



PRICEWATERHOUSECOOPERS 

Building the **Business Case** for Sustainability



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TODAY

8:30-8:45 Introductions

8:45-10:15 **Value of the business case** (presentation, discussions, group work)

10:15-10:30 Break

11:30-12:00 **Elements of the business case** (presentation, discussions, group work)

12:00-1:00 Lunch

1:00-2:00 **Developing your business case** (presentation, discussions, group work)

2:00-2:15 Break

2:15-3:15 **Implementing your business case** (presentation, discussions, group work)

3:15-3:30 Break

3:30-4:30 **Group presentations and discussions**



WELCOME



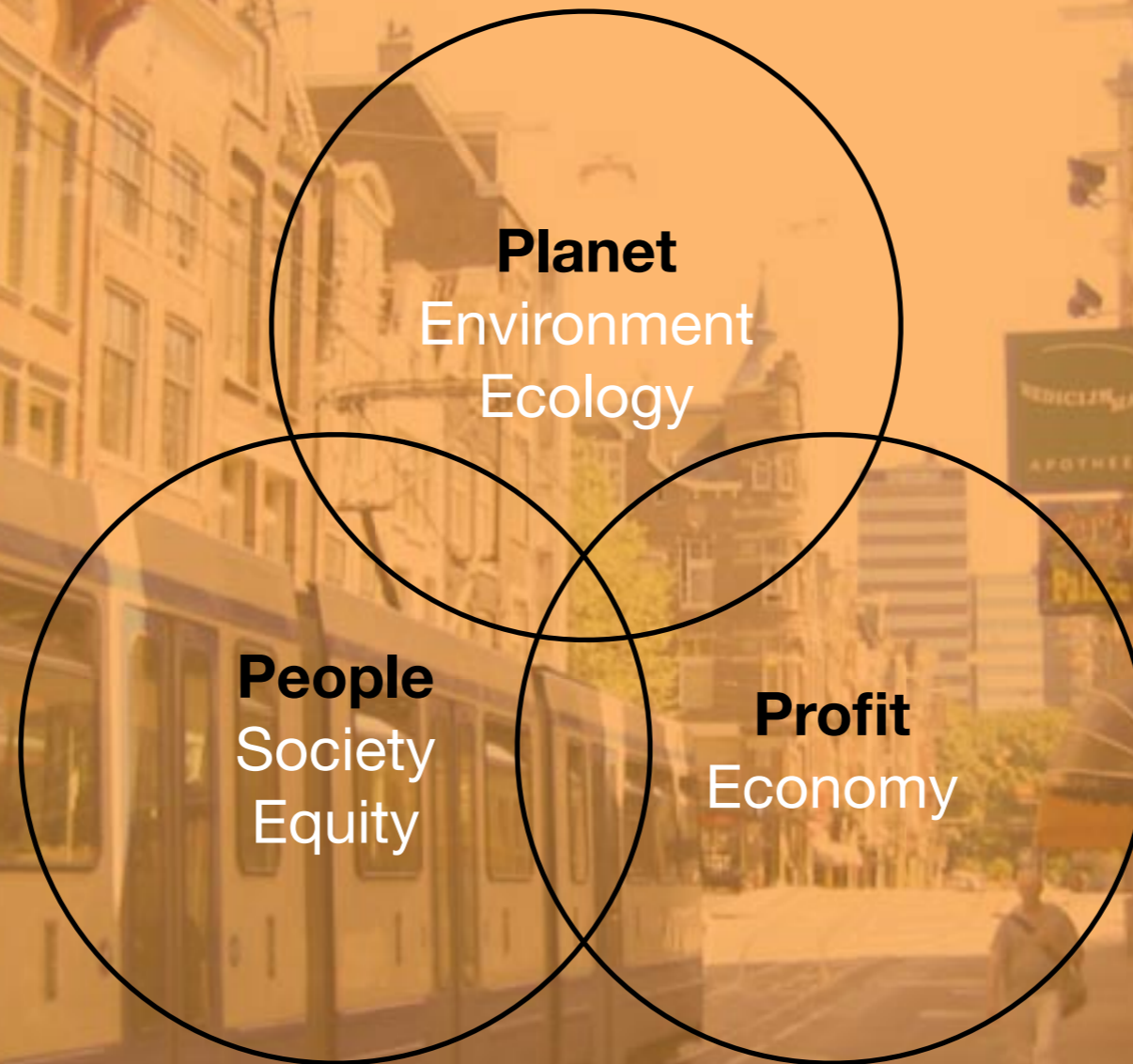
VALUE OF THE BUSINESS CASE

- History
- Today
- Drivers
- Nike case study
- Group work

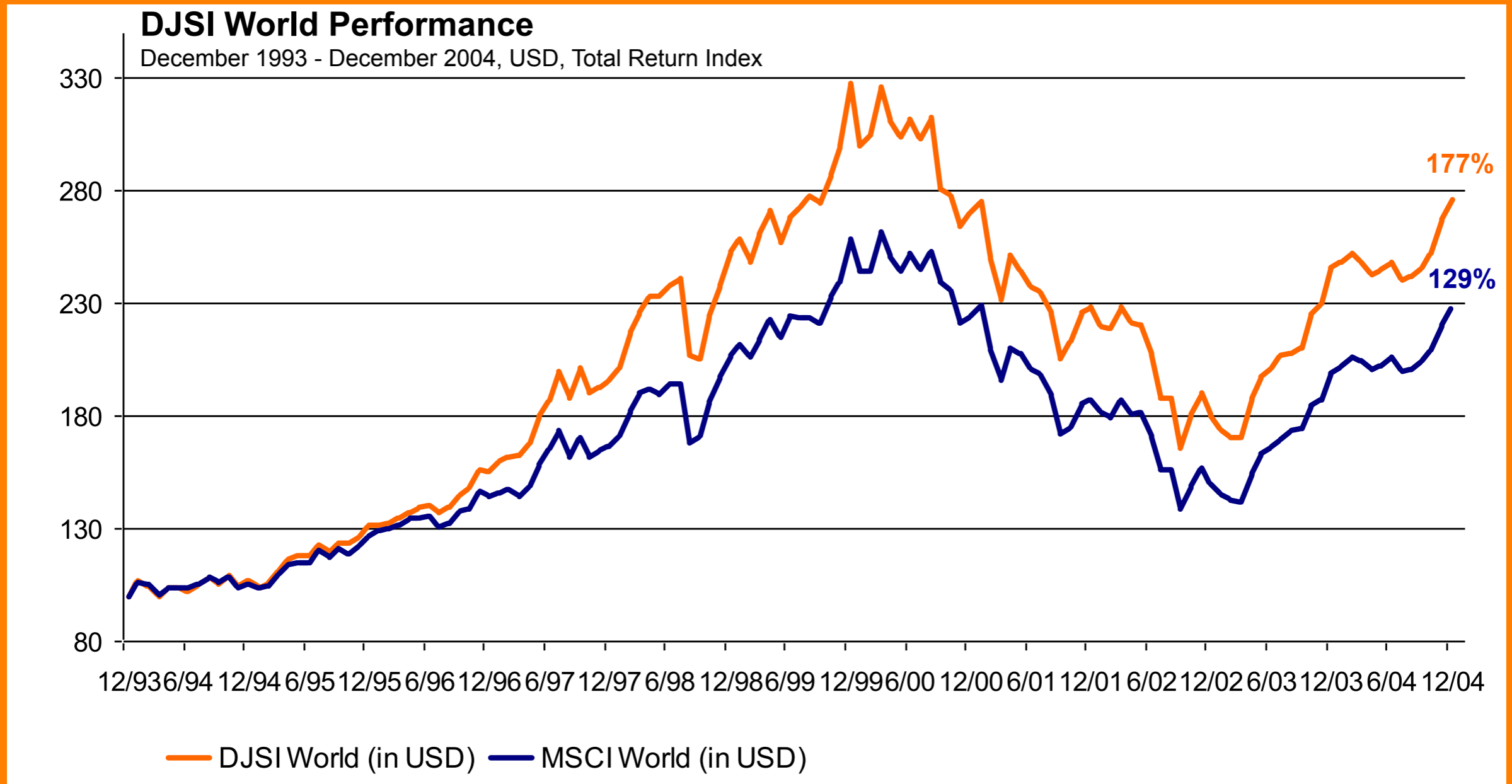
HISTORY: MORAL IMPERATIVE



HISTORY: TRIPLE BOTTOM LINE



HISTORY: SUSTAINABLE RESULTS



HISTORY: NORM THOMPSON EXAMPLE

- Moves into “green headquarters” in 1996
- Integrates Natural Step training in 1997
- Revises mission statement in 1998
- CR manage hired and action plan rolled out in 1999
- Scorecard: global warming (product transport), toxics (organic cotton, PVC-free), habitat destruction (greener catalogs), waste (packaging), community support
- But...



TODAY: COUNTER ARGUMENT



“Difficulty is partly that there is no single yardstick for measuring progress in those areas.

How is any given success for environmental action to be weighed against any given advance in social justice - or, for that matter, against any given change in profits?

