

Pathways

Better Decisions, Real Value toolkit

Version 1.1

www.forumforthefuture.org/projects/better-decisions-real-value

This project has been kindly supported by Forum’s Foundation Corporate Partners:



Version 1.1 | June 2010

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This is Version 1.1 of the Better Decisions Real Value toolkit. We hope you find it useful. We'd really like your feedback to help us improve it.

- What do you like about the toolkit?
- What don't you like about the toolkit?
- How could we improve it?
- What would you need to help you use the entire toolkit in your organisations?

Please send your thoughts to bdrv@forumforthefuture.org.

For more information on the project and to download the latest versions of the toolkit visit:

<http://www.forumforthefuture.org/projects/better-decisions-real-value>



introducing the Better Decisions, Real Value toolkit

Why do businesses need to make better decisions for real value?

Climate change, resource shortages, a rapidly growing global population – sustainability challenges like these are transforming the world in which companies do business. Successful companies need to understand these trends, which in many cases are already affecting short-term performance. They need to recognise the threats and opportunities ahead and understand how they can safeguard long-term profitability by becoming more sustainable.

The Better Decisions, Real Value toolkit is designed to help sustainability professionals understand the many business cases for sustainability and win support to put them into practice. We want to help companies make better decisions which create real value.





Winning support for sustainability

Sustainability professionals need to implement a range of activities but they often find it hard to make the business case. The complexity and uncertainty of sustainability challenges and the way they will affect each company create major barriers:

- numbers are much “softer” than decision-makers are used to
- companies get stuck in a vicious cycle: they want a business case before giving permission for action, but the business case can only be generated from the experience of going ahead
- financial tools are ill-equipped to deal with the uncertainties of sustainability

The Better Decisions Real Value toolkit provides a set of tools designed to help companies overcome these barriers and build successful business cases for sustainability projects.

The Better Decisions Real Value toolkit

 <p>Foundations</p>	<p>Foundations. This sets out the general business case for sustainability, equipping you with the arguments you need to start making your case.</p>
 <p>Entry Points</p>	<p>Entry points. This is a step-by-step guide to winning permission to go ahead with a sustainability project.</p>
 <p>Pathways</p>	<p>Pathways. This summarises the different ways sustainability can create financial value and gives guidance on how to collect evidence to make your business case.</p>
 <p>Ready Reckoner</p>	<p>Ready Reckoner. This helps you assess the most important pathways for your project and calculate numbers which are good enough to get the go-ahead.</p>

overview of 'Pathways'

"Pathways" summarises the different ways sustainability can create financial value – from product differentiation, to staff motivation and risk reduction – with guidance on how you can collect evidence to make your business case.

You can use this guide to understand what pathways from sustainability to financial value are relevant to your business.

In conjunction with the Ready Reckoner tool, you can prioritise the pathways which are most material to your business.

How we compiled it

The background research for Better Decisions, Real Value looked at many lists that declared "here is the business case for sustainability". In our view, all those lists were partially right and partially wrong. Where they were right was in proposing different pathways from sustainability to shareholder value. Where they were wrong was in proposing a definitive, short list. So, we have taken all the lists we could find (see Appendix) and combined them into the table on page 3. This brings together all different pathways to value we have seen.

The following pages have:

- a summary table of the different pathways to value
- a page explaining each of the pathways in detail.

Why do the pathways to value seem to overlap?

The 'Pathways to value' table is designed to help people discover their pathway to value for a wide range of different businesses and people. Different users will understand the financial case for anything in different ways. What is a 'supply chain risk' pathway to value for some might be an 'early mover on an emerging issue' pathway for others. Therefore, the overlap between different pathways to value is deliberate, so the list can be useful for different audiences.

Having said that, we have tried to have as few pathways as possible. We know there are other possible ways of merging the many lists of business cases for sustainability. There may also be other pathways to value that we have not included. If you think you have one, which is not represented in our table, please send it to us.



summary of Pathways to Financial Value

Value driver	Pathways to value	Description	page
Turnover growth	Product differentiation	Differentiate existing product or service line, causing an increase in sales.	7
	Product development	Create a new product or service line either targeting unmet societal needs or finding alternative lower-impact ways to meet existing needs.	8
	Innovation	Develop new technologies and business models for unmet social environmental needs, sometimes creating new markets.	9
	Brand reputation	Build brand reputation to protect market share, attract new customers and/or create a price premium.	10
Margin growth	Efficiency	Increase efficiency of providing goods or services for sale, or of operations to reduce costs, that often improves environmental performance.	11
	Staff motivation and retention	Build morale and employee skills, reducing costs of employee turnover and increasing productivity.	12
Effectively manage capital expenditure	Asset efficiency and effectiveness	Avoid unnecessary demand for fixed assets, reducing capital spend and improving productivity and environmental performance.	13
Risk reduction	Security and quality of supply chains	Secure resilient, long-term and sustainable access to safe, high-quality inputs like raw materials.	14
	Reduced regulatory risk	Mitigate risks by complying with or exceeding regulatory requirements, industry standards and NGO demands early.	15
	Reduced risk to reputation	Avoid negative publicity, consumer boycotts, investor pressure, and risk from regulatory changes.	16
	Licence to operate	Maintain legal and informal acceptance for how the company makes profit.	17
Duration of competitive advantage	Market shaped to company's advantage	Shape the market to company's advantage, creating barriers to entry or extra costs for competitors.	18
	Recruitment	Attract high-quality employees through enhanced reputation.	19
	Early mover on emerging strategic issue	Take prompt, coherent action on an emerging issue, achieving more effective response than by delaying.	20
	Access to key markets for growth	Enable company to maintain or increase access to key markets for growth including: suppliers and source markets; markets for sales; Merger & Acquisition targets.	21
	Access to key financial resources for investment	Enable company to maintain or increase financial capital for investment.	22
	Access to partners for growth	Enable company to build trust-based relationships with commercial and non-commercial partners that increase access to opportunities.	23
	Building management qualities that enable enduring success	Develop capabilities in individuals and the organisation's systems that enable enduring success through, for instance, an innovative culture, or people and systems that are prepared for an uncertain future.	24
Reduced cash tax rate	Reduced payments to government	Reduce tax payments through superior sustainability performance, for instance through avoided carbon taxes.	25
Reduced cost of capital	Reduced cost of financial capital	Achieve a lower risk rating in capital markets, leading to improved access to finance at a lower rate.	26

Key to the format used

Each page explains a pathway to value, with suggestions to help you start estimating the financial costs and benefits of this approach. Many include a case study, to illustrate this.

