

“ Can we manage sustainably and make more money“

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What we've done before

- EMA
- Expert Working group
- IFAC
- ISO 14001 / ISO 26000

- How can this idea be related to water and sanitation operations ?
- Why should you be interested ?

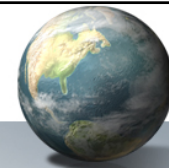


The Cost of Waste (Inventory loss)

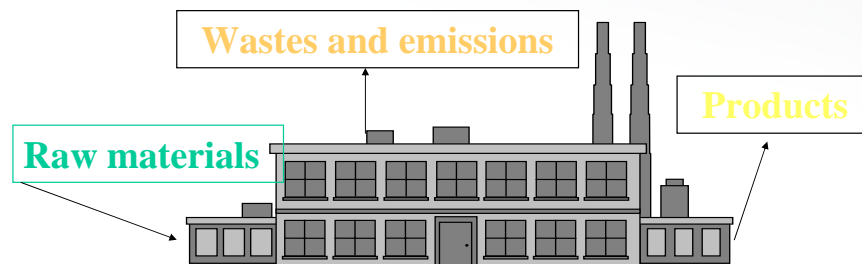


- The cost of waste is higher than most business managers assume
- The cost of waste goes beyond disposal costs
- Improved cost of waste information can be a powerful driver for implementing social responsibility in companies

Costs included in EMA



- Disposal and treatment costs
- Liability, contingency and overhead costs
- Wasted materials purchase costs
- Production costs of wastes and emissions
- Material inventory losses

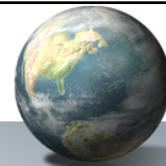


Environmental Costs Are Often Underestimated



- Research Findings:
 - For every dollar of waste cost that companies actually measure, **another 2 to 3 dollars of cost** are "hidden" in the accounting records, or are not on the books at all
 - Companies typically underestimate how much waste really costs them, sometimes by several orders of magnitude
 - This applies even to big, well-managed companies

Shareholder Value



- **Shareholder Value** is today's value of the future earning streams Shareholders may expect.
- **Shareholder Value** is often equated with **Market Capitalization** which is the financial market's estimate of **Shareholder Value**.
- **Shareholder Value** is not the same as **Enterprise Value** but an estimation of future cash flows thus of perceived financial health

How can we become “green” and successful?



- Only “revenue enhancing” Corporate Sustainability Activities can be sustainable.
- Not every kind of Corporate Sustainability Strategy enhances the economic success of companies.
- The key question for companies is :
- → ***What kind of Corporate Sustainability Strategy has a beneficial impact on the economic performance of companies?***

Environmental Shareholder Value Analysis – SONY (2001)

Score

18 1/2

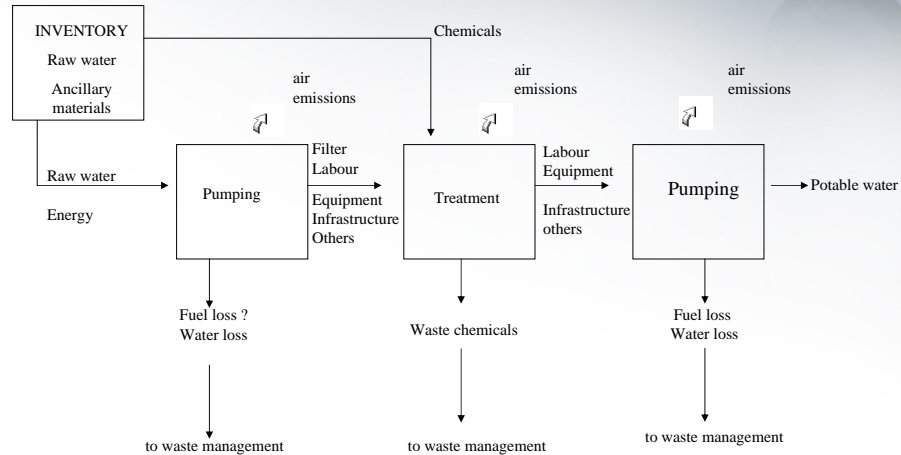
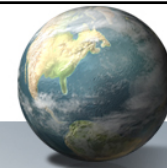
Environmental activity	Value Growth Duration (1)	Revenue Growth (2)	Operating Profit Margin		Regulatory conditions (1)	“tied up” capital (2)	Cost of capital (1)	Partial Score Max (11)
			Price (2)	Costs (2)				
Green Procurement	0	0	0	-1	0	0	0	-2
Environmental Management Accounting System	0	0	0	1	1	0	0	3
Resource & Energy conservation	0	0	0	1	1	0	0	3
Waste Control *	0	0	0	1	1	0	0	3
Chemical Substance Management *	0	0	1	1	1	0	0	5
Product planning and design**	1	1	1	-1	0	-1	0	1
Product recycling	1/2	0	1	1	1	0	0	5 ½

What kind of corporate sustainability activities increase Shareholder Value?



- **Capital-extensive:** software rather than hardware ('smarter', smaller, cheaper installations);
- **Low material consumption:** reduced throughput (lower purchase, storage, and depreciation costs);
- **Sales-boosting:** increasing the benefit and attraction to customers (more desirable products and services for more customers);
- **Margin-widening:** increasing the benefit to customers and reducing the costs of producing the respective products and services (higher prices due to greater benefit and lower operating costs by improved operating efficiency);
- **Safeguarding the flow of finance:** confidence of the capital market (lower and more unsystematic risks and 'green bonus');
- **Long-term enhancement of value:** anticipation of future costs and earnings potential

Manufacturing Steps at Water Treatment Plant Materials Flow Map



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