And how are the three to be traded off against each other?” 1/22/2005



TODAY: SINGLE BOTTOM LINE



TODAY: STARBUCKS EXAMPLE

- Employee benefits, Starbucks Foundation, Earthwatch Institute, Green Team, recycling
- Shift from a collection of programs to a strategic focus on the biggest issues facing the business
- “First ask, ‘What is your company’s mission statement? What business are you in and who are you as a company?’ Don’t waste your time until you’ve talked to the owner of the company and asked those questions.” - Ben Packard



TODAY: YOUR EXPERIENCES

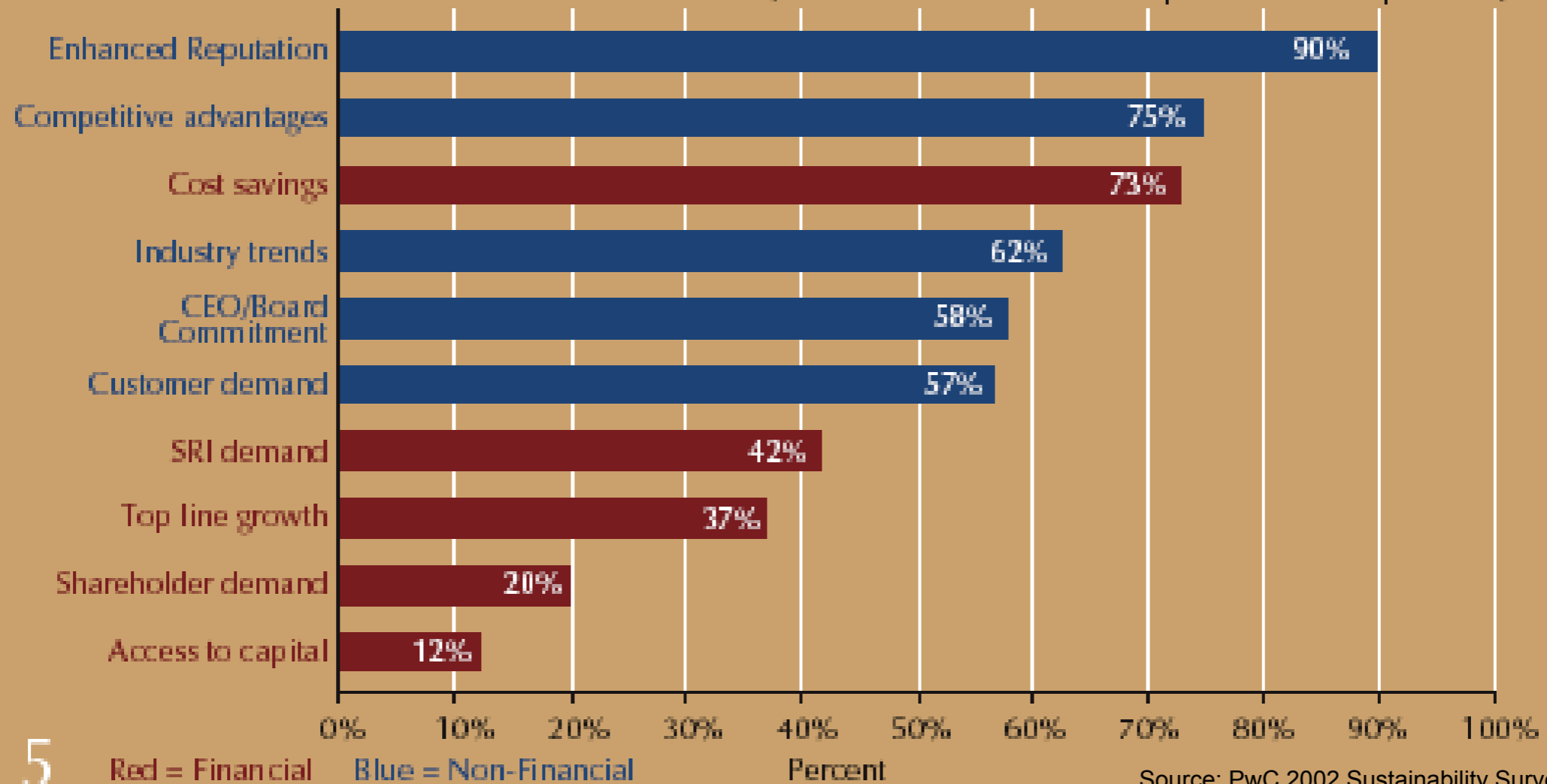
- Have you noticed a shift in how sustainability is viewed?
- Is the urgency of growing your business and the single bottom line affecting sustainability integration?



DRIVERS: WHY ARE THEY DOING IT?

Top Ten Reasons Respondents Have Adopted Sustainable Business Practices

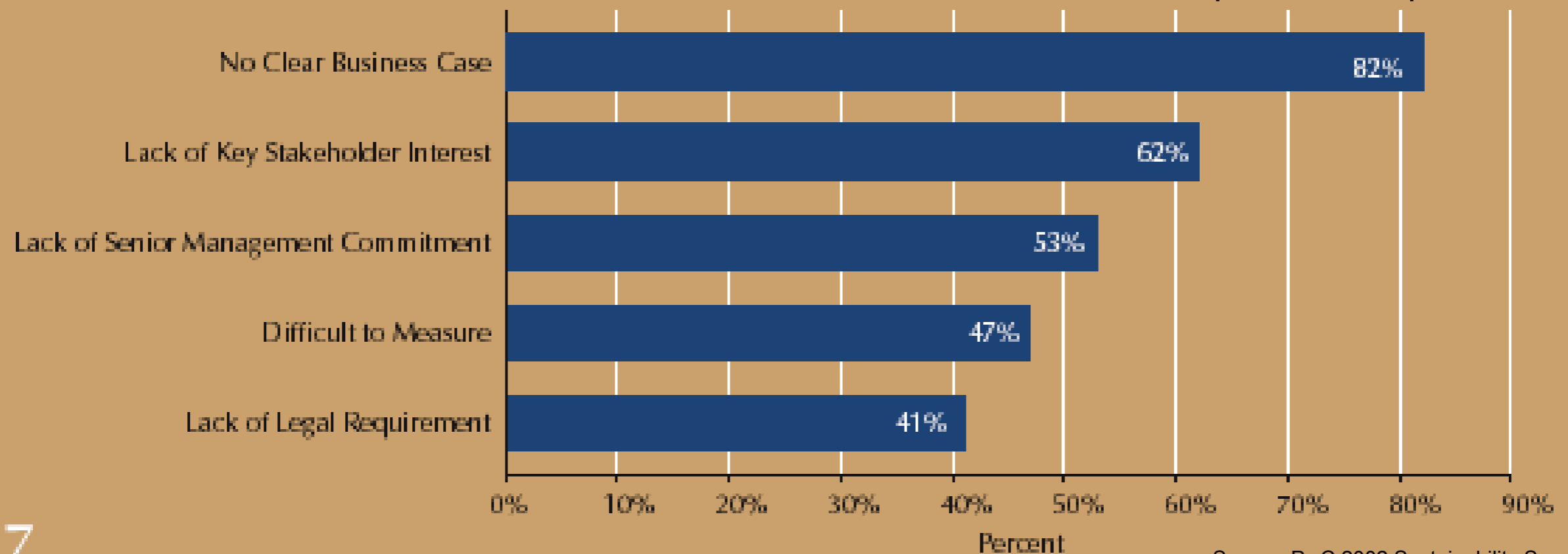
(n=106 - Those who have adopted sustainable practices)



DRIVERS: WHY DON'T THEY DO IT?

Top Five Reasons Respondents Have Not Adopted Sustainable Business Practices

(n=34 - Those who have not adopted sustainable practices)

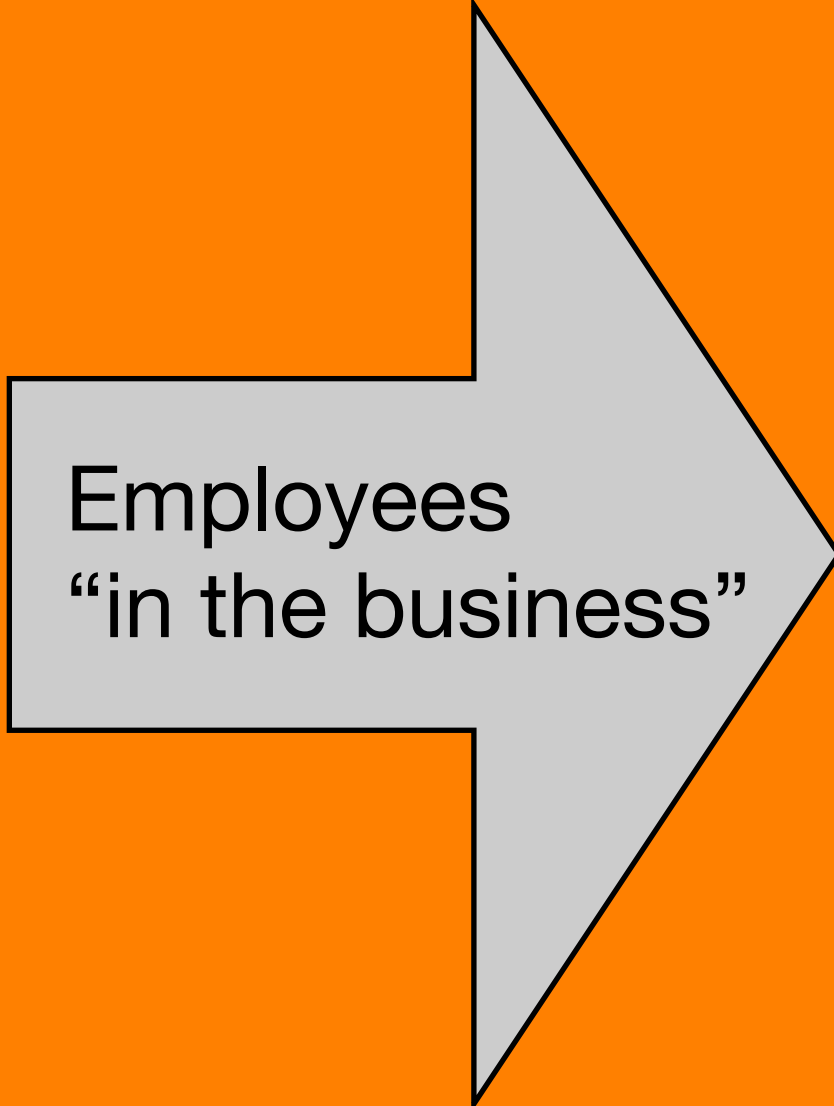


Source: PwC 2002 Sustainability Survey

DRIVERS: INTERNAL



Full time CR
staff, “believers”

