

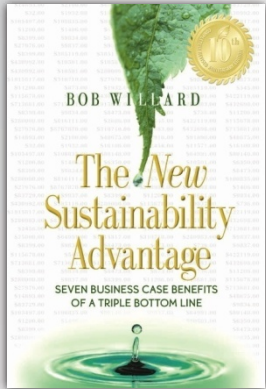
FINANCIAL GROWTH ROOTED IN SUSTAINABILITY

**SERGUEI TCHERTOK,
MANAGER SUSTAINABILITY
OFFICEMAX GRAND & TOY**

**SPECIAL GUEST:
DR. BOB WILLARD**

SEPTEMBER 15, 2014

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FINANCIAL GROWTH ROOTED IN SUSTAINABILITY: Making The Bu\$iness Ca\$e For A Triple Bottom Line

OfficeMax®
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September 2014

bobwillard@sympatico.ca

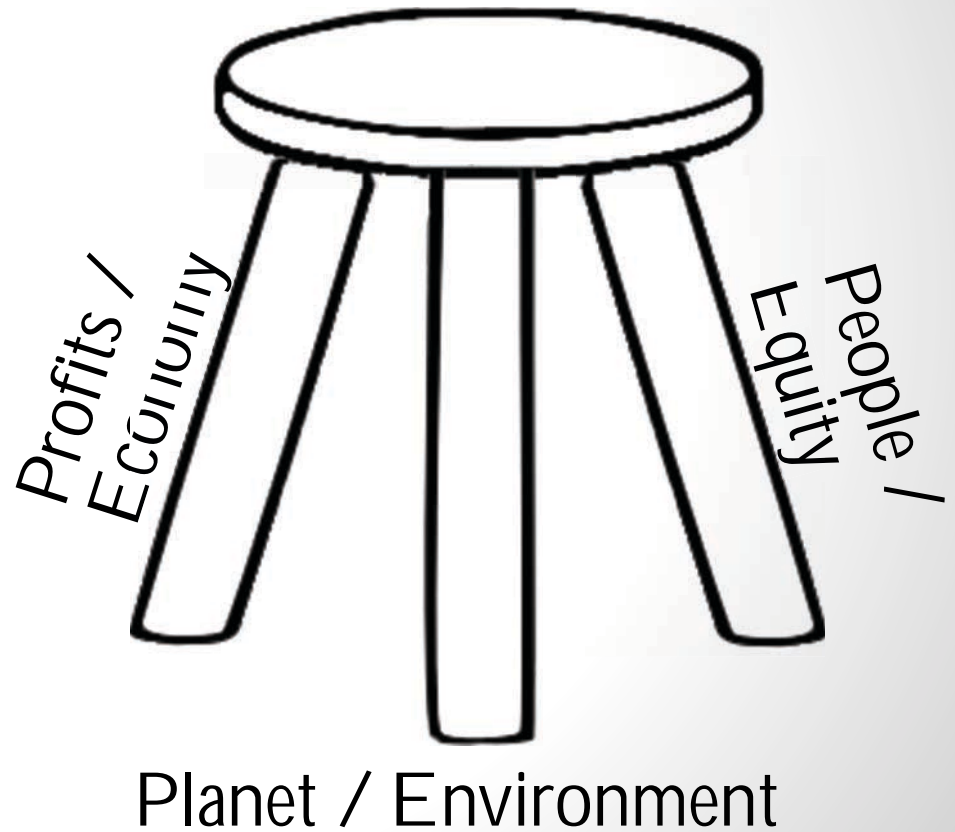


sustainabilityadvantage.com

COMPANY SUSTAINABILITY

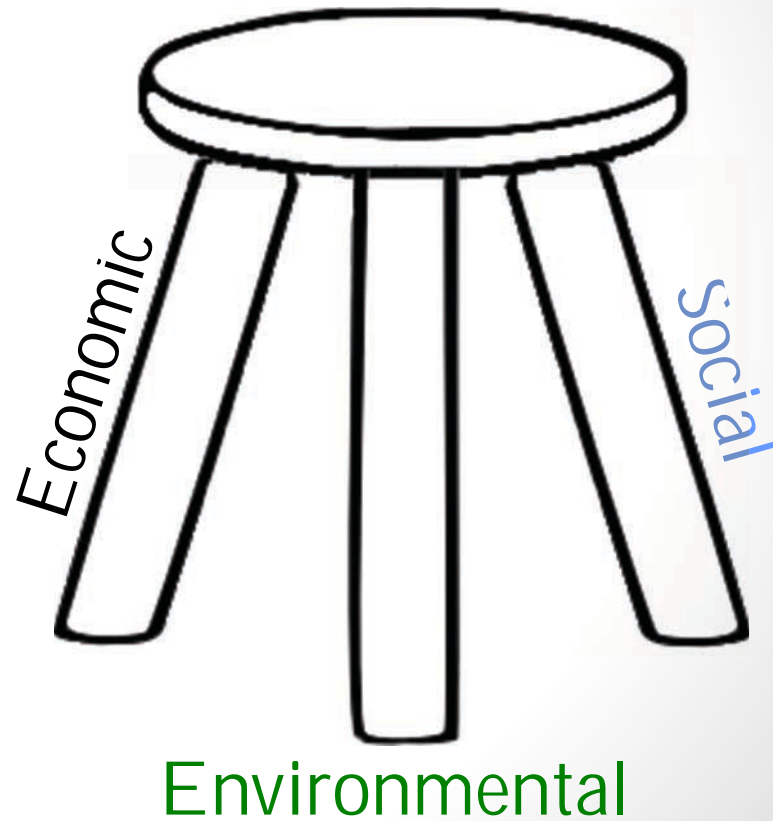


TRIPLE BOTTOM LINE

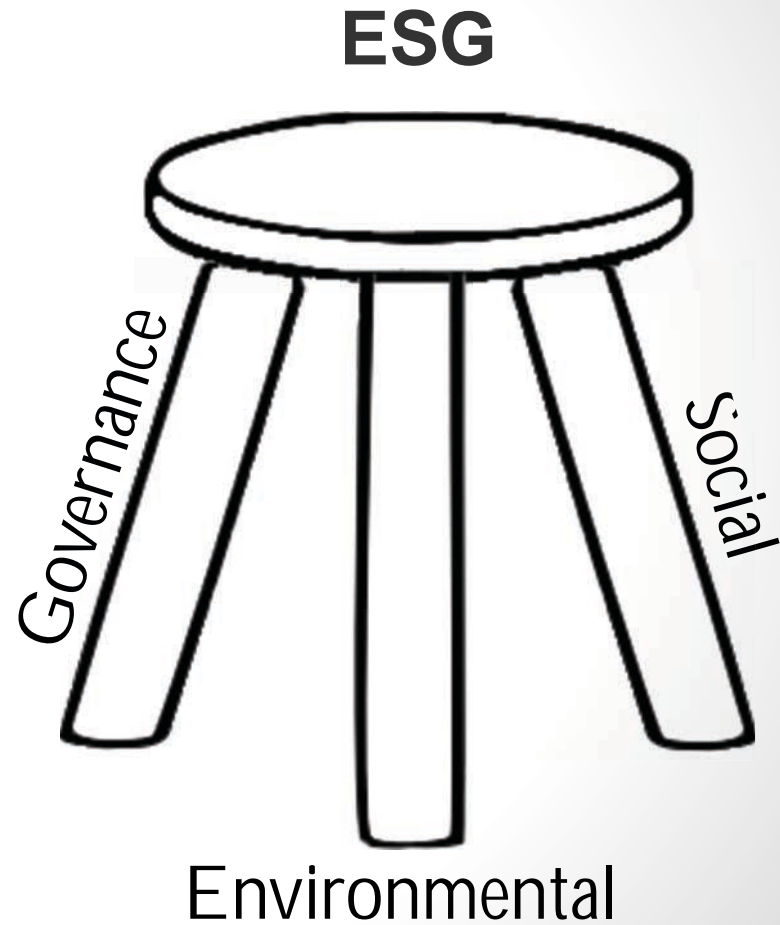


COMPANY SUSTAINABILITY

GREEN + CSR



COMPANY SUSTAINABILITY

