

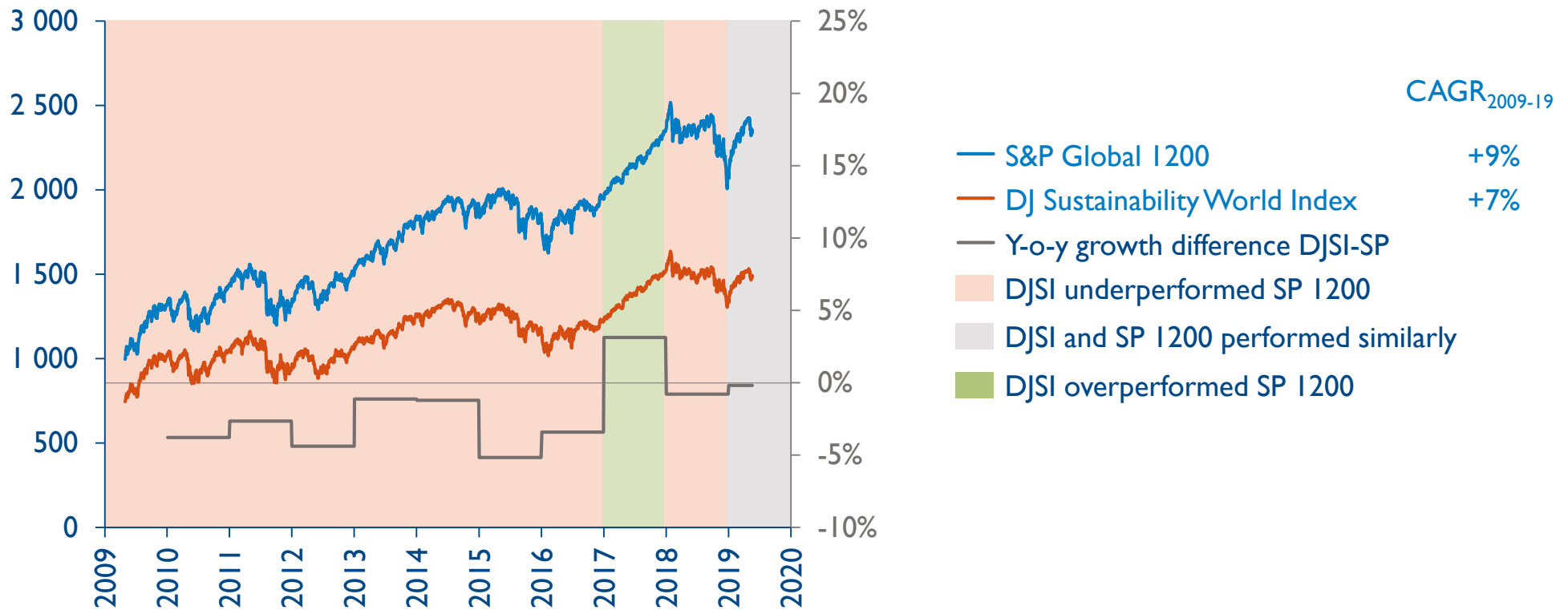
KPI's: Unlocking Value and Investment

Plenary Session 2
Presentation by Brett Olsher

13th June, 2019

Sustainable and Responsible investing is creating value

Dow Jones Sustainability World Index



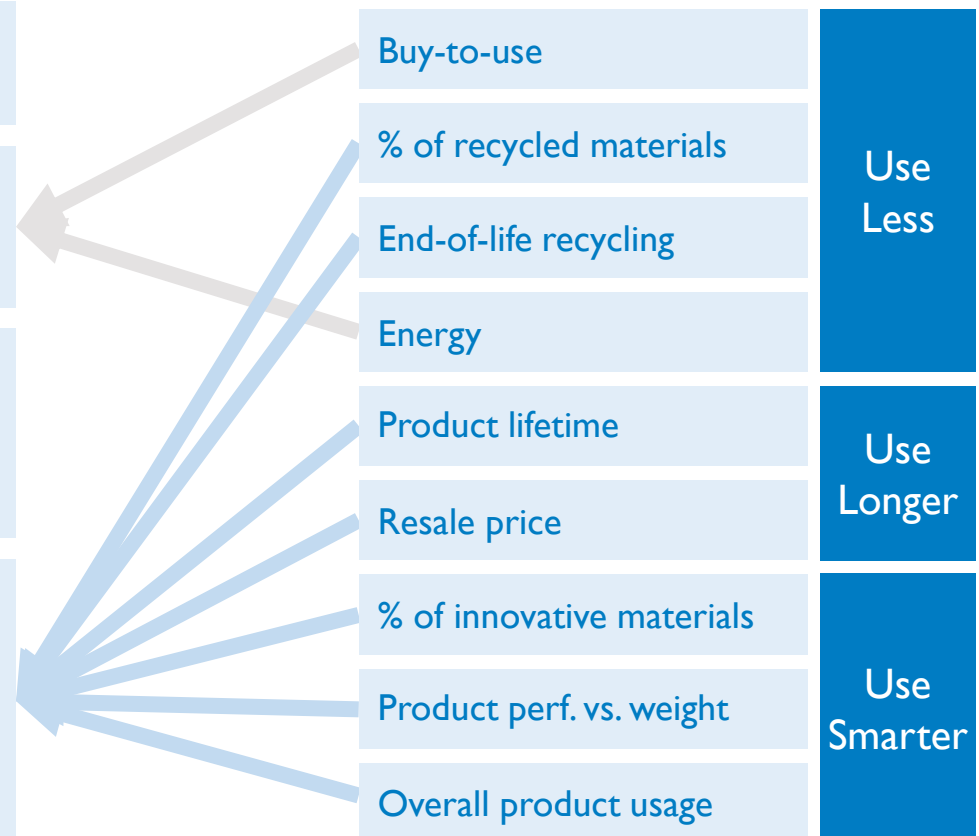
Source: S&P

Material Efficiency should become a core metric of sustainability

RobecoSAM⁽¹⁾ sustainability assessment, used for Dow Jones Sustainability Index

Environment reporting	<ul style="list-style-type: none"> ■ Coverage ■ Assurance ■ Quantitative data
Operational eco-efficiency	<ul style="list-style-type: none"> ■ GHG emissions ■ Energy consumption ■ Water consumption ■ Waste
Climate strategy	<ul style="list-style-type: none"> ■ Management incentives ■ Climate change strategy ■ Climate-related targets ■ Low-carbon products ■ Internal carbon pricing
Product stewardship	<ul style="list-style-type: none"> ■ Product design criteria ■ LCA (lifecycle analysis) ■ Product benefits ■ Hazardous substances ■ Commitment ■ End-of-life responsibility ■ Labels & declarations

