

The background of the slide features a blurred office scene. In the foreground, a laptop is open, and next to it, an open book with blue and white pages is visible. The scene is lit with soft, natural light, suggesting a window in the background. A large, dark blue circular shape overlaps the left side of the image, serving as a backdrop for the text.

Embedding ESG information into corporate decision-making

WBCSD plenary breakout session



wbcasd

| redefining value

WBCSD LD Meeting, Montreux | April 2018

Today's Objectives:

Demonstrate the challenges and benefits of including non-financial data in decision-making

- Share insights and experiences in the field
- Explore key challenges in more detail
- Discuss ways to overcome these challenges





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Sustainability Strategy, BASF



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Agenda

14:30	Introduction: about Redefining Value High-level remarks from Tim Mohim, GRI	Eva Zabey, WBCSD Tim Mohim, GRI
14:45	Decision Game	Geoff Lane, PwC
14:55	BASF's Value-to-Society Approach	Christian Heller, BASF
15:05	Table discussions (challenge areas) and feedback <ul style="list-style-type: none">• Data• Comparability• Standardized disclosure	Table facilitators
15:20	Closing remarks Links to risk management and integrated performance management	Tim Mohim, GRI Mario Abela, WBCSD

Introduction



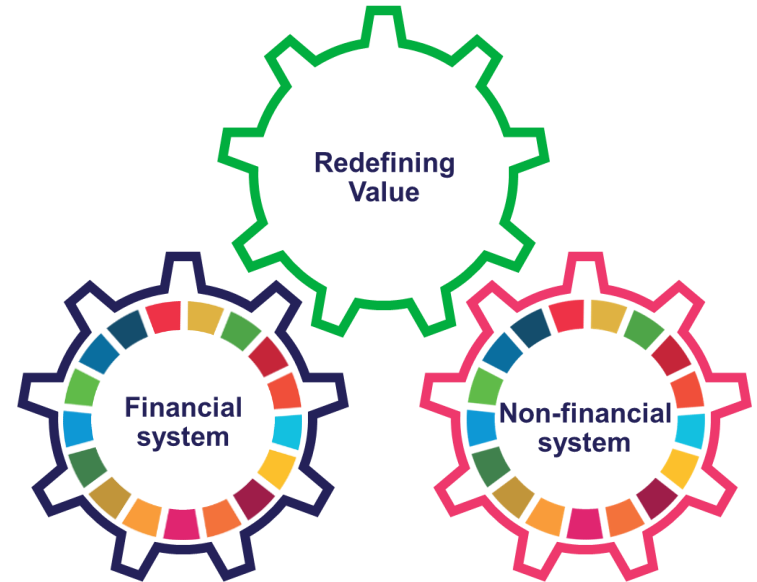
Redefining Value **Vision**

We work with business to **improve decision-making and external disclosure** which will transform the **financial system** to **reward** the most **sustainable companies**.

Redefining Value Overview

We do this by building on existing business processes to help companies provide decision-useful information to the financial system

- ▶ We help companies measure and manage **risk**, gain **competitive advantage** and seize new **opportunities**
- ▶ We enable them to **better understand** ESG information and use it to inform **business decision-making** and **external disclosure**
- ▶ We do this by building **collaborations** and developing **tools, guidance, case studies, engagement** and **education** opportunities



