

Sustainable Development: Consequences for Business

Pasquale Pistorio
President and C.E.O.
STMicroelectronics Group

Round Table on Sustainable Development

Aspen Institute Italia
Milan – December 20 1999

Good morning, ladies and gentlemen.

First of all, I'd like to thank the Aspen Institute for offering me the opportunity to speak on the topic of sustainable development, an issue to which I am strongly committed. It truly is a pleasure to be here with you today.

When, some years ago, in a message to all STMicroelectronics employees, I emphasised top management's commitment on behalf of the entire Corporation to adopt with enthusiasm the 16 principles for environmental management of the ICC Business Charter for Sustainable Development, I knew I was not choosing for our company - at least in the short term - the easiest of all possible ways.

When we decided to set for ourselves much more rigorous standards than those required for full compliance with all national and international regulations, I knew I was making the right choice because a leading corporation must be in the frontline to set the example as a responsible citizen in respecting everyone's right to a safe environment. But, again I knew that the path to excellence was indeed a steep climb.

Well, today, not only the results achieved by ST are a proof that the original choices were right, but the attention these issues are receiving worldwide - this meeting is an obvious example - is a further confirmation that we are, collectively, on the right track. And yet we must point out that the concrete measures actually taken so far world-wide are utterly inadequate for establishing ecologically sustainable development.

And I guess that the trends for our industry could not have evolved in a different way. In actual fact, I believe it is quite natural for a sector that is at the leading edge of technological innovation to be also at the forefront in understanding the evolution of social trends and to take a leading role in what I define as a new social awareness.

We all know that this has not been true for any industry until just a few years ago and the relationship between business and environmental care has rapidly evolved only in very recent times.

The concept of "corporate responsibility" has developed progressively over the evolution of industrial society. For a long time the behaviour of corporations was practically dictated by their sole responsibility: to their owners (or, to use a more modern term, their shareholders). Businesses later realised they were also responsible to their customers, and that this responsibility was a necessary condition for satisfaction of the first. Then corporations made another step forward, realising that they also had responsibilities to their employees, the people who work for them and who represent their most important resource. Later another idea was introduced: responsibility to one's partners. Today we are entering a new era as companies realise they have a very important responsibility toward society in the broadest sense of the word, and to our environment above all.

We are all aware of the serious danger our planet is now in, and we are collectively responsible for reducing the risks it faces. Protection of our environment is one of ST's key missions.

There are three important reasons for this. The first and most important reason is ethical: we, as a corporation, are responsible to society as a whole.

The second reason is economical, and is summed up in the slogan “Ecology is Free”. Why? For two reasons: because companies which independently and voluntarily conform to more and more rigorous environmental protection standards have a definite advantage over those which comply only when the law forces them to do so. And of course “environmentally friendly” technologies and processes consume less energy and natural resources, and therefore are intrinsically more efficient and less expensive.

Finally, as a leader in dealing with environmental issues STMicroelectronics is better able to attract young talent and top human resources, which will help us to grow and meet our objectives. Whoever joins our team is aware that they are working for an environmentally friendly company, and this provides them with extra personal satisfaction and motivation.

In short, we are deeply convinced that companies which do not demonstrate sufficient awareness of the environment are harming not only the environment but themselves, and will in the long term lose their competitiveness on international markets.

Allow me to clarify this. In actual fact, the ultimate purpose of any industrial activity is the generation of wealth: the amplification of resources. Where this is not the case, we are looking at a parasite activity, not a true economic activity. It is our duty as managers to amplify the financial resources which our shareholders place at our disposal, making the best possible use of them through a complex industrial process involving the use of other human and material resources.

When we apply this industrial process to our own situation, we find that safeguarding the environment is not only compatible with our professional goals, but gives us an edge over the competition.

Those who refuse to accept this are simply fighting a backline battle. Twenty years ago the Japanese amazed the world with their approach to total quality, conquering many world markets; countless western firms came back with “quality is great, but I’m afraid we just can’t afford it, it’s too expensive”. But dynamic companies which were open to change reacted positively to the challenge, realising that in actual fact “Quality is Free”, as Philip Crosby’s slogan states. Now, I am absolutely convinced that the same thing is going to happen in ecology.

Of course we don’t mean to say that environmental protection costs nothing. But we’re quite sure that the benefits will well exceed the initial costs.

This has been clear to us right from the beginning, when we first began working on implementing our environmental mission, which is: **“To concentrate all our efforts on sustainable development, minimising the environmental impact of our processes and products, maximising our use of recyclable or reusable materials, and adopting renewable energy sources wherever possible”**.

This is why, back in 1993, we decided to adopt a series of specific regulations which were stricter than those required by law. Here too we were absolutely certain that we were doing the right thing, not only for ethical reasons but also because, as we foresaw the inevitable evolution of environmental legislation, we would undoubtedly be rewarded with an additional edge over our competition.