WMF Material Efficiency KPIs

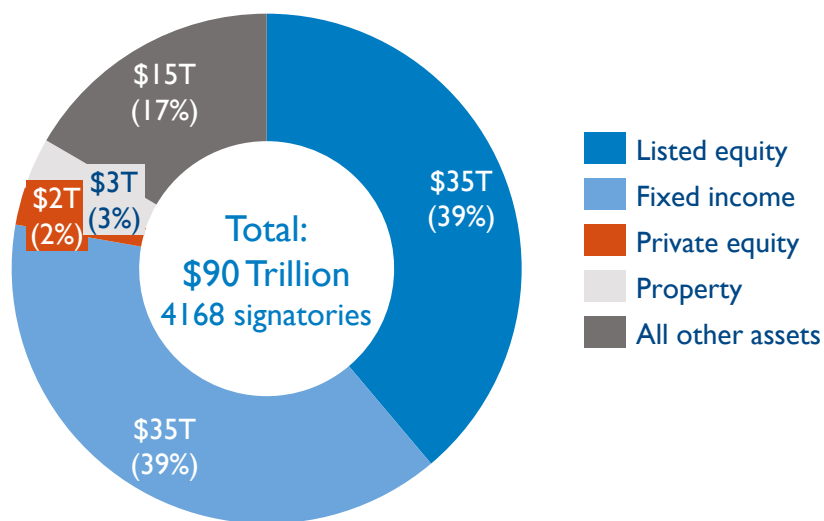


Source: RobecoSAM, WMF
 Note: (1) SAM: Sustainable Asset Management

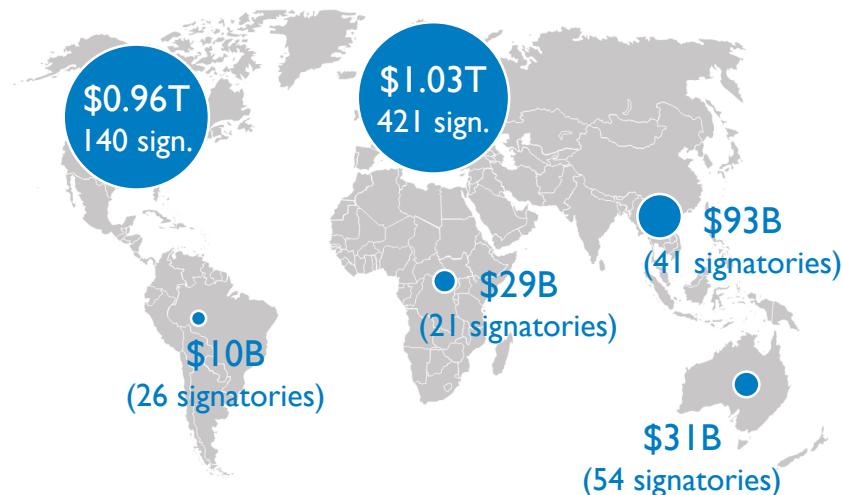
The Principles for Responsible Investment (PRI) signatories have grown to more than 4000, with \$90 Trillion in asset under management

Signatories 2018

- PRI have attracted a global signatory base representing a majority of the world's professionally managed investments:



Private Equity signatories of the PRI Asset under management and nb. of signatories, 2018



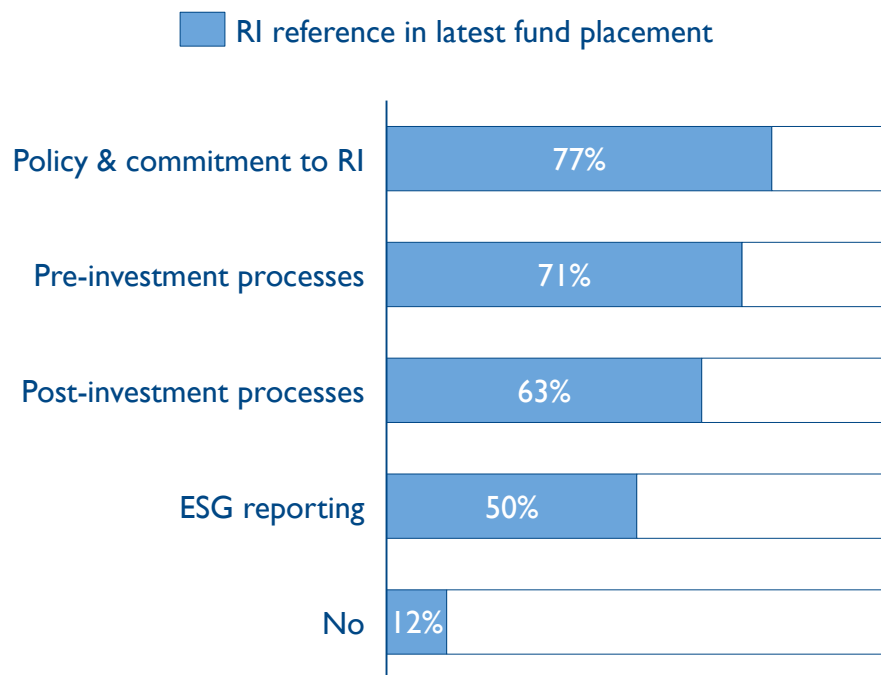
The Six Principles for Responsible Investment (PRI) incorporate ESG⁽¹⁾ performance into the Investment Practice

