SUSTAINABLE BRANDS

The Bridge to Better Brands

# THE NEW FINANCIAL METRICS OF SUSTAINABLE BUSINESS:

## A Practical Catalog of 20+ Trailblazing Case Studies

FEATURING THESE BRANDS + MANY MORE

# INTRO

## “The great part of the miseries of mankind are brought upon them by false estimates they have made of the value of things.“

## – Benjamin Franklin, 1780

Innovation for sustainability is quickly approaching mainstream attention, especially at Fortune 500 companies. As many stakeholders — including, but not limited to, customers, employees, and investors — re-evaluate their perception of business value, it is becoming clear that executives of all industries would be smart to upgrade the ways their teams measure, analyze and innovate along the entire range of benefits and costs for which they are responsible.

In line with our mission to inspire, engage and equip all brands to succeed by leading a shift to a sustainable global economy, Sustainable Brands® continues to aggregate, digest and share leading-edge approaches to conceiving and applying #NewMetrics – metrics that allow business leaders to capture entirely new forms of business value, or quantify previously ignored economic, social and environmental impacts and opportunities.

This paper presents a collection of more than 20 case studies around practical new financial metrics in particular. I often hear from leaders within the Sustainable Brands community that, while all #NewMetrics have their place in advancing corporate sustainability, the ones that involve dollar signs (or the signs of other currencies) are particularly useful. That is why, as we gear up to celebrate 5 years of #NewMetrics conferences and thought leadership this fall, I thought it would be valuable to highlight some cream-of-the-crop cases of applicable new financial metrics that have stood out between 2011 and 2015.

The list of cases included here is by no means exhaustive – it is intended to be a representative sample of dozens of compelling applications of new financial metrics. Think of it as my personal mixed tape of ‘greatest hits’ of the first 5 years of #NewMetrics. I invite you to add to it by sharing equally impressive ‘hits’ you have encountered in your own journey. I also encourage you to share the metrics presented here with relevant decision-makers in your organization, and challenge you to consider adopting them – there is a lot of potential upside, as you will discover on the pages that follow.

Enjoy!

Dimitar Vlahov

Director of Content Development

Sustainable Brands

## POTENTIAL

**To increase the share of a company's product portfolio that thrives on sustainable attributes.**

## NEW METRIC

**Relative revenue growth rate of sustainable product categories compared to the rest of a company's product portfolio.**

## CASE STUDIES

**Unilever** has been overwhelmingly recognized as a leader in sustainability globally, ever since it launched its ambitious and wide-ranging Sustainable Living Plan. Now, four years into its efforts to make sustainable living commonplace, the company is seeing very promising results – many of Unilever's brands that have led the way on sustainable living, such as Dove, Lifebuoy, Ben & Jerry's and Comfort, are achieving above average growth, with high single and double digit sales over the past three years.[1]

More specifically, in a direct quote from **CEO Paul Polman**, "In a volatile world of growing social inequality, rising population, development challenges and climate change, the need for businesses to adapt is clear, as are the benefits and opportunities. This calls for a transformational approach across the whole value chain if we are to continue to grow. Consumers are recognizing this too, increasingly demanding responsible business and responsible brands. Our experience is that brands whose purpose and products respond to that demand – 'sustainable living brands' – are delivering stronger and faster growth.  These brands accounted for **half the company's growth in 2014 and grew at twice the rate of the rest of the business.**[2]"


1 http://www.unilever.com/news/press-releases/2015/Unilever-sees-sustainability-supporting-growth.html

2 http://www.unilever.com/news/press-releases/2015/Unilever-sees-sustainability-supporting-growth.html

## CASE STUDIES (CONT.)

**Target** and **GE** are two other examples of companies that have explicitly reported that sustainability-driven subsets of their product portfolios are demonstrating superior performance.

For the past several years, **Target** has been on a journey to expand its selection of sustainable products that effectively balance price, performance and convenience. Specifically, the spotlight has been on three significant initiatives: the Target Product Standard, the Beauty and Personal Care Summit (in pre-competitive collaboration with rival Walmart), and the Made to Matter program, which launched in 2014 as a curated collection of more than 120 new and exclusive products from 16 (expanded to 31 in 2015) food and personal care brands already known for their commitment to environmental and social sustainability. Brands participating in Made to Matter include **Burt's Bees**, **Horizon Organic**, **Kashi**, **Method**, **Plum Organics**, **Seventh Generation**, **SheaMoisture** and **Yes To**, among others.[1]

One year into delivering Made to Matter on its shelves, Target has clear evidence for the program's excellent performance: in their first year, sales of Made to Matter products grew twice as fast at Target as they did elsewhere in the marketplace; Made to Matter brands are seeing a 25% overall spike in sales since the launch of the program; and Made to Matter products at Target are projected to bring in **$1 billion** in 2015.[2] This comes as no surprise, given that in 2013 98% of Target shoppers purchased natural and organic products, and sales of natural and organic products at Target grew 1.5 times the industry average and 4 times as much as the Target total grocery business.[3]

At **GE**, the ecomagination product line – the company's commitment to technology solutions that save money and reduce environmental impacts for its customers and GE's own operations – has generated more than **$200 billion** in revenue since its launch in 2005.[4] In 2014 the company reported that it was growing revenues from **ecomagination** offerings at **twice the rate of total company revenue**.[5]



1 http://www.sustainablebrands.com/digital_learning/campaign_video/products_design/target_made_matter

2 http://www.sustainablebrands.com/digital_learning/slideshow/brand_innovation/how_inform_justify_expand_product_portfolio_shift_favor_

3 http://www.sustainablebrands.com/digital_learning/slideshow/brand_innovation/how_inform_justify_expand_product_portfolio_shift_favor_

4 http://www.ge.com/about-us/ecomagination

5 http://www.sustainablebrands.com/news_and_views/new_metrics/mike_hower/ge_generates_28_billion_sustainability_rd_

