

ESG Workshop #4: Value Creation

Tools and Training for High Performance, Resiliency and Value Creation



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Assistant VP of Sustainability
ISRI

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Consultant, ISRI

September 14, 2023

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WholeWorks, LLC

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Sustainability Principal
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Welcome & Introductions



Natalie Messer Betts
Assistant VP of Sustainability



Susan Robinson
Consultant



Laura Asiala
Chief Sustainability Officer
WholeWorks, LLC



Kari Bliss
Sustainability Principal, Padnos

Laura Asiala is the Chief Sustainability Officer of **WholeWorks** and the Lead Facilitator for WholeWorks' Sustainability Programs, including '[Strategic ESG: Creating Sustainable Value](#)', a unique simulation-based learning experience. WholeWorks accelerates the ability of professionals and leaders to integrate ESG issues across their companies, creating value and transforming traditional business to sustainable. Laura has extensive international and sustainable business experience, having served Dow Corning (now part of Dow, Inc.) as Director of Corporate Communications & Citizenship; PYXERA Global as Vice President Public Affairs; and Council of the Great Lakes Region as Senior Director and Editor. She has a Masters in Organization Development from Case Western Reserve University.

Kari is an active ISRI member and is Principal of Sustainability at Padnos, based in Holland, Michigan. She has been at Padnos since 2011. She is Treasurer and Technical Liaison for the Society of Plastic Engineers, is a Technical Advisor for the Nextcycle Grant Selection process, and is a guest lecturer the Patent Pending Team for Shredder Residue Recycling.

Kari graduated with a BS Cum Laude from Aquinas College. She has certifications from the ReMade Institute, The Global Reporting Institute, and WholeWorks, LLC.

Poll

How is sustainability viewed in your company?

- Part of our company culture
- A marketing tool
- A compliance and supplier/customer satisfaction activity
- Core to our business strategy
- A 'nice-to-have' activity when time and resources allow

Agenda



- **Introductions, Background & Context**
- **WholeWorks Materiality Mapping and Value Creation Tools**
- **Q&A**
- **Wrap up and preview for October**
 - Scope 3 - Supply Chain
 - Scope 4 - Avoided Emissions

Background/Context



The ESG initiative is ISRI's response to a changing world affecting all types and sizes of organizations and companies.

The initiative is being offered to members to help maneuver through the maze of sustainability issues, focusing on creating opportunities to drive business value by shaping resilient and profitable companies for years to come.

ISRI's ESG Toolkit

- **Purpose-** simplify & customize ESG for recycling industry
- **Contents**
 - ESG strategy development guidance
 - Reporting education
 - Emissions calculators
 - Sample policies
 - Downloadable data templates
- **Timeline** - Completed by end of 2023
- **Ongoing Support** - Information will continue to be available and updated online for ISRI member reference and use.

2023 Workshop Series

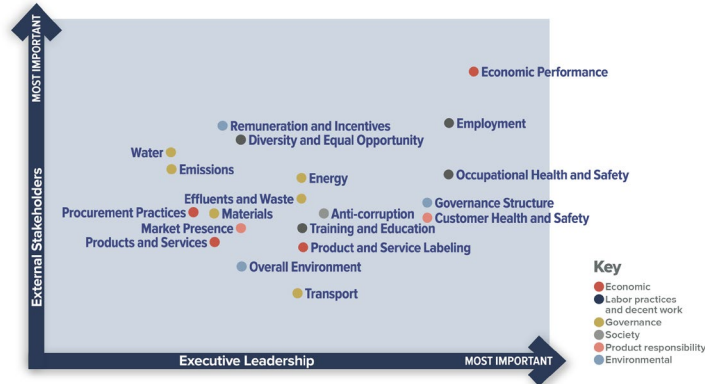
Month (2023)	Activity
June	Overview, Materiality and Governance. These provide an important overlay for ESG strategy. What do stakeholders think is important, or material, about your company. The role of data, policies and guidance associated with good governance play an important role in the ESG strategy dialogue.
July	Strategy, Goals & Community Descriptions and supporting documents to help develop key topics supporting ESG. Understanding the "S" of Social in ESG.
August	GHG Emissions and Carbon Footprint: A look at GHG emissions, and an introduction to Scopes 1, 2 and 3 emissions.
September	Value Creation & The Whole Works Mapping Tool
October*	Understanding Scopes 3& 4: What are they, and how are they counted? <i>*New Schedule! Note addition of Scope 3</i>
November	Reporting Frameworks
December	Looking Ahead to 2024: A review of the toolkit. Taking time to look ahead to future trends and program needs.

Overview from Workshop #1, #2 & #3

Topics Covered Previously:

- **Workshop #1: Materiality and the "G"/Governance in ESG**
 - ESG Overview
 - Materiality & Governance
- **Workshop #2: Strategy and the "S"/Social in ESG**
 - **ESG Goals & Strategy** - Building on Workshop #1, we discussed developing ESG Goals & Strategies.
 - **The "S"/Social in ESG** - including employees, community, Environmental Justice and Human Rights.
- **Workshop #3: The "E"/Environment in ESG**
 - **GHG Emissions** - What are they?
 - **Scopes 1, 2 & 3:** Identifying and reporting GHG emissions
 - **Calculating emissions:** Using existing tools

Workshop #1: Overview & Governance



Overview

- No laws requiring ESG reporting in N. America
- Reporting on Sustainability and ESG is continually evolving.
- ESG" was coined by the finance industry
- Investors and other stakeholders expect publicly owned companies to report on key ESG topics.

