reform Act - all Investment Firms' Product Disclosure Statements Include Descriptions of How Environmental, Social, Ethical & Labor Standards are taken into account – and to Specify How They Do It.

# The Business Case – Reduced Risk Ranking & Financing

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- Reduced Insurance Expenses
- Fund Managers & Analysts
- + 50% of Socially Responsible Companies Rated AAA vs. 20% of Equivalent Companies Excluded from Index ; (5 years)
  - Jupiter Ecology Fund Growth of 194% last 5 years
- **Training - USB and HSCB & Dresdner Kleinwort Wasserstein Environmental & Corporate Responsibility**
- **United Nations - “Investor Network on Climate Risk “& Call for Action” institutional Investors Controlling More than \$1 Trillion in Assets**
- **62% of Banks Rejected Loans Applications Because of Potential Environmental Liability\***

# The Business Case – Increasing Employee Productivity

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- Veritone – Renovate Building – Skylight
  - 60% Energy Savings 7.5 Year Payback
  - 5% Productivity Increase + 45% Absenteeism Drop Resulted in Payback Under a Year – Over 100% ROI
- Lockheed – Energy Efficient Building
  - \$300-400K / Year Energy Savings
  - 15% Productivity Increase
- Control Data's Operation Group – Upgraded Lighting (cost 15K)
  - 65% Energy Use Drop = \$7,000/year Savings
  - 6% Increase in Productivity Due to Reduced Glare = \$28,000/year Savings

# The Business Case – Higher Retention of Best Talent

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- 46% of Senior Human Resource Managers said Skilled-worker Retention was a “Very Serious” Problem; another 28% Thought it was a Serious Problem — *American Management Association and Ernest & Young 1999 Human Resources Conference*
- Overall Cost of Loosing & Replacing a Good Employee is 2 to 3 Times Persons Annual Salary — *Bob Williard The Sustainability Advantage 2002*
- 53% of Americans Firms Need a Balance Between Profits & Demonstrating Concern for Ethical & Social Issues — *Millennium Poll on Corporate Social Responsibility – Environics International Ltd., Prince of Wales Business Leaders Forum & Conference Board - 1999*

# The Business Case – Hiring of Best Talent

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- 76% Americans View Company's Honesty Influences Job Acceptance – *Wirthin Report April 2004*
- 82% UK Professionals Would Not Work for a Company whose Values they Did Not Believe in – *Industrial Society Survey 2001*
- 71% Canadians Want to Work for Companies Committing to Social & Community Affairs – *Conference Board of Canada, Corporate Citizen Poll, 2000*
- 97% of MBA Willing to Forgo Expected Income to work for an Organization with a Better Reputation for Social Responsibility & Ethics – *The Next Sustainability Wave, Bob Willard 2005*

# “Perfect Storm” of Business Risks

## 10 Market Forces


5 Mega-Issues	5 Demanding Stakeholders
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Climate Change	Awakened Customers
Pollution & Health	Activist Shareholders
Globalization Backlash	Civil Society/ NGOs
Energy Crunch	Government Regulators
Erosion of Trust	Financial Sectors