Explanation	This shows the one-line summary for each pathway to value
What level of the business does this apply to?	The ticks help you identify where the pathway applies. Some apply at product level (e.g. product development), while others apply to the whole business or business unit (e.g. reputation). <ul style="list-style-type: none"> • Corporate – At the level of the entire business • Business Unit – Departments (e.g. regional subsidiaries) • Function – Departments (e.g. Marketing) • Product or service line (e.g. low-energy light bulbs)
What tools will help with quantitative analysis?	Many businesses will already have ways to include these pathways to value within decision-making. Rather than develop a new approach, it can help to learn about existing methods and understand how the business benefits of sustainability can be integrated within these.

What will you need to estimate, so you can engage your finance and commercial colleagues?

Which ready reckoner can you use?	We have developed 3 Ready Reckoner tools, which will guide you through a simple process to get your first estimate: <ol style="list-style-type: none"> 1. Quick calculator of IRR and NPV – If you enter estimates of your investment, income and costs, this tool will give figures for two commonly used accounting measures: <ul style="list-style-type: none"> • Investor Rate of Return (IRR) • Net Present Value (NPV) 2. Equivalent opportunities – Explore potential opportunities 3. Equivalent risks– Explore potential risks
What up-front investment is needed?	Most pathways to value need either strong pre-existing sustainability initiatives and reputation, or some up-front investment before they start. At minimum, this will involve management time and costs in making decisions. For some pathways to value, up-front costs can be higher: for example, buying new equipment to improve efficiency.
How can you estimate the increase in income?	This box shows key financial benefits from this pathway to value. These can be direct sales (for example, product development). Sometimes the benefits are harder to measure, for example, how sustainability contributes to brand reputation.
How can you estimate the increase in costs?	Pathways to value may have ongoing costs. These may just involve maintaining the initiative (e.g. ongoing staff training), or there may be higher costs (e.g. producing a more sustainable product).
What could be the indirect or intangible financial effects?	As well as the key financial effects above, some less direct effects may be important. This box suggests some possibilities.
What type of non-financial evidence could you use to investigate this?	Other research may also be helpful, and this box gives ideas of where else you could look to find relevant information.

Turnover growth: Product differentiation

Explanation	Differentiate existing product or service line, causing an increase in sales	
What level of the business does this apply to?	Corporate	
	Business Unit (e.g. subsidiary)	
	Function (e.g. Marketing)	
	Product or service line	✓
What tools will help with quantitative analysis?	Many companies will have their own tools for this sort of decision	

What will you need to estimate, so you can engage your finance and commercial colleagues?

Which ready reckoner can you use?	Quick calculator of IRR and NPV	✓
	Equivalent opportunities	
	Equivalent risks	
What up-front investment is needed?	<p>Up-front costs to make initiatives happen include:</p> <ul style="list-style-type: none"> • cost of management time to research and implement plans • operational expenditure on research and development • costs of equipment or other fixed assets (capital expenditure) • costs of training staff in new processes or systems • marketing costs to publicise sustainability improvements 	
How can you estimate the increase in income?	<ul style="list-style-type: none"> • Higher sales of the product/service after the improvement • Increased sales through increased reputation or brand awareness. This could bring new customers to the company and encourage existing customers to spend more 	
How can you estimate the increase in costs?	<ul style="list-style-type: none"> • Any sales reductions for similar products or services, if people switch to the improved product or service • Increases in production costs (if not passed to customers) 	
What could be the indirect or intangible financial effects?	<p>You may also want to think about these effects:</p> <ul style="list-style-type: none"> • possible higher or lower profit margin (if the change in production costs is not passed on to customers), which could change how competitively priced you are • the process of improving sustainable products will build skills and systems in the organisation, making future projects easier • possible access to new markets with high standards • improved perception in eyes of people who control or influence capital investment 	
What type of non-financial evidence could you use to investigate this?	<ul style="list-style-type: none"> • Customer research, showing how much customers are interested in buying sustainable products and services • Customers research, showing how likely customers are to buy more with sustainability improvements or price changes 	

Kingfisher group

By differentiating products, businesses within the Kingfisher group (an international home improvement retailer) are taking the opportunity to use Corporate Responsibility credentials to win new trade contracts from government and business customers who are increasingly adopting sustainable procurement policies. For example, B&Q UK's commitment to sustainable timber sourcing – including achievement of full chain-of-custody certification for FSC and PEFC products – has helped it to gain new business, including government agency and trade related contracts.

Turnover growth: Product development

Explanation	Create a new product or service line either targeting unmet societal needs or finding alternative lower-impact ways to meet existing needs	
What level of the business does this apply to?	Corporate	
	Business Unit	
	Function	
	Product or service line	✓
What tools will help with quantitative analysis?	Many companies will have their own tools for this sort of decision	

What will you need to estimate, so you can engage your finance and commercial colleagues?

Which ready reckoner can you use?	Quick calculator of IRR and NPV	✓
	Equivalent opportunities	
	Equivalent risks	
What up-front investment is needed?	<p>Up-front costs to make initiatives happen include:</p> <ul style="list-style-type: none"> • cost of management time to research and implement plans • operational expenditure on research and development • costs of equipment or other fixed assets (capital expenditure) • costs of training staff in new processes or systems • marketing costs in publicising the new product/service 	
How can you estimate the increase in income?	<ul style="list-style-type: none"> • Sales of the new product or service • Increased sales through increased reputation or brand awareness. This could bring new customers to the company and encourage existing customers to spend more 	
How can you estimate the increase in costs?	<ul style="list-style-type: none"> • Any sales reductions for similar products or services after the launch, if people switch to the new product or service • Any increased costs of providing the new product or service, with potential risks of making a loss if sales are lower than planned 	
What could be the indirect or intangible financial effects?	<p>You may also want to think about these effects:</p> <ul style="list-style-type: none"> • the process of developing sustainable products will build skills and systems in the organisation, making future projects easier • possible access to new markets with high standards • improved perception in eyes of people who control or influence capital investment 	
What type of non-financial evidence could you use to investigate this?	<ul style="list-style-type: none"> • Customer research, showing interest in buying more sustainable products and services • Research testing new product ideas 	

General Electric (GE)

General Electric (GE) launched their ecomagination initiative in 2005, aiming to “meet customers’ demand for cleaner and more energy-efficient products and to drive reliable growth for GE”. GE set an ambitious target to increase annual revenue from products that “provide significant and measurable environmental performance advantages” to \$20 billion per year. Supported by large-scale research and development, the ecomagination portfolio included more than 80 products by 2009, ranging from engines to healthcare products, and generated more than \$17 billion in revenues in 2008.

