

Sustainability: a growth driver for the future

Sustainability means many things to many different people: anything from protecting the earth from damage, acts of humanity towards those in greater need than ourselves, preserving natural resources, ensuring that we do not pump too much toxic waste into the environment...the list is endless. However, in today's business climate, the reality of sustainability is somewhat more stark: it is quite simply the basis for economic and societal survival and growth.



Traditionally, corporate sustainability initiatives would be managed in a silo fashion, with different divisions of a company monitoring, for example, carbon emissions, or organising initiatives for the developing world, but today that model is changing rapidly. The realisation that sustainability is not just a matter of legislative compliance or good corporate citizenship is forcing business to rethink it as a key strategic business driver, and to incorporate it into all aspects of the business processes and corporate philosophy. In this article, DSM, a global leader in the sustainability movement, looks at the major issues and explains some of the initiatives it is taking to ensure that its corporate strategy is beneficial to people, to the planet and to profits.

The issues

Many of the issues can be grouped under the three headings of:

- Global economic shifts
- Climate and energy
- Health and wellness.

Global economic shifts

The global population is expected to rise from 6.8 billion to 9 billion by 2050, with the highest growth in developing countries. The purchasing power of the middle classes is expected to rise exponentially, and there will be an ongoing shift in populations from the countryside into cities. All of these factors will lead to an explosion of consumption of resources: both food and energy.¹

Climate and energy

The world is already scarce in resources, but the growth in the

population will mean a further depletion of water supplies, food, land, minerals and energy. Water supplies, for example, will be overused and polluted, there will be an increasing level of persisting, bio-accumulating and toxic materials (PBTs), accelerating climate change, and, because of overexploitation of the global eco-system, loss of biodiversity.

Health and wellness

The gap between the richest and the poorest countries looks set to become wider. Many countries are already suffering from severe food shortages and/or ill health through conflict, natural disasters or a number of economic difficulties.

Why is sustainability important to business?

All of the factors above affect the

growth of business around the globe. As pointed out by Lara Yocob, Senior Engagement Specialist at Rebeco, at a recent event organised by DSM:

“These factors have been proven to impact businesses in a number of ways – namely, impacting sales and a company’s bottom line. For example, the unanticipated disruption of water supply impacts a food processor’s operations, and there have been cases of contamination of products such as the *listeria* outbreaks at Maple Leaf plants in 2008, which impacted the company’s reputation. Sales have yet to recover to pre-outbreak volumes.”²

The examples above demonstrate that sustainability is not a matter that can be dealt with by one industry alone. All industries are interrelated and must work together to create innovation and growth.

Some examples of initiatives in which companies take collaborative action include the CEO Water Mandate and the UN Global Compact. And investors are increasingly starting to take note:

- Asset owners such as large pension funds are starting to demand that Environment, Social, Government (ESG) factors are incorporated into their portfolios.
- In 2006 a group of asset owners through the The United Nations Environment Programme Finance Initiative formed the UN Principles of Responsible Investing (UNPRI). Over the last five years over 800 investors have become signatories.
- Investors have also become aware of the market potential of investing in sustainable companies. The inception of the SAM-Dow Jones Sustainable Index is one indicator.

What is DSM’s approach?

For DSM, sustainability is the fourth pillar of the company’s

Quality for Life™ seal of excellence, which also includes quality, reliability and traceability.

Quality: The company aims to provide pure actives, forms and blends that are:

- High in purity, with no cross-contamination
- Homogeneous, with all ingredients evenly distributed
- Stable in time, with all performance characteristics guaranteed
- Safely packaged, with all labels correct to ensure safe handling
- Safe for consumers, employees and the environment
- Consistent in quality and guaranteed by adherence to the relevant standards, practices and certifications.

Reliability: DSM uses an integrated supply-chain approach to manage every phase of production and delivery so as to guarantee consistent and timely supply. It strives to offer the flexibility customers need to effectively manage their own production and distribution schedules. Customer proximity is key. Its global reach means that customers can expect the same products, manufactured to the same standards, wherever they are in the world. Beyond the supply chain, DSM prides itself on its technical, regulatory and market support to its customers, all factors which improve perceptions of being a reliable partner.

