

Sustainability criteria in strategic decision-making

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Strategy

- Analyzing from the perspective of social, economic and environmental sustainability any strategic decision for investment, for the direction to be taken by the activity portfolio or for management of the existing activities; ascertaining stakeholders' expectations.
- Applying, for this analysis, an approach using the matrix 5x5 that has been adopted, together with the associated tools such as lifecycle analysis and Solvay Sustainability Screening.

A broader vision : managing the complexity of sustainability challenges requires to integrate a systemic dimension into the analysis

Looking at the choice of packaging for a product, or the expenditure on fuel to transport it, has to take account of the full picture of the product's added value, including when the product is consumed far away from where it was manufactured, and has thus been transported over a long distance. Tools are there to help to take into account the «full picture».

Meanwhile, it is rather unrealistic to imagine a single medical examination that would diagnose everything, and it is similarly unrealistic to think that one single method, one single and universal reference tool, could unequivocally assess all the products and practices in respect of social, economic and environmental sustainability. Lifecycle assessments, "ecobalances", carbon-footprint assessments are each tools that can answer specific questions: comparing glass and plastic for a packaging application, ethanol and bio-diesel as a fuel, etc.

These analytical tools should be put into the perspective of a more systemic approach: All elements are in irreducible interactions. Specific tools are necessary to really put these interactions in sustainability issues into their global perspective.

Furthermore, sustainability assessments necessitate taking a long-term view. While some aspects of the future can be foreseen, other aspects are not predictable and cannot be expected to conform to «business as usual». For example, when investigating the future and the sustainability of a product or an application, it is difficult to single how the markets will change, or what might be the evolution of road or intercontinental transport as a result of energy costs and/or of the constraints linked to climate change policies. It is therefore necessary to consider a variety of scenarios involving very different possible socio-economic developments.

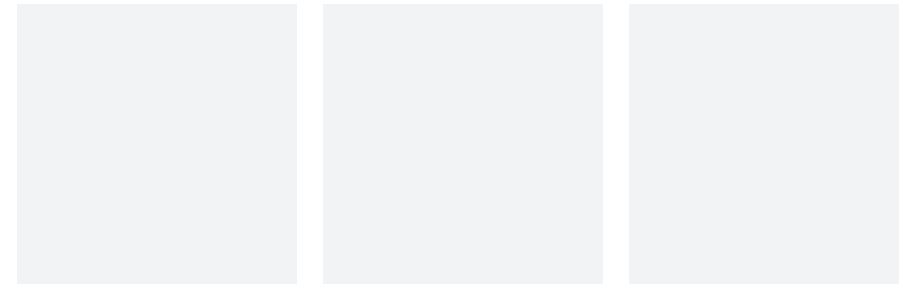
The framework intended to guide the Sustainable development strategy for all the Group's management units was decided in 2007. The matrix 5x5 and the associated analysis tools should progressively help provide a real vision of how sustainable the various business processes and projects are.

Since many years Solvay has carried out – or contributed to - lifecycle analyses of many of its products, in collaboration with specialist bodies. These analyses make it possible to compare the performance of different products and to assess what contribution they make to sustainability in their applications.

In late 2007, the Strategic Business Units and Competence Centers began a more thorough and systematic analysis of the sustainability of all the Group's activities. The aim was to test the methods and establish a baseline assessment of the long-term sustainability challenges specific to each activity and the corresponding markets.

The management units should constantly look at sustainability challenges more deeply, through dialogue within those units and in collaboration with their direct stakeholders, particularly their customers and suppliers to anticipate their constraints and requirements. These discussions could relate to changing restrictions or to developments in markets, including constraints in relation to materials (natural resources, energy, transport, and operating permits etc.) or resulting from new regulations. On this basis objectives are chosen and associated to appropriate indicators.

Strategic projects are and will continue to be screened, notably by using Solvay Sustainability Screening ("S²"). This tool, developed internally and validated by TNO (Dutch Organization for Applied Scientific Research), uses a very detailed questionnaire (180 questions) to draw up a semi-quantitative assessment of the sustainability of a specific application or product, by looking beyond the environmental impacts of the product's lifecycle and considering social aspects. This assessment, possibly completed with other analysis using further tools (ecobalance, for example) are used to decide between alternative investments ■



Provisional Targets for 2012

- Using the sustainability assessment tools validated by the Group* for 100% of significant planned innovations or acquisitions, and carrying out the assessments jointly in cases of partnership projects.
- Using the sustainability-assessment tools* and environmental impact indicators validated by the Group in making policy decisions and deciding budgets, for 100% of important investment plans.

* Matrix 5x5, Solvay Sustainability Screening (S²), and Umberto lifecycle analysis model from IFEU, Heidelberg.

Up for discussion

Geographical expansion and outsourcing of European employment



"In order to be sustainable, the Group must, of course, adjust to economic and business realities. Since it announced that it was seeking strong growth in order to increase rapidly its sales value, a lot of questions have arisen: in particular, which continent should be favored? And what about financial practices which, by concentrating the profits while diluting the risks widely in society in general – neglecting the principle of responsibility – are encouraging the development of a crisis, which could amount to a worldwide pandemic?"

"Giving complete power to an extreme free-market economic environment where the only thing that counts is the financial results demanded of companies would have a devastating effect on many of Solvay's existing production sites.

"From this perspective, we must protect employment in the old-industrialized countries. It is essential to rapidly establish conditions that will limit delocalization. The fact is that, with the rising prices of petroleum and foodstuffs, the dramatic fall in the dollar and very probable financial and economic crisis in the United States, the clouds are piling up overhead – and there will be a very real price to pay!

"We are therefore counting on the Group to find a new tack in Europe, through innovative technologies and products, making up for the job losses that result from the existence of lower wages in other parts of the world.

We are also asking for a heartfelt attachment in all countries to common values and an equally heartfelt attachment to a uniform policy of sustainable development that really applies to all three 'pillars' of the Group's economic, social and environmental matters. There cannot be differences between countries or between world regions in working conditions or in compliance with environmental rules.

"In addition, we must avoid making decisions that are insulated from the local circumstances. It is important to take account of this in projects such as the decentralization to Portugal of internal services for management activities and widening the range of countries from which we purchase goods and services. Initiatives that save trivial sums for the Group as a whole could significantly damage the economy of a community in the vicinity of one of our production sites. Extreme delocalization policies would also go against the social responsibility commitments proclaimed by the Group. There is therefore a need to find the right balance in each case.

"Our European Works Council is at the center of these interesting discussions; and how the Sustainable Development concept can be incorporated into plans for the future will provide evidence of success for the Group and its employees."

Noël Tritz
Secretary of Solvay's European Works Council



Berezniki - Oural, Russie



Syracuse - USA



Panoli - Gujarat, Inde

A long history, from the initial international expansion in Syracuse and Berezniki in the XIXth century, up to the recent acquisition of a plant in Panoli, where the high-performance polymer KETASPIRE® (polyetheretherketone), is being produced.