# POTENTIAL

## To increase the share of a company's product portfolio that thrives on sustainable attributes.

# NEW METRIC

## Share of total company revenue explicitly linked to sustainability-driven product attributes.

# CASE STUDIES

In order to better help its customers align environmental and societal considerations with business success, **BASF** has developed a new process for steering its portfolio based on sustainability criteria. Known as the Sustainable Solution Steering method, the process is used to systematically review and evaluate the sustainability aspects of **85%** of the approximately 50,000 product applications in the company's portfolio, which represent sales of **€56 billion ($62 billion)**. The analysis took a couple of years to complete, involved 1500 experts, and resulted in more than a thousand – **yes, a thousand** – specific plans for changing or phasing out products in the name of overall value-chain sustainability performance.[1]

In the initial phase, 22% of analyzed products were found to be 'Accelerators,' making a substantial contribution in the value chain to sustainability; 72% of products were found to be 'Performers,' solutions that meet current standard market requirements for sustainability; 4.5% were found to be 'Transitioners,' i.e. products in which specific sustainability issues have been identified and concrete action plans defined; and 0.5% were labeled 'Challenged,' as they cause significant sustainability concern. [2]



In another equally compelling case, sustainability all-star **Marks & Spencer** announced at the end of 2014 that more than **60%** of its products, or about 2 billion products, have at least one explicitly desirable sustainable attribute. What's perhaps even more impressive is that the number of such products has doubled in only two years.[3] Details can be found in the latest Plan A progress report, which also notes that the annual net benefit of Plan A has gone up from **£145 million ($227 million)** in 2013/14 to **£160 million ($251 million)** in 2014/15.[4]

1 http://www.sustainablebrands.com/digital_learning/event_video/new_metrics/how_influence_many_markets_once_next-level_applied_sustaina

2 http://www.sustainablebrands.com/digital_learning/event_video/new_metrics/how_influence_many_markets_once_next-level_applied_sustaina

3 http://www.triplepundit.com/2014/12/marks-spencer-60-products-sustainable/

4 http://planareport.marksandspencer.com/M&S_PlanAReport2015_Performance.pdf

## POTENTIAL

### To increase the share of a company's product portfolio that thrives on sustainable attributes.

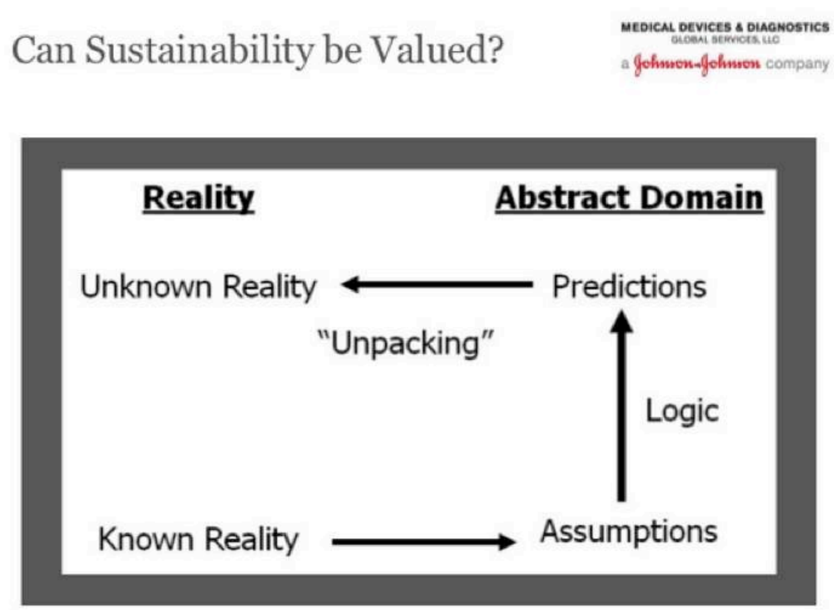
## NEW METRIC

### Revenue gain (or loss) associated with being perceived as a product category leader (or not).

## CASE STUDY

A few years ago, **Johnson & Johnson**'s Medical Devices and Diagnostics (J&J MD&D) unit looked into a range of financial benefits and costs related to sustainability, including the potential revenue gain (or loss) of being seen as a product category leader by customers (or not). Realizing that a majority of hospitals (J&J's clients in this case) are incorporating sustainability considerations into their purchasing decisions, J&J MD&D analyzed its product portfolio relative to the level of market leadership that would win over customers in each subcategory. This new financial model essentially focused on various degrees of 'product stewardship' acting as sales differentiators, or not – thus either helping increase market share or putting some revenue at risk of being lost to competitors.

A number of 'product stewardship' attributes (i.e. chemicals of concern, recycled material in product and packaging, product end-of-life scenarios, etc.) were analyzed and the final results proved to be well worth the effort and data collection: J&J found product innovation paths that could bring in **$40 million** in new revenue streams, while also uncovering realistic scenarios in which losses of up to **$100 million** could be imminent. The team walked away from this project reminded that the Medical Devices and Diagnostics unit cannot rest on its laurels and furthermore, that integrating sustainability into product innovation is critical for maintaining and advancing market leadership.[1]




1 http://www.sustainablebrands.com/digital_learning/slideshow/conquering-uncharted-territory-roi-sustainability

## POTENTIAL

**To develop successful Net Positive business models as a vehicle for reimagining brands for true long-lasting sustainability.**

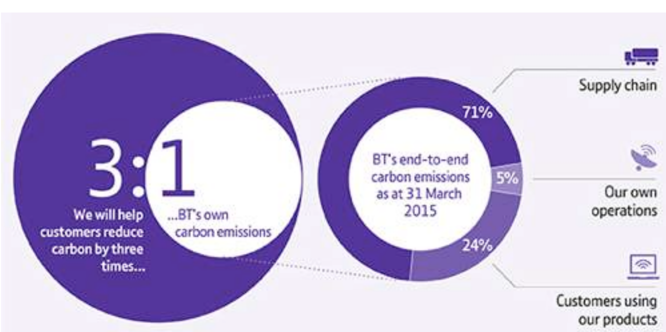
## NEW METRIC

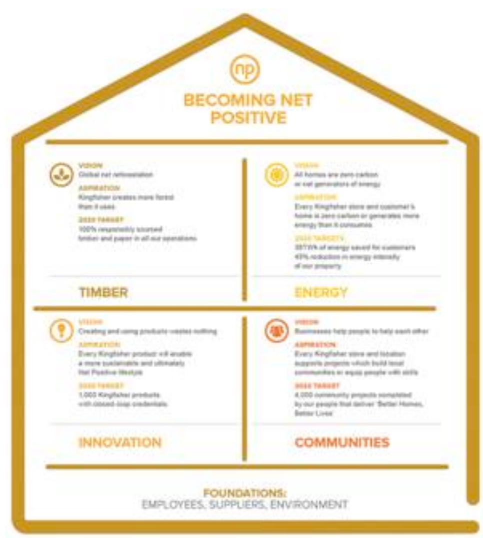
**Cost savings or new revenue resulting from Net Positive innovation models.**