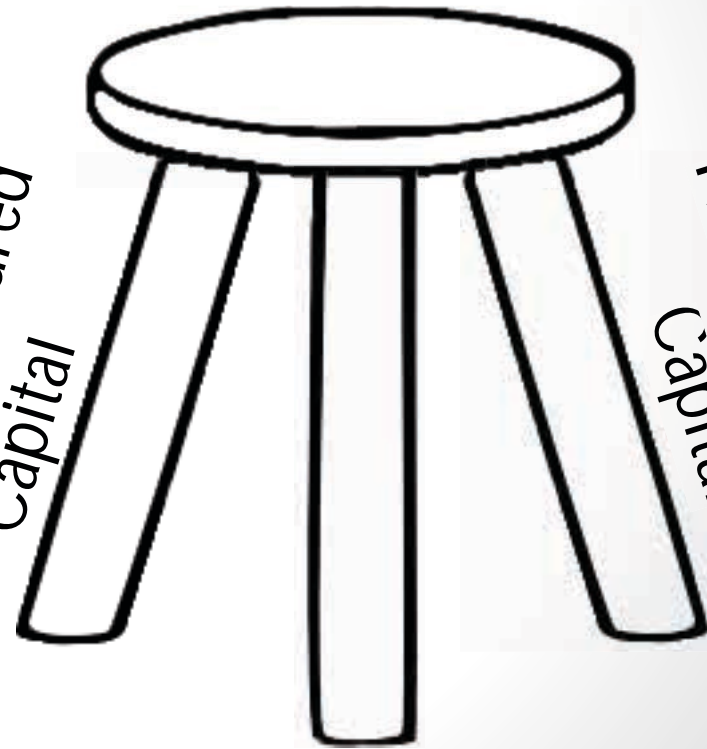


COMPANY SUSTAINABILITY

ASSET MANAGEMENT



*Financial
/ Manufactured
Capital*



*Human / Social
Capital*

Natural Capital

NESTED INTERDEPENDENCIES



FIVE-STAGE SUSTAINABILITY JOURNEY



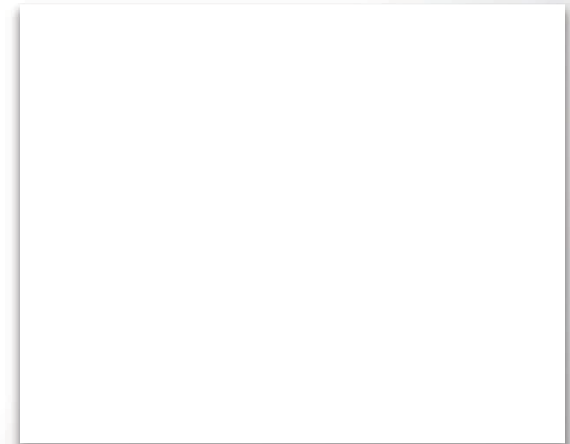
5. PURPOSE & PASSION

4. INTEGRATED STRATEGY

3. Beyond Compliance

2. Compliance

1. Pre-Compliance





“Over the last 10 years the ‘Sustainability Imperative’ has emerged, magnified by escalating public and governmental concern about climate change, industrial pollution, food safety, and natural resource depletion, among other issues.”

Global Sustainability Megaforces

Climate Change

Material Resource
Scarcity

Wealth

Ecosystem Decline

Food Security

Energy & Fuel

Population Growth

Urbanization

Water Scarcity

Deforestation

Impacts on business

Price increases
and volatility

New regulations

Physical and
weather changes

Changes in consumer
preferences

Resource constraints
on production

Emerging risks

Regulatory

Reputational

Physical

Market

Litigation

Social

The global sustainability megaforces result in both risks and opportunities. Businesses can design effective strategies to address the risk while simultaneously taking advantage of the opportunities.

Emerging opportunities

Reputation and brand

Innovation and learning

New products and services

Cost reduction

Access to capital

“Expect the Unexpected: Building business value in a changing world,” KPMG, 2012.

