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NET IMPACT

University of Cincinnati



ABC's of Disclosure

Defining Materiality

What does sustainability mean in business?





Materiality

In business, sustainability refers to doing business without negatively impacting the environment, community, or society as a whole.

- Investors and other stakeholders today use ESG metrics to analyze an organization's ethical impact and sustainability practices
- Stakeholders examine factors such as a company's carbon footprint, water usage, community development efforts, and board diversity
- Beyond helping curb global challenges, sustainability can drive business success

A material sustainability issue is:

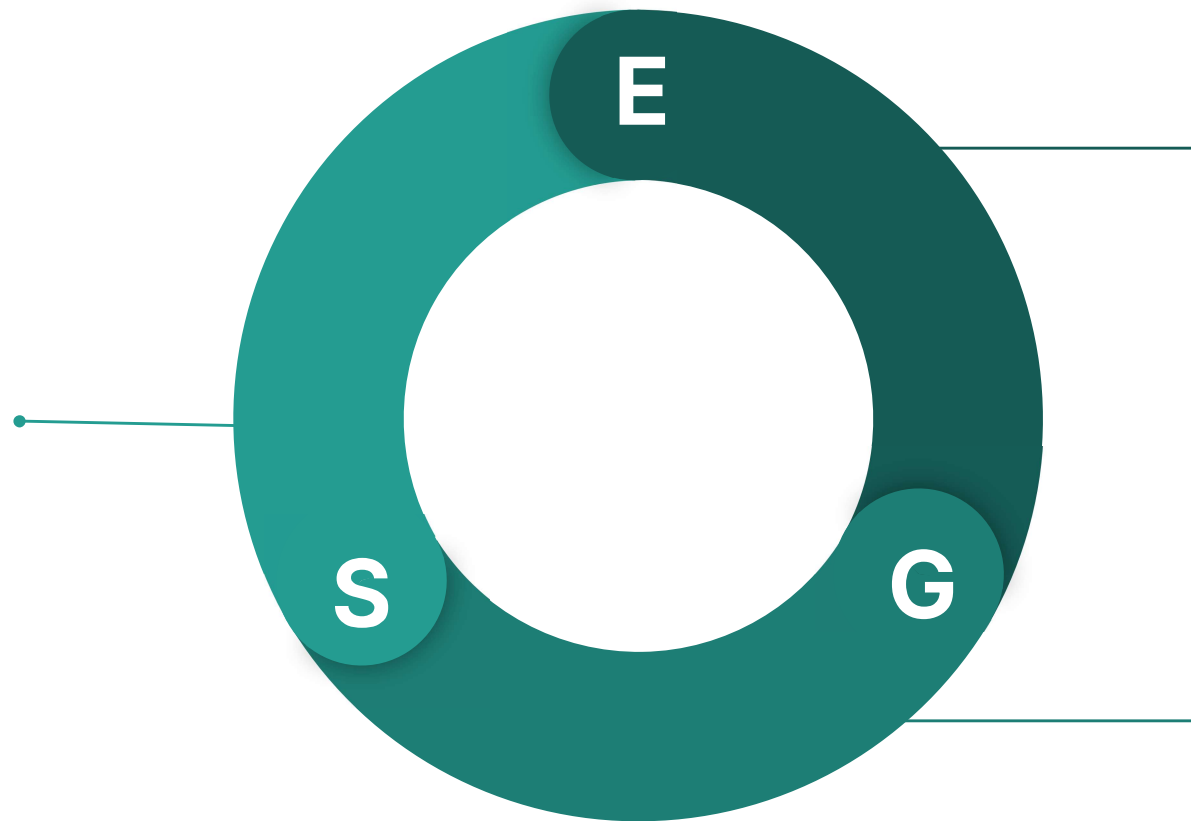
- An economic, environmental, or social issue on which a company has an impact, or may be impacted by
- Significantly influences the assessments and decisions of stakeholders



Environment, Social, Governance (ESG)

Social

- Human Capital Management
- Diversity
- Value Chain
- Society



Environment

- Climate Stability
- Natural Resources
- Waste Management
- Innovation

Governance

- Transparency
- Anti-Bribery & Corruption
- Corporate Governance
- Risk Management

Practice Exercise

Example: PepsiCo relies on water to produce its products, without a consistent supply of inexpensive water they will likely face significant business challenges.

