

SMEs Set Their Sights on Sustainability

Case Studies of Small and Medium-sized Enterprises (SMEs) from the UK, US and Canada

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INTRODUCTION

Evolution or revolution? Many paths to sustainability

There are many ways to interpret the term sustainability, but whether it means environmental performance, corporate citizenship, long-term business perspectives or all three, it is a growing priority for businesses of all sizes. We spoke to many small and medium-sized enterprises (SMEs) to find out how smaller companies can implement sustainable business practices for the benefit of the environment, their communities, their customers and their bottom line.

There can be no doubt that sustainability has become an important priority for many businesses across Europe and North America over the last decade as leading companies have recognized that successful sustainability performance translates to successful business performance. But sustainability means so much more than reducing greenhouse gas emissions or improving energy efficiency. It also means businesses becoming more involved in their local communities and setting long-term goals that go beyond the next quarter's financial results.

In 2010 the AICPA, CIMA and CICA, all of which are members of the Prince's Accounting for Sustainability Project (A4S), surveyed over 2,000 organizational leaders and interviewed sustainability executives to determine the state of corporate sustainability practices and the level of finance function involvement in corporate sustainability initiatives. Over 1,300 of the responses were from SME companies (less than 1,000 employees).

The importance of this wider, long-term perspective on sustainability is borne out by the case studies in the following pages compiled by CICA, CIMA and AICPA. They show SMEs taking very different approaches to the same core issues and highlight the findings of the 2010 survey, which charted the growing emphasis SMEs are placing on every aspect of sustainability.

The survey showed that one-third of smaller companies have a defined sustainability strategy, and a further 23% intend to develop one in the next two years. Their reasons for doing so may vary, but the core message is that sustainability is good for business. In some industries it appeals to customers' changing values, it may strengthen relationships with suppliers, it can have a huge impact on the positioning of a brand as a good corporate citizen that operates in harmony with local communities and the environment, and it can reduce the variable costs of running a business and, therefore, drive profitability.

Discussions of these kinds of business benefit have often been framed in the context of large, multinational companies, but smaller businesses are also making great efforts

to become more sustainable. In many cases they can also lead the market and become champions of sustainable business practices.

If there were any doubt about how important sustainability is to the SMEs, one need only look at how their customers are changing their attitudes. Increasingly, they are looking at the environmental performance of companies from which they buy, and are often drawn to firms that emphasize sustainable business practices.

The case studies that follow show that across different business models there are some universal truths on which companies converge. Some began with sustainability as the fundamental principle driving the company, while others have steadily shifted well-established businesses towards a more sustainable model, but all have found that emphasizing sustainability improves their profitability, generates greater loyalty and commitment from employees, and cements relationships with customers and suppliers. Their experience shows that any SME, in any industry, can take meaningful steps towards sustainable business practices and quickly see benefits accrue.

From its work with larger organizations the A4S has identified 10 elements that are integral to embedding sustainability within organizations. These case studies illuminate a similar set of elements that are crucial for SME companies to implement sustainable practices in smaller organizations.

Key Elements to Implementing Sustainable Business Practices in SMEs

Strategy and planning

1. *Take a broad view of sustainability.* Understand the key sustainability drivers and opportunities for your organization. As important as they are, remember to look beyond environmental issues. Finding innovative ways in which your company can be a good corporate citizen to the benefit of employees, customers and suppliers will yield benefits to your business.
2. *Define in detail what sustainability means to your company.* With a clear definition to which everyone in the company can refer and clear success measures, any efforts to invest in sustainability or change business practices will focus on the right goals.
3. *Engage all stakeholders.* Talk to customers, suppliers, investors and employees about sustainability, so that their voices can be heard in the debate, and the strategy you develop will be able to address all of their needs. Include them and get as much of their weight behind the strategy as possible.

Execution and alignment

4. *Remember that you are not alone.* National, international and industry-wide initiatives exist that help businesses become more sustainable. Engage with these organisations, tap into their knowledge and experience. This way, implementing a sustainability strategy will be quicker and easier.
5. *Establish responsibility and communicate widely.* The delivery of any strategy is more successful if an organisation knows who is in charge of it. Have senior man-

agement drive the policy, appoint sustainability champions and communicate the importance of sustainability to every level of the company.

6. *Take it step by step.* Becoming more sustainable is usually a process of evolution, not revolution. By making small changes now a company can affect significant change in the future.
7. *Walk the talk.* Any company can talk about being more sustainable, but if it does not back up its words with meaningful actions its claims will quickly be seen through. Customers and investors are wise to greenwashing, so never make the mistake of seeing sustainability as a marketing exercise.

Performance and reporting

8. *Tie sustainability to profit.* Becoming more sustainable often means being more efficient. Resource efficiency, for instance, benefits the environment and reduces the cost of running a business. Make the link between consuming less water and electricity, or producing less waste, and improving profits clear within your business.
9. *Measure, monitor and review.* Tracking progress towards the goals of a sustainability strategy is vital in justifying it to management, and in fully understanding the commercial benefit it brings. Develop clear metrics, review them regularly and whether progress is fast or slow, keep setting realistic, attainable targets.
10. *Invest in the future.* Investing in sustainability does not always require huge capital expenditure. Many SMEs say the biggest investment is management time.

Critical Role of the Finance Function

In many SMEs, including those in the case studies that follow, the finance function plays a critical role in formulating and implementing a sustainability strategy. It often defines the metrics that determine the strategy's goals and monitors progress. It always creates the vital link between investment in the strategy and the commercial benefit that accrues.

Finance professionals are at the heart of the data gathering processes that enable an organisation to show how well it is improving its performance around specific goals. Furthermore, the finance function often has strong ties with all departments within a business, so it can effectively co-ordinate the efforts of the company as a whole. As such it is often the guardian of the sustainability strategy, but it can also be the originator of it.

The most compelling message from our discussions with SMEs is that sustainability not only serves altruistic motives, but is also good business because it can deliver higher profit—both in the short and the long term. A sustainable business is more efficient, more robust and has closer ties with customers and suppliers—all of which is music to the ears of the CFO, the CEO, shareholders and, in fact, all of the stakeholders in a company.

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From sceptic to true believer

The finance director of office equipment supplier UKOS plc was unsure about the benefit of embracing sustainability as a platform for the company's wider business strategy, but lower costs and higher sales have made him a convert to the green agenda.

For many SME's the idea of implementing a sustainability strategy may seem like a source of additional cost at a time when maximising efficiency is high on the agenda. For those that try it, however, the results are often surprising. Sustainability can, in fact, be the key to efficiency and help an organisation to keep its costs down.

"We started our sustainability strategy because a few years ago I joined the Hertfordshire Resource Efficiency Club to see if there were ways we could save on resources like gas and electricity. From that came ideas about corporate social responsibility and we realised that we could differentiate ourselves from our competitors by being more environmentally friendly," says Jerry Young, ACMA, Finance Director of stationery and office equipment supplier UKOS plc and member of CIMA.

"We produced a business systems manual that details how each person and each department should do their job. This helps us to manage employees and measure their performance. It also meant we could apply for ISO 9001 and other accreditations. We realised that a sustainability strategy could make us very different to our competitors, save us money and give our customers good reasons to buy from us."

The initiative has resulted in practical steps, such as the Box4Life project, in which reusable, corrugated propylene boxes replace disposable cardboard boxes. UKOS previously delivered around 70,000 cardboard boxes every year, but has made major savings on packaging materials.

"We set this up with customers that want it, collecting the empties when we deliver each day. Customers like it because it credits their own environmental strategies. We also looked at our delivery routes. The industry norm is next-day delivery, but for some customers we can change this to regular deliveries three times a week. Some customers have changed their buying patterns to fit our delivery schedule," says Young.

