

NATIONAL ASSOCIATION FOR ENVIRONMENTAL MANAGEMENT
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MANAGING EHS IN A COMPETITIVE GLOBAL ENVIRONMENT
(ENVIRONMENTALISM AND YOUR CORPORATE DNA)

DRAFT Remarks by Jeff Seabright

Opening - The importance of the environmentalism/bottom line message

Good morning, and thank you very much for inviting me to be here today. Before I begin, I'd like to recognize (RECOGNIZE PARTNERS AND KEY INDIVIDUALS IN THE AUDIENCE) and thank the National Association for Environmental Management for inviting me to this important meeting.

I'm especially honored to be here today because I know I'm among friends and colleagues who have shared in the experiences that have shaped my career and my life. And I'm glad to be participating in a forum that celebrates the evolution of the EHS field, which has emerged as a *front and center* focus in efforts to promote the profitability and sustainability of businesses worldwide.

I'm here to talk specifically about managing EHS in a competitive global environment. That is -- an environment where businesses all over the world are striving -- as they always have -- to gain market share and increase profits. And I think most of us agree that the only way we as EHS professionals can *continue to be front and center* in this discussion is by continuing to make the case that what's good for the environment is also good for the bottom line at the companies where we work.

That isn't necessarily a new message. But it's gained substantial traction over the past two decades as more CEOs, Board Members and shareholders saw concrete evidence that it was true. And yet we all know that we still need to be very disciplined in making a clear case for why and how the environmental practices we champion contribute to that bottom line.

We should start out by acknowledging -- yet again -- the basic tenet of the corporations that most of us work for. They exist first and foremost to make a profit. Your CEO and Board members may belong to the World Wildlife Fund and the Sierra Club and they may take their families on nature vacations and recycle everything possible that's used in their homes. But when it comes to their company and their business, the messages that truly resonate are those that directly demonstrate the impact of environmental practices on the profitability and shareowner return for that business.

So how do we make those messages more powerful? More convincing? In the next few minutes I'm going to focus on how we've learned to do this at Coca-Cola, and more

importantly, how we've gone from *talking* about the power of environmentalism on the bottom line to making it *integral* to the bottom line.

Environmental DNA and the lessons learned at Coke

I knew what I was getting into when I joined Coca-Cola. I was motivated and challenged by the fact that we're the world's largest beverage company. That we make 400 brands. That more than 1 *billion* people around the world drink our beverages every day. I knew that over the past 100 years there had been some good visibility for the Company's efforts to protect the environment, but the overall assumption among many was that what we did was ultimately *detrimental* to the environment. When you're big and profitable and have a worldwide presence, you're going to be very carefully watched. Emulated and admired, but always, very carefully *watched*.

I also knew that the ground at Coke was growing more fertile for nurturing an environmental ethic. But as I went to work with my very talented team of environmental and business professionals I also knew we needed to find a unique approach to planting and sustaining an environmental ethic that would stand the test of time.

We *did* find a unique approach -- one that should also be adaptable to the work being done by many of you in this room. And that is, by demonstrating to our leadership why sound environmental practices must be literally *embedded* in our corporate DNA.

I'll explain what I mean by this on a couple of different levels. First I'm referring to the connection between environmental practices and our *identity* as a company. And in environmental terms, our identity as a company is most easily seen in the areas where we have the most profound, dramatic and visible impact. Areas that are front and center of worldwide environmental concerns and directly related to our ability to do business. Areas that inarguably *must* be addressed in order for our business to remain sustainable and profitable.

Water is the first area - because that is the most important ingredient in everything we make. The daily worldwide production of our products requires more than (NUMBER) gallons of water -- enough to fill a (USE A WELL-RECOGNIZED LAKE OR RESERVOIR), so without sustained access to clean water we simply cannot exist. In other words, we reap what we sow -- protecting and renewing water resources is directly linked to our ability to tap them for use in our products.

Packaging is next -- and I am talking about 1.3 *billion* packages a day. That's 1.3 billion packages that have to be created and disposed of -- or preferably -- recycled. People worldwide see -- and are concerned about -- the impact of our packaging on landfills and the environment in general. And yet without packaging we simply can't deliver our product.

Running at a somewhat distant third is the atmosphere -- or more specifically, our impact on the atmosphere. Yes we make coffees and teas, but our signature brand and most of

our popular products are served cold. Most of our refrigeration equipment uses CFCs to keep them that way. And as we all know there is no longer any real debate about the role of CFCs in global warming or the high stakes for the planet. So while the world is watching to see what our company does to mitigate the damage, we have no choice but to seek technology that will keep our products prepared for the market.

After identifying these three key areas, we determined very quickly that they would be the basis of our environmental platform. From a worldwide perspective each area -- access to clean water, packaging waste, and atmospheric degradation -- is seen as a problem of *crisis* proportions. And in defining that platform I guess you could say that we looked to the real meaning behind the Chinese term for "crisis" -- which is a nexus between "danger" and "opportunity" -- in articulating our business case for moving forward.

