Environmental Sustainability

Manufacturer Survey Results

Deloitte.

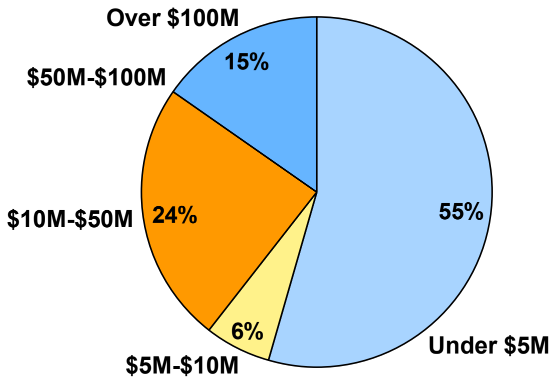
THE CAMBRIDGE GROUP

Contents/Agenda

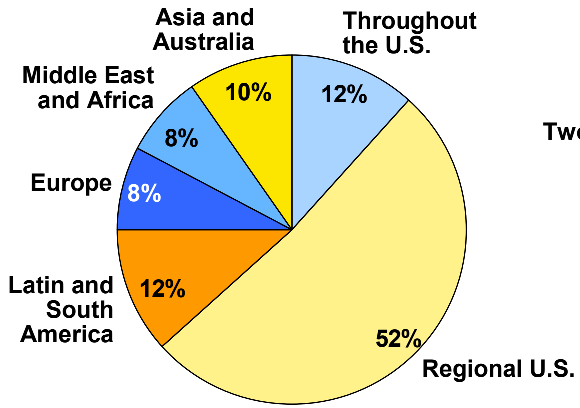
Our Sample Was Composed Mostly of Companies Operating Regionally in the US with under $5 Million in Annual Revenue

Overview

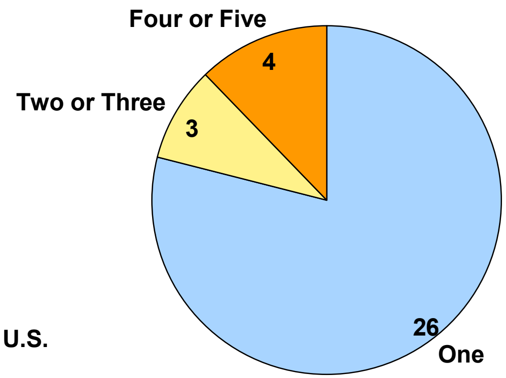
Organization Annual Revenue



Organization Operating Regions



Number of Operating Regions



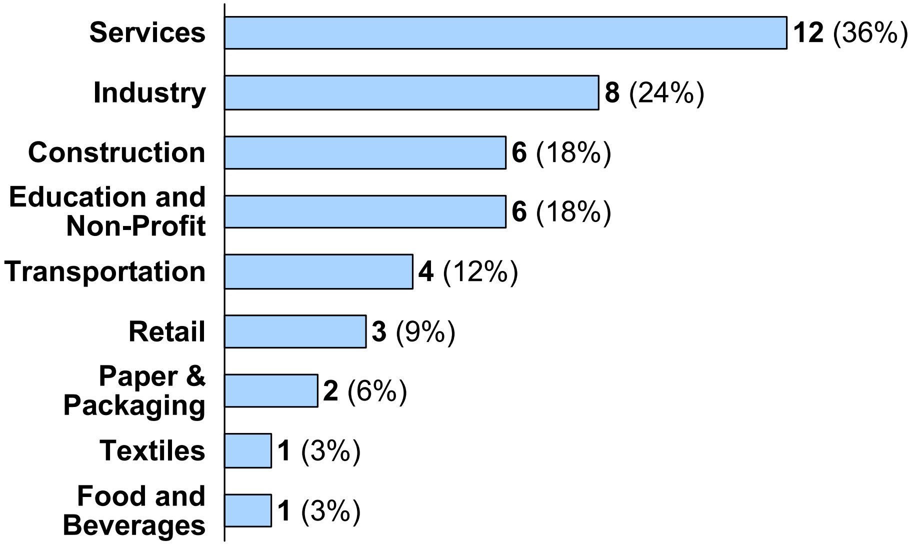
Note*: n=33

Source: Environmental Sustainability Survey: Company Background - Q1, Q2, Q3

Deloitte. THE CAMBRIDGE GROUP

We Gathered Data from a Broad Range of Companies with a Focus on Services

*Industries Represented – Counts**



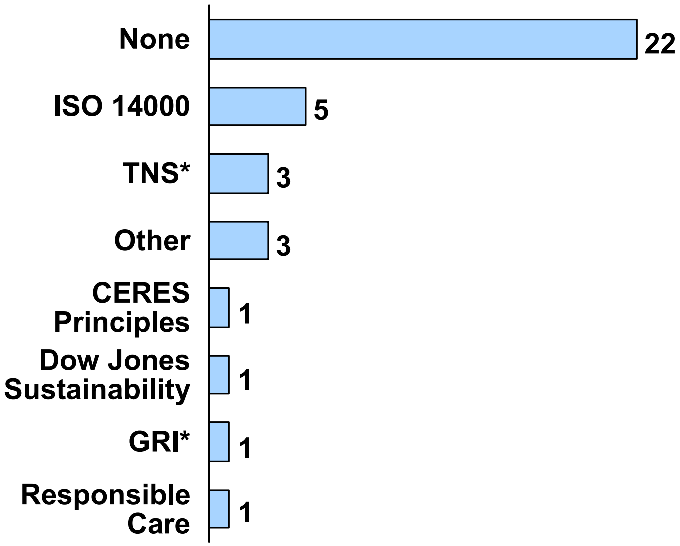
Industry	*Count*
TOTAL	**33**
Services	**12**
Financial Services	1
Services	10
Telecommunications	1
Travel	2
Industry	**8**
Industrial	3
Hardware	1
Electronics	3
Farm	2
Construction	**6**
Education and Non-Profit	**6**
Education	2
Business/Trade Association	4
Transportation	**4**
Retail	**3**
Paper and Packaging	**2**
Packaging/Containers	1
Paper/Paper Products	1
Textiles	**1**
Food and Beverages	**1**
Food	1
Beverages	1

Note*: n=33; Some companies span multiple industries. Bars will not necessarily add up to 100%
Source: Environmental Sustainability Survey: Company Background - Q1, Q2, Q3

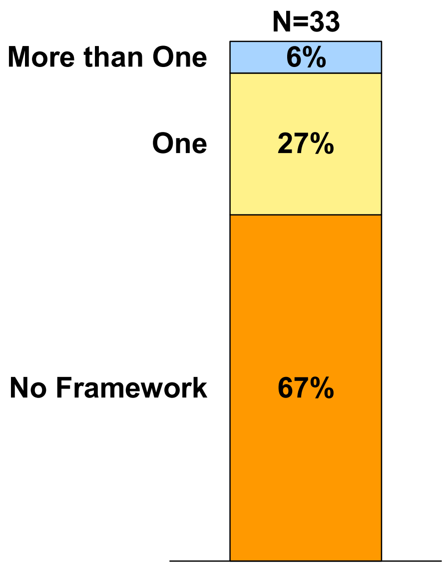
While Few Companies Use Sustainability Frameworks, Those That Do Use a Wide Variety