“We realised that a sustainability strategy could make us very different to our competitors, save us money and give our customers good reasons to buy from us”.

“We also looked at our products. In our business there is a lot of paper, so we looked closely at what makes environmentally friendly paper. We found a great sustainable paper, but found out that it was shipped from Australia, which meant we didn’t choose it. We now have a ‘green’ catalogue of products.”

UKOS plc also collects recyclable waste—including cardboard, printer toners and plastics—from some customers, rather than returning lorries empty to the depot after a delivery. This costs the company very little, generates a small amount of revenue from selling the material and ties customers into the services provided by UKOS.

Simple, clever ideas like this are having a big impact on the company. Among the tangible results of its sustainable strategy are savings on energy. UKOS has cut its energy costs by an average of 5% year-on-year for the last four years, and has reduced its use of cardboard boxes—which account for around 0.5% of sales—by 65%.

“Simple, clever ideas like this are having a big impact on the company. Among the tangible results of its sustainability strategy are savings on energy spend.”

The role of finance

Measuring these efficiency gains is vital to proving the value of any sustainability strategy and finance plays a key role in gathering the relevant data and communicating the results to the rest of the organisation. Young produces energy usage graphs each month to show the impact of the sustainability strategy, and there is a monthly review of the amount of packaging materials used.

Alongside the review process, finance also has a central role in setting key objectives in areas such as fuel efficiency. With the right metrics in place the benefits of the strategy become visible, which goes a long way to justifying the initial investment that is required.

“There is some investment to be made, of course, but it is mostly an investment of time rather than money. The project is led by me in terms of administration, while the marketing manager handles the promotion of the sustainability agenda to customers and staff. The finance department is very important. It produces the measurements and results, and we have the discipline to do it regularly,” stresses Young.

“You have to make it real, set targets and let people see the results. We have a green champion—usually someone fairly junior—who is responsible for simple things like making sure the lights are turned off. And we allow our employees to come up with good ideas.”

An example of employee input into sustainability is the habit the company's drivers have developed of measuring the miles per litre they achieve on each delivery run. They compete to be the most efficient.

Getting to the stage where sustainability is part of the daily routine of every employee requires consistency and commitment at every level, but especially among senior managers.

“You have to make it real, set targets and let people see the results.”

“The idea is easy to sell to staff if you maintain it. You must do this for life. The biggest challenge was to start it off and get all of the department heads to write the business systems manual. I needed to convince them of the positives that would come at the end of the process,” says Young.

“The business systems manual forced us to look at all the parts of our business. I went into the resource efficiency club as a sceptic but now I am a convert. Our sustainability strategy is saving us money, increasing sales and improving profits, which we would not have foreseen.”

Key lessons

- Get involved in community or industry initiatives to kickstart a sustainability drive
 - Codify practical measures for sustainability in a document that everyone in the organisation can access and understand, like UKOS plc's business systems manual
 - Put in place metrics to measure the performance of employees and the organisation as a whole on sustainability
 - Look for ways in which sustainability can reduce costs, rather than increasing costs
 - Work with your customers to find ways in which buying patterns and supply practices can become more resource-efficient
 - Invest time at management level and get the finance function to lead on sustainability
 - Build a sustainable strategy that has a long-term perspective
 - Set clear, realistic targets and share information about progress throughout the organisation
 - Appoint 'green champions' to embed sustainability in the organisation
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About UKOS

From its formation in 2000 UKOS has established itself as a company that stands apart from its competitors when it comes to customer service, value and reliability. Offering office stationery and business supplies from the United Kingdom UKOS was awarded 1st place by *The Sunday Times* Best Green Companies last year, and featured in a dedicated supplement, published in May 2010.

About Jerry Young, ACMA, Finance Director, UKOS

Jerry was a founding member of UKOS in 2000 and is responsible for all finance, legal, company secretarial matters and also HR responsibilities. Prior to UKOS, Jerry held a number of senior financial positions within the office products industry, finishing with being the Finance Director of Guilbert UK. Jerry is a qualified Chartered Management Accountant and a member of CIMA.



Small companies can initiate big change

New companies that are founded on sustainability as the fundamental guiding principle that drives every aspect of their business have the power to start a process that can transform entire industries.

Small businesses have great power. Some have the chance to build a business from scratch on the platform of sustainability. Others have more agility than large multinationals to make meaningful change and show the benefits that can accrue from sustainable business practices.

“Small businesses are leading the way in terms of shaping how business will be in the future,” says Suzanne Fielden, co-founder of Rocky Mountain Flatbread.

Founded seven years ago in Vancouver, Canada, Rocky Mountain Flatbread is a brand that comprises a pizza restaurant, a wholesale business, a mobile caterer and an educational society. Founded by Fielden and her husband, who had both been successful as leadership and management consultants in the UK dealing with change and leadership management, the company embodies their knowledge about integrating social and environmental agendas into corporate strategy.

The company exists not only to generate profit, but also to create a positive change in the world by acting locally to address the global issue of sustainability.

“In the UK, we introduced sustainability to a lot of companies and identified the business opportunities that it presented. We worked in schools, too, on projects like transforming business waste into usable, value-added products. One chemical by-product is still used to de-ice planes at Bristol Airport,” says Fielden.

“When it came to creating a brand of our own we wanted it to be based on our sustainable principles. We chose the pizza business because it is often done badly. We did a lot of research and looked at a lot of different business models and we integrated our backgrounds, which is why we have an educational society working with local schools as well as a restaurant.”

“Small businesses are leading the way in terms of shaping how business will be in the future”.

To survive, any restaurant needs good food and great service, so the company brought in a Red Seal chef, Oliver Zulauf, as a partner to create & standardize the menu and set high service standards to ensure that the business had a commercially viable platform. From there, the goal was to integrate sustainable practices into every part of the business model. It created a zero waste menu, for example, and every meal served is carbon neutral as the company limits its emissions and buys carbon credits to offset what remains.

It aims for constant improvement to its products, but has a simple approach to metrics. Co-founder Dominic Fielden looks after the finance function, and his father David, a Chartered Accountant who has worked for the likes of American Express, 3i and SG Warbug, sits on the board to provide advice on finance and strategy.

The company tracks its carbon footprint and makes a conscious effort to reduce it every year, and it keeps a close watch on the number of community projects with which it engages, aiming to increase this number every year.

Sustainability as a point of difference

“People are looking for meaning, for companies that are doing something positive. Sustainability differentiates us. We use up to 90% local produce, including vegetables from the schools where we teach kids how to grow food. This year we became the first company to switch to biogas, which is captured by the local sewage plant and put into the gas grid. We use it to fire all of our ovens. We have also reached 100% composting of all our food,” says Fielden.

“Our approach also creates a positive work environment. We keep people for years in an industry that is notorious for high staff turnover. The principles of the company make people proud to work here.”

“People are looking for meaning, for companies that are doing something positive. Sustainability differentiates us”.

One of the key tools the company has used to integrate sustainable practices is the systems thinking approach developed by Gunter Pauli, founder and director of Zero Emissions Research and Initiatives. Among the many implications of this approach to business is the idea of clusters of businesses or industries working together, which is partly why Rocky Mountain Flatbread emphasises networking and engagement with local organisations such as Vancouver Aquarium’s Ocean Wise programme on sustainable seafood, the Green Table Network, and educational organisation Natural Step.

“We are very well networked. Find out who can help you in your community. If you want to transform an industry and make positive change then you need the ethos that allows you to make small changes. Community is very important to us, which is why we go into schools and teach kids about growing food and making healthy snacks. We

consult with urban gardeners and we fund community projects. We connect to anything that promotes food security and sustainability,” explains Fielden.