Traceability: The food chain is complex. At every stage of the manufacturing process – arrival of raw materials, storage, production, warehousing, distribution and sales – tracking is essential to ensure that product characteristics can be controlled and verified, and that products get to the right destination at the right time.

Sustainability

DSM *in motion*: driving focused growth marks the shift from an era of intensive portfolio

transformation to a strategy of maximising sustainable and profitable growth. In sustainability, its ambition is to shift from the level of responsibility, to proactively developing sustainability as a business driver.

This strategy is strongly linked to the company’s mission to create brighter lives for people today and for generations to come. It believes sustainability will be the key differentiator and value driver over the coming decades and is therefore setting ambitious sustainability targets: by 2015 ECO+ products will account for over 80% of innovation sales and towards 50% of the total running business sales (compared to less than 35% now). These developments will make DSM the clear industry leader and preferred partner in value creation through sustainability. The challenges apply at every level:

- Responsible care: improving the eco-footprint through initiatives to reduce energy use, emissions and waste.
- Innovative new products: developing new products that offer clear environmental or people benefits over their mainstream alternatives



- Creating sustainable value chains: enhancing the eco-footprint along an entire value chain through improved sourcing, processes and/or products
- Redesigning value chains: using innovative technologies and partnerships to create new, fundamentally different, industry-changing solutions.

Taking the three trends of global economic shifts, climate change and health and wellness, mentioned above, DSM has developed a strategy for the four growth drivers of high growth economies, innovation, sustainability and partnerships to ensure that its business strategy drives focused growth that is beneficial to People, to the Planet and to Profits (Triple P).

People

A society can only grow and develop with healthy, productive people, just as a company can only stand competition and grow with healthy, productive employees. The people strategy will deliver measurably better solutions to meet human needs and improve lives. The company has committed to developing internationally recognised measures of its business and social impacts on people; and will engage with communities, governments and societies around the world to understand needs in areas such as health, nutrition and product performance. In addition DSM will invest further in innovation to address basic human needs, for example in projects to fight hidden hunger.

Planet

DSM will tap into the creativity of its increasingly global and diverse organisation to increase Planet innovation and to meet the ambitious 2015 ECO+ sales targets by building on its strong platform of ECO+ innovation, such as coatings for solar cells, waterborne paints, bio-based materials, halogen-free plastics,



etc. In addition, the company has started discussions with major suppliers concerning steps that can be taken to improve the overall footprint of the value chain.

Profit

DSM's Profit objective is to translate innovative sustainable solutions into strong value-creating businesses. As a result of its increased focus on understanding societal needs, DSM will grow the profitability of its People+ and ECO+ businesses in several ways. This includes meeting demand for cleaner, greener technologies; developing products specific to high growth economies; and making Triple P

sustainability a key criterion for acquisitions and partnerships. To capture the extraordinary profit potential of Triple P for DSM's business, the company is embedding it fully into its organisation, reporting and activities. For example, Triple P and stakeholder engagement (connectivity) will be built into the business planning, innovation processes and quality review management for all businesses.

Innovations

Below are some of the areas in which DSM is fulfilling its Triple P ambitions.

Eco-efficiency

DSM Nutritional Products aims to use the best available technologies; to reduce landfill of non-hazardous waste; to embark on energy saving projects; to use renewable resources; and to reduce water usage. To that end it has produced a 2020 roadmap. The process is focused on 10 base products such as Vitamin E, A and C. Taking an integrated approach, there will first be a pilot for each product and then a full rollout to improve all the factors listed above. A combination of process optimisation, new processes and technologies, investment in utilities and good housekeeping are expected to produce not only eco-efficiency but also cost savings.