Materiality

- Materiality is determining which ESG impacts (or issues) matter to an organization's stakeholders.
- Materiality can't be determined by a company on its own. Companies must enlist stakeholder input.
- A Materiality Assessment prioritizes issues and links the business of the company to its significant ESG impacts

Governance - The "G" of ESG

- Good governance is the foundation for a company's health.
- Includes corporate structure, financial reporting, policies, stakeholder engagement, compliance and strategy.
- Putting policies in place is critical, as well as annual reporting - and progress towards reported ESG goals.

Workshop #2: ESG Goals & Strategy



Workshop #2: The “S”/Social in ESG

The “S” in ESG is more than just doing good for your surroundings.

It includes all the topics connected to how a company relates to people within and outside its walls. It examines the company’s relationships with the other businesses and communities, as well as how the companies treat their employees.

During Workshop #2, we covered:

- Employee Relations
- Community Relations
- Environmental Justice
- Human Rights

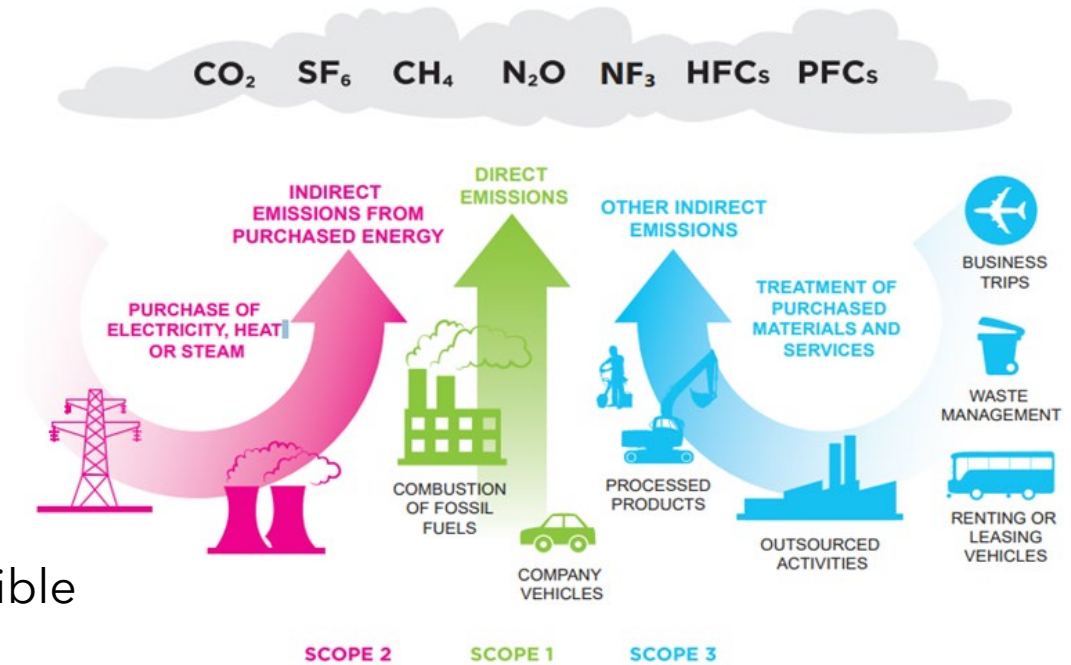


The financial world defines the “S/Social” in ESG as ***how a company manages its relationships with its workforce, the societies in which it operates, and the political environment.***

Companies are being held accountable for all aspects of their business: Corporate governance, policies, goals, transparent reporting and community relations

