Dutch Sustainable Growth Coalition

Towards Sustainable Growth Business Models

Content

1 Introduction

Changing role of business in society

The world population will grow from seven billion people in 2012 to nine billion in 2050. The growing demand for scarce and finite natural resources cannot be met if we continue to consume and produce like we do today. If not acted upon, major challenges in the area of global health as well as social issues concerning human rights, labor conditions and education could present additional barriers to business to grow sustainably. Furthermore, global warming, rapid deforestation and reduction of biodiversity are of great concern. Awareness of these major global megatrends is increasing. The shape of the future strongly depends on what business, government, and citizens do today. Fortunately, a shared sense of responsibility and a new orientation towards production and consumption are evolving.

"In the future, the mainstream of business professionals will understand that running a successful business means that CSR is not about PR or a 'nice to have', but the key to market leadership."

Jan Peter Balkenende
Partner, Ernst & Young Belgium and The Netherlands and Chairman of the Dutch Sustainable Growth Coalition (DSGC)

Now and in the future, we all want to enjoy a high quality of life, in good health, with enough food, clean water, sanitation, shelter, energy, mobility and education. This requires sustainable development. According to the United Nations, sustainable development is development that meets the needs of the present generation without compromising the ability of future generations to meet their needs. In addition to not 'compromising' future generations, sustainability should 'enable' them. The related Agenda 21 demonstrates that the action plan to achieve sustainable development is not just about the environment, but also covers a wide range of economic and social issues. Sustainable development enhances the co-creation of the future. The World Business Council for Sustainable Development has developed a Vision 2050, which describes this future state and the role of business and society in co-creating this future. Businesses can make a key contribution by transforming global challenges into business opportunities and by simultaneously creating value for the stakeholders and society. This requires a broader focus on stakeholders rather than just on shareholders, partnerships to develop the solutions of the future and a long-term horizon both from business and from governments. It also requires that governments remove barriers to strategic sustainable growth. Growth and entrepreneurship are inextricably tied together. Growth needs to be defined in a wider context of promoting economic, social and environmental added value.

It is therefore good to see that the key challenges described above are accompanied by several fundamental sociological and economic changes in society. Technological advances and the rise of social media empower and connect individuals, and enable crowd sourcing. Stakeholder engagement is becoming increasingly effective in achieving common goals. Emerging alliances within and between organizations stimulate innovative thinking. In addition, government intervention is reduced and increasingly focused on achieving shared goals in partnership with the private sector. Corporate policies are increasingly global and demonstrate a high degree of social

“Why don’t we develop a business model aimed at contributing to society and the environment instead of taking from them?”

Paul Polman
CEO, Unilever

engagement. Last but not least, board level executives are taking the lead in embedding sustainability in their businesses. Sustainability is moving from a side issue towards a hard-core business driver. In short, the business model is changing from a narrow view based on returns and continuity to a holistic view based on responsibility and value creation. The changing role of business in society is also reflected in the increased participation by businesses in the World Economic Forum, in forums of the United Nations such as UN Global Compact, in the UN Principles for Responsible Investments and in the Rio+20 conference.

New sustainable growth strategies are being developed and implemented. This also covers the entire supply chain, from the purchase of raw materials via production to the use of products and services. With the global challenges ahead, transformational changes in business operations and new partnerships are needed to sustain value creation in the long term.

Many large Dutch companies are already working along these lines. They have explicitly chosen to integrate sustainable growth into their strategies. This choice is evident from their targets and results. With the emphasis on shaping, sharing and stimulating sustainable growth models, several Dutch multinationals that have made an explicit choice for sustainable growth started the *Dutch Sustainable Growth Coalition* (DSGC). The members of this alliance fully acknowledge the value of using and integrating sustainable growth business models and are convinced that sustainable growth business strategies are the proper and only way forward towards a sustainable future.

The vision, actions and mission of DSGC are documented in the Manifesto in Chapter 2 of this publication. Undoubtedly, the important issues mentioned above raise questions on how to build a sustainable growth business model. Therefore, Chapter 3 contains an overview of key features of an integrated sustainable growth business model and the roadmap towards such a model. In Chapter 4, project examples of DSGC members are presented, providing insight into the hands-on reality of implementing the good practices. Chapter 5 offers an overview of how the Netherlands provides an enabling environment for sustainable growth business models. Chapter 6 offers the key conclusions.

By sharing this publication, the DSGC members sincerely hope to accelerate the practice of sustainable growth business strategies.

- **Jan Peter Balkenende** (Partner, Ernst & Young Belgium and The Netherlands and Chairman of the Dutch Sustainable Growth Coalition)
- Paul Polman (CEO, Unilever)
- Feike Sijbesma (CEO, Royal DSM)
- Jean-François van Boxmeer (CEO, HEINEKEN)
- Ton Büchner (CEO, AkzoNobel)
- Frans van Houten (CEO, Royal Philips Electronics)
- Peter Hartman (CEO, KLM Royal Dutch Airlines)
- Cees 't Hart (CEO, FrieslandCampina)
- Peter Voser (CEO, Shell)
- Bernard Wientjes (President, of the Confederation of Dutch Industry and Employers VNO-NCW)
- Pieter Jongstra (Managing Partner, Ernst & Young Belgium and The Netherlands)

2 Manifesto

Vision - Mission - Actions

The Dutch Sustainable Growth Coalition was established as a business response to the global challenges we are facing today in economic, social and environmental terms. Businesses can play an important role through innovative solutions in products and services, not in isolation but through collaboration with other businesses and supported by public-private partnerships. In this regard the Netherlands forms a stimulating environment, creating a sustainability valley to accelerate sustainable entrepreneurship. The DSGC was launched at the World Economic Forum in January 2012 and the Manifesto below presents its vision and mission and the key actions that are necessary.

VISION

Global challenges require new orientations...
Our future world needs to be sustainable. With a world population reaching nine billion people by 2050, the global challenges ahead are manifold. Major issues in this respect are addressed in the Millennium Development Goals. These challenges are of vital importance and need to be addressed now. Examples include the scarcity of resources (including raw materials, energy, food and water), social inequality, health and well-being and global climate change.

Companies have a role to play...
The role of business in society is changing rapidly. A growing number of companies are willing to contribute to the necessary transformation of society in a more sustainable direction. This is done by providing innovative products and services with respect for people, planet and profit. Interaction with governmental and non-governmental organizations is increasing and is aimed at creating solutions in partnership.

Traditional growth strategies are no longer sufficient; what is needed is sustainable growth...
Every company has the ambition to grow, but growth should not come at any cost. Many companies now realize that growth measured in purely economic or financial terms has become too limited a concept. To truly solve broader social and environmental issues that affect both current and future generations and businesses, a new orientation is needed. This calls for sustainable growth being integrated into the overall strategy and operations throughout the value chain, linking economic profitability with social and environmental progress.

Dutch companies are among the leaders in this field...
Several Dutch multinational companies are already operating along these lines, as is reflected in their positions as leaders in the field of sustainability. It is their firm conviction that a sustainable growth business model will strengthen their competitive edge while having a positive impact on the quality of life and environmental and social progress. Sustainable development has become an important driver of business growth and innovation and acts as a stimulus for a new approach to doing business.

The Dutch Sustainable Growth Coalition (DSGC):
Several of these companies have joined forces in the Dutch Sustainable Growth Coalition, an initiative aimed to give further impetus to business growth that links financial and economic results with environmental and social returns. They strongly believe that the sustainable growth business model is the business model of the future.

MISSION ▶

The Dutch Sustainable Growth Coalition (DSGC) has the following objectives:
The DSGC aims to pro-actively drive sustainable growth business models along three lines:

Shape:
DSGC member companies aim to connect economic profitability with environmental and social progress on the basis of integrated sustainable growth business models.

Share:
DSGC member companies aim for joint advocacy of sustainable growth business models both internationally and nationally.

Stimulate:
DSGC member companies aim to stimulate and influence the policy debate on enabling sustainable growth – with a view to finding solutions to the environmental and social challenges we are facing.

ACTIONS

The DSGC member companies have committed to take the following actions:

Shape:

- Within their individual organizations, DSGC members continue to optimize sustainable business strategies towards a sustainable growth business model and to meet their specific targets, which are transparent and measurable. For this purpose the members commit themselves to peer learning through sharing good practices.
- DSGC members will play a catalyst role in their respective sectors in order to ensure long-term integration of sustainability and inspire the transition towards sustainable growth and creating shared value through their business model.

Share:

- Identify national and international platforms to advocate best practices among Dutch and international businesses, government, consumers, investors and civil society including NGOs and universities.

Stimulate:

- The DSGC aspires to be a coalition of thought leaders and will give its views on "what is moving the boundaries" in relation to inclusive sustainable growth.
- The DSGC will develop policy recommendations to influence government and EU policies so as to create the right framework conditions for sustainable growth.

The DSGC consists of the following companies:

AkzoNobel Tomorrow's Answers Today
KLM Royal Dutch Airlines
DSM BRIGHT SCIENCE. BRIGHTER LIVING.
Unilever
HEINEKEN
PHILIPS
FrieslandCampina

The DSGC has the full support of VNO-NCW (Confederation of Netherlands Industry and Employers) and is facilitated by Ernst & Young.

ERNST & YOUNG Quality In Everything We Do

VNO NCW

3 Integrated Sustainable Growth Business Models

3.1 Value Creation for Business and Society

The role of business in society is changing. It is clear to the members of the DSGC that the responsibilities of businesses in social and environmental terms are growing. The global challenges ahead are no longer seen as restrictive factors to business, but have become the drivers of strategic sustainable growth – with growth being defined not just in terms of financial gain, but in wider economic, social and environmental value added. Through innovation new business opportunities are created. The focus is no longer on the company's activities only, but encompasses the full value chain both downstream and upstream. Understanding the full value chain helps us identify the areas where the biggest added value can be generated. Economic, social and environmental value can be created simultaneously and, like governments, businesses have their own role to play in ensuring that these different types of value are all achieved.

"It is crystal clear that companies both big and small will and shall play a leading role in realizing a far more sustainable economy."

Bernard Wientjes
President, of the Confederation of Dutch Industry and Employers VNO-NCW

To make economic, social and environmental added value really sustainable in the future, companies will need to link sustainability to their core business activities, rather than viewing this merely from a philanthropic, restrictive or moral perspective. Starting with the values an organization stands for, the key strengths of an organization on where to deliver added value, new sustainable business opportunities are developed. Sustainability should be fully embedded in every company's core business. Responding to the economic, social and environmental interests of all stakeholders – customers, shareholders, employees, society and suppliers – will benefit the organization and help create value for both current and future generations. Chapter 4 provides several examples of this.

The idea of creating stakeholder value is not completely new. However, it seems to have been overshadowed by an increasingly short-term profit focus. More recently, the concept of creating stakeholder value with a long-term perspective has gained interest again. The stakeholder value perspective is focused on creating a fair share for different stakeholders.

Companies can create economic, social and environmental value in many different ways (IIRC, 2011, adapted):

- **Physical goods and services:** Value created through the value of products and services provided to consumers and business partners, as well as the indirect economic impact through procurement of goods and services in the supply chain and improving the sustainability aspects of those products and services. This also includes land use, buildings, equipment and systems, that the organization is likely to sustain over time;
- **Financial capital:** Value created through money that is generated and made available not just to stakeholders but also to fund innovative sustainable activities;
- **Employee value:** The value created through employment and development of skills and experience of employees through opportunities provided such as training, work experience in a diverse workforce and under good working conditions;
- **Intellectual value:** Value created through capabilities to innovate, including patents and software that provide competitive advantage; and the value that is associated with the brand and reputation that the organization has developed and is likely to sustain;

- **Natural value:** Value created through contribution to improvements in the natural environment such as the availability and quality of natural resources, including air, water, renewable energy, of land, biodiversity and eco-systems;
- **Social value:** Value created through stakeholder engagement such as creating customer loyalty, creating trust amongst investors, governments and other stakeholders, creating improved relationships with the community and other networks and the value created by joint projects performed in this regard. The value creation is not restricted to the organizational boundaries, but enhances the full supply chain. Through local procurement and educating local managers, an organization can make a huge indirect economic impact in addition to the added value already provided through their sustainable products and services.

The basic idea is that economic, social and environmental progress must be addressed by using the 'value' concept. Currently various positive and negative impacts of companies are not visible as they are not internalized by companies. Instead, business impacts are borne by society, and are therefore not part of economic thinking. Increasingly, efforts are made to make these impacts more transparent to enable better strategic decision-making.

GLOBAL MEGATRENDS

STRATEGY

TRANSITION & INNOVATION

NEW PRODUCT DEVELOPMENT & NEW PARTNERSHIPS

VALUE CREATION

Global megatrends lead to rethinking the business strategy. Existing value propositions may have to be revised, for example due to scarcity of raw materials or changing customer needs. This may result in companies transforming their activities in order to be able to sustain value creation in the long term. Innovation plays a key role in creating sustainable growth. Due to the complexity of transforming existing products into more sustainable ones, partnerships are being created between companies and with non-governmental organizations, governments and universities. These developments form the basis for long-term value creation.

3.2 The Business Case for Sustainable Growth Models

The notion of creating economic, social and environmental value relies heavily on a clear business case. Ultimately, the evaluation of a business case comprises an analysis of the effect of a company's business decisions on its long-term and short-term profitability. Companies experience that what is good for society is also good for themselves (rather than the other way around).

A recent US study by Eccles, Ioannou and Serafeim (Harvard Business School, 2012) shows that 'high sustainability performers' generate more revenue than 'low sustainability performers'. The high sustainability performers have a more long-term focus, attract capital of dedicated investors, pursue a more effective risk strategy, engage with their stakeholders on an ongoing basis and show advanced transparency efforts.

When drawing up their business models, companies should acknowledge that value is not only created by or within the company. Value is also influenced by external factors (e.g., economic conditions, societal issues and the state of technology), which represent risks as well as opportunities for the company. Close cooperation with employees, network partners, suppliers and customers not only enables a company to identify business opportunities and necessary innovations, but also leads to improved management of expectations and a better reputation. Furthermore, value depends on a diverse set of resources (e.g., financial, manufactured, human, intellectual, natural and social resources). It is important to note that different industries and organizations each have distinct impacts. For example, a beer brewer has different social, economic and environmental concerns to deal with than a chemical plant. Hence the path towards sustainable growth varies accordingly.

The DSGC advocates integration of sustainability and financial performance as the business case of a successful sustainable growth model. Organizations with a strong integration of sustainable growth business models are driven by the following contributions to the business case:

- catalyzing innovation;
- increased revenue opportunities for sustainable products;
- improved customer attraction and loyalty;
- attracting, developing and retaining talent and knowledge;
- enhanced reputation and brand value;
- improved supplier relationships;
- improved operational efficiency and cost reduction;
- maintaining social license to operate;
- stronger stakeholder relationships;
- creating new markets;
- easier access to capital.

