



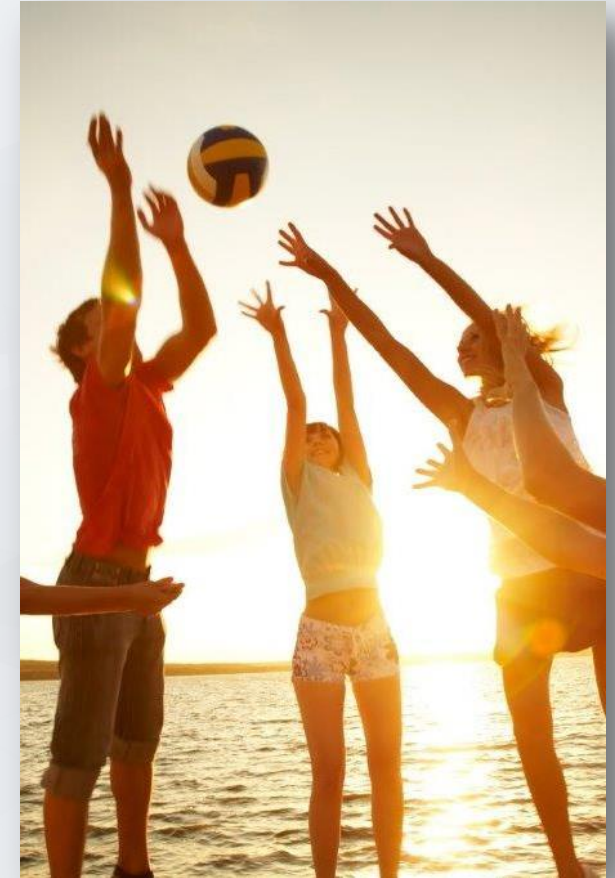
Develop the Business Case for your Sustainability Strategy

July 14th, 2016
Karin Ekberg

The Purpose of this Workshop

2

- Provide an **overview** of the **approaches** to build a **business case**
- Give insights into how the **business case** is **linked** to the **strategy**
- Introduce **Environmental Management Accounting (EMA)**



Today's Agenda

3

- The Business Case is crucial for your Sustainability Strategy Success – 25 min
 - Link to Strategy
 - Definition and Overview
 - Examples
 - How to develop “your” business case
 - Environmental Management Accounting (EMA)
- Group work -10 min
- Report back and discussion -10 min





The Business Case is crucial for your Sustainability Strategy Success

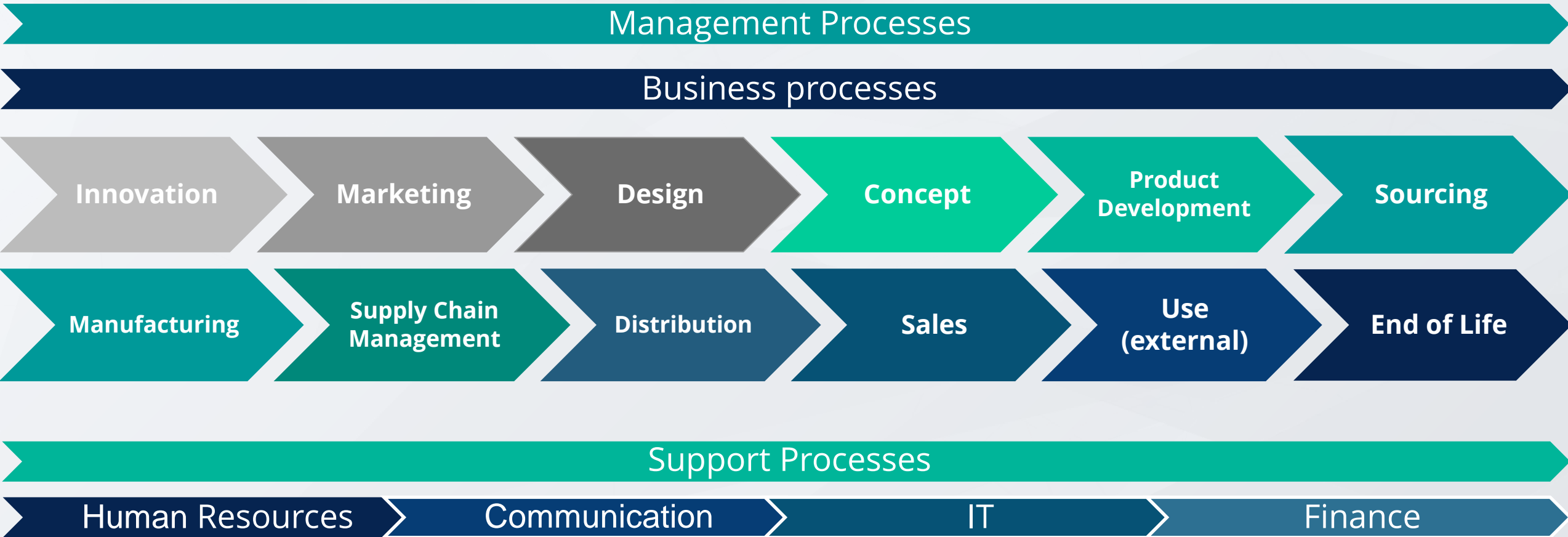
What is the process to develop a strategy?

