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SUSTAINABLE EFFORTS



The world and its businesses face a daunting challenge in order to maintain life as we know it. The good news? Not all companies have their heads stuck in the ground

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he world as we know it is changing at a remarkable pace, dismissing the notion of ever again doing "business as usual." For starters, the global population is growing—and growing. And as it grows, natural resources are diminishing. This dynamic presents a "fight or flight" challenge to businesses. Smart businesses are choosing to fight by developing sustainable solutions, and they will likely prosper as a result. The businesses that flee, and don't adapt, could ultimately fail.

If that sounds a bit grim, there's a bright side: smart businesses are already prepping for the challenge. The global pursuit of sustainable technologies—also known as the "green race"—is indeed on. A number of countries, paced by China and its all-out resolve, along with a number of multinational corporations, have eagerly embraced the challenge, says Björn Stigson, president of the World Business Council for Sustainable Development

(WBCSD), one of the world's most influential business coalitions. Others, he adds, such as the U.S. and many in Europe, have some catching up to do.

In any event, businesses are not participating in the green race because they strive for environmental accolades, but rather because they understand that the business paradigm is shifting and the pressures on their markets and resources are growing, reports the WBCSD. In 2010, companies pushed one another more than ever to be more sustainable—simply because it is fiscally responsible and benefits the bottom line. However, to succeed in the future, business and government must partner on sustainable development, according to the organization. Governments must implement frameworks that incentivize businesses to stimulate green innovation and technology in order to create a sustainable market. By

2030, \$40 trillion will need to be invested in urban infrastructure worldwide, notes Stigson, adding that nations that don't understand this dynamic will suffer or even fail.

One example of the power of such a partnership occurred in the early 1990s, when Eskom, a public electricity utility in South Africa, in conjunction with its shareholder, the South African government, initiated an electrification program to help offset the fact that only about 50 percent of South Africans had access to electricity, says Dr. Steve Lennon, the company's managing director for corporate services. Today, that number has grown to 70 percent. And it's not as if Eskom was motivated to action by the potential for a financial windfall. "We were giving access to the poorest of the poor, so we knew it wouldn't help our revenues and would, in fact, cost us money," says Lennon. However, he added,

Eskom was compelled by the idea that providing citizens with electricity effectively leaptfrogged them technologically, giving them access to services like health care and communications.

FACING THE CHALLENGE

Last year, the WBCSD presented a report, *Vision 2050*, as a business response to the sustainability challenges the world faces, intended to help shape the sustainability agenda (and perhaps representing a signal to those disinclined to recognize the long-term impact of the issue). *Vision 2050* contemplates what the world will look like if such challenges are not tackled. With population growth estimated at 30 percent between now and 2050, and nearly 70 percent of people expected to be living in urban areas, it is clear that building and maintaining cities, infrastructures and livelihoods present an opportunity for investment, while the competition for limited resources grows.

"We were giving access to electricity to the poorest of the poor, so we knew it wouldn't help our revenues, and would, in fact, cost us money."



Power lines above a field of maize in Delmas, South Africa. In the next decade, Eskom will add 18,000 megawatts of generation capacity.

Ultimately, winning the green race will mean transforming the world market—inventing and creating demand for resource-efficient, low-pollution solutions that the world will need, Stigson notes. Moving aggressively, China has undertaken several initiatives, including the development of a five-year sustainability plan. Europe, which began building capabilities for green technology and demand earlier than China and is the world's leading exporter of green technology, is also proving formidable, says Stigson. However, to compete with China, and even Korea, "who are moving very fast," Europe must pick up the pace in its transformation process, he notes.

In the meantime, progress in the U.S. is being stymied by various political factors and the sluggish economy, and support for the regulatory framework necessary to transform green innovations into market demand has been slow to gel. Consequently, many investors are heading elsewhere, leaving America to fall farther behind in the race, Stigson says.