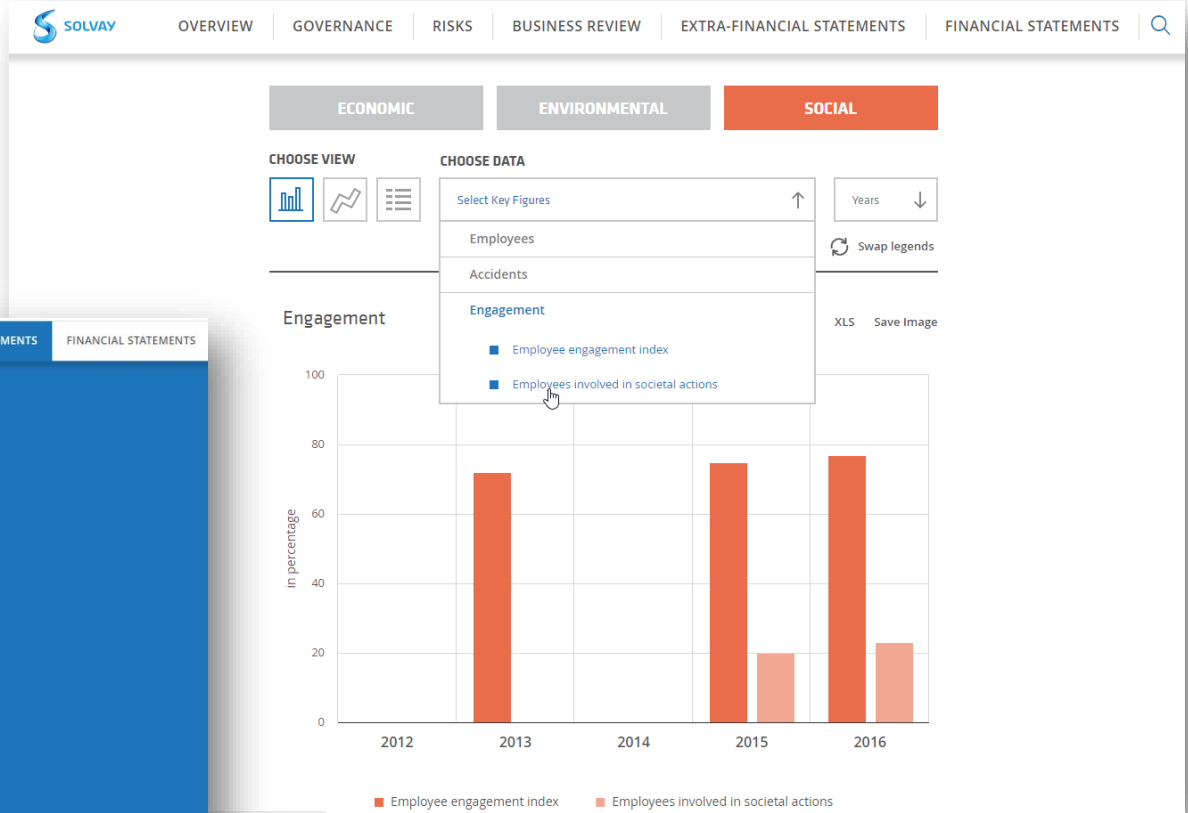
Real world examples



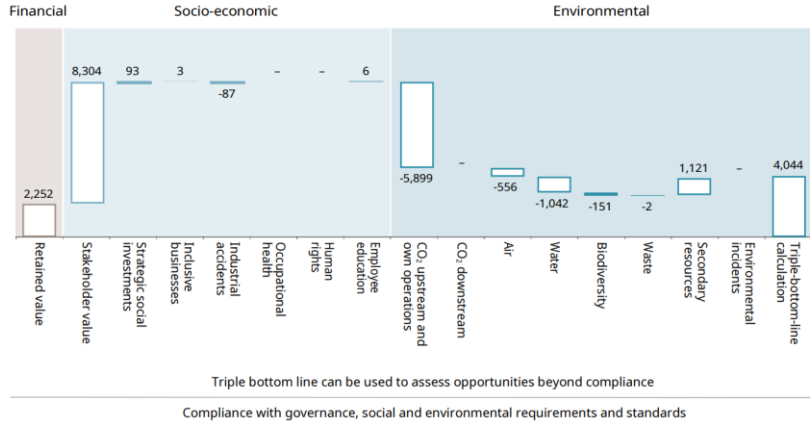
Extra-financial statements



OVERVIEW	GOVERNANCE	RISKS	BUSINESS REVIEW	EXTRA-FINANCIAL STATEMENTS	FINANCIAL STATEMENTS
Extra-financial statements	Notes to the extra-financial statements				
Summary table					
Sustainability management	NOTE S1 Sustainable Portfolio Management				
Basis of preparation	NOTE S2 Greenhouse gas emission management				
Notes to the extra-financial statements	NOTE S3 Energy management				
Assurance report of the Statutory Auditor on a selection of social, environmental and other sustainable development information	NOTE S4 Air quality management				
GRI Content index	NOTE S5 Water management				
	NOTE S6 Environmental accidents and remediation				
	NOTE S7 Hazardous materials management				
	NOTE S8 Employee health and safety management				
	NOTE S9 Employee engagement and wellness management				
	NOTE S10 Community development management				
	NOTE S11 Management of the				