## CASE STUDIES

In its broadest sense, 'Net Positive' means putting more back into the environment or society, or both, than a company takes out, with a resulting positive corporate footprint.[1] Thought leaders on this topic include Forum for the Future, WWF, The Climate Group and The ThriveAbility Foundation, among others. The ThriveAbility Foundation has a beautiful way of illustrating Net Positive as a key step on the ThriveAbility Continuum, going from net negative (business as usual), to incremental improvements (basic CSR or early sustainability), to sustainable (with respect to all vital capitals), to net positive or regenerative, to gross positive or thriveable.[2]

At least several ambitious brands – including **Kingfisher**, **BT**, **Dow Chemical**, **Dell**, and **Natura**, among others – have announced Net Positive commitments to date, typically with respect to carbon, though a few, such as Kingfisher, Dow and Natura, go deeper than that to include a wider range of environmental and social dimensions. Among these companies, Kingfisher and BT have already reported impressive financial performance specifically tied to their Net Positive ambitions. Both companies have launched sizeable product innovation efforts and other initiatives to power their Net Positive programs, and it seems to be paying off. In its 2015 Net Positive review **Kingfisher** is reporting that it's generating **£600 million (about $941 million)** in savings for its customers this year from energy-efficient products and other services inspired by the Net Positive strategy, all while bringing in **£2.4 billion (about $3.77 billion)** in sales of 'eco products.' [3] **BT**, in turn, estimates that the products and services responsible for carbon-abatement benefits for its customers generated revenues of **£3.1 billion (about $4.9 billion)** globally in 2014.[4]




1 http://www.theclimategroup.org/_assets/files/Net-Positive.pdf

2 http://www.sustainablebrands.com/digital_learning/slideshow/behavior_change/path_net_positive_principles_practical_models_progress_da

3 http://www.kingfisher.com/netpositive/files/reports/cr_report_2015/2015_Net_Positive_Review.pdf

4 http://www.btplc.com/betterfuture/betterfuturereport/pdf/2014/Better_Future_report2014-complete_report.pdf

P&G Sprint

## POTENTIAL

**To advance toward a circular material economy by reducing waste and recovering valuable materials at the end of products' useful lives.**

## NEW METRIC

**Cost savings or new revenue resulting from recycling initiatives, reducing waste to landfill, and product take-back programs.**

## CASE STUDIES

Aiming to ramp up a nascent but promising movement toward a broader circular economy, a number of global brands, entrepreneurs, non-profits and academics have recently claimed they see circular business models as the most economically and environmentally promising shape of future corporate success. Compelling recent research led by the Ellen MacArthur Foundation indicates that Europe alone could benefit a net of **€1.8 trillion ($2 trillion)**, or €0.9 trillion ($1 trillion) more than in the current linear development path, from circular economy innovation by 2030.[1]

Promising specific company case studies are starting to show up. One such example is **Procter & Gamble**, a multinational giant that is already seeing about half (70 out of 142) of its manufacturing facilities reach zero-waste-to-landfill status. That reduction in manufacturing waste alone has created **$2 billion** in value for P&G in the last 7 years.[2]


Another compelling case hails from **Sprint**. In 2001, Sprint developed the first phone take-back program and in early 2010 was the first to take back other carriers' devices and provide an instant in-store credit, putting more than **$250 million** back in customers' pockets through its Buyback program in 2014 alone. That same year, Sprint bought back more than 3 million phones and remanufactured more than 80% of them as certified pre-owned devices. By using these remanufactured phones to support replacement devices through its handset insurance program, the company has avoided more than **$1 billion** in operating cost to the business to date.[3]

1 http://www.ellenmacarthurfoundation.org/business/reports and http://www.sustainablebrands.com/news_and_views/next_economy/sustainable_brands/trending_even_yet_still_more_evidence_pointing_busine

2 http://www.sustainablebrands.com/digital_learning/slideshow/collaboration/how_close_material_loops_drive_value_innovative_partnership_

3 http://newsroom.sprint.com/analysts/releases/did-you-know--sprint-buyback-program-feb-2015.htm

## POTENTIAL

**To analyze the true natural capital cost of a company's products from raw materials to product delivery, in order to better manage the company's relationship with the natural environment.**

## NEW METRIC

**Environmental impact values, quantified across the value chain and expressed in monetary terms in an environmental P&L statement.**

## CASE STUDIES

Inspired by **Puma's** pioneer efforts in this area in 2011, in 2013 **Kering** – parent company of Puma and some 20 other brands, including **Gucci**, **Stella McCartney**, **Saint Laurent**, **Alexander McQueen**, **Balenciaga**, and **Volcom** – launched a bigger, more comprehensive Environmental Profit and Loss (E P&L) analysis covering all brands in its portfolio. The E P&L is a new way of estimating the true cost resulting from business activities across the supply chain, measuring and quantifying greenhouse gas emissions, water use, water and air pollution, waste production and land use in explicit monetary terms, from raw materials all the way through to manufacturing. The 2013 Kering Group EP&L account revealed that the combined environmental cost of Kering's supply chain is **€773 million (about $861 million)**, with over 50% of all impacts associated with raw material production (Tier 4 suppliers).[1] In response, and as part of its overall sustainability commitment, Kering has been focusing on sustainable production of key raw materials, developing innovative solutions for improved manufacturing processes, and enhancing efficiency in its stores and facilities, and transport of goods. The company has also released the E P&L methodology as an open-source tool[2] to encourage other corporations to clarify their impact on the environment, thus broadly supporting the development of corporate accounting of natural capital.


