



>
accenture

High performance. Delivered.



United Nations Global Compact

A New Era of Sustainability: Perspectives from Asia Pacific CEOs

UN Global Compact—Accenture CEO Study 2010



The sustainability landscape is changing—in Asia Pacific and around the world

CEOs around the world are starting to see the shape of a new era of sustainability coming into view. In the face of rising global competition, technological change and the most serious economic downturn in nearly a century, corporate commitment to the principles of sustainability remains strong throughout the world: 93 percent of CEOs see sustainability as important to their company's future success.

This is one of the most significant headlines of our survey of 766 United Nations Global Compact (UNGC) member CEOs, extensive interviews with an additional 50 member CEOs and further interviews with more than 50 business and civil society leaders. The scale of this research is such that it represents the largest such study of top executives ever conducted on the topic of sustainability.

In the course of our survey and conversations with CEOs, we have witnessed a fundamental shift since the last Global Compact survey in 2007. Then, sustainability was just emerging on the periphery of business issues, an increasing concern that was beginning to reshape the rules of competition. Three years later, sustainability is truly top of mind for CEOs around the world.

Although environmental, social and governance challenges continue to grow and CEOs wrestle with competing strategic priorities, sustainable business practices and products are opening up new markets and sources of demand; driving new business models and sources of innovation; changing industry cost structures; and beginning to permeate the business from corporate strategy to all elements of operations.

Perspectives from Asia Pacific

Support for the goals of sustainability is strong everywhere around the world. Although executives share many common concerns and ideas for reaching the next era of sustainable business, there are also some important differences as we move from one global region to another.

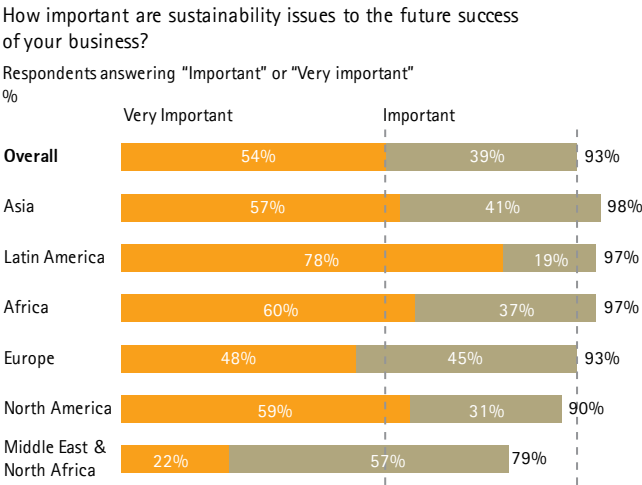
In this brief addendum to the primary UN Global Compact-Accenture report, we want to highlight some notable areas where CEOs from Asia Pacific (APAC) companies see the world of sustainability in slightly different ways than their global counterparts—or where the principal themes and emphases of the 2010 research are especially in evidence among APAC executives.

Commitment to sustainability is highest among APAC executives

More APAC CEOs than in any other region of the world (98 percent) see sustainability as either important or very important to their company's future success. (See Figure 1.) In fact, 57 percent of APAC executives perceive sustainability issues to be "very important" to their future success, a slightly higher proportion than the global average of 54 percent.

In the words of Hirokazu Hashimoto, President and Director of the Japanese technology company Anritsu Corporation, "Sustainability issues are critically important for our company's future." According to Zhongshu Zhou, President of China Minmetals corporation, "Sustainable development is a basic guarantee for our company's survival and development."

Figure 1: Higher percentages of APAC CEOs see sustainability as critical to their future success

