

# Understanding the financial value of **environmental** performance in consumer goods



Supported by: **accenturestrategy**

  
**HERMÈS**  
INVESTMENT MANAGEMENT



**CDP and Accenture Strategy** worked together to **understand and highlight the link between superior environmental performance and better corporate financial results**, using almost 2,400 company responses across three years of submission data, interviews with senior consumer goods executives, and deep investor insights from **Hermes Investment Management**.

## Our key findings.

**1.** 

4 in 10 businesses fail to capture or report any financial value from strong environmental performance. Despite almost \$500bn in disclosed value at stake across all reporting companies, trillions are on the table in unquantified opportunities.

**2.** 

\$699 billion in reported environmental risk is the tip of the iceberg – authoritative studies demonstrate long-term asset risks an order of magnitude larger than this.<sup>1</sup> This is despite almost 70% of investors reporting that environmental and social strategies help manage volatility.<sup>1</sup>

**3.** 

Although sustainable business leaders understand how strong environmental performance drives improved financial results, many businesses are missing out.

## Our actions for business.

**1.** 

Define sustainable value creation drivers and material issues relevant to your business. Frame how strong environmental performance can impact financial outcomes and provide a basis for setting goals to capture opportunities and address risks in your context.

**2.** 

Ruthlessly pursue early, iconic successes that demonstrate real financial and environmental value creation. Make these a platform for influencing thinking and culture across your business, and justifying the need for new valuation capabilities.

**3.** 

Apply capabilities for measuring sustainable value creation to influence longer-term decision-making, embrace new opportunities, confront risks, and demonstrate real action to investors.

To access our full report, including additional insights and findings, case studies and examples, please visit [cdp.net/consumer-goods-value](https://cdp.net/consumer-goods-value)



## Our key findings.

### 1 **4 in 10 businesses fail to capture or report any financial value from strong environmental performance. Despite almost \$500 billion in disclosed value at stake, trillions are on the table in unquantified opportunities.**

The top 100 out of 1,950 emitters reporting to CDP describe \$447 billion in future growth and savings opportunities, driven by regulatory change and impacts of climate change. Yet 42% of the top 100 have not quantified, or publicly reported, the potential value at stake.

Only 30% of firms report revenues already realised through sustainable, low-carbon products and services. This came to almost \$1.1 trillion in 2016, with \$528 billion captured by just 19% of the businesses which do report. Most businesses are not disclosing avenues of growth in sustainable business models, products and services.

Moreover, firms easily capture value through environmental initiatives; an analysis of payback periods for over 12,000 initiatives in 2014 to 2016 shows that 65% of environmental initiatives pay back in three years or less, and 86% within ten years. Firms are failing to identify tangible, realistic opportunities with credible financial returns.

### 2 **\$699 billion in reported environmental risk is the tip of the iceberg – authoritative studies demonstrate long-term asset risks an order of magnitude larger than this.<sup>1</sup> This is despite almost 70% of investors reporting that environmental and social strategies help manage volatility.<sup>1</sup>**

In an analysis of risks in almost 1,300 CDP responses from 2016, just under 17% (212 responses) provided high quality quantitative data on their financial exposure to water risk.

A shallow understanding of risk means managers have inadequate insight for confronting financial

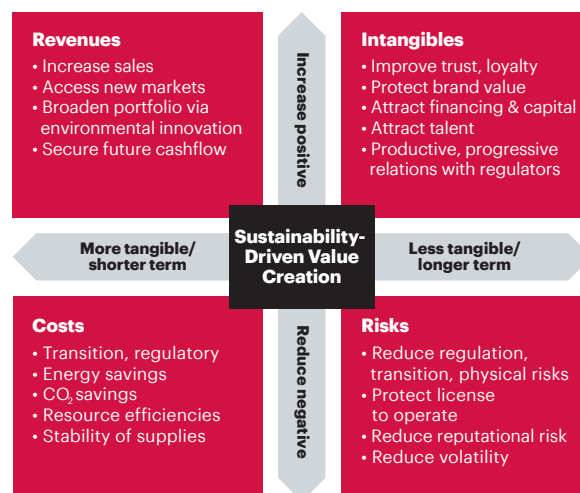
realities of climate-linked risks. Over 2014 to 2016, for example, if CDP respondents had to pay a price on carbon, this could have amounted to \$403 billion. If water withdrawals were priced, companies reporting to CDP could have faced a cost of over \$1 trillion across 2015 and 2016.