1 http://www.sustainablebrands.com/news_and_views/new_metrics/caitlin_kauffman/kering_releases_epl_methodology_encourage_wider_adoption

2 http://www.kering.com/en/press-releases/kering_open-sources_environmental_profit_and_loss_account_methodology_to_catalyse

## POTENTIAL

**To understand the value of ecosystem services as potential alternatives to man-made infrastructure and incorporate them into core business planning.**

## NEW METRIC

**Cost savings or new revenue resulting from valuing natural capital as business infrastructure.**

## CASE STUDY

Since 2009, **Dow Chemical** and **The Nature Conservancy** have combined forces to help Dow and the broader business community recognize, value and incorporate nature into global business goals, decisions and strategies. For one project near Dow's Texas Operations facility in Freeport, Texas, they studied a healthy river (The Brazos River) that provides inexpensive, reliable water. Understanding this value will most likely change due to climate change and an increasing demand for fresh water, particularly in urban areas, researchers analyzed five water scarcity solutions that involved nature and collaboration with other water users, identifying three that were cost-competitive with corresponding traditional solutions. The three innovative solutions in question involve restoring floodplains to expand reservoir storage, financing irrigation-efficiency technology, and establishing a municipal rebate program for low-flow toilets or low water use landscaping.[1] These three solutions would also provide extra benefits to the public and biodiversity (i.e. over and above the basic function they would serve for Dow) amounting to **$320 million** over a 30-year period, as detailed in the table below.[2] Dow has also pledged to deliver **$1 billion** in cost savings or new cash flow by 2025 by valuing nature in other business decisions.[3]

| Solution | Cost-effective | Water supply | Public benefits and costs (30 yr PV or qualitative) | Biodiversity benefit or impact |
|---|---|---|---|---|
| Irrigation efficiency | Yes | Low | • Environmental flows (US$10 million)<br>• Farm operations savings (US$7 million)<br>• Soil conservation (US$6 million)<br>• Avoided costs from reduced pesticide use and nutrient runoff | • Improved flows for riverine species |
| Municipal rebate program | Yes | Low | • Environmental flows (US$12 million)<br>• Lower utility costs (US$285 million)<br>• Decreased operating costs for treatment plants | • Improved flows for riverine species Native plant habitat (e.g., xeriscaping) |
| Reservoir flood pool reallocation | Yes | Medium | • Environmental flows<br>• Enhanced riverine recreation, negative impacts to lake (reservoir) recreation<br>• Reduced or unchanged flood reduction benefits | • Improved flows for riverine species<br>• Floodplain habitat (400 ha) |

1 http://www.sustainablebrands.com/news_and_views/new_metrics/caitlin_kauffman/dow_tnc_study_highlights_benefits_valuing_ecosystem_serv

2 http://www.sciencedirect.com/science/article/pii/S2212041614001582

3 http://www.sustainablebrands.com/news_and_views/organizational_change/sustainable_brands/businesscase_2025_dow_expects_1b_cost_saving

## POTENTIAL

**To hold business units financially responsible for the cost of reducing and offsetting carbon.**

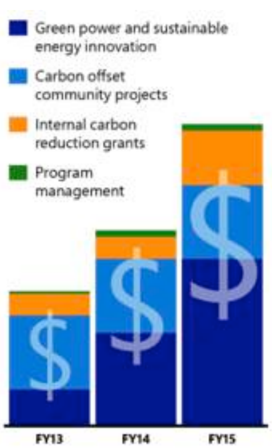
## NEW METRIC

**Cost savings resulting from the implementation of an internal carbon price.**

## CASE STUDY

Back in 2012, **Microsoft** made a company-wide commitment to carbon neutrality. To help reach that goal, the company put in place a carbon fee program intended to help internalize the external carbon-based impacts of the company's operations. Conducted under the motto, "Be lean, be green, be accountable," the program assigns a dollar amount to carbon and then incentivizes all business units to make more environmentally responsible choices by charging them for emissions from data centers, offices, labs and air travel. The impact of the fee has been significant, and Microsoft has realized a number of benefits with respective collected funds. Specifically, the company has purchased more than 10 billion kilowatt-hours (kWh) of green power, reduced its emissions by 7.5 million metric tons of carbon dioxide equivalent (mtCO2e), had an impact on more than 3.2 million people in emerging nations through carbon offset community projects, and saved more than **$10 million** in operating costs per year.[1] The program has played an important role in making the costs associated with carbon tangible across the company and, furthermore, it has also created a virtuous cycle of environmental responsibility within the whole organization — inspiring action that delivers results, which in turn raises greater awareness and inspires further action.[2]

Similar internal carbon pricing schemes have also been adopted by **Shell**, **Disney**, **Ben & Jerry's** and **EMC**, among others. It's also worth noting that research has shown that offsetting **one ton of carbon dioxide brings an additional $664** in benefits to the communities where carbon-reduction projects are based, thus making such efforts even more valuable.[3]





1 http://www.sustainablebrands.com/news_and_views/ict_big_data/tj_dicaprio/businesscase_internal_carbon_fee_saves_microsoft_over_1

2 http://aka.ms/uplift

3 http://www.sustainablebrands.com/news_and_views/new_metrics/mike_hower/report_carbon_credits_bring_664_ton_additional_benefits_local_

## POTENTIAL

**To leverage mainstream media and popular social media channels in engaging customers on key sustainability messages.**

## NEW METRIC

**The value of earned media through the virality of breakthrough marketing campaigns dedicated to sustainability messaging.**

## CASE STUDY

Beyond simply selling burritos, chips, and other Mexican-inspired fare, **Chipotle** is on a mission to change the way people think about and eat fast food. The company has found creative, thought-provoking, and humorous ways to articulate its sustainable agriculture commitments to its customers, all while spending next to nothing on TV advertising. Chipotle has mastered viral online content marketing in efforts to spark effective genuine connection with customers.

In 2011, Chipotle created one of its most notable content marketing ads: a two-minute animated short film, "Back to the Start." The short, with music by Willie Nelson, traces the story arc of a farmer developing and expanding his operations to include more industrial equipment and practices, but ultimately opting to revert his farm back to simpler, healthier practices. The film is a brand narrative piece that addresses issues central to Chipotle's commitment to sustainable agriculture and food with integrity.