BOOMERANG IMPACTS





“Capitalism is under siege ...
The purpose of a business must be redefined
around creating shared value (CSV)...
How to reinvent capitalism—and
unleash a wave of innovation and growth”

CAPITALISM 2.0

| | Capitalism 1.0 | Capitalism 2.0 |
|---|---|---|
| <i>Purpose of the Firm</i> | Maximize <i>shareholder</i> value; Short-term | Maximizing <i>stakeholder</i> value: Short- and long-term |
| <i>Legitimate capitals</i> | Financial | Financial, Natural, Social, Human |
| <i>Bottom lines</i> | Profit | Profit, Planet, People |
| <i>Strategic focus</i> | Growth; Consumption | Stakeholder well-being |
| <i>Source of financial capital</i> | Stock market; Big financial institutions; Absentee owners | Smaller financial institutions; Crowd sourcing; Customers; Employees; Local communities; Shared ownership |
| <i>Market focus</i> | Global | More local |
| <i>Negative impacts</i> | Externalized | Internalized |
| <i>Boundaries</i> | The firm | The firm's value chain |
| <i>Transparency</i> | As little as possible | Naked |
| <i>Business model</i> | Sell products; Take-Make-Waste; Linear | Sell services; Borrow-Use-Return; Circular, Cradle to Cradle; Closed loop |

ENABLERS vs. ONE MORE GOAL

Profit

Share price

Brand value

Revenue growth

Market share

Expenses

ROI

~~“SUSTAINABILITY”~~



Access to capital

Talent wars

Productivity

Innovation

Quality

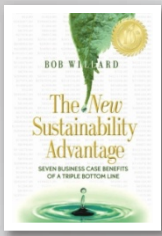
Risk management

Supply security



(SUSTAINABILITY) STRATEGIES





SUSTAINABILITY BUSINESS CASE

Opportunities

Income Statement

Risks

1. Increased revenue

9%

Revenue

2. Reduced energy

75%

3. Reduced waste

20%

4. Reduced materials

10%

5. Increased productivity

2%

6. Reduced turnover

25%

Expenses

7. Reduced revenue and increased expenses

SUSTAINABILITY
CAPITAL RESERVE

+51 to
+81%

PROFIT

-16 to
-36%

| <i>Company Data Profile</i> | <i>Small Professional Services</i> | <i>Large, Manufacturing & Distribution</i> |
|--------------------------------|------------------------------------|--|
| Revenue | \$1,000,000 | \$500,000,000 |
| Energy expense | \$20,000 | \$10,000,000 |
| Materials and water expense | \$50,000 | \$150,000,000 |
| Total salary / payroll expense | \$300,000 | \$150,000,000 |
| Profit | \$70,000 | \$35,000,000 |
| Average salary | \$50,000 | \$40,000 |
| Number of employees | 6 | 3,750 |

Potential profit increase

51%

81%

Potential profit at risk

-16%

-36%

Global Sustainability Megaforces

Climate Change

Material Resource
Scarcity

Wealth

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Impacts on business

Price increases
and volatility

New regulations

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weather changes

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Resource constraints
on production