The motivation is partly the altruistic desire to be a good corporate citizen and make a difference to the world, but this is not at the expense of long-term commercial success. The company has succeeded in making a profit, some of which is put towards community projects. Customers’ attitudes are changing, and they are increasingly looking for companies that are environmentally and socially aware.

“If you want to transform an industry and make positive change then you need the ethos that allows you to make small changes.”

“Sustainability and profitability are parts of the same approach. People are less tolerant of companies that are just out to maximise profit. They are increasingly looking for companies that want to make the planet a better place. That is a positive step, as it forces big corporations to look at their environmental policies and community projects,” believes Fielden.

“Sustainability and profitability are parts of the same approach”.

“Even if you can’t pump billions of dollars into sustainability, do what you can do. Focus on it now, even if the economic situation is difficult. Don’t put it off till later. Every small step counts as long as it is a step in the right direction. Don’t give in to short-term pressure to maximise shareholder value, look at the big picture. Having diverse goals makes a company robust. Find the soul of your company.”

Key lessons

- Identify how everything you use or create in your business, even waste, might be turned into a value-added product
 - Consider how sustainable business practices can not only increase efficiency, but also differentiate your company from its competitors
 - Network with local organisations that share sustainable goals to pool knowledge and co-ordinate effort
 - Recognise the power of small improvements in sustainability and how they add up over time to create major change
 - Believe that small businesses have the power to set the agenda for sustainability and change the behaviour of large corporations and whole industries
 - Consider how sustainable principles can motivate your workforce and make them proud to work for your company
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About Rocky Mountain Flatbread

Over seven years ago Dominic and Suzanne Fielden brainstormed how they could create a business from values they were passionate about—food, family, community and ecology. The conclusion was pizza pie! Pizza was a food that families ate regularly but had a bad reputation for using low quality ingredients with little nutritional value—a perfect food to reinvent. The doors of their first restaurant opened in Canmore, Alberta and they received rave reviews for their wholesome pizza from critics and customers. At the same time Suzanne and Dominic launched a series of innovative school programs to support youth in being responsible citizens and entrepreneurs—students learned important life skills including how to grow their own food, reduce their carbon footprint and create delicious and nutritious meals and snacks. The last few years have seen two carbon neutral restaurants; a pizza wholesale business which distributes to over 200 health and grocery stores throughout Western Canada; a society which has allowed over 2,000 students to participate in their school projects, and they have joined a network of likeminded people supporting the farming and distribution of local organic foods.

About the partners of Rocky Mountain Flatbread

Dominic Fielden, Co-Founder, is in charge of finance in the company and his father, David Fielden, is a Non-Executive Chairman and Chartered Accountant.

Suzanne Fielden, Co-Founder has both High National Diploma distinctions in Business Studies and an Honours Degree in Business Studies and Anthropology from Oxford Brookes University, Oxford.

Partner chef Oliver Zulauf is a red seal chef from Switzerland. He developed our menu ensuring it was delicious and he is also brilliant at systemizing all the recipes so that we are able to create consistent products and stay within our food & labour costs.

Built on the bedrock of sustainability

For those who believe sustainability is a new concept in business, it is time to think again. Some successful companies have been founded on ecologically sound principles for decades, and their experience holds valuable lessons about the growing importance of sustainability as an essential ingredient of good business.

During this past decade there has been a dramatic push to make sustainable practices a priority across all industries. There are many examples of companies—from large multinationals to small, family-owned businesses—that have made great progress in adopting practices that are kinder to the environment, healthier for employees and more integrated within communities in which they operate. But the notion of sustainability in all its forms has been with us for much longer.

In some cases, principles of ecologically sound and responsible business have been a company's foundation from which it defines their products. One example is Ecological Fibers, Inc., founded in Massachusetts in 1972 as a materials distributor to the book industry. In 1979, it acquired a coating facility in Rhode Island, which was the springboard for its expansion into the global marketplace, and it has since become a leading producer of luxury coated coverings for books, stationery, security documents and luxury packaging.

Under their trade name Rainbow®, they provide environmentally sound coverings that are manufactured not only respecting the environment, but also prioritizing the well-being of its workforce.

“When our owner purchased the RI facility every company in this industry was using solvents to coat paper. They were harmful to the environment and to employees and possibly the end users. Ecological developed a water-based coating solution that uses no harmful components. He was more interested in protecting the environment and his employees than in saving money. The thrust of the company is the same now—we want to be ecologically sound,” says Eric Buchholz, CPA, CFO of Ecological Fibers.

“The company was ahead of its time—a pioneer in the industry. It didn't advertise its ecological credentials, it just did it because the owner thought it was the right thing to

do, but now those issues have come to the forefront. Some of our products are made from 100% post-consumer waste (PCW) which some of our customers wanted but could not find,” he adds.

“Ecological Fibers, Inc. is a world leader in converting paper products. Our exclusive coating process employs only 100% aqueous, self cross-linking, pigmented acrylic polymers. EFI’s strong commitment to environmentally responsible manufacturing processes exclude the use of solvents, hazardous air pollutants or volatile organics, while at the same time maintaining the high quality standards and fitness for use requirements of our customers. These efforts have been recognized and awarded by the US Environmental Protection Agency and EFI will continue to provide only Environmentally Sound Cover Solutions at the most competitive price.”

“The company was ahead of its time—a pioneer in the industry. It didn’t advertise its ecological credentials, it just did it because the owner thought it was the right thing to do, but now those issues have come to the forefront.”

“It costs more to do what we do, the way we do it. It takes a lot of time and effort to make what we make. But the trend is for sustainability, particularly ecological issues, to be a bigger issue for our customers. They may have an internal push on environmental issues, and there have been a lot of inquiries recently about how much recycled paper we use and about the lack of solvents in our process. We have many new customers that can’t find what they are looking for anywhere else,” explains Buchholz.

Finance and sustainability

The role of the finance department in driving the company’s ecological business model, as well as its profit, is critical. But unlike many other companies, finance is not primarily concerned with tracking metrics that chart improvements in efficiency or progress towards sustainability goals, but with ensuring that existing procedures are adhered to.

One of its main tasks is to ensure that the chain of custody is not broken between ordering paper and receiving it. This ensures that the supply chain meets the strict sustainability criteria that Ecological Fibers has laid down, and is achieved through the Forestry Stewardship Council’s chain of custody certification, which tracks material from the forest to the consumer. Finance also ensures that, where possible, waste goes back to vendors for recycling, or is disposed of in a manner that is kind to the environment.

“We use many material substrates but our biggest products use two different types of paper. The first is latex-based, the other is Kraft-based. Our waste from Kraft paper is 100% recycled into new runs. The latex paper was a challenge, but now we have partnered with a company that takes that paper and uses it as biomass fuel,” says Buchholz.

“The role of finance is very important in ensuring that the company maintains its ecologically sound operations. But all departments work together towards the goal of making an environmentally friendly product.”

The ecological principle that underpins the company's business model may not translate to every business, but Ecological Fibers also looks at issues that do relate to any company, including energy efficiency. It has, for instance, switched to energy-efficient light bulbs and installed motion sensors so that lights automatically go off in areas where there is no movement. It has replaced gas ovens used to cure the color on to the paper with more efficient infra-red ovens. The boiler has been switched from oil to gas, which is cleaner and more efficient, and has significantly cut the company's energy bill.

Also, with the help of external consultants, it has found ways to buy gas at better rates and from 'greener' suppliers. They also have taken advantage of research and development tax credits with all of the R&D they do to make sure their products are ecologically sound.

