

## ABOUT B2W

- Leading e-commerce in Latin America
- Brands: Americanas, Submarino, Shoptime, SouBarato, Digital Finance, Submarino Finance and B2W Services.
- More than 40 categories of products and services through the internet, telesales, catalogs, TV and kiosk distribution channels.
- In 2015 B2W joined the Sustainability Index Certification (ISE) of BM&FBOVESPA - the Brazilian Stock Exchange

## PROBLEM STATEMENT

"B2W prides itself on maintaining low operational costs across activity streams, but they have not yet identified how to extract the same benefit through their sustainability activities. It is important that B2W identify these savings in order to maintain their reputation as well as deliver on their public commitment to sustainability."

## ANALYTIC APPROACH



### MATERIALITY TOOLS



| COST REDUCTION   | RISK MANAGEMENT  | REVENUE GROWTH   |
|--|--|--|
| <b>RESOURCE EFFICIENCY</b><br>1. Energy Consumption – Datacenter<br>2. Energy Consumption – DC<br>3. Waste Mgmt – Bulk packaging<br>4. Waste Mgmt – Order fulfillment<br>5. Logistics – Last mile trucking<br>6. Waste Mgmt – Product<br>11. Water Consumption – Datacenter<br>6. Waste Mgmt – Product Lifecycle | <b>LEGAL &amp; REGULATORY</b><br>6. Waste Mgmt – Product lifecycle<br>7. Data security & customer privacy  | <b>MARKET ACCESS</b>   |
| <b>WASTE AS INPUT</b><br>4. Waste Mgmt – Order fulfillment   | <b>SOCIAL &amp; REPUTATIONAL</b><br>4. Waste Mgmt – Order fulfillment<br>6. Waste Mgmt – Product lifecycle<br>7. Data security & customer privacy<br>8. Employee recruitment, inclusion & performance<br>9. Waste Mgmt – Product               | <b>DIFFERENTIATION</b><br>4. Waste Mgmt – Order fulfillment<br>5. Logistics – Last mile trucking<br>6. Waste Mgmt – Product Lifecycle<br>9. Waste Mgmt – Product |
| <b>LABOR PRODUCTIVITY</b><br>3. Waste Mgmt – Bulk packaging<br>4. Waste Mgmt – Order fulfillment<br>5. Logistics – last mile trucking<br>8. Employee recruitment, inclusion & performance<br>10. Diversity & Inclusion   | <b>ECONOMIC &amp; OPERATIONAL</b><br>1. Energy Consumption – Datacenter<br>2. Energy Consumption – DC<br>3. Waste Mgmt – Bulk packaging<br>5. Logistics – last mile trucking<br>7. Data security & customer privacy<br>8. Waste Mgmt – Product | <b>NEW PRODUCTS</b>  |

### KEY SUSTAINABILITY INITIATIVES



## CASE STUDY: PACKAGING FOR SUSTAINABILITY



Packaging Material Flows sustainablepackaging.com

### B2W CURRENT SUSTAINABILITY INITIATIVES

- PACKAGING** Cost savings by reducing the volume of the packaging and cardboard and use of waste in filling packaging
- \$**
- 3** machines to recycle the boxes of the inbound merchandise to be reused in the filling of the outbound packaging of shipments
- Serving...**
- 60%** of the products use waste as filling in packaging
- Smart box** packaging solution under development, allocating more packages to each shipping truck.