Measurement of the business case for sustainable growth is a challenging task. It may be difficult to establish clear correlations between financial value and non-financial value. Some sustainable investments take time before the benefits can be demonstrated. Furthermore, not all benefits are necessarily related to just one organization, but can be created and enjoyed by a group of companies. In addition, not all benefits can be captured by financial metrics. The same applies to costs: not all costs incurred by the environment or society can be captured by financial metrics and price mechanisms. Including the 'sustainability factor' is important when measuring the value of a company. After all, the valuation clearly includes the estimated long-term performance of a business. Front-running companies that anticipate current and future economic, social and environmental challenges through solid scenario planning and management systems are more likely to be valued higher, than followers who do not have such systems in place.

In moving to sustainable growth, an organization's strategy, actions and performance need to have the buy-in from customers and investors alike. Informing them about the value created through the sustainability initiatives is key. As regards the investors, there are now various methods to calculate market value; taking into account both the financial and the non-financial value created. Increasingly, information is provided to consumers about the impacts of specific product groups, with some groups being labeled as more eco-friendly than others. This supports consumers and customers in taking more informed decisions.

3.3 Sustainable Growth Business Model: A Closer Look

Building a sound business model is a prerequisite for achieving sustainable growth. But what are the necessary dimensions of a sustainable growth business model, and what phases can be distinguished? In this section we present the seven dimensions of a sustainable growth business model, as well as the three basic sustainability phases on the roadmap. These dimensions and phases are presented in the following table.

The Phases of the Sustainable Growth Business Model

The DSGC views the integration of sustainable growth into the business model as a journey. Companies can find themselves in different strands of each of these dimensions. However, in general, three basic phases can be distinguished: (1) compliance; (2) risks and opportunities; and (3) strategic sustainable value creation.

Sustainable Growth Business Model			
	Sustainability Phases		
Dimensions	**1. Compliance**	**2. Risks and Opportunities**	**3. Strategic sustainable value creation**
1. Strategy	Short-term profit maximization	Long-term profit maximization taking into account stakeholder needs and concerns	Generating long-term company value by creating economic, social and environmental value for stakeholders
2. Leadership	Reactive	Proactive	Inspirational and visionary
3. Driver(s)	Legal compliance	Cost savings and revenue opportunities	New market creation and transformational innovation
4. Stakeholder relations	One-way consultation	Two-way dialogue and partnerships	Ongoing interactions
5. Business alliances	Certification or philanthropic	Cooperation/partnership	Co-creation through multi-stakeholder dialogue
6. Embedding	Staff-owned	Embedded in line-management	Cross-functional interaction of line management
7. Reporting	Minimal / legal compliance reporting	Collecting sustainability information for management purposes and external reporting	High-quality reporting demonstrating the sustainable growth business model and the value created by the organization

- **Phase 1** (compliance) involves a mainly reactive approach towards sustainability. Sustainability is primarily addressed in response to regulatory compliance, peer pressure and supplier requests. The prospect of noncompliance with regulatory requirements triggers companies to focus on sustainability.
- **Phase 2** (risks and opportunities) involves a more pro-active approach. Companies' awareness of sustainability is increasing and they become more effective in dealing with sustainability risks, potential cost savings and revenue opportunities. This leads to an evaluation of the potential to create stakeholder value and profitability.
- **Phase 3** (strategic sustainable value creation) comprises the full integration of sustainability into the organization: in its strategy, governance, risk and opportunity management, activities and performance. This means establishing CEO and board level commitment to sustainability and incorporating it into top-level decision-making. Both top-down and bottom-up support are needed to make the sustainable growth strategy a success.

The Dimensions of the Sustainable Growth Business Model

The seven dimensions of the business model are: (1) strategy; (2) leadership; (3) driver(s); (4) stakeholder relations; (5) business alliances in the supply chain; (6) organizational structure (embedding); and (7) transparency/reporting.

Strategy

This dimension defines the strategic angle of the business in relation to sustainability. The sustainability phase of the strategy (i.e. its maturity level) is defined by the timeframe of the strategy (short, medium or long-term), the focus of the business on investors versus stakeholders, and the extent to which the strategic key goals relate to profit maximization versus value creation.

In the ultimate stage of integration, the strategy of the business is focused on creating long-term value for a variety of stakeholders. In this stage, it is clear for internal and external stakeholders how 'living the company's values' creates value for both the company and its social and natural environment.

In developing the business strategy, the organization can choose to support existing global frameworks like the UN Global Compact. From the large variety of issues that can be identified in such frameworks, the focus can be further strengthened. In the process of defining the focus, a materiality assessment and stakeholder dialogue are necessary.

Having established a corporate sustainability strategy for the organization as a whole, it should then go on to define a set of specific, measurable and realistic objectives, KPIs and targets, including the associated timeframes. In order to enable effective measurement of the value created, targets must not only be set for the short term, but also for the long term. The corporate objectives need to be translated into relevant objectives at subsidiary and location level. Scenario development, including clear quantitative projections, can form an important basis for the strategy.

Leadership

The 'leadership' dimension comprises the tone at the top and management style. It defines the way in which the organization's top, senior and middle management drive the sustainability agenda. The maturity level of the leadership dimension is influenced by the degree of pro-activity of leadership communication, the number of leaders advocating the sustainability agenda, and the degree of cooperation in doing so – ranging from an individually dedicated CEO, to full board commitment. Other defining characteristics are the degree to which board-level leaders personally 'walk the sustainability talk', and the extent to which they are capable of understanding and explaining their organization's periodic sustainability progress reports.

In its most advanced stage, leadership is highly engaged and sets the agenda both within and outside the organization. It is focused on pro-actively advocating an out-of-the-box, visionary sustainability agenda. In doing so, C-level leaders personally engage with, and participate in, (industry) dialogues, sustainability roundtables and networks, etc. They build effective coalitions in partnership with a variety of internal and external stakeholders to successfully execute the sustainability strategy. In doing so, they serve the organization as an inspiring, visionary and well-informed role model. As a result, leaders in senior and middle management are effectively aligned and trained to spread the sustainability leadership messages to, and engage with, the work floor.

Driver(s)

This dimension encompasses the primary focus of the business and defines what triggers the sustainability strategy. In a way, it reflects the degree to which a company's sustainability agenda is driven by compliance ('ticking the boxes') versus innovation.

The phase of this dimension on the sustainability roadmap is defined by:

- whether the company's sustainability efforts are motivated by cost reduction opportunity rather than by market expansion opportunities;
- the degree to which regulations and compliance policies are considered an element of 'good housekeeping' rather than a main focus;
- how innovation initiatives are resourced and prioritized;
- whether the business is open to creating (or evolving into) new markets or industries in order to increase its impact on both its bottom line and society. In more resource-intensive industries, the sunk costs of physical assets tie the business to vested interests and to its existing core activities.

In the most cutting-edge phase, the business is beyond the exploration of cost reduction opportunities. It has moved on to focus on sustainability as a driver of innovation and market creation or expansion. This may involve transformation into a new industry or market segment, which in turn may alter or significantly expand the core activity of the company. Incubator programs are in place to stimulate a culture of transformational sustainable innovation and entrepreneurship, 'owned' by different divisions throughout the business.

"Sustainability is a core value for DSM. We are committed to continuously improving the eco-footprint of our own operations. Increasingly sustainability has also become a business driver for DSM. With our products we provide sustainability to our customers, as a part of our value proposition for the entire supply chain."

Feike Sijbesma
CEO, Royal DSM

Stakeholder relations

In creating stakeholder value, engaging with both internal and external stakeholders is key. The 'stakeholder relations' dimension represents the degree to which a company openly and proactively engages with stakeholders and uses the output of that dialogue in its strategy.

Roughly, stakeholders can be grouped into four main categories:

- **Market:** including clients, suppliers, customers, shareholders, industry peers;
- **Government:** including regulators, market authorities;
- **Society:** including citizens, non-profit organizations, lobby organizations, multi-stakeholder platforms/initiatives, academic world, local communities;
- **People:** including potential, current and former employees, contractors.

Once the stakeholders have been defined, the following issues should be considered per stakeholder group:

- Which issues are material? In what areas can the company have the largest relative impact on its stakeholders?
- To what extent is the company able and willing to meet its stakeholders' interests? Should the focus be on responding to issues raised by stakeholders, or on going beyond expectations? For example, are there any relevant issues or perspectives known by the company that have not been taken into account by stakeholders?
- How does the business case for stakeholders align with the strategy and business case of the company's top management? How to create a win-win situation?

The dialogue enables the company to share thoughts and views, and to deepen its insights into political, societal and customer trends, drivers and needs.

In the ultimate stage, there is an ongoing commitment to engage in dialogue with stakeholders and institutionalize moments for feedback and accountability. For example, Unilever invited a wide range of stakeholders (NGOs, governments, industry peers) to a series of dialogues in five cities around the world to discuss its first progress report on the Unilever Sustainable Living Plan. The dialogue not only enhances external stakeholders, but internal stakeholders as well. Employee engagement is therefore important for generating employee commitment to the revised strategy and related actions.

Business Alliance

This dimension represents the way in which collaboration between companies, NGOs, governments and other stakeholders

"I am very happy that the relationship between business and NGOs is changing now that people are realizing that big problems can only be resolved in partnership between the public and private sector."

Paul Polman
CEO, Unilever

is arranged to drive innovation towards a more sustainable society. This concerns collaboration both within the supply chain and throughout the industry. The maturity level is defined by the degree to which a company focuses on partnering with stakeholders (not only suppliers and NGOs, but also with competitors) to accelerate sustainability initiatives, rather than 'ticking the boxes' when monitoring relations through certification.

In the most advanced stage, multi-stakeholder coalitions emerge. These coalitions not only serve the individual business interest, but potentially promote sustainability in the sector as a whole. They have the potential of tackling issues that go beyond the scope or interest of the individual business. Non-competitive collaboration with competitors and relevant universities, constructive NGOs and industry associations can create a level playing field in setting the right standards. They illustrate the ambition of different stakeholders to change the rules of the game in a certain industry, or to correct market failures. Players within a sector can, for example, jointly decide to anticipate future regulations and voluntarily enhance industry standards. The Dutch Sustainable Trade Initiative is an example of such a multi-stakeholder platform to facilitate systemic change, for instance in the coffee sector. This goes far beyond bilateral partnerships between a (certification) NGO and a business.

Another way to join forces, is to pool financial and technical resources to respond to humanitarian needs, such as the need for food. For example, DSM combines humanitarian aid with profitable business for the base of the pyramid. MixMe is a ready-to-use vitamin and mineral mix packed in sachets that delivers dietary supplements for malnourished people. MixMe™ was developed in partnership with the United Nations World Food Program and various other stakeholders and has reached millions of people around the globe.

Critical Success Factors in setting up Multi-Stakeholder Coalitions (Source: Jane Nelson, Harvard)	
PURPOSE Know your goal, know your partners	‣ Invest time up-front to understand partners' strengths, constraints, values and interests
	‣ Agree clear and common goals based on mutual benefit
	‣ Check alignment with business
	‣ Get senior-level buy-in
PROCESS Know your role and how to communicate	‣ Clarify roles/responsibilities/expectations
	‣ Secure a skilled intermediary leadership or broker, with a clear role
	‣ Ensure regular, transparent and accountable communication
	‣ Have structure in place for decision-making and conflict resolution
PROGRESS Know how to evaluate, when to celebrate, adapt or exit	‣ Evaluate inputs, outputs and impact
	‣ Be persistent but celebrate small successes and quick wins
	‣ Learn and adapt (ongoing)

"Companies have to invest in partnerships with government and civil society. It's quite simple: you can't do it alone so you'd better join forces. From that dialogue solutions will emerge that will truly result in long term sustainable change."

Jean-François van Boxmeer
CEO, HEINEKEN

"I strongly believe that companies must act now to achieve a globally sustainable economy, and work together with governments, international organizations, customers, and academic institutions to develop solutions for some of the world's biggest challenges. Philips' sectors are all uniquely positioned to team up with partners to address issues such as access to health care and clean energy."

Frans van Houten
CEO, Royal Philips Electronics

"The good news is that the business community, including AkzoNobel, is taking sustainability very seriously. There is also a clear reason for that: customers are asking how things are being produced, what natural resources are used, and how products are being disposed of. Companies have a new lens to look through, to develop, to innovate, to look at their supply chain and the way they work together with their customers in order to achieve long-term sustainable growth."

Ton Büchner
CEO, AkzoNobel

"Corporate Responsibility means that companies integrate responsible and sustainable entrepreneurship into their core business activities and strategy. Successful companies are aware of how this strategy creates value - not only for their financial bottom line, but also for their employees, the environment and broader society."

Pieter Jongstra
Managing Partner, Ernst & Young Belgium and The Netherlands

Embedding

This dimension concerns the way in which the sustainable growth strategy is embedded within the company. The maturity level is determined by the degree to which the sustainability strategy is 'owned' by regular line management, rather than being the responsibility of a separate sustainability staff department. This relates to how top management successfully builds the internal alliances that are necessary for achieving progress on the company's sustainability targets and KPIs.

Broad board-level support is a prerequisite for securing ownership across different divisions of the organization (cross-functional collaboration). Responsibilities for the embedded strategy should be incorporated into line management responsibilities, from the Board of Directors down to the work floor. This also includes embedding the strategy in the Supervisory Board, in risk and opportunity management, and in corporate accounting.

In the most advanced stage, sustainability staff act as a knowledge hub bearing responsibility for the provision of board-level expertise on sustainability, rather than executing initiatives or projects. Although sustainability staff have a key role in supporting the overall company strategy and keeping the organization focused on sustainability as a growth driver, organizations that are in the final phase do not solely rely on these professionals. At this stage, sustainability is part of everyone's daily tasks and responsibilities.

In order to create a culture where realizing the corporate strategy becomes part of everyone's responsibility, incorporating this into leadership training programs is key. Cynics will claim that sustainability is just a cost issue. Hence, demonstrating and communicating the added shared value and business opportunities is an important tool in tuning the mindset. In addition, sustainable growth can be incorporated into remuneration and other appraisal mechanisms.

Reporting

This dimension defines the degree to which a company is transparent concerning its business model and the full value created, the connectivity of sustainability with its financial performance, and the way sustainability is embedded in the organization. The maturity level is defined by the way the information is used as a strategic tool to support the company's sustainable growth strategy and its ability to create value in the long term.