Emerging risks

Regulatory

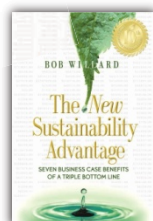
Reputational

Physical

Market

Litigation

Social



Profit could
increase by 51-81%

Bottom Line
Business Case

Profit could
drop by 16-36%

Emerging opportunities

Reputation and brand

Innovation and learning

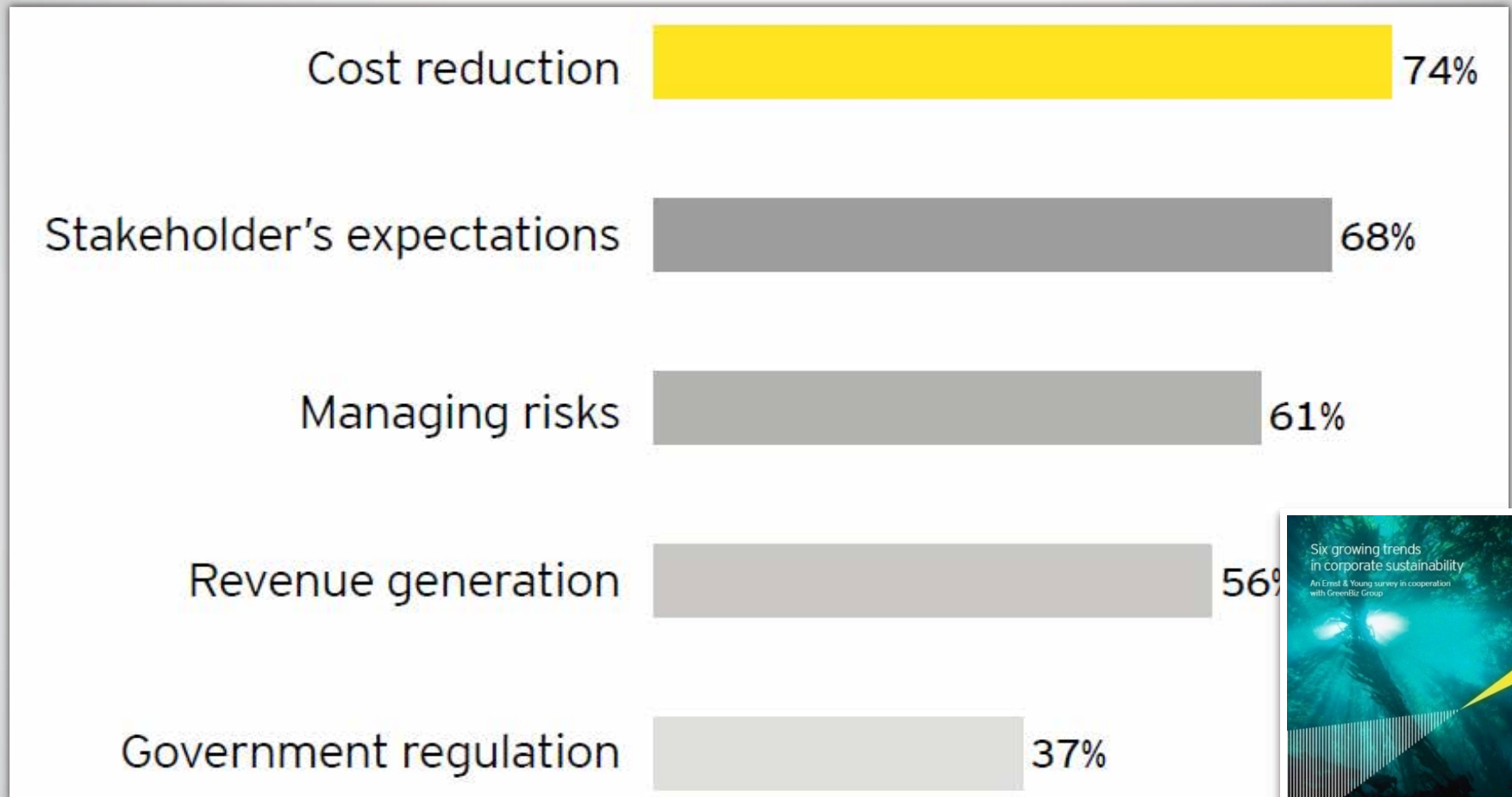
New products, services and
markets

Cost reduction

Access to capital

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DRIVERS OF SUSTAINABILITY

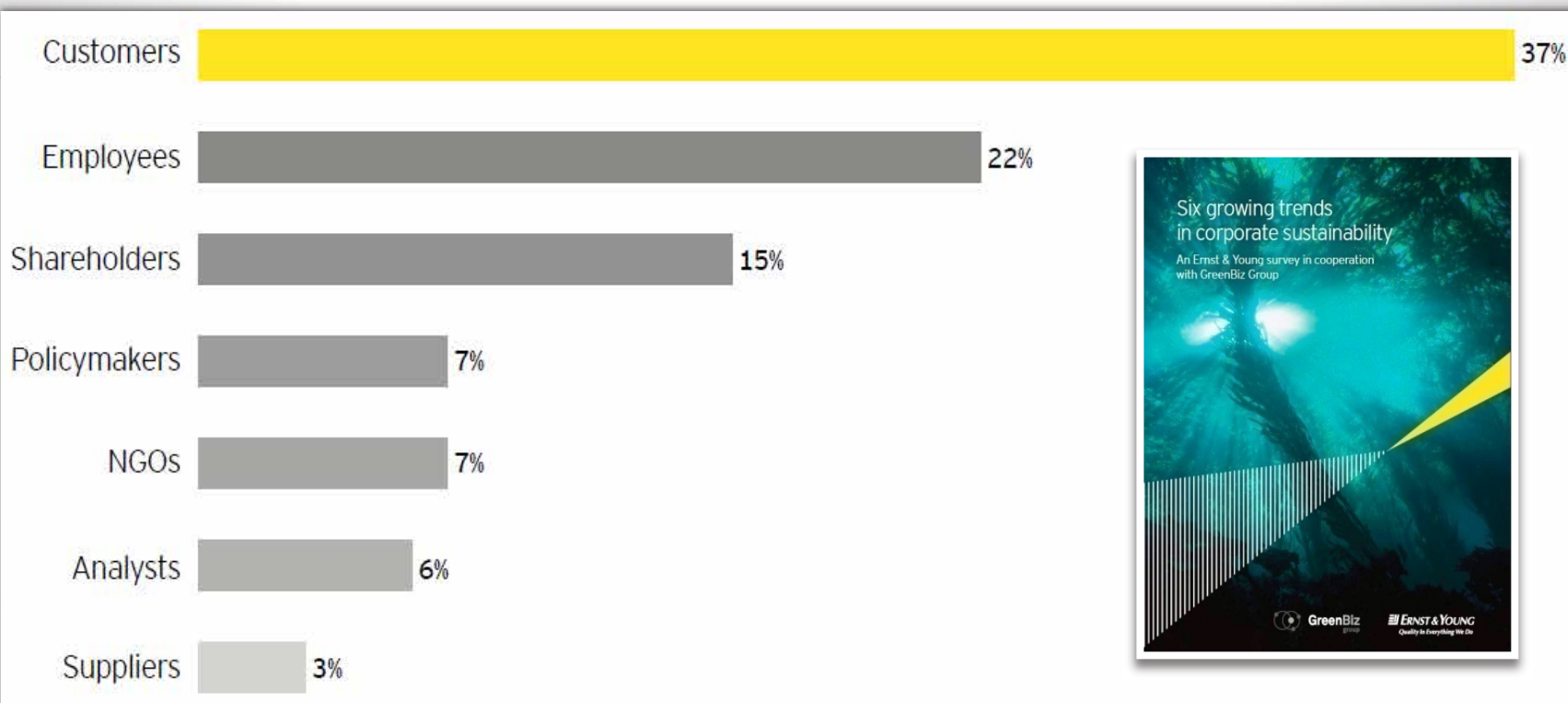


Ernst & Young and GreenBiz, “Six growing trends in corporate responsibility,” March 2012.

Based on an Oct-Nov 2011 online survey with 272 respondents from companies with annual revenue >\$1 billion in 24 sectors, 85% in the USA.

STAKEHOLDERS DRIVE SUSTAINABILITY

Q: Rank the top three stakeholder groups in order of importance in driving your sustainability initiatives.



Ernst & Young and GreenBiz, “Six growing trends in corporate responsibility,” March 2012.

Based on an Oct-Nov 2011 online survey with 272 respondents from companies with annual revenue >\$1 billion in 24 sectors, 85% in the USA.