Turnover growth: Innovation

Explanation	Develop new technologies and businesses focussed on unmet social or environmental needs, sometimes creating new markets	
What level of the business does this apply to?	Corporate	✓
	Business Unit	✓
	Function	✓
	Product or service line	✓
What tools will help with quantitative analysis?	Many companies will have their own tools for this sort of decision. Futures techniques, for example scenarios, can also help to estimate the scale of future markets	

What will you need to estimate, so you can engage your finance and commercial colleagues?

Which ready reckoner can you use?	Quick calculator of IRR and NPV	✓
	Equivalent opportunities	✓
	Equivalent risks	
What up-front investment is needed?	Up-front costs to make initiatives happen include: <ul style="list-style-type: none"> • cost of management time to research and implement plans • operational expenditure on research and development • costs of equipment or other fixed assets (capital expenditure) • costs of training staff in new processes or systems • marketing costs in publicising the new innovation 	
How can you estimate the increase in income?	<ul style="list-style-type: none"> • Sales estimate for the new innovation, taking account that other businesses may follow and take market share Method) One approach is to estimate the size of the market using expert judgments, and estimate your market share. You can make a range of estimates, based on possible scenarios	
How can you estimate the increase in costs?	<ul style="list-style-type: none"> • Costs of the new technology or business, with potential risks of making a loss if sales are lower than planned 	
What could be the indirect or intangible financial effects?	You may also want to think about these effects: <ul style="list-style-type: none"> • increased sales generally through 'halo' effect on reputation or brand awareness. This could bring new customers to the company and encourage existing customers to spend more • the process will build skills and systems in the organisation for sustainable innovation, making future projects easier • possible access to new markets with high standards • improved perception in eyes of people who control or influence capital investment 	
What type of non-financial evidence could you use to investigate this?	<ul style="list-style-type: none"> • Customer research, showing interest in more sustainable technologies and businesses • Research testing new innovation ideas • Expert judgment of future market potential 	

Streetcar

Founded in 2004, Streetcar introduced an innovative new service to city centres in the UK. Members of Streetcar can hire vehicles at times when they need them, for as long as they want. This is convenient and affordable for customers, and has strong sustainability benefits if customers use this as an alternative to owning a car. By 2009, Streetcar had 75% of the UK's car club market and was expecting a turnover of £20m.

Turnover growth: Brand reputation

Explanation	Build brand reputation to protect market share, attract new customers and/or create a price premium	
What level of the business does this apply to?	Corporate	✓
	Business Unit	✓
	Function	
	Product or service line	✓
What tools will help with quantitative analysis?	Marketing departments may measure or have models for: - customer loyalty and the customer journey - the contribution of reputation to turnover and profitability	

What will you need to estimate, so you can engage your finance and commercial colleagues?

Which ready reckoner can you use?	Quick calculator of IRR and NPV	✓
	Equivalent opportunities	✓
	Equivalent risks	
What up-front investment is needed?	Existing initiatives/up-front costs to gain these benefits include: <ul style="list-style-type: none"> cost of management time to research and implement plans costs of initiatives that improve reputation costs of training staff in new processes or systems marketing and sustainability reporting to raise awareness of sustainability initiatives among customers and stakeholders 	
How can you estimate the increase in income?	<ul style="list-style-type: none"> Growth in sales due to sustainability reputation Method 1) After a sustainability announcement, you may be able to measure the increase in customer numbers or sales Method 2) Using research, you can estimate the proportion of your sales or profits from customers motivated by sustainability, hence an approximation of the sales benefit from reputation	
How can you estimate the increase in costs?	<ul style="list-style-type: none"> Costs of initiatives to maintain sustainability performance Costs of maintaining awareness 	
What could be the indirect or intangible financial effects?	You may also want to think about these effects: <ul style="list-style-type: none"> potential to charge a premium, based on strong reputation this reputation can then enable other 'pathways to value', such as partnerships or shaping the market in the company's favour in the event of a shock (e.g. a bad news story), the impact on business may be reduced by a historically good reputation however, with an established sustainability reputation, stakeholders may hold you to higher standards. It is important to maintain these to avoid accusations of 'greenwash' 	
What type of non-financial evidence could you use to investigate this?	<ul style="list-style-type: none"> Customer research on the importance of sustainability and reputation for customers, and how they move along the chain (from unaware to loyal) 	

Co-operative Group

The Co-operative Group seeks to deliver value to its stakeholders in an ecologically sustainable and socially responsible manner. In 2003 The Co-operative Bank measured the net benefit to the business of this, finding that 30% (c. £40 million) of profitability could be attributed to customers who believe that ethics is an important factor. This figure compared with £6.9 million of income foregone for ethical reasons, based on business declined by the bank's Ethical Policy Unit. This brand strength also provided benefits following the banking crisis in 2008, when The Co-operative Group saw a 60% increase in current accounts and a 40% increase in deposits.

Margin growth: Efficiency

Explanation	Increase efficiency of providing goods or services for sale, or of operations to reduce costs, that often improves environmental performance	
What level of the business does this apply to?	Corporate	
	Business Unit	✓
	Function	✓
	Product or service line	✓
What tools will help with quantitative analysis?	Your finance department may have tools for this. The Blind Spots tool will help you check how this includes factors such as the costs of waste or emissions (e.g. landfill tax)	

What will you need to estimate, so you can engage your finance and commercial colleagues?

Which ready reckoner can you use?	Quick calculator of IRR and NPV	✓
	Equivalent opportunities	
	Equivalent risks	
What up-front investment is needed?	Up-front costs to make initiatives happen include: <ul style="list-style-type: none"> • cost of management time in making improvements • operational expenditure on research and development • costs of equipment/other fixed assets (capital expenditure) • costs or savings from material or energy substitutions • costs of training staff in new processes or systems 	
How can you estimate the increase in income?	<ul style="list-style-type: none"> • Reduced resource costs, for example, energy or materials • Reduced costs of emissions or waste disposal Method 1) One technique is to compare recent and historic costs (for example, 5 years ago). Comparing how your costs have fallen in comparison to your revenue, allows you to estimate efficiency gains Method 2) For future initiatives, you can estimate cost savings	
How can you estimate the increase in costs?	<ul style="list-style-type: none"> • Costs of maintaining initiatives that improve efficiency 	
What could be the indirect or intangible financial effects?	You may also want to think about these effects: <ul style="list-style-type: none"> • by passing on reduced costs to customers, you can gain a price advantage, increasing revenue and market share. • increasing sales by improving reputation or awareness • skills enabling compliance with regulation at lower cost • early action demonstrates commitment on sustainability issues to partners, potential investors and opinion formers 	
What type of non-financial evidence could you use to investigate this?	<ul style="list-style-type: none"> • Research on similar initiatives within the sector • Expert opinion 	

InterfaceFLOR

Interface Inc, a leading manufacturer of modular flooring, aims to eliminate any negative impact the company may have on the environment by 2020. This vision is called Mission Zero, and includes eliminating waste and closing the loop in resource use. Since 1996, Interface has achieved an 80% reduction in waste sent to landfill and total energy has reduced by 43% (both figures are per unit of production). Ramon Arratia, Sustainability Director, says “Reducing 1% each time 100 times does not get you to 100%. It’s a logarithmic curve. You also need to implement radical changes, these 3 or 4 that gets you 80% in one go. For example, we now use cutting machines developed for the aeronautic industry that reduce waste by 80% from trimmings when we cut our tiles.” This approach has financial benefits too, and these efforts have resulted in a cumulative avoided waste cost of \$433 million since 1995.