In 2013, the company followed "Back to the Start" and increased awareness of its "Food with Integrity" commitment with a mobile game and accompanying short film, both titled "The Scarecrow." The short, featuring music by Fiona Apple, aims to expose the disadvantages of conventional farming practices through the exploits of the eponymous protagonist, a scarecrow, who is troubled by what he sees at his job in a dramatized food factory. The overall goal was to engage the company's customers actively and explicitly, as a step up from "Back to the Start."

While it can be notoriously difficult to attribute business outcomes to specific marketing efforts, it does appear the brand has enjoyed some considerable returns on these unique content marketing efforts. In the same quarter as the release of "Back to the Start," system-wide sales were up 25.8% (23.4% for the year) and market share grew nearly 3 percentage points. "The Scarecrow" was viewed 5.5 million times in the first week, to date totaling over 500 million media impressions, a result that would have cost the company an estimated **$7 million**,[1] had it been delivered via paid TV spots rather than via YouTube. Not only did "The Scarecrow" earn remarkable exposure, but some of the 15% increase in same-quarter profit and 20.3% increase in sales can surely be attributed to that campaign.[2]


1 http://www.adweek.com/news/advertising-branding/mark-crumpackers-farm-friendly-pitch-chipotle-160383

2 http://e.sustainablebrands.com/resources-case-studies-collection1-reaching-new-heights-in-sustainability.html

## POTENTIAL

**To leverage mainstream media and popular social media channels in engaging customers on key sustainability messages.**

## NEW METRIC

**Amount spent on breakthrough marketing campaigns dedicated to sustainability messaging.**

## CASE STUDY

There is often a noticeable difference in both thinking and behavior between Sustainability teams and Marketing teams. While Sustainability leaders are rallying everyone to 'save the world' with them, Marketing executives' first reaction is to frown at the complex sustainability agendas shoved in front of them. Indeed, marketers can feel that sustainability limits their creativity – after all, sustainability colleagues often seem to bring a dense, grim, wonky load of reality checks and demands.

**Heineken** has been keenly aware of this difference for years and has taken some interesting steps to alleviate this friction. Its most recent series of sustainability-inspired commercials has been cleverly and entertainingly designed to appeal to both Marketing and Sustainability. Known as Enjoy Heineken Responsibly, this multi-pronged campaign features a number of ads and some unique social experiments demonstrating the aspirational value of moderate consumption of alcohol. So far, Enjoy Heineken Responsibly has been activated in more than 40 markets, with more than **€18 million ($20 million)** spent on it per year to date. Crucially, Heineken is explicitly dedicating **10%** of its media budget in its main markets to Enjoy Heineken Responsibly going forward.[1]


1 http://www.sustainablebrands.com/digital_learning/slideshow/marketing_comms/how_intersect_sustainability_marketing_sell_more_selling_

## POTENTIAL

To enable smarter, company-wide decisions and policies around human resources.

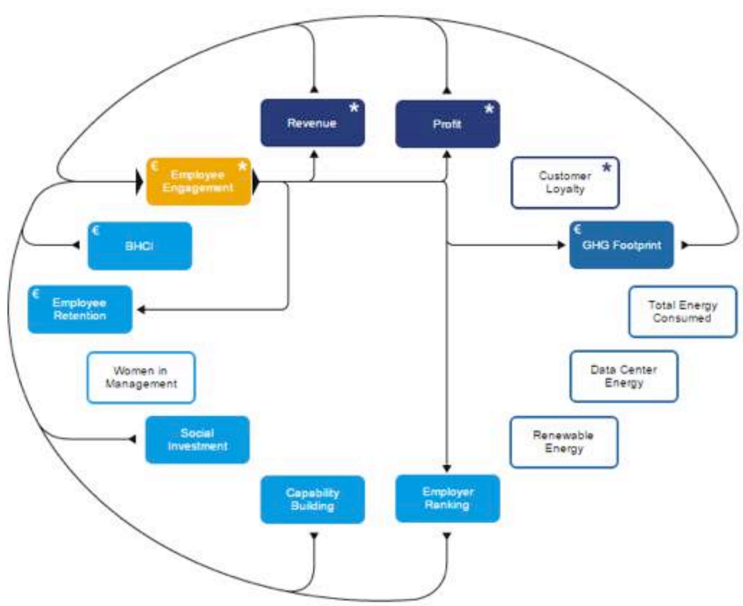
## NEW METRIC

Cost savings resulting from employee engagement leading to better employee retention, loyalty and pride.

## CASE STUDY

**SAP** has found that its operating profit improves between **€35 million (about $38 million)** and **€45 million (about $49 million)** when its Employee Engagement Index rises one percentage point, according to the company's 2014 integrated report.[1] The financial impact of a higher employee engagement index results, among other things, from the fact that dedicated employees are more innovative and absent from work fewer days. Likewise, because they are more loyal to the company, there is less missed revenue and less recruiting and training costs traditionally associated with higher turnover rates. The Employee Engagement Index is a score reflecting the level of employee commitment, pride and loyalty, along with an assessment of employees' level of being conscious advocates for their company. The index is calculated based on the results of regular employee surveys.[2]

In addition, for each percentage point of change in SAP's Business Health Culture Index, the impact on operating profit is between **€65 million (about $71 million)** and **€75 million (about $82 million)**. The Business Health Culture Index is a measurement standard that provides information on the culture of organizational health at SAP. It covers questions concerning how employees rate their personal well-being and the working conditions at SAP, including its leadership culture.[3]




1 http://www.sustainablebrands.com/news_and_views/new_metrics/mike_hower/sap_increased_employee_engagement_helping_bottom_line

2 http://sapintegratedreport.com/2014/en/performance/social-performance/employees-and-social-investment.html

3 http://www.sustainablebrands.com/news_and_views/new_metrics/mike_hower/sap_increased_employee_engagement_helping_bottom_line