In the least mature stage, sustainability reporting has a compliance-based focus, such as reporting in response to specific laws or regulations (i.e. CO_2 emissions) or to fulfill particular supply chain requirements. In a more mature stage, sustainability reports are compiled within an existing reporting framework, most often the Guidelines for Sustainability Reporting of the Global Reporting Initiative. The company defines the report by making an inventory of issues that impact its stakeholders and its organization. The reporting process often starts with collecting information just for the report itself. However, once data are collected, this new information forms the basis for new business opportunities or performance improvement through cost reduction and the like, and further policies are developed. The information that is collected concerns not only the organization but also its impacts in the supply chain.

In the most advanced stage, sustainability reporting represents how the organization has created economic, social and environmental value for its stakeholders. The information is collected in a structured way, using consistent reporting policies and boundaries and is supported by internal controls to guarantee its quality. The information can be published in different ways and in different types of reports, for example in annual reporting including sustainability sections, by placing additional information on the Internet or through separate annual and sustainability reporting. The information in this stage is much more strategic and forward-looking, as achieving sustainable growth requires a long-term view.

Transparent reporting supports the successful implementation of a sustainable growth business model. Disclosure of financial and non-financial information drives the company's ability to transform and demonstrates how it creates value for its stakeholders and for the company itself.

"I see sustainability as a key driver for growth and I'm confident that we can innovate our way out of the current financial crisis and, at the same time, make the transition towards a more inclusive, healthy, equitable, resource-efficient and sustainable economy. Today the life of every fourth person on earth is touched by Philips products that directly improve their health or help to reduce the ecological footprint. That amounts to 1.7 billion people. Our new Mission and Vision compel us to make the world healthier and more sustainable through innovation and by doing so we aim to raise the bar and work to improve the lives of 3 billion people by 2025."

Frans van Houten
CEO, Royal Philips Electronics

This dimension requires rigorous changes in how information is managed. Therefore, progress in the 'reporting' dimension indirectly reflects the degree to which the strategy is embedded in the organizational structure (see the 'embedding' dimension).

Triangulating dimensions and phases

Building a sustainable growth business model is a gradual process. It is essential to understand the relationship between the company's response to external pressure (i.e. how it manages issues, stakeholders and reporting) and what that entails internally (i.e. the way it positions itself within society, its overall strategy, leadership style and the associated organizational structure). The individual dimensions of a company can be in different phases. For example, a company can be very mature in terms of stakeholder engagement while sustainability may not be highly embedded yet. In general, however, organizations tend to mature similarly across dimensions as they move from one stage to the next.

To build a sustainable energy system, we need a new level of collaboration and leadership to develop workable policies and solutions. We need vision and action. Major companies likes ours can help encourage the global co-operation needed across public and private sectors, and across industries. At Shell, we believe that delivering cleaner, more reliable and affordable energy responsibly is the best contribution we can make today to a more stable world where economies can thrive. To do so, we work with others including communities, other companies, governments, consumers and non-governmental organizations."

Peter Voser
CEO, Shell

"Sustainable development remains a cornerstone of our strategy, reflecting both our commitment to conducting business in a sustainable manner and our ability to adapt to the new developments with which we are faced."

Peter Hartman
CEO, KLM Royal Dutch Airlines

3.4 Key Success Features

The DSGC members have identified key features of sustainable growth that need to be adhered to in order to successfully implement a sustainable growth model:

1. Focus. The business is aware of the areas where it can, relatively, have the largest impact. Divisions within the business fully understand how they contribute to the overall value proposition. Sustainability requires a focus on long-term stakeholder value instead of the traditional sole focus on short-term shareholder value.

2. Innovation. Sustainability is considered to be a key driver of innovation, both environmentally (in terms of technological innovation to reduce a company's ecological footprint) and socially (human factor).

3. Integration. Sustainability is integrated into the KPIs and targets of the business, is embedded in line management and implemented in cross-functional cooperation within the organization. This includes integration in employee remuneration systems. Quantitative targets and clear timeframes define how value is created for market competitiveness, operational excellence and for society. Sustainability executives mainly advise on the strategic growth strategy and related initiatives and have a subject-matter expert role (roll-out takes place within line management).

4. Policy and Accountability. Company strategy is supported by policies and sustainability KPIs and targets, ranging from safety, quality and finance to risk. Adherence to these policies is monitored closely through the governance structure of the organization.

5. Human Capital. Sustainability goals are embedded in leadership development and talent retention and attraction.

6. Leadership. The sustainability agenda is driven by board-level executives and integrated into their overall business strategy; they demonstrate visionary and inspirational leadership. Key characteristics are a long-term perspective, attention for bottom-up innovation and employee crowd sourcing (shift from coercion to co-creation).

“Operating sustainably is a fundamental and integral component of our strategy. For a cooperative enterprise with a history going back for 140 years sustainability is a prerequisite for growth and value creation.”

Cees ‘t Hart
CEO, FrieslandCampina

7. **Business Code of Conduct.** Company values and corporate identity are consistently aligned with the sustainable business strategy. The spin-off is both internal and external, impacting full value chains.

8. **Partnerships.** Sustainability initiatives are co-created in collaboration with science, NGOs, governments and other businesses both within and beyond the supply chain.

9. **Transparency.** Financial and non-financial (sustainability) information is considered to be inextricably linked and reported externally along high-quality standards.

10. **Engagement.** Customers and other stakeholders have an increasing amount of influence. The company seeks engagement in a dialogue connecting deeply with stakeholders’ interests. Also, the scope of sustainability goals is not limited to the production phase of a product’s life cycle but includes the end user phase (i.e. consumer use and recycling).

4 Examples of Sustainable Growth Business Models

4.1 Introduction

As described in previous chapters, fundamental change is necessary to attain sustainable growth. In general, the members of the DSGC focus on creating economic, social and environmental value. All members have selected typical projects to demonstrate successful initiatives to build integrated sustainable growth business models. These examples of good practices are presented in this chapter and may serve as an inspiration to meet future challenges.

Basically, there is a distinction between steps on the path towards sustainability in the marketplace (with an external orientation, from the company looking outwards, towards society) and sustainability with a more operational focus (internal orientation). Creating value in the marketplace is done either through product innovation, improvement of the value chain or redesigning market segments in emerging and developing countries. Creating operational value is driven by operational process improvements and cost-efficiency improvements.

In order for value to materialize, strategic partnerships are evitable in the creation of common good on a truly global scale. As this chapter will demonstrate, several cases include a strategic dialogue on achieving the desired global common good.

4.2 AkzoNobel

Creating Value in the Market Place: Product Innovation

Project: Eco-premium products

AkzoNobel has identified sustainability as a key driver of innovation and growth, with about 60 percent of the Research and Development budget going into sustainable innovations. Based on this strategic intention, the AkzoNobel eco-premium solutions concept was born in 2007.

Eco-premium solutions help create value for its business and customers. These solutions provide top line growth opportunities thanks to improved performance in areas such as raw material use, manufacturing processes and product innovation. An eco-premium solution provides the same or better functionality for the customer application, but has a clear eco-efficiency benefit over the mainstream products in the marketplace. Eco-efficiency is about creating more value with less environmental impact.

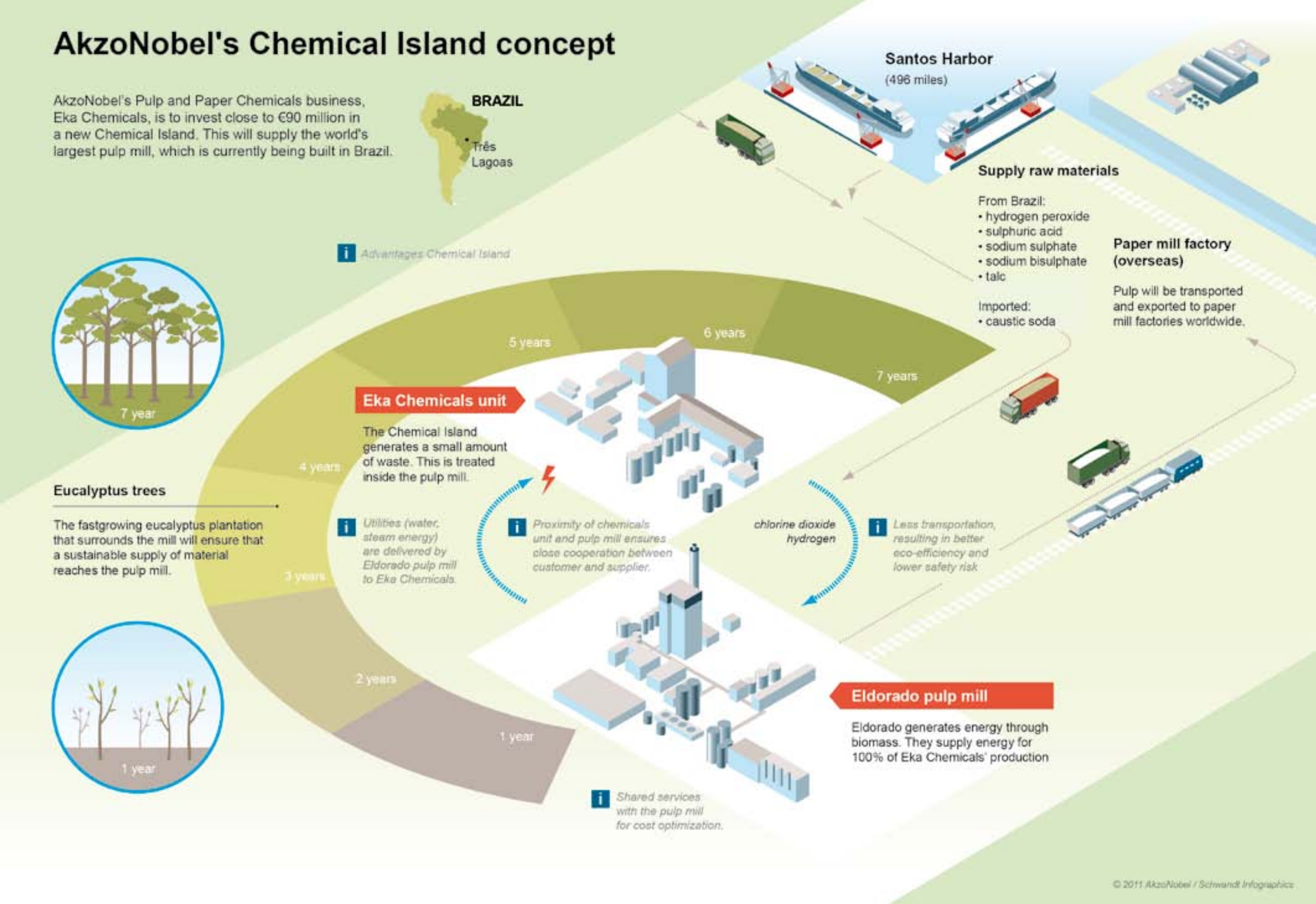
Value for AkzoNobel

AkzoNobel's strategy, framed around the megatrends that the world is facing - population growth, growing middle classes, climate change and scarcity of raw materials – is aimed at sustainable accelerated growth. AkzoNobel targets a continuing increase in sales from eco-premium products. Three years ago, eco-premium products made up 18 percent of AkzoNobel's total turnover; by 2015 the share of eco-premium solutions should reach 30 percent of total sales.

Added value for AkzoNobel's stakeholders

Eco-premium solutions are successful in very diverse sectors. The aim of AkzoNobel is to provide sustainable solutions for its main end markets: construction, transport and mobility, and personal care. For example, in cooperation with customers in the construction sector AkzoNobel has developed a chemical for use in asphalt that allows it to be processed at lower temperatures. This reduces the amount of energy needed in road construction, decreases the time that workers are exposed to the fumes of the asphalt and increases the safety of the crew, because they can do their work more quickly. Successful eco-premium solutions can also be found on the consumer level. An example is Dulux Weathershield SunReflect. This is a paint product that lowers the temperature of outside walls by up to 5 degrees Celsius, reducing the need for air conditioning. It offers real value to people in warm climates by providing costs savings as well as leaving a lower environmental footprint.

AkzoNobel
Tomorrow's Answers Today



4.3 AkzoNobel

Creating Value in the Market Place: Value Chain Innovation

Project: Chemical Island

A great example of a win-win situation created by AkzoNobel is its Chemical Island concept used at pulp mills in Brazil. The pulp, produced from eucalyptus trees, is used in the production of paper and the eucalyptus waste is used to generate energy through biomass. AkzoNobel's production unit, located on the pulp mill site, receives all its energy this way. The Chemical Island saves on transport and energy costs and thereby minimizes the environmental footprint. Since the first Chemical Island plant was brought on line in 2005, several other customers have chosen this more environmentally sustainable partnership to safeguard their chemical production needs. The Chemical Island concept reduces the environmental footprint and facilitates a sustainable manufacturing process.

Value for AkzoNobel

The Chemical Island assures that AkzoNobel is close to its customer's point of use and is involved in the customer's local community. Services such as security, entrance, scale and staff canteen can be shared between AkzoNobel and its customers enabling cost optimization.

Added value for AkzoNobel's stakeholders

The Chemical Island provides its customers a way to manage their supply and handling of chemicals, while making use of the excess energy generated during paper and pulp production. The company enhances its customers' competitiveness, giving them a headstart when the global economy recovers.

DSM

4.4 DSM

Creating Value in the Marketplace: Product Innovation

Project: Hunger and Nutrition

Malnutrition continues on a massive scale across our planet. Together with the World Food Program (WFP) of the United Nations, DSM is helping to lead the fight against 'hidden hunger' by offering advanced nutritional solutions, including vitamin/mineral mixes and enzymes.

DSM and WFP have trialed and tested new products and programs to tackle hunger-related malnutrition, developed a more sophisticated understanding of the problem, and have been very active in building awareness of the problem and available solutions. DSM also worked closely with WFP during the design of its Nutrition Improvement Approach, which shifted its strategic focus from food security (providing enough calories) to an approach that includes nutrition security (providing nutrient-rich food).

DSM provides ongoing technical and scientific support, food supplements and food fortification products, and helps WFP develop sustainable solutions to the problem of malnutrition.

DSM
BRIGHT SCIENCE. BRIGHTER LIVING.

Added value for DSM

DSM Nutritional Products is one of the world's largest producers of vitamins. The partnership with WFP has helped boost the profile of nutrition issues on the global agenda. It has helped advocate nutrition issues among global entrepreneurs at international events such as the World Economic Forum and among international policymakers such as those at a European level in Brussels and at the United Nations.

Involvement in WFP has enabled DSM to innovate and improve eight new products, including food supplements. One of the innovations is the MixMe™ micronutrient powder, a ready-to-use vitamin mix that combats zinc and iron deficiency. DSM's Nutrition Improvement Program is dedicated to unlocking the human potential by improving the nutritional status of people with micronutrient deficiencies.