Margin growth: Staff motivation and retention

Explanation	Build morale and employee skills, reducing costs of employee turnover and increasing productivity	
What level of the business does this apply to?	Corporate	✓
	Business Unit	✓
	Function	✓
	Product or service line	
What tools will help with quantitative analysis?	Your HR department may have processes to measure employee turnover, morale and the reasons why people leave the business	

What will you need to estimate, so you can engage your finance and commercial colleagues?

Which ready reckoner can you use?	Quick calculator of IRR and NPV	✓
	Equivalent opportunities	
	Equivalent risks	
What up-front investment is needed?	<p>Existing initiatives/up-front costs to gain these benefits include:</p> <ul style="list-style-type: none"> • building a strong brand reputation for sustainability • raising awareness among employees • management time in building morale and skills • Human Resources time in embedding within processes • costs to set up employee engagement programmes and training 	
How can you estimate the increase in income?	<ul style="list-style-type: none"> • Reduced costs of employee turnover, with people less likely to leave the business due to increased morale and skills • Increased productivity (higher sales per employee or reduced costs per unit of activity) <p>Method 1) Work out the proportion of employee turnover that could be reduced through sustainability initiatives. Apply this to total turnover costs (including lost knowledge, lost productivity, advertising and interviewing for new employees, and training)</p>	
How can you estimate the increase in costs?	<ul style="list-style-type: none"> • Costs to maintain employee engagement and training • Costs of maintaining initiatives that increase staff motivation 	
What could be the indirect or intangible financial effects?	<p>You may also want to think about these effects:</p> <ul style="list-style-type: none"> • motivated, skilled and experienced staff can also help to achieve other pathways to value, contributing to business success 	
What type of non-financial evidence could you use to investigate this?	<ul style="list-style-type: none"> • Human Resources or other departments may have data on employee turnover levels and reasons for leaving. They may have data on training and employee engagement with sustainability • Employee survey information on morale and motivation 	

Reduced capital expenditure: Asset efficiency and effectiveness

Explanation	Avoid unnecessary demand for fixed assets, reducing capital spend and improving productivity and environmental performance	
What level of the business does this apply to?	Corporate	
	Business Unit	✓
	Function	✓
	Product or service line	
What tools will help with quantitative analysis?	Your finance department may have tools for this. The Blind Spots tool will help you check for any other factors	

What will you need to estimate, so you can engage your finance and commercial colleagues?

Which ready reckoner can you use?	Quick calculator of IRR and NPV	✓
	Equivalent opportunities	
	Equivalent risks	
What up-front investment is needed?	<p>Up-front costs to make initiatives happen include:</p> <ul style="list-style-type: none"> • cost of management time to research and implement • costs of making changes: for example, combining office space or equipping staff to work at home • costs of training staff in new processes or systems 	
How can you estimate the increase in income?	<ul style="list-style-type: none"> • Reduction in fixed asset costs, for example office space • Reductions in corresponding costs, for example heating 	
How can you estimate the increase in costs?	<ul style="list-style-type: none"> • Any additional costs due to new ways of working, for example higher energy bills due to virtual meetings 	
What could be the indirect or intangible financial effects?	<p>You may also want to think about these effects:</p> <ul style="list-style-type: none"> • some changes have other benefits or costs, for example, flexible-working can improve morale • by passing reduced costs to customers, you can gain price advantage, increasing revenue and market share • potential to increase sales through improved reputation or brand awareness • initiatives may help to comply with regulation at lower cost • early action demonstrates commitment on sustainability issues to partners, potential investors and opinion formers 	
What type of non-financial evidence could you use to investigate this?	<ul style="list-style-type: none"> • Research on similar initiatives within the sector • Expert opinion 	

BT

BT has one of the largest flexible working projects in Europe, called BT Workstyle. In the UK, BT has 70,000 flexible workers, of which 14,500 are full-time homeworkers. Flexible working has given huge benefits both for the company and its people. As well as increasing productivity, it has reduced the need for office space, resulting in annual savings of £550m million on overheads. For example BT had 23 offices in London and now has only five.

Risk reduction: Security and quality of supply chains

Explanation	Secure resilient, long-term and sustainable access to safe, high-quality inputs like raw materials	
What level of the business does this apply to?	Corporate	
	Business Unit	✓
	Function	✓
	Product or service line	✓
What tools will help with quantitative analysis?	This may be covered within your risk management process, or within buying teams	

What will you need to estimate, so you can engage your finance and commercial colleagues?

Which ready reckoner can you use?	Quick calculator of IRR and NPV	
	Equivalent opportunities	
	Equivalent risks	✓
What up-front investment is needed?	Existing initiatives/up-front costs to gain these benefits include: <ul style="list-style-type: none"> • cost of management time to research and implement • costs to implement initiatives that reduce supply chain risks • time to build relationships with supply chain and partners 	
How can you estimate the increase in income?	<ul style="list-style-type: none"> • Reduce risks of delays, availability, cost increases or poor quality within supply chain • Limit the severity and impact of incidents that do happen 	
How can you estimate the increase in costs?	<ul style="list-style-type: none"> • Costs of maintaining initiatives which reduce supply chain risks 	
What could be the indirect or intangible financial effects?	You may also want to think about these effects: <ul style="list-style-type: none"> • better supplier relationships, leading to steadier income and increased possibility of future innovations • able to reduce working capital contingency held to deal with disruptions in supply (e.g. management time for crises) • increased profits, if able to charge a premium on products 	
What type of non-financial evidence could you use to investigate this?	<ul style="list-style-type: none"> • Supplier information, such as audits • Research on similar initiatives within the sector • Expert opinion 	

Cadbury

Cadbury has sourced cocoa from Ghana for over 100 years. It is the Ghanaian cocoa which gives Cadbury Dairy Milk its unique taste and texture. When research commissioned by Cadbury and published in 2008 showed that cocoa production had fallen and fewer farmers were entering into the profession, a major supply chain risk was identified. In 2008, the Cadbury Cocoa Partnership was launched to support farmers by investing £45m over 10 years into cocoa growing communities. The partnership aims to raise incomes, provide education and business support and safeguard Cadbury's cocoa supply for the long-term. Two years on, the partnership is working with 100 communities and 17 extension officers are working on the ground. Cadbury Dairy Milk has also become Fairtrade certified in five key chocolate markets, quadrupling the supply of Fairtrade cocoa from Ghana.