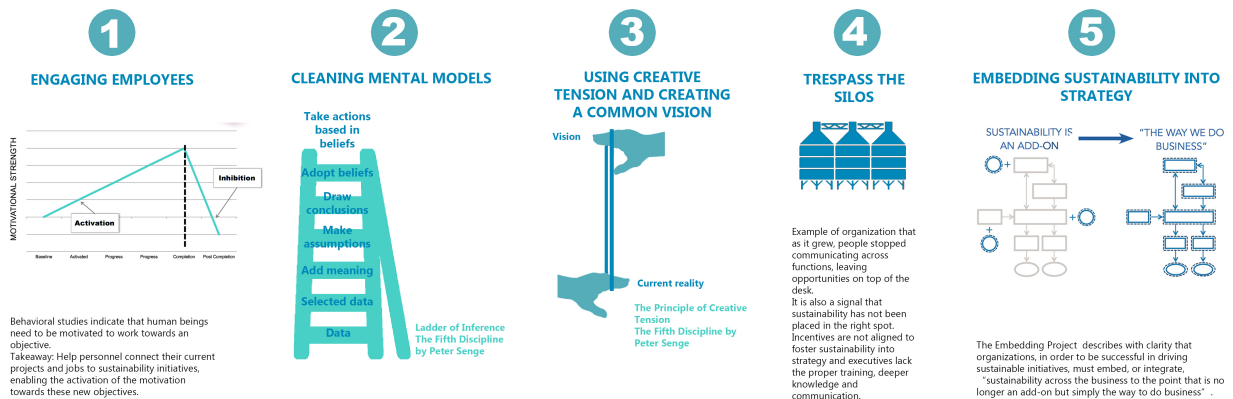
### BEST PRACTICES IN THE INDUSTRY

|                       |   |
|-----------------------|---|
| <b>WALMART</b>        | Year Plan to reduce packaging                                     |
| <b>5</b>              | metric tons of CO2 saved  |
| <b>667k</b>           | tons of coal reduced  |
| <b>324</b>            | million gallons of fuel decreased                                 |
| <b>67</b>             |   |
| <b>AMAZON</b>         | recyclable materials in a single box (Frustration-Free Packaging) |
| <b>100%</b>           |   |
| <b>SMARTWAY (EPA)</b> | billion dollars in saved fuel costs, by saving...                 |
| <b>25</b>             | million barrels of oil  |
| <b>170</b>            | million metric tons of CO2  |
| <b>73</b>             | mono-nitrogen oxides  |
| <b>1,458k</b>         |   |

### LOW HANGING FRUITS

- Frame cost** reduction initiatives into sustainable initiatives
- Align employees** towards the benefits of sustainable programs to achieve P&L goals
- Reach zero waste** in packaging
- Communicate the sustainable initiatives** to clients to improve their satisfaction and loyalty
- Start measuring savings** in carbon emission, energy and fuel
- Consider Smart Way service** to provide logistics certification and best practices

## CONTEXTS AND CONDITIONS



## LIMITATIONS

### FINANCIAL EVALUATION

Initiatives that will mitigate risks or build reputation are hard to evaluate. Sustainability officers have the duty to bring this conversation to the right audience, the CEO or the company directors, to create an alternative way to allocate budget for initiatives that have hard to measure impact and longer term returns. Sustainability initiatives must not be evaluated with the same rule as other corporate investment projects, because the corporate policy will discard material and profitable actions that are harder to measure in traditional terms.

### DISALIGNMENT WITH CORPORATE OBJECTIVES

In project related to sustainability, once are finished further operational efficiencies are hard to obtain, sustainability initiatives will have a difficulties finding sponsors, resources and focus, as long as their objectives are not perfectly aligned with the corporations. Sustainability officers must convince the company directors that sustainability measures will be key for investors and stakeholders interests and so, sustainability should be part of the corporate objectives and executive rewards. It has been proposed by Professor Robert Eccles, faculty of Harvard Business School, that companies that seriously engages and delivers in sustainability, also outperforms similar companies financially.

### INMATERIAL INITIATIVES

Materiality is an outstanding concept to discuss which sustainability initiatives must be engaged. It brings objectivity to the conversation and a common language across executives and investors, that makes it easier to understand each other. But materiality, purely defined and an accounting concept, fails to leave room for initiatives that will not have a significant impact on the 10-K. As argued before, sustainability also acknowledges that there are initiatives that may have relevant impacts that are hard to measure monetarily, that looks to promote diversity, employee satisfaction, reputation or risk mitigation, and that may be critical for a business but still do not have material impact from the accounting point of view.