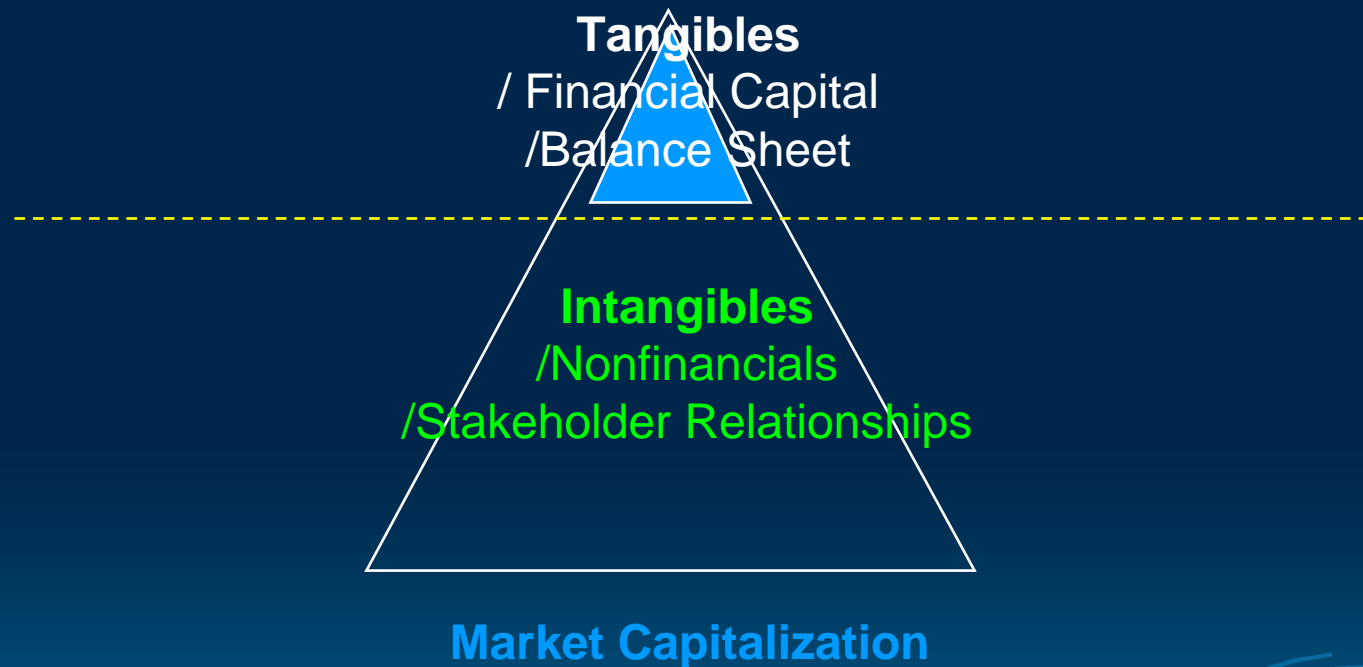
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# Company Value Iceberg

