



## UNITED NATIONS ENVIRONMENT PROGRAMME

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Programa de las Naciones Unidas para el Medio Ambiente

Программа Организации Объединённых Наций по окружающей среде

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**UNDER EMBARGO UNTIL JUNE 16<sup>th</sup> , 6.00 p.m. Paris time**

### **From Financial Bottom-line Advantages to Job Creation and Sustainable Growth: Businesses Cannot Afford to Ignore the Benefits of a Green Economy, Report Says**

**Rio de Janeiro, 16 June 2012** – Businesses making the transition towards the green economy are already reaping rewards worth hundreds of millions of dollars in savings and high return on investment, while benefiting consumers, communities and the environment, says a new report entitled *The Business Case for the Green Economy: Sustainable Return on Investment*.

The report, produced by the UN Environment Programme (UNEP) in partnership with SustainAbility and GlobeScan, uses compelling economic and scientific data and a wide-ranging collection of real-life case studies to demonstrate the advantages of the green economy in action.

- **Unilever's** Sustainable Living Plan, which aims to integrate sustainability into business models, has led to savings of over US \$10 million dollars annually. At the same time, their "one rinse" washing formulas, which save an average of 30 litres per wash, are now used across 12.5 million households worldwide - a 60 per cent increase over 2010.
- **Siemens** produces half of the installed capacity of offshore wind turbines worldwide (2,000MW), saving about 4 million tonnes of CO<sup>2</sup> annually. It has recently announced investment of €150 million to offshore wind R&D and the expansion of its wind business.
- **Grupo Bimbo** in Mexico saved approximately US \$700,000 and 338,400 m<sup>3</sup> of water in 3 years through its water reduction programme.
- **AVIVA**, who launched its insurance product for Low-Carbon and Environmental Goods and Services in 2011, expects the sector to grow by an estimated UK £45 billion by 2015, supported by government decisions and financial incentives.
- **PUMA** conducted the first Environmental Profit and Loss Account in 2010, in collaboration with Pricewaterhousecooper and Trucost. The value of environmental impact was calculated at €145 million (seen as negative financial impact). Using the tool allows PUMA to reduce future financial loss while strengthening its operating margin by taking into account emerging risks. The company committed itself to having 50 per cent of its products made from sustainable materials by 2015.
- In Egypt, **SEKEM Group's** compost project helped save more than 300,000 tonnes of CO<sup>2</sup> equivalent s between 2007 and 2011 and increased sales from EGP 788,400 to over EGP 10.5 million in 2010.
- **General Motors** saved more than US \$30 million in 6 years through their resource productivity programme, they also reduced waste volume by 40 per cent.

- In China, the **Zhangzidao Fishery Group** saw revenues grow by 40 per cent annually between 2005 and 2010 (compared to the industry's 13 per cent average) through offering an alternative to monoculture methods. The integrated Multi-Tropic Aquaculture approach employed by the company provided for a more balanced ecosystem, taking into account local conditions and environmental quality.
- **The Colombian Coffee Growers Federation** ensures a sustainable income for more than 27,000 coffee growers with its Rainforest Alliance certified coffee, as part of the Nespresso AAA Sustainable Quality™ program
- **Markets for biodiversity offsets** are predicted to grow to US \$10 billion by 2020.
- In the **offshore wind sector** alone, employment in Europe is projected to grow to 150,000 by 2020 and to over 200,000 by 2030, while global revenues for companies involved in the **renewable energy markets** are projected to rise to more than US \$300 billion annually by 2020.

According to experts, companies investing in sustainable innovation to increase resource efficiency and responsible operations ahead of formal regulatory frameworks are achieving competitive advantage by positioning themselves to capture the mainstream markets of the next decade.

UN Under-Secretary General and UNEP Executive Director, Achim Steiner, said, "Business can no longer afford to ignore the benefits that switching to a Green economy will bring. Pioneers that are leading the market are reaping the rewards and positioning themselves for sustained success that benefits their customers and communities."