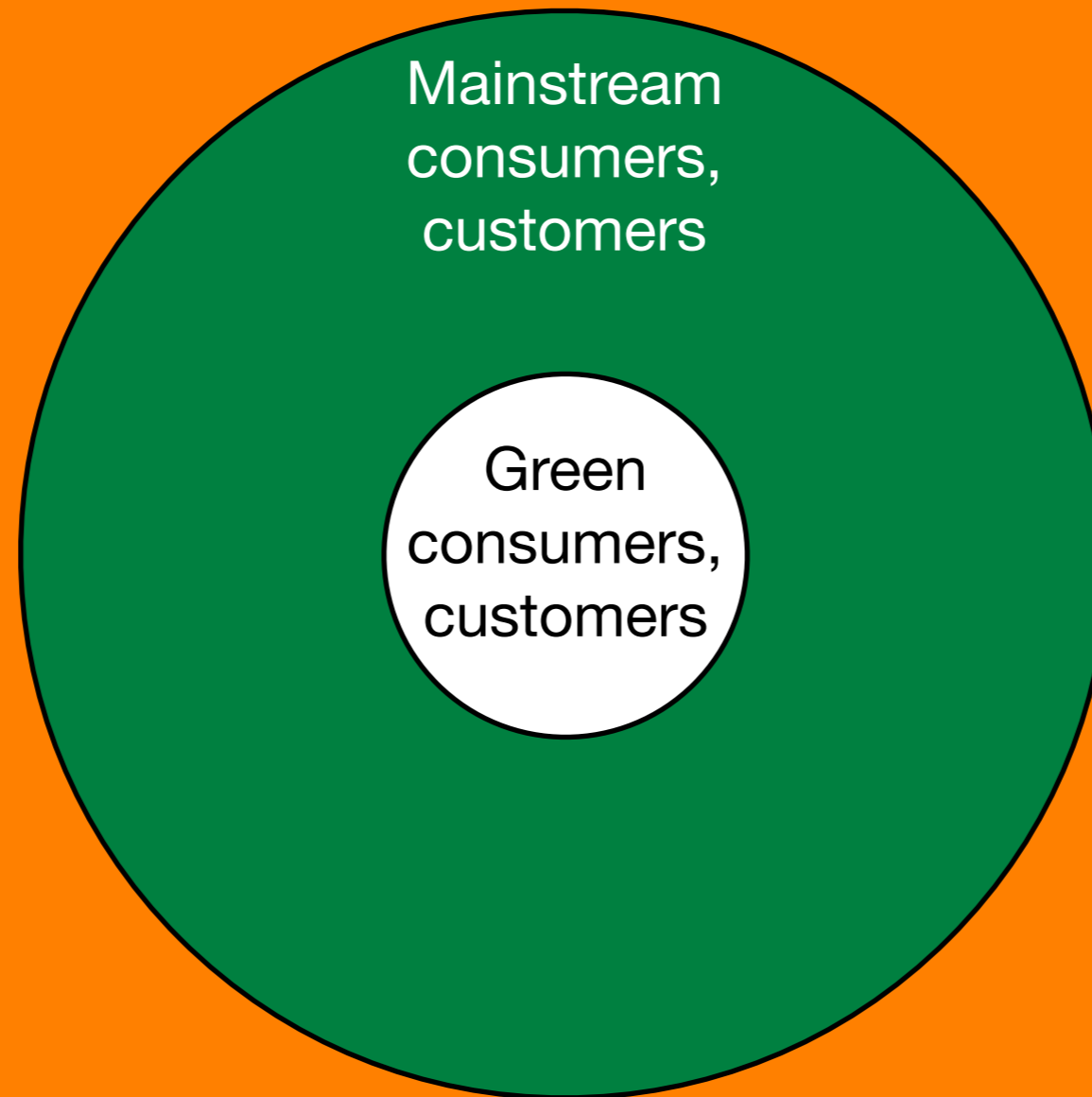


Employees
“in the business”



Senior
management

DRIVERS: EXTERNAL



DRIVERS: EXAMPLES

Après ski.



Come see what we're doing at our Community Stores.

West Hollywood
104 S. Robertson Blvd.
Phone: (310) 274-6292

Echo Park
2111 Sunset Blvd.
Phone: (213) 494-6494

Little Tokyo
374 E. Second St.
Phone: (213) 687-0467

Los Feliz
4665 Hollywood Blvd.
Phone: (323) 961-1407

To stay on top of new store openings visit our web site:
www.americanapparel.net

American Apparel™

Made in Downtown LA
Sweatshop Free - Brand-Free Clothes



DRIVERS: YOUR EXPERIENCES

- What stage are you at internally with sustainability integration? Are people asking for the business case?
- Is your organization using sustainability to reach mainstream consumers and customers?
- What are some other examples of companies successfully reaching the mainstream with sustainability?