Risk reduction: Reduced regulatory risk

Explanation	Mitigate risks by complying with or exceeding regulatory requirements, industry standards and NGO demands early	
What level of the business does this apply to?	Corporate	✓
	Business Unit	✓
	Function	
	Product or service line	
What tools will help with quantitative analysis?	Regulatory risks may be covered as part of your risk management process. The Blind Spots tool will help you to explore whether any issues are missing	

What will you need to estimate, so you can engage your finance and commercial colleagues?

Which ready reckoner can you use?	Quick calculator of IRR and NPV	
	Equivalent opportunities	
	Equivalent risks	✓
What up-front investment is needed?	Existing initiatives/up-front costs to gain these benefits include: <ul style="list-style-type: none"> • cost of management time to research and implement • costs of implementing initiatives to comply with or exceed regulatory standards • lobbying for better regulation in future 	
How can you estimate the increase in income?	<ul style="list-style-type: none"> • Avoid costs from fines or late adoption • Reduce risk of not complying or being subject to action from formal regulator or civil society • Reduce the risk of reputational damage from non-compliance • Reduced risk of being unable to meet higher future standards 	
How can you estimate the increase in costs?	<ul style="list-style-type: none"> • Costs of maintaining initiatives to reduce regulatory risks • Ongoing engagement to improve future regulation 	
What could be the indirect or intangible financial effects?	You may also want to think about these effects: <ul style="list-style-type: none"> • Another upside of mitigating regulatory risk is that you might create enduring competitive advantage • enhanced reputation by demonstrating commitment on sustainability to customers, partners and opinion formers • by developing employee capabilities for sustainability, future initiatives may be achieved at less time and cost • improved perception in eyes of people who control or influence capital investment 	
What type of non-financial evidence could you use to investigate this?	<ul style="list-style-type: none"> • Research on similar initiatives within the sector • Expert opinion 	

Many leading businesses have introduced sustainability initiatives to comply with and exceed environmental regulations. Through this, they have reduced the possibility of fines and legal action, which would have led to significant costs and reputational damage. Additionally, by acting early they have also achieved a range of benefits linked to other pathways, for example, early mover advantages, efficiency savings and higher staff motivation.

Risk reduction: Reduced risk to reputation

Explanation	Avoid negative publicity, consumer boycotts, investor pressure, and risk from regulatory changes	
What level of the business does this apply to?	Corporate	✓
	Business Unit	✓
	Function	
	Product or service line	
What tools will help with quantitative analysis?	Reputational risks may be covered as part of your risk management process. The Blind Spots tool will help you to explore whether any issues are missing	

What will you need to estimate, so you can engage your finance and commercial colleagues?

Which ready reckoner can you use?	Quick calculator of IRR and NPV	
	Equivalent opportunities	
	Equivalent risks	✓
What up-front investment is needed?	Existing initiatives/up-front costs to gain these benefits include: <ul style="list-style-type: none"> costs to research and mitigate potential reputational risks cost of management time to research and implement plans costs of initiatives which improve reputation 	
How can you estimate the increase in income?	<ul style="list-style-type: none"> Reduce the risk of sales impacts from reputational damage, which could mean losing some customers permanently Avoid increased costs if relationship damaged with suppliers, partners or investors, or the business loses its licence to operate Reduce risk of long-term costs to rebuild brand reputation Limit severity and impact of incidents that do happen 	
How can you estimate the increase in costs?	<ul style="list-style-type: none"> Costs of maintaining initiatives which reduce reputational risks 	
What could be the indirect or intangible financial effects?	You may also want to think about these effects: <ul style="list-style-type: none"> in the event of a shock (e.g. bad news story), the impact on business may be reduced by a historically good reputation however, with an established sustainability reputation, stakeholders may hold you to higher standards. It is important to maintain these to avoid accusations of 'greenwash' 	
What type of non-financial evidence could you use to investigate this?	<ul style="list-style-type: none"> Research on similar initiatives within the sector Expert opinion 	

Over the past few years, many businesses have engaged with sustainability issues following pressure from NGOs and negative publicity. Failing to manage reputational risks can lead to customers switching to competitors, or even sales boycotts. It can also take a long time to rebuild trust in a brand after a reputational impact.

Risk reduction: License to operate

Explanation	Maintain legal and informal acceptance for how the company makes profit	
What level of the business does this apply to?	Corporate	✓
	Business Unit	✓
	Function	
	Product or service line	
What tools will help with quantitative analysis?	Licence to operate may be covered as part of your risk management process. The Blind Spots tool will help you to explore whether any issues are missing	

What will you need to estimate, so you can engage your finance and commercial colleagues?

Which ready reckoner can you use?	Quick calculator of IRR and NPV	
	Equivalent opportunities	
	Equivalent risks	✓
What up-front investment is needed?	Existing initiatives/up-front costs to gain these benefits include: <ul style="list-style-type: none"> • cost of management time to research and implement plans • establishing initiatives that improve sustainability performance • building a strong brand reputation for sustainability 	
How can you estimate the increase in income?	<ul style="list-style-type: none"> • Avoid the sales impact that would occur if the business lost its licence to operate, and suffered reputational damage • Reduced risk of losing reputation or market share to competitors who might gain a stronger licence to operate • Reduced risk of being unable to meet higher future standards 	
How can you estimate the increase in costs?	<ul style="list-style-type: none"> • Costs of maintaining initiatives to maintain licence to operate 	
What could be the indirect or intangible financial effects?	You may also want to think about these effects: <ul style="list-style-type: none"> • potential to increase sales through improved reputation or brand awareness. This could bring new customers to the company and encourage existing customers to spend more • with an established sustainability reputation, stakeholders may hold you to higher standards. It is important to maintain these to avoid accusations of 'greenwash' • improved perception in eyes of people who control or influence capital investment 	
What type of non-financial evidence could you use to investigate this?	<ul style="list-style-type: none"> • Research on similar initiatives within the sector • Expert opinion 	

Anglo American
 Anglo American is a global leader in mining, with businesses covering platinum, diamonds, coal and industrial minerals. In 2002, it began developing a Socio-Economic Assessment Toolbox (SEAT). A key driver for this was maintaining the company's 'social licence to operate'. The SEAT tool aims to help Anglo American to earn and retain the trust of communities in which it operates, through improved management of its social and economic impacts, enhanced partnerships and environmental stewardship. One outcome of the company's enhanced reputation is the increased availability of local suppliers who are willing to do business, and a strengthened licence to operate, helping the company to gain an edge as an investor, business partner and employer.