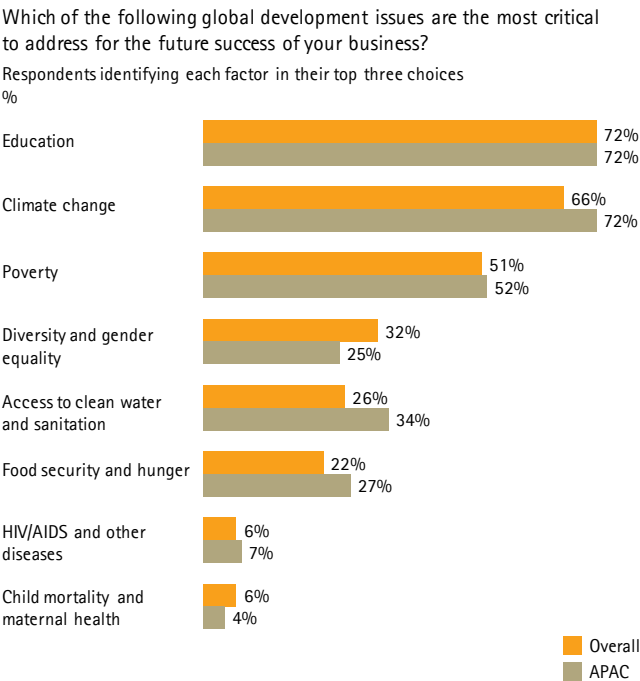


Source: United Nations Global Compact CEO Survey 2010 (based on 766 completed responses)

Although many factors contribute to this strong APAC support of sustainability, one important element is what one business leader termed the "lens of proximity" of sustainability issues. That is, corporations and the public alike in emerging economies see sustainability in very personal, local and immediate terms—e.g., access to clean water, more direct dependence on the natural environment—and therefore perceive their future success to be more directly threatened by environmental degradation.

For example, APAC CEOs emphasize more than their global counterparts the importance of access to clean water and sanitation, as well as achieving food security and alleviating hunger, as key sustainability issues. (See Figure 2).

Figure 2: APAC CEOs place greater emphasis than the global average on the importance of both access to clean water and sanitation, as well as achieving food security and alleviating hunger



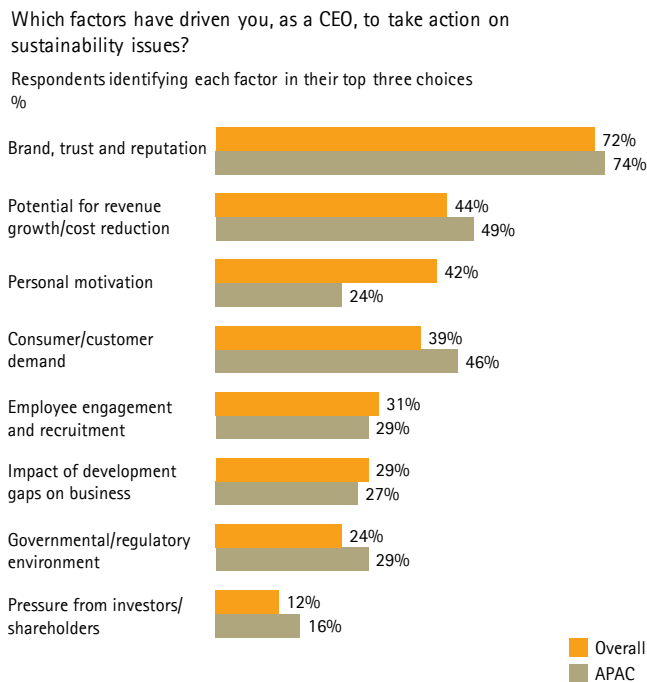
Source: United Nations Global Compact CEO Survey 2010 (based on 766 completed responses)

Motivators: Perceptions of consumer trust in Asia Pacific

The most commonly cited factor motivating CEOs to take action on sustainability issues—both globally and within the APAC region—is brand, trust and reputation, selected by an exceptionally high 74 percent of APAC CEOs (72 percent globally) as one of their top three motivating factors. (See Figure 3.)

Many CEOs are concerned about the damaged reputation of business in the wake of the recent financial crisis and economic downturn, and these business leaders clearly appreciate the scale of the challenge in reestablishing confidence in the corporate community. According to PM Telang, Managing Director of Tata Motors, "The concept of 'trusteeship' is vital, both as a management philosophy and as a principle of governance."

