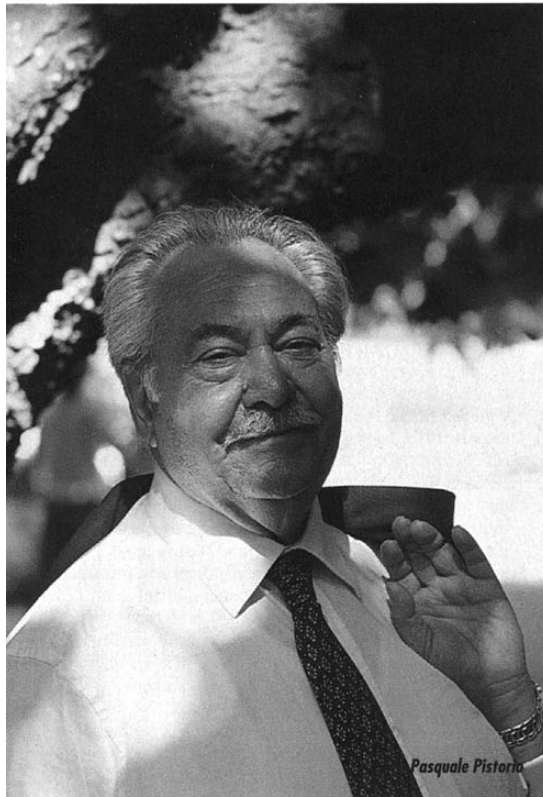


# CRUSADING FOR THE ENVIRONMENT

STMICROELECTRONICS' CEO MAKES MANAGERS ACCOUNTABLE FOR PROGRESS ON "GREEN" INITIATIVES.



Pasquale Pistorio

JOHN SINGER—BLACK STAR FOR IW

BY WELD ROYAL

**G**AS PRICES TOO HIGH? NO WAY, insists Pasquale Pistorio, president and CEO of STMicroelectronics NV (ST), a \$5 billion semiconductor manufacturer with 17 plants and 35,000 employees around the world. He actually meets with government leaders in hopes of persuading them to raise taxes on gas. "I'm fanatic about the environment," he exclaims. Pistorio calls his quixotic campaign "One Dollar to Save the World."

Here's how he sees it working. Governments should raise the price per unit of fossil fuel by 10 cents per year every year until the total increase reaches \$1. Money earned would be poured into research on renewable energy such as wind or solar power. Meanwhile, the high cost of oil, coal, and other nonrenewables would discourage waste. "Fossil fuels are cheap now, but we're stealing from future generations who will bear the cost of cleaning up this mess," the CEO predicts.

**"AS SOON AS I START EXPLAINING IT, THEY CALL ME ONE OF THOSE EUROPEAN CRAZY GUYS, AN EXTREMIST GREEN."**

Pasquale Pistorio, STMicroelectronics

Singapore's Ministry of Industry expressed interest in his campaign. Pistorio is making less progress with his fellow CEOs. "As soon as I start explaining it, they call me one of those European crazy guys, an extremist green," explains the native Sicilian.

Extremist green, perhaps, but Pistorio also runs Europe's second largest manufacturer of semiconductors, a very successful company that he resurrected from near bankruptcy. A set of environmental operating principles accompanied the restoration. But first Pistorio put ST on firm financial ground.

In 1987 STMicroelectronics was born when two troubled state-run entities—Thomson Semiconducteurs of France and SGS Microelettronica of Italy—combined. The Supervisory Board of the new company headquartered in St. Genis-Pouilly, France, installed Pistorio at the top. "At that point our priority was survival," he explains.

In 1990 ST turned its first marginal profit. Three years later it counted profits of \$160 million on sales of \$1 billion.

That same year Pistorio launched an environmental crusade that would become religion in the corporation. Just as managers concentrated on financial and production goals, Pistorio wanted them to focus on saving the earth. He would pay them to do so.

**A** REPORT WARNING OF AN END TO *LA DOLCE VITA* stirred Pistorio to action. "State of the World," an annual report by Lester R. Brown, president of Worldwatch Institute, a Washington, D.C., environmental organization, covers the globe's ecological degradation. "My son gave me the book and it's come to be a bible in ST," explains Pistorio, who orders 150 copies yearly. He passes them out to top managers.

Pistorio also appeared in a video distributed corporate-wide. "I talked about our drive toward sustainable growth, toward being the environmental champion of the world," says the CEO.

To turn employees into champions of green, ST introduced environmental awareness courses at STUniversity. It also launched an environmental steering committee to discuss priorities and budgets. ST would devote roughly 5% of capital spending to making the world a cleaner place.

In 1994 ST listed on the New York Stock Exchange and in 1995 it issued its Environmental Decalogue. The ecological 10 commandments—covering regulations, pollution, and technology—set goals to be reached by 1999. Conserving energy and reducing greenhouse gases ranked as top priorities.

The decalogue dictated that energy consumed should be reduced by a quarter. Most chemicals should be recycled. Ninety percent of water used in the H<sub>2</sub>O-intensive chip-making operations should be reused. It decreed that all facilities reach either the ISO 14001 standard or the

European Eco-Management and Audit Scheme (EMAS) standard. ST ordered managers to meet the most stringent regulations of any country worldwide in which it operated. That means, for example, that German packaging laws apply in China. ST also urged suppliers to become ISO 14001 or EMAS certified, and offered to help them.

Questions swirled about Pistorio's priorities. Fighting capital limitations, managers wondered why ST didn't invest in machinery rather than devoting money to the environment.

Pistorio forced the issue. He argued that environmental responsibility would draw young recruits, customers, and the socially responsible investment community. Pistorio also tied bonuses to compliance with the ecological 10 commandments. Adherence raises a manager's bonus by 20%.

As managers implemented the decalogue, expensive suggestions arose. One involved replacing factory air-conditioning units that used ozone-depleting substances. With at least 50 such units, ST put the total cost at over \$50 million.

The semiconductor maker replaced them with energy-saving air conditioners. Even though production at its factories almost tripled, ST recouped its investment within two and a half years through lower power use. Shortly thereafter, European laws mandated all manufacturers replace air conditioners using ozone-depleting substances.

Payback for ST's investment in the environment was achieved in other ways as well. By 1999 the corporation had accomplished nearly all the goals of its environmental decalogue. In the process it collected accolades and goodwill from regulators including the U.S. EPA, which presented ST with its Climate Protection Award. The company also was recognized by the Singaporean Ministry of the Environment.

ST drew cash from investors interested in socially responsible firms. "It's the philosophy of the company that we like—they want to leave the world a better place than they found it," explains portfolio manager Denis Branche, who runs Branics Portfolio Management Co. in Paris. Its Fonds Branics invests in ethical and profitable companies including ST. (The semiconductor manufacturer's 1999 net income grew 33% over 1998.)

Last year ST came out with new goals outlined in its Second Environmental Decalogue. One of the most aggressive involves reducing to zero the amount of carbon dioxide its factories emit. By 2010 wind, sun, or other forms of renewable energy will account for 5% of its power supplies, if managers meet the ambitious goals. The decalogue also calls for plants to cut power use in half. And since it's impossible to run 17 factories without producing carbon dioxide, Pistorio plans to fund the planting of trees over huge swaths of land to suck as much gas from the air as the company's factories emit. Later this year ST expects to start the planting program in Brazil, and then hopes to expand it to Texas, Morocco, and parts of Europe. **EW**

WROYAL@INDUSTRYWEEK.COM