- The largest number of companies follow the ISO 14000 Framework

Percent of Industries Using Sustainability Frameworks – Raw Counts**



Number of Frameworks Subscribed to by Each Manufacturer



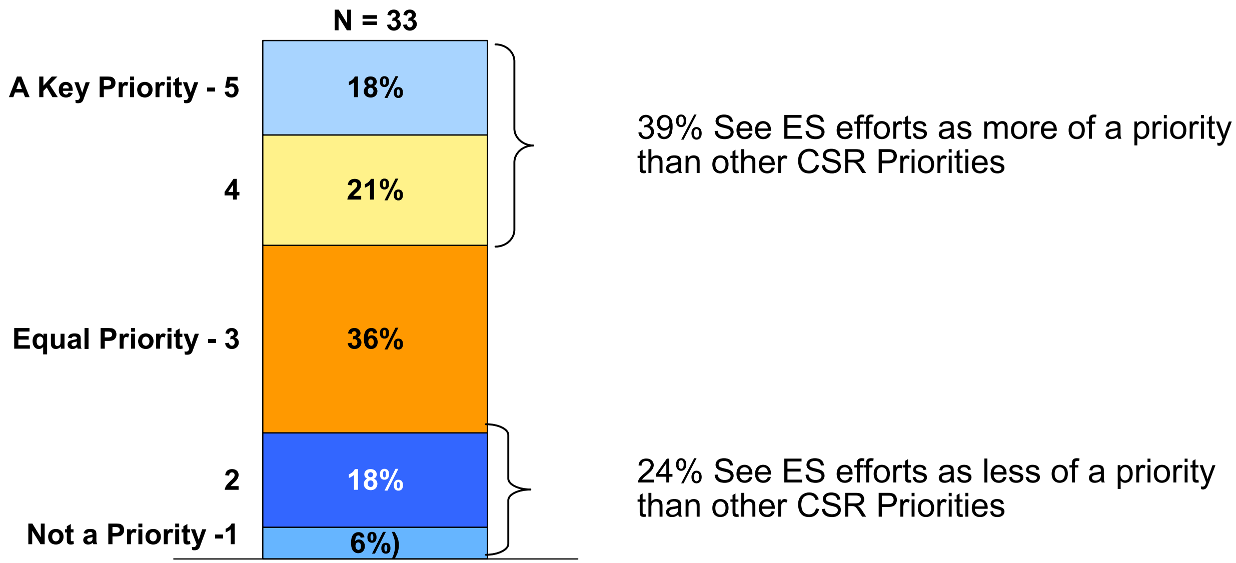
Note*: GRI – Global Reporting Initiative; TNS – The Natural Step
Note**: Some companies in our sample follow multiple frameworks. Bars will not necessarily add up to 100%
Source: Environmental Sustainability Survey: Definition: Q2

On Average, Companies See ES Efforts as Higher Priority than Other Corporate Social Responsibility Priorities

Overview

- The vast majority of companies see ES efforts as important to some degree

Priority of ES Efforts in Comparison to Other Corporate Social Responsibility (CSR) Priorities



Source: Environmental Sustainability Survey: Objectives and Obstacles: Q1

Deloitte. THE CAMBRIDGE GROUP

Contents/Agenda

- Survey Overview
- ES Objectives and Obstacles
- ES Current Performance
- ES Related Top Line Growth
- ES Collaboration

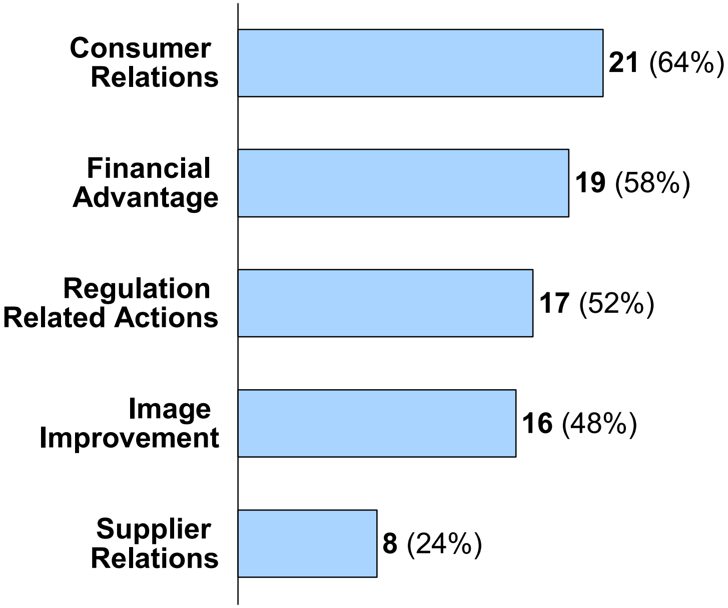
While Firms See Value in their ES Initiatives, Many Still Worry about the Returns They Will See on Them

- Most companies see broad ES initiatives as a relevant part of their operation
  - 42% of surveyed firms see understanding consumer attitudes towards ES as a high priority
- The majority of ES initiatives focus on image improvement or recognizable financial gain
  - 66% of surveyed firms are pursuing cost reduction through their ES initiatives
  - 64% of surveyed firms are trying to accommodate consumer tastes or acquire new consumers through their ES efforts
- ES initiatives still face significant hurdles
  - Companies are concerned about the cost and the ROI of ES investments

Source: Environmental Sustainability Survey: Objectives and Obstacles: Q1

Consumer Relations and Financial Advantage Are the Most Common Objectives of Companies' Current ES Initiatives

Top 2 Box – General Categories of ES Effort Objectives *



*Top 2 Box and Mean Score – Specific Categories**

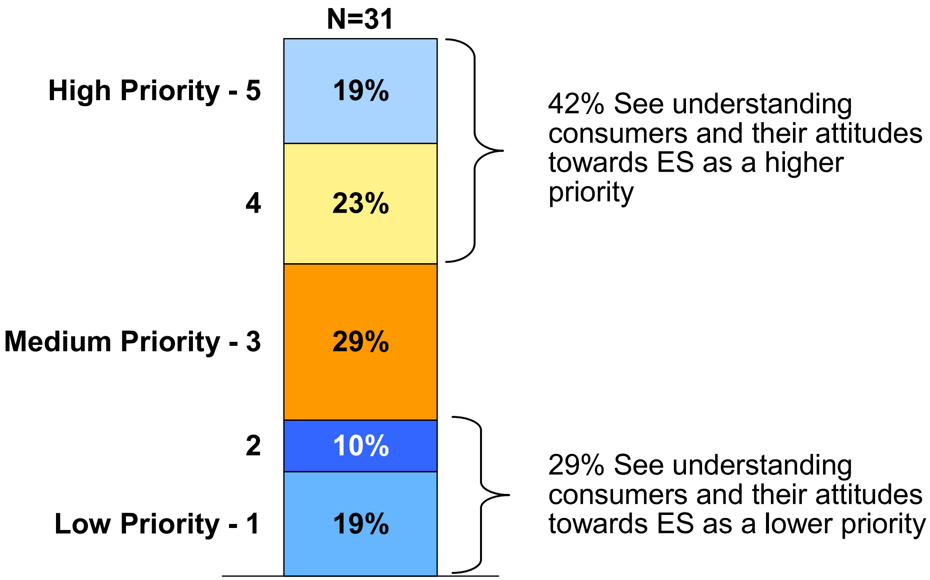
	Top 2 Box	Mean Score**
Consumer Relations	**21**	**3.8**
Address Consumer Needs/Requirements	21	3.7
Acquire New Consumers	21	3.6
Financial Advantage	**19**	**3.9**
Reduce Costs	22	3.8
Improve Profit Margin	22	3.8
Increase Revenue	21	3.8
Improve Market Share	20	3.6
Regulation Related Actions	**17**	**3.6**
Minimize Risk	19	3.5
Address Regulatory Requirements	18	3.5
Image Improvement	**16**	**3.5**
Improve Brand Equity	19	3.3
Differentiate vis-a-is Competition	19	3.5
Supplier Relations	**8**	**2.8**
Acquire New Suppliers	12	2.7
Address Supplier Needs/Requirements	9	2.7

Note*: Sample size n = 33
Note**: Range (5 Point Scale)
Source: Environmental Sustainability Survey: Objectives and Obstacles: Q2

Nearly Half of Companies See Understanding Consumers' Attitudes Towards ES as a Higher Priority

- These firms may see better ES understanding as a way of enhancing their current consumer-related ES initiatives