Eco-footprint

DSM Nutritional Products' Eco+ solutions are superior products and services that have more ecological benefits than the mainstream competing solutions:

- Energy reduction / CO₂ reduction
- Shorter processes
- Higher process yields
- Replacement of traditional ingredients.

A good example of this is Brewers Clarex™, an enzymatic solution that prevents chill haze formation while maintaining the quality of beer. It is cost effective,

sustainable, flexible and easy-to-use; sustainable and environmentally friendly. The greenhouse gas (GHG) emissions avoided in the value chain due to the use of Brewers Clarex™ are 160 times larger than the GHG emissions for the production of Brewers Clarex™.

Combating malnutrition

The global cost of malnutrition is US\$19 billion in lost adult work performance and related health expenditure. The 2008 Copenhagen Consensus concluded that of 30 specific solutions to combat some of the world's most pressing problems, addressing micronutrient deficiency amongst children would be the single best investment. Every US\$1 spent is estimated to produce US\$17 in return through reduced health spending and improved economic output. This is supported by a study in Guatemala, which showed that a fortified complementary food program provided to boys up until the age of three resulted in adult earning wages that were 46% higher than the control group.

DSM/USAID Partnership

DSM has entered into many international partnerships to combat malnutrition, and in January this year, announced that it is to collaborate with the United States Agency for International Development to meet the nutritional challenges presented in the developing world.

DSM and the World Food Program

DSM is the only global company that integrates single vitamins and premixes in ideal formulations for targeting developing-country beneficiaries with innovative solutions such as Nutrice® , a fortified rice kernel created from broken rice kernels, and MixMe®, a

micronutrient powder for home fortification which has been widely adopted through the World Food Program (WFP) and other agencies worldwide. DSM maintains a successful partnership with the WFP to improve the nutritional value of products in WFP's 'food basket' and has received numerous awards for its work in finding sustainable solutions to micronutrient deficiency, including awards from the Global Alliance For Improved Nutrition and the 2010 World Business Development Award from the International Chamber of Commerce (ICC).

The business opportunity for MixMe®

MixMe® was developed in partnership with the World Food Program as part of the relief response of the Sidr cyclone in Bangladesh in 2007. It provides a simple and effective way of food fortification, and is especially suitable for small children. The composition and formulation can be adjusted simply to local needs and cultural practices. DSM sells the ready-to-use sachets to leading international organisations and so far over 400 million sachets have been distributed or sold through the WFP, to countries such as Bangladesh, Kenya, Nepal, Peru and China.

NutriRice®

NutriRice® consists of reconstituted rice kernels based on rice flour fortified with multi-vitamins and minerals. It was developed in partnership with the Swiss company Bühler AG. It is a simple, affordable and effective way of fortifying the major staple food for Base of Pyramid populations in the world, and has been shown to be highly effective. For example, at the Dandelion Middle School in Beijing, attended by the children of migrant workers,

The Dow Jones Sustainability World Index

In December last year DSM continued its number one position in the chemical industry sector in the Dow Jones Sustainability World Index. In 2004, 2005, 2006 and 2009 DSM was also named the worldwide sustainability No. 1 in this sector, while in 2007 and 2008 the company ranked amongst the top leaders in the sector.

a pilot project was run during which all the pupils were given NutriRice® for a period of eight months. It was supplemented with vitamin A-enriched oil and iron-enriched soy sauce. The trial was conducted in 2008 by the Chinese Center for Disease Control and Prevention, and the critical nutritional status of the children improved to an average urban level.

Commitment

DSM is committed to delivering value to all stakeholders in a sustainable, transparent manner. Its recurring number one position in the Dow Jones Sustainability World Index reflects its success in achieving this. Deeply anchored within the business, its sustainability strategy addresses some of the world's most pressing issues. Being sustainable means simultaneously creating value in three dimensions: social, environmental and economic. In other words, it means an ongoing commitment to people, planet and profit. ■

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1. World Resources Institute (WRI) Earthtrends 2008
2. Quality for Life™ editor visit: Sustainability in Practice – a holistic approach; February 10–11, Basel, Switzerland