Comparable financial metrics to understand climate and environmental exposure and preparedness are not widely used in consumer goods. This is a blind spot for investors trying to make sense of future balance sheet and cashflow health.

### 3 **Although sustainable business leaders understand how strong environmental performance drives improved financial results, many businesses are missing out.**

Understanding and measuring value from strong, progressive environmental performance results in superior financial results. A growing body of evidence supports this, including meta-analyses that explore over 2,000 studies since the 1970s.

Sustainability leaders go a long way to quantify how strong environmental performance creates value. To safeguard future cashflow, others must quantify opportunities and risks for revenues, costs assets, liabilities and financial capital.



<sup>1</sup> For all insights, examples, sources and references, please visit [cdp.net/consumer-goods-value](http://cdp.net/consumer-goods-value)



# Our actions for business.

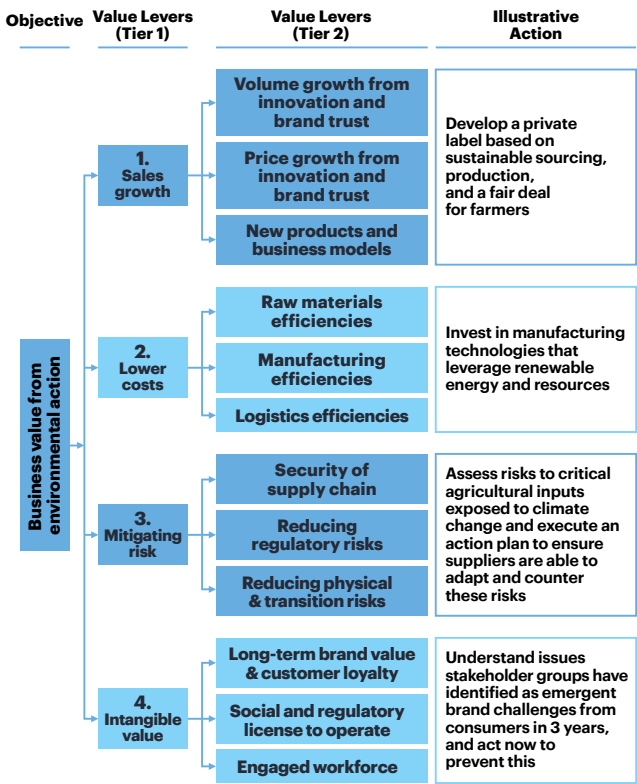
**1** Define sustainable value creation drivers and material issues relevant to your business. Frame how strong environmental performance can impact financial outcomes and provide a basis for setting goals to capture opportunities and address risks in your context.

- To do this:
- a. Start by understanding how sustainability action can create and protect value in your business context; use value levers (see right) to begin exploring these
  - b. Identify specific risks and opportunities most relevant to your own business in financial terms
  - c. Prioritise specific opportunities and risks in your unique context which may have severe commercial impacts, a high likelihood of occurrence, or a combination of both
  - d. Set achievement goals for appropriate, understandable metrics to assess and drive performance on priority opportunities and risks over time

**2** Ruthlessly pursue early, iconic successes that demonstrate real financial and environmental value creation. Make these a platform for influencing thinking and culture across your business, and justifying the need for new valuation capabilities.

- To do this:
- a. Target sustainable business cases with clear commercial and environmental potential
  - b. Shout about success; help the business understand, in financial and environmental terms, why an iconic project is successful and how it creates value
  - c. In the longer term, build enduring capabilities and a habitual culture; move financial accountability for environmental progress into strategies and business plans

## Value Opportunities in Consumer Goods



**3** Apply capabilities for measuring sustainable value creation to influence longer-term decision-making, embrace new opportunities, confront risks, and demonstrate real action to investors.