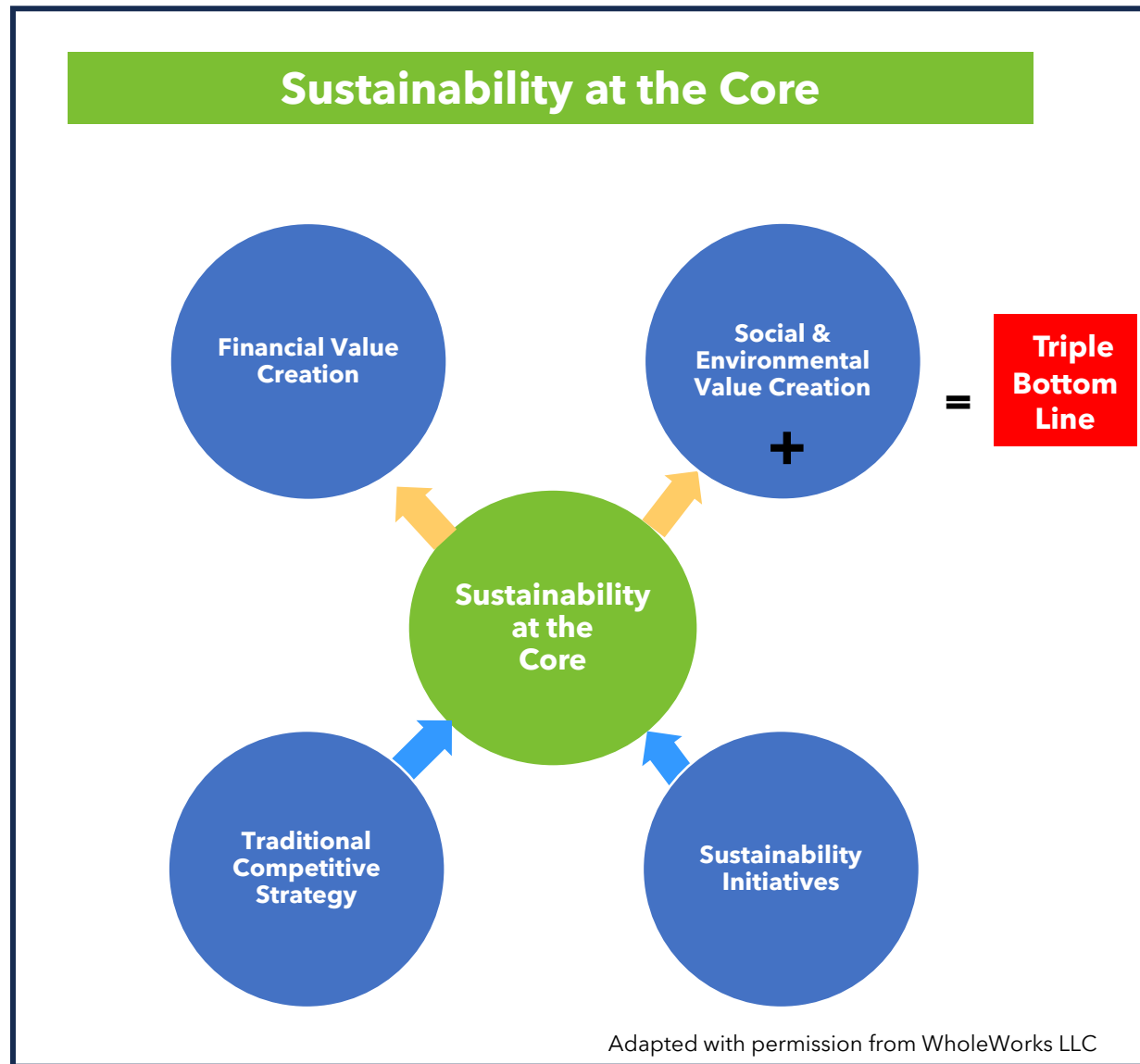
Workshop #3: The “E”/Environmental in ESG, & GHG Calculations

- **What Are GHG?** Gases that trap heat in the atmosphere are called greenhouse gases.
- **Reporting Emissions:** Three categories, or “Scopes” of GHG Emissions are used for accounting and reporting.
 - **Scope 1 - Direct emissions from operations**
 - **Scope 2** - Indirect emissions from electricity use.
 - **Scope 3** - Indirect emissions that are part of a company’s supply chain.
- **Avoided Emissions, or Scope 4 emissions are reported separately from GHG emissions.** These are not part of a company’s GHG inventory but can be useful talking points.
- **Offsets & credits.** These should be considered after all possible GHG reductions have been made.
- **Calculating GHG emissions.** US EPA’s simple emissions calculator identifies is designed to help small businesses calculate their GHG emissions.



The “E” in ESG considers how a company performs as a steward of the natural or physical environment. It takes into account a company’s utilization of natural resources and the effect of its operations on the environment, both in its direct operations and across its supply chains.

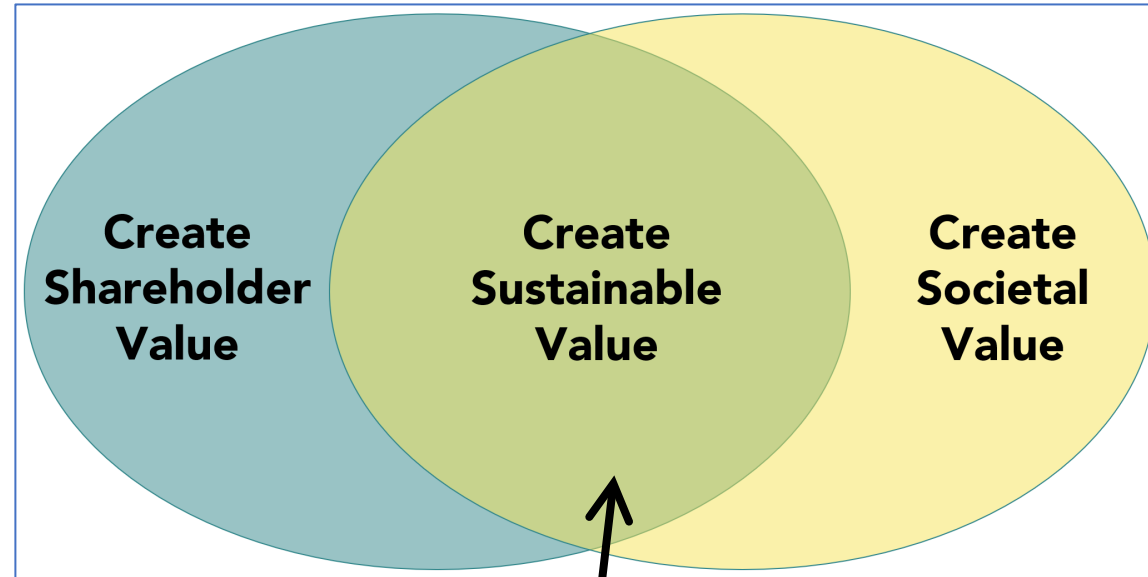
Value Creation



Sustainability Value Creation requires understanding how ESG initiatives can also strengthen your company's competitive strategy to create financial value.