Duration of competitive advantage: Market shaped to company's advantage

Explanation	Shape the market to company's advantage, creating barriers to entry or extra costs for competitors	
What level of the business does this apply to?	Corporate	✓
	Business Unit	✓
	Function	
	Product or service line	
What tools will help with quantitative analysis?	This may be covered in your business strategy, but futures techniques and scenarios can help to explore sustainability strategy in detail	

What will you need to estimate, so you can engage your finance and commercial colleagues?

Which ready reckoner can you use?	Quick calculator of IRR and NPV	
	Equivalent opportunities	✓
	Equivalent risks	
What up-front investment is needed?	Existing initiatives/up-front costs to gain these benefits include: <ul style="list-style-type: none"> management time to develop market-shaping strategy costs of initiatives that implement this strategy raising awareness among customers and stakeholders 	
How can you estimate the increase in income?	<ul style="list-style-type: none"> Possibilities to reduce costs by gaining preferential terms or access to suppliers, increasing revenue and market share If competitors struggle to compete on price or quality, some opportunities to increase market share or charge a premium Increased sales through improved reputation or brand awareness. This could bring new customers to the company and encourage existing customers to spend more 	
How can you estimate the increase in costs?	<ul style="list-style-type: none"> Ongoing costs to keep initiatives under way Ongoing costs to review and update strategy 	
What could be the indirect or intangible financial effects?	You may also want to think about these effects: <ul style="list-style-type: none"> improved perception in eyes of people who control or influence capital investment there may be long-term opportunities to shape customer demand so they are less likely to switch to competitors limit the likelihood of customers or suppliers choosing other options by locking them into the company's business shape the direction of technological innovation to where the business has a head-start or superior capabilities 	
What type of non-financial evidence could you use to investigate this?	<ul style="list-style-type: none"> Research on similar initiatives within the sector Expert opinion 	

M&S

M&S launched their ethical campaign 'Look behind the label' in 2006, inviting customers to look deeper into the M&S brand and promoting transparency on nutrition, animal welfare and sustainability. This was successful both in increasing brand perception and sales. For example, on switching to selling only Fairtrade, coffee sales rose by 27%. It also provided competitive advantage. Analysts at Citigroup calculated that M&S had at least a six-month lead on the four largest UK food retailers. In their view, by challenging consumers to 'Look behind the label' M&S had "increased pressure on its competitors to demonstrate their own efforts. The company's efforts to inform consumers on key topics of ethical procurement and production are contributing to the ongoing sales recovery and will underpin the brand's performance going forward."

Duration of competitive advantage: Recruitment

Explanation	Attract high-quality employees through enhanced reputation	
What level of the business does this apply to?	Corporate	✓
	Business Unit	✓
	Function	✓
	Product or service line	
What tools will help with quantitative analysis?	Your HR department or individual teams may have processes to monitor the number and quality of job applications	

What will you need to estimate, so you can engage your finance and commercial colleagues?

Which ready reckoner can you use?	Quick calculator of IRR and NPV	✓
	Equivalent opportunities	
	Equivalent risks	
What up-front investment is needed?	Existing initiatives/up-front costs to gain these benefits include: <ul style="list-style-type: none"> • building a strong brand reputation for sustainability • raising awareness among potential employees 	
How can you estimate the increase in income?	<ul style="list-style-type: none"> • Reduced recruitment costs, with high levels of good applications • Employing higher quality applicants provides a competitive advantage, helping the business take advantage of opportunities or identify risks before competitors 	
How can you estimate the increase in costs?	<ul style="list-style-type: none"> • Ongoing costs to keep initiatives under way • Ongoing costs to raise awareness among potential employees 	
What could be the indirect or intangible financial effects?	You may also want to think about these effects: <ul style="list-style-type: none"> • Employing highly skilled staff means that future sustainability initiatives will need less time and resources, reducing costs • Highly skilled staff also enable other pathways, for example, brand reputation, innovation and shaping the market 	
What type of non-financial evidence could you use to investigate this?	<ul style="list-style-type: none"> • HR data on the number and quality of recent applications • Surveys on the awareness of sustainability among potential applicants, and how important this is to them 	

In the past, some businesses with poor sustainability reputations have struggled to recruit the most highly-qualified employees. For example, following pollution incidents, application rates often fall.

Leading businesses have also seen the benefits of sustainability initiatives, with an increased number of job applications after significant sustainability announcements.

With rising awareness of sustainability issues, it is increasingly likely that potential employees will place an even greater importance on strong sustainability credentials in future.

Duration of competitive advantage: Early mover on emerging strategic issue

Explanation	Take prompt, coherent action on an emerging issue, achieving more effective response than by delaying	
What level of the business does this apply to?	Corporate	✓
	Business Unit	✓
	Function	
	Product or service line	
What tools will help with quantitative analysis?	This may be covered in your business strategy, but futures techniques and scenarios can help to explore sustainability strategy in detail	

What will you need to estimate, so you can engage your finance and commercial colleagues?

Which ready reckoner can you use?	Quick calculator of IRR and NPV	
	Equivalent opportunities	✓
	Equivalent risks	
What up-front investment is needed?	Existing initiatives/up-front costs to gain these benefits include: <ul style="list-style-type: none"> cost of management time to develop early mover strategy costs of initiatives that implement this strategy 	
How can you estimate the increase in income?	<ul style="list-style-type: none"> Increased sales through improved reputation or brand awareness. This could bring new customers to the company and encourage existing customers to spend more Identifying cost savings early, giving competitive advantage Increased possibilities of seeing future opportunities to take competitive advantage, for example product development Reduced risk of losing reputation or market share to competitors who might take early mover position 	
How can you estimate the increase in costs?	<ul style="list-style-type: none"> Ongoing costs to maintain initiatives Ongoing costs to review and update early mover strategy 	
What could be the indirect or intangible financial effects?	You may also want to think about these effects: <ul style="list-style-type: none"> early action can create barriers to entry for competitors early action demonstrates commitment on sustainability issues to customers, partners and opinion formers by developing employee skills and capabilities for sustainability, future initiatives may take less time and cost improved perception in eyes of people who control or influence capital investment 	
What type of non-financial evidence could you use to investigate this?	<ul style="list-style-type: none"> Futures scenarios and predictions Research on similar initiatives within the sector Expert opinion 	

B&Q

B&Q UK, part of the Kingfisher group, has a long history of innovation and leadership in the area of corporate sustainability. B&Q's partnership approach with WWF in the 1990s showed how the business engaged with an emerging issue. In 1993, this partnership led to B&Q becoming a founder member of the Forest Stewardship Council, which sets principles for good forestry management, and certifies forests against those criteria. As an early mover on this issue, B&Q improved its brand reputation and protected its supply chain from future risks. Additionally, by building its environmental expertise ahead of other businesses, it was able to set the agenda on subsequent sustainability issues and gain competitive advantage. In 2009 94% of the volume of wood sold by B&Q UK complied with its policy and all of its stores are covered by the company's chain of custody certifications.