Understanding Consumer Attitudes toward ES as a Priority

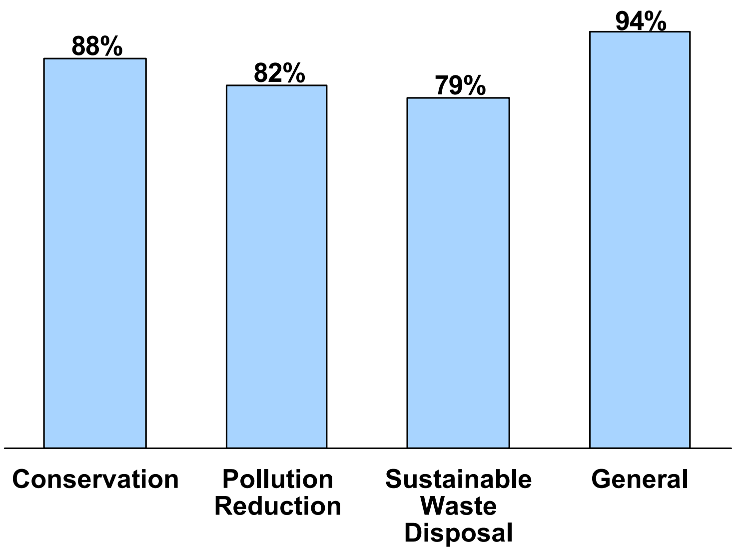


Source: Environmental Sustainability Survey: Consumer and Customer Insights: Q1

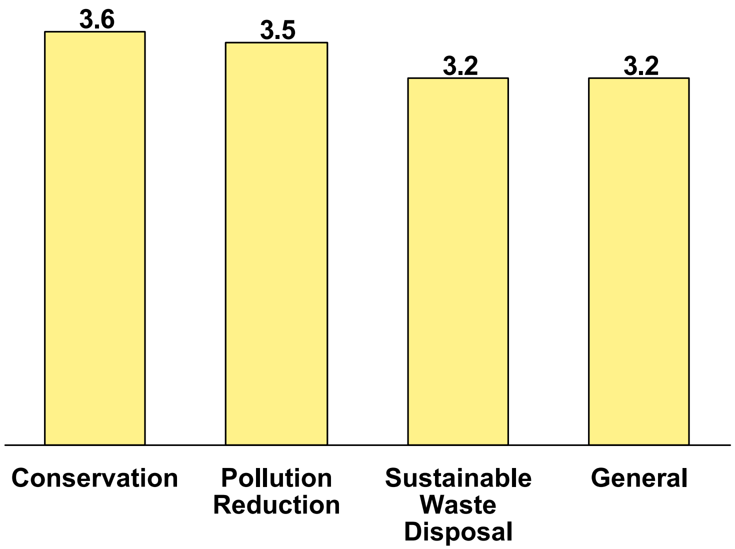
Most Companies Have Broad Initiatives Ranging Across Multiple Facets of ES

- Conservation and pollution reduction are of the highest priority
- Sustainable waste disposal and more general ES initiatives like green facilities and the green product offerings are less of a priority

Percent of Firms Including Activity in Their Overall Sustainability Program



Importance of Activity in Sustainability Programs*

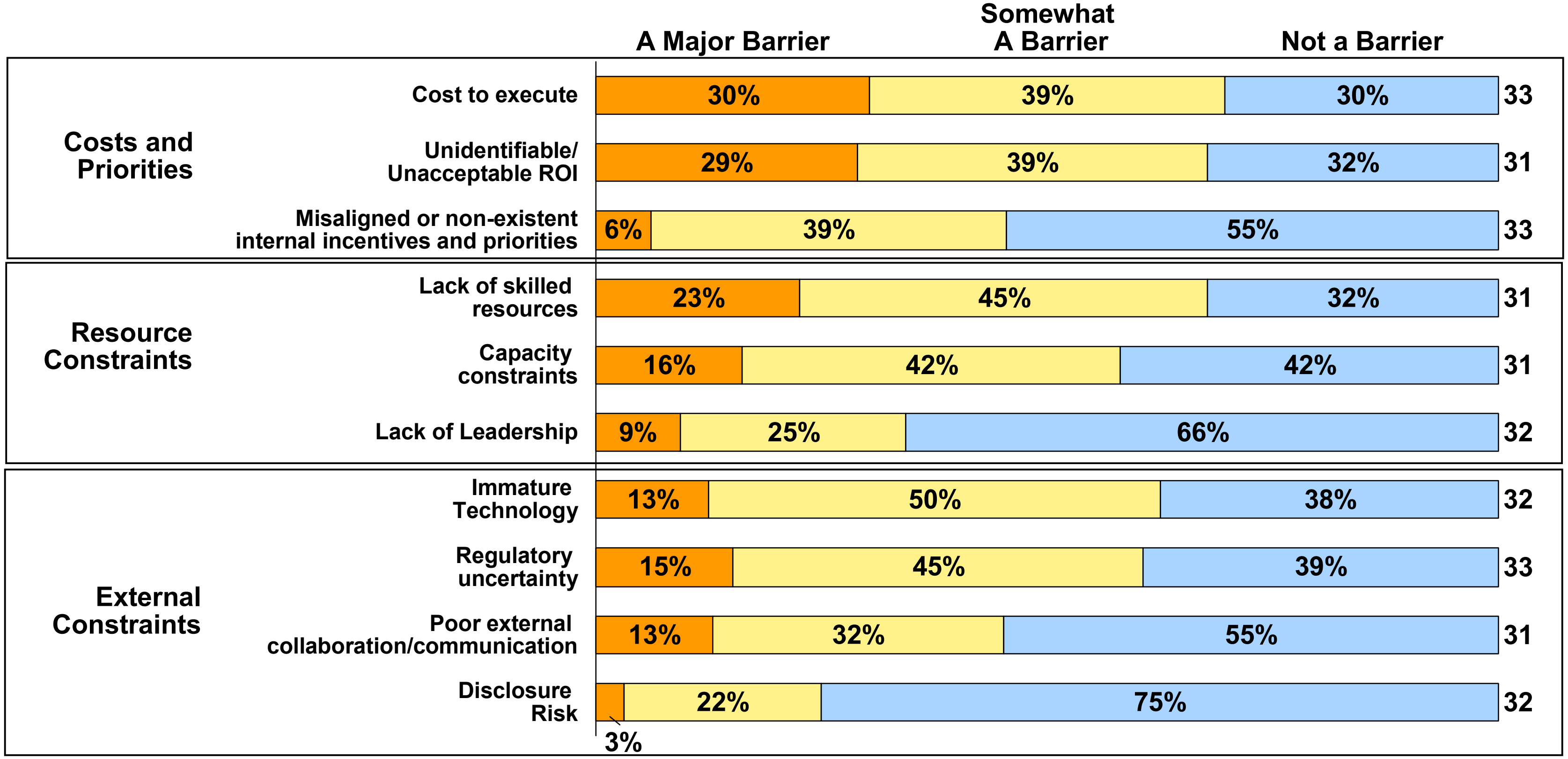


Note*: Range (5 Point Scale)
Source: Environmental Sustainability Survey: Objectives and Obstacles: Q3

Despite Having Established ES Initiatives, the Financial Viability of Current Programs Stands as a Barrier to Most Companies

- Factors out of a company's direct control like immature technology and regulatory uncertainty also stand as barriers
- Disclosure risk, lack of external collaboration/communication, and lack of leadership are seen as minor barriers

Barriers in Current Sustainability Programs



Source: Environmental Sustainability Survey: Objectives and Obstacles: Q15

Deloitte. THE CAMBRIDGE GROUP

Contents/Agenda

Deloitte. THE CAMBRIDGE GROUP

Many Firms Intend to Increase Their ES Related Activity but Tend to Avoid Resource Intensive Objectives

ES Current Performance

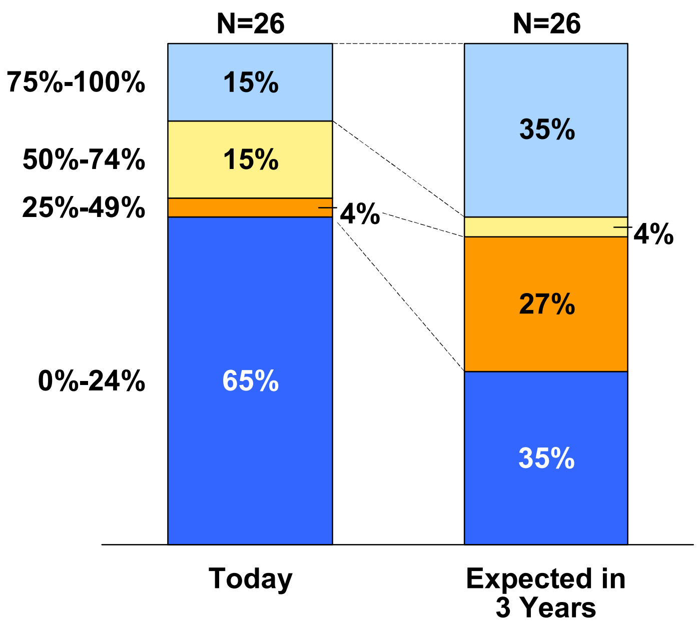
- Many surveyed companies intend to expand their ES offerings in the coming years
- While many firms have ES initiatives, many of them are not fully developed
  - Many companies are willing to clearly define and integrate ES initiatives and issues as long as they are not resource-intensive
  - Current ES initiatives suffer from a lack of support and poor execution
- The majority of companies have not established metrics to measure their progress in ES
  - The most successful metrics are those that help to control costs, such as monitoring energy use
  - Metrics for emissions and other types of pollution – those that do not impact company operations – remain largely unused

Companies Expect More of Their Products to Possess ES Related Attributes in the Next Three Years