Previous Workshops in Context of Value Creation

**Creating Sustainable Value requires creating BOTH creating societal value (Triple Bottom Line)
AND shareholder value**



Adapted with permission from WholeWorks LLC

ESG = Environmental, Social, Governance issues
that are important (material) to the business



powered by **WholeWorks** ▶

Mapping Materiality & Creating Sustainable Value
An ISRI ESG Workshop Exclusively for Members
September 14, 2023

Outline

- Strategy-Driven Value Creation
- The Sustainable Value Creation Map
 - Featuring CareCo Natural (Simulation Company)
 - Examples
- Q&A
- Strategic ESG: Creating Sustainable Value

Strategy-driven Value Creation
or
What your CFO/CEO wants you to know

Strategy-Driven Value Creation

To create value, a business needs to provide a rate of return on invested capital (ROIC) that exceeds what its investors (owners) could get elsewhere for the same risk (WACC)

WACC=Weighted Average Cost of Capital

Creating value
requires more
than making a
profit

Strategy-Driven Value Creation

Value added

= Net operating profits – Capital charge

Invested Capital x WACC

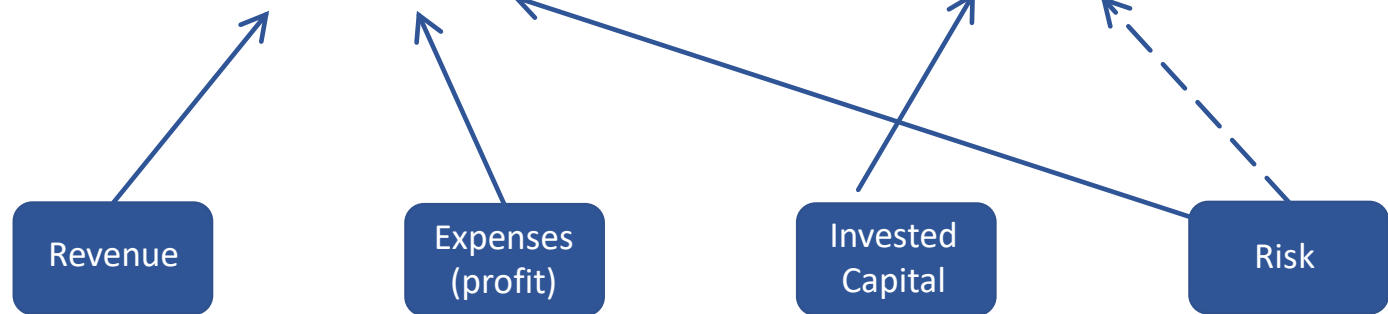
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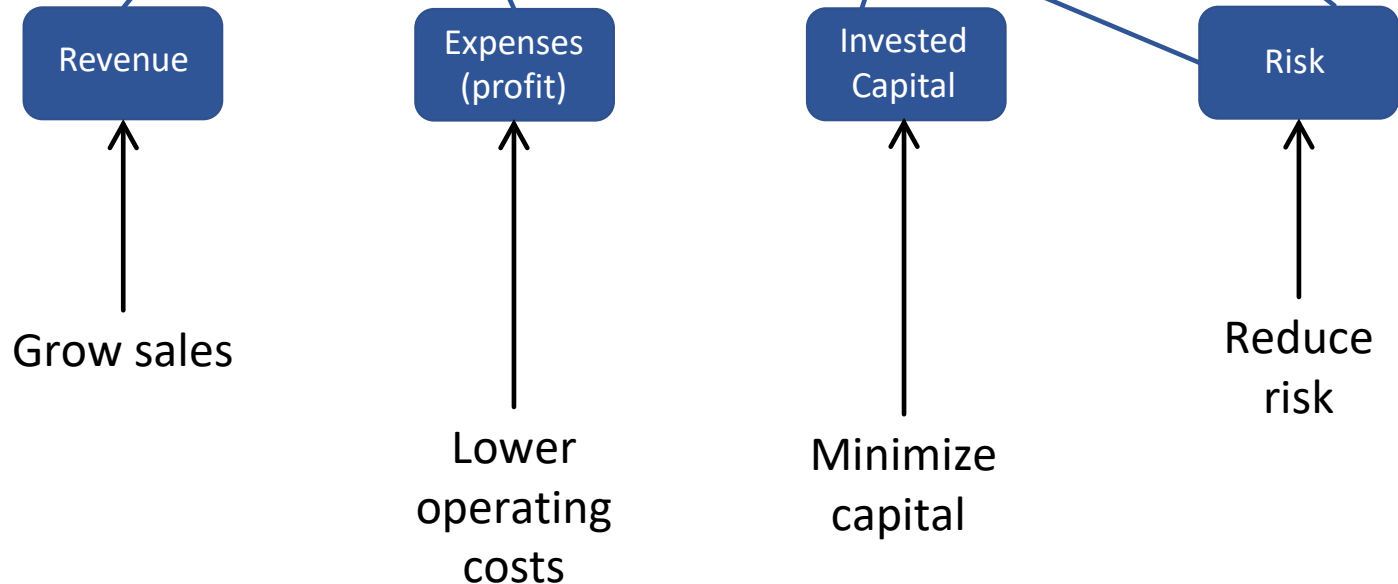
Four drivers of
Value Creation

Strategy-Driven Value Creation

Value added

$$= \text{Net operating profits} - \text{Capital charge}$$

Competitive Strategy



???