WFP actively highlights its partnership with DSM as an exemplary public-private partnership project in Africa and Asia.

Added value for stakeholders

The partnership has reached more than 10 million of the planet's poorest people and offered them improved nutrition. Nutrition-related projects have been carried out in 15 countries. Some 26 peer-reviewed papers have been published and presented at major public and academic conferences.

Since the MixMe™ product was developed in 2007, over 400 million sachets have been distributed through WFP and other organizations in Bangladesh, Dominican Republic, Kenya, Nepal, Peru and South Africa.

DSM believes that its continued success is driven by its ability to create shared value for all stakeholders, now and in the future.

4.5 DSM

Creating Value in the Marketplace: Value Chain and Product Innovation

Project: Bio-Based Economy

Switching our economic system to bio-based, rather than fossil fuel-based resources offers the prospect of job creation, energy security, sustainable economic growth, lower carbon emissions and rural regeneration. DSM is driving this move to a more sustainable, brighter future by creating breakthrough technology in the areas of advanced biofuels, biochemistry and biomaterials. In other words: the bio-based economy.

DSM believes the world can't keep relying on fossil fuels to provide its energy needs. At the same time, the company takes into account that the use of agricultural resources for the purpose of energy should not compete with the food production. DSM has developed new enzyme and yeast technology, which transforms non-edible plant residues into cellulosic bio-ethanol in a commercially viable way.

According to Bloomberg New Energy Finance, next-generation ethanol alone could create up to a million man-years of sustainable employment in Europe between now and 2020. In addition it potentially helps to reduce road transport green house gas emissions by 50%.

Plastics are a huge drain on the earth's natural resources. This is one reason why DSM has set its sights on developing bioplastics with a much lower eco footprint. With a portfolio including Palapreg® ECO, a composite resin made from 70% bio-renewable inputs, and EcoPaXX™, a high-grade engineering plastic made from castor beans, DSM's bio-based materials are suitable for the toughest applications, and always exceed conventional alternatives in terms of performance and functionality.

Added value for DSM

DSM's expertise in industrial biotechnology makes the company a global front runner in the bio-based economy. Its involvement in biotechnology dates back to around 1870. Today DSM has extensive capabilities in both life sciences and materials sciences. The bio-based economy creates many opportunities to generate business and drive innovation. DSM has developed bio-based technology for the manufacture of pharmaceuticals, food and feed ingredients, green materials, chemical building blocks and biofuels. The company has a dedicated unit, DSM Bio-based Products & Services, whose mission is to help create a bio-based, sustainable future.

In January 2012 DSM announced a joint venture with POET, one of the world's largest ethanol producers, to make advanced biofuels based on plant waste from corn a reality by 2013.

Added value for stakeholders

DSM believes that society as a whole will benefit greatly. Millions of new jobs can be created in advanced biofuels, also in developing countries. Countries that use advanced biofuels can improve their energy security and reduce their dependence on imports. The production of biofuels will no longer depend on using foods such as corn as a resource, since plant waste can now be used instead.

FrieslandCampina

4.6 FrieslandCampina

Creating Value in the Marketplace:
Value Chain

Project: Planet Dairy

FrieslandCampina, with a 130-year cooperative heritage, is the world's largest dairy cooperative and third largest dairy processor. FrieslandCampina has developed the 'Planet Dairy' sustainability plan as part of its ambition to contribute to the transition to a more sustainable future with food & nutrition security. By 2020 energy, water and waste in FrieslandCampina's supply chain should be reduced by 20%, with a 100% usage of renewable energy in the supply chain. Soy, palm, cocoa and other agricultural commodities will be sustainably sourced, with cocoa being sustainably purchased by 2014. FrieslandCampina is working with external parties on this quest, WWF being among the key partners.

Next to this, as part of the 'responsible dairy farming' pillar in its Planet Dairy plan, FrieslandCampina has developed modules on phosphate (minerals), nature conservation and landscape (to protect biodiversity), cows in the meadow, energy & climate and health & welfare for dairy cows. One of the health & welfare goals is to decrease the use of antibiotics by 2020 to its 1999 level. FrieslandCampina encourages outdoor grazing through its outdoor grazing premium. In 2011 the plan was approved by the company's 20,000 members and shareholders in 26 countries.

Added value for FrieslandCampina

FrieslandCampina anticipates demands by society and stakeholders. Some retailers and food brands require the supply of sustainable ingredients. For instance, FrieslandCampina adheres to the Unilever Sustainable Living Plan and is able, therefore, to supply Unilever with its desired sustainable dairy products. The Planet Dairy plan will enable a sustainable value chain, from grass to glass, which resonates with the company's industrial customers including Nestlé, Danone and Kraft.

Added value for stakeholders

FrieslandCampina's stakeholders include farmers, consumers, customers, employees and communities. For its member dairy farmers FrieslandCampina aims to be the most attractive dairy company. For consumers, FrieslandCampina focuses on the supply of nutritious dairy products. For employees FrieslandCampina aspires to be a Great Place to Work. For customers, FrieslandCampina contributes to maximizing customer value. For communities, FrieslandCampina provides food & nutrition security and investment in the preservation of nature and biodiversity.

FrieslandCampina

4.7 FrieslandCampina

Creating Value in the Marketplace: Emerging Markets

Project: Dairy Development Program

Friesland Campina runs an ambitious Dairy Development Program, aimed at 40,000 small farmers in Africa (Nigeria) and Asia (Vietnam, Thailand, Indonesia, Malaysia). The goal is to raise productivity per cow in Southeast Asia and Nigeria by 50% (in 2020 as compared to 2011). Small farmers are aligned with FrieslandCampina's global quality standard so as to raise the annual farmer income well above the poverty line as defined by the United Nations. Wageningen University is a partner in this project, which enables FrieslandCampina to mobilize its expertise to increase food security, and increased income for the African and Asian dairy farmers.

Another component of FrieslandCampina's CSR policy is its focus on nutrient deficiency. As part of this effort, the company runs school milk programs in various countries, with small-size sachets of condensed milk distributed in Indonesia and Nigeria to aid people with very low purchasing power (the economic "base of the pyramid"). FrieslandCampina combats malnutrition via a strategic partnership for relief aid with the Red Cross.

Added value for FrieslandCampina

FrieslandCampina actively supports the sustainable supply of nutritious milk for local consumption through a focus on quality, safety, farming excellence, etc. Through training on model farms built by FrieslandCampina in these emerging markets, the program enables farmers in Asia and Africa to optimize their business and improve the quantity and quality of dairy production.

Added value for stakeholders

In its CSR program FrieslandCampina focuses on health & nutrition in all of its markets. The Dairy Development Program is aimed at providing livelihood support for small farmers in the dairy farming sector in emerging markets in Southeast Asia and West Africa. This is directly related to the mission of the international dairy cooperative: bringing essential nutrients from natural dairy to people around the globe. Dairy products contain proteins, minerals and vitamins that are important for consumers' health and well-being. Making FrieslandCampina's nutrition-related knowledge and capabilities available to the Red Cross contributes to the further improvement of relief aid to refugees and victims of natural disasters. Founded many years ago in close consultation with and supported by local governments and farmers' organizations, the Dairy Development Program helps small farmers increase their income on the basis of training and education. Besides the economic spin-off, the program also contributes to local food, or better: nutrient security. School milk programs (the base of the pyramid for dairy products), education for kids about food, lifestyle & health on such themes as FAO's Global Milk Day (1 June), and kids' nutrition surveys in cooperation with local health institutes' programs all help to further improve the nutritional status of people in these regions.

HEINEKEN

4.8 HEINEKEN
Creating Operational Value: Cost Reduction and Water Efficiency

Project: Water Efficiency

Water is both an important ingredient and a scarce and finite resource. HEINEKEN therefore invests time and resources to understand its relationship with water and develop a comprehensive water strategy. Overall, water consumption should be reduced by at least 25% by 2020. In 2011, HEINEKEN managed to decrease its specific water consumption from 4.8 hl to 4.3 hl per hectoliter of beer, cider, soft drinks and water.

In 2010 HEINEKEN set a water efficiency target of 3.7 hl of water to produce 1 hl of beer by 2020. This includes all the water used within the production units. HEINEKEN has committed to decrease the amount of water used in the brewing process, ensure that the water the company returns to the ecosystem is treated and that HEINEKEN is aligned with local water users. With respect to the latter, HEINEKEN has committed to apply the principle of water neutrality in those regions designated as water scarce. HEINEKEN has used the Global Water Tool of the World Business Council for Sustainable Development (WBCSD) to rank the brewery sites on water stress exposure (water scarcity).

HEINEKEN has committed to decrease the amount of water used in the brewing process, ensure that the water the breweries return to the ecosystem is clean and that all operations are aligned with local water users. In addition, HEINEKEN prioritized 20 sites that are situated in water-distressed areas. These priority sites will conduct a Source Water Vulnerability Assessment (SVA) and prepare and implement a Source Water Protection Plan (SWP). For all water taken by HEINEKEN from a watershed, and not returned in a treated way to that watershed, HEINEKEN is planning to redress the balance through community or ecological projects and programs, which will be defined locally.

Mexico is a water-scarce country which recently introduced a new national water law to promote efficient water use and the protection of water sources from pollution. The HEINEKEN Operating Company in Mexico, Cuauhtémoc Moctezuma is increasing its efforts to achieve greater water efficiency and to minimize its impact on its water sources.

Cuauhtémoc Moctezuma's first eco-efficiency efforts began in 1992 with a water and wastewater treatment program aimed at preserving water quality and quantity for the benefit of the business and the community. In the past nine years, Cuauhtémoc Moctezuma has succeeded in reducing the water it takes to brew one liter of beer by 18.3%, to 3.6 liters (2011), which is lower than the global HEINEKEN target for 2020. In addition, Cuauhtémoc Moctezuma has also made significant efforts that directly contribute to the sustainability of its groundwater resources by implementing rainwater harvesting systems in several of its breweries.

Added value for HEINEKEN

HEINEKEN uses water for brewing, packaging and cleaning. Lowering the water usage could lead to lower production costs. Better waste management systems can lead to lower costs and even make a positive financial contribution. Overall, the energy consumption reduction results in lower costs

Added value for its stakeholders

HEINEKEN has signed up to the CEO Water Mandate, for world-class water stewardship. Through reducing the water levels needed in its processes, HEINEKEN is able to act as a good corporate citizen, white its own needs being balanced with local water needs.

4.9 HEINEKEN
Creating Value in the Marketplace through Local Sourcing

Project: Local Sourcing in Africa
In Africa HEINEKEN has been closely involved in the expansion of local sourcing of raw materials. The company has set a goal of locally sourcing raw materials from the African continent in the production of African beers to 60% in 2020, in order to reduce its carbon footprint and help the local economy. By supporting local sourcing HEINEKEN creates both a viable value chain and a reliable local supply chain. It generates jobs and help increase farmers income due to increased productivity and yield, which in turn helps to alleviate poverty and hunger. One of these projects is the development of a sustainable local supply chain for the local subsidiary of HEINEKEN in Sierra Leone, Sierra Leone Breweries Ltd. This project – supported by the Common Fund For Commodities (CFC) and EUCORD- introduced better production technologies to the farmers, facilitated secure access to markets and organized farmers in order to reduce transaction costs. The farmers and HEINEKEN agreed on demand and price, giving the farmers a prospect of

"By investing in agriculture and the health of our employees and their families, we contribute to building stronger economies in emerging markets and a growing business for ourselves."

Jean-François van Boxmeer
CEO, HEINEKEN

future stability and easier access to credit. The project also introduced best general agricultural practices among farmers through training, while increasing quality of crop and yield. As a result the average income per family increased, improving the livelihoods of rural households over time.

Previous projects to increase productivity were typically supply-driven and lacked a clear demand-pull. Key to the success of this project is a demand-driven approach and the identification of stakeholders in the value chain that directly trade with consumer groups.

Added value to stakeholders

This project has helped the local sorghum farmers compete against imported grains. Its benefits include a shorter supply chain, diversification of sources and hence risk reduction, the saving of scarce foreign currencies and the stimulation of the local economy. The competitiveness of the local sorghum sector could be increased. The second major goal was to raise farmers' income derived from sorghum and hence alleviate poverty.

Added value for HEINEKEN

Through projects like these, multinationals help strengthen the competiveness of the African agricultural sector, drive productivity and yield increase, with positive effects for both farmers and consumers. In addition HEINEKEN's carbon footprint is reduced by shortening its supply chains for raw materials and cutting transportation costs. Moreover these projects help HEINEKEN ensure a more stable supply and depend less on foreign exchange fluctuations.

This approach demonstrates that building a local supply chain is a multi-step process that increases confidence among stakeholders along the commodity value chain. For this project, HEINEKEN received the UNDP Business Award.

HEINEKEN

KLM

4.10 KLM
Operational Value:
Cost reduction / efficiency

Project: Weight & Fuel Plan

Reducing the environmental footprint at KLM includes more efficient use of resources while at the same time reducing cost. KLM launched its Weight & Fuel project in 2008. Weight & Fuel is a multidisciplinary project within KLM, as cuts in fuel usage and a lower weight of the plane and its content have an effect on the entire organization. The Weight & Fuel plan sets a target of reducing emissions by 1% yearly; 0.5% through reducing weight reduction and the other 0.5% through efficient fuel use. Payload information (number of passengers, weight of baggage and cargo), the use of statistical information specific to each route, and accurate weather data all help the flight crew to accurately assess the amount of fuel needed. Throughout, safety is an absolute priority for KLM.

Added value for KLM

As a result of the Weight & Fuel plan, in 2010-11 KLM achieved its target of 1% fuel efficiency, saving 27,080 tons of fuel, reducing CO_2 emissions by 85,302 tons and costs by as much as €17,400,000.

Added value for stakeholders

Carrying out the Weight & Fuel program involved several stakeholder groups, with various initiatives for and by employees, fuel efficiency targets in the context of the KLM partnership with WWF-The Netherlands (WWF-NL), but also involving its broader sector. In 2009 KLM Flight Operations issued a booklet, ‘Fuel Efficiency in Operations’, as part of a division wide fuel efficiency campaign. As a result of the awareness campaign, pilots now even are competing amongst each other to fly more economically which can be seen as a new fun dimension to flying for the pilots and at the same time creating added value for the company by saving on fuel. However, safety remains unquestionable. Training managers now structurally incorporate this topic into route training and other courses. Furthermore, best practices are shared with other airlines within SkyTeam, inspiring them to follow the example.