Duration of competitive advantage: Access to key markets for growth

Explanation	Enable company to maintain or increase access to key markets for growth including: suppliers and source markets; markets for sales; Merger & Acquisition targets.	
What level of the business does this apply to?	Corporate	
	Business Unit	✓
	Function	✓
	Product or service line	
What tools will help with quantitative analysis?	This may be covered in your business strategy, but futures techniques and scenarios can help to explore sustainability strategy in detail	

What will you need to estimate, so you can engage your finance and commercial colleagues?

Which ready reckoner can you use?	Quick calculator of IRR and NPV	
	Equivalent opportunities	✓
	Equivalent risks	
What up-front investment is needed?	Existing initiatives/up-front costs to gain these benefits include: <ul style="list-style-type: none"> establishing initiatives that improve sustainability performance building a strong brand reputation cost of management time to research new markets time to build relationships with suppliers or new markets 	
How can you estimate the increase in income?	<ul style="list-style-type: none"> Increased revenue, based on initiatives that provide access to new markets Reduced costs, by being able to negotiate access to key resources, for example preferential terms or exclusivity 	
How can you estimate the increase in costs?	<ul style="list-style-type: none"> Ongoing costs to keep initiatives under way Time and resource commitments to maintain relationships 	
What could be the indirect or intangible financial effects?	You may also want to think about these effects: <ul style="list-style-type: none"> increased sales through improved reputation or brand awareness. This could bring new customers to the company and encourage existing customers to spend more improved perception in eyes of people who control or influence capital investment 	
What type of non-financial evidence could you use to investigate this?	<ul style="list-style-type: none"> Research on similar initiatives within the sector Expert opinion 	

Vodafone

In 2007, Vodafone launched a money transfer product in Kenya with Safaricom, known as M-PESA. This enables people to transfer money through their mobile phone, providing access to financial services for customers not able to utilise traditional banking products, and it also supports local economic growth. As well as the wider sustainability benefits, this helped to expand the market for mobile phone services and built brand loyalty. Vodafone's money transfer product is now available in Kenya, Tanzania and Afghanistan, and had 13 million registered customers across these markets by March 2010. Customers transferred over 270 billion Kenyan Shillings (US\$3.48 billion) during 2009/10, with less than US\$20 per transaction being transferred on average.

Duration of competitive advantage: Access to key financial resources for investment

Explanation	Enable company to maintain or increase financial capital for investment	
What level of the business does this apply to?	Corporate	✓
	Business Unit	✓
	Function	
	Product or service line	
What tools will help with quantitative analysis?	Many companies will have their own tools to measure this	

What will you need to estimate, so you can engage your finance and commercial colleagues?

Which ready reckoner can you use?	Quick calculator of IRR and NPV	
	Equivalent opportunities	✓
	Equivalent risks	
What up-front investment is needed?	Existing initiatives/up-front costs to gain these benefits include: <ul style="list-style-type: none"> establishing initiatives which improve sustainability performance strong financial/sustainability reporting and brand reputation 	
How can you estimate the increase in income?	<ul style="list-style-type: none"> Lower costs of obtaining financial capital, achieving improved access at lower rates Reduced risk that in future it will be difficult or expensive to obtain financial capital 	
How can you estimate the increase in costs?	<ul style="list-style-type: none"> Costs of maintaining initiatives that improve sustainability performance 	
What could be the indirect or intangible financial effects?	You may also want to think about these effects: <ul style="list-style-type: none"> perception improved in eyes of people who control or influence capital investment 	
What type of non-financial evidence could you use to investigate this?	<ul style="list-style-type: none"> Research on access to financial capital Expert opinion 	

Duration of competitive advantage: Access to partners for growth

Explanation	Enable company to build trust-based relationships with commercial and non-commercial partners that increase access to opportunities	
What level of the business does this apply to?	Corporate	✓
	Business Unit	✓
	Function	
	Product or service line	
What tools will help with quantitative analysis	This may be covered in your business strategy, but futures techniques and scenarios can help to explore sustainability strategy in detail	

What will you need to estimate, so you can engage your finance and commercial colleagues?

Which ready reckoner can you use?	Quick calculator of IRR and NPV	
	Equivalent opportunities	✓
	Equivalent risks	
What up-front investment is needed?	Existing initiatives/up-front costs to gain these benefits include: <ul style="list-style-type: none"> establishing initiatives that improve sustainability performance building a strong brand reputation for sustainability cost of management time to research and implement plans time to build relationships with potential partners 	
How can you estimate the increase in income?	<ul style="list-style-type: none"> Sales may directly increase, due to increased awareness and customer engagement from the partnership The partnership may also help to reduce costs There may be increased sales through improved reputation or brand awareness. This could bring new customers to the company and encourage existing customers to spend more 	
How can you estimate the increase in costs?	<ul style="list-style-type: none"> Ongoing costs to keep initiatives under way Time and resource commitments to maintain partnerships 	
What could be the indirect or intangible financial effects?	You may also want to think about these effects: <ul style="list-style-type: none"> Partnerships can inspire innovation or insights that help to identify potential opportunities or risks before competitors. Partnerships can also help with other pathways to value, for example risk reduction or efficiency Developing partnerships can improve brand reputation for those who influence capital investment Partnerships can motivate staff and encourage applications 	
What type of non-financial evidence could you use to investigate this?	<ul style="list-style-type: none"> Research on similar initiatives within the sector Expert opinion 	

M&S

In 2008, M&S began the Clothing Exchange in partnership with Oxfam. This gives a £5 M&S voucher to people who donate M&S clothing to Oxfam, and raised £1.8 million for charity work within a year. As well as helping M&S meet their Plan A targets, it also provided business benefits, with significantly higher basket spend from voucher-redeeming customers. This partnership was enabled by the strong sustainability credentials of M&S. David McCullough, Oxfam's trading director, said: "We vet any private sector organisation that we work with and have a very vigorous process that takes in their ethical standpoints, involvement in other countries, sourcing policy and labour standards."