## POTENTIAL

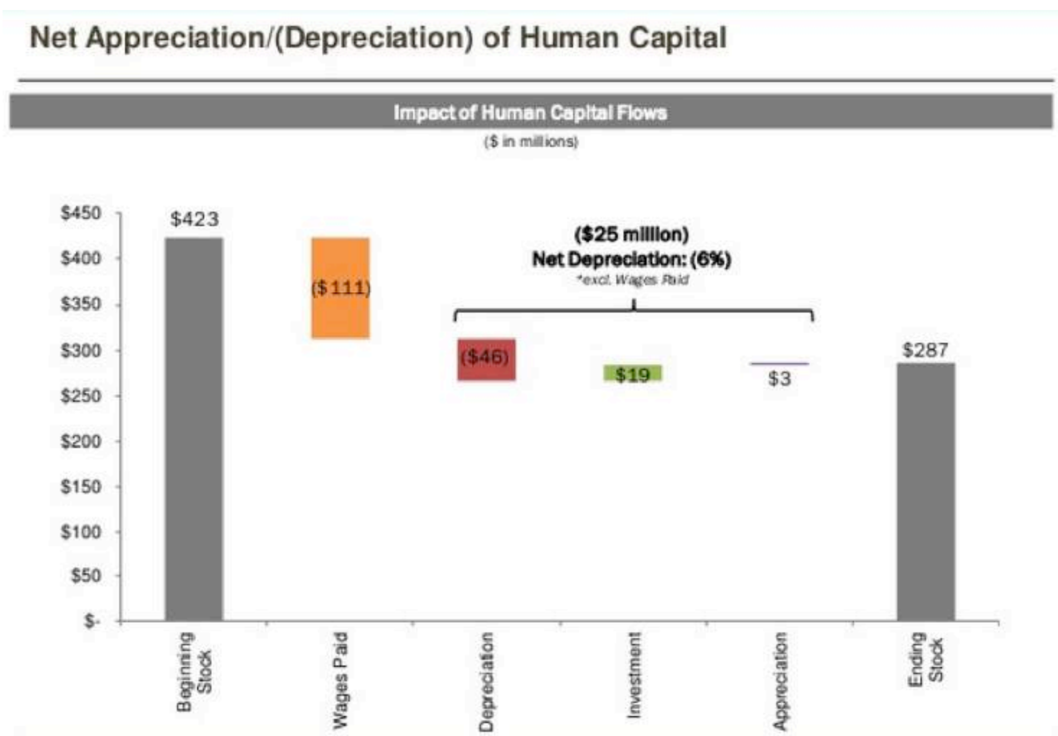
To enable smarter, company-wide decisions and policies around human resources.

## NEW METRIC

Human capital value as an asset.

## CASE STUDIES

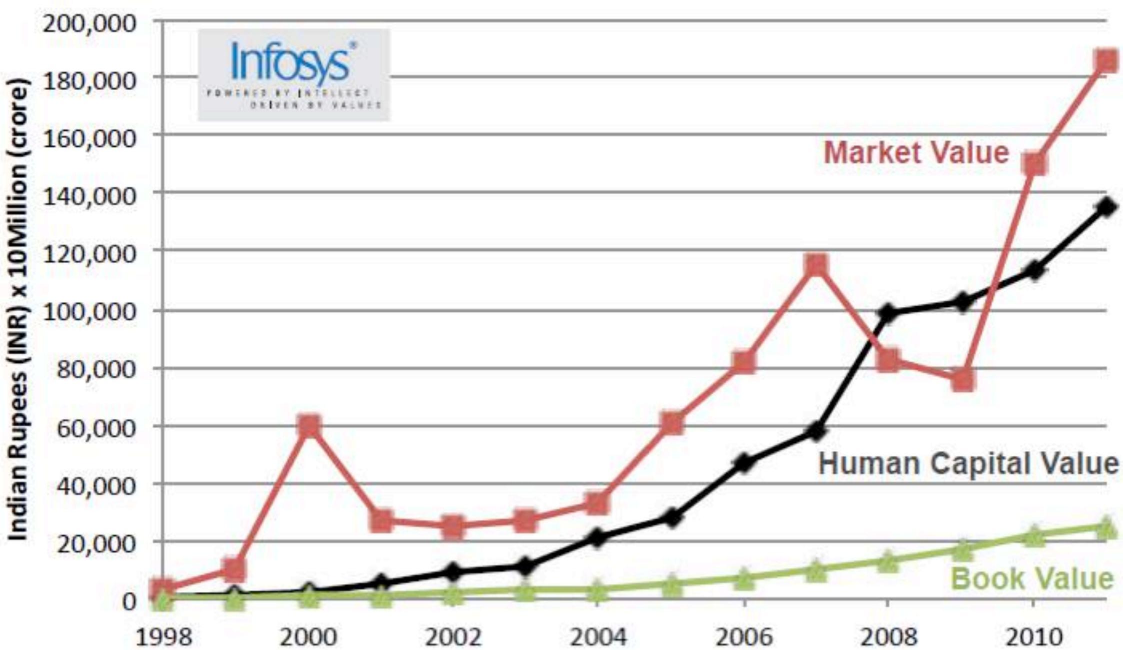
Human capital is often a company's greatest asset, but business-as-usual accounting reflects it only as a cost or liability. Three years ago, **Interface** announced an ambitious project in holistic human capital valuation. Since then, the company has been working to turn what started as an abstract experimental modeling exercise into a series of mature tools allowing its HR department to make more informed, data-backed decisions and budget allocations. By putting dollar values on human potential quantities previously invisible on corporate financial statements — reflecting the benefits or costs of things such as education, tenure, absenteeism and knowledge decay, to name a few — Interface is now in a position to make data-backed, smartly informed decisions around issues such as interventions on employee turnover, training and engagement. The pilot application of this breakthrough new valuation exercise included 2,586 employees and found that they were collectively worth **$423 million** as a corporate human capital stock at the beginning of the year, with these flows following during the year[1]:




1 http://www.sustainablebrands.com/digital_learning/slideshow/breakthroughs-hr-decision-making-new-horizons-human-capital-valuation