5



Materiality – Value Chain Approach

6



Assessment matrix – Hot Spots

7

Sustainability aspects	Business Strategy & Management	Innovation	Suppliers	Own Manufacturing	Warehousing	Transport	Use	End of Life	Support processes (comm; HR;IT)
Sustainability practices									
Environment - process									
EMS; ISO 14001									
Energy consumption & Carbon									
Environment - product									
Ethics/social									
Ethics									
Human rights, social									

■ Significant potential
 ■ Neutral; some potential; Less relevant
 ■ Significant impacts, etc., and very good programs implemented
 ■ Not relevant/ not assessed

Strategy Development – What do sustainability leaders do?

8

% of respondents

Organizational characteristics that are true of the respondents' companies ¹

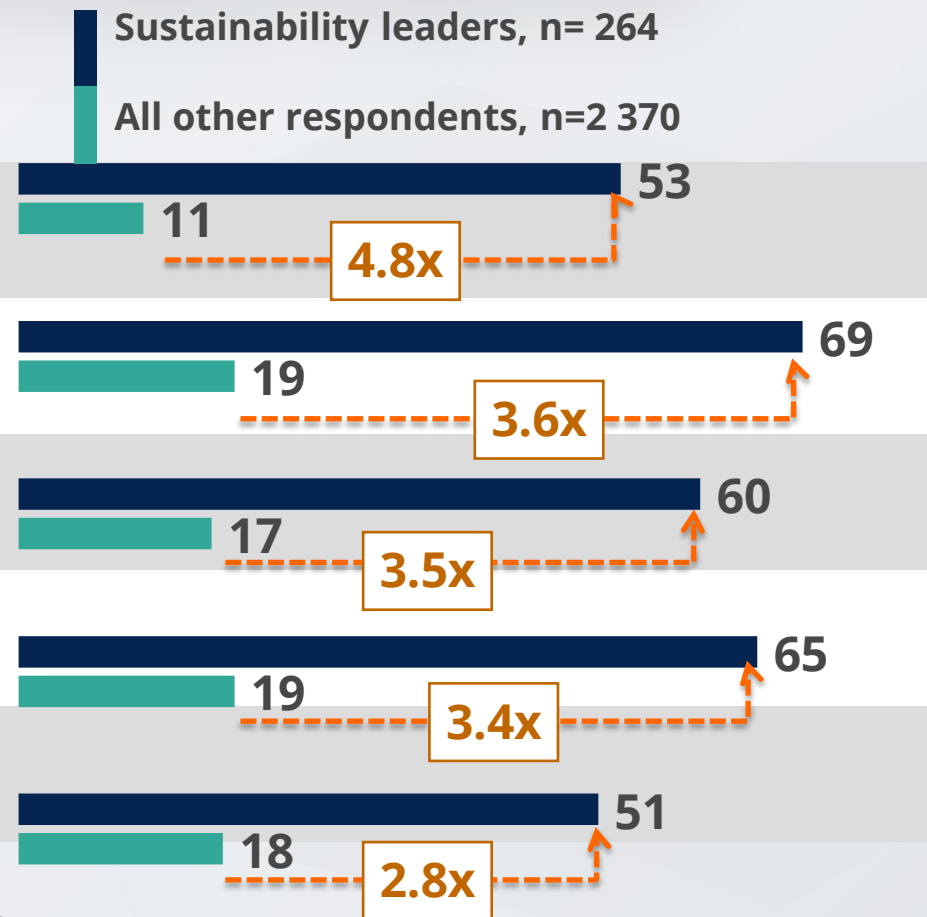
We set **aggressive external targets or goals** for our sustainability initiatives