Integrated Profit and Loss Statement 2016



Value Added Statement for 2016





Tim Mohin
CEO, GRI

Decision game

Geoff Lane, PwC



www.pwc.com/sustainability

The beer game

***WBCSD LD
Meeting***

Montreux

April 2018



Group exercise

Case study background

A brewer is entering a new market in Africa with a 5 year investment. One of the key decisions is the sourcing strategy for cereals. The bottling plant will need to be near to the market so water for brewing will need to be sourced locally. But there is a choice of where to source the cereals from.

Objective of exercise

Play the role of the management team of the brewer and choose the cereal sourcing strategy for the new brewery.



The two options...

Option **1**  **Import barley from global market**



Option **2**  **Grow an alternative crop locally in East Africa**



Which option would you choose, and why?

I

L

	Import		Source locally	
	\$m	Confidence	\$m	Confidence
Annual capital costs	(2.0)	***	(3.5)	***
Annual operating costs	(3.0)	***	(2.0)	***
Total costs	(5.0)	***	(5.5)	***

Now which option would you choose, and why?

I

L

	Import		Source locally	
	\$m	Confidence	\$m	Confidence
Annual capital costs	(2.0)	***	(3.5)	***
Annual operating costs	(3.0)	***	(2.0)	***
Total costs	(5.0)	***	(5.5)	***

Non-financial considerations				
Jobs created	50	**	250	**
Land used (Ha)	1,000	**	1,500	*
Water consumed ('000 m ³)	2,000	**	750	*
Farmers trained	25	*	250	**

Now which option would you choose, and why?

I

L

	Import		Source locally	
	\$m	Confidence	\$m	Confidence
Annual capital costs	(2.0)	***	(3.5)	***
Annual operating costs	(3.0)	***	(2.0)	***
Total costs	(5.0)	***	(5.5)	***

Non-financial considerations	\$m	Confidence	\$m	Confidence
Contribution to local economy	2.0	**	4.0	**
Ecosystem service loss	(2.5)	*	(4.5)	**
Health effects of water use	-	***	(1.5)	**
Farmer livelihoods	0.5	*	2.0	**

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BASF's Value-to-Society Approach

Christian Heller, BASF





We create chemistry



Value-to-Society

A new metrics to assess multi-dimensional value creation

Break-out session: Embedding ESG considerations into corporate decision-making
Christian Heller, Corporate Strategy | Montreux, April 17th, 2018

Objective of Value-to-Society

Assessing our 'real' positive and negative contribution in societies



We create chemistry for a sustainable future.



Embedding the Natural & Social Capital Protocols in our business.



Business and calculation model

Develop a pragmatic, scalable, transferable and auditable model

Full external supply chain

- > €38bn purchase volume
- > 30,000 different raw materials purchased
- > 70,000 1st tier suppliers



Own operations

- 86 strategic business units
- >115,000 employees
- > 350 production sites
- Companies in >80 countries
- > €64bn sales
- > €6bn net income



Customer industries

- >130,000 customers
- > 60,000 product applications
- Almost all value chains and countries



Product use & end-of-life

- Transportation
- Construction
- Consumer goods
- Agriculture
- Health & nutrition
- Resources & energy

Data

- Primary data: Own operations, purchase & sales profile
- Industry data: Supply chain, customer industries

Measurement

- Own operations: Aggregation
- Supply chain and customer industries: Input-out modelling