"The role of finance is very important in ensuring that the company maintains its ecologically sound operations. But all departments work together towards the goal of making an environmentally friendly product."

Ecological Fibers has looked at sustainability in all its forms and has proven what began as an ethical principle has also been sound business sense. It has shown that putting ecological issues first is not only good for the environment, but also good for business.

"Our ecological policy was done for its own reasons, but it does win customers and generate sales, so it drives profits," says Buchholz.

"Sustainability pervades everything we do."

Key lessons

- Keep in step with the ecological initiatives that your customers and/or suppliers may undertake
 - Look at innovative interpretations of the term 'recycling', including the use of material as a source of biomass fuel
 - Call in external consultants to give an objective view on how your company can adopt more sustainable practices
 - Look at the sustainable credentials of energy suppliers and choose one that has better ecological oversight
 - Have the courage to make sustainable principles the cornerstone of your business
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About Ecological Fibers

Ecological Fibers, Inc. was founded in Lancaster, Massachusetts, in 1972 as a materials distributor to the book industry. Through its 1979 acquisition of the Rhode Island coating facility, Ecological has expanded into a global, premier producer of luxury coated coverings to the book, stationery, security document and luxury packaging industries. Under the trade name Rainbow®, we offer the largest assortment of Environmentally Sound Cover Solutions and Bindery Supplies.

About Eric Buchholz, CPA, CFO, Ecological Fibers, Inc.

Eric Buchholz is the CFO of Ecological Fibers. Prior to this he was the Corporate Controller at Phoenix Media Communications Group between 2003 and 2005. Buchholz graduated from Northeastern University in 1992 and is a qualified CPA.

Heeding the call of customers

When an industry makes a concerted effort to improve sustainable business practices it is often in response to the changing demands of customers. When such a shift occurs, no business can afford to be left behind.

Sustainability is increasingly a factor in customers' purchasing decisions, whether those customers are end users, dealers or other companies contracting services. This trend is only likely to strengthen, so when competitors look at environmental issues and corporate social responsibility (CSR) to satisfy customers, there is no time to lose.

One company that has responded quickly to the building momentum behind sustainability is Canadian company Artopex, which has been a provider of high quality office furniture for over 30 years and is consistently rated as one of the country's best-managed organisations.

"If we want to do business we must be involved in all aspects of sustainability. The large manufacturers in our industry in North America are very well engaged with sustainability and there is pressure from the market to be more active. There is pressure from our customers, driven by the architects and designers who influence the decisions our customers make," says Jean Barbeau, a product specialist at Artopex, who is responsible for the company's sustainability initiative.

In 2008, Artopex decided to make sustainability a priority, beginning with a plan to reduce its carbon footprint. It began by looking at the industry standards for emissions in the manufacture of office furniture, but soon began to view sustainability in a much broader context.

"If we want to do business we must be involved in all aspects of sustainability."

"We hired a consultant to help us understand what sustainability was. Then we took a year to devise our plan, which was launched in autumn 2009, to put in place measures to track indicators like energy and water use. Now, we are about to write our first sustainability report," comments Barbeau.

“So far, we have integrated sustainability into our sales presentations and training materials, as education is an important part of our strategy. We have opened discussions with all of our stakeholders including the dealers that are our customers and also our suppliers, with which we can act as a partner in testing new materials or new ways to transport goods. For instance, we met with transport companies and said that we wanted improvements on emissions, and they showed us their ideas. Those discussions, and the sharing of information, are big changes,” he adds.

The project has resulted in changes in product design, choice of materials, transport and logistics to reduce emissions and improve efficiency. Having acted quickly on environmental issues, one of the key lessons to emerge from the engagement of an external consultant is that a sustainable business must also look to be a good employer and a good corporate citizen.

Social involvement

“Other important ingredients are sponsorship and social involvement. We became more sensitive to those things. We were already doing great things for the local community, but we started to pin it down and focus on it more. We were sponsoring hospitals and organisations in healthcare, such as hospices for the terminally ill, so we made a decision to deliberately focus on health,” says Barbeau.

“We became more conscious of the impact of the money we invest in the community and that creates momentum. People are very positive about it. The more we share the better we become,” he adds.

The company’s sharper focus on sustainability is maintained through the management committee, which brings together 12 senior people in the organisation. They represent different facets of the company, including human resources, marketing and manufacturing. Finance is represented on the committee by the company’s president, who works with the VP of Production to define and track the appropriate metrics to ensure Artopex is improving its environmental and sustainable credentials.

Among the most important metrics are energy and water usage, the number of accidents in its production facilities, paper consumption, production waste and the use of recycled materials.

“We became more conscious of the impact of the money we invest in the community and that creates momentum. People are very positive about it. The more we share the better we become”.

Clearly, some of these measures target environmental goals such as emissions reduction, but they also focus on human factors. The wellbeing of the workforce, and the community in which it operates, are central to the company’s plan.

In part, the metrics are defined by the requirements for ISO 14001 accreditation, which pays particular focus to recycling and waste. Yet there is clearly a broader focus.

Artopex is once again turning to external consultants to engage in training from the bottom up to educate the workforce in sustainable business practices and CSR.

So far, the investment Artopex has made has mainly been in the form of senior management time, although there have been some specific financial investments. It has, for instance, changed all light bulbs to more energy efficient alternatives, which has resulted in a 16% saving on energy use.

“There is some investment of money, and a lot of investment of time for meetings and defining projects. But the savings pay back all of this investment,” notes Barbeau.

The guiding principle of the company’s sustainability drive is commercial advantage.

“One of our main statements in our sustainability plan is about being a ‘human’ company that thinks about its employees and about the community. The other is eco-technology. We have invested over \$7m in new, more efficient production equipment in the last three years. The motive was to be more productive and competitive against imports from Asia, but it also helps us to be more sustainable. It was an economic decision that helps with sustainability,” remarks Barbeau.

“There is some investment of money, and a lot of investment of time for meetings and defining projects. But the savings pay back all of this investment”.

“We have integrated sustainability into our daily decisions. At this point what we do on sustainability is not only about the environment and social responsibility, but also about profit. We always do things that have a profit at the end, even when it is sometimes hard to measure.”

Key lessons

- Engage outside expertise to ensure the company considers every aspect of sustainability, not just environmental issues
 - Open discussions with all stakeholders, including customers and suppliers
 - Be willing to share information with stakeholders to come up with innovative solutions to reduce emissions and increase efficiency
 - Build on the activities in which your company is already involved that can have more traction in the arena of sustainability
 - Invest time and capital in technology and processes that deliver both commercial benefit and sustainability gains
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About Artopex

Artopex has spent over 30 years building quality office furniture in our home province of Quebec and building solid relationships all over North America.

Artopex Inc. is a privately-owned corporation with its headquarters in Granby, Quebec. The company is comprised of four plants totaling over 500,000 square feet of production capacity, supported by over 400 employees, with showrooms in Montreal, Toronto and Calgary and a North American distribution network.

About Jean Barbeau, product specialist, Artopex

Jean Barbeau grew up in the Montreal region in Quebec (Canada). Inspired by the creative aspect of architecture, he opted for furniture design, attracted by the scale and the nature of the object to rethink. He graduated from l'école du meuble et du bois ouvre (school of furniture and timber wood) of Victoriaville in the furniture design program in 1986.

He spent the first 10 years of his career working as a furniture designer of dental cabinetry and office furniture for different manufacturers, always looking for innovative design. He became a professional member of the Association of Canadian Industrial Designers (ACID) as well as the Association of Quebec Industrial Designers (ADIQ). Then a teacher, he worked as a consultant in product design for 3 years before joining Artopex, a Canadian manufacturer of office furniture.