Figure 3: APAC CEOs, along with their global counterparts, affirmed "brand, trust and reputation" as a key motivator for developing sustainable business practices and products

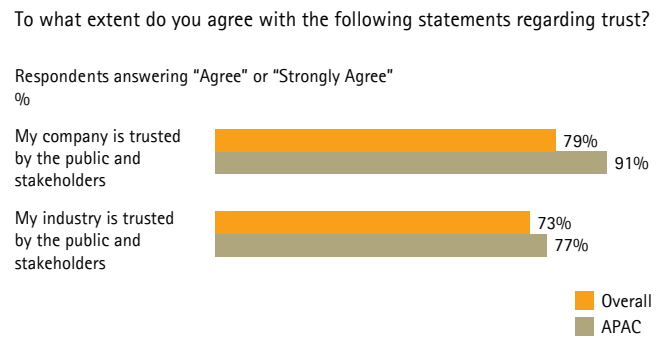


Source: United Nations Global Compact CEO Survey 2010
(based on 766 completed responses)

However, one notable finding from the research is that business leaders in Asia Pacific appear to have greater confidence that they are trusted by the public and other stakeholders. For example, while 79 percent of CEOs globally believe that their company is trusted, 91 percent of APAC CEOs believe this to be the case. And, while 73 percent of global CEOs believe their industry is trusted, 77 percent of APAC executives believe this to be true. (See Figure 4.)

APAC executives appear to believe that their sustainability activities are contributing to this enhanced sense of trust. For example, Sung-joo Kim, CEO of South Korean retailer the Sungjoo Group, noted that, "Through our focus on sustainability, we earned trust and loyalty from our consumers; it became much better than those who [only] invested in advertising. We cared for society and we showed how much we care, and eventually it led to far better recognition."

Figure 4: Business leaders in APAC have considerable confidence that their company is trusted by the public and other stakeholders



It is generally true that Asia Pacific companies often enjoy higher levels of trust from consumers than their counterparts in the United States and Europe. However, our survey data suggests that CEOs, at an individual level, may not fully grasp the extent of the trust challenge. For example, in APAC, 77 percent of CEOs believe that their industry is trusted by the public and other stakeholders, but fully 91 percent believe that their company is trusted. At the industry level, the story is perhaps more predictable. It is not yet clear, however, to what extent business leaders view their own role in rebuilding a more trusted position for business in society, and to what extent they feel individual action can address a global environment that threatens business' social contract and sees some stakeholders ask serious questions about the purpose of business.

Driving sustainability for business impact

A message that comes through loud and clear from APAC executives is that the imperative to act on sustainability has shifted from a moral to a business case. In some respects, the economic downturn has been a prime cause of this move to drive sustainability initiatives based on business goals. During a time of economic hardship, businesses have been forced to examine closely how their sustainability activity delivers core business value, measured in terms such as cost reduction and revenue growth.

Among APAC CEOs, 80 percent believe that the downturn has led their company to align sustainability more closely with core business—a number exceeding the global percentage of 73 percent.

These regional CEOs are also more likely to see solid business returns from sustainability as a key driver. For example, 57 percent of APAC CEOs cite "cost reduction and efficiency" from sustainability as an important opportunity over the next five years, compared with only 46 percent globally. As one business leader pointed out, "If managing a business sustainably is about using resources efficiently, then it serves the cost agenda as well." Similarly, 50 percent of APAC executives affirm the importance of achieving revenue growth from sustainable practices, compared with only 41 percent globally.

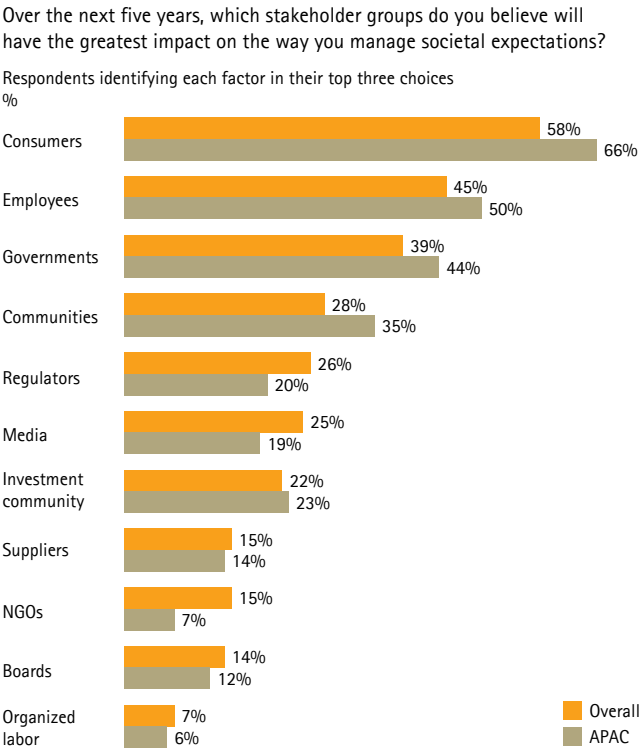
A fairly strong consensus opinion in Asia Pacific is that sustainability will need to be driven either for sound business reasons, or through government intervention. Absent at least one of those drivers, progress may be slowed. "We must not have a double face," as Martha Tilaar, Chairwoman of the Martha Tilaar Group, told us, "Philanthropy must be aligned with business strategy."

