Remarks As Prepared for Delivery
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[Thank you to host] … This is one of those rare institutions that has a voice capable of reaching beyond these walls to help shape America's economy—and the global economy, for that matter.

That certainly helps the cause of sustainability, so I appreciate your role very much.

Let me say first that, when you look around a room like this and think about what's been accomplished, you have to be amazed.

Think about it. Ten years ago, sustainability was the "new kid on the block" in emerging markets. Nobody wanted to be seen with us. Not government. Not business. We were the Birkenstock-and-granola people at the wine-and-brie parties.

And the frame on those conversations was always about trade-offs—profits versus expenses, flexibility versus standards, and so on.

Then, almost overnight, it was like sustainability became the "new black." It was hip and cutting edge. But not everyone thought it would last until the next thing came along.

Now—among the *leading* companies, at least—sustainability is no longer the "new black," it's the "new normal." And this is not wishful thinking.

Why can we say that? We can say that because we have the facts to prove it:

- If you walk down the aisle of your local supermarkets—when you're looking at peaches from Thailand, or strawberries from Argentina—*more than half* the shoppers will tell the sustainability of those crops influences what they buy.

- We know that *more than half* of all large firms in America—those with revenue over $250 million, many of whom have overseas operations—now ask their suppliers to incorporate sustainability into their practices.

- And if you survey the *really big firms* globally—companies with at least $1 billion in revenue or some type of ESR commitment in place—that number goes up to *83 percent*.

- We know that a decade ago roughly two dozen companies published sustainability reports. Today, nearly 6,000 companies around the world—including half of the S&P 500—publish them.

- Seventy-seven banks representing more than 70% of the project finance debt in the emerging markets apply the Equator Principles.

And virtually all these types of trend lines continue to climb. So I think anyone can safely say we're no longer the "new black," we're the "new normal."

I could pick out practical examples from companies here in this room:

- General Mills helped its contract farmers in Mexico switch to drip irrigation and cut water usage in half. That is saving more than *1 billion gallons of ground water* per year.

- IBM just received a "gold medal" from the World Environment Center because of its Smarter Planet initiative to improve energy efficiency and cut greenhouse gases. At one factory alone, it cut energy use by $3 million while increasing output 30%.

- Companies like Wal-Mart, L'Oreal, Siemens, Tumi, Coca-Cola, Patagonia, and Dow Chemical have shown how going beyond a defensive posture of "socially responsibility" to a forward-leaning posture of "sustainability" is good for business *and* good for the world.

And they have proven this across the entire value chain—from financing and supply chains, to processing on the factory floor, and right up to the point of sale.

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So why should any of this give us pause?

Well, let me suggest three reasons that we still face formidable challenges.

I want to preface this by stressing these are *reasons that have absolutely nothing* to do with the complexity and magnitude of solving social and environmental problems themselves.

These are conceptual roadblocks, roadblocks grounded in attitudes and assumptions.

<u>First</u>, let me just a little bit provocative. I believe it is long past time to get rid of the idea of a so-called "triple bottom-line."

It was a useful concept when we were all introducing sustainability to the private sector, but now it has become counterproductive.

By definition, a triple bottom line means that treat social, environmental, and financial activities as distinct—and often ring-fenced—operations within your company.

And that doesn't get us where we want to go.

I believe you and I both know there's a big difference between truly collaborating on core operations and simply emailing your text to the same annual report editor as the rest of the departments.

Collaboration needs to be intrinsic, not coincidental. And I've come to the view that the concept of a triple-bottom line now does more to perpetuate divisions than dissolve them.

So I don't dream of a world of triple bottom lines; I dream of a world with single bottom lines.

<u>Second</u>, is the misconception about what's really driving sustainability these days, and what's going to drive it in the future.

If you talk to some C-level executives, their narrative goes something like this.

They'll say, we need a sustainability agenda because our customers or the NGOs are pressuring us. Or, they'll say this will get us some quick wins on energy efficiency and cut expenses. Or they'll say, it's a good way to differentiate our brand—we can slap a green label on it.

And I am sympathetic to those rationales. If they get results, I am on board.

But I want to suggest those reasons shape the agenda from the outside-in, rather than the inside-out. And that kind of thinking is on the way out.

If you look at the latest surveys—and Ernst & Young did an excellent one about a year ago across 24 sectors—big companies now say their *employees* are the second biggest driver of sustainability. Customers are first. Employees are second.