As a product application specialist at Artopex, he uses his creative skills to develop optimum application solutions in the office environment with sales representatives, architects and interior designers as well as end users.

Challenged by the environmental and social issues of the new economy, he was recently assigned by Daniel Pelletier, President of Artopex, to be in charge of the integration of sustainability in the business strategy in a way that would reflect the unique values of the company.



The foundations of good business

The construction industry is being closely scrutinised in light of sustainability and suppliers to the industry know that the right accreditation can be a way to win more business. Yet in order to be a commercial advantage it must be fundamental to the business model, not an added extra.

Any good business responds to the needs of its customers, and in the construction industry that means meeting ever more stringent criteria for environmental performance. Meeting defined standards for sustainability and attaining appropriate accreditation make good business sense.

“We got into sustainability because the founding chief executive of our former parent company was enthusiastic for all subsidiaries to go down the route of the ISO 14001 environmental management system standard. So, the subsidiaries were told they had to do it, but did so with enthusiasm for commercial reasons,” says Peter Hart, ACMA, Financial Director, Billington Structures Ltd. and a CIMA member.

Billington Structures makes structural steel for the construction industry—a sector that is focusing more than ever on efficiency, cost-cutting and sustainable business practices. The company’s clients are looking for responsible suppliers, and a simple way to judge them is to look at the environmental, health and safety and CSR accreditations they have achieved.

“We understand that sustainability gives us a commercial advantage if we are early adopters of ISO 9001, which we were the first in the industry to get, and ISO 14001. It has a very positive appeal to clients,” says Hart.

Billington also decided to evaluate its business against the sustainability charter laid out by the British Constructional Steelwork Association Ltd. (BCSA), which recommends the ISO standards that the company has attained. It also requires a mandatory, published sustainability policy; a programme of involvement with the local community on social issues; monitoring of progress towards better sustainability with specific manage-

ment targets; a structured programme for training, development and communication; a published ethical trading policy; and a policy to manage energy and vehicle fuel use.

“We understand that sustainability gives us a commercial advantage”.

“We adopted this charter early and went through the audit process, which resulted in us getting gold accreditation. For us, it was not necessarily about cost benefits, although there are some. Raw material steel is our biggest cost factor—around 40% of the cost base—and our processes do not produce much waste. There are issues of energy usage and transport, but we found we had fairly little room for cost savings in those areas. It was more about the appeal of sustainability to our customers and winning new business,” explains Hart.

It was more about the appeal of sustainability to our customers and winning new business”.

“Our clients want us to have ISO 9001, ISO 14001 and the Investors in People accreditation. We also have ISO 18001 health and safety accreditation. The BCSA charter includes these criteria, too. We had to make modest changes to our business to get the gold standard. We had to look at our policies and make some minor changes in practice. The most important of those was about ensuring that our suppliers take environmental matters into account.”

Sustainability reporting

In adopting the standards laid down in the charter, Billington wanted to be a good corporate citizen and build the confidence of clients. To do so, it has to monitor its performance and chart its progress towards sustainable goals. It has an environmental policy as part of ISO 14001, and every year the company does an annual sustainability report. In this, it sets targets and reviews its progress.

Some targets are very specific, such as the reduction in usage of materials like shot blast, which is used to prepare steel. Other targets cannot be tracked with precise metrics, but are nonetheless important to either improving sustainability or showing to customers that sustainable issues are core to the business. One example is Billington’s move to computerise its training records.

This step is important because the company employs many people beyond its full-time workforce for on-site projects and all of these must be adequately qualified. Keeping records of training and qualifications in computerised form not only saves on paper and printing, but also makes it easier and quicker to verify and communicate the relevant information to clients.

“We need to show our clients that the people we employ have the right qualifications. We must show them that we are a responsible supplier. More broadly, we also need to ensure we are improving the skills within the business. All of this is needed from the perspective of the business, but also has a CSR angle,” remarks Hart.

Billington's approach to sustainability is formalised. For instance, it employs an environmental manager to oversee the certain elements of its sustainability strategy. The company has also made efforts to ensure that the message about sustainability permeates the entire business. The involvement of the finance function has been central to its strategy from the start but largely because of Hart's personal engagement with sustainability.

"Sustainability is about the long-term health of the business. It is about corporate social responsibility and a company's place in the community. Then there are the environmental issues, like recycling, which for us mainly means scrap management, for which we already had processes in place for commercial reasons. A clean workspace means better health and safety and greater efficiency. What we had to do was pull our sustainability strategy and our policies together," says Hart.

"Sustainability is about the long-term health of the business. It is about corporate social responsibility and a company's place in the community".

"I wear the sustainability badge within the company, but it could equally sit here in finance or with production, personnel or any other department. Sustainability is not something that is laid on top of the business. It does not have to be a separate issue. It is just part of being a good business."

Key lessons

- Look at industry-wide initiatives to build on the knowledge of other companies and industry associations
 - Map official accreditation for environmental management and sustainable process quality to your own business processes
 - Consider sustainability not only within your own company, but across your network of suppliers
 - View sustainability in a wider context, not just in terms of environmental issues
 - Clearly define who has responsibility for sustainability within the organisation
 - Remember that sustainability should be a core element in being a good business, not merely an add-on
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About Billington Structures Limited

Billington Structures Limited has been designing, fabricating, and erecting structural steelwork for the construction industry since 1947. Their experienced workforce can tackle projects from simple building frames to the most complex structures in excess of 6,000 tonnes. With plants in Barnsley and Bristol the company has the capability to process 25,000 tonnes of steel per annum, and is able to service clients throughout the UK.

About Peter Hart, ACMA, Finance Director

Peter, a member of the Chartered Institute of Management Accountants, has 19 years experience with Billington, and had previously worked in the mining machinery and aerospace industries. He is also Chairman of the Trustees of Dosco Overseas Engineering Ltd. Pension Scheme and a member of the BCSA Sustainability Working Group.



Doing the right thing

Smaller companies can play a big role in supporting local communities through charitable giving and volunteering, which can be key elements in being a good corporate citizen. Such activities may make employees proud to work for the company, and give the business a better status in the community or among suppliers and customers. For some, these benefits are not important because sustainability is just about doing the right thing.

When companies sit down to work out the commercial benefit of becoming more sustainable there is often a eureka moment when they realise that they can make significant cost savings from reducing their energy consumption, for instance, or strengthen their relationships with customers or suppliers. For other companies, the benefits of sustainable business principles are so intangible they are almost impossible to measure. For them, sustainability is about trusting in principles like charitable giving, reaching out to the local community through volunteering programmes and giving employees ownership of the company.

“Smaller companies often give more than big companies. Their ownership is local, so they give more time and money to local community groups. That builds the community, which is very important. There is a positive effect on the company and its employees of building stronger, healthier communities, but we don’t need to see a tangible return. We just need to know that we are doing good,” says George Mandragouras, an experienced public accountant who is now CFO of contract manufacturing company Cirtronics.

Based in Milford, New Hampshire, Cirtronics is involved in prototyping, PCB assembly, box-build, test and fulfilment services for various high-tech sectors. The focus of its activities is not unique, but its approach to business is very different to that of its competitors. Firstly, it forms close partnerships with its customers, acting as an extension of the client organisation. Secondly, the value system that is core to the company sees employees’ contribution to the business based on their individual strengths rather than traditional job roles, often forming cross-functional teams to best meet their customers’ needs.

