



Article

Sustainability is About Good Business, Not Just Making Businesses Good

Sustainable investing is the future, according to Audrey Choi, chief sustainability officer for Morgan Stanley. Women and millennials are driving investor interest in sustainability, she noted, whose combined constituencies will make up three-quarters of the workforce by 2025 and are three times more likely to seek out employment with a sustainably minded company.¹

In 2016, one-fifth of all professionally managed investment assets were companies whose products considered Environmental, Social, and Governance (ESG) factors.²

Investment in sustainability initiatives increased and so did reporting on the results of those initiatives. From 2011 to 2016, the number of Global Reporting Initiative (GRI) sustainability reports – the report card for investors and other stakeholders - filed increased 60 percent. In 2017, 74 percent of the Fortune 250 generated GRI-based sustainability reports.³

What's Driving Business Interest in Sustainability?

Why the recent interest in sustainability? Some say the recent absence of U.S. federal oversight and leadership has led city, state, and business leaders to become the watchdogs for the environment. Responsibility for our planet was also reinforced by an abundance of natural disasters in 2017, leading companies to respond with greater investment in prevention and climate resilience.⁴

“Society is demanding that companies, both public and private, serve a social purpose,” wrote Larry Fink, CEO of BlackRock, the world’s largest asset manager, in his annual letter to CEOs. “To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society. Companies must benefit all of their stakeholders, including shareholders, employees, customers, and the communities in which they operate.”

Top Sustainable Businesses Ranked for the First Time

In 2018, Barron’s Magazine, owned by Dow Jones, ranked the 100 most sustainable companies in the U.S for the first time ever.

“For years now, European investors have looked at environmental, social and governance factors – qualitative measures that people believe promote a company’s long-term health and growth prospects,” Leslie Norton wrote in the Barron’s article. “Thus, what began as an expression of values is finding wider currency as good corporate practices. That view has made its way to the U.S.”

Barron’s considers this visibility particularly relevant to investors when they are assessing company risk and performance.

Here's a look at the ESG practices the top five sustainable companies are investing in:

1. Top-ranked Cisco reduced its Scope 1 and Scope 2 greenhouse gas emissions by 41 percent since 2007, while meeting its goal of getting 80 percent of its electricity from renewable sources. It also implemented a number of water conservation projects including WeatherTRAK smart irrigation controllers throughout its San Jose main campus, using recycled water for irrigation. At the Bangalore campus, they installed a water harvesting system to capture rainwater for filtering and use.⁵

2. Salesforce, ranked second, began offering customers carbon-neutral clouds by offsetting data center emissions with renewable energy and efficiency initiatives. It is committed to achieving LEED platinum certification for its new San Francisco headquarters, which exceeded the city's green building code by more than 20 percent. Its blackwater system is the nation's largest on-site water recycling system in a high-rise building, saving more than seven million gallons of potable water per year.⁶

3. Third-ranked Best Buy was recognized for its electronics recycling programs and use of third-party certified recyclers who meet strict environmental standards. Best Buy's recycling service collected over 1.5 billion pounds of e-waste in the U.S. since 2009. The company established a goal to reduce carbon emissions by 60 percent over a 2009 baseline by 2020 through improved energy efficiency and sourcing renewable energy. They have achieved a 51 percent reduction to date. In addition, through building design, operational monitoring, and usage reduction programs, the company also reduced its water use by 20 percent from 2014 to 2017.⁷

4. Since 2015, fourth-ranked Intuit's worldwide operations have been carbon-neutral. It plans to be completely powered by renewable energy by 2030. Approximately 35 percent of its buildings are LEED certified, with two under construction that they plan to make LEED platinum. Intuit uses about 60 million gallons of water each year, with a 17 percent growth in data center operations resulting in more water needed for cooling. Through water conservation measures, such as using recycled water, low-flow fixtures, and climate-controlled irrigation, the company decreased its campus water usage by more than 30 percent at larger sites between 2013 and 2015. At the same time, they acknowledge the challenge, considering that 85 percent of its workforce are located in drought-stricken regions.⁸

5. Fifth is HP, a company transitioning from a "take, make, discard" model to a "make, use, return" model. One result is HP Instant Ink: an ink-replenishment service that ensures customers have ink when they need it and can recycle used cartridges conveniently. In partnership with third ranked Best Buy, HP recovers recycled plastic resin from recycled electronics which are being rolled out in its new ENVY photo printers. HP's sustainable landscaping project at the Boise, Idaho campus is expected to save approximately 82,500 cubic meters of water annually and reduce landscaping costs by 50 percent by 2019.

HP CEO Dion Weisler said sustainability is "not just the right thing to do, it makes for good business. Customers want to buy from companies they can be proud of and employees believe doing good should be a central part of daily business."⁹

Sources:

1. Morgan Stanley: The case for sustainable investing, July 9, 2018
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3. <https://www.globalreporting.org/gri-20/Pages/Facts-and-figures.aspx>
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