TRENDING TOPICS

CAN SUSTAINABILITY DRIVE GROWTH?

Trending Topics represents an executive summary compilation of news, information and perspective on matters affecting businesses and business leaders today. This insight is being provided to keep you up to date on the latest developments and trends influencing these topics. These views do not necessarily represent the views and opinions of PNC. For additional research on these topics, please consult the sources cited in this article.

Many U.S. companies are continuing to actively seek ways to reduce their use of fossil fuels and increase energy efficiency. These companies find their efforts save energy, reduce costs, improve their reputation, and strengthen their brand with consumers.

Wal-Mart, the world's largest retailer, first made a commitment to reduce greenhouse gas emissions in 2005. Since then, the company has improved the fuel efficiency of its delivery trucks, saving nearly $1 billion.[1] Wal-Mart also has made significant progress in converting its operations to renewable energy sources and is now the second largest commercial generator of solar power.[1]

As the world's largest grocer, Wal-Mart recognizes food production contributes to half of all greenhouse gas emissions. The company has teamed up with the Environmental Defense Fund to help persuade its suppliers to change their business practices to reduce emissions. "Project Gigaton" is Wal-Mart's latest initiative, aiming to convince suppliers to reduce greenhouse gas emissions by one billion metric tons by 2030.[1]

BENEFITS EXTEND BEYOND SAVINGS

Companies of all sizes can see the benefits of sustainable business practices. While cost savings may be the first incentive, other benefits driving growth and profitability are equally compelling:[2]

- ***Brand image and reputation*** — Researchers have found many consumers consider a company's impact on the environment when making purchasing decisions. Companies demonstrating strong track records in social, personal and environmental issues, and actively supporting their communities, tend to strengthen their reputation and improve brand awareness through their efforts.
- ***Risk mitigation*** — Global supply chains are at risk from natural disasters and civil conflicts arising from climate change. Disruptions in the supply chain can negatively affect production and force price increases. Organizations such as the Rainforest Alliance are helping food producers instill practices with their suppliers that limit the impact of climate volatility, reduce land degradation, and increase drought resilience, as well as improve output and productivity.
- ***Regulatory incentives*** — Many states and municipalities are instituting their own environmental regulations to protect local water, soil and air. Incorporating sustainable business practices into their operations can position companies as responsible corporate citizens in their communities. Self-regulation also makes it easier to adapt to new and increasing regulations over time.

Researchers have found companies with high environmental, social and governance ratings tend to outperform the market in the mid- and long-term ranges. As many boards and corporate executives are finding, sustainability initiatives can be very good for business.

- ***Workforce retention*** — Millennials make up the majority of the workforce, and they are especially attracted to companies with positive environmental and social values. A recent survey found 76% of millennials consider a company's track record on social and environmental issues when making a career decision and 83% expressed greater loyalty to companies that help them contribute to social and environmental issues.[3]
- ***Waste reduction*** — Re-engineering processes and products to use fewer raw materials can save money and reduce the amount of residual waste from production. It can have a broader impact on environmental efforts to conserve water, trees and forest habitats, and reduce air pollution.
- ***Innovation*** — Redesigning products to meet stricter environmental standards, minimize waste, or use raw materials more effectively can open up new business opportunities.

  Large companies such as Nike, 3M and Procter & Gamble have made changes to their materials, equipment, processes and waste recycling to create sustainable products.[4] These efforts have paid off by improving quality, increasing productivity, reducing environmental impact and cost, strengthening corporate branding, and increasing global competitiveness.

Sustainability can be an effective long-term strategy for growth and an approach that satisfies employees, shareholders and other stakeholders and attracts investors. Researchers have found companies with high environmental, social and governance ratings tend to outperform the market in the mid- and long-term ranges. As many boards and corporate executives are finding, sustainability initiatives can be very good for business.

To discuss these topics in more detail, please contact your PNC Relationship Manager.

1 "Large companies see payoffs in sustainability," a PBS NewsHour special report presented by Stephanie Sy, Sept. 17, 2017. Transcript available at: https://www.pbs.org/newshour/show/large-companies-see-payoffs-sustainability#transcript

2 "6 Benefits of Becoming a Sustainable Business," guest blog post by Michael Rogers, Environmentalleader.com, March 29, 2016. Available at: https://www.environmentalleader.com/2016/03/6-benefits-of-becoming-a-sustainable-business/ and "The Comprehensive Business Case for Sustainability," by Tensie Whelan and Carly Fink, *Harvard Business Review*, Oct. 21, 2016. Available at: https://hbr.org/2016/10/the-comprehensive-business-case-for-sustainability

3 "3/4 of Millennials Would Take a Pay Cut to Work for a Socially Responsible Company," Sustainable Brands, Nov. 2, 2016. Available at: http://www.sustainablebrands.com/news_and_views/organizational_change/sustainable_brands/34_millennials_would_take_pay_cut_work_socia

4 The Comprehensive Business Case for Sustainability," by Tensie Whelan and Carly Fink, *Harvard Business Review*, Oct. 21, 2016. Available at: https://hbr.org/2016/10/the-comprehensive-business-case-for-sustainability

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