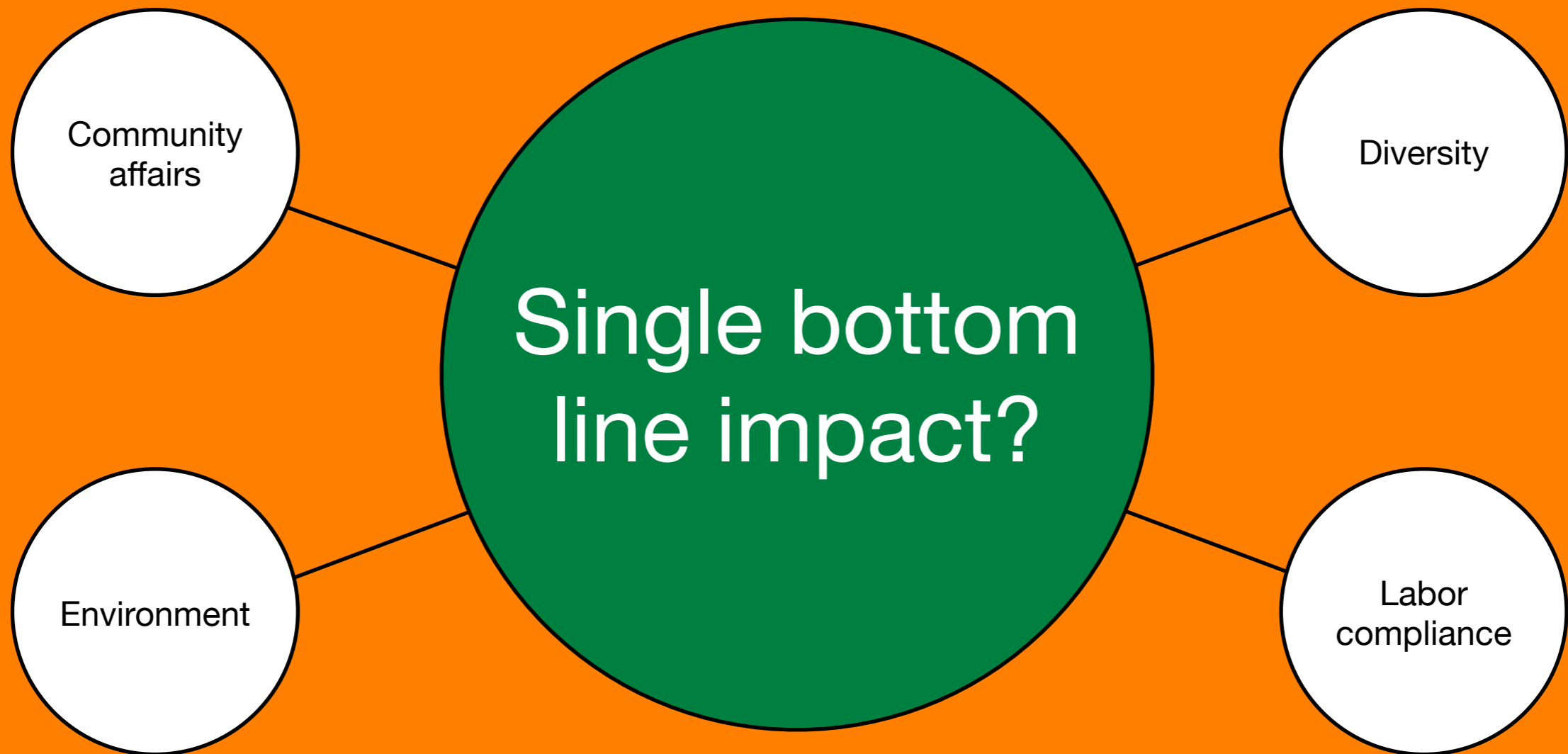


NIKE CASE STUDY: HISTORY

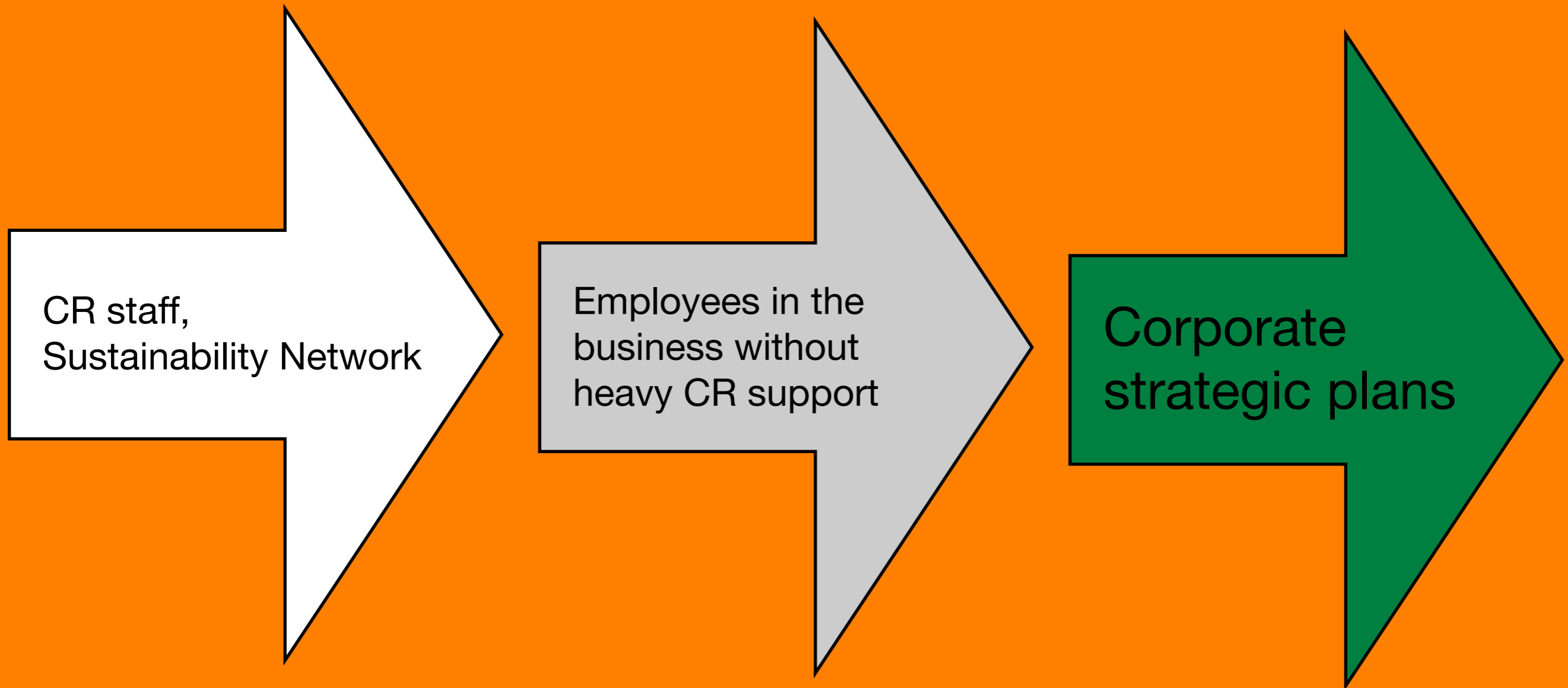


<p>Ramer Goetz Communications/Marketing</p>	<p>Nerdie Gonzalez Defectives Takeback</p>	<p>Martijn Klomp Waste Reduction</p>	<p>Rachel Eglert Waste Reduction</p>	<p>Steve Leisner Communications/Marketing</p>
<p>Lindsay Rubin Defectives Takeback</p>	<p>Europe Footwear Shambhala Team</p>	<p>Justin Yuen Captain</p>	<p>"The Brady Bunch"</p>	<p>Paul Serber Communications/Marketing</p>
<p>Alexia Schirke-Jones Communications/Marketing</p>	<p>Sarah Blum Communications/Marketing</p>	<p>Daphne Guyer Waste Reduction</p>	<p>Michael B. Miller Waste Reduction</p>	<p>Sebastiaan van Gelderen Waste Reduction</p>

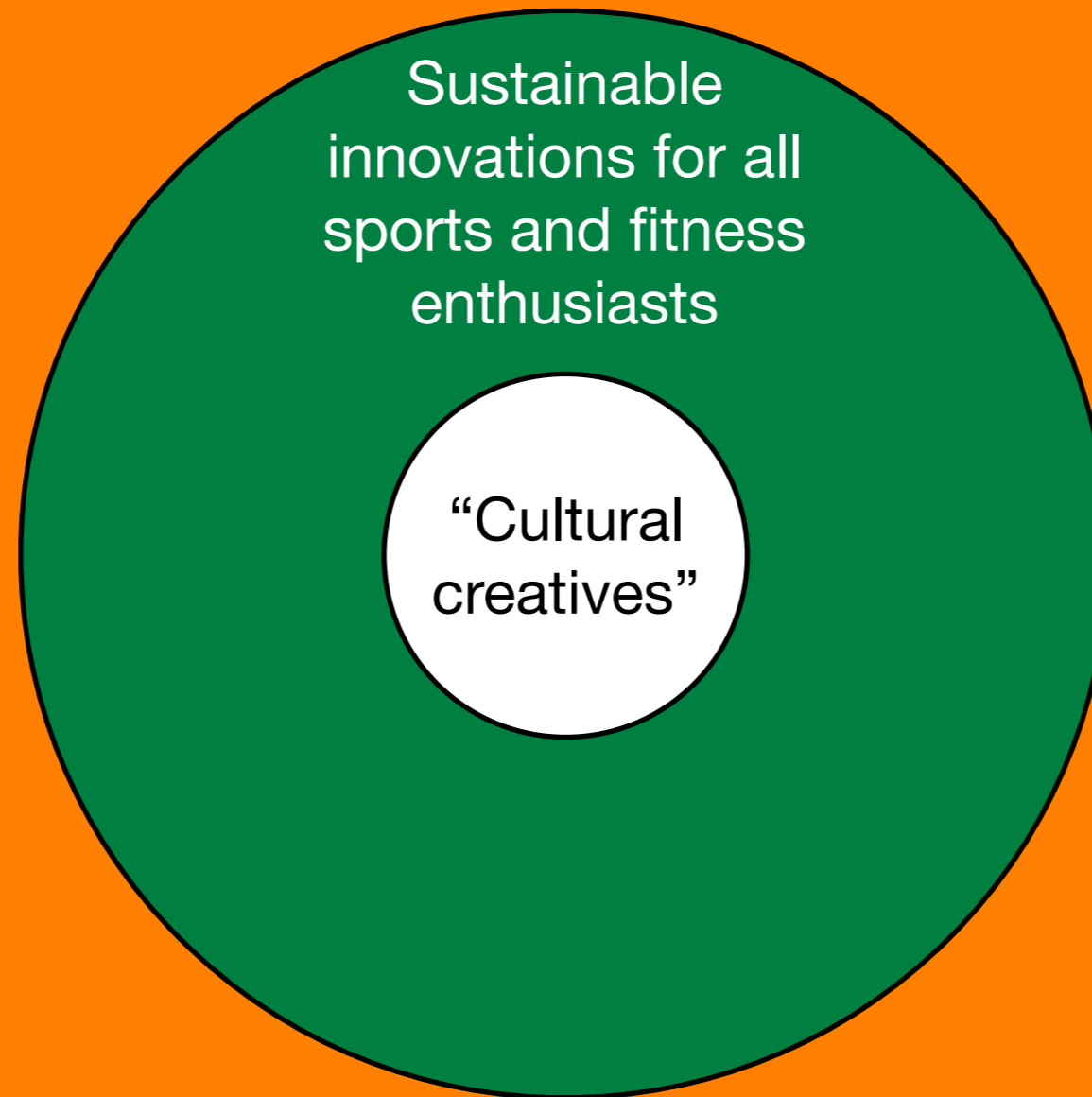
NIKE CASE STUDY: TODAY



NIKE CASE STUDY: INTERNAL DRIVERS



NIKE CASE STUDY: EXTERNAL DRIVERS

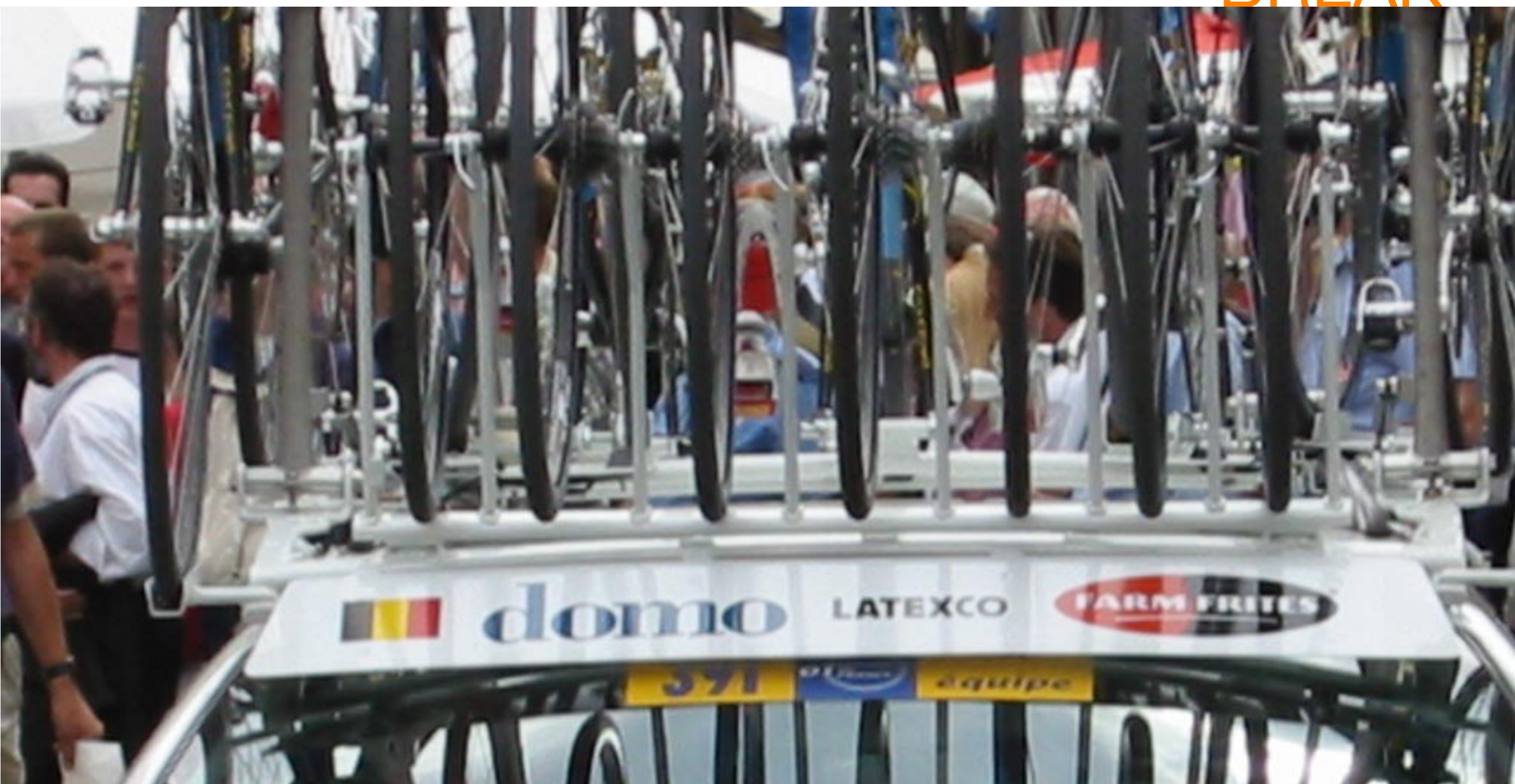


GROUP WORK

Identify your organization's strategic goals which could benefit the most from sustainability	Which internal groups and external consumers/customers do you want to influence?