On the other hand, like Eskom, Paris-based Schneider Electric is buoyed by a supportive government. Once a product-centric business, the company is now largely focused on sustainability, gearing operations around energy management for customers. Schneider has developed an intelligent energy management platform called "EcoStruxure," and provides its customers with recommendations on minimizing energy use. "We help them better manage their property so they can drive down costs based on certain criteria, such as energy pricing, peak or off-peak demands and weather or temperature patterns. You can't manage what you can't control; we need visibility to provide customers information about where energy is consumed. What about to bring it to a tangible metric that applies to their business," says Jeff Drees, president of the company's U.S. operations.

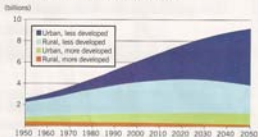
Ultimately, Drees feels business leaders want to be good corporate citizens in terms of management, but don't know where to begin. "We believe that there's a major gap around what's going on in the customer's operation relative to energy. The questions become: 'How much do they consume?' and, 'How does it compare to other operating expenses for their business?'"

Schneider's highly visible headquarters in Paris recently received the prestigious ISO 50001 designation, a stringently guided certification based on benchmarking energy efficiency and energy management best

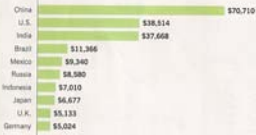
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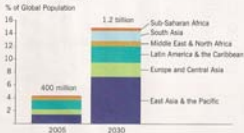
Global population by type of area and by region



Top 10 economies by GDP in 2050 (billions)



Population in low- and middle-income countries earning \$4,000-\$17,000 per capita



Chunghwa Telecom Cares

Taiwan's largest telecom company is committed to the local and global communities

In this age of perpetually shifting customer needs and a planet that is being stretched alarmingly close to its limits, it is more important than ever that companies such as Chunghwa Telecom (CHT) maintain steadfast dedication to meeting—and, in fact, far exceeding—corporate social responsibility (CSR) goals. CHT's social role has never been more satisfying and exciting to fulfil on both a personal and professional level, says Chairman and CEO Dr. Shyue-Cheng Lu (left, right).

One manifestation of CHT's corporate-wide vision with CSR is its consistent emphasis on thinking outside of the box. For instance, CHT—as a company that extends and grows alongside generations of Taiwanese people over the decades, and continues to foster a strong bond with the people, says Dr. Lu. Because of this strong relationship, the company is keenly aware of its social responsibilities as a service corporate citizen. In fact, CHT not only actively invests in telecommunications infrastructure in remote areas that will help those areas grow, but also continues to develop innovative products

designed to meet the needs of society at all levels, including the disadvantaged. Dr. Lu emphasizes.

In 2009, CHT specified new targets for energy savings, promising that by 2012 the amount of electricity the company consumed will be reduced by 12 percent compared to 2007 (including new facilities growth related to next-generation internet facilities—a reduction of 168 million kWh and 110,000 metric tons of CO₂). Together with local vendors, the company developed the EN Intelligent Energy Network and IT's Intelligent Transportation System services. The adoption of EN within CHT proved so welcome and efficient that the service was introduced to its corporate customers and overseas markets. Moving forward, the company also expects to choose only equipment that meets international green standards that have a compliance goal of 2015. Moreover, CHT is a member of the Green Touch Alliance (organized by AIGG) and makes efforts with international operators to cut the energy used by communications networks, demonstrating the efficiency of its sustainability program.

To further escalate its initiatives on the front, CHT has an eye on becoming a pioneer in information communication technology (ICT) in Southeast Asia, and aims to become an indispensable partner for sustainable development to customers, industries, the nation and all mankind, Dr. Lu notes. "In an era dominated by constant change, mastery of technological trends provides us with a fine foundation for expansion into other areas and the opportunity to use our corporate resources to make a contribution to society and the country."