TOP 3 DRIVERS

1st

Worldwide Survey Result

33%

OPERATIONAL EFFICIENCY
AND LOWERING COSTS

Canadian Survey Result

41%

OPERATIONAL EFFICIENCY
AND LOWERING COSTS

2nd

Worldwide Survey Result

32%

ORGANIZATIONAL
REPUTATION

Canadian Survey Result

18%

CUSTOMER
DEMAND

3rd

Worldwide Survey Result

31%

ALIGNMENT WITH
ORGANIZATIONAL GOALS,
MISSION OR VALUES

Canadian Survey Result

15%

ORGANIZATIONAL
REPUTATION



OfficeMax Grand & Toy 2013, “Insights Report,” research conducted by Leger.

CANADIAN VIEWS

31%
Global



Of Canadian organizations state that their sustainability related actions and decisions have added to profits

67%
Global



State that sustainability is necessary for being competitive

68%
Global

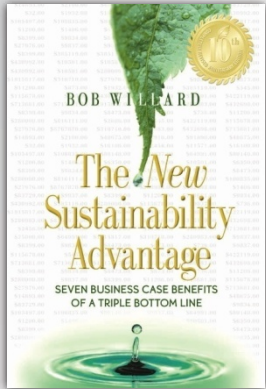


Have increased their commitment to sustainability in the past year⁴

70%
Global



Have permanently placed sustainability on their management agendas⁴



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Presentation and transcribed Q&A will be posted in a few days time.

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