We see this emphasis on business drivers in another data point from the research: Asked to name barriers to achieving greater success from sustainability, higher percentages of APAC CEOs (38 percent compared with 30 percent globally) named "failure to recognize a link to value drivers." That is, again, if companies cannot demonstrate the business value of sustainability initiatives, such work is likely to have less of an impact.

The importance of a consumer market

APAC executives are especially focused on consumers as a key value driver—buyers who will create a viable marketplace for sustainable products and services. One striking finding of the research is that 66 percent of APAC executives named "consumers" as a stakeholder group having the greatest impact on sustainability initiatives, compared to 58 percent globally. (See Figure 5.)

Figure 5: For CEOs in APAC, consumers represent by far the most important stakeholder in driving action on sustainability



Source: United Nations Global Compact CEO Survey 2010 (based on 766 completed responses)

We should note that the stronger emphasis on consumer demand among APAC CEOs is in some respects counterintuitive. Many of these companies are headquartered in emerging economies, where consumers do not necessarily form what could be considered a strong buying constituency. It is likely, therefore, that the emphasis on consumer demand expressed by APAC CEOs reflects the fact that most of these companies are, in fact, global in nature. So executives see consumer demand in terms of the global customer, not only the local one. As Carlos Ghosn, CEO of the Renault-Nissan Alliance, said, "We want to make the most eco-friendly choice a good economic solution for consumers as well." Or, as Sung-joo Kim of the Sungjoo Group put it, "Sustainability started as a moral obligation, but has now become a key differentiator for consumers."

Executives are cautiously hopeful that they can see significant new sources of growth in "green" products and services: As growth slows in traditional markets, companies are turning their attention toward new propositions that tap into new waves of demand.

For example, Nissan is investing in a portfolio of green products, including clean diesels, efficient internal-combustion engines and hybrids. The centerpiece of its product strategy is the zero-emission vehicle. Nissan has successfully entered this market with the LEAF, a car that produces no carbon-dioxide emissions, uses advanced aerodynamic technologies and has a driving range of 100 miles on a single charge of its electric motor. The LEAF had 13,000 pre-orders in just over one month in the United States and Japan alone, with more than 56,000 orders globally.

A new era of sustainability: APAC executives are highly confident in their progress

Our survey found resounding belief in a new era of sustainable business—one in which sustainability is more than an aspiration or a separate initiative, but something fully integrated into the strategy and operations of a company. In the words of one of the CEOs we spoke to, "Currently, the burning issue is how to better incorporate sustainability into daily practice."

The past three years represent a significant mindset shift in how UN Global Compact CEOs think about the role of sustainability in strategy and operations. Ninety-six percent of CEOs in APAC—identical to the global figure—compared to just 72 percent globally in 2007, now believe that environmental, social and governance issues should be fully integrated into the strategy and operations of a company.

CEOs are also extremely confident about the progress they have made toward this new era of sustainability. Fully 81 percent of CEOs, both within APAC and globally—compared to just 50 percent globally in 2007—believe that sustainability issues are fully embedded into the strategy and operations of their company. Moreover, these issues are also more consistently being raised to board level—79 percent of APAC CEOs (75 percent globally) report that their board



takes an active role in considering sustainability issues, compared with only 45 percent globally in 2007.