4.11 KLM

Creating Value in the Market Place: Value Chain

Project: Sustainable Biofuel

The ultimate aim of the air transport industry is emission-free flying. In light of ongoing developments, this goal is likely to be achieved in 2050. With a view to mid to long-term developments, KLM has, together with various partners in the supply chain, been actively researching alternative fuels since 2007. KLM's biofuel approach consists of four steps: innovating the supply chain, supporting governmental incentives, stimulating an industry push, and involving customers and partners. KLM's approach is distinctive in that a company, SkyNRG, was specially established to give the production and availability of biofuels a powerful impulse. In order to help it make the right decisions – both now and in the future - SkyNRG is advised by a Sustainability Board which includes representatives from WWF-NL, Solidaridad and the Copernicus Institute of the University of Utrecht. Sustainable alternative fuel is only an option for KLM if it meets all three sustainability criteria – i.e. ecological, technical and financial.

On 23 November 2009, KLM operated the world's first demonstration flight with observers on board using one engine running on 50% biofuel. In late 2011 KLM started a series of 100 biofuel-powered flights from Amsterdam to Paris, which was followed by a series of another 100 flights in February 2012. In June 2012, KLM operated the longest biofuel flight ever, to Rio de Janeiro. At the same time it also launched its BioFuel Program, which enables companies to operate some of their flights on sustainable biofuel, thereby stimulating the further development of biofuels. DSGC members DSM, HEINEKEN and Philips were among the first seven companies to start biofuel flights. Within the framework of its renewed partnership with WWF-NL, KLM has declared its intention to strive for a 1% mix of sustainable biofuel throughout the entire fleet by 2015.

Added value for KLM

KLM is taking a proactive approach by engaging the supply chain and carrying out concrete projects with flights on sustainable biofuels. In this way KLM invests in the availability of its own resources supply in the middle and long term. Setting the standard in CSR implies assuming a leadership role and partnering with customers and other stakeholders. In this way the company is able to further develop an international market for sustainable biofuels as a contribution in the transition towards sustainable energy.

Added value for stakeholders

KLM hopes to provide a good example, in cooperation with its partner WWF-NL, that serves as a catalyst to create a more sustainable airline industry and to raise awareness among all parties in the value chain, including customers and contributors.

KLM Royal Dutch Airlines

Philips

4.12 Philips

Creating Value in the Marketplace: Emerging Markets

Project: New Products and Services for Emerging Markets
Economic power is shifting rapidly from West to East, with a tremendous impact on the people in emerging countries. The increased economic activity in those countries will lead to a scarcity of resources and boost the demand for energy-efficient products. Meanwhile, emerging countries are expected to show a growing demand for healthcare products and services.

Faced with these challenges, Philips has embarked on a journey to provide tailor-made solutions by introducing new products and services on the market. Healthcare products geared towards the emerging markets should increase the level of healthcare provided to people in these countries, and energy-efficient solutions will reduce their energy consumption. Philips' strategic target is to increase its share of total revenues from emerging markets to 40% in 2015 (currently 33%). Its related sustainability target, formulated in the Ecovision 5 program, which is an integral part of its global strategy, is to bring care to more than 500 million people by 2015.

In order to understand customer needs in emerging markets, Philips set up R&D centers in China and India, acquired healthcare and consumer products companies in China, India and Brazil and opened up many distribution and retail facilities in these countries. Very recently, it has even transferred divisional headquarters to China to be closer to the relevant markets. In its local R&D facilities, Philips can invent products that meet local demands, thereby opening up new markets for its products, including rice cookers, energy-efficient gas stoves, water and air purifiers, food cleaners, energy efficient LED lighting solutions and tailored healthcare equipment. Meanwhile, sales in the emerging markets are growing in double digits.

Added Value for Philips and its stakeholders
Royal Philips is opening up new markets in the emerging countries and, as such, is capitalizing on the high economic growth in these countries to compensate for the adverse economic climate in the mature markets. Philips employees in these emerging markets get the chance to work in highly skilled jobs, including research and managing positions. The general public in emerging markets will benefit from better levels of healthcare and a higher standard of living as Philips' products provide solutions to their specific needs.

« Food safety, particularly in relation to the use of pesticides in agriculture, is becoming an increasingly important topic for consumers and governments, especially in growth markets. Philips is developing a breakthrough innovation to clean away pesticides from fresh fruit and vegetables easily, effectively, and without using any chemical additives. The key element in this solution is "Active Water", which breaks the shield of the reagent binding pesticides to food surfaces.

» *Approximately 1.5 billion people around the world do not have access to a conventional electricity grid. Philips provides rural communities, such as in China, with solar-powered LED street lighting. These highly sustainable, off-grid solutions make a difference to people in remote areas by extending the hours of outdoor light after dusk, at an affordable cost.*

PHILIPS

4.13 Philips
Creating Value in the Marketplace: Product Innovation

Project: Energy Efficient LED Lighting

The drive for energy efficiency is embedded in the company mission and vision and is implemented in the Ecovision 5 program for 2010-2015. Under its Ecovision 5 program, Philips has set strategic targets for 2015 to improve the energy efficiency of its entire portfolio by an average of 50%, double the amount of recycled material in news products, and bring care to 500 million people.

The introduction of LED lighting products is an excellent example of the drive towards energy efficiency. Lighting represents 19% of worldwide electricity consumption. Switching from inefficient lighting to LED lighting has the potential to reduce global lighting-related electricity consumption by an average of 40% and by up to 95% in individual projects.

With most of the applied energy for traditional lighting being lost in heat, semiconductor-based LEDs provide a much more efficient way of turning energy into light. Philips is directing much of its R&D resources towards the development of LED lighting, which has resulted in a range of new products, product licenses, and solutions. Going forward, Philips will push its LED lighting solutions portfolio further both for public lighting projects (e.g. street lighting) and private uses (homes, shops and offices). For example, cities can easily spend up to 50% of their electricity bill on outdoor lighting. A switch to LED outdoor lighting could halve that cost, as recently demonstrated in extensive trials conducted in 12 cities around the world by the Climate Group.

Governments are also increasingly realizing the potential of switching to energy-efficient lighting as it reduces total cost of ownership, mitigates climate change, improves citizens' safety, well-being and productivity, and allows countries to relieve the load on their energy infrastructure through reduced energy demand. Philips participates in the UNEP En.lighten project to assist developing countries in accelerating market transformation with environmentally sustainable, efficient lighting technologies by:

- Promoting high-performance, efficient technologies in developing countries;
- Developing a global policy strategy to phase out inefficient and obsolete lighting products;
- Substituting traditional fuel-based lighting with modern, efficient alternatives.

Philips has installed state-of-the-art LED lighting along a 7 km stretch of the A44 highway near Amsterdam. SpeedStar is a highly energy-efficient lighting solution emitting a bright, white focused light that can be dimmed dynamically. The light intensity can be adjusted to an appropriate safe level, depending on the volume of traffic. The LED solution generates energy savings of up to 40% a year, while ensuring a high level of road safety and cutting maintenance costs.

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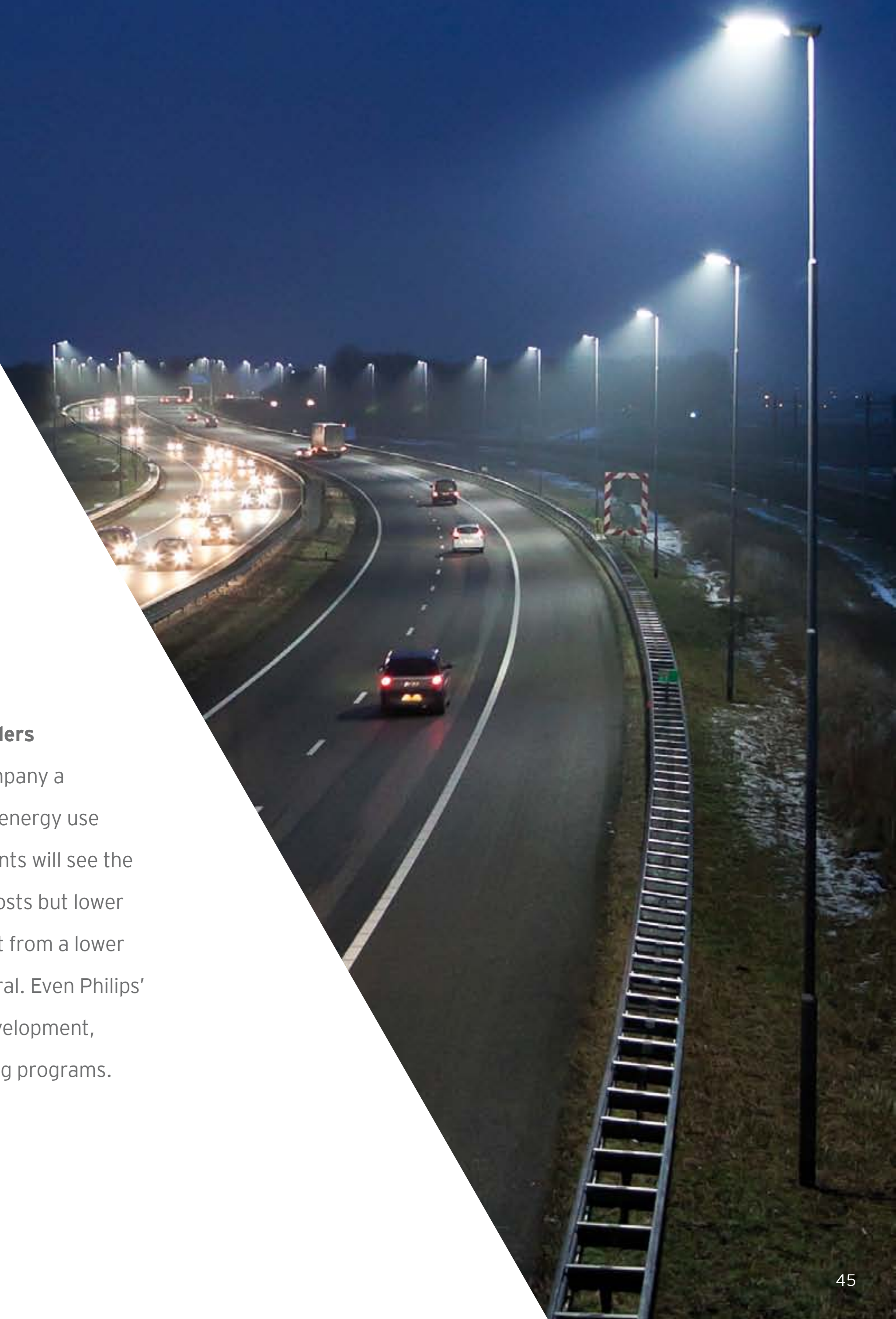

Added Value for Philips and its stakeholders

Philips' LED lighting products offer the company a competitive advantage compared with the energy use of traditional lighting products. Philips' clients will see the total cost of ownership fall (higher initial costs but lower energy costs). The general public will profit from a lower environmental footprint of lighting in general. Even Philips' competitors will have an interest in this development, due to open innovation and Philips' licensing programs.

Shell

4.14 Shell

Creating Value in the Market Place:
Value Chain

Project: Onshore Oil & Gas Operating Principles

In June 2011, Shell launched its Onshore Oil and Gas Operating Principles. These principles provide a tested framework for protecting water, air, wildlife and the communities in which Shell operates. The operating principles are sponsored by the Executive Committee and monitored by internal auditors. Shell was the first company in its sector to publish such operating principles.

“As global corporate citizens, we must look ahead, and identify and take action on the challenges that will define the coming decades.”

Peter Voser
CEO, Shell

Added value for Shell

The operating principles help ensure a consistent operating framework for all Shell-operated projects where hydraulic fracturing is used for the development of tight sand/shale oil and gas. When participating in a joint venture that is not under Shell control, Shell will encourage the operator to adopt similar operating principles. The onshore operating principles also set a benchmark on the basis of which Shell communicates its performance to its stakeholders.

Added value for stakeholders

Shell’s principles are underpinned by an explicit focus on safety, continuous improvement, collaboration with regulators and engagement with local residents. Shell strives to be open and transparent about its operations and their impact. Shell supports regulations that are consistent with these principles, designed to reduce environmental risks and improve public safety.

4.15 Shell

Creating Value in the Market Place: Value Chain

Project: Supplier Principles

Endorsed by Shell's Executive Committee in August 2011, the Shell Supplier Principles (2SP) aims to provide a simple and consistent framework in managing minimum requirements for all of Shell's suppliers. This includes monitoring and improving business integrity, HSSE, human rights, labor conditions and local content in the supply chain. The 2SP encourage contractors and suppliers to contribute to sustainable development while being economically, environmentally and socially responsible.

Added value for Shell

By taking a proactive approach to managing sustainability in its supply chain, Shell can assert its values and positively influence its reputation. Shell recognizes that healthy relationships with suppliers and business partners are the bedrock of success and are built on the basis of honesty, integrity and respect for people.

In the last fiscal year, Shell sourced goods and services worth $65 billion from 80,000 suppliers in more than 150 countries. Adhering to the Supplier Principles will enable effective partnerships in the supply chain where risks are minimized and societal value is maximized.

Added value for stakeholders

The Shell Supplier Principles are a clarification of the Shell General Business Principles, aimed at suppliers. Compliance is mandatory for all suppliers. The Principles provide them with detailed guidance on specific aspects, such as the environment or labor rights. Effective and sustainable partnerships enable local economic, social and environmental development. A strong focus on health, safety, security and the environment is beneficial for society at large.

Eco-Marathon

The Shell Eco-Marathon is an annual event which challenges student teams from around the world to design, build and test ultra energy-efficient vehicles. With annual events first in the Americas, then in Europe and Asia, the winners are the teams that cover the greatest distance using the least amount of energy. The events spark debate about the future of mobility and inspire young engineers to push the boundaries of fuel efficiency.

The Shell Eco-Marathon encourages universities, other higher education institutions and even high schools to participate and design, build and drive the most energy-efficient car, to see how far they can travel on the equivalent of one liter of fuel. The competition inspires the engineers of the future to turn their vision of sustainable mobility into reality, if only for a few days.

Unilever

4.16 Unilever

Creating Value in the Marketplace: Value Product Innovation

Project: Pureit

According to the United Nations, more than a billion people worldwide do not have access to safe drinking water. Waterborne diseases can be life-threatening. Unilever spent five years developing a scalable solution to the problem of providing access to safe and clean drinking water. The company set out to develop an innovative product that could remove harmful bacteria in line with stringent international standards at a price that was affordable to the consumers who needed it most.

The resulting unique product, Pureit, is an in-home water purifier that provides water that is 'as safe as boiled water' without needing electricity or pressurized tap water. Pureit removes harmful viruses, bacteria, parasites and pesticide impurities to provide safe water.