We faced grave *danger* as a company if we used water resources recklessly. *Danger* if we continued to create mountains of plastic and glass that couldn't be recycled effectively. And danger if we continued to use refrigeration equipment that didn't deal with emissions responsibly.

On the other hand, we had a great *opportunity* to develop and implement sound environmental practices in each area. Practices that would help us establish ourselves as a leader. Practices that would help us generate and strengthen public goodwill. And -- most importantly when it came to making our case as EHS professionals -- *practices that would greatly enhance the long-term profitability and sustainability of the Coca-Cola Company.*

Once we made the case that these environmental practices were vital to our success -- and even survival -- they became embedded in our DNA. The *building blocks* for our prosperity. The *genetic elements that define* who we are. The *characteristics* that will nurture our continuing growth.

Environmental DNA throughout your system

That's one way of looking at environmental practices and our corporate DNA. Another way has to do with replication. Meaning how did we extend this sensibility from our corporate headquarters down through our production and distribution chain worldwide?

Simply put, we found a way to ensure that the business case that was so apparent to our leadership was also apparent throughout our system. One strategy came directly *from* the leadership, which in (YEAR) created and announced -- in the most public way -- its Manifesto for Growth. This was a powerfully articulated philosophy that directly linked environmental resource management to the company's vision for sustainability in all critical business areas -- from market share, to shareowner value, to global growth.

But it wasn't just the "announcement" of this Manifesto that mattered. What also mattered was the process that created it, and helped embed its environmentalism-for-growth

philosophy throughout the system. The Manifesto was created through a series of meetings that took place over many months and involved our top 150 leaders as well as additional input from another 400 employees. It was announced in a very public way, and that announcement emphasized that it was both top-down and bottom-up -- a deeply embedded way of thinking among leaders at every level of our company and system.

As a result, representatives of the Coca-Cola Company and our bottlers are now actively engaged in environmental resource management as a part of their work every day. That means actively seeking and implementing ways to use water more efficiently and treat it more effectively in terms of recycling and reuse. It means working in partnership with local, national, and international environmental organizations to protect, clean and restore vital watersheds that are critical for the communities where we operate and for the production of our products. It means shepherding the use of new packaging technologies to minimize non-recyclable materials and leading major efforts to boost recycling of our packaging to unprecedented levels. And it means working across the system to ensure that the refrigeration equipment we use in the future will substantially mitigate the impact of global warming on a worldwide scale.

The definition of success

So what are the results? Well, in 2005 we improved water use efficiency system-wide by 4%. We did this by working across our bottling systems to set water efficiency goals and making improvements in operations to better conserve water. In 2005, our system consumed 29 billion liters less water than we did in 2002. That's enough water to fill about 11,600 Olympic swimming pools – and it represents a more than 9 % reduction in water consumption during a period when our sales volume increased by more than 10 %.

In packaging we reduced the use of raw materials in our 2-liter PET plastic bottles by 32 percent, in 12-oz. aluminum cans by 33 percent, and in 8-oz. glass contour bottles by 57 percent. Our use of Ultra Glass technology alone has eliminated the need for 52,000 tons of glass globally – a CO₂ reduction that's equivalent to planting 8,000 trees. And let's not forget how much we're saving on fuel costs by shipping lighter packages.

And on our refrigerants, we've already completed a transition to HFC-free blowing agents for insulation, and the new equipment we put in place will emit 75% fewer direct greenhouse gas emissions than the traditional sales equipment on the market today. In doing so, we've mitigated against a major future downside risk as concern about climate change continues to rise.

So in all three cases, our enhanced performance has had some dramatic positive impacts on the environment, which we're very proud of. But what enables us to make those gains is the fact that environmental performance isn't an additive or a "feel good" sideline – it's at the core of our business. It's a direct commitment to the customers we serve and the global community in which we do business.

In some ways we've been able to make this happen by simply asking for it -- making the case that it's the right thing to do. But we were also able to strategically apply the power of the pocketbook. At Coke, for example, we're one of the world's largest buyers of sugar, PET plastic and glass. That means agricultural networks and suppliers profit by selling us their products. Which means we have a lot of leverage in the materials we opt to purchase and use in our products. The farmers and companies we choose to work with reflect our values and understand that we practice what we preach. Through our words, deeds, and actions, we create a "trickle-down" effect of higher standards throughout our supply and production chain.

Good examples from the field

And we're not the only company that's taking this approach. One of our most significant retail partners, Wal-Mart, has its own "Wal-Mart Out Front" initiative. Like Coke, Wal-Mart is focusing on sustainability – and its people likewise see protection of the environment as being vital to the health of its business. That commitment extends to what Wal-Mart expects of every company involved in its production chain. That means giving preference to suppliers and factors that likewise set and make progress toward environmental goals, and working with every supplier to reduce, recycle and reuse at every stage of the production and distribution chain.