We have **a unified sustainability strategy** with clearly articulated strategic priorities (eg. no more than 5 focus areas)

We set **aggressive internal targets or goals** for our sustainability initiatives

A **broad leadership coalition is involved** in shaping or co-creating the sustainability strategy, goals and milestones

The **financial benefits of sustainability are clearly understood** across the organization



1. Out of 12 characteristics that were presented as answer choices in the question.

Source: Sustainability's strategic worth: McKinsey Global Survey results. McKinsey&Company.

Strategy development – The Steps

9



- **Define**
 - team (cross-functional)
 - process and timelines
 - ambition level (i.e. budget, resources, etc.)
- **Develop** a vision & mission
- Continuously **embed and align** with business strategy
- **Goal iteration process** → see illustration to the left
- **Secure** management buy-in
- **Decide** / Management approval
- **Finalize** the strategy

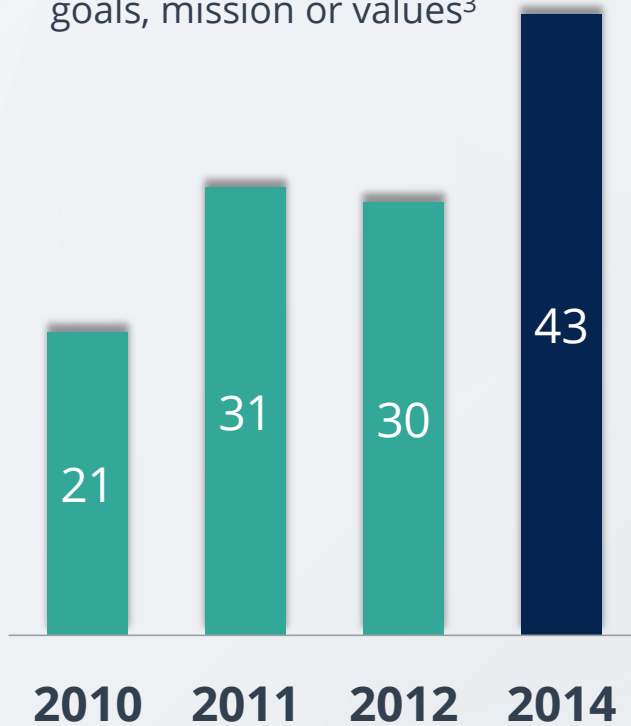
Top 3 reasons why organizations address sustainability²