ES Objectives and Obstacles

- While many firms express their intention to rapidly increase their sales of products with ES-related attributes, barriers like cost and unclear ROI may prevent them from doing so as quickly as they would like

Current vs. Future Percentage of Products with ES Related Attributes



Source: Environmental Sustainability Survey: Customer and Supplier Collaboration: Q2

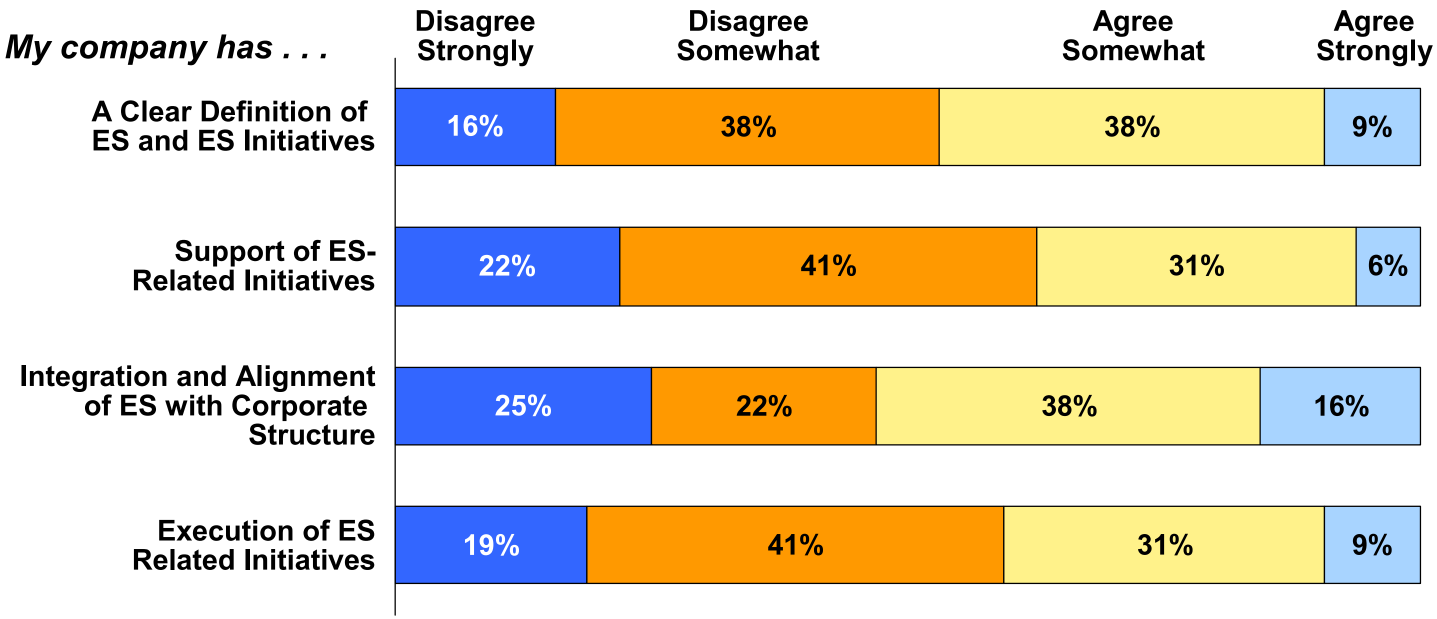
Deloitte. THE CAMBRIDGE GROUP

While Companies Are Willing to Clearly Define a Vision for ES and Integrate It into Plans, Concerns about Cost and ROI Result in Insufficient Support of ES Initiatives

ES Current Performance

- Over 60% of companies feel that their current ES initiatives are not adequately supported or executed
- Less costly aspects of ES, such as definition and alignment, have been more successful

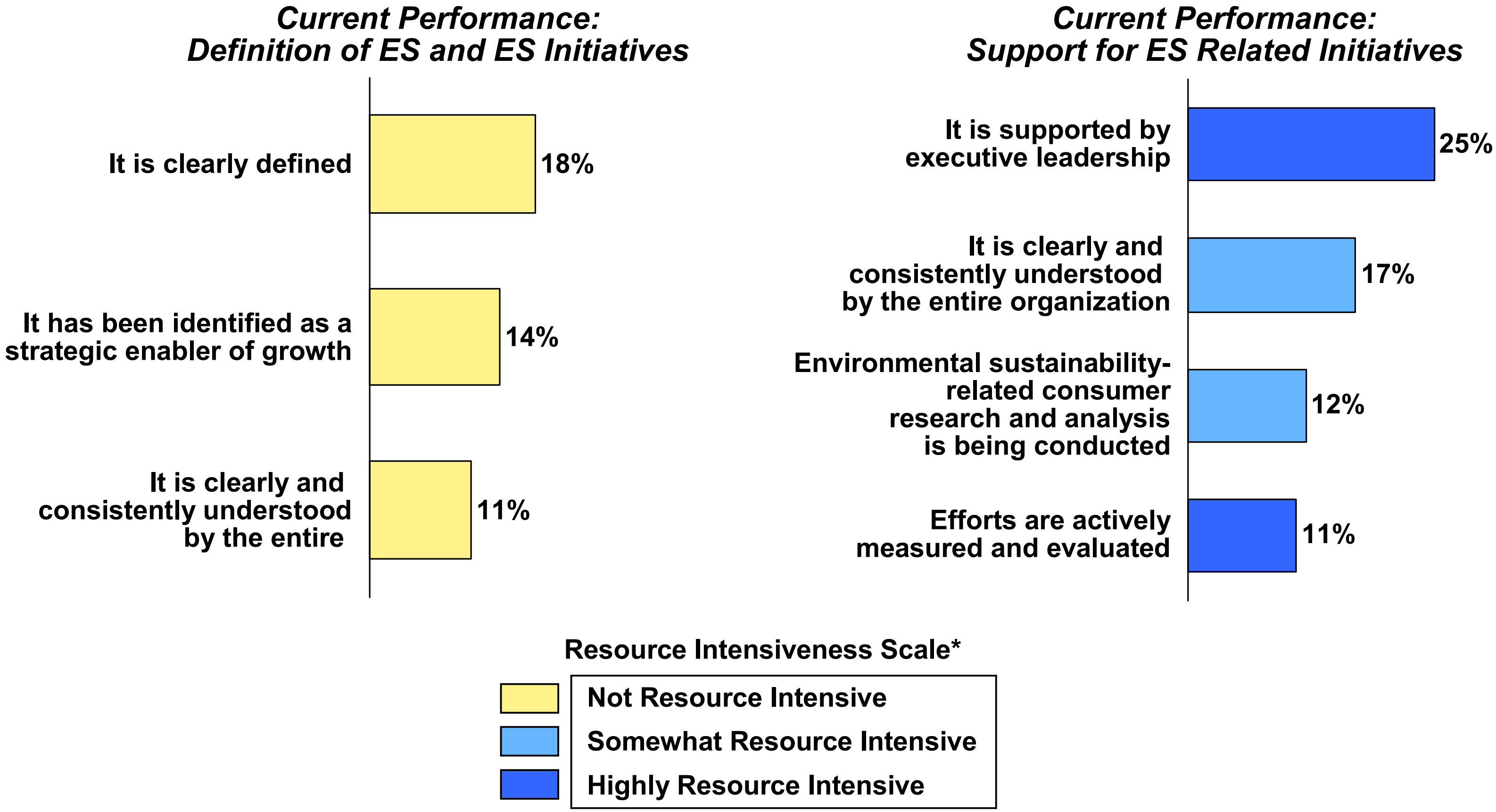
Current Performance of ES among Responding Companies



Source: Environmental Sustainability Survey: Current Performance: Q1

While the Role of ES Is Somewhat Well Understood and Accepted, Support Is Lacking in More Resource Intensive Initiatives

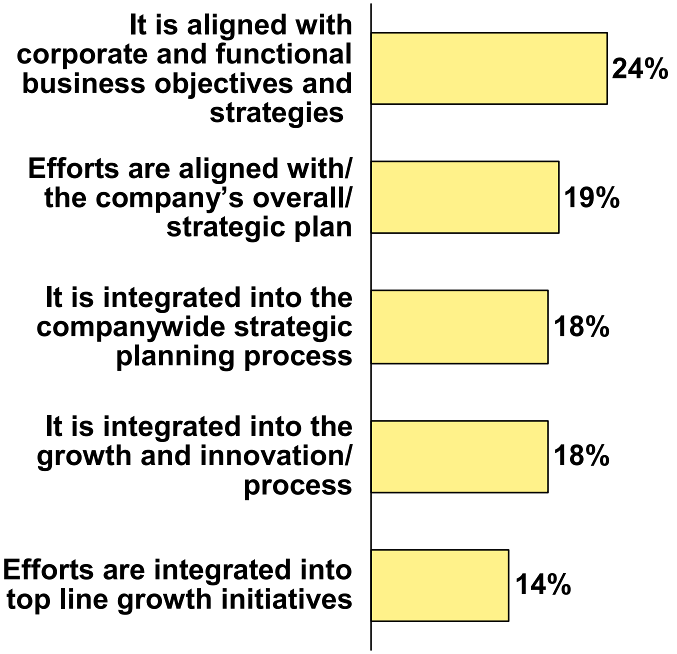
ES Current Performance



Note*: TCG Assessment
Source: Environmental Sustainability Survey: Current Performance: Q1

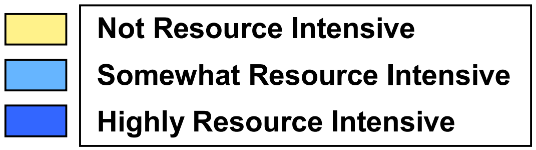
While the Role of ES Is Somewhat Well Understood and Accepted, Support Is Lacking in More Resource Intensive Initiatives (cont.)