Poll Question

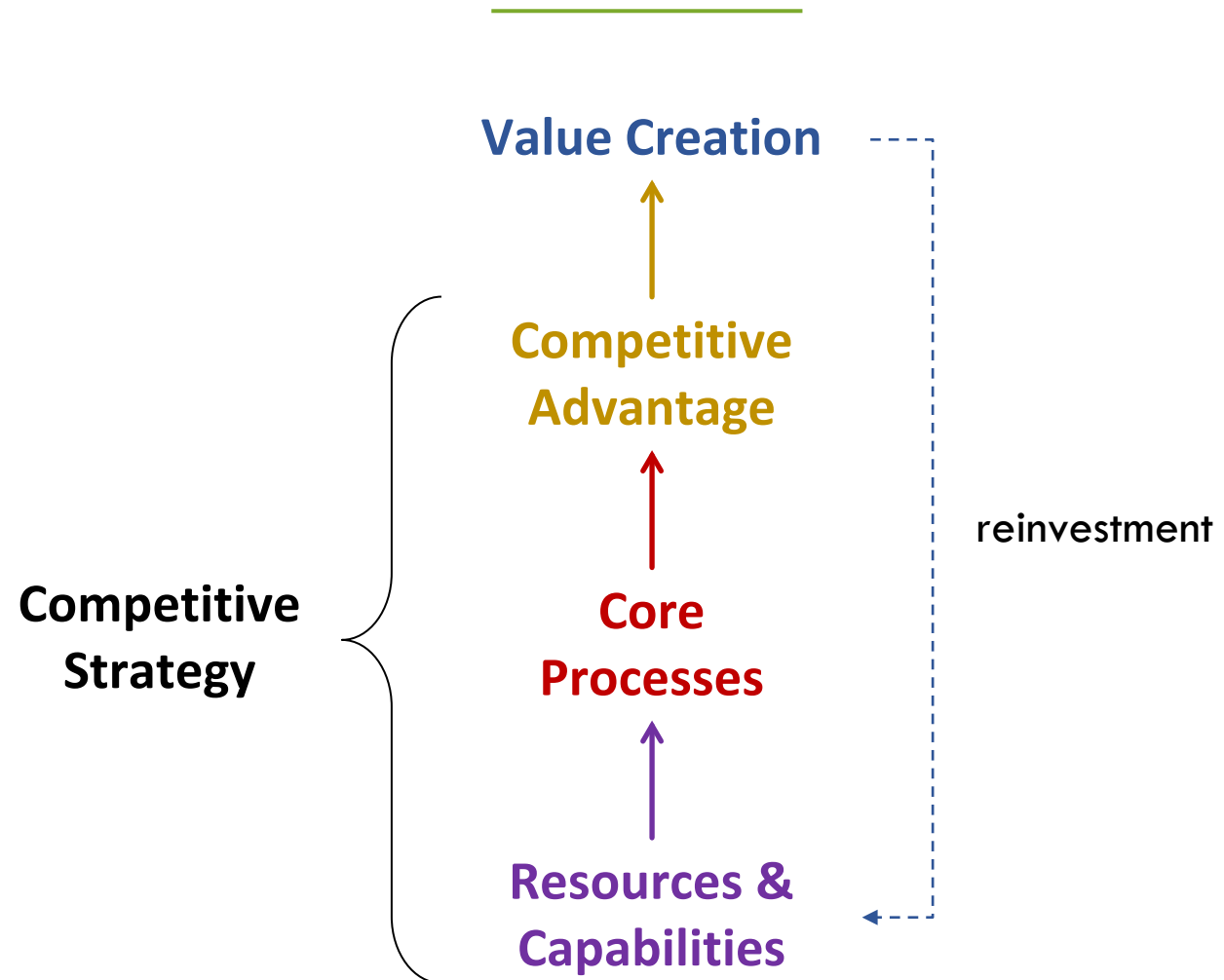
Which of these value drivers receives most of your attention?

- **Revenue growth**
- **Expense reduction (profit)**
- **Capital optimization**
- **Risk reduction**
- **None of the above**