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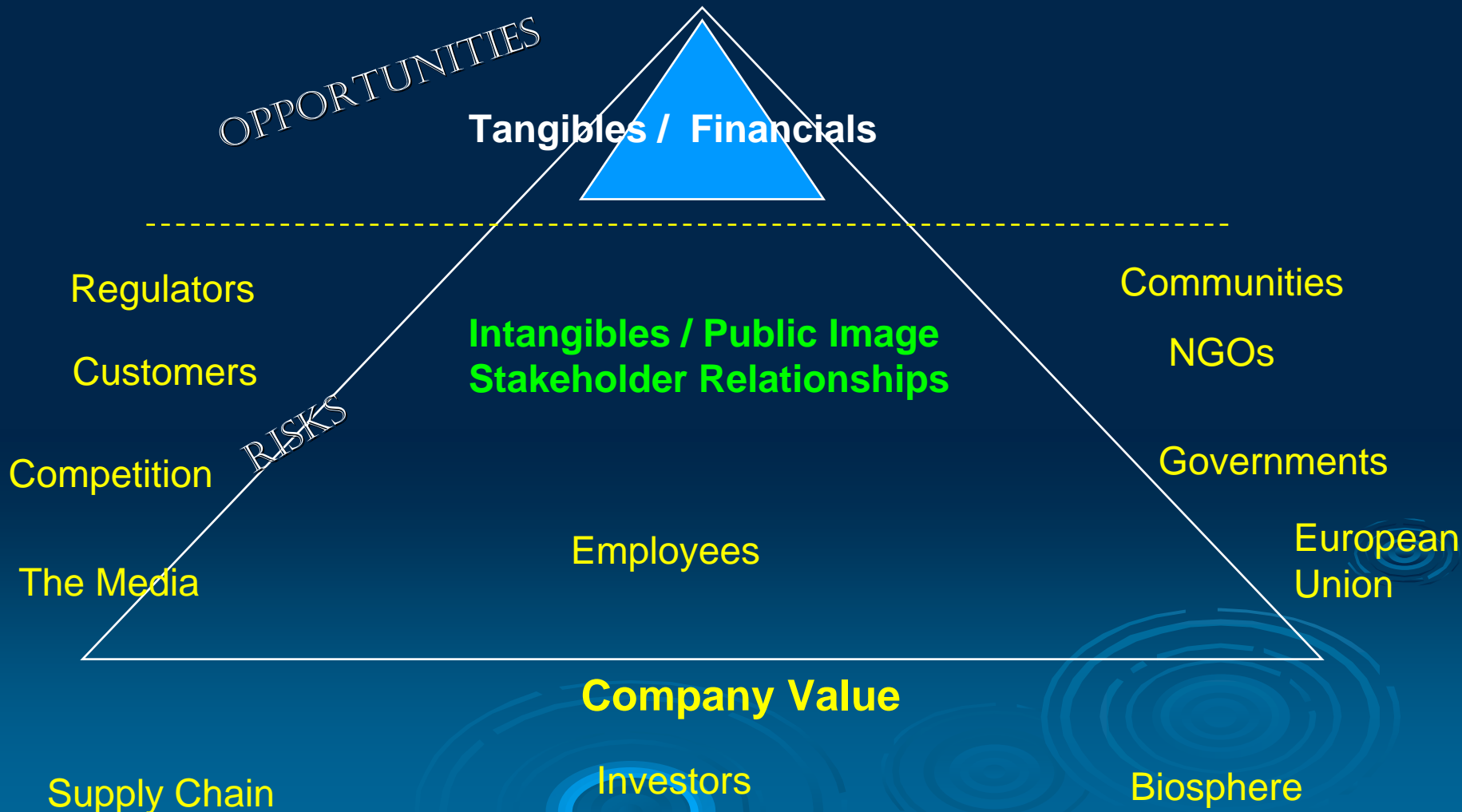


