



The effect of the economic downturn on corporate sustainability strategy

2degrees Survey Results

October 2008

Who did we talk to?

- 66 members responded to our survey – the majority from large corporations across a range of sectors
- 88.8% of respondents managed one or more corporate sustainability budgets
- Respondents key focus was reducing the carbon footprint and energy bills of their own organisations
- However, external focus was also important for them
 - NPD, strategic communications and some aspects of CSR



What did they tell us?

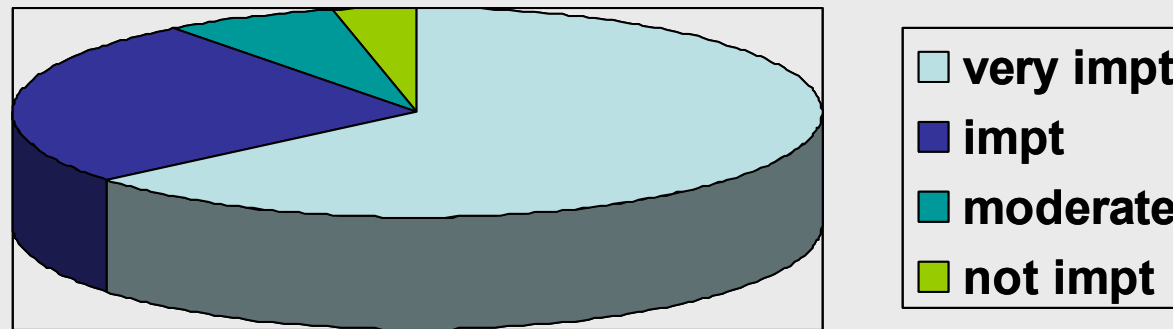
- Economic pressure is not (necessarily) detrimental to the implementation of a sustainable business strategy
- Sustainable business strategies have become imperative for the majority of respondents' businesses (90% of respondents)
- *However*, 61.8% of our respondents believe that their sustainability budgets are under pressure
- *But* 61.3% do not believe that the implementation of their sustainability strategy is less of a priority – in fact it is more urgent because:
 - Strategies that save energy and save money are often the same
 - Efficiency is now CORE (energy, resource and travel)



What did they tell us? cont...

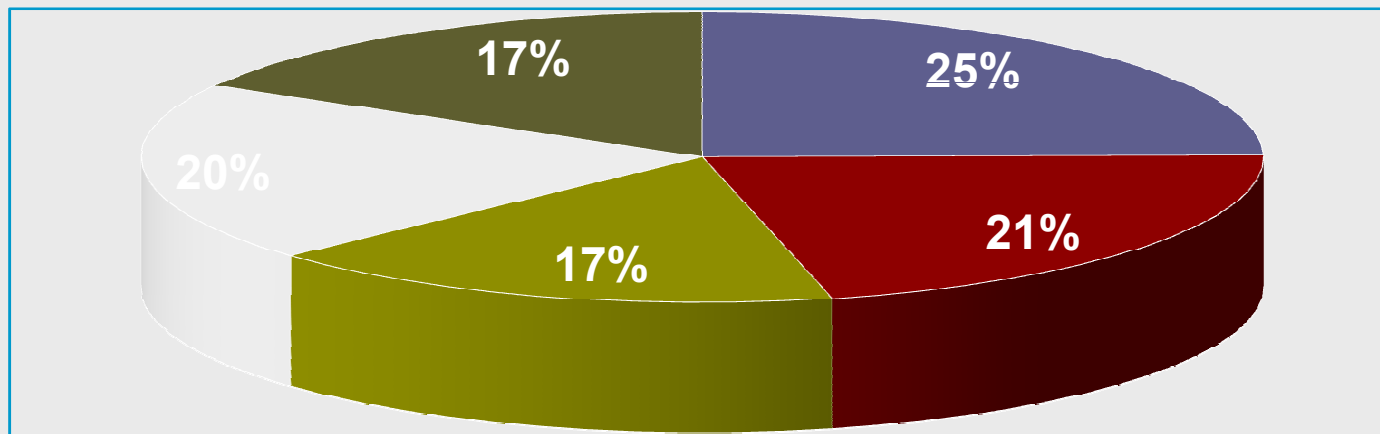
- 90% of CEOs consider a sustainable business strategy important or very important
- Respondents' Top Tips tell us:
 - Cost savings and demonstration of ROI is key
 - *"Being seen to be green"* is critical
- But **innovation** (development of new low carbon products and revenue streams) is less of a priority