BREAK



ELEMENTS OF BIZ CASE

- Operational efficiency
- New market opportunities
- Brand reputation
- Nike case study
- Group work

CONSIDERATIONS

- The business case boils down to two things – revenues and costs
- The business case may differ across industries and companies
- For some initiatives, the business case may not exist
- Not all benefits can be easily quantified



CHALLENGES

- **Achieving buy-in for making the business case**
 - ▶ “Why do we need to make the business case? We do it because it’s the right thing to do.
- **Collecting financial data on sustainability initiatives**
 - ▶ Need to plan for data/metric tracking from the beginning
- **Connecting sustainability staff with “right” tools**
 - ▶ Connect sustainability and financial staff



FRAMEWORK



EFFICIENCY: OVERVIEW

- What is operational efficiency?
 - ▶ Reducing operational costs by investing in environmental and social initiatives
- Context
 - ▶ **66% of global CEOs** stated that **cost management & reduction** have a considerable or extensive impact on their approaches to sustainability
 - ▶ **73% of U.S. companies** named **cost savings** as a primary driver of their sustainability investments



EFFICIENCY: EXAMPLES

- BP

- ▶ Reduced GHG emissions by 18% and saved \$650 million in 3 years

- Costco

- ▶ In part due to superior benefits, Costco's employee turnover rate is half that of the industry

- Anheuser-Busch

- ▶ Reducing the weight of cans and bottles and by recycling aluminum cans saves \$200 million per year

- Holcim

- ▶ Reducing fuel and raw material costs through the use of byproducts from other industries



EFFICIENCY: EXAMPLES

Baxter

2003 Environmental Financial Statement

Estimated Environmental Costs and Savings Worldwide (\$ in millions)^{1,2}

	2003	2002	2001
Environmental Costs			
Costs of Basic Program			
Corporate Environmental — General and Shared Multidivisional Costs ³	0.8	0.9	0.8
Auditors' and Attorneys' Fees	0.3	0.4	0.3
Corporate Environmental and Energy — Engineering	0.7	0.7	0.5
Corporate Environmental — Information Technology ³	0.5	0.6	0.3
Division/Regional/Facility Environmental Professionals and Programs	5.2	5.0	5.2
Packaging Professionals and Programs for Packaging Reductions	1.0	1.3	1.1
Pollution Controls — Operations and Maintenance	2.8	3.0	2.6
Pollution Controls — Depreciation	0.8	0.9	1.0
Total Costs of Basic Program	+12	+13	+12
Remediation, Waste and Other Response Costs (Proactive environmental action will minimize these costs.)			
Attorneys' Fees for Cleanup Claims, NOVs	0.7	0.5	0.1
Settlements of Government Claims	0.0	0.0	0.0
Waste Disposal	7.8	7.7	8.3
Environmental Fees for Packaging ⁴	1.0	0.6	1.0
Remediation/Cleanup — On-site	0.4	0.4	0.5
Remediation/Cleanup — Off-site	0.1	0.0	0.0
Total Remediation, Waste and Other Response Costs	+10	+9	+10
Total Environmental Costs	+22	+22	+22
Environmental Savings			
Income, Savings and Cost Avoidance from 2003 Initiatives			
Air Toxics Cost Reductions	0	0	0
Hazardous Waste Disposal Cost Reductions	0.3	(0.1)	(0.3)
Hazardous Waste Material Cost Reductions	1.3	(0.7)	(0.7)
Nonhazardous Waste Disposal Cost Reductions	0.7	1.0	(0.5)
Nonhazardous Waste Material Cost Reductions	10.3 ⁷	3.2	0.8
Recycling Income	2.3	1.1	1.0
Energy Conservation Cost Savings	3.9	3.1	2.2
Packaging Cost Reductions	1.7	2.4	2.5
Water Conservation Cost Savings	0.7	0.2	0.1
Total Report-Year Environmental Savings⁴	+21	+10	+5
— As a Percentage of the Costs of Basic Program	175%	77%	42%
Summary Of Savings			
Total Report-Year Environmental Savings	+21	+10	+5
Cost Avoidance in Report-Year From Efforts Initiated in the Six Years Prior to Report-Year ^{4,5}	+48	+53	+60
Total Income, Savings And Cost Avoidance In Report-Year	+69	+63	+65

IBM

2001 ENVIRONMENTAL EXPENSES WORLDWIDE

(\$ in millions)

Personnel	45.3
Consultant Fees	3.5
Laboratory Fees	3.2
Permit Fees	1.1
Waste Treatment and Disposal	18.8
Water and Wastewater Management Operations	23.5
Air Emission Control Operations	1.4
Groundwater Protection Operations	1.4
Other Environmental Systems Operations	1.4
Waste and Materials Recycling	3.9
Superfund and Former IBM Site Remediation	8.3
Miscellaneous/Other	3.4
Total	115.2

2001 ESTIMATED ENVIRONMENTAL SAVINGS AND COST AVOIDANCE WORLDWIDE

(\$ in millions)

Site Pollution Prevention and Operations	74.6
Corporate Operations	1.6
Packaging and Packaging Waste Reductions	6.5
Energy Conservation and Cost Avoidance	36.6
Superfund and Site Remediation Efficiencies	2.4
Insurance Savings*	8.0
Spill Remediation Cost Avoidance**	32.0
Compliance Cost Avoidance**	81.5
Total	243.2

* Savings achieved through use of RCRA financial assurance in lieu of environmental impairment insurance.

** These savings are estimates based upon assumptions. The figure for spill remediation cost avoidance is estimated from IBM's actual experience with remediation costs. Compliance cost avoidance includes consideration of potential penalties, legal fees and business interruption that are avoided. A figure for potential penalties and legal fees was estimated from an analysis of 2001 U.S. EPA data. An estimate for business interruption was based upon the potential impact of a plant shutdown.



EFFICIENCY: MAKING THE CASE

Discounted Cash Flow

Cost of Capital:

15%

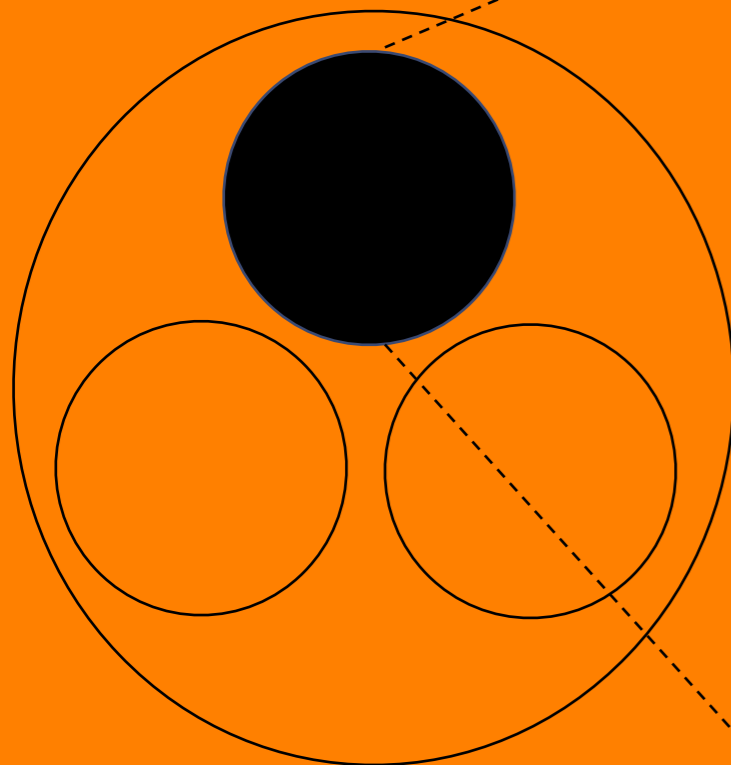
Tax rate:

35%

Year	0	1	2
Revenue		\$24,000	\$30,000
Operating costs		(\$13,000)	(\$18,000)
Other costs	(\$3,000)	(\$1,500)	
Depreciation		(\$5,000)	(\$5,000)
Taxable income	(\$3,000)	\$4,500	\$7,000
Tax	\$1,050	(\$1,575)	(\$2,450)
NOPAT	(\$1,950)	\$2,925	\$4,550
Depreciation	\$0	\$5,000	\$5,000
Operating cash flow	(\$1,950)	\$7,925	\$9,550
Capital Expenditure	(\$12,000)		
Free cash flow	(\$13,950)	\$7,925	\$9,550

NPV \$162.48

IRR 15.9%



Include both tangible and intangible costs and benefits



EFFICIENCY: YOUR EXPERIENCES

- How have you made the case for operational efficiency in your organization?
- What barriers do you see in making this case in your organization?