- To do this:
- a. Move beyond iconic projects to confront environmental risk, capture emergent revenue and cost opportunities, and contribute to a more resilient business
  - b. Demonstrate progress to investors by focusing on what matters in consumer goods: action on environmental opportunities and risks that ensures long-term productivity of invested capital, and thus future cashflow

Markets and investors are increasingly focused on how climate change will impact capital preservation and future returns in **consumer goods**. Therefore, disclosing environmental performance and the associated value created and protected is vital.





View the complete findings and actions for business at [cdp.net/consumer-goods-value](https://cdp.net/consumer-goods-value)

## For more information

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Aaron has eight years of experience in sustainability strategy development, execution and financial valuation in corporate, government and NGO settings. Aaron tackles challenges in consumer goods, retail, and logistics sectors across Europe, the Middle East and North America. Aaron is an avid urban cyclist and a nearly-complete vegetarian to assist animals and his own carbon footprint.

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Bryan has experience in GHG forecast modelling, carbon footprinting, and smart building energy management. He feels strongly about how we can best preserve our architectural heritage while still keeping pace with cities' development agendas, and is fond of urban photography.

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### About Accenture

Accenture is a leading global professional services company, providing a broad range of services and solutions in strategy, consulting, digital, technology and operations. Combining unmatched experience and specialized skills across more than 40 industries and all business functions – underpinned by the world's largest delivery network – Accenture works at the intersection of business and technology to help clients improve their performance and create sustainable value for their stakeholders. With more than 411,000 people serving clients in more than 120 countries, Accenture drives innovation to improve the way the world works and lives. Visit us at [accenture.com](http://accenture.com).

Accenture Strategy operates at the intersection of business and technology. We bring together our capabilities in business, technology, operations and function strategy to help our clients envision and execute industry-specific strategies that support enterprise wide transformation. Our focus on issues related to digital disruption, competitiveness, global operating models, talent and leadership help drive both efficiencies and growth. For more information, follow @AccentureStrat or visit [accenture.com/strategy](http://accenture.com/strategy).

### About CDP

We want to see a thriving economy that works for people and planet in the long term. To do this we focus investors, companies and cities on taking urgent action to build a truly sustainable economy by measuring and understanding their environmental impact.

To achieve this, CDP, formerly the Carbon Disclosure Project, runs the global disclosure system that enables companies, cities, states and regions to measure and manage their environmental impacts. We have built the most comprehensive collection of self-reported environmental data in the world.

Our network of investors and purchasers, representing over \$100 trillion, along with policy makers around the globe, use our data and insights to make better-informed decisions.

[cdp.net](http://cdp.net)

### About Hermes Investment Management

We are an asset manager with a difference. We believe that, while our primary purpose is helping beneficiaries retire better by providing world class active investment management and stewardship services, our role goes further. We believe we have a duty to deliver holistic returns – outcomes for our clients that go far beyond the financial and consider the impact our decisions have on society, the environment and the wider world. Our goal is to help people invest better, retire better and create a better society for all.

We offer clients access to a broad range of specialist, high conviction investment teams with £30.1 billion\* assets under management. In Hermes EOS, we have the industry's leading engagement resource, advising on £310.7 billion\* of assets.

Hermes' investment solutions include:

- **Private markets** – Infrastructure, private debt, private equity and real estate
- **High active share equities** – Asia, global emerging markets, Europe, US, global, and small and mid cap
- **Credit** – Absolute return, global high yield, multi strategy and global investment grade
- **Multi asset** – Multi asset inflation
- **Stewardship** – Active engagement, intelligent voting, sustainable development and advocacy

\*Please note the total AUM figure includes £5.9bn of assets managed or under an advisory agreement by Hermes GPE LLP ("HGPE"), a joint venture between Hermes Fund Managers Limited ("HFM") and GPE Partner Limited. HGPE is an independent entity and not part of the Hermes group. £0.1bn of total group AUM figure represents HFM mandates under advice. Source: Hermes as at 30 June 2017 with the exception of one portfolio totalling £10.5m valued as at 31 May 2017.

[hermes-investment.com](http://hermes-investment.com)