- 1 We will incorporate ESG issues into investment analysis and decision-making processes
- 2 We will be active owners and incorporate ESG issues into our ownership policies and practices
- 3 We will seek appropriate disclosure on ESG issues by the entities in which we invest
- 4 We will promote acceptance and implementation of the Principles within the investment industry
- 5 We will work together to enhance our effectiveness in implementing the Principles
- 6 We will each report on our activities and progress towards implementing the Principles

PRI Signatories include Responsible Investment and its Financial Impact as a Key Factor in Funds Deployment

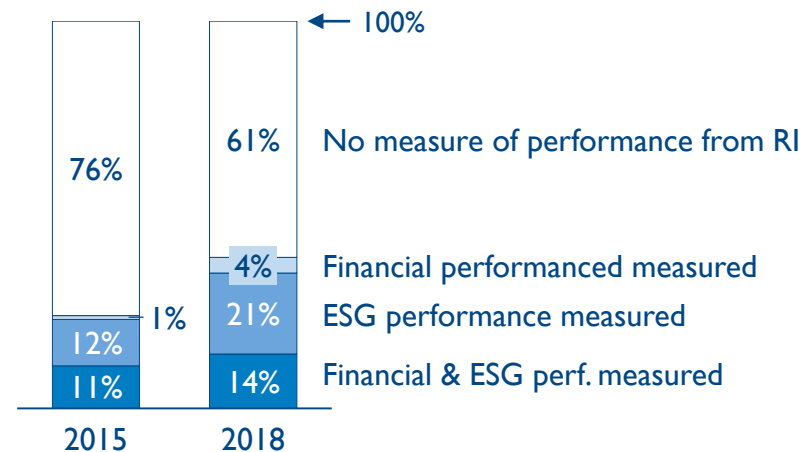
RI reference and commitment in fundraising?

Among UN PRI signatories



Do PE funds measure the impact of RI?

Among UN PRI signatories



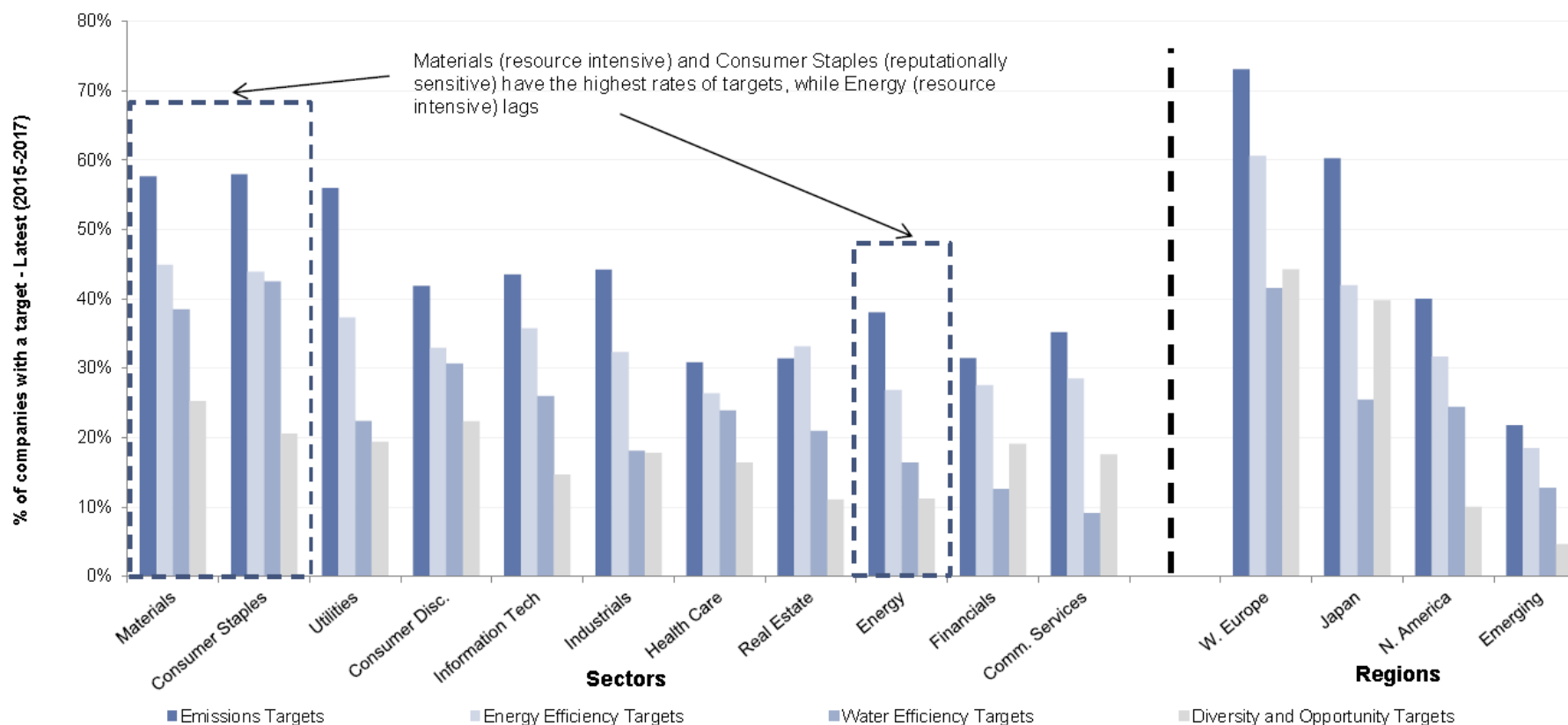
Example of PE funds comments:

“ For several portfolio companies, Ardian measured the financial impact of specific ESG initiatives on sales and profitability. Impact was significant and further discussed with management teams as part of Ardian's effort to improve ESG practices of its portfolio companies. ”

Source: UN PRI
Note: (1) Responsible Investment

The market mostly measures operational eco-efficiency: we believe measuring product related indicators (such as ME) would be an important step forward

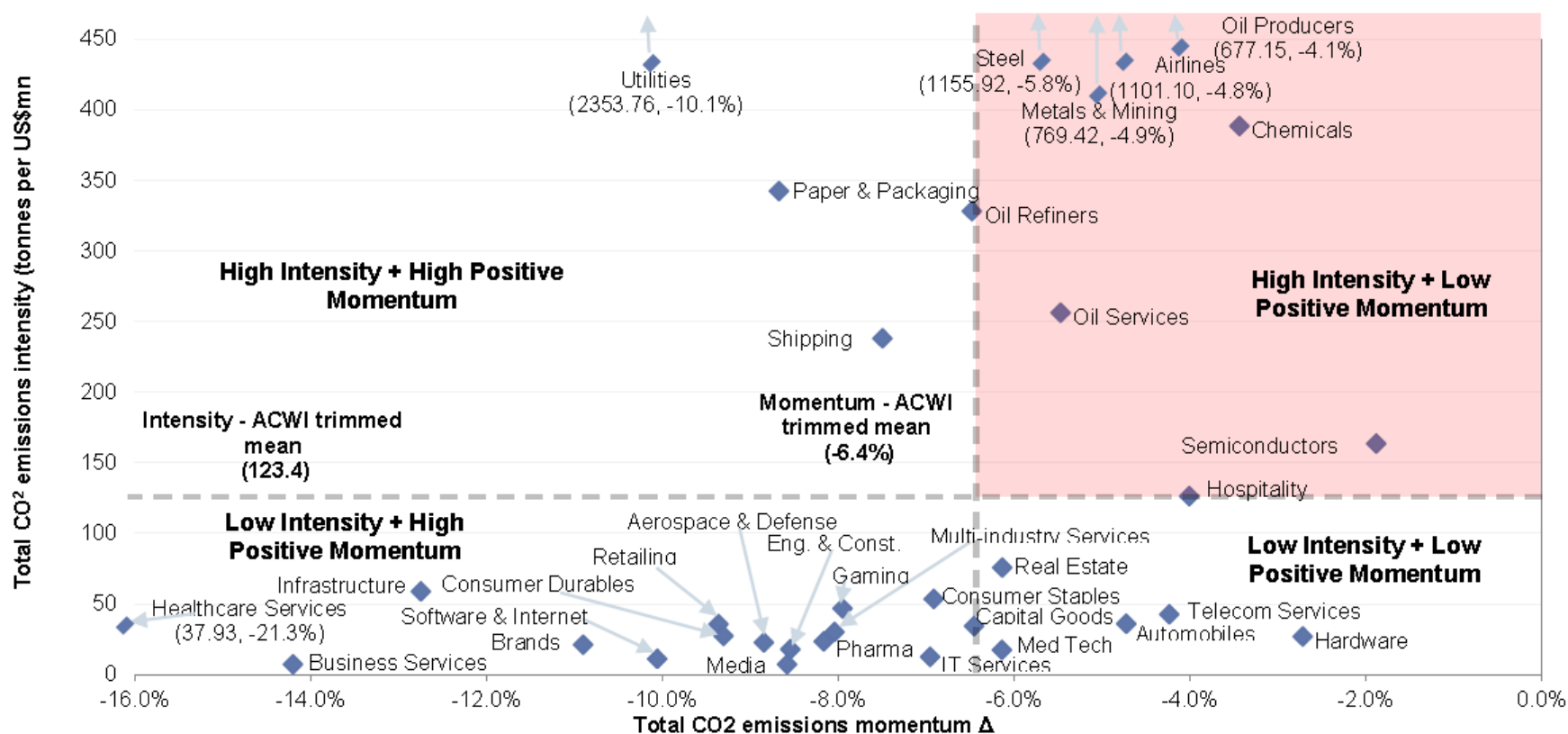
Average number of companies with articulated emissions, energy, water and social targets



Source: Thomson Reuters, Goldman Sachs Global Investment Research

For example, all sectors have a positive momentum for emissions – material efficiency should be monitored similarly

Median GHG⁽¹⁾ intensity and momentum by sub-sector (2015-17)



Source: Thomson Reuters, Goldman Sachs Global Investment Research
 Note: (1) Green-House Gases

Next step: to benchmark and value material efficiency

Material Efficiency KPIs

Illustrative scorecard by KPI

		Industry 1	Industry 2	Industry 3	...
Use Less	Buy-to-use	5	2	9	
	% of recycled materials	6	3	8	
	End-of-life recycling	8	2	4	
	Energy	5	9	7	
Use Longer	Product lifetime	0	9	6	
	Resale price	0	9	7	
Use Smarter	% of innovative materials	3	4	7	
	Product perf. vs. weight	9	7	5	
	Overall product usage	6	8	3	
Aggregate material efficiency performance		X	X	X	

- The aggregate material efficiency performance has to be linked to a financial metric
 - e.g. “people who implement ME are more profitable”
- Companies should select the most relevant KPIs and explain the performance in financial terms

Commencing the process to unlocking value and investment

Sample Survey Questions



Survey

- What are the material efficiency KPI's that are the most relevant and that best translate into value creation for your company?
- Can you effectively benchmark the material efficiency performance across your industry? And if not, why?
- What is the best way to create a common material efficiency reporting standard for your industry?

Please send your answers to: wmf2019kpi@gmail.com

The opportunity and the risk of inaction

- The ability to **measure and value material efficiency** is a **game changing opportunity** for industry
 - If material efficiency is included as a core sustainability metric, **significant value will be attributed to the winners**, and investment will accrue to the best players
-
- Industries around the globe are being **disrupted** by technological developments as well the significant regulatory and grass roots pressure **to operate in a sustainable way**
 - The **risk of inaction** is to **get disrupted** by others or new entrants and become obsolete or at best a follower. Industries invested solely in the continuing system will be at a **distinct disadvantage**, for example those that are dependent on fossil fuels, etc.