In the big picture, CHT's commitment is especially important given the rate of global population growth and rising energy demands, which have placed unsustainable and potentially worrisome strain on the planet. Worldwide energy demand is expected to increase 50 percent by 2030, according to the International Energy Agency, necessitating the need to develop more sources of power and to make the resources the planet already has—such as fossil fuels, coal and natural gas—burn cleaner so they emit less carbon into the air. ■

In 2009, CHT was awarded the first prize of Taiwan CSR Awards by the Taiwan Institute for Sustainable Energy.





Energy use in buildings represents 40 to 50 percent of total energy use, says the WBCSD's Bjørn Stigson.

practices. The headquarters is the first building in the world to achieve this recognition, Stigson points out. Additionally, in the last five years Schneider has saved about \$28 million in energy costs among its North American manufacturing facilities. That's significant, since energy use in buildings represents 40 to 50 percent of total energy use, says Stigson. Furthermore, based on a cost-benefit analysis, Stigson believes it's possible to reduce energy use in buildings by half over the next 40 years, but achieving that goal will require stricter building codes and mandates that require energy-efficient structures. In most countries, however, such decisions are made at the local rather than federal level, which means local officials must make a commitment, as well.

GLOBAL PROGRESS

Arround the world, companies are taking action on the sustainability front. In Taiwan, Chunghwa Telecom, the nation's largest telecommunications company and one of the largest in Asia, has for many years provided specific energy-saving targets for energy efficiency in

buildings. "We have been proactively fulfilling our promise to society," says Dr. Shyue-Ching Lu, Chunghwa's chairman and CEO. "In 2006, we established a corporate social responsibility committee, which oversees the operations of our working groups, including sustainability," he explains. "We are committed to being the benchmark for domestic enterprises in Taiwan by carrying out the Taiwan Stock Exchange Corporation and Global Securities Market rules governing corporate social responsibility practices, in hopes of making the best contribution for the sustainable development of corporate management, people and society. We shall remain focused on our core business, emphasize our professional competency and improve operational efficiency. Our emphasis is on creating digital opportunities while at the same time providing environmental sustainability, in the expectation of becoming the most reliable and valuable provider of information and communications services."

In 2011, Chunghwa Telecom was named one of Asia's best-managed companies in a *Financial Asia* poll, the only telecommunications company from Taiwan to win this honor, and also won recognition in the category of "Best Corporate Social Responsibility."

Helping Lead the Way

At Chunghwa Telecom, leadership is a matter. The company takes great pride in its commitment to helping oversee long-term efforts to sustain the planet. As such, it is committed to being a partner in sustainable development for customers, industries, countries and markets. "Sustainability is a way of life at Chunghwa," says Shyue-Ching Lu, chairman and CEO. "We feel an intense sense of responsibility and commitment to the greater good of those we serve and want to do it in as healthy an environment as possible." ■



A Legacy of Sustainability

Sustainability is part of Edison's DNA,



says Dr. Steve Lemons, managing director for corporate services. Since the company's

inception it inherently long-term and decisive perspectives for decades. Edison considers it essential to anticipate and be ready to respond to even the most unexpected curves in the road. "Motivated by our absolute dedication to our customers and the long-term welfare of the planet, Edison is fundamentally bound to our sustainability initiative. It reflects our staunch commitment to backing our words with action," says Lemons. ■

ENERGY-EFFICIENT BUILDINGS

One problem businesses face in the race to sustainability is that energy-efficiency costs more up front, even though it's more cost-effective in the long run. According to a recent McKinsey & Co. study, energy-efficiency measures could net a gross savings of more than \$1 billion by 2020 for the U.S. alone, but would require an up-front investment of \$520 billion.

In 2008, the WBCSD launched the Energy Efficiency in Buildings Project, and, in 2009, introduced the Energy Efficiency in Buildings (EEB) Blueprint. To date, more than 200 organizations have signed on to the EEB. One company looking to improve energy efficiency in buildings is Johnson Controls, which helps customers reduce energy and operational costs by providing building management solutions. According to the Johnson Controls Energy Efficiency Indicator, the company's 7th annual survey of nearly 4,000 building owners and operators around the world, 64 percent of respondents in North America said energy management is important to them, and that energy cost savings, government incentives and enhanced public image are the biggest motivators for energy-efficiency investments.