10

% of respondents¹

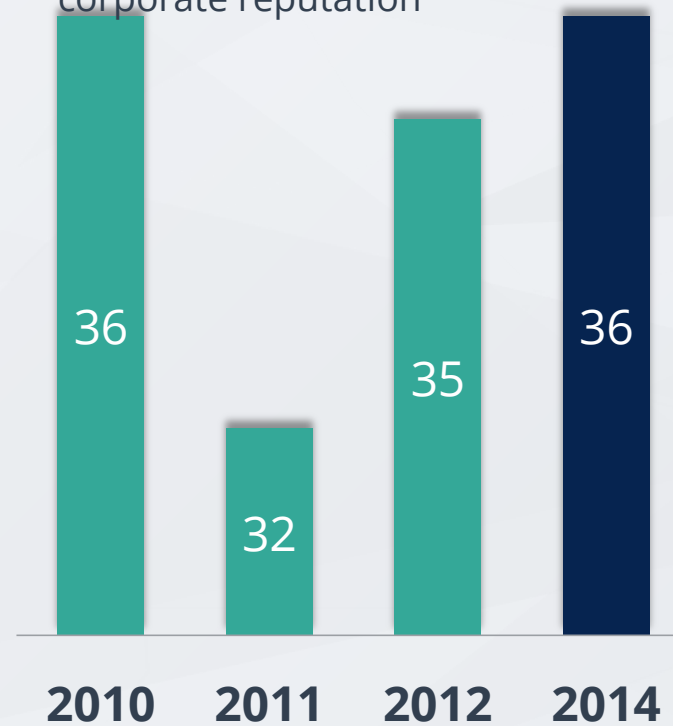
Alignment

Align with company's business goals, mission or values³



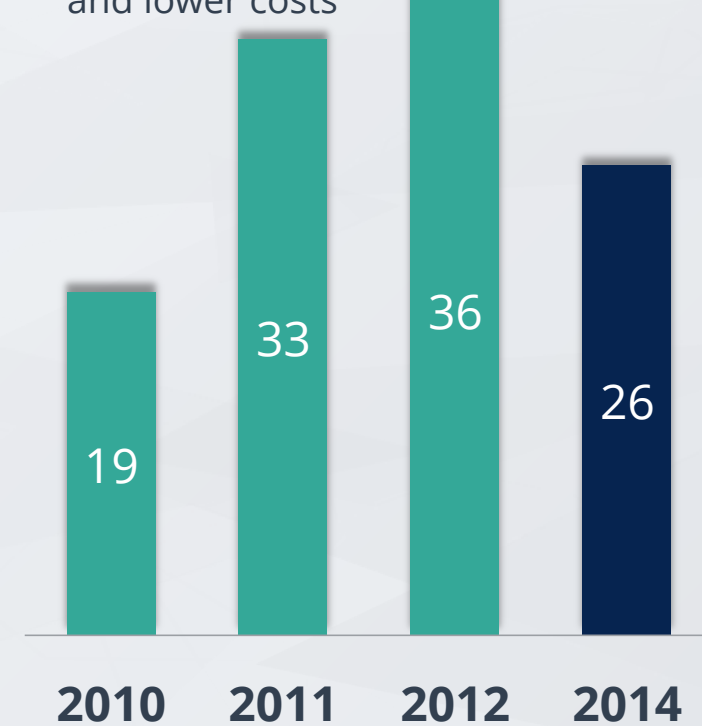
Reputation

Build, maintain, or improve corporate reputation



Cost cutting

Improve operational efficiency and lower costs



1. n=1 749 – 3 847. The survey was not run in 2013.

2. Out of 12 reasons that were presented as answer choices in the question.

Source: Sustainability's strategic worth: McKinsey Global Survey results. McKinsey&Company.

Defining the Business Case for Sustainability

11

- A business case **captures the reasoning** for initiating a project or task.
- A business case is an argument... intended to convince a decision maker to approve some kind of action... a business case **has to articulate a clear path to an attractive return on investment (ROI)**.



Overview of the Business Case structure

12

1. "Making the Business Case for Sustainability" – Henderson (2015)	2. "Business cases for sustainability..." (2012) ¹⁾	3. The BITC -Business case for Corporate Social Responsibilities (2011)	4. "Why is Sustainability now the Key Driver for Innovation" (2009)	5. "The Business Case for Environmental Sustainability" – Willis (2009)
<ul style="list-style-type: none"> • Forestalling risk: Preventing Brand Damage and/or preserving "License to Operate" • Increasing operational efficiency • Selling to the environmental niche 	<ul style="list-style-type: none"> • Costs and cost reduction • Risk and risk reduction • Sales and profit margin • Reputation and brand value • Attractiveness as employer • Innovative capabilities 	<ul style="list-style-type: none"> • Brand value and reputation • Employees and future workforce • Operational effectiveness • Risk reduction and management • Direct financial impact • Organizational growth • Business opportunity • Responsible leadership • Micro-level sustainable development 	<ul style="list-style-type: none"> • Viewing Compliance as Opportunity • Making Value Chains Sustainable • Designing Sustainable Products and Services • Developing New Business Models • Creating Next-Practice Platforms 	<ul style="list-style-type: none"> • Direct Cost Savings • Increased Customer Loyalty and Attraction • Increased Employee Attraction and Retention • Ability to Grow • Innovation and Development of New Technologies • Increased Profit and Shareholder value

Business case for a Sustainability Strategy – proposed structure

13



38% of CEOs report that they are able to accurately quantify the business value of their company's sustainability initiative.