Water scarcity is a material issue to PepsiCo's corporate and sustainability efforts.

- Sales and profitability are at stake should water become scarce or economically unavailable
- The company's actions impact water availability

What others can you think of?



Materiality Assessment

A formal exercises aimed at engaging stakeholders to determine the importance of specific environmental, social, and governance (ESG) issues.

Various standards and frameworks can be used as reference. The most common:

- The Sustainability Accounting Standards Board (SASB) - standard
- The Global Reporting Initiative (GRI) - standard
- Carbon Disclosure Project (CDP) - framework



Understanding the Sustainability Reporting Ecosystem

Ratings & Rankers

Bloomberg

S&P Global

MOODY'S

SUSTAINALYTICS



GRESB

MSCI

Frameworks

TCFD

CDP
DISCLOSE INSIGHT ACTION

Global Goals & Principles

GREENHOUSE GAS PROTOCOL



PRI
Principles for responsible investment

Regulations

EFRAG



ISSB



ftc



Standards

VALUE REPORTING FOUNDATION

ISSB



ESG Materiality Process



GHG Inventory

Greenhouse Gas Inventory - compilation of emission sources and the associated quantity of GHG emissions emitted.

Emissions sources can account for all sever recognized GHGs per the Kyoto Protocol, but all final emission values are quantifies in metric tons of CO2 equivalent

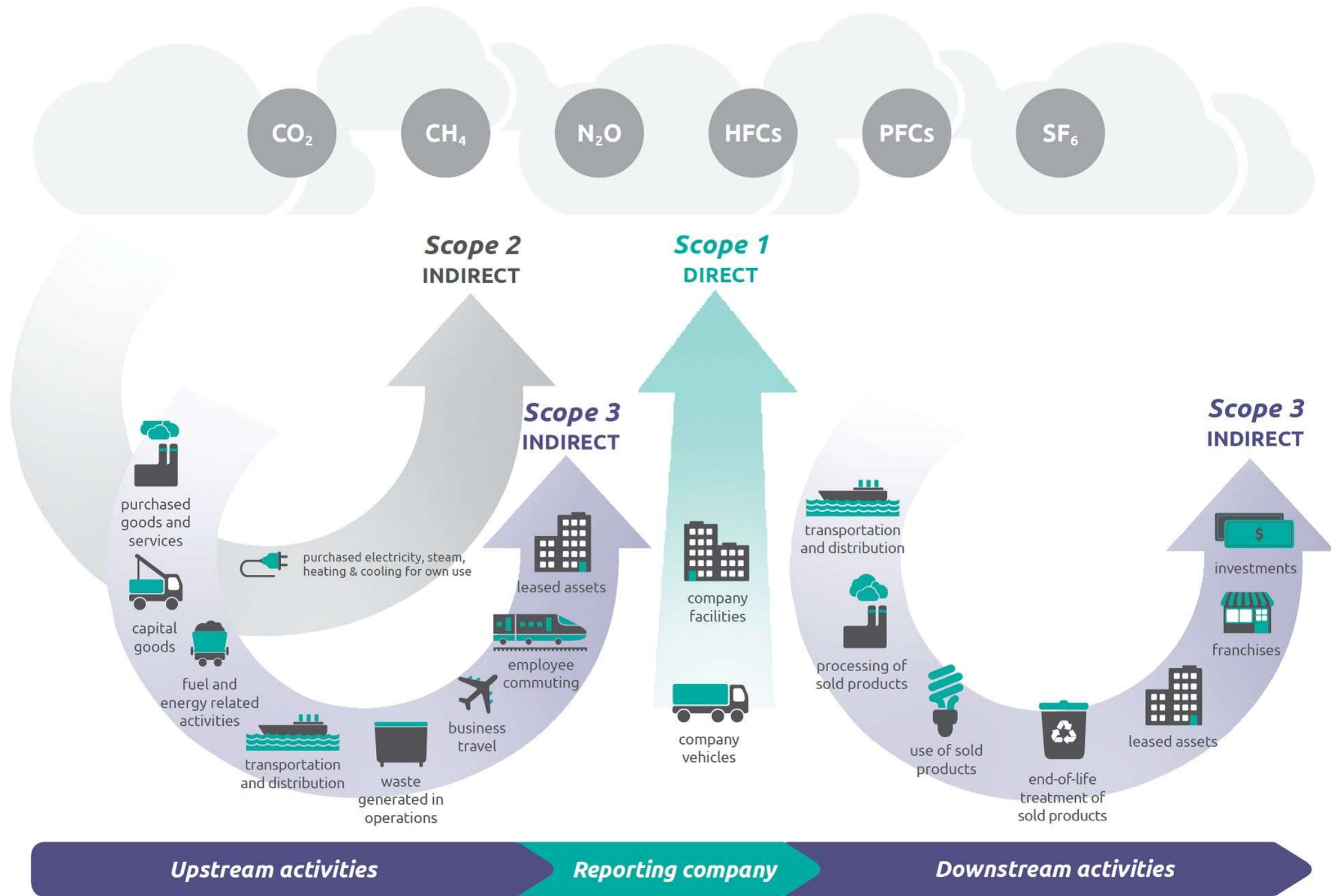
Emissions separated into three categories of reporting.