Despite these benefits, however, consensus on solutions for energy issues has been unattainable at recent U.N. meetings, including a potential problem leading to the U.N. Conference on Sustainable Development (Rio+20) in Rio de Janeiro next June, says Slijpen. He admits it would have been difficult for government officials to reach any new, far-reaching conclusions pertaining to energy, but sees hope in the fact that the overall process is visible and includes considerable debate. The U.N. is calling 2012 the International Year for Sustainable Energy for All. 2.5 billion people on the planet currently lack basic electricity access.

Of course, climate is another key issue in the green race, but it's unclear whether enough can be done globally to avoid serious climate change. "We basically have a world where nobody's in charge, and the world is moving forward in its own way," says Slijpen. Encouraging nations, he claims, are weak government provisions that can't be depended upon to help manage climate issues going forward.

Further reflecting the times, while the principles of a sustainability study Exxon did in 2004 remain valid, St. Lamon-



Rain gardens help drain excess rain into the retention pond below at the renovated headquarters campus of Johnson Controls, Inc., in Skaneateles, N.Y.

Solar panels (left) at the same Johnson Controls campus. Lighted signage on the campus is solar-powered.



A young boy watches as water from a community well fills up a plastic jug in Wang County, Gansu Province, China. The drinkable water is pumped to him from the ground less than 10 feet away. Better water from local wells is unobtainable.

Many businesses require water to operate, but 20 percent of the world's population lack access to safe drinking water, and 40 percent are without adequate sanitation.

says Eskom has narrowed them significantly. In recent months, the company finalized a strategy to meet, at minimum, the detailed operational requirements of its environmental performance dealing with air and water quality. Additionally, Eskom is expanding on its commitment to a low-carbon future that, in 2004, essentially was ditched out as an aspiration, and now has progressed to the point where the organization has created a renewables business. Eskom has also started projects to reduce the CO₂ emissions from its coal plants, says Lennon.

Estimates show that 80 percent of investments in low-carbon technology will come from the private sector, but that this investment is at risk without a global movement and support toward a reduced emissions framework, according to the WBCSD.

Clay Neeson, vice president of Global Energy and Sustainability for Johnson

Controls Building Efficiency, was the only private sector business leader to address the U.N. during a recent discussion on the "Green Economy: A Pathway to Sustainable Development."

According to Neeson, unmet barriers continue to block investment in energy efficiency, including access to capital, insufficient returns on investment, uncertainty in savings and availability of technical expertise. In addition, says Neeson, government policy, at national and local levels, is critical to overcoming barriers. The Johnson Controls Institute for Building Efficiency is working to overcome some of those barriers by working with its partners to create an energy efficiency tool kit that will help developing countries develop strategies, define goals and create action plans. As a result, Johnson Controls is helping countries and businesses improve local economies and support sustainability.

THE WATER ISSUE

With population growth and economic development accelerating, fresh water is becoming scarcer. Nearly 20 percent of the world's population lack safe drinking water, and 40 percent are without adequate sanitation. In addition, numerous businesses depend on water to operate.

Eskom's standard operating procedure, supported by the South African government's expectations of environmental returns for the economy as a whole, include standards for water usage, discharges and emissions of sulfur dioxide. Formulated with environmental performance firmly in mind, says Dr. Lennon.

Ever asked, "Eskom admits attitudes are hard to change, but they must, because 'business cannot succeed in a society that fails. If you do what makes sense now, you'll have a set of options to consider [implementing] going forward," he says. "And the sooner you become that certain things will happen, the more you can do." In the meantime, given the overall political climate, things aren't happening with enough urgency to satisfy Siggen. "Unfortunately we may have to wait for crises significant enough to force people to act." ■