How successful are companies, right now, in achieving this sense of embedded sustainability? We found APAC CEOs more confident than their global counterparts in the degree to which they have achieved this integration. Slightly higher numbers of APAC executives state that they discuss sustainability at the board level, use metrics to track progress, and discuss their sustainability capabilities with financial analysts.

Nevertheless, in spite of this confidence about their progress in embedding sustainability into core operations, we found that the performance gaps among APAC companies—the difference between commitment to integrated sustainability and the extent to which such integration is already present—to be about equal to the global numbers.

For example, the most significant performance gap lies in the integration of sustainability issues into supply chains. Although 82 percent of APAC executives (88 percent globally) believe that they should be integrating sustainability throughout their supply chain, just 53 percent (54 percent globally) believe that this has been achieved within their company.

The second most significant performance gap appears in the integration of sustainability issues into the strategy and operations of subsidiaries. While there is widespread acceptance of the need to embed these issues into subsidiaries (88 percent in APAC, 91 percent globally), just 62 percent of APAC executives (59 percent globally) believe that they currently meet this ambition.

So, as we look at the opportunities and challenges that sustainability presents to Asia Pacific businesses, we see that, while sustainability has clearly become part and parcel of how many businesses operate, it has yet to permeate the organization into all elements of core business—that is, into capabilities, processes and systems. In particular, the difficulty of implementation, especially across supply chains and subsidiaries, is a significant barrier to the full integration of sustainability.

Reaching a tipping point for the new era

Despite the challenges facing businesses in integrating sustainability, CEOs believe that they are beginning to see the outline of a new era of sustainability coming into view. Fifty percent of CEOs in the Asia Pacific region envisage a tipping point occurring within the next decade—a point at which sustainability will be embedded in the core business strategies of the majority of companies globally. This is close to the global percentage of 54 percent, though significantly lower than in North America, the most optimistic area of the world about sustainability goals, where 61 percent of CEOs believe a tipping point will occur within the next decade.

The CEOs we spoke with believe that, if a tipping point is reached such that sustainability is fully integrated into businesses globally, it will present an operating environment profoundly different from today. In that new era, CEOs

see significant implications for the concept of value and the terms by which business success will be judged. This will lead to new forms of competition, business models and organizational capabilities, and the application of new technologies, as well as redefining what high performance itself really means.

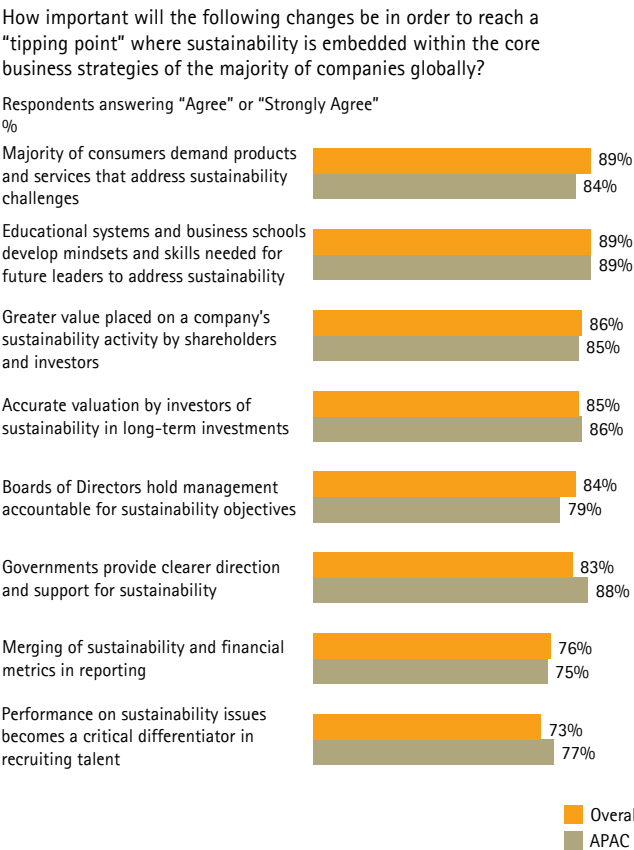
Taking action: Accelerating the journey to a new era of sustainability

Although the outline of a new era of integrated or embedded sustainability is becoming clear, the means to get there and the timing of the journey are uncertain. Multiple stakeholders across industries and national boundaries will need to work in concert.