Added value for Unilever

Since 2005, 35 million people have gained access to safe drinking water through the use of Pureit. First launched in India, the product is now being rolling out in various countries including Indonesia, Bangladesh, Mexico and Brazil. Consumers typically get safe water in two ways: either they boil their drinking water or they buy bottled water. In India, the purifier is available for just 1,000 rupees (€17) with an ongoing running cost of just one eurocent for more than two liters of safe drinking water. This is significantly lower than the cost of boiling water or buying bottled water.

Added value for stakeholders

An independent scientific study by the National Institute of Epidemiology showed that Pureit can reduce the incidence of diarrheal disease by up to 50%. Pureit also meets the strict criteria of safety from germs of the US Environmental Protection Agency and its effectiveness has also been studied and confirmed by the London School of Hygiene and Tropical Medicine. Pureit's new technology represents a critical breakthrough in that it meets international germ kill requirements at prices that low-income consumers can afford. Pureit water tastes better than alternatives, such as water purified by tablets. There are also environmental benefits: Unilever has carried out a detailed lifecycle analysis of Pureit which shows that its total carbon footprint is at least 80% lower than boiled or bottled water. In November 2010, as part of the Unilever Sustainable Living Plan, Unilever committed to making safe drinking water available and affordable to 500 million people through its Pureit in-home water purifier by 2020.

4.17 Unilever

Creating Value in the Marketplace: Value Chain

Project: Lipton Tea

Lipton, the world's best-selling tea brand, is working in partnership with the Rainforest Alliance to improve the lives of farmers on tea estates around the world. Unilever has a long history of sustainable sourcing of agricultural raw materials. In 2007 Unilever was the first major tea company to commit to sourcing all its tea sustainably for the Lipton tea bags. The Rainforest Alliance is an independent organization that works with individuals, communities and companies whose livelihoods depend on the land, to reduce environmental impacts and increase social and economic benefits. The Rainforest Alliance pioneered the practice of setting standards and certifying well-managed forests nearly 20 years ago, and developed comprehensive principles and standards for sustainable agriculture shortly thereafter.

Unilever decided that the Rainforest Alliance was the most appropriate certification partner because of its comprehensive approach towards sustainable farm management covering social, economic and environmental aspects. This is in line with the way Unilever has been managing its Sustainable Agriculture Program for over a decade.

Added value for Unilever

Unilever owns tea estates in Kenya and Tanzania, which first achieved Rainforest Alliance certification in 2007 and 2008 respectively. For the first time in 2010, all Lipton Yellow Label tea bags sold in Western Europe were certified by the Rainforest Alliance. By the end of 2011, 28% of the tea Unilever sources for all its brands came from Rainforest Alliance Certified™ farms. The Rainforest Alliance certification seal has appeared on a number of new products in Europe, North America and Asia. Unilever also continues to communicate its sourcing commitments to consumers through information on its packaging. The company is seeing good sales results in these markets and in Australasia. Unilever has leveraged the reach of Lipton as a brand to raise awareness of sustainable sourcing and its partnership with Rainforest Alliance.

Added value for stakeholders

Unilever's success depends on changing the practices of its tea producers. The company is working with growers to help them improve their farms. As well as buying from large estates, Unilever also sources tea from many hundreds of thousands of smallholder farmers around the world. In Kenya, for example, Lipton has been working with the Rainforest Alliance, the

Kenya Tea Development Agency and the Sustainable Trade Initiative (IDH) to deliver training via farmer field schools. By the end of 2011, around 250,000 smallholders in Kenya had been reached – approximately half the total in the country. Another 50,000 smallholders have been trained in countries such as Rwanda, Sri Lanka, Indonesia and Turkey.

To achieve certification, farms invest in a range of improvements, including protective suits for workers dealing with agrochemicals, wastewater treatment equipment and micro hydroelectric schemes. These improvements can bring benefits to the farmers such as increased yields and improved crop quality. Through its Sustainable Living Plan, Unilever has set ambitious targets to drive sustainable sourcing. By 2015, the company will extend Rainforest Alliance certification to all Lipton tea bags and by 2020, 100% of its tea, including loose tea, will be sustainably sourced. The collaboration has enhanced the scale, depth and speed of the improvements that Unilever can bring to tea farmers worldwide. Unilever's efforts have been a catalyst to the industry and other tea companies have now followed its lead. As a result, the tea industry as a whole is now moving towards more sustainable farming practices.

5 The Dutch Context

5.1 Introduction

The Netherlands has always been an open and internationally oriented economy, and is highly adaptive to new developments. As a result the Dutch economy is an enabling environment for business. Furthermore, the Dutch know how to turn complex societal challenges into long-term shared value. The key to success is knowing how to build coalitions, even when they seem impossible. Due to the consensus-oriented historical tradition, stakeholder value has always been key in the Netherlands.

The Netherlands

The Netherlands is a relatively small country with a total land area of 34 thousand square kilometers. The country's position in the north-western part of continental Europe places it in the heart of western Europe. One of the most important geographic features of the Netherlands is that it is the place where three major European rivers flow into the North Sea. This has made the country an attractive place for traders throughout history. Nowadays, the Netherlands is a densely populated country with 83% of the total population (over 16,5 million) living in urban areas.

GDP

The Dutch gross domestic product was €588 billion in 2010, making it the 16th largest economy in the world, according to the World Bank. GDP per capita is €35,000, or 133% of the average GDP per capita in the European Union. In line with the country's history as a trading nation, the Dutch economy is characterized by its openness; exports and imports are respectively 78% and 71% of GDP and are largely trade-related; approximately half of all imports are re-exported again. Overall, the Dutch trade surplus was 43 billion in 2010, or 7% of GDP. The largest trading partners for the Netherlands are Germany, Belgium, France, the United Kingdom, Italy and the US.

"I strongly believe in the power of entrepreneurship and companies to find practical solutions for the global problems we face. That is because companies are actively involved in the total product chain and have the capabilities, creativity, and innovation skills to realize transitional changes."

Bernard Wientjes
President, of the Confederation of Dutch Industry and Employers VNO-NCW

Service-oriented

The Dutch economy is highly service-oriented. From a historic point of view, it should not come as a surprise that trade and transport are among the biggest sectors in the Netherlands – after public services and healthcare. Dutch innovation is strong in particular industries, such as agriculture and water management. Other important sectors are business services and financial services, but there is still a significant amount of industrial activity as well. Energy-intensive industry took off after the first explorations of huge gas fields in the north of the country (Groninger veld) in the 1960s. There are 864,000 companies in the Netherlands, around half of which are self-employed individuals. Nearly 8,000 companies have 100 employees or more and provide more than 60% of all jobs.

Strong and sophisticated supply chains

The Netherlands has a particularly strong position in international supply chains. This is partly due to its favorable geographic location, with good seaports (especially the port of Rotterdam) and good hinterland connections to one of Europe's principal manufacturing and consumer markets: the German Ruhr area. The 'Dutch approach' is characterized by a number of strengths: a streamlined and business-friendly customs policy, a fiscal policy designed to attract foreign investments and well developed, powerful industry organizations. The Dutch government plays an active role in the preservation of trade with developing countries in order to ensure effective deployment of public and private resources. The strategy focuses primarily on agricultural trade. Through the port of Rotterdam the Netherlands hold a strong position in the trade in cocoa, tea, tropical timber and soy. With an annual turnover of €37 billion and direct employment for 61,000 people, these supply chains make an important contribution to the Dutch economy.

Business agenda

Sustainability is high on the agenda of most businesses. Research from CSR Netherlands (MVO Nederland) shows that 60% of all SMEs say that they are engaged in sustainability in some way or other. The figures are similar for large companies. Several Dutch multinationals play an important role in the Dow Jones Sustainability Index. Of the 19 appointed super sector leaders in the 2011 Sustainability Index, three-and-a-half are Dutch (DSM, Philips, PostNL and AIR FRANCE-KLM). Unilever led the super sector Food and Beverage for twelve consecutive years and was leading in the Food Sector in 2011.

Stakeholder value and business ethics

National politics in the Netherlands is often based on consensus. Representatives of labor unions and employer associations are engaged in a permanent dialogue, which is often facilitated by intermediary bodies such as the SER (National Social Economic Council). Despite the predominance of Anglo-Saxon ethics in international business, there has always been an undercurrent movement focusing on stakeholder value.

Corporate ethical issues are timeless, but the turbulence in the industry has changed perspective. How do managers deal with substandard results? Does this lead to creative solutions that compromise integrity? Questions like these are the focus of the Business Ethics Network Netherlands (Netwerk Bedrijfsethiek Nederland), whose overall objective is to create a platform for people engaged in the promotion of business ethics. Participants are employed in business, government, non-profit organizations and educational and research institutions.

Consumers and investors start acting

Dutch consumers are quickly becoming more aware of socially responsible behavior and are acting upon it. According to research commissioned by the Dutch Ministry for Agriculture, the consumption of sustainable food in the Netherlands grew by 30% in 2010. Despite this impressive growth figure, the volume still only represents 3.5% of total food consumption in 2010 and leaves ample room for improvement. Another awareness indicator is given by the VBDO, a Dutch organization for the promotion of sustainable investment, which saw sustainable savings and investments from Dutch consumers grow by 6% in 2010 to a total of €17.7 billion. This is 4.5% of the total savings and investments market (2009: 4.4%). This growth has now established, despite the government's decision to end several key fiscal subsidy schemes.

5.2 Supporting Business Leadership

CSR Netherlands (MVO Nederland), a national expertise centre on Corporate Social Responsibility (CSR), was established in response to the OECD Guidelines on Multinational Enterprises. Currently trade associations, employer organizations, individual companies, NGOs, research institutions, the education sector and other government sectors are all members of CSR Netherlands. Rather than detailed regulations, the Dutch government uses the *Transparency Benchmark* as a policy instrument to promote transparency on CSR issues. The benchmark monitors the transparency of 500 companies in relation to sustainability issues. The rating is based on various criteria, including strategy and policy, results, management structure, reporting and involvement of stakeholders. The criteria are based on Guideline 400 on the Annual Report and the Dutch Guide to Sustainability Report, both issued by the Dutch Accounting Standards Board.

Business responsibility

Dutch multinationals play an important role in the Dow Jones Sustainability Index. To some extent this can be explained by the aforementioned culture of seeking consensus and dialogue with key stakeholders and the tendency to create stakeholder value – not only in politics, but also in business. This has enabled an integrated approach towards sustainability. Responsibility has been delegated to and assumed by companies rather than being imposed on businesses through strict regulation.
The strong inclination to assign environmental responsibilities to businesses was already reflected in the first national environmental plan (*Nationaal Milieubeleidsplan - NMP*), published in 1989. The NMP promoted a pro-active stance among Dutch companies and resulted in a unique form of cooperation through voluntary agreements (covenants).

"With the global population growth going to 9 billion in 2050, we need to change our behavior. We need to look at the way we travel, use energy and consume natural resources. These changes need to take place, and they need to take place fast."

Ton Büchner
CEO, AkzoNobel

For instance, all NMP targets for the reduction of air or water pollution have been met.
The overarching role of CSR was discussed as an independent theme in government policy for the first time in March 2001, resulting in a publication entitled 'Corporate Social Responsibility: the government perspective'. The government intended to play a stimulating and facilitating role, defined in the most concrete and ambitious terms as possible. At approximately the same time, the European Commission published its first Green Paper on CSR.

European climate change targets

In 2008 the European Council agreed on joint climate targets. Member States agreed to reduce their emissions (in absolute terms) by at least 20% before 2020. If a global agreement is reached, the EU pledged to raise its overall reduction target for greenhouse gas emissions to 30% by 2020 compared with 1990 levels. In addition, Member States committed to attain a share of 20% for sustainable energy consumption by 2020. Finally, the EU strives to decrease its energy consumption by 20% compared with 1990.

Seven ambitions

In its Vision on Corporate Social Responsibility for 2008-2011 the Dutch government acknowledges that trends in CSR could help its wider acceptance. These trends include the move from niche market to mainstream, chain responsibility, the growing role of the financial sector and sustainable government procurement. The primary objective of the Dutch government's CSR policy is to influence the behavior of entrepreneurs and the overall attitude towards CSR. The government has formulated seven ambitions:

1. Continuing to promote knowledge and awareness, for example through CSR Netherlands.
2. Improving transparency and accountability. The Dutch government has offered active support to the Global Reporting Initiative (project financing and accommodation) and strives to have Dutch companies to be among the top players in Europe in the area of transparency about sustainability.
3. Focusing on the CSR boosters: the CSR front runners, NGOs, social partners, stakeholders, the financial sector, private funds and consumers.

"Sustainable flying is inevitable. Therefore, we need all our partners in the supply chain to make this happen."

Peter Hartman
CEO, KLM Royal Dutch Airlines

4. Linking CSR to innovation in order to incorporate sustainability in the day-to-day behavior of companies, citizens and as part of university research projects.
5. Strengthening international CSR diplomacy. For instance, compliance with the OECD Guidelines for Multinational Enterprises for companies participating in economic missions.
6. Getting to work on CSR in the international supply chain. Working with front runners to integrate CSR in the international chain and assume chain responsibility.
7. The government as a role model, including sustainable procurement.

Sustainable Trade Initiative

The *Initiatief Duurzame Handel* (Sustainable Trade Initiative), inspired by the Ethical Trading Initiative in the UK, was launched in 2007-2008 to promote CSR in the supply chain (serving ambition 6). It involves cooperation between government, labor unions, businesses and civil society, pushing international suppliers to adhere to codes of conduct and developing criteria for a sustainable supply chain. Currently approximately 200 companies are participating. Round Tables have been held for sustainable palm oil, soy, cocoa, coffee, tea, sugar, cotton and wood. In 2012 there will be a first evaluation of the Sustainable Trade Initiative results, which is seen as a very successful practical instrument to make international supply chains more sustainable. The Initiative will expand its activities abroad and seek co-financing from non-Dutch parties.

Role of sustainability procurement policy

Sustainable procurement policy should strengthen the position of CSR leaders and therefore act as an enabler (serving ambition 7). In 2007 a governmental Sustainable Purchasing program was launched, which involves a target of 100% sustainable procurement for the national government. The level reached in 2010 was 99.8%, according to the *Monitor Duurzaam Inkopen 2010* (2010 Sustainable Purchasing Monitor). Provinces had a target of 50% but actually sourced 96% of their purchases in a sustainable way. Municipalities had a target of 75% and reached 86-90% sustainable purchasing. District water boards, universities and other higher educational and vocational institutions all met their respective targets. In 2015 all government departments should reach the 100% mark. The Monitor only takes into account tenders for an amount larger than €50,000, excluding VAT. There will be some changes in procurement policy, aimed at achieving specific outcomes rather than meeting checklist criteria.

"FrieslandCampina wants to take responsibility, in thought and deed, for the world worked in and lived in by the current and future generations."