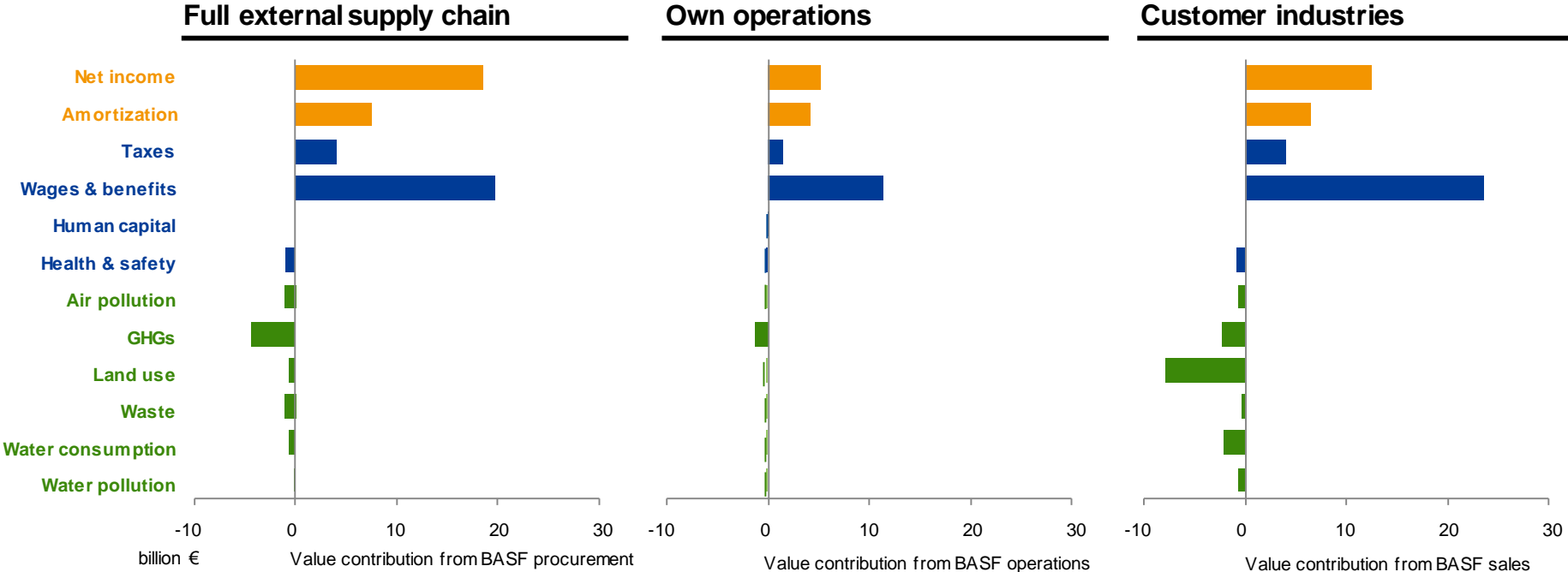
Valuation

- Financials: World Bank's purchase power parity indicators
- Non-financials: PwC valuation coefficients

Model delivers results, which are directionally correct.

Our contribution to sustainable growth: Results 2016

Since 2013 net positive contribution in each step of the value chain




Talking the business language to embed integrated thinking

Piloted application areas

Stronger embedment of sustainability on the strength of business language

Corporate level




Annual contribution

Progress monitoring

Relevance along the value chain

Project level




Site development

Acquisitions / divestments

Technology shifts

Product level



Contribution of product portfolio

Contribution of single products

Product performance

Positioning 
Materiality 
Decision making 
Goal setting 

Improved transparency and understanding of risks, opportunities and interdependencies

Benefits and challenges of Value-to-Society

Innovations of impact valuation

What's new

- From output to impact
 - ➔ How our business activities affect the well-being of people
- Monetization of pre-financials
 - ➔ Using a common metric

What's the benefit

- A new perspective: The 'real' impact of business
- Talking the language business leader understand
- Increased integrated thinking

What's the challenge

- Data availability, robustness and granularity
- Complexity and maturity of methods, standardization
- Ethical concerns & change management

Be clear on the objective to define scope, data and methods

The way ahead

- Improve maturity of calculation and valuation techniques
- Increase reliability and granularity of data
- Standardize measurement tools and valuation coefficients
- Elaborate benefits for decision making and strategy development
- Assess potentials for business steering and accounting



The collaborative journey to embed impact valuation in business just started

 - **BASF**

We create chemistry

Table discussions

1. **Data** *Christian, Matt*
2. **Comparability** *Geoff, Eva*
3. **Standardized disclosure**
Tim, Mario



Closing remarks



Tim Mohin
CEO, GRI



Mario Abela
Director, Redefining
Value, WBCSD

Lead.
Transform.
Succeed.
2018.