Current Performance: Integration and Alignment of ES with Corporate Structure and Strategy



Current Performance: Execution of ES-Related Initiatives

Resource Intensiveness Scale*

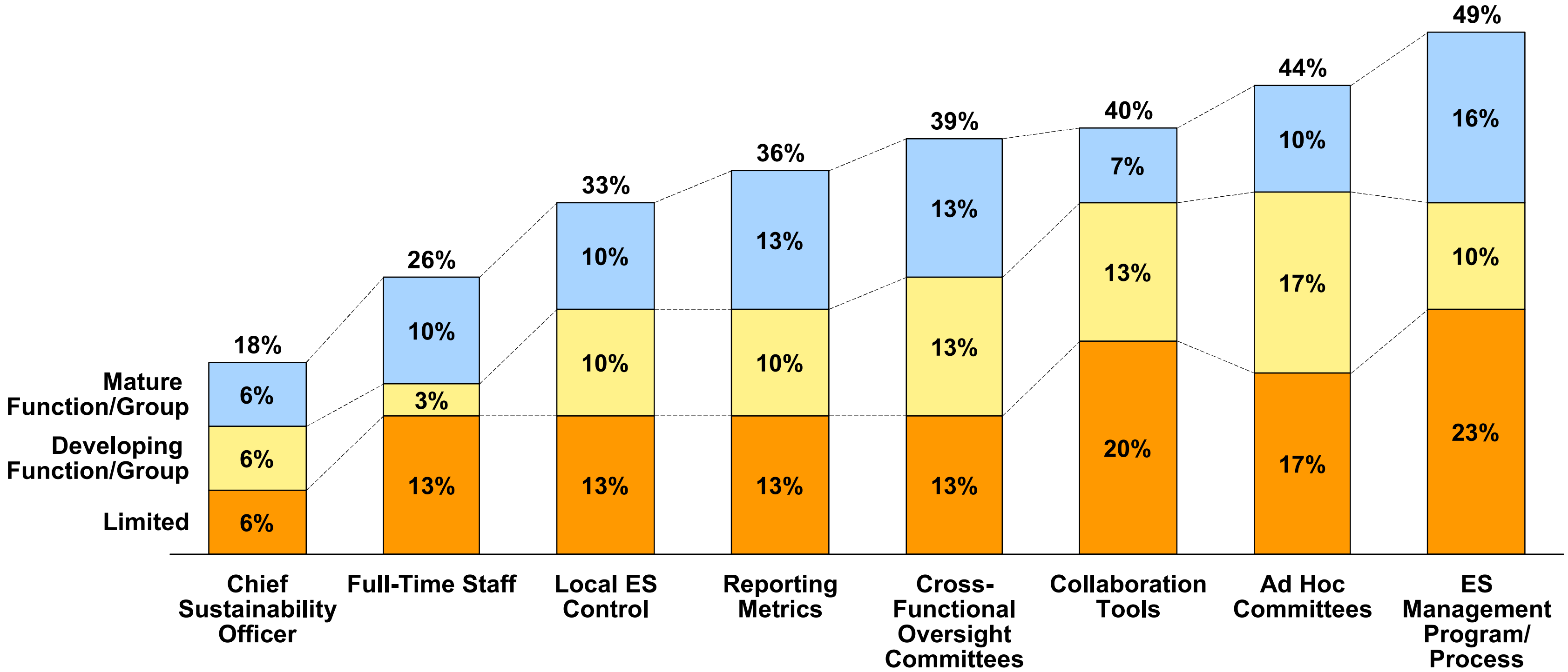


Note*: TCG Assessment
Source: Environmental Sustainability Survey: Current Performance: Q1

ES Governance Models Have Not Been Established in Most Companies

ES Current Performance

Prevalence of ES Governance Models - % of Manufacturers That Have Each of the Following:



Source: Environmental Sustainability Survey: Organizational Structure: Q1

Deloitte. THE CAMBRIDGE GROUP

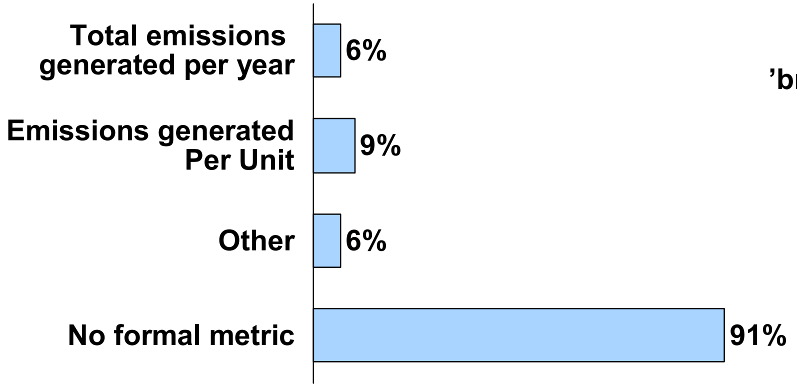
ES Metrics Are Not Widely Used, Especially Those That Have No Direct Financial Effects on the Company

ES Current Performance

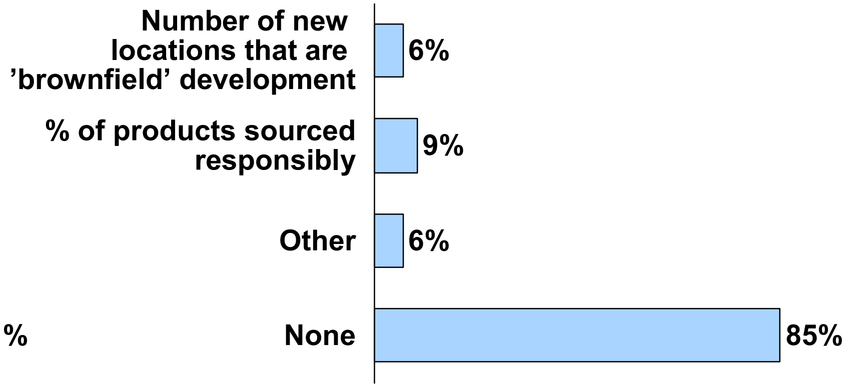
- The majority of companies do not use standard metrics to measure the progress of their ES initiatives
  - The most commonly used metrics are those that help companies financially, such as those that measure energy consumption
  - Metrics that measure emissions and eco-system preservation are not used often, as they currently have no impact on the economics of a company
- A small core of companies is deeply committed to utilizing multiple metrics to measure ES initiative progress
  - 6% of companies interviewed used all 4 offered metrics to measure their progress on energy use

Metrics for Eco-System Preservation and the Reduction of Harmful Emissions Are Not Utilized by the Vast Majority of Companies

Percent of Manufacturers Using Metrics to Measure Reduction of Harmful Emissions*



