Sustainable Return on Investment (ROI)
Determine the investment return of your sustainability project

Emerging Markets Multinationals Network For Sustainability (EMM) &
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)

Philipp Kruschel, 31st March 2016
The Emerging Market Multinationals Network for Sustainability (EMM) is a growing network of currently more than 250 leading sustainability managers and executives of multinational companies that are based or are operating in emerging economies. The EMM network works on developing and implementing progressive sustainability and environmental standards, turning them into successful business solutions that benefit the companies, their customers, stakeholders and the environment. The EMM network ensures that insights from these business solutions feed into global fora and processes such as the G20, the OECD, or the World Economic Forum.

For more information, please visit our homepage:
www.emsdialogues.org
OUR MODEL INITIATIVES

Sustainable Mining
We support stakeholders of the mining-industry to transform the nature of their business in a more sustainable one.

Sustainable Infrastructure
We link infrastructure with the sustainable development agenda in order to jointly shape sustainable infrastructure development in the future.

Sustainable Textiles
We foster exchange on Sustainability in the textiles and garment sector in order to introduce better environmental and social conditions in this key sector of many economies.

Sustainable Return on investment (ROI)
We develop and apply concrete measures for the integration of sustainability aspects into company internal financial and strategic decision-making.
WHERE WE ARE

- Germany
- China
- Mexico
- Brazil
- Chile
- India
- Thailand
- Malaysia
- Indonesia

03/31/2016
MODEL INITIATIVE: SUSTAINABLE RETURN ON INVESTMENT (ROI)

Conventional cost-benefit analysis (CBA) only accounts for the cash (economic) benefits of investment projects.

But sustainability initiatives usually address environmental and/or social issues of our society and lead to non-cash (non-economic) benefits.

Rewards of sustainability projects are therefore neglected in conventional CBA and do not generate the recognition and incentives they deserve.
MODEL INITIATIVE:
SUSTAINABLE RETURN ON INVESTMENT (ROI)

Sustainable ROI techniques offer an appropriate documentation and/or quantification of non-cash benefits and externalities of sustainability investments.

- More transparency
- More certainty
- Sustainability as integral part of business planning
MODEL INITIATIVE:
SUSTAINABLE RETURN ON INVESTMENT (ROI)

Previous work stream

• In cooperation with Centro de estudos em sustentabilidade of the Fundação Getulio Vargas (GVces), the EMSD launched a pilot project on Sustainable ROI in Brazil (2015/2016)
• In total 7 companies participated and 12 project cases were analyzed
• Another replication is planned in Mexico (2016)

Partner and company participants in Brazil

FGV
GVces
Centro de Estudos em Sustentabilidade da EAESP

SIEMENS

CEPT

Odebrecht

Grupo Boticário

CPFL

Adidas

AES Brasil

Votorantim Cimentos
## MODEL INITIATIVE:
### SUSTAINABLE RETURN ON INVESTMENT (ROI)

**GIZ/EMM PROJECT IMPLEMENTATION IN BRAZIL (APR - DEC 2015)**

<table>
<thead>
<tr>
<th>Project area</th>
<th>Project description</th>
<th>Outcomes</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SIEMENS</strong></td>
<td></td>
<td></td>
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<tr>
<td>Life cycle and reverse logistics</td>
<td>Reduction of medical waste</td>
<td>• Volunteering project has potential for replication</td>
</tr>
<tr>
<td>Community capacity building and volunteering</td>
<td>Volunteering</td>
<td>• Cost savings through waste treatment</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Sustainable ROI included in internal CBA</td>
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<tr>
<td><strong>grupo boticário</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Eco-efficiency</td>
<td>Reduction of energy consumption</td>
<td>• Cost savings through reduction of energy consumption &amp; waste treatment</td>
</tr>
<tr>
<td>Reverse logistics</td>
<td>Repacking and reverse logistics of products</td>
<td>• Marketing/advertising effects</td>
</tr>
<tr>
<td>Other</td>
<td>Social and environmental risk and spontaneous media</td>
<td>• Sustainable ROI included in internal CBA</td>
</tr>
<tr>
<td><strong>adidas</strong></td>
<td></td>
<td></td>
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<tr>
<td>Reverse logistics (2 projects)</td>
<td>Reverse logistics of products</td>
<td>• Cost savings through waste treatment</td>
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<td><strong>Votorantim Cimentos</strong></td>
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<tr>
<td>Stakeholder engagement and suppliers development</td>
<td>Territorial development</td>
<td>• Cost reductions in licensing/contracting</td>
</tr>
</tbody>
</table>

03/31/2016
# MODEL INITIATIVE: SUSTAINABLE RETURN ON INVESTMENT (ROI)

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</thead>
<tbody>
<tr>
<td>Eco-efficiency</td>
<td>Installation of a concrete waste recycling system</td>
<td>• Cost savings through reduction of water consumption, licensing and contracting</td>
</tr>
<tr>
<td>ODEBRECHT</td>
<td>Stakeholder engagement and suppliers development</td>
<td>Supply chain development</td>
</tr>
<tr>
<td>CPFL ENERGIA</td>
<td>Community capacity building and volunteering</td>
<td>Electricians training</td>
</tr>
<tr>
<td>AES Brasil</td>
<td>Eco-efficiency</td>
<td>Installation of water recycling system</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Cost savings through reduction of water consumption</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Sustainable ROI included in internal CBA</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Similar projects are already in planning</td>
</tr>
</tbody>
</table>
MODEL INITIATIVE:
SUSTAINABLE RETURN ON INVESTMENT (ROI)

GIZ/EMM PROJECT IMPLEMENTATION IN BRAZIL (APR - DEC 2015)

Summary of project outcomes

- Company participants started to integrate Sustainable ROI methodologies in their internal cost-benefit analysis
- Better understanding of how sustainability and the financial area relate
- Greater awareness of sustainability issues as integral part of the business operation
- Company participants felt better prepared for upcoming sustainability standards and regulations, regarding reverse logistics, the carbon market, water in the São Paulo region etc.
MODEL INITIATIVE:
SUSTAINABLE RETURN ON INVESTMENT (ROI)

“Sustainable ROI reveals the hidden value in projects.”
David Lewis, PhD
HDR National Director, Economics & Finance

GIZ/EMM Project implementation in China/Beijing:
April - December 2016

GIZ/EMM is looking for companies, willing to explore the value of their sustainability initiatives

Our objectives

• Reveal and quantify the “true value” of your investment project
• Enhance your understanding of the Sustainable ROI methodologies and determinants
• Use your case study to highlight the connections between your business model and sustainability
• Enable you to apply tools and techniques that improve your strategic decision-making
MODEL INITIATIVE: SUSTAINABLE RETURN ON INVESTMENT (ROI)

We want to determine the investment return of your sustainability project: Expected timeframe of project implementation in China: 9-12 months

Project timeline

<table>
<thead>
<tr>
<th>Mar ‘16</th>
<th>End of May ‘16</th>
<th>Aug ‘16</th>
<th>TBD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Workshop I</td>
<td>Workshop II</td>
<td>Workshop III</td>
<td>Workshop IV</td>
</tr>
<tr>
<td>Introduction of project and methodology</td>
<td>Model development</td>
<td>Company follow-up</td>
<td>Presentation of results</td>
</tr>
</tbody>
</table>

Data gathering

03/31/2016