FRAMEWORK



OPPORTUNITIES: OVERVIEW

- Definition

- ▶ Increasing revenue from new products, services or customers

- Context

- ▶ According to the LOHAS Journal, roughly **63 million Americans** make purchasing decisions based on “sustainability” considerations – this represents a market of **\$227 billion**



OPPORTUNITIES: EXAMPLES

- Toyota

- ▶ Expects biodegradable plastics market to be a \$38 billion business in 2020 – it wants to control two-thirds of it

- Electrolux

- ▶ “Green Range” has 3.5 percent higher margin than other Electrolux appliances

- Whole Foods

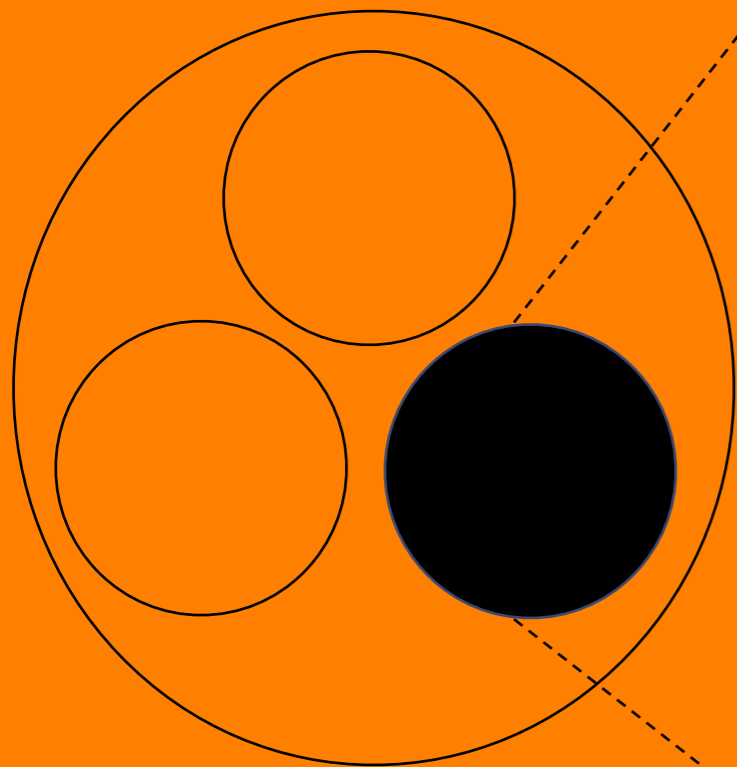
- ▶ U.S. Organic product sales increased 20% in 2003 to \$10.8 billion

- Proctor & Gamble

- ▶ Affordable water purification system

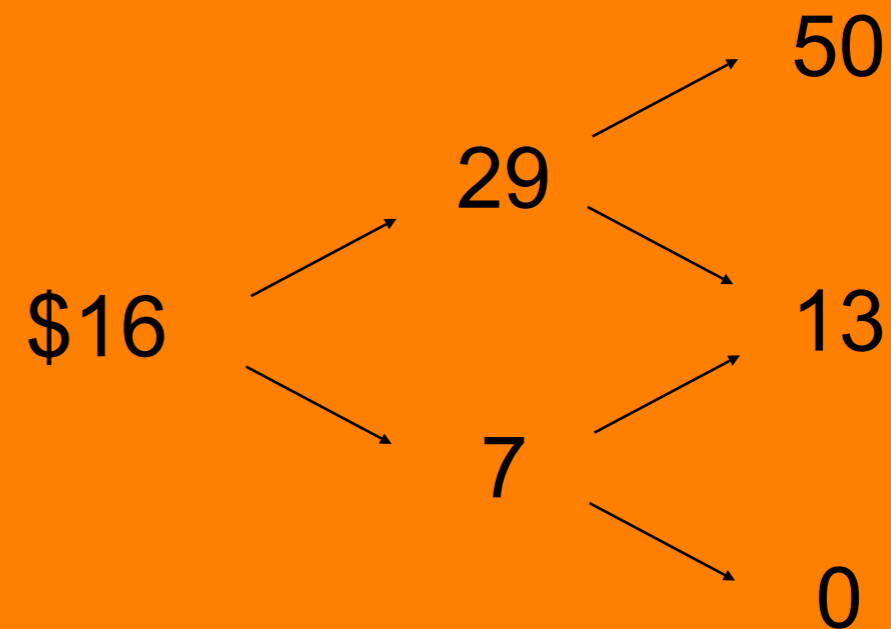


OPPORTUNITIES: MAKING THE CASE



Sustainability Investment As Real Option

- Future opportunities
- Protection against downside risk



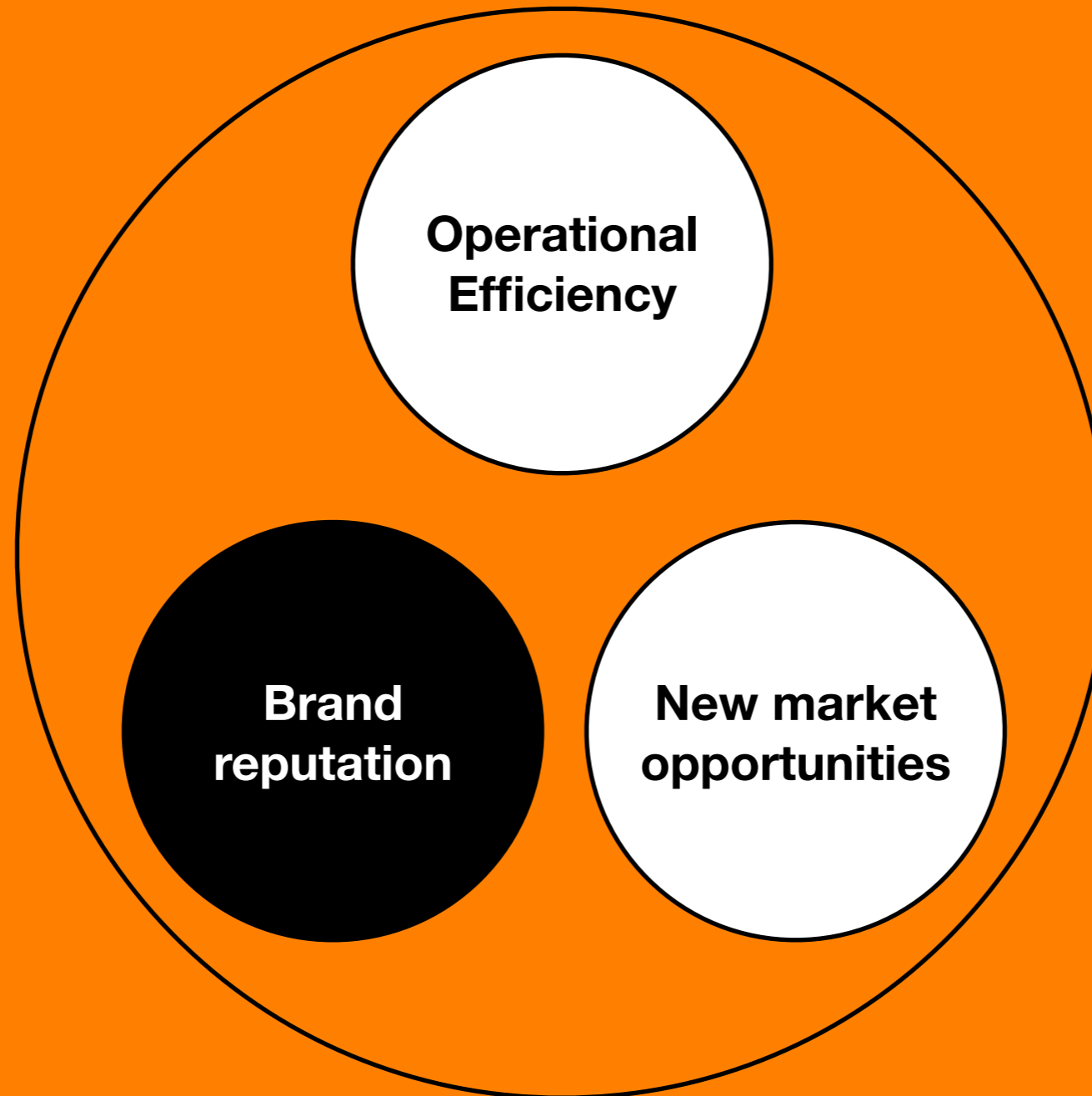
Include both tangible and intangible costs and benefits. Importance of creative thinking.

OPPORTUNITIES: YOUR EXPERIENCES

- How have you made the case for new market opportunities?
- What barriers do you see in making this case in your organization?
- Do you know of other companies pursuing sustainability-related new market opportunities?



FRAMEWORK



REPUTATION: OVERVIEW

- Definition

- ▶ Becoming the company of choice for customers, employees, suppliers, etc.
- ▶ Managing the risk of lost revenues and increased costs due to poor environmental and social performance

- Context

- ▶ Reputation and brand are the primary drivers of sustainability activity according to several PwC surveys
- ▶ Many of today's leading companies on social and environmental issues are big brands that have been targets in the past



REPUTATION: EXAMPLES

- **Stanford MBA study**
 - ▶ More than 97% of survey respondents were willing to forego financial benefits to work for a company with a better reputation for CSR and ethics
- **Cone-Roper study**
 - ▶ 2/3 have greater trust in companies that are aligned with a social issue, and 2/3 said that they would be likely to switch to a brand aligned with a good cause, all else equal
- **Numerous examples of brand/reputational damage**
 - ▶ Exxon, Shell, Pilgrim's Pride, etc