The UN Global Compact- Accenture CEO Study on Sustainability 2013.
Architects of a Better World.

Business case - examples - 1

Risk minimization

- H&M had to withdraw a product from the market evaluated as high risk due to high levels of Chromium VI (2016)



Compliance

- Bad Bath & Beyond, Nordstrom, JC Penney fined with 1.3 m\$ for misleading environmental claims (2015)



NORDSTROM

Innovation & Market development

- Zara has reported €500 million savings by designing their products to minimize their life-cycle environmental impact (2009)

ZARA

Cost savings

14



- adidas has achieved a reduction in energy consumption by 15% per m² (2009-2015) at corporate level (own operations)
- Walmart sustainable packaging is saving 11 billion\$

Integrated operations

- Marks & Spencer introduced "Plan A" to source responsibly, reduce waste and help communities, thereby saving the company \$200 Mio annually (2014)

MARKS & SPENCER

Brand & Reputation enhancement

- M&S increased productivity of the factories in Bangladesh by 42%, while staff turnover reduced from 10% to 2.5% and absenteeism reduced from 10% to 1.5% (2011)

MARKS & SPENCER

Business case - examples - 2

Risk minimization

- Volkswagen lost 23% of its market capitalization after the emission scandal (2015)



Compliance

- Amazon, Macy's, Leon Max and Sears fined with 1.26 m\$ for misleading environmental claims (2013)

LEON MAX
MAXSTUDIO.COM

★ macy's

SEARS

amazon

Innovation & Market development

- Patagonia is claiming revenues of about 500 m\$, from environmentally friendly products (2012)



Leadership & Sustainability



Cost savings

15

- By renewable solutions in design & store lightning, H&M reduced its electricity consumption in brand stores by 14% between 2007 and 2013 (2015)



Integrated operations

- Pachacuti's knowledge of the entire supply chain & production process has provided a better understanding of root cause of delays & 45% reduction in quality issues (2011)

PACHACUTI

Brand & Reputation enhancement

- Starbucks reports that Greener stores not only provide utility savings, but a more attractive working environment for their millennial employees who have grown up with a strong sustainability-focused value system (2015)



Business case – examples - 3

16

Risk minimization

- BP's share price lost 50% between 20 April 2010 and 29 June 2010 as the catastrophe unfolded

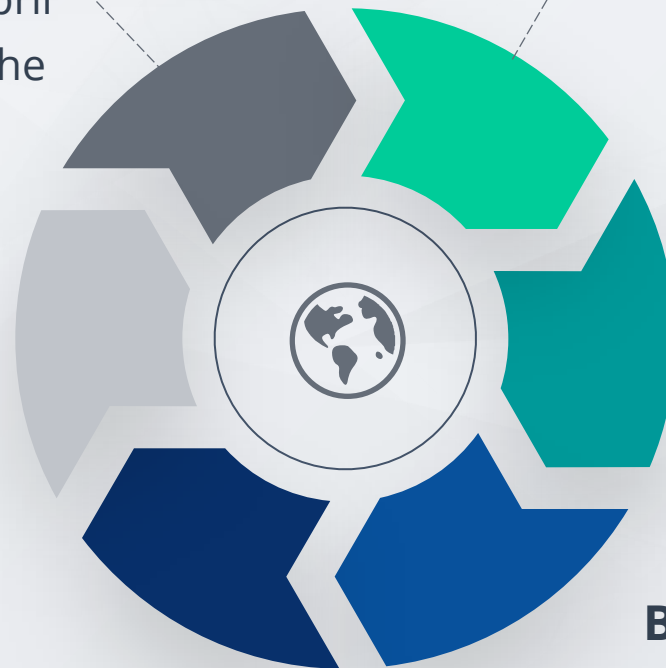


Compliance

- Berlin Builders, a New Jersey based residential construction contractor, fined \$385,000 from U.S. Department of Labor for exposing workers to dangerous fall hazards at multiple worksites (2016)