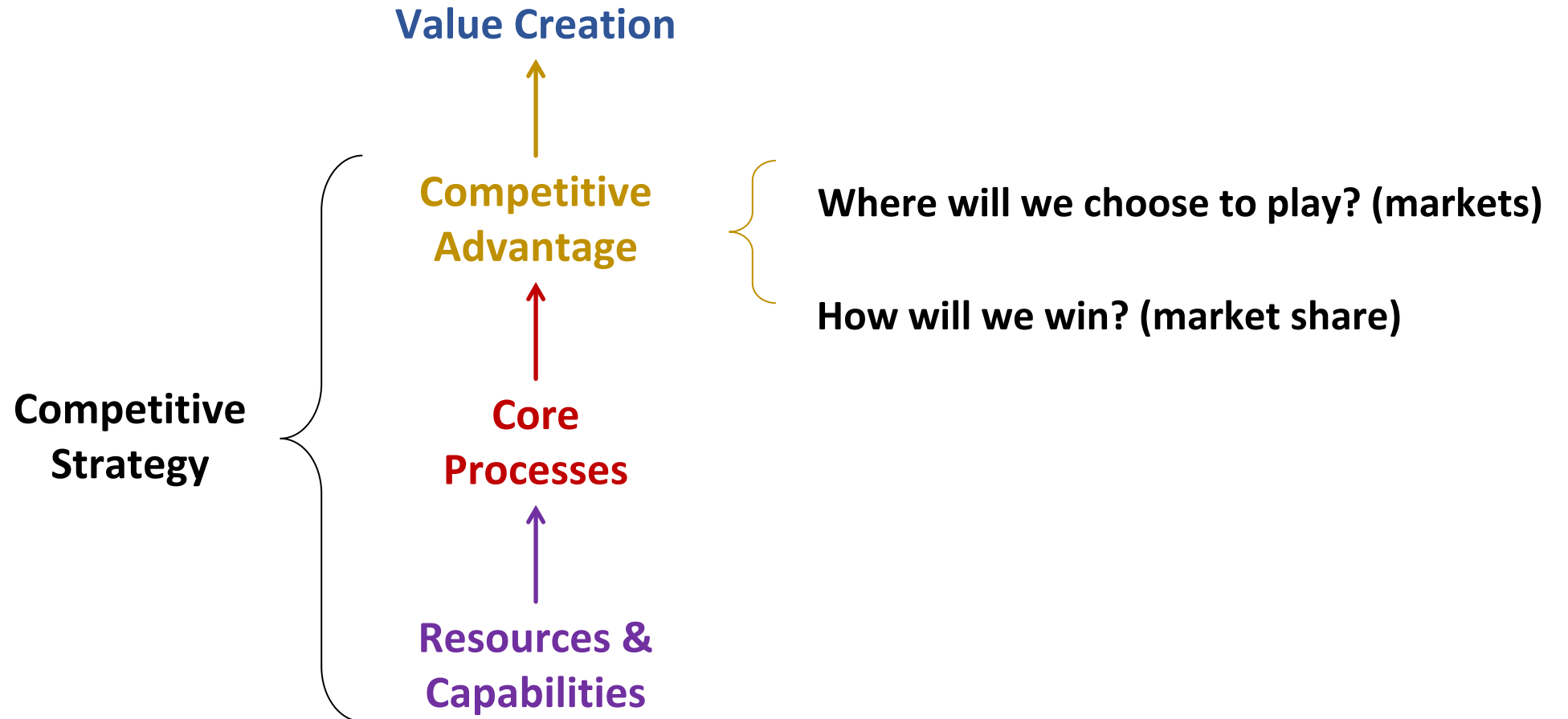
Strategy-Driven Value Creation

This 'chain' shows a simplified view of how strategy drives value creation.

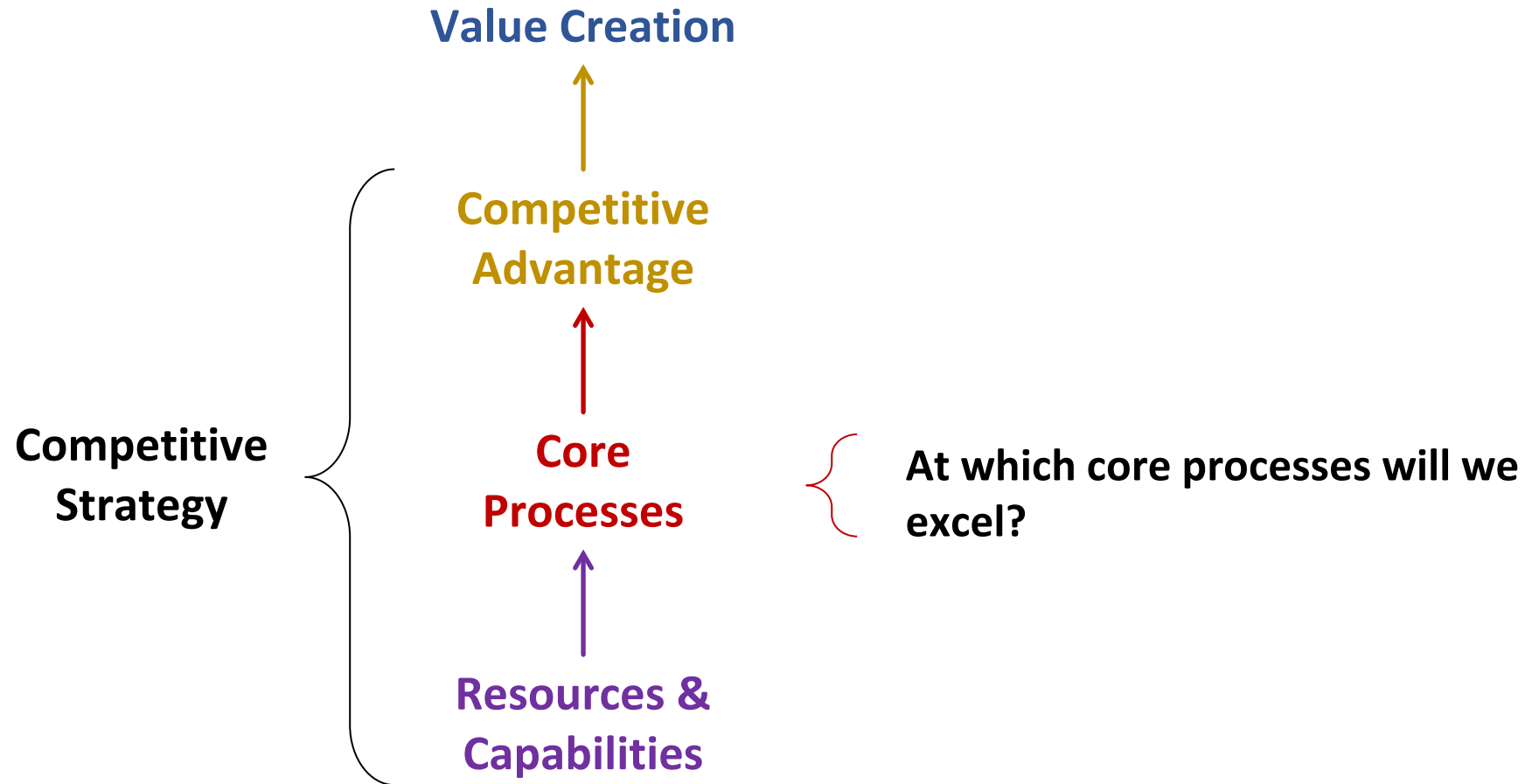
Roger Martin, former Dean
Rotman School of Management,
University of Toronto
<https://rogerlmartin.com/>