Like Coke -- WalMart has embedded these environmental practices into its DNA and set high goals – to be supplied 100 percent by renewable energy, to create zero waste and to sell products that sustain resources and the environment. The company's environmental and business teams then determined tangible and sustainable ways to meet these goals, and developed benchmarks for their progress. They also developed economic correlations to each environmental initiative on the table.

Which means they know that improving the fuel mileage of their delivery fleet by one mile a gallon will save over \$52 million a year. By recycling plastic waste that used to be thrown away, they'll see their bottom line boosted by \$28 million each year. By making packaging for some of its toys smaller and more efficient they'll generate freight savings of more than \$2.4 million each year

Like The Coca-Cola Company, Wal-Mart is instituting all of these processes system-wide, bringing them into the company's culture and making them relevant for everyone from the executive office to the associates in its stores to the suppliers in its network. It's no longer about "compliance and reporting." It's about building a brand with a dollars-and-sense reputation for environmental excellence.

The nudge of public opinion

And while I'll continue to stress that the most effective strategy for integrating environmental and business practices comes down to making the case around profit, we still need to remember the power of public opinion, which we can also connect to the message *about* profit. If you travel to any of our bottling operations in developing

countries you'll discover our people doing some amazing things to protect watersheds and improve access to clean, potable water. You'll find them playing a major role in the Global Water Challenge, a partnership we helped establish to develop and implement effective approaches for enhancing water resources. A partnership that includes UNICEF, the United Nations Foundation, the U.S. Centers for Disease Control and Prevention, the Emory Global Center for Safe Water and many other well-regarded organizations. You'll see progress on partnerships that will soon provide clean drinking water to hundreds of thousands of people in nations such as Uganda, Malawi, Kenya and India, and you'll see a growing chorus support from people in the international community who have firsthand experience with us. People who we interact with every day.

And yet . . . some of our biggest detractors can change all of this overnight. Or in a matter of hours. All it takes is a Web site or a blog to turn unfounded rumors and intentionally damaging innuendoes into fodder for influencing public opinion. Some of the biggest detractors of our work in these developing countries, in fact, do not even live in these countries and don't even try to experience the good work we're doing. But they do have access to a keyboard and the Internet, and if something potentially negative happened at 5 p.m. Bombay time yesterday you probably would have read about it online or even in print when you woke up at 7 a.m. Savannah time today. In that case your only possible chance for countering public opinion is with the power of truth, and in being able to counter untruths with clear evidence that you are making a difference.

Replicating success

So now I'll focus just a little more on the lesson in all of this - or more specifically, what all this means to you. Most of you in the audience today work in industries that produce products and most of you do this on an international scale. You may be classified as business people now, but I do believe that most of you originally entered this field because of a heartfelt interest in protecting environmental resources. You've earned our credentials in graduate programs and boardrooms and you understand the unique perspectives of each. I say all this just to reiterate that on an intuitive and experiential level most of us are probably coming from the same perspective. Most of you have been living in both the environmental and business worlds for years. And while some would say that you straddle two worlds, what you really do is *integrate the sensibilities, the rhyme and reason of those two worlds*. You bring them together into one world. You know you need to make a strong business case for everything you do.

Like the team at Coke, you may have significant success by first identifying the environmental areas in which your company, and your business, have the most profound, dramatic and visible impact. Identify them and then determine the crisis points of each. The danger and the opportunity. Be prepared to articulate the danger of not doing enough to address the issue -- and just as importantly, the opportunity to making your company stronger and more profitable if you do.

Then set goals for what you want to achieve. Throughout your company. Throughout your production and distribution network. Sell those goals up to the top and down through the bottom so they're embedded in your company's DNA systemwide.

Then, once you've gained consensus on the what, why and how of your environmental initiatives, develop tangible ways to benchmark your progress. Know how far you've gone and where you still have to go.

Finally, monitor, improve, monitor and improve some more. Pay close attention to your progress as well as how that progress is being judged. Perform transparently, report fully, live up to the commitments you make, and you will build trust. As you build trust, you will strengthen profits. Successfully integrating sound environmental and business practices is something you do every day and forever. It's a lifetime journey for sustainability – not a sprint, but a marathon.

I'd like to reiterate that I'm proud of the environmental marathon in which Coca-Cola is engaged – I enjoy discussing it because each time we engage with our peers and our public, we open the door to learning how to do what we do better. As we all know, it wasn't that long ago that protecting the environment was viewed as a plus, but not a priority. For those of us who are environmentalists and business people, it's my view that the evolution of the work that we do centers on a central and growing realization: Building sustainability into everything we do doesn't just *impact* "bottom line." It's who we are. It's what we are. It's in our very DNA. Indeed, it *is* the "bottom line."

We have to raise the bar not only for what we ask our companies to do, but also our expertise in how we convince them to do it. Building our case, supporting it with data, selling it throughout our systems and networks, and working with management teams to bring it about. We can do this – and by listening, learning, and taking action, we will.

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