The company's unusual approach to harnessing the best from its workforce reflects its focus on engaging employees in the business. It has, for instance, transitioned 39% of the company since 2002 into an employee stock ownership (ESOP) programme, thereby making the employees the owners of the business. Owner and president Gerardine Ferlins took this decision as part of her belief that the strength of the company is in its people, their commitment, sense of community, and desire to serve and continuously improve.

"It is based on the principle of 'give a man a fish and you feed him for a day, teach him how to fish and you feed him for a lifetime'. In a capitalist society, it is not about the fish, but about who owns the boat—that's how wealth is created," says Mandragouras.

This sense of community, and of the role of the company as a corporate citizen, defines the sustainable activities in which Cirtronics is involved—namely corporate giving, employee volunteerism and environmental stewardship.

"We have a lot of environmental efforts, such as recycling, improving our packaging and minimising our energy usage, but sustainability is much broader than that. For us, it is a holistic approach. We give people time off to do volunteering, whether that is taking a field trip with their child's school or clearing trash from the highway. Our goal is to give 10% of our profits as charitable contributions, which is what is allowed under US tax law. Some years we hit that target, but it is based on what the company can afford," says Mandragouras.

"We have a lot of environmental efforts, such as recycling, improving our packaging and minimising our energy usage, but sustainability is much broader than that. For us, it is a holistic approach".

"We don't want to pick too many leaves from the money tree, so we must keep an eye on maintaining profitability and investing in the company. We do what we can while making sure that everything is in synch for the long term. In the long run, it all comes back to you," he adds.

When it comes to deciding how to support the local community through donations of time, funds or space, there is a clear focus on improving the lives of young people. The allocation of resources is decided by the Cirtronics Community Out-Reach Program (CCORP) committee, which has a rotating membership of employees.

"Neither I, nor the owner, have ever sat on the CCORP committee. It is made up of people on the manufacturing floor. It is not a PR exercise run by senior management. Our employees know their earnings are going to their peers through the corporate giving process," explains Mandragouras.

Despite his experience as an accountant and his role as CFO, Mandragouras is not focused on measuring the payback from the company's efforts to be a sustainable business. While he plays a role in determining how much the company's corporate giving can amount to each year, he does not decide where it goes. Nor does he have in place a precise set of metrics to measure the benefit that the company gets from such activities.

“Charitable giving of profits does affect the value of the company and its shares, and some people ask why we don’t invest that money into the company. But working here is not about pursuing the ‘almighty buck’. We can invest in the company and give to the local community. The company feels strongly about it, though we are not sure how the benefit comes back to us. We must simply trust that it does,” remarks Mandragouras.

“We engage with sustainability regardless of the benefits. There is a benefit, but we just can’t measure it. We know that supporting local groups benefits our employees, their families and friends, and builds stronger communities. Do you need tangible evidence to know that what you are doing is having a positive effect? We know the cost, but we can’t measure the financial benefits, though it might inspire other companies or help local young people. In any case, it is just the right thing to do.”

Key lessons

- Engage employees by giving them ownership of the company and a direct role in defining sustainable activities like charitable giving
- Keep a long-term perspective on the balance between sustainability and profitability
- Trust that sustainable business practices are bringing benefit to the company, even if those benefits are intangible and hard to measure

About Cirtronics

Cirtronics was born in 1979 with the vision that a corporation can extend beyond itself to truly serve its customers, employees and suppliers, as well as the environment and the community. Cirtronics Corporation is not a typical contract manufacturer. The foundation of the company is built on its value system. Employees contribute to the organization based on their individual strengths versus traditional job roles. Cirtronics is a privately held company, which allows them to manage operations and make decisions in the best interest of their customers versus external stockholders and Wall Street.

About George Mandragouras, CFO Cirtronics

George has been employed at Cirtronics for 14 years as the Chief Financial Officer. He obtained a BA in Business Finance at UMass Amherst and spent 13 years in public accounting prior to joining the company.

George works with many organizations inside and outside of Cirtronics. He is currently the Treasurer for the Boys & Girls Club and is a founding member of the NHBSR (New Hampshire Businesses for Social Responsibility).

Efficiency first

It has become more widely understood that behaving more sustainably brings efficiency gains for most businesses. Some companies, however, have proved that the logic of that equation can be reversed and that by increasing efficiency a business performs better in terms of sustainability.

In a business that has no choice but to create carbon emissions by burning fuel and which delivers goods that necessarily require packaging materials it may seem that any efforts to improve corporate social responsibility (CSR)—the foundation of sustainable business—may have limited traction on environmental issues. Yet one company has shown that its very business model is evidence that environmental performance can be better than the industry standard.

Rainbow Nightfreight, the logistics and supply chain operation of the W A Rainbow Group, operates a multi-user nightfreight service that enables it to provide high levels of vehicle capacity usage and minimise the distance of travel on outbound and inbound journeys. Compared to the fleet operations of its larger competitors, this offers an economical alternative, because it can take loads from different customers on every leg of every route, so has fewer empty journeys. As a result, its very business model is a powerful driver of its focus on sustainability because it differentiates it from many competitors and makes more efficient use of its vehicles.

“The initial impetus came from my involvement in promoting the company’s new website, especially the CSR pages. Ours is an industry that is under the spotlight for its use of fuel and packaging materials. We do generate emissions—it is part of the business—and we are aware that our bigger competitors like Fedex, DHL and UPS are looking at sustainability,” says Rob Smith, ACMA, Finance Manager at Rainbow Nightfreight and CIMA member.

“Outgoing vehicles and return vehicles can be full. Compared to a dedicated company with its own fleet, we can do fewer miles and use less fuel and, therefore, produce fewer emissions for each item we deliver. Our services can do more than just A to B deliveries on each individual journey, so the model we operate is naturally more efficient than a typical dedicated service provider,” he remarks.

The company maintains a hub and spoke system for operating its vehicles, which includes regional depots, and has greater flexibility in planning its routes and vehicle loads. From that basis, conscious efforts to improve sustainability have more traction.

“The business model is more environmentally friendly and, therefore, more sustainable, but we also do what we can from an efficiency and emissions perspective. For instance, we have defensive driver training programmes, which focus on anticipating dangerous situations and driving more safely, but also cover issues like fuel efficiency, minimal brake wear and optimal tyre pressure, as well as looking at efficient planning for each individual journey,” says Smith.

Among its efforts to promote sustainability within its industry, Rainbow Nightfreight has been lobbying government to encourage multi-user networks. It has explained the benefits of its business model to the Department for Transport’s Low Carbon Supply Chain Steering Group.

The company has also involved environmental experts in the design of its new East Midlands depot, a project that ultimately included investment in the creation of new habitats for local wildlife. It keeps a close eye on the latest research in areas like transit packaging to stay abreast of the latest developments in reusable and recyclable packaging materials. It is also monitoring the development of electric vehicles.

“We are in a hiatus stage in terms of our fleet. Two years ago, we jettisoned three depots and had surplus vehicles, so we cherry picked the best ones. So, it will be another two years before we look at vehicle replacement, but when we do we will take environmental considerations into account. We could go for electric or hybrid vehicles, and may go beyond what is required by environmental legislation,” comments Smith.

“We have also consciously looked at the packaging side and researched different designs. The customers are responsible for providing the packaging of the goods we deliver, but we may bolster that where necessary. We can recommend transit packaging to customers to protect their goods, and when we do we must look at resource efficiency and take green issues into account.”

Monitoring and measurement

A disciplined approach to monitoring progress against defined environmental metrics is also evolving within the company.

“We have been calculating our emissions since last year. When we have an energy or fuel bill we record the KWh per litre to calculate our annual carbon footprint. We are also in a position to calculate emissions for our customers on the distribution element of their business if they ask us to, just like DHL does on its overseas deliveries,” says Smith.