# CASE STUDIES (CONT.)

Similarly, **Infosys** has been assigning a monetary value to its employees for years. Infosys refers to it as 'human resource valuation' and justifies it eloquently as follows in its annual reports: "A fundamental dichotomy in accounting practices is between human and non-human capital. As a standard practice, non-human capital is considered as assets and reported in financial statements, whereas human capital is mostly ignored by accountants. The definition of wealth as a source of income inevitably leads to the recognition of human capital as one of the several forms of wealth, such as money, securities and physical capital[1]." Analysis by HIP Investor found that, as of a few years ago, **Infosys' human capital value contributed more to market value than traditional book value** (see graph below). This may seem surprising, but it really isn't when we recognize another research finding popularized by HIP Investor – that **80% of the market value of S&P 500 corporations is attributable to intangible assets** – including brands, patents, and people – but not included in the business-as-usual book value.[2]




1 http://www.infosys.com/investors/reports-filings/Documents/additional-information-2012-13.pdf

2 http://www.sustainablebrands.com/digital_learning/slideshow/new_metrics/how_sustainable_portfolios_can_outperform_traditional_investi

## POTENTIAL

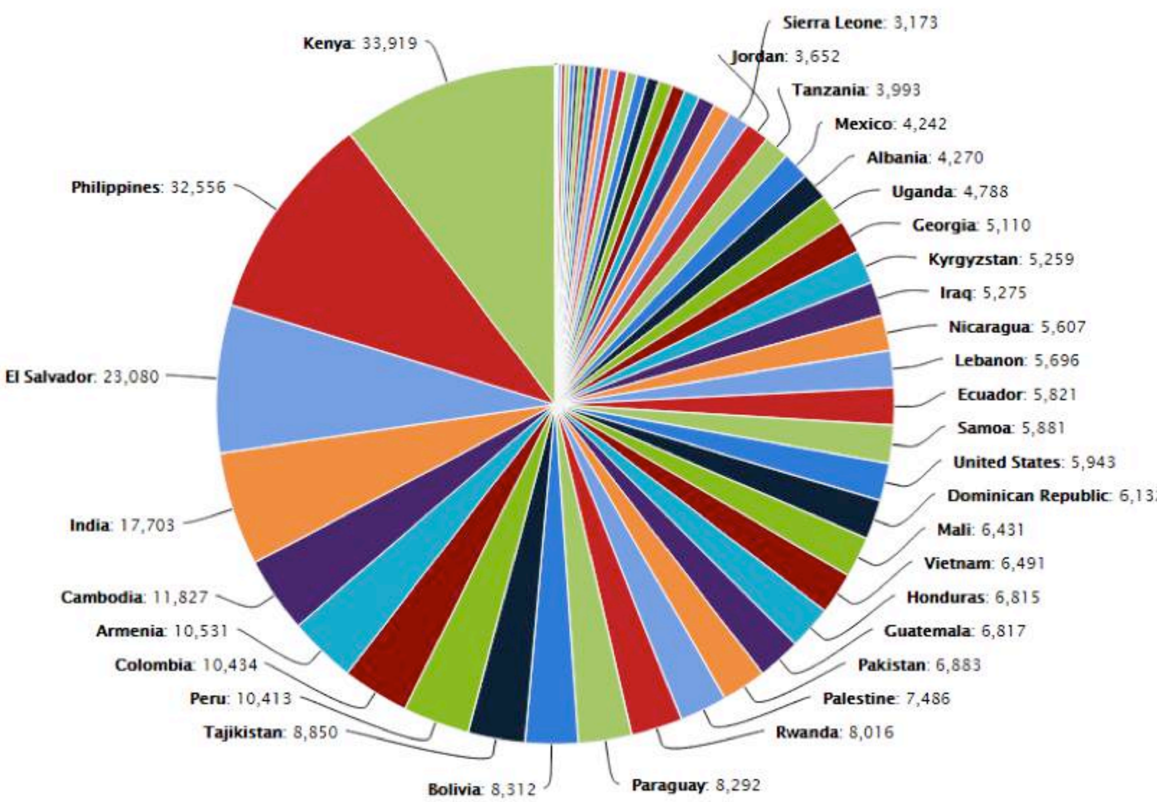
### To enable employees to make a difference in the lives of external stakeholders in innovative ways.

## NEW METRIC

### Value of dual-purpose impact investment that also serves as an employee engagement opportunity.

## CASE STUDY

In February 2014, **HP** launched Matter to a Million, a five-year global partnership with non-profit micro-lending platform **Kiva**. In the first stage of this novel collaboration, HP provided a $25 credit for every one of its employees to lend to borrowers on Kiva, connecting HP employees with entrepreneurs in a number of countries. By strategically engaging leadership teams throughout the company and relying on friendly competition among employees, Matter to a Million has had phenomenal success to date – more than 149,000 HP employees (which is well over half of all 275,000 HP employees!) are already lending over **$9.4 million** through 328,076 individual loans, and counting. The program is clearly striking a chord with HP's global employee base by providing an easy, entertaining and rewarding way to invest in intriguing entrepreneurs from a variety of backgrounds.[1]
The pie chart below shows the number of loans per country, as of June 2015[2]:




1 http://www.sustainablebrands.com/digital_learning/event_video/collaboration/matter_million_practical_tools_employee_engagement_cultur and http://www.kiva.org/team/hp