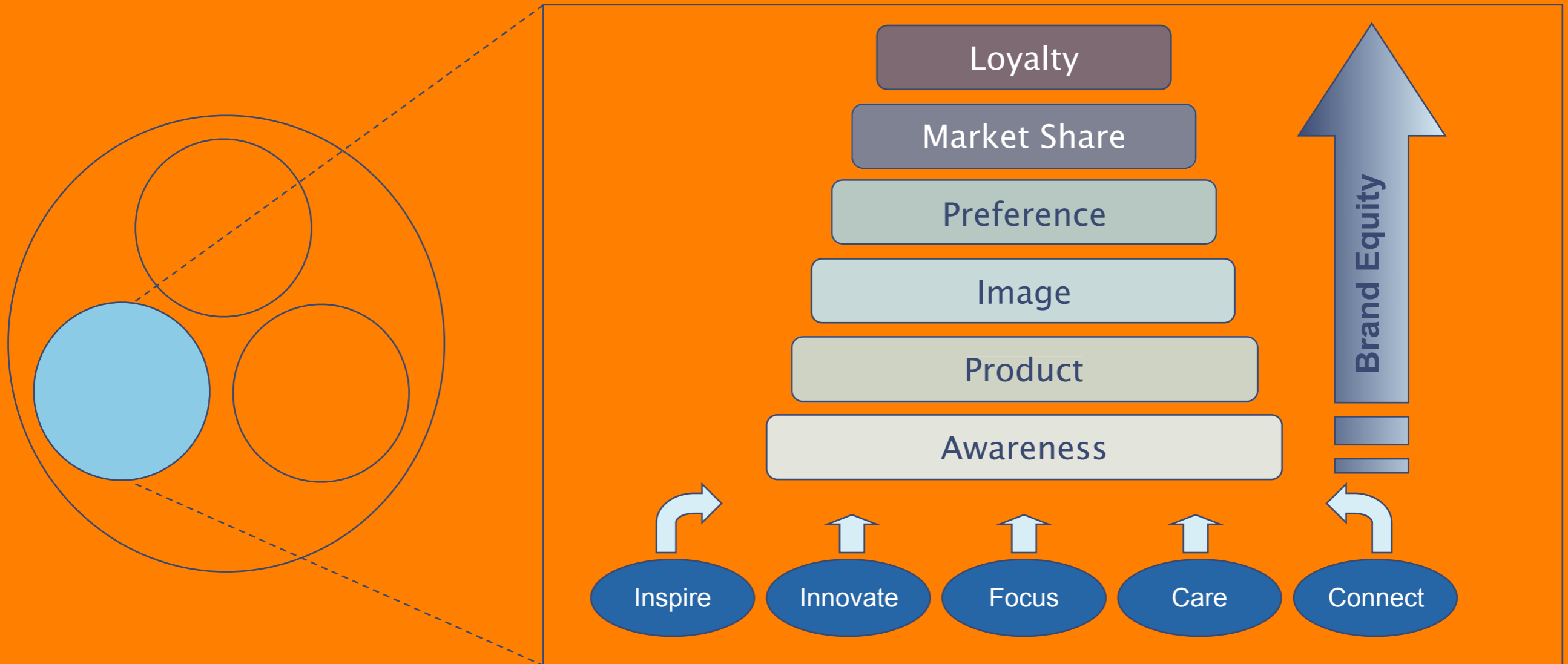


REPUTATION: MAKING THE CASE

- Tools to make the business case
 - ▶ Most difficult to quantify, but there are some options
 - Customer surveys
 - Cost savings of employee retention
 - “Advertising” value of media coverage
 - ▶ Qualitative approaches
 - Fit with brand values



REPUTATION: MAKING THE CASE



"Sustainability is an indispensable dimension of the brand"

"Our role as a leader is to assume a level of responsibility greater than others and to make sure the brand operates at the highest level on everything we do....period!"



REPUTATION: MAKING THE CASE

- Survey of 15 to 45 year olds to assess the impact of social and environmental issues on purchase decision
- Asked, “Why did you choose not to buy Nike at least once?”
 - ▶ X% said they did not purchase Nike due to labor concerns
 - ▶ Y% said they did not purchase Nike due to environmental concerns

Cost to Nike

Assuming 10% don't buy

Average Nike retail purchase	\$X	\$Y	\$Z
Revenue	\$XX	\$YY	\$ZZ
Operating profit	\$XXX	\$YYY	\$ZZZ



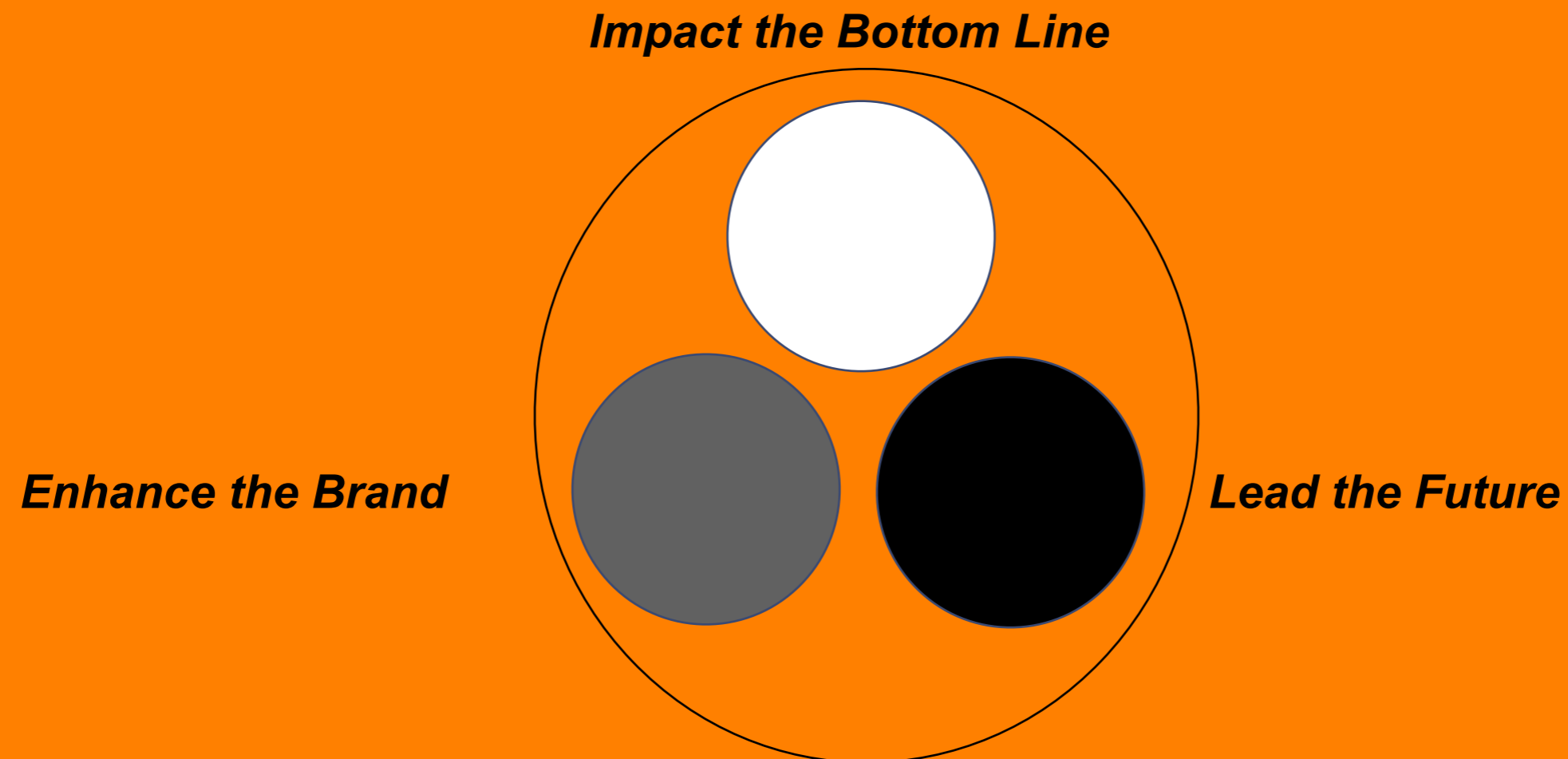
REPUTATION: YOUR EXPERIENCES

- How have brand and reputation impacted your approach to making the business case?
- What barriers do you see in making this case in your organization?



NIKE CASE STUDY

Three main sources of value for Nike's sustainability efforts



NIKE CASE STUDY

- Since 1993, over 13 million pairs of athletic shoes recycled
 - ▶ Shoes separated and granulated into Nike Grind
 - ▶ One step in eliminating the concept of waste
- Nike Grind and royalties used to build sports surfaces
 - ▶ Nike Grind in playgrounds, running tracks, football fields around the globe
 - ▶ Nike earns royalties for use of Nike Grind Trademark
 - ▶ Anniversary Project - gift of 90 new courts at 35 Portland area parks

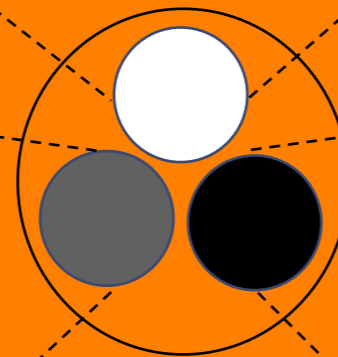
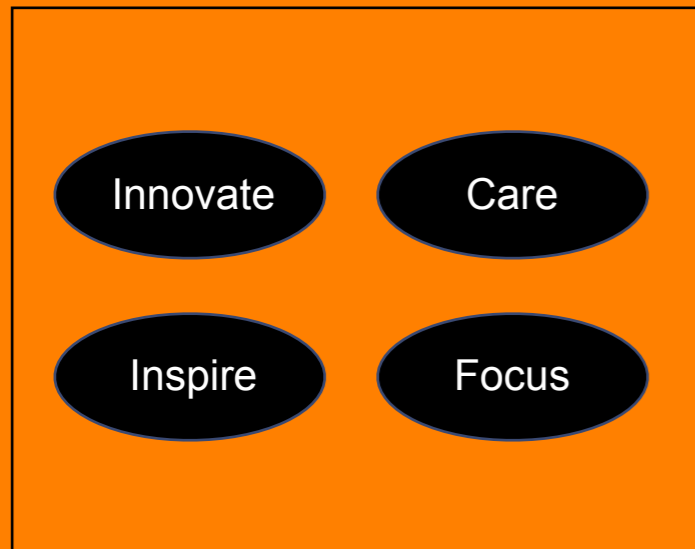


NIKE CASE STUDY

NPV: \$X
IRR: Y%



Enhance the Brand



Lead the Future

- Opportunity to differentiate the brand
- Enter sports surfacing business
- Hedge against future legislation