Cees 't Hart
CEO, FrieslandCampina

Corporate Governance Code

The Dutch Corporate Governance Code aims to encourage proper conduct for business managers and supervisory board members, based on the "comply or explain" principle. As such, it places more emphasis on how they perform their duties in practice than on how they account for their actions in retrospect. The decisive factor in the operation of the Corporate Governance Code is not strict compliance with the letter of the code (box ticking) but the extent to which all parties concerned act in accordance with the spirit of the Code. Corporate Social Responsibility is one of the main topics in the Code.

Role of covenants

Covenants are voluntary agreements between the government and businesses which allow the latter to set commitments without immediate regulatory enforcement. In the *Convenant Verpakkingen* (Packaging Covenant) from 1991, one of the first examples of its kind, over 300 companies and the government agreed to reduce the use of packaging materials and promote recycling. This was followed by European legislation in 1994. Another example is the *Convenant Glastuinbouw & Milieu* (Horticulture & Environment Covenant) from 1997, in which farmers committed to reducing CO_2 emissions and the use of fertilizers. This, too, was followed by legislation (in 2001). As such, covenants can be seen as a first attempt to comply on a voluntary basis, setting the stage for legislation further down the road.

The Social and Economic Council (SER)

The Social and Economic Council is an advisory and consultative body of employers' representatives, union representatives and independent experts. It aims to help build social consensus on national and international socio-economic issues. The SER is sometimes used to pre-empt or stonewall legislation, through the emphasis on consensus.

Its influence on governmental CSR policy has been profound. In 2000, the SER advisory report called *De winst van waarden* (Profit in Values) led to the government discussing CSR as an independent theme in its March 2001 document 'Corporate Social Responsibility: the government perspective'. Since then, the scope has expanded. In 2008 the SER issued an advisory report *Duurzame Globalisering* (On Sustainable Globalization: A World to be Won), identifying four paths towards sustainable globalization. In November 2008 the SER issued the *Verklaring Internationaal MVO*, an international CSR declaration focusing on sustainable chains, hence the need for companies to get involved with their suppliers. The SER stimulates parties to expand their responsibility to cover the entire chain. Agreements to that effect have been reached between employers' associations, labor unions and NGOs.

Top sector approach

The Ministry for Economic Affairs, Agriculture & Innovation has identified a number of priority sectors that will enjoy preferential treatment to support their business model. The current the priority sectors have been named: AgroFood, Horticulture, High-Tech, Energy, Logistics (Rotterdam/Schiphol), Creative Industry, Life Sciences, Chemistry and Water. A common feature of all priority sectors is their strong international competitive position and the close partnerships between business and science. Another characteristic is that the products or technologies of each sector contribute to the solution of societal issues. For each sector a top team has been assembled, consisting of an innovative SME entrepreneur, a scientist, a civil servant and a standard bearer from the sector. Every sector also should pay attention to sustainability in its action plan. The priority sectors approach as a whole will be aligned with Europe's Horizon 2020 agenda.

Digital Gateway to Europe

With €55 billion in turnover and a growth of 2.6% a year, the Dutch ICT market is relatively large to European standards. The consumer market is mature. One of the sector's key strengths is its sound infrastructure. Thanks to the strong national networks and international connections, the Netherlands already serves as the digital gateway to Europe. The Dutch financial services sector benefited from this infrastructure when it introduced the Interpay platform with its practical applications such as PIN, Chipknip, and mobile for payments by customers and businesses. Similar innovative platforms will be created to support the innovative strength of the top sectors above in relation to logistics, agriculture, media and healthcare.

Green Deals

The former Balkenende IV Cabinet and employers' association VNO-NCW concluded a sustainability agreement in 2007. Innovation was key in this agreement, to make the economy greener.
The Rutte Cabinet likewise focused on agreements with civil society and has concluded Green Deals, with government and companies working together to stimulate and facilitate sustainable entrepreneurship and green growth.

The national government helps citizens, businesses, social organizations or other public authorities (municipalities) realize local sustainable projects in the areas of energy conservation, renewable energy, sustainable mobility and sustainable use of raw materials and water. The Dutch government wants to eliminate problems such as uncertainty about permits, inability to find partners or unclear regulations. Meanwhile, 59 of these Green Deals have been signed.

“We cannot be successful,
nor call ourselves successful,
in a society that fails.”

Feike Sijbesma
CEO, Royal DSM

Finally

In a speech (Trilateral Commission, The Hague, 12 November 2011) the Dutch Minister of Economic Affairs, Agriculture and Innovation, Maxime Verhagen, expressed his strong belief in a combination of green and growth. “Innovation serves a double purpose. We need it in order to strengthen our economy and develop attractive, affordable, sustainable solutions for the challenges of today and tomorrow. Challenges as diverse as climate change, an ageing population, shortages of raw materials and energy, feeding nine billion people and combating HIV/AIDS. Sustainability, to me, is both an end in itself and a means to an end. We simply have to tackle climate change and food issues. At the same time, new sustainable solutions will lead to more growth and competitiveness, which in turn will help us develop new and better sustainable solutions. So green and growth go together.”

Rhineland model or consultation economy?

In the Netherlands, many people regard the national economy as a good example of the Rhineland model, which can be defined as a combination of the Anglo-American Model and a Social Market Economy. The idea behind the Rhineland model is that it strikes a balance between social and environmental responsibility and free market forces. Social justice must be guaranteed by society. Cooperation rather than competition is the keyword: economic security before economic flexibility. The SER’s chairman Alexander Rinnooy Kan prefers the term “consultation economy”, in which mutual coordination of policies can improve social and economic performance.

According to Rinnooy Kan, the mutual coordination of policies explains why institutionalized arrangements - to adopt voluntary restrictions on behavior, build mutual trust, lower transaction costs and avoid damaging conflicts - have been set up in the Netherlands. In the Rhineland model, businesses are basically regarded as a long-term form of cooperation between stakeholders. This in itself can be seen as a part of CSR.

Former Prime Minister and current DSGC Chairman Jan Peter Balkenende claims that a revised Rhineland model, the Rhine Delta Model, can help meet the challenges of the current economic crisis. Balkenende sees a mosaic of different societal groups, organizations and communities that have worked and lived together for a century – not for any romantic reasons, but because they recognize the interest of others in reaching a solution.

6 Conclusion and Recommendations

It is becoming increasingly clear that the global economic, social and environmental challenges require a transformation of the role of companies in society, not only in transforming their activities, but also in changing the vision on value creation.

The new value creation is about:

- Creating value for customers, shareholders, employees, society and suppliers in relation to economic. social and environmental issues;
- Creating value for current and future generations;
- Creating value in a sustainable way, including stewardship;
- Creating value in continuity in a serving, non-exploiting way;
- Creating value genuinely.

If acted upon properly, the global challenges combined with the revised focus on value creation can lead to new business opportunities in terms of creating new markets, products and services and improved operational performance. The focus on value creation does not stop at the boundaries of the organization but enhances the full value chain. Innovation is an important driver of future business opportunities and stakeholder value. Businesses are no longer operating in isolation. Through partnerships with governments, non-governmental organizations and other business partners innovative solutions are developed to improve the quality of life not just for our own generation but also for those to come. This will be the sustainable business model of the future. Chapter 4 includes examples of such innovative solutions.

To drive sustainable growth business models it is recommended to address:

- **Awareness:** it is important to create awareness of the key challenges that will impact the business, and of the opportunities that may arise from this. Different organizations such as the World Business Council for Sustainable Development and, in the Netherlands, CSR Netherlands (MVO Nederland) help companies gain insight into the key challenges that may impact their business and, as such, help to create awareness within the organization. On a product (group) level, a life cycle analysis may help to identify the biggest impacts and the related key risks and business opportunities;

- **Leadership:** inspirational leadership is needed to co-create new business strategies and achieve sufficient commitment - both top down and bottom up;
- **Values:** it is essential to explicitly clarify the company's values, and to indicate how the values are structurally embedded within the company's policies, identity and culture;
- **Strategy:** a sustainable growth strategy requires a clear vision, measurable targets and Key Performance Indicators and a practical roadmap for actions on the short, middle and longer term;
- **Embedding:** to achieve the targets in the sustainable growth strategy, tasks and responsibilities must be embedded within line management. Furthermore, resources need to be dedicated for innovation;
- **Engagement:** engagement with internal and external stakeholders is crucial for securing a sense of shared commitment to reach the common purpose: a more sustainable society;
- **Reporting:** reporting about the strategy, targets, actions and value created is necessary to support better informed decisions. This applies both internally and externally (i.e. investors, customers and consumers, business partners and other stakeholders).

Investing in sustainable growth requires a long-term horizon. Trust among customers, investors and governments is therefore essential. It supports businesses that have adopted a proactive strategy towards stakeholder value creation. As it may take some time for this value to materialize, it is key to shift away from a sole focus on short term profit and cost minimization. Customers can reflect trust through an open attitude to the value that is added by more sustainable products, and can become aware of how sustainable products create benefits for themselves *and* society at large. Investors can reflect trust through a more long-term perspective in their investment decisions and a focus on the full value created. Governments can express trust by taking away barriers for sustainable growth and by supporting business with a more coherent long-term approach towards sustainability. It is apparent that the sustainable growth strategy is beneficial to business and society in the long term and is the way forward. The examples in this publication provide inspiration to move along this path and co-create a sustainable society for the future.

Appendix:

Company Overviews

AkzoNobel

Mission, vision and strategy

AkzoNobel's strategic vision is to be the world's leading coatings and specialty chemicals company. The company has formulated a set of values and value ambitions that support this vision. These ambitions include accelerated (value) and sustainable (values) growth. The growth ambitions include (1) revenue growth to €20 billion; (2) annual increase in EBITDA, maintaining a 13-15% margin; (3) reduction in OWC (operating working capital) percentage of revenue by 0.5 per annum towards 12%; and (4) stable or rising dividend distributions. The associated sustainability ambitions include (1) top quartile safety performance; (2) top three position in the SAM benchmark; (3) top quartile performance in diversity, employee engagement and talent development; and (4) top quartile eco-efficiency improvement rate.

Embedding sustainability

AkzoNobel is committed to reducing its impact on the planet and delivering more sustainable products and solutions to its customers. This can only be done, however, if sustainability is at the heart of everything the company does. The AkzoNobel sustainability framework maps out a progression towards fully integrated sustainability. The framework distinguishes three levels which include environmental, economic and social aspects. The focus has shifted away from an emphasis purely on risks – working on integrity, governance and compliance – towards driving opportunities for value creation through process excellence, innovation and talent development. AkzoNobel has established a Sustainability Council which advises the Executive Committee on strategy development, monitors the integration of sustainability into management processes and oversees the company's sustainability targets and overall performance. The Council includes representatives from the Executive Committee, General Managers, Corporate Directors of Strategy, Research, Development and Innovation (RD&I), Sourcing, Human Resources (HR), Communications and Sustainability. The Corporate Director for Sustainability (including Health, Safety, Environment and Security) reports directly to the CEO and leads a small team, including an expert group focusing on life cycle assessment.

Stakeholder dialogue

AkzoNobel recognizes that in view of the scope of its activities and its public role, proper communication with its various groups of stakeholders is essential. In many cases the company works together with stakeholders to improve products and/or business concepts.

Focusing on its customers' future first, one of AkzoNobel's core values, is probably the most prominent aspect of AkzoNobel's stakeholder engagement. However, relations with suppliers are vital to optimize sustainability aspects and unlock business value along the value chain. Investors and analysts, governments and industry associations, non-governmental and sustainability organizations, neighbors, the general public and the media are other important stakeholders. AkzoNobel provides them with information and maintains constructive relationships with them.

Reporting

The company fosters transparency and attaches considerable value to open and trustworthy communication with stakeholders through Reporting and Verification. AkzoNobel publishes an integrated report based on the GRI (Global Reporting Initiative) guidelines and is part of the SAM Dow Jones Sustainability Index.

DSM

DSM
BRIGHT SCIENCE. BRIGHTER LIVING.

Mission, vision and strategy

DSM's mission is to create brighter lives for today's and tomorrow's generations. Its strategy is to respond to three global "megatrends" that it has identified: (1) global shifts of prosperity and consumer demand (both geographically and demographically), (2) climate and energy, and (3) health and wellness. DSM strives to connect competences in Life Sciences and Materials Sciences (and cross-fertilization) to create shared value for all stakeholders. These trends create new needs for millions of people around the world. DSM's mission is to meet these needs by providing innovative and sustainable solutions. The organization has set aspirations for the 2011-2015 period. DSM's strategy follows a triple bottom line (people, planet and profit) to guide the organization to realize these goals.

Embedding sustainability

Sustainability and Innovation are two of DSM's overall strategic growth drivers, the other two being High-Growth Economies and Acquisitions & Partnerships. The One DSM Culture Agenda further embeds sustainability into the organization. This program aims to connect business organizations, regional organizations, functional excellence groups and shared services and is geared towards speeding up execution to support this sustainable growth strategy. The change agenda focuses on building visible, inspirational leadership to guide DSM's mission and strategy. The implementation of the sustainability strategy focuses on developing and providing products and services that have better ecological performance over the life cycle (Eco+) and more positive impact on people (People+) than competing products and services. This drives DSM's innovation.

Sustainability is organized in a functional network supported by the Corporate Sustainability department, which reports to the Senior Vice President of Corporate Affairs. The latter, in turn, reports directly to the Chairman of the Managing Board. The broader Managing Board is involved with sustainability and individual members chair specific projects or areas. A variety of sustainability (supervisory) committees, business groups and champion networks are in place to ensure ongoing commitment, both top-down and bottom-up. DSM has linked remuneration policies to sustainability targets for its employees and Managing Board. Risk management includes sustainability aspects in three areas: safety and health policies (aim: zero injuries or work-related illnesses), ethical business conduct (zero tolerance) and stakeholder relations, reputation, sustainability and social responsibility.

Stakeholder dialogue

Stakeholder engagement is considered of strategic importance to DSM. DSM addresses stakeholder needs and issues and seeks recognition as thought leader on selected topics. The key stakeholder groups with which DSM engages are shareholders, customers, suppliers, local communities, industry peers, governments, NGOs, special interest groups and of course its own employees. DSM's strategy, built around the three aforementioned megatrends, was influenced by the company's continuous monitoring of – and dialogue with – stakeholders. In order to meet its strategic stakeholder engagement objectives, DSM engages with relevant stakeholders on hidden hunger, food safety and quality, industrial biotechnology, climate change, water management, sustainable biomass, careers and employment, value chains and role of business in society.

Reporting

DSM publishes an integrated report with GRI A+ status. In the Netherlands it received a special transparency award of the Ministry of Economic Affairs, Innovation and Agriculture (Transparantiebenchmark) for the quality of its report. DSM has headed the chemical sector of the Dow Jones Sustainability Index for six times in eight years.