"Decoupling economic growth from environmental damage is required to prevent large scale economic as well as environmental impact. Rio+20 provides an unprecedented opportunity to scale-up and accelerate these efforts. As governments gather to consider future green economy frameworks, we invite business to step-up and show the role it can play in generating jobs, developing energy efficient technologies, in greening its supply chains and in integrating sound governance principles throughout their decision-making," he added.

From utility companies in emerging markets to consumer goods companies in developed markets, sustainable goods and services are moving from niche to the mainstream.

Paul Polman, Unilever's Chief Executive Officer, said, "At Unilever we see no conflict between sustainability and economic growth. We have to have both, and increasingly we see that one is not possible without the other. This new report from UNEP confirms this, with cases drawn not just from our own business but many others in a variety of sectors, exploring the ways in which sustainability reduces risk, generates cost savings, and creates opportunities for growth, providing the foundation for a new business model for the 21st century."

## **Leveraging Benefits**

Research shows that the provision of sustainable products and services bolsters sales growth, market share, brand value and reputation, while increasing customer loyalty.

Jeff Erikson, Senior Vice President at SustainAbility and a contributor to the report, said, "In the 25 years we have worked on corporate sustainability, we have witnessed time and again the multiple ways that sustainability delivers business value to companies that adopt it as a strategic principle."

He added, “The companies currently leading the transition to the Green Economy realize it’s not about bravery – it’s about the bottom line.”

There is strong evidence that in recent years demand for sustainable products has been resilient, with many customers willing to pay a premium for sustainability credentials.

A National Geographic/Globe Scan survey in 2010 found that consumers in Brazil, India and China scored the highest in terms of environmentally sustainable consumer behavior.

Other survey results show that in future business-to-business and business-to-consumer transactions, customers will expect all products to be environmentally and socially responsible.

The new lifestyle markets, markets for sustainable cities, the service markets, the organics and certified markets are all examples of opportunities to be cultivated and seized.

Financial institutions play a dual role in the transition towards a green economy through both investing in sustainable projects and integrating environmental, social and governance indicators (ESG) into the decision making criteria of their everyday operation - from lending to investment and insurance.

ESG performance is increasingly seen as a proxy for management quality; hence the growing interest on the part of businesses in sustainability rating schemes.

Experts estimate that the annual financing required to create the green economy is in the range of US \$1-2.5 trillion. The investment represents an opportunity for the private sector to provide the infrastructure, equipment, goods and services that will drive the transition.

Business alone, however, cannot deliver the speed and scale of change required. Collaboration with regulators, customers and the financial community is essential.

Public policies linked to clear principles of sustained economic success are necessary to support this transition.

### **Preferable Taxation and Reduced Capital Cost**

Improving tax regimes to award sustainable innovation is seen as an important incentive.

Locations with higher environmental standards and tax subsidies are more attractive to investors.

In Guatemala, tax breaks are provided on equipment for projects designed to support the goal of generating 60 per cent of electricity from hydro and geothermal sources by 2022.

The OECD has confirmed a growing movement towards environmental tax breaks and tradable permits in OECD economies over the last decade. The value of green taxes to boost innovation is evident through increased investment in research and development and registration of patents on new, cleaner technologies.

Other examples of national and city-level tax incentives for cleaner energy include:

- Brazil, Belo Horizonte: Tax credits for residential solar power.
- China: Subsidies on green cars and financing for the construction of infrastructure for charging electric cars across five cities.
- India: Carbon tax on local production.
- Zambia: Tax reductions in mining areas to stimulate investment in renewables.
- Argentina, Bolivia, Colombia, Spain, Belgium, France, UK, Greece, Ireland, USA, South Africa, Sweden, Slovenia, Lithuania, Italy: Fuel tax exemption in favour of biofuels.

## **Risk Profile and New Opportunities**

According to the report, businesses that have effective environmental and social risk management systems in place are in a position to secure a better risk profile, thus enabling them to obtain capital at lower cost.

It indicates that climate change, for example, is opening up new opportunities for sustainable products and services in the finance sector.