Percent of Manufacturers Using Metrics to Measure Eco-System Preservation*



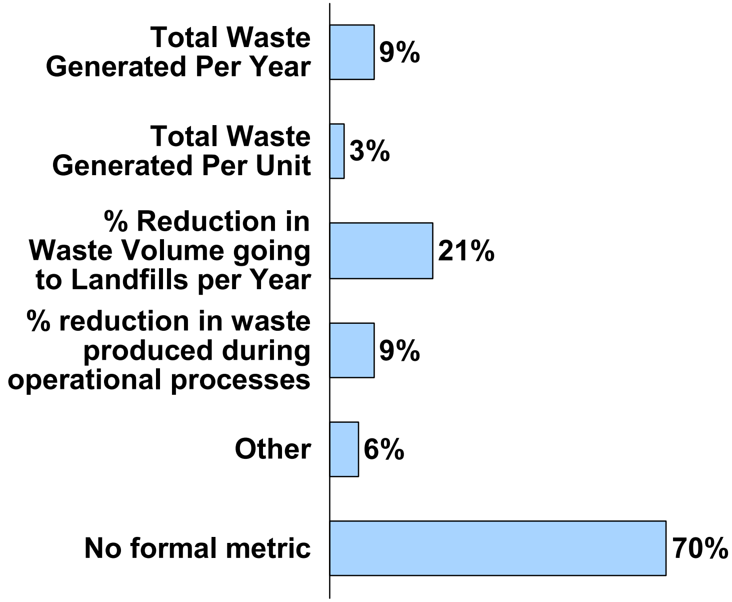
Note*: Some companies utilize multiple metrics. Bars will not necessarily sum to 100%

Source: Environmental Sustainability Survey: Objectives and Obstacles: Q5

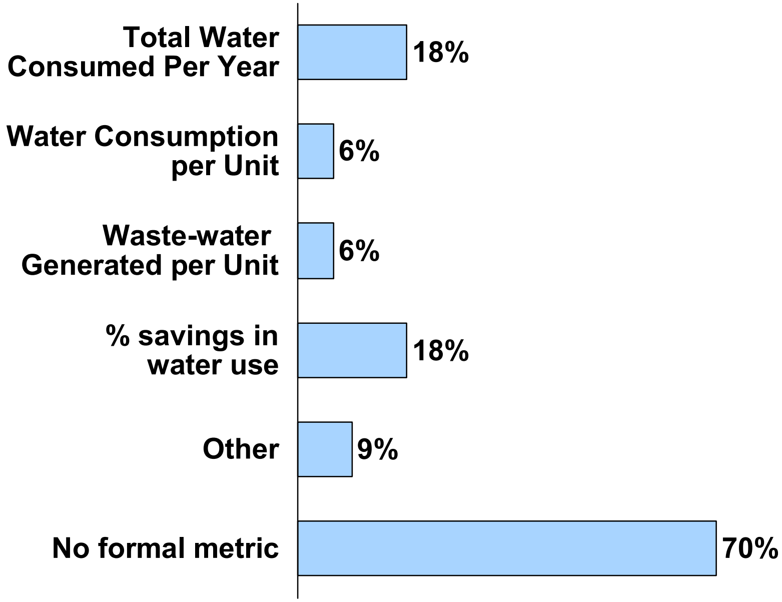
Metrics for Measuring Water Use and Waste Reduction Are Not Used by Most Companies but Are More Commonly Used than Those Measuring Emissions or Preservation

ES Current Performance

Percent of Manufacturers Using Metrics to Measure Water Conservation and Reuse*



Percent of Manufacturers Using Metrics to Measure Waste Reduction*



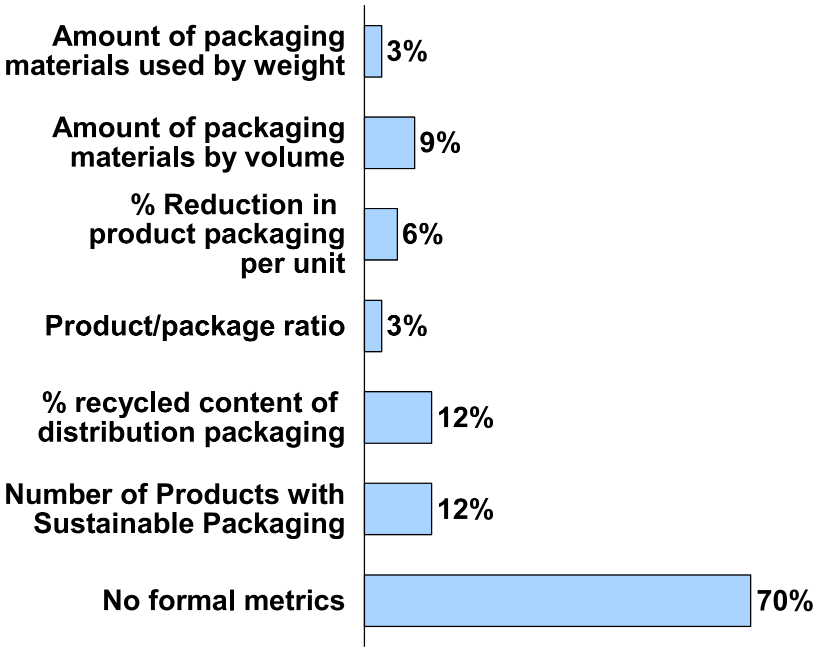
Note*: Some companies utilize multiple metrics. Bars will not necessarily sum to 100%
Source: Environmental Sustainability Survey: Objectives and Obstacles: Q6

Deloitte. THE CAMBRIDGE GROUP

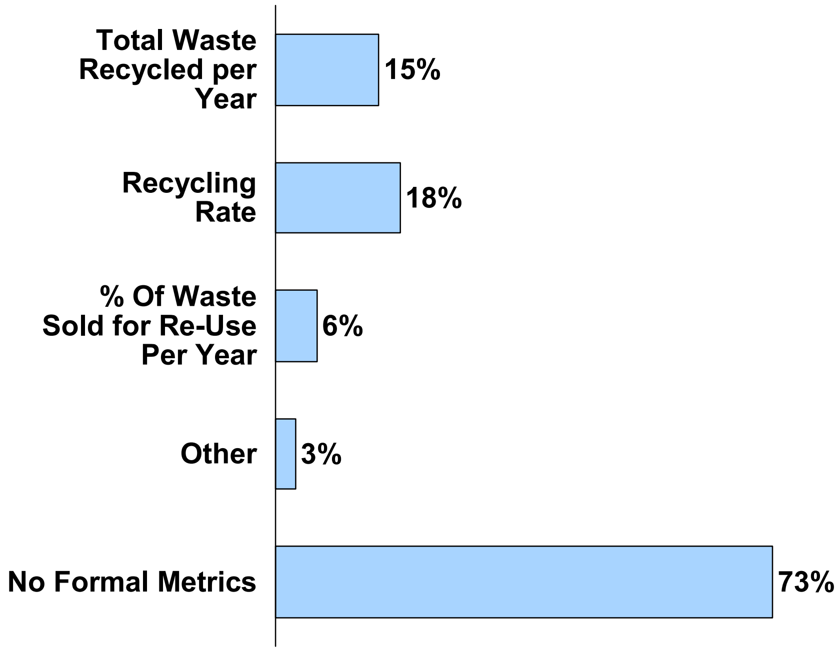
Metrics Relating to the Reduction, Reuse, and Recycling of Packaging Are Used by Nearly as Many Firms as Metrics for Waste and Water Use Reduction

ES Current Performance

*Percent of Manufacturers Using Metrics to Measure Reduced Packaging/Bio-Degradable Packaging**