Innovation & Market development

- Timberland's the Earthkeepers® collection – the largest product line - uses recycled, organic or renewable materials where feasible. Timberland's revenue in 2015 was 1.63 billion EURO
- Leadership & Sustainability



Cost savings

- P&G recent performance in \$1.6bn was generated through savings and revenue creation, thanks to improvements in its waste management (2015)



Integrated operations

- Consolidate suppliers
- Consolidate materials and suppliers

Brand & Reputation enhancement

- H&M improved productivity, economic performance and growth, and created additional 250 jobs since implementing the Fair Wage Method in their factory in Cambodia (2015)



How to develop the business case

17



Sustainability aspects	Business Strategy & Management	Innovation	Suppliers	Own Manufacturing	Warehousing	Transport	Use	End of Life	Support processes (comm; HR; IT)
Sustainability practices									
Environment - process									
EMS; ISO 14001									
Energy consumption & Carbon									
Environment - product									
Ethics/social									
Ethics									
Human rights, social									

■ Significant potential
 ■ Neutral; some potential; Less relevant
 ■ Significant impacts, etc., and very good programs implemented
 ■ Not relevant/ not assessed

Environmental Management Accounting

18

Key indicators	Direct costs	Non-financial indicators
Direct		
Energy consumption - Operating expenditure	XXX EURO	kWh; kWh / m ² ; kWh / employee; kWh per EURO sales
Carbon emissions - Offset expenditure	XXX EURO	Tonne CO ₂
Waste - Disposal cost	XXX EURO	Tonne waste
Water - Consumption cost - Discharge cost (wastewater)	XXX EURO XXX EURO	Tonne water consumed / discharged
Indirect		
Energy consumption at suppliers	XXX EURO	kWh etc.





Group Work

Leadership & Sustainability

- Divide into groups
- Different examples of sustainability projects
- Decide which costs and benefits there are for each project; according to the business case structure
- List any additional information you need in order to develop the business case



Task: Sustainability Projects

21



- Phase out PFC
- Introduce a sustainable product portfolio
- Implement ISO 14001 at 10 suppliers
- Collect used products in store and recycle them
- Publish a sustainability report
- Introduce a water saving scheme in 10 mills
- Introduce organic cotton
- Introduce a better lighting system in 100 stores
- Introduce a product testing scheme for RSL
- Implement a labor compliance program at 50 suppliers
- Develop and implement a Code of Conduct, incl. Ethics
- Certify according to the Responsible Wool Standard
- Certify a HQ office according to LEED



Report back and discussion



Wrapping up

About Leadership & Sustainability

24

"Sustainable Innovation for Industries, Corporations and Organizations"

We promote

- Sustainability as Corporate Strategy
- Sustainability as Business Model
- Sustainability as Leadership quality

Leadership & Sustainability combines sustainability expertise with leadership capabilities – to support you in becoming a true Leader in Sustainability.

- Our platform of solutions covers Consulting, Empowerment, Sustainable Business Models and Software & Tools.
- Our Expertise, Outreach and Partnerships are global.
- Our mission is transformation and embedding of sustainability into business processes over the entire value chain.

Leadership & Sustainability



Leadership & Sustainability - Overview of Solutions

25

Consulting



Sustainable Business Models



Empowerment



Software & Tools



Offer – Business case workshop

26

- One day workshop
- We work on your strategy and your business cases together

Deliverables:

- Training on a structured approach to Sustainability Strategy
- A tool to develop your business cases
- Business cases for several of your goals and projects

Price:

- Available upon request



 Thank you for joining us today

Leadership & Sustainability

Website:

www.leadership-sustainability.com

E-mail:

Karin.Ekberg@Leadership-Sustainability.com

LinkedIn Profile:

<https://de.linkedin.com/in/karinekbergleadership>