

Sustainability the new ROI route for brands

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Date : May 11, 2016



adidas Group greenENERGY Fund Shows the ROI of Sustainability

adidas is proud of being a sustainable global sports giant — a multinational company spanning 2,700 retail locations and 22 million square feet of corporate office space. **Designing** and making sports shoes, clothing and accessories across its **brands**, it's the largest sportswear manufacturer in Europe and the second-largest worldwide with a foundation of building its businesses and **brands** in the most environmentally-conscientious way possible.

The company's strong environmental commitments have driven **adidas** to find creative solutions to reducing energy needs. It created a greenENERGY Fund in 2012 as an internal venture capital fund that provides financing, expertise, project management, and monitoring and verification to facilitate investments in energy efficiency and renewable energy projects — while delivering a net profit. Last year alone, the energy savings from its investments were equivalent to removing 1,001 cars from the road.



In addition to [taking steps](#) like [removing](#) plastic [bags](#) from its stores, few may know that **adidas** is a sustainability investor, setting aside “as much as \$3 million a year to fund a portfolio of energy conservation projects that deliver high returns,” as [Bloombergreports](#) about the greenENERGY Fund.

As [noted](#) by the US Retail Industry Leaders Association (RILA) in a case study on the fund, the **adidas** Group spends an average of \$1-2 million annually, investing an overall amount of \$5.5

million in energy efficiency and renewable energy since 2012 for a 33% return and energy savings of 118 million kWh over the lifespan of its investments.

RILA states in its case study, “After an initial pilot in 2012, the Fund has invested between \$1.5 million to \$2 million annually in onsite energy efficiency and renewable energy projects. Each project site retains the energy savings and other benefits, as well as depreciation, labor, and maintenance obligations.”

Between June 2012- November 2015:

- Approved funding for 49 projects
- Invested \$5.5M USD
- Forecasted 33% IRR on project portfolio
- 10-year NPV is \$2.5M USD

greenENERGY Fund Portfolio Environmental Impacts – 2012 projected through 12/2025		
Lifetime electricity reduced*	118,365,960	kWh
Lifetime gas reduced**	(1,294,754)	Therms
Net Carbon reduction	37,184	MT CO2-e
That is like removing 1,001 cars from the road in 2015		
* length of project lives range between 1 - 13 years		
** because of fuel cell installation, net gas consumption has increased		

As RILA notes of the **adidas** journey to this result, getting there has been a three-step process:

BARRIER: Hurdles to investing in energy efficiency and renewable energy projects due to time, budget, and expertise constraints

SOLUTION: Develop a greenENERGY Fund within the company that identifies investments in leased and owned stores, manages project risk, and monitors and verifies project savings

OUTCOME: Invested \$5.5 million in 49 projects between June 2012 and Nov 2015. Forecasted

an internal rate of return of 33% across project portfolio. Avoided 118 million kWh over the expected lives of these projects.

The greenENERGY Fund has four goals:§ Create business value;§ Accelerate carbon reductions;§ Capture and verify energy and financial savings; § Track and share best practices across facilities globally.

The Fund bundles projects in a portfolio that targets an internal rate of return (IRR) of 20%. This allows flexibility in funding individual projects. Projects below this IRR threshold can be packaged with projects that exceed the IRR threshold, allowing **adidas** to take advantage of even greater investment opportunities.

The fund and its [sustainability](#) philosophy has been spearheaded by a rising star at the company: [Elizabeth Turnbull Henry](#), **adidas** group senior manager for energy and the environment. Since June 2011, she has worked at the company's US headquarters in Canton, Mass., which also serves global HQ for the Reebok **brand**.

The Yale grad student was [hired](#) with the goal of identifying energy efficiencies and savings by creating a plan to reduce energy consumption not only in the US, but across its global offices and 2,700 stores. In addition to managing the corporate [Green Company](#) program, she oversees energy environmental strategy and targets for **adidas** Group-owned operations globally, including energy, water, waste, carbon and sustainable **design**.



As part of the Green Company program and [sustainability team](#) she **designed**, built, launched and [manages](#) the greenENERGY Fund, **adidas** Group's project venture capital fund for energy efficiency and carbon reduction. Initiate, finance and execute efficiency and renewable energy projects in our owned and leased facilities.

As **adidas** [describes](#) the fund,

Another innovative initiative that helps us to achieve our Green Company targets is the GreenENERGY Fund, which we founded in 2012 to help sites implement their energy and carbon reduction projects. The Fund is a sustainability venture capital fund for energy efficiency and renewable energy projects globally. It is the first of its kind in the footwear and apparel industry, and its mission is to accelerate investment in cost-effective energy and carbon-reduction projects – and make a profit.

*The GreenENERGY Fund's key **innovation** is that it finances projects as a portfolio. It targets a 20% Internal Rate of Return (IRR) across the portfolio, but allows IRR flexibility at individual project level. This way, 'low-hanging fruit' projects with great financial returns can be combined with high-impact carbon projects that have a lower IRR. The Fund is **designed** to maximise carbon reduction and cost savings.*

In her first round she presented seven projects and received \$750,000 to spend on those that could generate 20 percent returns. Since then this model has funded 49 energy efficiency projects for **adidas** Group at a cost of about \$5.5 million, [Bloomberg](#) reports.

"The greenENERGY Fund has nicely accelerated the pace of investments in energy efficiency in our owned operations," said Doug Noonan, vice president of corporate real estate for **adidas** Group, to RILA. "It has also helped normalize this idea that energy efficiency investments can be great business investments."

Henry [commented](#) on her role, and the **adidas** vision for making it possible:

*My job is to improve the environmental footprint of our buildings and reduce our energy consumption. The **adidas** Group is an exciting place to be doing this work. We have ~ 18 million square feet (1,670,000) square meters of Corporate Real Estate. That is like 232 regular soccer (football) fields of buildings! These buildings consume a lot of energy, as you can imagine.*

*I work closely with Facilities and **Social** and Environmental Affairs (SEA) to implement cost and carbon-saving projects. We are retrofitting lights, improving heating and cooling systems, updating building controls and engaging employees in the work of energy management.*

Projects include installing a fuel cell at its TaylorMade golf club fitting and testing campus in Carlsbad, CA. Treating energy costs like VC investments is a smart model for a global **brand** like **adidas**, which states clearly that "Our ambition is to be a sustainable company."

As Henry has noted in a [blog post](#), "we were able to identify energy waste and efficiency opportunities in our offices and stores (helping) the **adidas** Group is evolving into an ever-more sophisticated energy management organization."



RILA members including **Best Buy** and Sprint have met the Department of Energy's goal of a 20 percent energy reduction by 2020 and while **adidas** is not there yet, Holly Carr, DOE energy technology specialist at the Energy Department, told **Bloomberg** their VC-like approach as a model for the industry.

Henry explained to [*Fortune*](#), "I see leading companies' sustainability efforts are increasingly deep and decentralized. People with sustainability responsibilities are imbedded across functions and business units. This evolution has a subtle norming effect. At **adidas** Group, sustainability perspectives are increasingly at the table for routine business decisions."

Creating a business model for sustainable investments is an inspiration internally and externally to others such as the Retail Industry Leaders Association. "We knew financing was a big challenge for many of our members," said Erin Hiatt, senior manager of sustainability and compliance at RILA, to **Bloomberg**. "Now we can show CFOs that these investments are measurable opportunities."

<https://youtu.be/GAFi1z6PzAU>

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