For instance, there is a pressing need to increase the availability of capital to further develop insurance schemes against environmental risk.

Equity Bank of Kenya made profits of over Ksh12.8 billion in 2011 by providing loans at competitive interest rates to farmers who introduce environmental practices such as drip irrigation and water efficiency projects.

In addition to that, the bank's customer base reached Ksh7.15 million in the same year, making it the largest bank by consumer base in sub-Saharan Africa.

## **Overcoming Challenges**

A survey of sustainability experts and practitioners - conducted by UNEP, GlobeScan and SustinAbility in 2011 - examined the reasons why more businesses are not joining the race towards a green economy transition.

Results of the survey indicate that the majority of stakeholders perceived a disconnect between the stated political goals of sustainability and actual policies on the ground.

- An overwhelming 88 per cent of respondents cited the long-standing problem of financial short-termism as the most important barrier for developing sustainability-focused business models; with some investors exploiting the rise in demand - driven by resource scarcity - to push prices up.
- 65 per cent of respondents cited inefficient regulatory regimes as key barrier; referring to regulations that inhibit change, combined with lack of regulation that encourages more sustainable practices.
- Similarly, 65 per cent of those surveyed indicated that the low level of awareness of the sustainability imperative among business leaders was a significant barrier.

If more business leaders and executives developed better understanding of the risks and opportunities that issues such as human rights, climate change, and water scarcity represented to their business, the pace of the transition would significantly increase.

- The lack of formal international standards represented another barrier.

International guidelines and standards such as the Global Reporting Initiative (GRI) and the ISO 26000 Social Responsibility Standards are being widely adopted by major corporations around the world, albeit on voluntary basis.

These leading businesses are now calling for mandatory social and environmental reporting to drive up performance and create fair market advantage.

### **The Way Forward: An Action Plan for Business**

Experts recommend businesses to adopt a set of transformative actions to help drive the transition to the green economy by:

- Driving policy change in support of responsible business investment.
- Encouraging stakeholder and employee engagement.
- Establishing sustainability as a core governance issue on the board agenda and communicate its value to investors and consumers.
- Enhancing resilience and business growth by adopting valuation techniques that go beyond monetary valuation to adequately capture the value of human, social and natural capital.
- Creating incentives and mechanisms to embed sustainability within the company's culture.

According to the report, the successful transition to the green economy over the long term will require new skills, diverse collaborations, continuous innovation, investments with uncertain return and a change in market values.

Companies, like governments, will need to choose wisely if they are to capitalize on the opportunities ahead.

The gathering of leaders from government, business and civil society at the Rio+20 UN Conference on Sustainable Development presents a historic opportunity to accelerate the transition to a Green Economy. While public policy is an essential ingredient in making the Green Economy a reality, it is the actions of the private sector that will ultimately determine the pace and shape of the transition.

### **Notes to Editors**

- *The Business Case for the Green Economy: Sustainable Return on Investment* was produced by the UNEP, in cooperation with SustainAbility and Globescan.
- Production of the publication was supported by Unilever and the French Ministry of Ecology and Sustainable Development.

- The report complements and builds on UNEP's 2011 report *Towards a Green Economy*, which proposes a development pathway for policy makers to transition to a green economy that is low carbon, resource efficient and socially inclusive, available at:  
<http://www.unep.org/greeneconomy/greeneconomyreport/tabid/29846/default.aspx>
- Sunday, June 17 - UNEP and the Global Compact will organize an event entitled: *Inspire, Invest, Innovate*: a discussion on the role business needs to play to accelerate the transition towards a green economy.

Time  
09.00-15.30

Venue  
Windsor Barra Hotel

Speakers

Achim Steiner, UNEP Executive Director and UN Under-Secretary General;  
Jochen Zeitz, CEO Sports & Lifestyle Group, Chief Sustainability Officer PPR, Chairman of the Board of PUMA;  
Yoon Seung-joon, President, Korea Environmental Industry and Technology Institute;  
Marcelo Takaoka, President, Brazil Sustainable Construction Council.

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