“We haven’t set carbon footprint targets yet, but for our industry a reduction of even 1% would be something to brag about. It would be a major achievement. Although we have researched it, we have decided not to go into the carbon credits market because it is seen as buying your way out of a problem,” he adds.

“A disciplined approach to monitoring progress against defined environmental metrics is also evolving within the company”.

Smith, as finance manager, initiated the company’s efforts to improve sustainability. As a result, the finance function plays a major role in monitoring and improving performance, but Smith has the ear of the other board members and has found it relatively easy to garner their full support.

“The main investment needed to improve sustainability in the business is management time,” he stresses.

What Smith has observed is that the benefits of sustainable strategies can accrue even if being greener is not the company’s first priority. Looking at what is good for business performance can result in behaviours that benefit the environment and other elements of CSR, and vice versa.

“The main investment needed to improve sustainability in the business is management time”.

“We approach efficiency first and we have got sustainability benefits as a result of that. We are conscious of sustainability, which is ingrained in the industry now, so we are careful about things like switching the lights off to save energy, but the focus is on being a cost-efficient business,” Smith explains.

“Sustainability is ingrained in our business. It is not done under the banner of being green. It is driven by efficiency.”

Key lessons

- Identify and build on the elements of your existing business model that promote sustainable activities and practices
 - Make clear links between sustainability and efficiency, and between efficiency and cost savings
 - Keep up with the latest research on how to improve sustainability in key areas of a business, such as fuel efficiency and the reduction of packaging materials, and apply those lessons in practical ways
 - Devise appropriate metrics and monitor performance on key parameters, like fuel efficiency
 - Set realistic goals for performance improvement
 - Involve environmental experts in the design of new capital projects
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About Rainbow Nightfreight Ltd (W A Rainbow Group)

Rainbow Nightfreight Ltd is a commercial freight network specialising in awkward shapes and sizes but also handles standard parcels and pallets. The logistics and supply chain operation of the W A Rainbow Group, it is primarily UK focused but also has an international presence. The company employs around 100 staff and generates annual revenues of around £7m.

About Rob Smith, ACMA, Finance and General Management

Rob Smith is in charge of Finance and General Management at Rainbow Nightfreight Ltd (W A Rainbow Group). Prior to that, Rob was the Financial Controller/Director at Dengel & Barker. Previously he had been Chief Accountant at Davidson Packaging (BPB Group) and Systems Manager at TI Parkray (Tube Investments – TI Group). Rob is a member of CIMA.



Talking the talk and walking the walk

When a financial institution tackles sustainability it is able to not only look at the environmental impact of its own operations, but can also offer backing to other businesses and private individuals looking to make their own improvements. One bank in the Western US is doing both to great effect.

Every industry can engage with the sustainability agenda and financial services is no exception. Some banks have, in fact, seized the opportunity to position themselves as 'green', focussing particularly on the environmental aspects of sustainability. They offer, for instance, paperless accounts that are run entirely over the Internet. Others, however, have gone a step further.

Zions Bancorporation, which comprises numerous affiliate banks across many western US states, is putting its capital behind sustainability by launching a new division, which has been in operation for nearly a year, dedicated to funding residential, business or even small utility-scale energy projects that relate to both renewable energy generation and modifications that improve energy efficiency in homes or businesses.

Its lending team is looking for financing opportunities that will access loan guarantees worth billions of dollars from the Department of Energy and Department of Agriculture, and other government-backed programmes. There has been a lot of interest and tangible projects are already in place.

Teaming up with the City of Phoenix and a local utility, the National Bank of Arizona — which is part of Zions Bancorporation — has already created a \$25m fund for residential projects under the Solar Phoenix project. Other projects include work with the Davis-Monthan Air Force Base in Tucson, Arizona, where the bank is funding a 3MW solar power installation to provide energy for many of the houses that lie behind the gates of the base.

“We have a good relationship with the utility on energy efficiency improvements, too. We help with loans from \$5,000 upwards for consumers to make modifications to their

homes. We are involved in a Department of Energy grant that will provide \$20m for commercial energy efficiency projects. We are also looking at a utility-scale project, and we are helping public bodies like schools with loans to develop alternative power sources,” explains Craig Robb, CPA, Managing Director of Zions Energy Link.

“There is a lot of interest in loans among consumers for residential distributed generation programmes to lower utility rates by up to 20%, and public institutions are very interested, too, as they are effectively buying a hedge against long-term rises in energy costs. But there is an even spread between these kinds of borrowers and businesses or property developers looking for funding.”

The bank’s proposition is only partly altruistic. Its actions prove that there is commercial value in sustainability. Although there is certainly an ethical angle to its decision to back sustainable projects, providing funding to help homeowners, communities and businesses become more sustainable makes good economic sense.

“This is not about attaching ourselves to the green message in a contrived way. It is not following a fad. All the loans we make are commercially viable. The bottom line is that these loans make economic sense for the bank. There is a positive economic consequence from the bank’s own efforts on sustainability and from the loans it makes. We are not positioning ourselves as a green bank from a public relations perspective—that is not our main goal,” stresses Robb.

“Our loans are innovative in their approach, but we use the same fundamental banking principles we have always used. We look at creditworthiness and how much equity is in the deal, so even though the technology might be a bit different the only difference in our process is the length of time a loan is outstanding. These projects often need a longer term loan.”

The bank is not only putting its capital on the line in the name of sustainability, it is doing so from an informed perspective. It has made changes to its own business in the name of energy efficiency, providing an example to its customers and other businesses.

“This is not about attaching ourselves to the green message in a contrived way. It is not following a fad. All the loans we make are commercially viable. The bottom line is that these loans make economic sense for the bank”.

One important project was the installation of solar panels on a new parking structure at the headquarters of the National Bank of Arizona in Tucson. Covering the new building with photovoltaic panels produces around 400KW of electricity, which provides around a quarter of the power used by the 130,000 sq ft banking centre.

“We started our sustainability drive at a time when things seemed at their hardest in the financial markets, but we looked at ourselves as a long-term sustainable organisation, partly in an environmental sense, but also because when the world seems to be falling apart we are an organisation that has a long-term belief in itself,” says Robb.

“The solar power projects at our corporate centre and other locations have good payback, and the economics of them are very important. We have a large building here that was designed in the 1980s with a lot of glass, and which is not very efficient, but with solar power we have reduced our power consumption by 40% in two years. That shows the value of it from our own account and so we can show others the benefit of doing a similar thing.”

“We started our sustainability drive at a time when things seemed at their hardest in the financial markets, but we looked at ourselves as a long-term sustainable organisation”.

Encouraging customers to take a long perspective on change is fundamental to the proposition of Zions Energy Link, and the bank tries hard to lead by example.

Each affiliate bank within Zions Bancorporation has control over the development and delivery of its own internal sustainability policy, but at National Bank of Arizona, Robb took the reins as CFO. With a forward-looking CEO and a chairman with a proactive stance on sustainability programmes, the finance function was able to plan for the long-term and break the strategy down into individual projects, like the solar power initiatives at its corporate headquarters.

“A long-term view is systemic; it is part of who we are. Zions was formed in the late 1800s, so it has been around for a very long time already, and it hopes to be around for a long time to come. Any sustainability project may take years to pay back, but if you have that long-term view it ends up effectively costing nothing in cash terms because of the efficiencies it brings,” says Robb.

“Someone has to make a change and take on something like a small solar power application. Once you get the ball rolling it gathers momentum.”