*Percent of Manufacturers Using Metrics to Measure Product/Packaging Recycling**



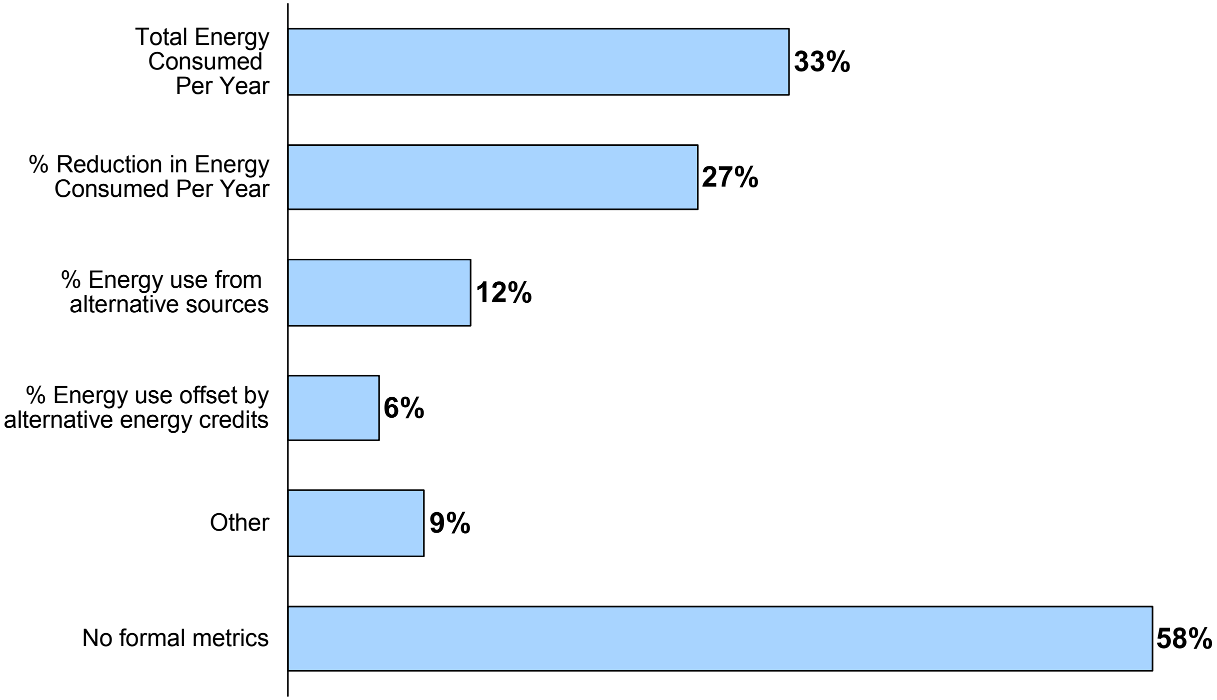
Note*: Some companies utilize multiple metrics. Bars will not necessarily sum to 100%
Source: Environmental Sustainability Survey: Objectives and Obstacles: Q10

Energy Conservation Metrics Are the Most Commonly Utilized Class of Measurement but Are Still Used by Fewer than Half of Companies

ES Current Performance

- A core group of firms use measure their energy use with multiple metrics

Percent of Manufacturers Using Metrics to Measure Energy Conservation and Alternative Energy*



Note: Some companies utilize multiple metrics. Bars will not necessarily sum to 100%
Source: Environmental Sustainability Survey: Objectives and Obstacles: Q4

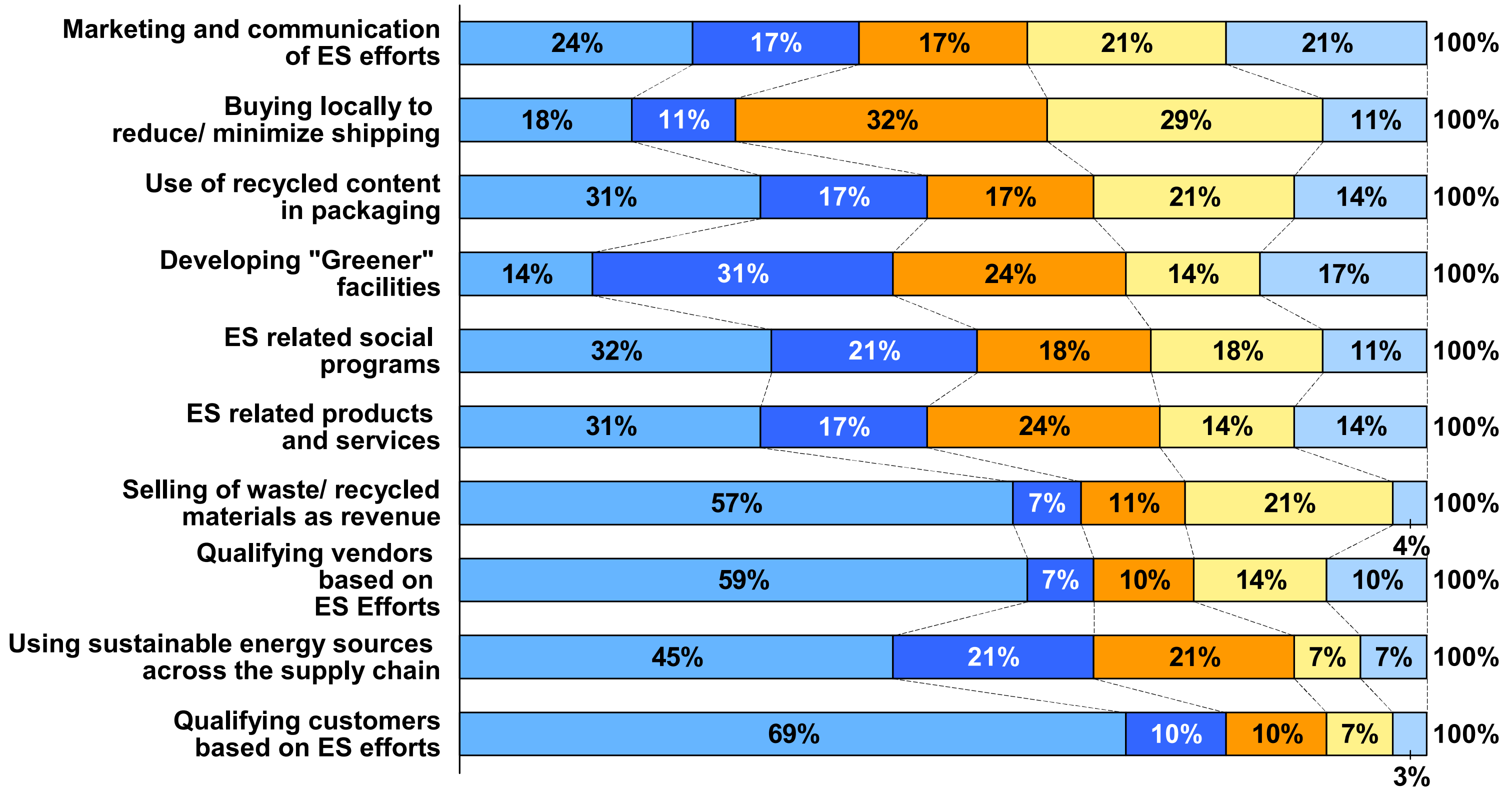
Contents/Agenda

- Survey Overview
- ES Objectives and Obstacles
- ES Current Performance
- ES Related Top Line Growth
- ES Collaboration

While ES Is Not Seen as an Engine of Growth, ES Initiatives That Improve Corporate Image or Offer Quick Financial Results Receive Greater Investment Levels