What are the conditions most important to enabling that tipping point to be reached? We asked the UN Global Compact CEOs this question, and their answers are instructive. We also see some subtle differences when comparing the answers of APAC executives with their global counterparts. (See Figure 6.)

Among CEOs in the Asia Pacific region, the top two answers were related to education and government: educational systems that produce effective talent, as well as government action that provides clear support for sustainability.

Figure 6: A strong sense emerges from APAC CEOs that they believe clearer direction and support from government will be required to reach a tipping point where sustainability is embedded in the majority of companies globally



Source: United Nations Global Compact CEO Survey 2010 (based on 766 completed responses)

Commitment to internal education

APAC companies are highly committed to training their manager-level employees as a means of embedding sustainability objectives into operations. Sixty-nine percent of APAC CEOs (compared with 60 percent globally) state that they are already engaging in additional training of managers to enable them to address sustainability issues.

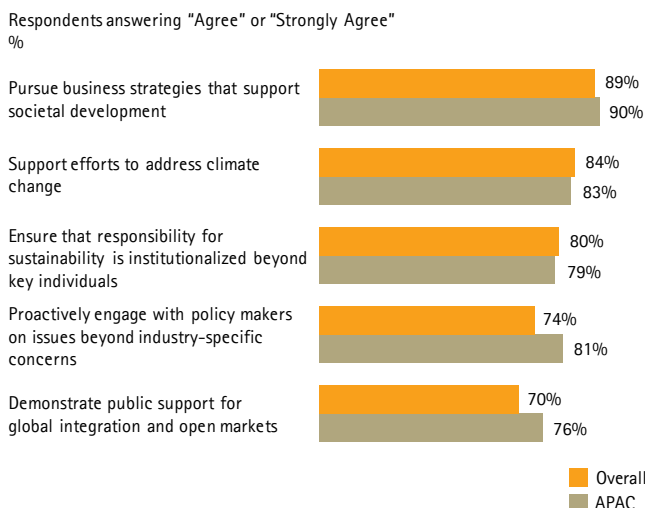
For example, Fuji Xerox is working to improve the skill sets of its workforce in the area of sustainability. It is educating its employees on sustainability issues, and on more effective management from an environmental standpoint. It has created a specific environmental education program for all its employees, with tailored courses for particular divisions and job functions.

Working with governments

Among business leaders in APAC, 88 percent (compared with 83 percent globally) believe that clearer direction from governments will be a critical impetus toward reaching a tipping point on embedded sustainability. These executives also express a greater belief than their global peers that they must proactively engage with policy makers, and demonstrate public support for global integration and open markets. (See Figure 7.)

Figure 7: APAC CEOs tend to believe more strongly in proactively engaging with policy makers

To what extent do you agree that the following actions will define business leadership on sustainability issues in the future?



Source: United Nations Global Compact CEO Survey 2010
(based on 766 completed responses)

Engaging with the community

We also found among APAC executives a strong commitment to partnering with local communities. For example, 35 percent of APAC CEOs named "communities" as a key stakeholder, compared with 28 percent globally. In the words of Jamshed J. Irani, Director of Tata Steel, "Corporate social responsibility is an investment ... long-term community investment and partnership has contributed to operational viability and stability in challenging environments."

We uncovered several important examples of this partnering in our conversations. For example, Tata Steel has been responding to a growing demand for steel, especially in emerging markets. This marketplace need requires producers to operate increasingly in challenging locations and environments.

Tata Steel sought to create a stable environment for business in West Bokaro, in India, investing in local community infrastructure to support the scale of operations. West Bokaro Mines, first established in 1948, now contributes approximately 4.5 million tons annually to Tata Steel's production capacity.

To sustain this level of production the company requires advanced support services for engineering and heavy equipment like dumpers and excavators. Since the area in which the mine is located is underdeveloped, the company has to be self-sufficient in many of its activities. Tata Steel provides housing and accommodation for the population of about 3,700. The company provides electricity, fuel, drinking water, and cooking gas free of charge. The company also provides education for its employees' children by constructing the infrastructure for schools and working with agencies to run them.