# Company Value Iceberg



# Company Value Iceberg

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# GE “Ecomagination”

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## May 2005 Announcements by GE CEO Jeffery Immelt

- #7 Fortune 500: \$157B Revenue 2005
- 30% Green House Gas (GHG) Intensity Reduction by 2008
- 1% Absolute GHG Reduction by 2012 vs. 40% Increase
- 30% Better Energy Efficiency by 2012 over 2004
- 2X Research Investment in Cleaner Technologies, from \$700M - 2004 to \$1.5B - 2010
- Sell \$20B of 17 “ecomagination” – Tagged Products per year by 2010, up from \$10 Billion Sales in 2004

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# 6 Benefit Areas

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1. **Reduced electricity, fuel and waste costs**
2. **Reduced recruiting costs**
3. **Reduced attrition costs**
4. **Increased employee productivity**
5. **Increased revenue / market share**
6. **Reduced risk, easier financing**

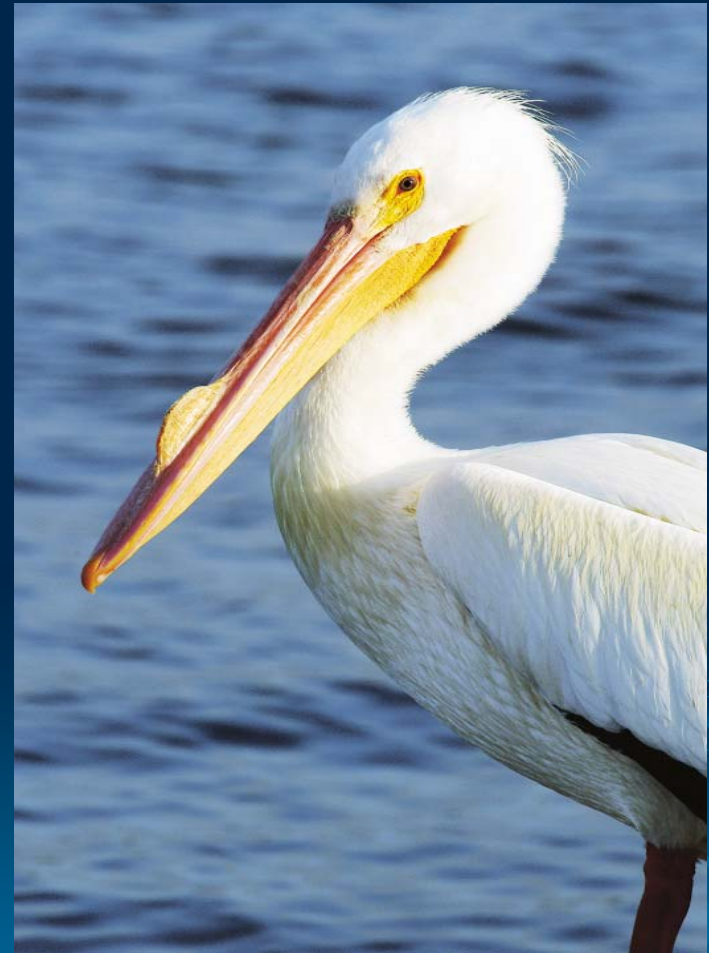
*Usual  
Focus*



# For Ports Sustainable Development can be Translated into Operational Issues such as:

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- **Phasing out Use of Substances that are Costly to Manage and Persistent in the Environment**
- **Ability to Meet Customer Requirements in Areas where Social Accountability is an Important Issue**
- **Eco-Efficiency – Deploying New Technologies – Handling Larger Volumes of Cargo in Less Space with Fewer Emissions**
- **Concurrent Development of Wetlands, Habitats, Nature Centre and Educational Materials**



# Ports & Sustainability - Greenhouse Gas Emissions/Ton of Freight Moved

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## Greenhouse Gas Emissions Per Tonne of Freight Moved



# Foundations of Sustainability

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Organizations Must Be:

**Transparent** – Report Progress

And

**Accountable** – Open to Third Party

Verification



# Benefits of Producing A Sustainability - Annual Report

- *Reinforces organizational commitments and demonstrates progress*
- *Integrates Sustainability into Operations*
- *Increases Environmental & Social Awareness*
- *Improves Public Image*
- *Facilitates Public/Private Partnerships*

# Action Plan: PDCA

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- **Establish a Forum to Address Issues Related to Sustainability – Aspects & Impacts**
- **Evaluate Wider Impact of “Products & Services” - Including Social Impacts**
- **Elevate Identified Issues to Strategic Level**
- **Assess Significance**
- **Business Process Integration (i.e. Sustainability Matrix)**



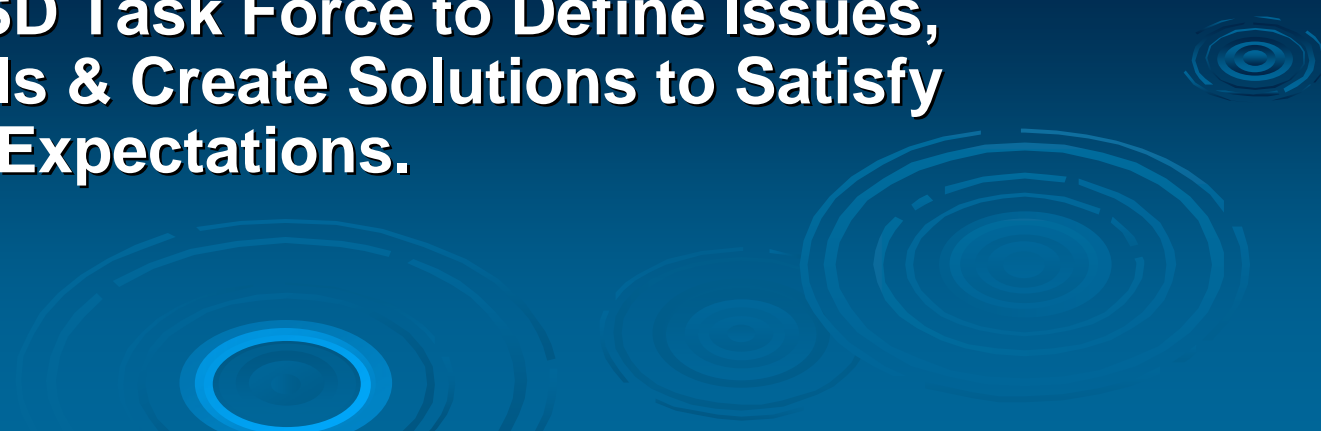
# Closing Thoughts

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**Sustainable Development is now a Primary Driver of Business Strategy.**