2 http://www.kiva.org/team/hp/graphs

## POTENTIAL

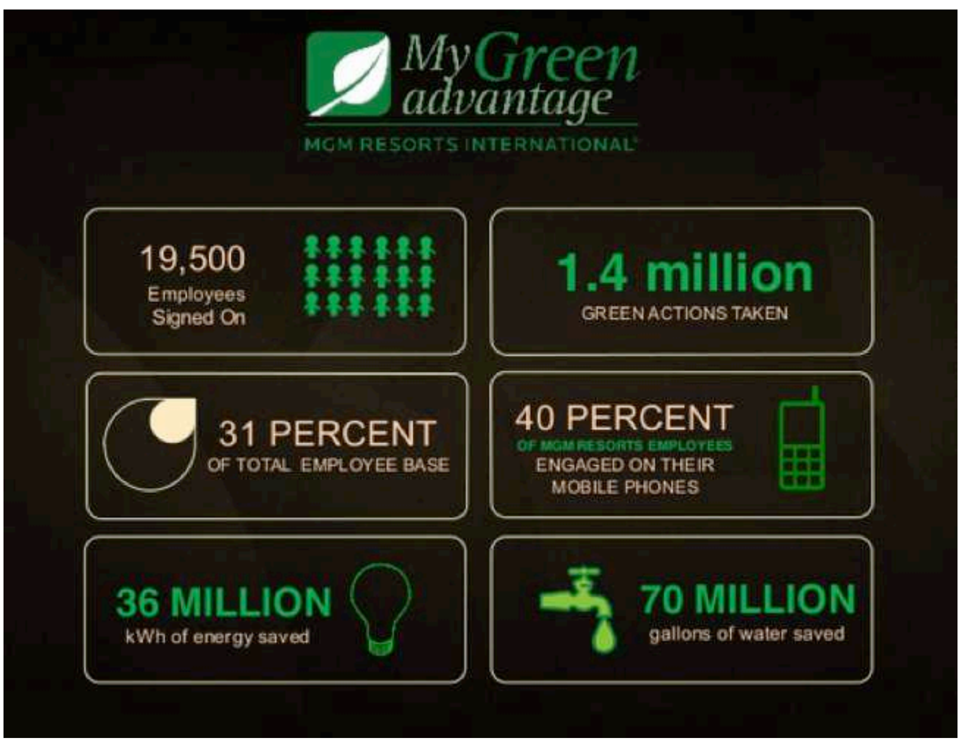
To inspire employees to take specific actions and make smart choices around key sustainability concerns in their daily lives, both at work and at home.

## NEW METRIC

Cost savings resulting from a range of actions employees are inspired to take as a result of smart gamification of incentives.

## CASE STUDIES

**MGM Resorts**, **eBay**, **Unilever**, **Caesars Entertainment**, and **EMC** are just some of the brand names on the client list of **WeSpire**, a cloud-based engagement platform that helps companies engage employees in sustainability and responsibility initiatives with persuasive technology that builds awareness and drives behavior change, mostly through smart gamification of incentives to take simple actions. WeSpire estimates that the average amount saved per employee per year is **$250**[1] – not at all trivial, given that thousands or even hundreds of thousands of employees may be involved, collectively taking millions of pro-sustainability actions. As an illustration, **MGM Resorts** has engaged over 19,500 employees, or about 31% of its employee base, in its WeSpire program, and those 19,500 people have collectively taken 1.4 million 'green' actions to date. The resulting operating cost savings, therefore, amount to nearly **$5 million** in MGM's case.[2]




1 http://www.sustainablebrands.com/digital_learning/audio/new_metrics/demonstrating_value_employee_engagement_case_studies

2 http://www.sustainablebrands.com/digital_learning/slideshow/organizational_change/how_reach_new_milestones_employee_engagement_gamifi

## POTENTIAL

To demonstrate the financial value of certain important societal contributions.

## NEW METRIC

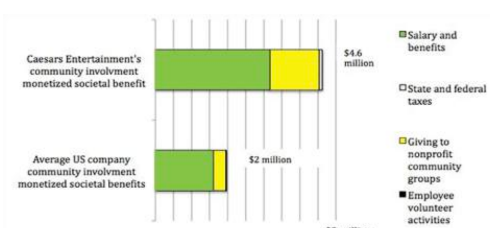
Financial impact of social benefits resulting from a company's support for its local community, societal causes and the public good at large.

## CASE STUDY

In 2012, **Caesars Entertainment** worked with **VeraWorks** to estimate the monetized social value of the 2011 US societal contributions of Caesars Entertainment and, as a benchmark comparison, of US businesses, on average. 'Societal contributions' were defined as the activities a business or its foundation undertake with the aim of supporting the local community, societal causes or the public good, including mandated and discretionary giving to nonprofit community groups, employee volunteering, taxes and employee salaries and benefits.[1] The study covered four key societal contribution methods employed by Caesars Entertainment: combined giving to nonprofit community groups; contributed state and federal taxes; employee volunteering; and employee salaries and benefits. The resulting estimates for monetized social benefits of Caesars Entertainment's societal contributions, benchmarked against US corporations, looked as follows[2]:

| Societal contribution method | Caesars Entertainment's 2011 contribution | Caesars Entertainment's contribution per $10 million in revenue | Average US corporation contribution per $10 million in revenue |
|---|---|---|---|
| Combined giving to nonprofit community groups | $76,000,000 | $86,000 | $8,000 |
| Contributed state and federal taxes | $1,200,000,000 | $1,360,000 | $350,000 |
| Employee volunteering | $2,750,000 | $3,100 | $1,780 |
| Employee salaries and benefits | $2,800,000,000 | $3,170,000 | $1,605,000 |
| **Total monetized social benefits** | **$4,078,750,000** | **$4,619,100** | **$1,959,780** |

The project reached an intriguing insight: it seemed that **for every $10 million in revenue** that Caesars generated in 2011, the company contributed about **$4.6 million** in benefits to the local community and society – compared to an estimated **$2 million** in social benefit of the typical US corporation (i.e. the average of all US corporations). In other words, Caesars created **more than twice the financial impact of social benefits**, per dollar of revenue, than the average US corporation[3].




1 https://www.caesars.com/images/PDFs/greenreleases/Caesars_Entertainment_Societal_Impacts_White_Paper_2013_FINAL.pdf

2 https://www.caesars.com/images/PDFs/greenreleases/Caesars_Entertainment_Societal_Impacts_White_Paper_2013_FINAL.pdf

3 https://www.caesars.com/images/PDFs/greenreleases/Caesars_Entertainment_Societal_Impacts_White_Paper_2013_FINAL.pdf

# ABOUT SUSTAINABLE BRANDS

Sustainable Brands® is the premier global community of brand innovators who are shaping the future of commerce worldwide. Since 2006, our mission has been to inspire, engage and equip today's business and brand leaders to prosper for the near and long term by leading the way to a better future. Digitally published news articles and issues-focused conversation topics, internationally known conferences and regional events, a robust e-learning library and peer-to-peer membership groups all facilitate community learning and engagement throughout the year.

Sustainable Brands is produced by Sustainable Life Media, headquartered in San Francisco, CA.