Key lessons

- Assess the benefits of sustainability projects from a long-term perspective
 - Engage senior management in defining a sustainability strategy that looks beyond the next quarter’s financial results
 - Make small changes that build up to make a huge difference to efficiency over time
 - Lead by example, engaging customers, partners and suppliers in your journey towards becoming a more sustainable business
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About Zions Energy Link

In November 2010 Zions Bancorporation and its subsidiary National Bank of Arizona (NBA) announced the launch of Zions Energy Link, a division that specializes in the sustainable energy finance sector. Zions Energy Link provides simple, streamlined and cost-effective financing solutions for energy efficiency and renewable energy projects in Arizona, California, Colorado, Idaho, Nevada, New Mexico, Oregon, Texas, Utah and Washington. It has a host of specialist lenders in these 10 states that are knowledgeable in government grants applicable to renewable energy generation projects. Energy Link is committed to actively reviewing funding opportunities of both large and small projects, with current projects in the pipeline ranging from less than \$10 million to more than \$100 million.

About Craig Robb, CPA, Managing Director of Zions Energy Link

Craig Robb is the Managing Director of Zions Energy Link, a new division of the bank specializing in the sustainability finance sector. Craig has been at the helm of the bank's venture into some of the state's most significant residential and commercial sustainability programs. Under his leadership, National Bank of Arizona, a subsidiary of Zions Bancorporation, has become a recognized leader of financing for energy efficiency and renewable projects. Prior to his appointment as the Managing Director of Zions Energy Link, Craig was the Executive Vice President and Chief Financial Officer of National Bank of Arizona. He supervised all financial aspects of the bank as well as both Facilities Management and Risk Management. Prior to joining NB|AZ in 2002, Craig worked for Desert Mountain Properties as Senior Vice President of Operations. He received a BS in Accounting from Arizona State University and is a Certified Public Accountant.

A flying start for sustainability

The aviation industry is under the microscope for its impact on the environment, but while the focus has largely been on the fuel consumption of airlines, airports are also making a bid to improve efficiency and reduce resource consumption to improve the sustainable profile of the industry as a whole.

Among the industries that have been most heavily criticised for their emissions of greenhouse gases, the aviation sector is one of the most prominent. It has also been among the most responsive to issues of sustainability. In fact, aviation accounts for only 2% of global CO₂ emissions, but the industry is nevertheless committed to improving technology and operational processes to increase efficiency and reduce its environmental impact.

Airlines and aircraft manufactures have made efforts to improve fuel efficiency—and in the process have exemplified how cost savings and improved sustainability go hand-in-hand. Airports, too, have embraced the message about sustainability in all its forms.

Aéroports de Montréal (ADM), a not-for-profit organisation responsible for the management, operation and development of Montréal-Pierre Elliott Trudeau and Montréal-Mirabel international airports, is among the operators making a committed effort to balance business objectives with the sustainable agenda. ADM states its missions as a combination of three goals: provide efficient, safe and secure airport services that are consistent with the needs of the community; foster economic development in the Montréal area; and coexist in harmony with the surrounding environment, particularly in matters of environmental protection.

“ADM aims to become an airport manager ranking among the best in the world, and to reach that goal requires that we adopt a sustainable vision and put in place sustainable practices. The triggers for our strategy are the strategic opportunity to develop and grow our airports, the potential for cost savings and the increased willingness of the industry in recent years to take a more sustainable approach, particularly by reducing greenhouse gas emissions,” says Philippe Rainville, CA, VP Finance and Administration at ADM.

In 2008, ADM joined the global aviation industry's Commitment to Action on Climate Change, and has adopted a clear corporate objective on sustainable development. Its policy will bring all of ADM's many initiatives under the same umbrella and extend sustainability beyond environmental issues.

Environmental certification

"Our goals and targets have been adopted as part of the ISO 14001 environmental certification. ADM has been certified since 2000, but meeting these goals means having a continuous improvement approach," says Rainville.

"Sustainable development must be seen not as an expense but as an investment. In drafting the sustainable development policy, finance is involved throughout. As with all entities in the organisation, finance must be involved directly in the sustainable development approach," remarks Rainville.

"Sustainable development must be seen not as an expense but as an investment".

ADM has defined a number of metrics to chart its environmental performance, including energy consumption, rate of waste recycling, greenhouse gas emissions, and the number of employees using alternative modes of transportation. But environmental parameters are not the only indicators it tracks. There is a strong focus on human resources indicators, including staff training levels, turnover rate and absenteeism.

Nevertheless, environmental considerations have a high profile, partly because that is the area in which ADM's customers express the most interest. ADM has reduced its energy consumption with various projects such as the installation of motorized "smart" blinds that automatically open and close to maintain an optimal level of natural light in the terminal building, and the replacement of sliding doors with revolving doors which reduces the need for heating and air conditioning.

"As with all entities in the organisation, finance must be involved directly in the sustainable development approach".

Its most notable success, however, has been the development of a high-performance thermal plant, which has been designed to recover energy. It consumes different kinds of energy, prioritizing electricity, then natural gas and then fuel oil. "The thermal plant at Montréal-Trudeau airport, commissioned in 2003, is an energy efficiency showcase. ADM engineers developed and applied innovative concepts for the new plant, which won recognition awards from key energy efficiency organizations. The new thermal plant achieved 70% energy efficiency improvement over the old one," says Rainville. In 2010, ADM became the first airport authority to sell carbon credits on the voluntary market, representing 24,205 tons of CO₂ equivalent. "The sale of carbon credits is a tangible and material demonstration of the efforts undertaken in the last few years to reduce our emissions," he adds.

The savings and efficiencies such projects have brought to ADM have inspired the company to extend the scope of its sustainability drive to cover every aspect of its current operations and its future development plans. The next item on the agenda is to acquire a fleet of energy-efficient vehicles. Some 20 vehicles are already being converted to use propane gas instead of petrol. ADM has also participated in a trial to test hydrogen technologies including fuel cells to power vehicles at Montréal-Trudeau.

“The three focuses of sustainable development are not necessarily opposed but are complementary. For example, energy efficiency measures have resulted in cost-reduction measures. The use of electric rather than gas boilers outside peak hours reduces emissions because of Québec’s hydroelectric network, and reduces energy costs.”

For Rainville, the success of any sustainability drive requires commitment from senior management, who must grasp the importance of the issue now to ensure it is engrained in the business in the future.

“Sustainable development is important for our employees—they see it as a necessity. For the future, environmental priorities remain, but there is growing concern over social issues. ADM has made some good progress but sustainable development is an ongoing journey that requires the co-operation of all players,” he says.

*“Sustainable development is important for our employees
—they see it as a necessity”.*

Key lessons

- Embrace industry-wide initiatives and engage with peer organisations to achieve sustainable goals
- Share best practices with organisations that face the same challenges in regard to sustainability
- Engage all stakeholders in your drive to improve sustainability, including suppliers and customers
- Remember that improving sustainability is an ongoing process, not a one-off effort
- Open clear lines of communication to engage the commitment of employees throughout the organisation
- Remember that engagement of employees starts with the commitment of senior management

About ADM

Aéroports de Montréal (ADM) is a not-for-profit corporation without share capital and is responsible for the management, operation, and development of Montréal–Pierre Elliott Trudeau International Airport (formerly Montréal–Dorval International Airport) and Montréal–Mirabel International Airport under the terms of a 60-year lease signed with Transport Canada in 1992.

About Philippe Rainville, CA, Vice-President, Finance and Administration, and Chief Financial Officer, Aéroports de Montréal

Mr. Rainville joined *Aéroports de Montréal* in January 2008 as Vice-President and Chief Financial Officer. He is involved in all aspects of corporate management, particularly finance, information systems and procurement.