So the more I have thought about this, the more I have come to believe that the best companies will do more than ask, "What do our customers want?"

They'll also have to engage in discussions around, "What kind of company do we want to be? What types of values do we want to represent? What contribution to sustainability will allow us to attract and keep the best talent?"

If you have a company that is still being dragged into sustainability, they might as well be using dial-up modems. Because that would tell me they are bolding marching into the 1990s.

<u>Third</u>, and perhaps the most difficult of these roadblocks, is short-term thinking, both among investors and among CEOs.

Crafting products and services that support sustainability is difficult work, it is complex work, and it is usually long-term work.

But we live in a world where you can track stock prices by the second, and CEO come and go according to quarterly reports.

I read recently that the average holding time for a stock in the 1960s was 8 years. I was floored when I heard the current average. *It's four months*.

So if we care about sustainability, we need to think long and hard about how to address this extremely powerful pull of short-term thinking.

Economists talk about the discount rate, and how you have to calculate how far into the future your revenue stream goes. I get that.

But we need to work toward a full alignment among investors, CEOs, and employees that assumes, first, we don't mind being held accountable broadly speaking for the next quarterly report but, second, we're going to focus *just as much* on being responsible, sustainable, and accountable for performance in 2020 or 2030 or beyond.

I'm not naïve. I know that's a tough sell. But we need companies to head in that direction.

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To give you some concrete examples, I would put some of OPIC's partners, such as Azure Power, into this category.

Three years ago, Azure came to us and other investors with a plan.

They gave us their data. They said, India's population is 1.2 billion, but close to half of the population is off-the-grid. Thousands of villages that have too little electricity, unreliable electricity, or no electricity at all. Demand is going through the roof.

They said, we believe we can build the largest solar power plant in the history of India, one large enough to power 4,000 homes across 32 villages.

So we financed the deal. It was based in Punjab. It was completed in 10 months, and it has been an amazing success story. In fact, we are now helping to finance a second plant by Azure—5 times as large—in the state of Gujarat.

Another one of our clients is Husk Power Systems.

Husk, with a small amount of financing from us, is installing 36 "mini-energy generation facilities" throughout rural India that are powered by rice husks, which are usually thrown away in dumps.

What an innovative idea, perfectly tailored for India.

Let me stress that you don't have to be a small company to take a proactive, comprehensive approach, to begin to work sustainability into your corporate DNA by partnering with OPIC.

I believe we have participants from Marriott here today. Recently we announced a deal with them.

We said, if you can design and operate new hotels to high environmental and social standards, we will streamline your loan process and agree to an envelope of up to $200 million in financing.

It's a smart deal for us. It's a smart deal for them. It addresses local issues. It addresses global issues. And it's fully in keeping with Marriott's long-term sustainability goals. Done.

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So what kind of agenda is implied by all of this? What are the takeaways?

At the very least, I hope you can tell by these examples that doing business with a development finance institution—and OPIC, in particular—can be a catalyst for accomplishing a sustainable project in the emerging markets.

There are so many myths about these types of partnerships. They cost too much. They're too slow. They can't be scaled, and so on.

But for every one of those myths, I can give you a solid counter-example from our portfolio. I'm very fortunate to lead a team of people who understand the private sector, who understand the importance of straight talk and cutting to the chase.

Going forward, I would also suggest that the idea of a single bottom line for both investors and customers, one that makes full use of a wide array of metrics, is a banner worth picking up.

I know organizations that have moved in this direction. Initially, there was a lot of groaning, but once it became the standard they took pride in it, they owned it. So you don't have to take just my word on this. Ask around.

Finally, I would urge you to put the issue of long-term value versus short-term value squarely on the table.

Why? Because you have the facts on your side.

By the time a child born today reaches the age of 18, we will have added 3 billion people to the world's middle class.

That's a phenomenal pool of customers. That's a phenomenal pool of employees.

Does anyone think those young adults will somehow be *less* concerned about social and environmental issues than we are?

Does anyone think they will be *less mobile* and have *fewer choices* about where they work?

Does anyone think they will somehow have *less* information about the values and true performance of your company?

Of course not.

The winning companies will be those companies that consistently *plan* for what's over the horizon and *invest* for what's over the horizon.

As people who live sustainability and breathe sustainability every day, I believe you are going to be the ones best positioned to lead us in that direction.

Thank you.