**Ports Should Begin to See its Strategic Importance & Build it into their Long-term Plans: & Evaluate Progress Against those Plans as a Matter of Corporate Governance.**

**Leadership of AAPA Should Support the ongoing work of the SD Task Force to Define Issues, Develop Tools & Create Solutions to Satisfy Stakeholder Expectations.**



# **‘Path to Sustainability’ — AAPA charts its course**



# Formation of Sustainability Task Force

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At 2006 AAPA Annual Convention in New Orleans:

- HNE Committee enlisted to lead nationwide effort to define sustainability
- Committee also asked to map out a sustainability platform for the organization
- Goal of committee is to draft resolution for ratification at 2007 Annual Convention



# Laying the Groundwork

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- Task force holds 1<sup>st</sup> of two meetings, Jan. 10, 2007, at Sheraton Yankee Trader Hotel in Fort Lauderdale, Fla.
- Comprised of diverse group of corporate AAPA representatives
- Aim was to seek existing best practices, expertise, etc. from sustaining members, other industries, and government agencies



# Umbrella concept

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- Any definition of sustainability must be an umbrella – broad & flexible enough for any port or AAPA constituency to support
- Should allow best practice-sustainability policy statements to be made on port by port basis
- Must avoid position that there are *specific* performance targets or implication that there is a single standard applicable to all ports.



# Guiding Principles

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1. Communicate the goals of sustainability across the organization and allocate resource requirements for implementation;
2. Integrate sustainability throughout port activities and in both near-term and long-term planning process;
3. Build upon and share existing sustainability best practices, keys to success, lessons learned and approaches for implementation;
4. Communicate and engage with internal and external stakeholders to encourage open dialogue, accountability and collaboration;
5. To the extent possible, use appropriate data and metrics as part of the process for implementing sustainability;
6. Evaluate the total life cycle costs of projects and decisions;
7. Recognize that sustainability is a dynamic effort requiring flexibility and continuous improvement.

# Be It Resolved . . .

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*WHEREAS, Sustainability involves the simultaneous pursuit of economic prosperity, environmental quality of social responsibility; and*

*WHEREAS, Ports hold a unique role in transportation, logistics and infrastructure development; and*

*WHEREAS, Port must be financially viable in order to achieve their missions and contribute to the economic prosperity of their regions and nations; and*

*WHEREAS, Ports recognize that their activities may impact the environment and natural resources; and*

*WHEREAS, Ports recognize that they have responsibilities as members of the communities in which they operate; and*

*WHEREAS, Ports recognize that a long-term balanced approach is required;*

*Now THEREFORE: AAPA embraces the concept of sustainability as a standard business practice for ports and the Association. For ports, sustainability means business strategies and activities that meet the current and future needs of the enterprise and its stakeholders, while protecting and sustaining human and natural resources; and further*

*Recognizing that each port operates within a unique business, political, environmental and social context, we further our sustainability resolve by putting forth guiding principles for consideration by member ports.*

# Task Force's Future

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- Recommend the continuation of Port Sustainability Task Force, through 2009, to complete additional Tasks
- Recommend Port Sustainability Task Force report, at the Annual Convention, the proposed resolution as part of an update on the work accomplished so far
- Recommend AAPA provide an adequate budget for continued support of Port Sustainability Task Force
- Recommend Sustainability Task Force develop a work/implementation plan
- Recommend Port Sustainability Task Force develop sustainability actions applicable to AAPA's activities as an organization, in addition to identified actions to be taken up by member ports.