We saw a sense of optimism among many of the CEOs with whom we spoke about operating in this new world of broader social responsibility. In a number of ways, businesses will be able to couple both business value (e.g., revenue growth, increased efficiency and higher customer retention) and societal value (e.g., improved stakeholder relations with consumers, local communities and governments). In doing so, businesses will be better able to reassert a stronger, more positive and influential role in society.

The role of the UN Global Compact: Facilitating collaboration and action

The response of the CEOs to the work and ambition of the UN Global Compact was overwhelmingly positive. Executives see the need for a legitimate global convener of business that can help promote collaboration between different stakeholders. It is here that the United Nations—through the Global Compact, and under first Kofi Annan's and now Ban Ki-moon's leadership—continues to provide an important platform.

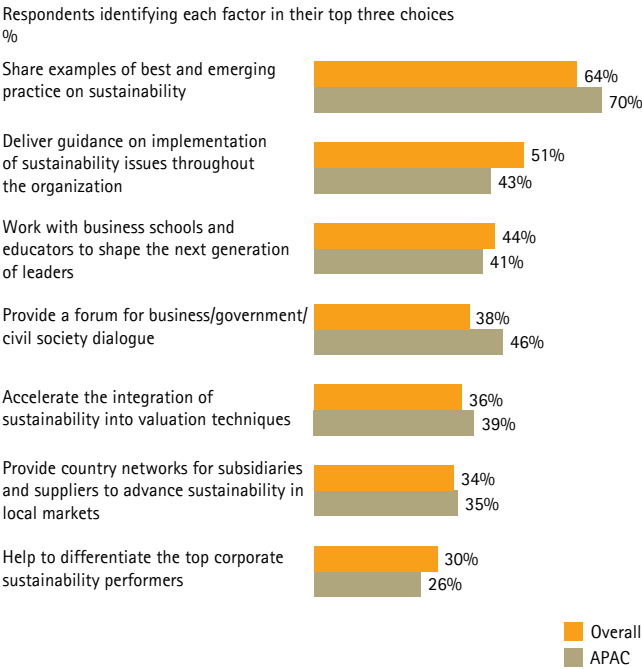
CEOs believe that the UNGC has a key role to play in helping to address some of the business and sustainability challenges businesses now face. In the Asia Pacific region, the most important role advocated by CEOs for the UNGC is the sharing of best practices, named by 70 percent of APAC CEOs compared to 64 percent globally. In the words of Zhongshu Zhou of China Minmetals, "The Global Compact can provide a high-end platform and an effective coordination mechanism in exchanging concepts and best practices of corporate social responsibility (CSR), enhancing the awareness of global CSR, as well as promoting the formation of the global social responsibility standards."

Similarly, the UNGC's ability to provide a forum for global dialogue was also important to APAC CEOs, named by 46 percent of executives (38 percent globally). As Jamshed J. Irani of Tata Steel said, "The UN Global Compact is a platform and enabler of change in terms of knowledge-sharing and peer-pressure in particular—this has been the reason for its success to date." And as Yasuchika Hasegawa, President of Takeda Pharmaceutical company, told us, "We believe that providing frequent opportunities for many determined companies to engage in mutual communications will result in increased practice, and the wider spread of the UNGC."

Finally, 43 percent of APAC executives (51 percent globally) highlighted "guidance on implementation of sustainability issues throughout the organization" as another key role. As Toshio Arima, Director of Fuji Xerox Co. Ltd., told us: "During the first ten years we've been discussing direction. Now is the time to implement that direction into business and societal mechanisms."

Figure 8: There is a strong demand from Global Compact members in APAC for the UNGC to share examples of best practice, and to provide a forum for dialogue between business, government and civil society

Over the next five years, what can the UN Global Compact do to help your company address sustainability issues?



Source: United Nations Global Compact CEO Survey 2010 (based on 766 completed responses)

Toward a new era of sustainability: Taking the “single step”

Based on our interviews with CEOs—in Asia Pacific and across the globe—we are now witnessing a major transitional period toward a new era of sustainability that “means business.” It’s a future where the role of business is integral to development. APAC executives overwhelmingly affirmed the viewpoint of one CEO who said, “Successful business is what drives sustainable growth.”