Duration of competitive advantage: Building management qualities that enable enduring success

Explanation	Develop capabilities in individuals and the organisation's systems that enable enduring success through, for instance, an innovative culture, or people and systems that are prepared for an uncertain future	
What level of the business does this apply to?	Corporate	✓
	Business Unit	✓
	Function	✓
	Product or service line	
What tools will help with quantitative analysis?	Your HR department or individual teams may have processes to measure employee capabilities	

What will you need to estimate, so you can engage your finance and commercial colleagues?

Which ready reckoner can you use?	Quick calculator of IRR and NPV	✓
	Equivalent opportunities	
	Equivalent risks	
What up-front investment is needed?	Existing initiatives/up-front costs to gain these benefits include: <ul style="list-style-type: none"> establishing projects to improve sustainability performance adapting systems to make sustainable choices easier embedding sustainability in Human Resources processes good employee engagement programmes and training recruiting employees with sustainability capabilities or encouraging existing employees to enhance skills 	
How can you estimate the increase in income?	<ul style="list-style-type: none"> Developing skills and systems means that future sustainability initiatives will need less time and resources, reducing costs These skills and systems provide a competitive advantage, helping the business take advantage of opportunities or identify risks before competitors. They also enable other pathways, for example, innovation or shaping the market 	
How can you estimate the increase in costs?	<ul style="list-style-type: none"> Costs of maintaining employee skills and training Costs of maintaining initiatives that improve sustainability performance 	
What could be the indirect or intangible financial effects?	You may also want to think about these effects: <ul style="list-style-type: none"> initiatives such as this can improve other pathways, for example brand reputation, staff motivation or innovation 	
What type of non-financial evidence could you use to investigate this?	<ul style="list-style-type: none"> Staff research, exploring sustainability skills and awareness Research on similar initiatives within the sector Expert opinion 	

InterfaceFLOR

As a pioneering flooring business, InterfaceFLOR have been engaging employees on sustainability since 1994. According to Ramon Arratia, Sustainability Director, building sustainability awareness can give “fresh insights into streamlining processes for greater efficiency, re-tooling products so they are most cost-effective and employee strategies that build on what is best for your operations, culture and mission. In short, sustainability makes great organisations even greater.” For example, InterfaceFLOR’s culture helps all staff to understand sustainability, gives designers the freedom to experiment, and encourages innovation networks linking product developers with experts. This culture has led to new, innovative products which are both sustainable and profitable, and builds connections and skills that are a key part of InterfaceFLOR’s competitive advantage.

Reduced cash tax rate: Reduced payments to government

Explanation	Reduce tax payments through superior sustainability performance, for instance through avoided carbon taxes	
What level of the business does this apply to?	Corporate	✓
	Business Unit	✓
	Function	
	Product or service line	
What tools will help with quantitative analysis?	Your finance department may have tools for this. The Blind Spots tool will help you check for any other factors	

What will you need to estimate, so you can engage your finance and commercial colleagues?

Which ready reckoner can you use?	Quick calculator of IRR and NPV	
	Equivalent opportunities	✓
	Equivalent risks	
What up-front investment is needed?	Existing initiatives/up-front costs to gain these benefits include: <ul style="list-style-type: none"> • cost of management time to research and implement plans • operational expenditure on research and development • costs of equipment or other fixed assets (capital expenditure) • costs of training staff in new processes or systems 	
How can you estimate the increase in income?	<ul style="list-style-type: none"> • Reduced environmental penalties or taxation to government • Any reductions in cost through increased resource efficiency 	
How can you estimate the increase in costs?	<ul style="list-style-type: none"> • Costs of maintaining initiatives that improve sustainability performance 	
What could be the indirect or intangible financial effects?	You may also want to think about these effects: <ul style="list-style-type: none"> • Initiatives like this may encourage further innovation from those on the ground. For example, new ways of improving energy efficiency or more cost-effective processes • They may also increase staff involvement and morale and the wider brand reputation among customers, partners, potential future employees and investors • Increasing efficiency or reducing waste may provide product differentiation benefits, giving a competitive advantage 	
What type of non-financial evidence could you use to investigate this?	<ul style="list-style-type: none"> • Research on similar initiatives within the sector • Expert opinion 	

Lafarge Cement UK

Lafarge Cement UK is part of the global Lafarge Group, a world leader in building materials, and supplies six million tonnes of cement per year. To mitigate environmental impacts, the company recovers energy from waste streams such as scrap tyres and sewage, thereby reducing both waste and reliance on fossil fuels. Through a range of innovations, Lafarge Cement diverted more than 600,000 tonnes of waste per year. By 2005, this sustainability success had allowed Lafarge to reduce its landfill tax payments to government, saving the business £1.5 million per year. It also received an 80% reduction in the Climate Change Levy, equating to £9 million per year, by recovering energy from waste.

Reduced cost of capital: Reduced cost of financial capital

Explanation	Achieve a lower risk rating in capital markets leading to improved access to finance at a lower rate	
What level of the business does this apply to?	Corporate	✓
	Business Unit	✓
	Function	
	Product or service line	
What tools will help with quantitative analysis	Your finance department may be able to help with this	

What will you need to estimate, so you can engage your finance and commercial colleagues?

Which ready reckoner can you use?	Quick calculator of IRR and NPV	✓
	Equivalent opportunities	
	Equivalent risks	✓
What up-front investment is needed?	Existing initiatives/up-front costs to gain these benefits include: <ul style="list-style-type: none"> establishing projects to improve sustainability performance good financial/sustainability reporting and investor relations 	
How can you estimate the financial benefits?	<ul style="list-style-type: none"> Lower costs of obtaining financial capital, achieving improved access at lower rates of interest payments or dividend payments Reduced risk that in future it will be difficult or expensive to obtain financial capital 	
How can you estimate the increase in costs?	Rather than direct costs, there are indirect costs from: <ul style="list-style-type: none"> Costs and time to maintain initiatives that improve sustainability performance Costs and time to maintain high standards of sustainability reporting and good relationships with investors 	
What could be the indirect or intangible financial effects?	You may also want to think about these effects: <ul style="list-style-type: none"> Initiatives that build a positive corporate reputation among investors can also help to improve brand reputation with customers, partners and potential future employees over the long-term, a lower risk rating from investors helps to support business stability and success building relationships with investors can provide insights on other pathways to value, for example risk reduction or efficiency 	
What type of non-financial evidence could you use to investigate this?	<ul style="list-style-type: none"> Research on risk ratings within financial sector, for example by ratings agencies such as S&P and Moody's Expert opinion 	

Appendix: sources

Some of the sources we looked at were:

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This project has been kindly supported by Forum's Foundation Corporate Partners:



Version 1.1 | June 2010

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