90% of respondents report that their CEO considers a green business strategy important or very important



But 17% of respondents are unaware if their CEOs commitment to sustainability has changed in the current climate

CEO's motives for supporting a sustainability strategy



“Fundamental part of company’s DNA”
“Self-sufficiency in green energy”
“Enhance customer delivery”



Respondents' priorities*

1. Efficiency (total 74 responses)

- Energy efficiency (inc fuel, reduction and sourcing)
- Recycling/waste management
- Water management
- Operations/resource efficiency (inc cost savings, economic resilience)
- Office based reductions (reduce paperwork, travel, inc e-mail)
- Product based reductions – transport, packaging

2. Carbon reduction (total 40 responses)

- Reduce carbon footprint
- Climate change mitigation and move beyond compliance

* Q4. List top 3 priorities in your Company's green business strategy?

3. Employee & customer engagement (38 responses)

- Empower employees and customers
- Develop sustainable supply chain
- Communications & reporting/green marketing

4. Innovation (20 responses)

- Develop new low carbon products
- Revenue streams

* Q4. List top 3 priorities in your Company's green business strategy?



Priorities suggest “fire-fighting” over vision

- In current economic climate efficiency is top priority
 - People are examining every aspect of their business, manufacturing and working processes in order to conserve resources and save costs
 - *“Reduce transport miles. Increase office energy efficiency. Increase e-mail use”*
- However for some, carbon reduction is a priority – although this may be synonymous with efficiency
 - *“Reduce our carbon impact. Reduce our customers carbon impact.”*



“Fire-fighting” over vision

- Employee & customer / market engagement is a high priority
 - *“working with our suppliers and communities”*
 - *“Maintaining green public profile.”*
 - *“Developing a schools engagement programme”*
 - *“Getting the comms right”*

BUT

- Innovation (development of new low carbon products and revenue streams) is less of a priority



Protecting your sustainable business strategy

- Response to question “What are your top 3 tips for protecting your green business strategy and budget in today’s economic climate?”
- “Make it pay” (31 responses)
 - *“Create the link between carbon savings and cost savings”*
 - *“Look for quick wins”*
 - *“Demonstrate ROI”*
- Build a strong business case (24 responses)
 - *“Highlight potential access to new customers”*
 - *“Demonstrate this remains a client priority”*
 - *“Focus on high growth markets”*
 - *“Show what the competition are doing”*
 - *“Future proof/ invest now”*
- Stakeholder Engagement (11 responses)
 - *“Build company wide consensus from the top down”*
 - *“Be close to decision makers”*
 - *“Appoint strong champion”*
 - *“Engage as many employees as possible”*



Protecting your sustainable business strategy

- Market it (15 responses)
 - *“Use your green strategy as a differentiator”*
 - *“Link it to brand per se and being an employer of choice”*
 - *“Dare to be different”*
- Make it core (20 responses)
 - *“Make it long term, make it core”*
 - *“Must be THE core strategy for the entire business”*
 - *“Think big”*



“The demand to quantify benefits is critical”

- Harder sell needed to win budget
- *“Fiscals first, green second”*
- With energy prices at a record high effective sustainability policies have become an imperative to constrain future spend
- More willing to support initiatives to drive growth
- More positive
- Belt tightening but no lack of commitment

- At first sight the implementation of sustainable business strategy appears to be protected or even accelerated by the tough economic conditions
- Cost saving and *“Being Seen to be Green”* are key motivators
- Sustainability strategies have become imperative for the majority of businesses - no longer a nice to have
- Sustainability strategies must be matched by rigorous business discipline

- 17% of CEOs have not recently declared a position on green business strategy which suggests a lack of engagement/priority
- There is little evidence of the investment in research and innovation that will be necessary to take green business strategy to the next stage
- Until this investment is forthcoming there is a risk of sustainable business strategy being limited to cost-cutting exercise which can, at times, be “spun” to improve brand perceptions

- Are sustainability budgets under more pressure than other budgets?
- Is executive time and focus on sustainability strategies under pressure?
- Why have over 30% of respondents' companies de-prioritised sustainability strategies?
- Have priorities changed during the economic downturn?
- How dependent on the CEO are sustainability strategies?