The one critical imperative is the need to act—and act now. “The journey of a thousand miles,” runs the famous line from Confucius, “begins with a single step.”

The CEOs we spoke to described a sustainability environment in 2010 best summarized as “the end of the beginning” rather than the “the beginning of the end.” Aligning markets and sustainability outcomes will require constant renewal and adaptation from businesses—acting alone and in collaboration with others. Many challenges and discontinuities lie ahead.

However, understanding this reality will help Asia Pacific businesses take important steps toward not only building more sustainable economies and societies, but in building capabilities that ensure their own high performance and competitiveness on the journey to a new era of sustainability.

Creating the conditions for a new era of sustainability

Analysis of the survey data, and of our CEO interviews, supports a set of five key enabling conditions, and the actions global leaders must take to help usher in a new era of embedded sustainability

Enabling conditions

1. Consumers who consistently demand sustainable products and services, creating favorable market conditions.

2. Educational reforms that create sustainability skills and mindsets in executives and workforces.

3. Financial reforms that enable sustainability activity to be incorporated into valuations by investors.

4. New concepts of value and performance that are embedded at both the organizational and individual levels.

5. A regulatory environment that provides clear direction and a cooperative environment for business.

Business actions

- Improve provision of consumer information, leveraging new technologies (e.g., social media) where appropriate.

- Provide "hard" and "soft" incentives to change consumer behaviors—e.g., promoting competitive practices or financial incentives.

- Develop an innovation agenda that builds sustainability principles into product design and throughout the lifecycle of development.

- Invest in enhanced training of managers on sustainability issues.

- Shape educational curricula and partner with academic institutions —e.g., through development of vocational courses.

- Communicate progress on sustainability issues to employees.

- Track impact of sustainability activities on core metrics—e.g., revenue growth.

- Communicate progress to investors proactively and on a regular basis.

- Devise mechanisms to measure both positive and negative impacts on society.

- Embed sustainability issues into the performance and remuneration packages of top executives.

- Adopt collaborative approaches to shaping regulation—e.g., joint working groups, co-location of staff.

- Develop industry standards that preempt formal regulation—e.g., the Kimberly Process.

About the UN Global Compact

The United Nations Global Compact is a call to companies everywhere to: (1) voluntarily align their operations and strategies with ten universally accepted principles in the areas of human rights, labour, environment and anti-corruption and (2) take actions in support of UN goals, including the Millennium Development Goals. By doing so, business can help ensure that markets advance in ways that benefit economies and societies everywhere.

Endorsed by chief executives, the UN Global Compact is a leadership platform for the development, implementation, and disclosure of responsible corporate policies and practices. Launched in 2000, it is largest corporate responsibility initiative in the world – with over 7,000 signatories based in more than 135 countries, and Local Networks existing or emerging in 90 countries. More information: www.unglobalcompact.org.

About Accenture Sustainability Services

We help organizations achieve substantial improvement in their performance through integrated programs that maximize the positive and minimize the negative effects of their operations on social, environmental and economic issues and stakeholders. We see sustainability both as a commercial opportunity and as an extension of our stewardship role in supporting global business and societies. We work with clients across industries and geographies to integrate sustainability approaches into their business strategies, operating models and critical processes.

Our holistic approach encompasses strategy, design and execution to increase revenue, reduce cost, manage risk and enhance brand, reputation and intangible assets. We also help clients develop deep insights on sustainability issues based on our ongoing investments in research, including recent studies on consumer expectations and global executive opinion on climate change.

For more information, contact sustainability@accenture.com or visit www.accenture.com/sustainability.

Copyright © 2010 Accenture
All rights reserved.

Accenture, its logo, and
High Performance Delivered
are trademarks of Accenture.

Authors

Peter Lacy, Bruno Berthon, Lay Lim Teo and Ynse de Boer.

Supporting Authors

Tim Cooper and Rob Hayward

This report has been prepared with the assistance of the Accenture Institute for High Performance, which leads Accenture's sustainability research agenda. The Institute develops and publishes practical insights into critical management issues and global economic trends. Its worldwide team of researchers connects with Accenture's consulting, technology and outsourcing leaders to demonstrate, through original, rigorous research and analysis, how organizations become and remain high performers.

For more information, visit www.accenture.com/institute.