GROUP WORK

Elements most relevant to your business case	Prioritize based on business need



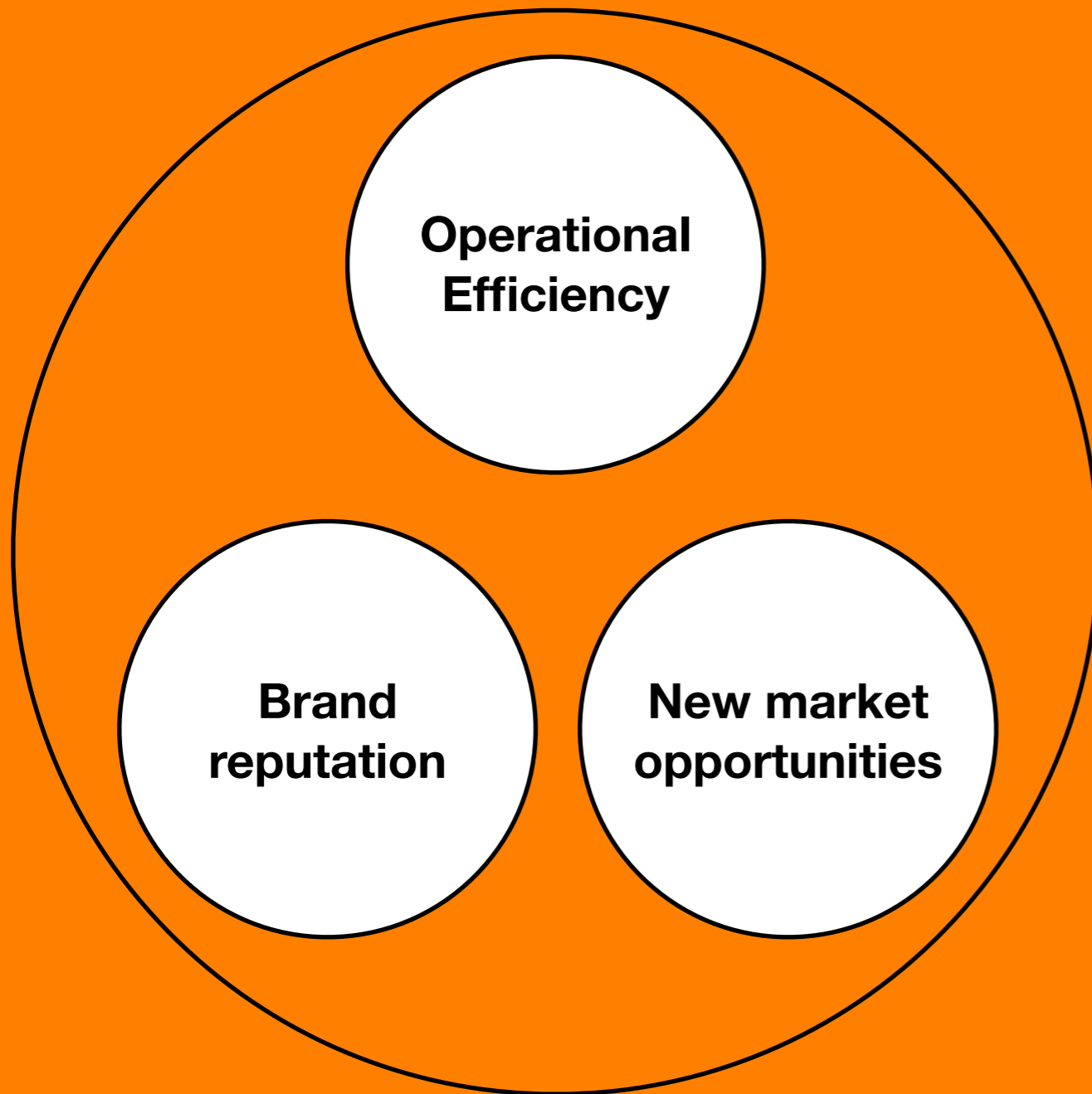
LUNCH



DEVELOPING YOUR BUSINESS CASE

- Building your framework
- Researching data
- Involving the right people
- Nike case study
- Group work

BUILDING YOUR FRAMEWORK



- Align with organization's mission
- Align with strategic goals of the business

FRAMEWORK: YOUR EXPERIENCES

- Does the “Efficiency,” “Reputation,” and “Opportunities” model work for you?
- Are there other shared mental models commonly used within your organization?



RESEARCHING DATA EXAMPLES

- Different methods of quantification (ROI, NPV, payback, real options analysis)
- Tangible and intangible benefits
- Customer surveys, cost savings of employee retention, value of media coverage
- Fit with company/brand values



RESEARCHING: YOUR EXPERIENCES

- Have prior analysis been done on sustainability projects?
- Are financial metrics/project data easily available?



INVOLVING THE RIGHT PEOPLE

- Team (CR staff, employees in the business)
- External help (consultants, interns)
- Build an internal network of people with access to key data (valuable for future initiatives)
- Flexibility and patience!

“It is essential to employ, trust, and reward those whose perspective, ability, and judgment are radically different from yours. It is also rare, for it requires uncommon humility, tolerance, and wisdom.” -Dee Hock



PEOPLE: YOUR EXPERIENCES

- Do you have a strong network already in place?
- Consultants and internship programs you would recommend



NIKE CASE STUDY



- Building the team to conduct the research
- Background research (external and internal)
- Conducting interviews at all levels of the organization
- Many challenges encountered along the way

GROUP WORK

Your organization's strategic goals that fit best within the framework	Action plan (who to involve, research tools to use, timeline estimates)



BREAK



IMPLEMENTING YOUR BUSINESS CASE


- Presenting the findings
- Integrating into the business
- Tracking results
- Nike case study
- Group work

PRESENTING THE FINDINGS

- Educate by raising awareness at all levels
- Clear message (speak language of the business)
- Recommended strategy/targets/measurables



PRESENTING: NIKE CASE STUDY



EXECUTIVE SUMMARY »

the Nike business case for sustainability

The Bottom Line.

You know it's the right thing to do. You know it's part of who we are and our values. Now learn how sustainability adds financial value to the Nike business. Making the business case for sustainability and reporting the results demonstrates to shareholders and other financial stakeholders that sustainability efforts add value, both now and in the future. And looking at potential projects through a business case framework will allow people to choose those projects with the highest total returns, including those with non-obvious value drivers. So dive in, and see the business case in action!

OVERVIEW

COMPETITION

FRAMEWORK

BUSINESS CASE

WHAT CAN YOU DO?

CONTACT: [Justin Yuen](#) • UPDATED: January 9, 2003 • DEPARTMENT: Nike Corporate Sustainable Development • Design: [Dragonfly Interactive](#)

- Management presentation
- Employee website

PRESENTING: YOUR EXPERIENCES

- What has been the reception for prior presentations?
What would you have done differently?
- How is communications handled for sustainability information?



INTEGRATING INTO THE BUSINESS

- Make the biz case a living document by being a part of strategic goals and day to day business
- Select divisions/departments with the best opportunities (strategic plan-wise, and people-wise) for expansion of sustainability activities
- Utilize network to customize biz case for the divisions/departments and get programs started



INTEGRATING: NIKE CASE STUDY



- US Retail
 - ▶ Leadership
 - ▶ Consumers
 - ▶ Existing projects
- Global Equipment
 - ▶ Leadership
 - ▶ Footprint
 - ▶ Existing projects

INTEGRATING: YOUR EXPERIENCES

- What areas of your organization represent the low-hanging fruit for expansion of sustainability?



TRACKING RESULTS

- Follow up on goodwill generated by presentation by proving the results
- Serve as a means to promote progress with new divisional/departmental initiatives
- Increase transparency and help with reporting process for stakeholders



TRACKING: NIKE CASE STUDY

The screenshot shows the homepage of the INTERACT Sustainability Knowledge Sharing Site. The top navigation bar includes links for HOME, INSPIRATIONS, INNOVATIONS, RESOURCES, and SEARCH. The main header features the INTERACT logo and the tagline "your first sustainable business tool". A sidebar on the left lists "MY IDEAS" with links to "Heart and Soul" - USA Retail Sustainability, Integration of sustainability into Equipment, Corporate Responsibility Quick Facts/Frequently Asked Questions, Sustainability Network, and kyosai Corporate Responsibility Month. The main content area is divided into "WHAT'S NEW" and "EVENTS". The "WHAT'S NEW" section features a "Welcome to INTERACT!" message and a news item titled "Nike Australia launches Reuse-A-Shoe program" with a photo of three people standing on a pile of shoes. The "EVENTS" section lists "Nickel and Dimed" in America and the "7th Annual Sustainable Business Symposium".

INTERACT Sustainability
Knowledge Sharing Site v1.0
REG. USER: Justin Yuen
LAST UPDATE: 11/18/2003
[EDIT my profile](#)

MY IDEAS

- ["Heart and Soul" - USA Retail Sustainability](#)
- [Integration of sustainability into Equipment](#)
- [Corporate Responsibility Quick Facts/Frequently Asked Questions](#)
- [Sustainability Network](#)
- [kyosai Corporate Responsibility Month](#)

[POST a new idea](#)

[Need HELP with Interact?](#)

WHAT'S NEW

Welcome to INTERACT!

This is the place for you to get inspired by stories, innovate with your projects, and get connected to the resources you need to get sustainability integrated into your job. Click on the "Discover Interact" or "Need Help" buttons to the left to get started.

.....

Nike Australia launches Reuse-A-Shoe program

Amidst a huge pile of 6,000 shoes previously destined for landfill, marathon legend Steve Moneghetti, Nike Australia Managing Director Tony Balfour, and CEO of EcoRecycle Ian Coles launched the Nike Reuse-A-Shoe program in

EVENTS

"Nickel and Dimed" in America
Nov 12, Portland, Oregon. The Natural Step's system condition #4 is: "In a sustainable society, human needs are met worldwide." How can a business incorporate it into its operational practices and strategies? The principle reminds us that humans are part of the environment, and sustainability can't be achieved without attention to social issues. The breakfast meeting will begin with actors from Artists Repertory Theatre performing a piece from Nickel and Dimed, an adaptation of Barbara Ehrenreich's book, "Nickel and Dimed, on Not Getting by in America." [Link To more info](#)

.....

7th Annual Sustainable Business Symposium
Nov 14-16, Eugene, Oregon. Plan

- Online interactive resource for best practices and metrics
- Scorecards
- Corporate Responsibility Report

GROUP WORK

Areas in your organization to integrate the business case results	Action plan (communication, system to track results, timeline estimates)



BREAK



GROUP PRESENTATIONS

- Summary of four group work sessions
- Discussion of results and next steps
- Additional resources



POWER OF ONE