ES Related Growth

ES Investments to Drive Top Line Growth



Source: Environmental Sustainability Survey: Top Line Growth Initiatives: Q1

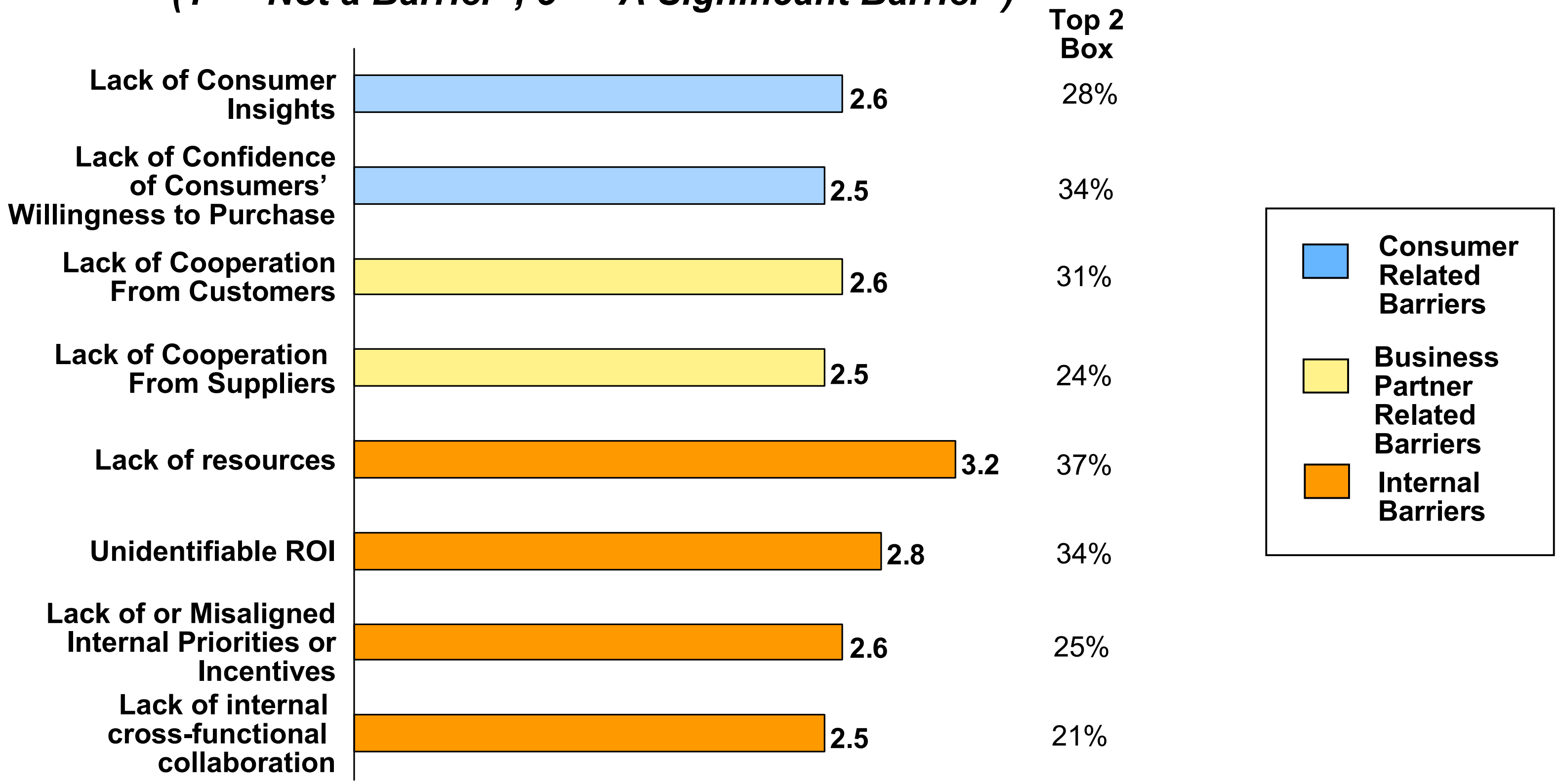
Deloitte. THE CAMBRIDGE GROUP

A Lack of Internal Alignment on the Value of ES Is the Most Common Barrier to ES-Related Top Line Growth

ES Related Growth

- ES related growth still faces barriers – both internally and externally

Mean Score – Barriers to ES Related Top Line Growth
(1 = “Not a Barrier”, 5 = “A Significant Barrier”)



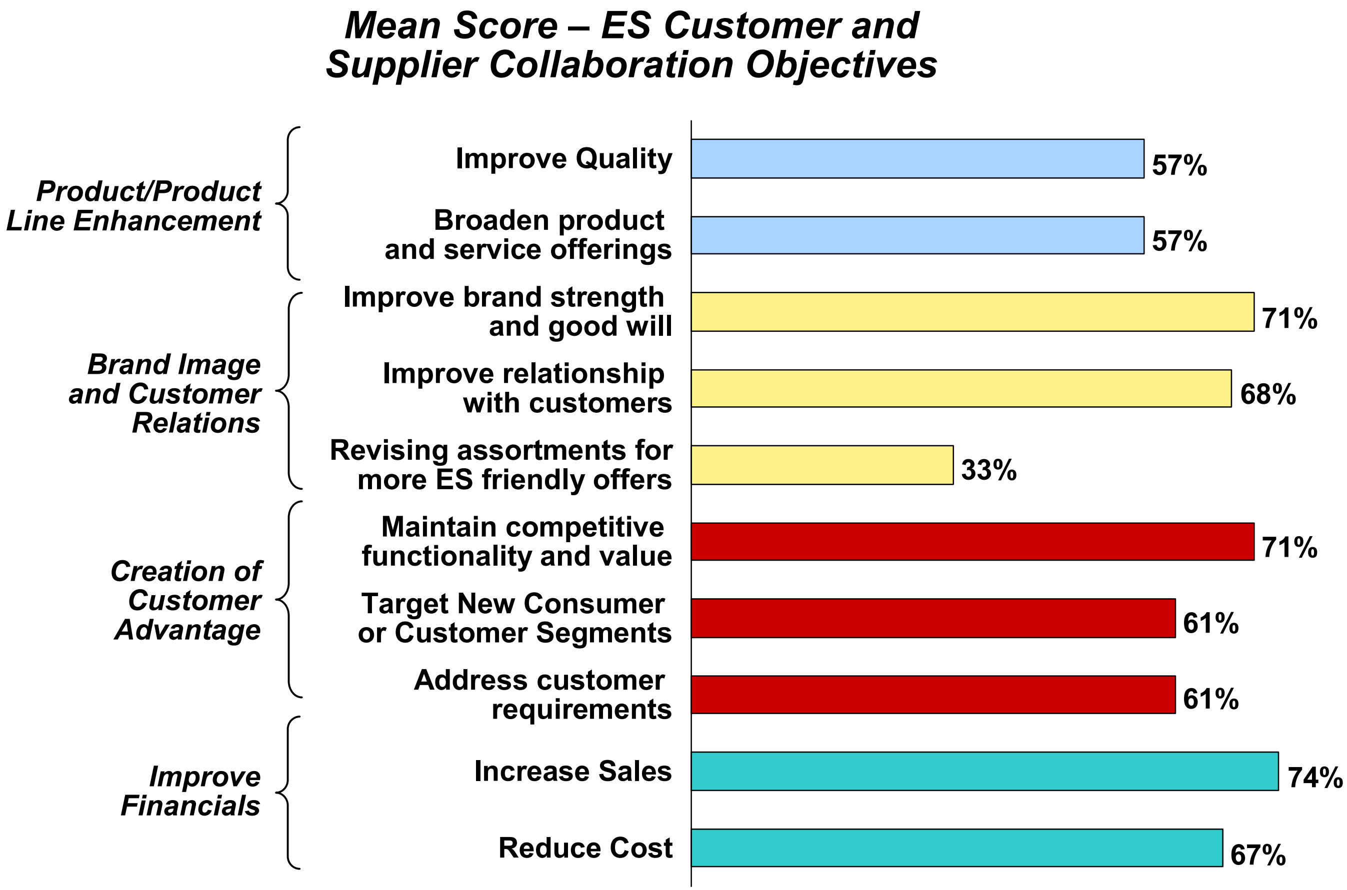
Source: Environmental Sustainability Survey: Top Line Growth Initiatives: Q1

Deloitte. THE CAMBRIDGE GROUP

Contents/Agenda

- Survey Overview
- ES Objectives and Obstacles
- ES Current Performance
- ES Related Top Line Growth
- ES Collaboration

Collaborative ES Efforts Most Often Seek to Directly Improve Finances or Competitiveness



Source: Environmental Sustainability Survey: Customer and Supplier Collaboration: Q1

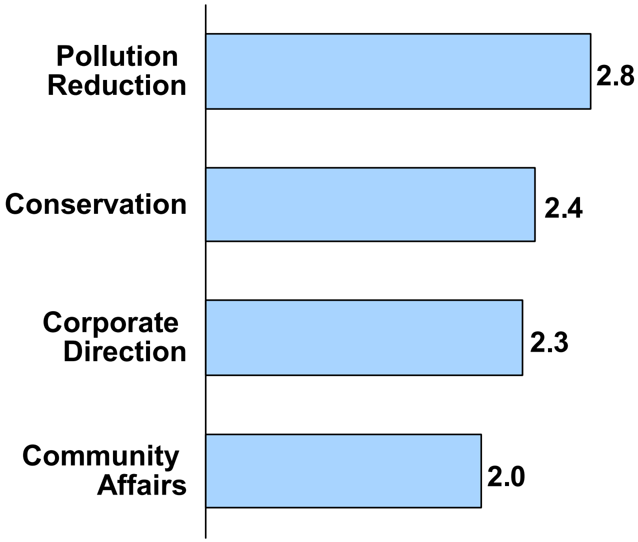
Deloitte. THE CAMBRIDGE GROUP

Companies Most Commonly Collaborate in ES Initiatives That Might Reduce Costs without Eroding Their Own Competitive Advantage Such as Conserving Energy or Reducing Waste

ES Collaboration

- Collaboration with less direct impact, like reducing emissions, is less popular

Mean Score* – Current Collaboration with Customers on ES



	Top 2 Box
Pollution Reduction	**29%**
Waste Reduction	39%
Product and Packaging Recycling	39%
Reduction of packaging/Increased use of bio-degradable packaging	36%
Reduction of emissions	18%
Conservation	**14%**
Energy Conservation	39%
Water conservation	25%
Agriculture/Organic Foods/Livestock Care	15%
Eco-System, Natural Resource Conservation	11%
Corporate Direction	**11%**
Marketing and	25%
Product/Service	22%
Consumer Research	11%
Creating more ES Friendly Offerings	11%
Community Affairs	**18%**
Social Programs	30%
Lobbying	11%

Note*: Range (5 point scale)
Source: Environmental Sustainability Survey: Customer and Supplier Collaboration: Q2