Scope 1
(Direct)

Scope 2
(Indirect & Owned)

Scope 3
(Indirect & Not Owned)





Determining ESG KPIs



Board Level

- Committees
- Board of Directors

Implementation Level

- EHS & maintenance representatives
- HR, public relations, marketing, finance

Management Level

- ESG Working Group



S

Specific

What exactly is an indicator of success?



M

Measureable

Can you physically track your KPI?



A

Achievable

Are your KPIs realistic?



R

Relevant

Do our KPIs reflect the overall goals & values of the business?



T

Time-Frame

When should KPIs be met?

Think about the PepsiCo example with water.



Water

Examples

Improve water quality compliance rate for discharge to 95%.

Decrease water loss percentage and water usage 50% by 2035

Install a water treatment system to ensure safe discharge wastewater.

Waste

Examples

Achieve 60% landfill diversion rate by 2035.

Reduce our per capita waste generation 50% by 2030.

Adopt and invest in advanced recycling technologies.

Biodiversity & Ecological

Examples:

Achieve net positive effect on biodiversity by 2030

Environmental Return target of 5 million hectares of tropical forest protected or restored.

Spacial management and operational policies in place to protect marine species and IUCN red-listed habitat

Other Environmental KPIs

Common Greenwashing & Term Misuse





Greenwashing

Most common:

- Investing in Carbon Offsets to compensate emissions for which low-carbon alternatives exist
- Contradicting terms (sustainable consumption, clean coal, etc.)
- Making the product packaging green

How to avoid:

- Set realistic targets
- Focus on substantive actions
- Provide verifiable evidence
- Be transparent about limitations





100% of K-Cup® Pods are Recyclable*

Since the end of 2020, 100% of Keurig® K-Cup® pods have been recyclable. All of our K-Cup® pods are made from recyclable polypropylene (#5 plastic) which is used in a variety of common household products like butter tubs and yogurt containers. Polypropylene is widely accepted in curbside recycling across North America, although not all recycling facilities that accept polypropylene necessarily accept K-Cup® pods.

Each recycling facility differs (in fact, there are currently over 20,000 different recycling systems in the U.S.), so it's important to confirm you can recycle pods in your community. You can check your city's waste management website or sites like [BeRecycled.org](https://www.be-recycled.org) to see a list of accepted materials.

*Check locally - not recycled in many communities.



Questions?





Sources

[ESG Investing - Baltimore Washington Financial Advisors](#)

https://www.stern.nyu.edu/sites/default/files/assets/documents/NYUSternCSBSustainabilityMateriality_2019_0.pdf

https://www.stern.nyu.edu/sites/default/files/assets/documents/NYUSternCSBSustainabilityMateriality_2019_0.pdf

<https://thesustainableagency.com/blog/greenwashing-examples/>