FrieslandCampina

Mission, vision and strategy

The strategy is laid down in Route2020. First and foremost, FrieslandCampina aims to achieve growth in a climate-neutral way. The CSR strategy focuses on four priority areas: Health & Nutrition (by combating obesity and undernourishment), Responsible Dairy Farming (by developing standards in the field of responsible dairy farming), Sustainable Supply Chain (through the more efficient use of raw materials and resources) and Dairy Development Asia & Africa (by helping dairy farmers improve milk quality, productivity and business operations).

Embedding sustainability

CSR plays a key role in Route2020. FrieslandCampina's CSR program comes under the responsibility of the Corporate Environment & Sustainability Department and the Corporate Social Responsibility Board. The CEO and Chairman are part of the CSR Board.

The Corporate Environment & Sustainability Department reports to the Corporate Public & Quality Affairs Department and is responsible for formulating and updating the CSR strategy and program, formulating environmental policy, work safety and fire prevention, coordinating the implementation of the CSR program and communicating it to external stakeholders. The CSR Board and the Corporate Environment & Sustainability Department are jointly responsible for informing the Executive Board and the management teams of the business groups and operating companies. KPIs, targets and action plans have been developed or will be developed in the coming years. CSR is implemented throughout the entire organization via the CSR Governance Board, the sustainability coordination team and four implementation teams.

Stakeholder dialogue

FrieslandCampina can only achieve its CSR goals by engaging in dialogue with all stakeholders. These include, firstly, its member dairy farmers and employees, consumers and customers in the industry and trading sectors. Secondly, the communities in which FrieslandCampina operates and where FrieslandCampina maintains relationships with social organizations, the authorities, partners and other stakeholders including WWF, Solidaridad and Stichting Natuur & Milieu. In addition, FrieslandCampina participates in several covenants and sustainable initiatives. For instance, in the Netherlands FrieslandCampina is a signatory to the Integrated Environmental Terms of Reference Covenant *(Convenant Integrale Milieu Taakstelling)*, the multi-year energy-efficiency agreement *(Meerjarenafspraak energiebesparing MJA3)*, and the Clean and Economical Agricultural Sectors Covenant (Covenant Schone en Zuinige Agrosectoren). FrieslandCampina also participates in the

Sustainable Agriculture Initiative Platform, the Round Table on Responsible Soy and the Round Table on Sustainable Palm Oil.

Reporting

The 2010 CSR Report was compiled in accordance with the GRI's guidelines and level B requirements (self-declared).

HEINEKEN

Mission, vision and strategy

HEINEKEN's sustainability strategy is laid down in its "Brewing a Better Future" program. The company has set out three strategic imperatives around which 23 programs are built: 1. Continuously improve the environmental impact of its brands and business. 2. Empower people and the communities in which the companies operate. 3. Positively impact the role of beer in society. Environmental impact targets include reduction of direct and indirect CO2 emissions in breweries by at least 40% and water consumption by at least 25% by 2020. Concerning the third strategic imperative, HEINEKEN will strengthen its approach to responsible consumption by ensuring partnerships, by 2015, with all markets to help HEINEKEN play its part in the reduction of alcohol abuse. All operating companies will compile and issue their own local sustainability report by 2015. HEINEKEN is a member of the UN Global Compact and Global Compact LEAD to support the United Nations Millennium Development Goals. It also subscribes to the UN Water Mandate. HEINEKEN supports partnerships with suppliers on the achievement of common sustainability goals. Its goal is to be the world's greenest international brewer.

Embedding sustainability

Brewing a Better Future is governed by a Steering Committee that meets every quarter and consists of the Chief Corporate Relations Officer (chair), the Regional President for Africa and Middle East, the Chief Supply Chain Officer, the Chief Commercial Officer and the Chief Human Resources Officer. On a day-to-day basis, Brewing a Better Future is governed by a team of representatives from the Supply Chain, Commerce, HR, Control & Accounting and Corporate Relations functions. The team is chaired by the Global Sustainable Development Manager. Each individual program is led by a workstream leader from one of HEINEKEN's global functions. Progress features regularly on the Executive Committee agenda and on the agenda of every management team in HEINEKEN's operating businesses. Each market has developed its own three-year plan for achieving Brewing a Better Future goals.

Stakeholder dialogue

Stakeholders are vital for HEINEKEN in its Brewing a Better Future journey. The stakeholder dialogue includes employees, employee representatives, investors, shareholder associations and NGOs such as WWF, Oxfam Novib, the International Labor Organization (ILO), Amnesty International and Stichting Onderzoek Multinationale Ondernemingen (SOMO). In addition to other memberships, HEINEKEN is on the private sector constituency of the Coordinating Board for the Global Fund against Aids, TB and Malaria and is a member of the Stop TB Partnership. As an Industry Partnership with the World Economic Forum, it has an interest in the New Vision for Agriculture, the Future Water Needs project and the Working towards Wellness group.

Reporting

HEINEKEN publishes a sustainability report based on the GRI guidelines. Due to HEINEKEN's drive for transparency, the main markets all deliver sustainability reports for their local stakeholders.

KLM

Mission, vision and strategy

It is AIR FRANCE KLM's ambition "to be the leader in globalized sustainable air transport". The company's focus is on expanding the Group's three businesses, strengthening the position of its network and brands, providing customers with a quality service and operational performance, promoting the Group's values among employees and strengthening its economic performance. Sustainable development is at the heart of the Group's strategy. By mobilizing all of its resources and employees, and through a pioneering and pragmatic approach, KLM, together with Air France, sets the standard in terms of CSR and strives to remain a frontrunner in the airline industry. AIR FRANCE KLM works on four CSR key issues: minimizing its environmental footprint, building sustainable relationships with its customers, pursuing a responsible human resources policy and contributing to local development.

Embedding sustainability at KLM

Sustainable development is increasingly an integral part of KLM's business operations. The goal is to fully integrate sustainability into all divisions and at all levels. At KLM, CSR management is guaranteed at Board level and the CSR department is responsible for policy and deployment in the organization, from senior management priorities to implementation via unit action plans. At KLM Executive level a CSR Council has been established, which meets every quarter. This Council, made up of several executives and senior managers, advises the Board of Directors and Executive Committee on CSR policy. KLM has built CSR indicators into the variable remuneration of all the company's senior executives. Finally, the risks and challenges related to CSR are integrated into the Group's three-year strategic plan.

Stakeholder dialogue

Listening and sharing play a major part in KLM's commitment, both in order to identify and to implement CSR issues. KLM has set up several forms of dialogue, such as customer surveys, internal/external events and shareholder meetings. This ongoing dialogue enables the company to generate the necessary feedback, to know if it is on the right track and to further shape its policy.

Reporting

AIR FRANCE KLM publishes a CSR report with GRI status. Furthermore, AIR FRANCE KLM has topped the Dow Jones Sustainability Index for the airline sector for seven years in a row, and has been declared Supersector Leader in the Travel and Leisure category for the third time.

PHILIPS

Philips

Mission, vision and strategy

Philips' mission is to "improve the quality of people's lives through timely introduction of meaningful innovations." Philips' vision adds: "In a world where complexity increasingly touches every aspect of our daily lives, we will lead in bringing sense and simplicity to people." This is translated into Philips' ambition "(....) to be a global leader in health and well-being, becoming the preferred brand in the majority of our chosen markets. We believe Philips is uniquely positioned for growth through its ability to simply make a difference to people's lives with meaningful, sustainable innovations." Its strategy is to strengthen its existing leadership positions while expanding promising businesses to become leaders in the chosen markets in healthcare, lighting and consumer lifestyle. This strategy is supported by a continued focus on emerging markets and a commitment to being a leading company in matters of sustainability. Philips' sustainability goals are (1) to bring care to 500 million people, (2) to improve the energy efficiency of the overall portfolio by 50%, and (3) to double the amount of recycled material in its products as well as double the collection and recycling of Philips products.

Embedding sustainability

Sustainability has become an integral part of Philips' overall strategy and an additional driver of growth with the inclusion of its Ecovision 5 program. Philips aims to deliver sustainable innovations: i.e. green innovations which focus on reducing the environmental footprint of Philips products and social innovations which contribute to the improvement of the Human Development Index. Furthermore, sustainability is embedded in the organization through various codes of conduct.
At corporate level, the Sustainability Board acts as an advisory body of the Philips Executive Committee and meets every quarter. The Board is chaired by the Chief Strategy and Innovation Officer, member of the Executive Committee, who has overall responsibility for the subject. Three other members of the Executive Committee, sector executives and the global head of the Corporate Sustainability Office complete the Sustainability Board. The global head of the Corporate Sustainability Office reports to the chair of the Sustainability Board. This Office is responsible for trend analysis, strategy, policy and action plan development, as well as internal and external reporting and has a cross functional leadership role for the global sustainability network in sectors, functions, and markets.

Stakeholder dialogue

Philips has set up a dedicated Professional and Public Affairs team that steers and professionalizes the company's stakeholder engagement. The Philips Center for Health and Well-being operates a research program that seeks to address key societal issues and solutions on themes such as healthy and active ageing, livable cities and healthy lifestyle, and brings together experts from academia, practice and politics in think tanks.

Reporting

Philips publishes an integrated report with GRI status and uses dedicated reporting tools on the various Ecovision 5 targets. Philips was the leading business of the Personal and Households Goods category in the 2011 Dow Jones Sustainability Index.

Shell

Mission, vision and strategy

Globally, there is a sustained and long-term demand for all forms of energy. The global energy demand could double by 2050. Shell's aim is to help meet society's energy needs in ways that are economically, environmentally and socially responsible. Shell's upstream division in particular focuses on exploring for new oil and gas reserves. Shell believes fossil fuels will continue to provide the bulk of energy supply with a greater role to play for cleaner-burning natural gas. It will take time for new energy resources to grow. Consequently, in 2012 Shell expects to produce more gas than oil for the first time, with most of the gas supplies conventionally produced, and believes that gas can be seen as a bridging fuel. Renewable energy, including low-carbon biofuels for transport, will also increase steadily. Shell's growth agenda centers around Liquefied Natural Gas (LNG), deep water oil and gas drilling, tight gas, liquids-rich shales and traditional plays. Net capital investment in 2012 will amount to approximately $30 billion.

Embedding sustainability

Shell's Corporate and Social Responsibility Committee assesses the company's policies and performance with respect to its Business Principles (which include sustainable development), a Code of Conduct and HSSE (Health, Safety, Security & Environment) & SP (Social Performance) standards. The Committee is made up of four non-executive Directors and meets quarterly. The Chief Executive is accountable for sustainable development and chairs the HSSE and SP Executive, which reviews environmental and social performance. Each business is responsible for complying with environmental and social requirements and achieving specific targets. Sustainable development counts for 20% of the Shell Scorecard which is used in determining senior level bonuses. In the joint ventures which it does not control or operate, Shell encourages the entity to operate in line with Shell's principles and apply equivalent standards. For any new project, environmental and social factors are considered and an integrated environmental, health and social impact assessment is carried out before work starts.

Stakeholder dialogue

In its Business Principles, Shell distinguishes five areas of responsibility: shareholders, customers, employees, suppliers & associates, and society. In 2011, Shell developed its Shell Supplier Principles, one of which requires suppliers to use energy and natural resources efficiently and continuously look for ways to minimize waste. Shell works closely with leading environmental organizations including the International Union for Conservation of Nature (IUCN), Wetlands International, The Nature Conservancy and Earthwatch. Shell also supports the Global Alliance for Clean Cookstoves, which provides access to cleaner and safer ways of cooking to communities in developing countries, and the Shell LiveWIRE program to develop local enterprises.

Reporting

Shell is a founding member of the UN Global Compact and a signatory to the Global Compact LEAD. Shell publishes an annual sustainability report and has it assessed by an External Review Committee. Shell has reported voluntarily on its environmental and social performance since 1997. Reports are in accordance with GRI guidelines (A+ status) and with oil and gas industry guidelines developed by the International Petroleum Industry Environmental Conservation Association (IPIECA), the American Petroleum Institute (API) and the International Association of Oil & Gas Producers (OGP).

Unilever

Mission, vision and strategy

Unilever's vision is to create a better future in which people can improve their quality of life without increasing their environmental footprint. The central objectives of the Unilever Sustainable Living Plan are to decouple growth from the company's environmental impact, while at the same time increasing its positive social impacts. The Plan will result in three significant outcomes by 2020: improved health and well-being for more than a billion people; a 50% reduction of the environmental footprint of Unilver's products; and 100% of the company's agricultural raw materials sourced sustainably.

Embedding sustainability

Unilever's Board Committee for Corporate Responsibility and Reputation reviews the progress of the Unilever Sustainable Living Plan. Every quarter the Unilever Leadership Executive – led by the company's CEO – monitors delivery. The Unilever Leadership Executive is responsible for the strategic and operational leadership of the business, and is supported by the Unilever Sustainable

Living Plan Steering Team, which represents a wide range of functions including R&D, procurement, marketing and customer development. The Steering Team and Board Committee benefit from the insights of the Unilever Sustainable Development Group – a group of external specialists in corporate responsibility and sustainability who guide and critique the development of Unilever's sustainability strategy. Each of the main elements of the plan is led by a senior executive. Implementation is rooted in Unilever's operating companies. This governance structure is supported by a team at corporate headquarters in London, led by Unilever's Senior Vice-President for Sustainability.

Stakeholder dialogue

Unilever engages in a collaborative, multi-stakeholder approach. In order to fulfill its mission, Unilever needs to work in partnership. Stakeholders include NGOs, governments and UN agencies. One example is the coalition to promote sustainable palm oil, which consists of businesses, Greenpeace, Oxfam and WWF. Launched in 2012, the Unilever Foundation is dedicated to improving quality of life through the provision of hygiene, sanitation, access to clean drinking water, basic nutrition and enhancing self-esteem. The Foundation partners with five leading global organizations: Oxfam, PSI, Save the Children, UNICEF, and the World Food Program. By working together, we will be able to expand the delivery of life-saving solutions to drive systemic and scalable social change. Unilever is a founding signatory of the UN Global Compact and CEO Paul Polman sits on its board. He is also a member of the board of Conservation International, Vice Chair of the WBCSD and a member of the SUN (Scaling Up Nutrition) Lead Group.

Reporting

Unilever will issue annual reports on its progress towards the milestones set out in its Unilever Sustainable Living Plan. The first report, the Unilever Sustainable Living Plan Progress Report 2011, was published in April 2012 and complemented by a detailed online report, self-assessed as B+ in GRI terms. In 2011 Unilever was sustainability leader in the Food Producers sector of the Dow Jones Sustainability Index for the thirteenth time.

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