What we did was come up with a number of simple, concise, absolute rules, which we combined with our fundamental objectives to come up , two years later, with what was to become our “Environmental Decalogue”.

The Decalogue, published in 1995, was widely distributed to our employees, our customers, our suppliers, and all our partners to share our commitment and conviction .

Taking advantage of the strong TQM culture embedded in the company, our environmental objectives were deployed throughout the organization, cascading from major programs at company level to several smaller initiatives at operating level. We developed teamwork, focused on continuous improvement, empowered our people and made a consistent commitment to achieve the Decalogue goals. And let me stress here the importance of those goals: the fact that we set for ourself measurable goals is by itself an important achievement, and a rather unique one in the industrial world.

It would take too long to describe all the details of our decalogue. I will therefore just mention a few points and outline some of our major achievements. The number one in the “commandments” was the worldwide compliance, at all of our locations worldwide, to the most severe regulations of any country in which we operate. And of course we have adhered religiously to it and will continue to do it in the future.

Another essential objective has been conservation of natural resources (the second of our Ten Commandments): cutting energy consumption – per unit of added value – by 5% per year, water consumption by 10% per year, and paper consumption by 10% per year. The progress we have made here has been exactly in line with our goals: we cut consumption of electrical energy by 22% annually between 1994 and 1998, and over the same time period, cut water consumption by 31% and paper consumption by 35%. We now use 93% recycled paper.

We made important progress on point 6 of the Decalogue, that is in the area of waste reduction: for example we reuse or recycle 80% of our manufacturing or packaging wastes. An other example in the area of reducing pollution from waste: landfilled waste has been reduced from 71% of our total wastes to less than 30%, as we are moving along the ladder of different waste treatment solutions towards those that have a more positive impact on savings.

Following another path in contributing to the environment - point 7 in our Decalogue - we developed a number of products to improve energy management, such as the electronic ballast system for energy saving lamps. In the past 5 years, the use of 700 million ST devices in these lamps resulted in a cumulative energy saving of about 5 TWh, equivalent to the yearly consumption of three big towns of one million inhabitants each.

In one other area we were again perfectly on target: as demanded by point 10 in the decalogue, we had all our sites EMAS and ISO validated before December 1997. Actually our Malta site was the first semiconductor unit to be validated in Europe and our Rancho Bernardo, California factory was the first ISO 14001 certified site in the United States. And our three Italian sites were the first EMAS validated ones in Italy.

Today, as we set our objectives for the years 2000-2010, new challenges emerge. Besides overpopulation and repartition of wealth, climate change is one of the critical issues that the world is now facing .

It is true that the real physical processes involved in greenhouse gas production and sequestration, as well as the cause and effect link between greenhouse gas concentration and earth temperature, are not completely clarified. Nevertheless, one fact is not discussed : humanly produced greenhouse gas are increasing at an unsustainable rate and, although industry may not be the main contributor to these emissions, we must play our part as good citizens and adapt our manufacturing infrastructures and behaviours.

We have therefore issued a new edition of our Decalogue with new very aggressive targets, particularly to reduce the impact of our activities on the atmosphere. Firstly, we will eliminate the perfluorinated compounds (PFC) that contribute strongly to the greenhouse effect; secondly, through energy conservation, renewable energies and carbon sequestration, we aim to reduce to zero our net CO² emissions by the year 2010.

It's again a very ambitious target, but as I said only aggressive targets can bring to outstanding achievements. And I might add that I'd rather just fail to meet an ambitious target than easily exceed an easy one.

At times in the past we have come close to our objectives, but not met them in full; and I'm sure this will continue to happen at times in the future. But I am confident that our initiatives will meet with success on the whole, and that we will achieve many of our targets by the deadlines we have set ourselves. I am even more confident that we will continue to benefit economically from our environmental choices: in our experience, investments have an average pay-back of just over two years. And as always, positive results will lead to further success, in a true "virtuous cycle" which will expand throughout the corporation, establishing the motivation and the atmosphere we need to achieve our new goals.

At the same time, we have begun to spread our message in the societies in which our sites are located all over the world, and to act as a meeting point for companies which share our commitment to the environment and have implemented projects similar to ours. We have invited our suppliers to participate, and are assisting customers who share our commitment to safeguarding the environment. We hope that our message will expand like a wave across a pool of water to reach more and more people.

Although we progressed a lot in a very short time, we are far from being perfect. We don't know all the answers yet. Probably we don't even know all questions. We still have a lot to do, and a lot to learn.

This is why we want to extend this dialogue in all directions, inviting local authorities, community representatives, responsible environmental organisations, our partners in the industry, together with all ST people worldwide and their families, to travel with us, to assist us and to support us - towards a better world.