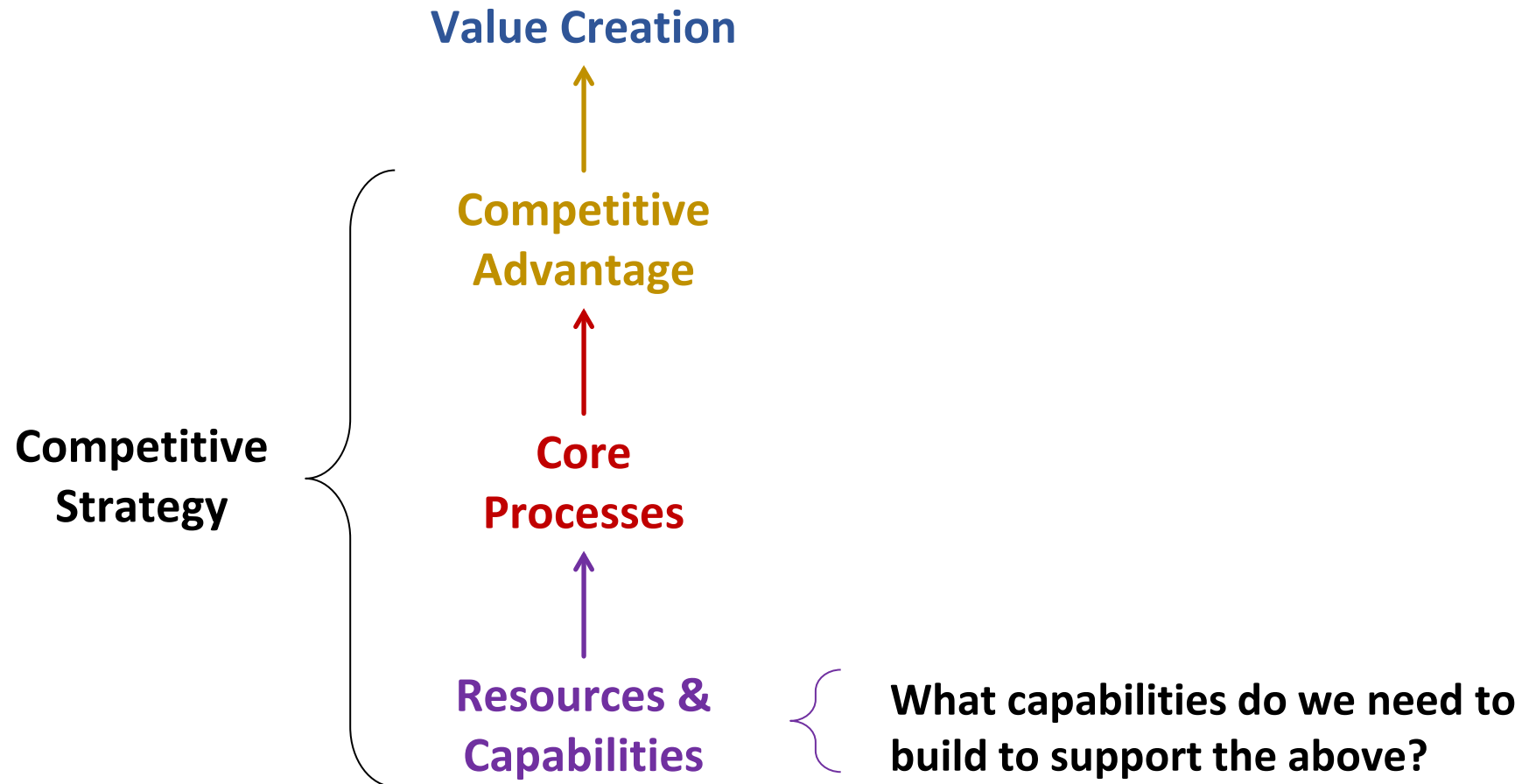
Strategy-Driven Value Creation



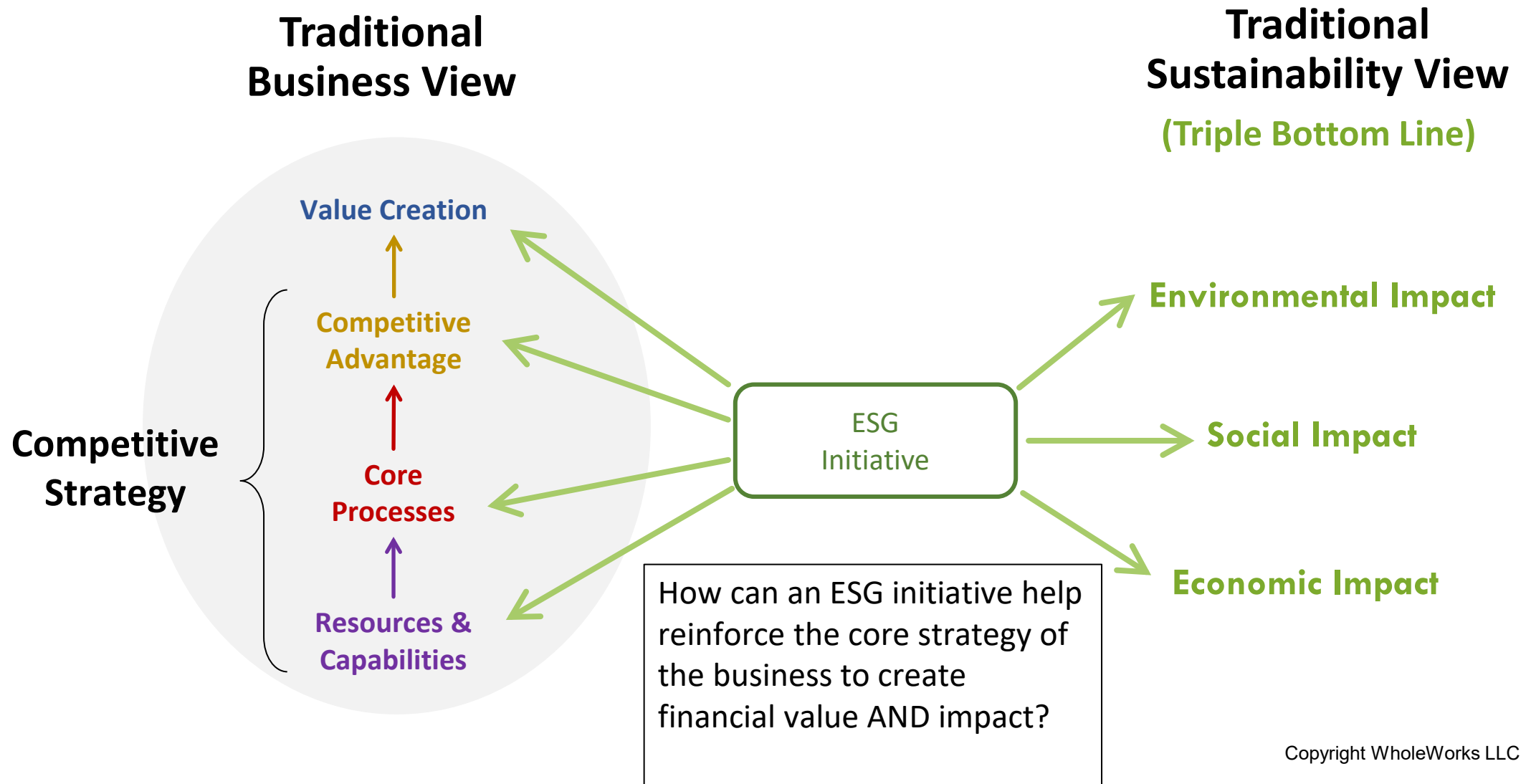
Strategy-Driven Value Creation



Strategy-Driven Value Creation



Connecting ESG Initiatives to Impact and Value Creation



**Has your company talked about
using sustainability to grow
revenue, or otherwise add value?**

Discussion

Sustainable Value Creation Map



Simulation Company, Based on Reality

A Living Case for Learning

What we sell:

60 different **affordable** hair and bath & body products, sourced naturally, and created to promote health and beauty.



Hair

- Shampoos
- Conditioners
- Hair oils

Bath & Body

- Soaps
- Scrubs
- Lotions & creams
- Body oils

Pure, Natural Ingredients

We use ingredients that naturally boost the health and beauty of your skin and hair.



Coconut-based products are our specialty. We source our coconuts from local farms in southern India.

Where we sell:

Our Markets

Initially focused on Southern India, CareCo Natural is expanding throughout the Indian Subcontinent.



Map No. 4140 Rev. 4 UNITED NATIONS December 2011 Department of Field Support Cartographic Section

Our Sales Channels



- Base of the Pyramid Kiranas (small mom-and-pop stores)

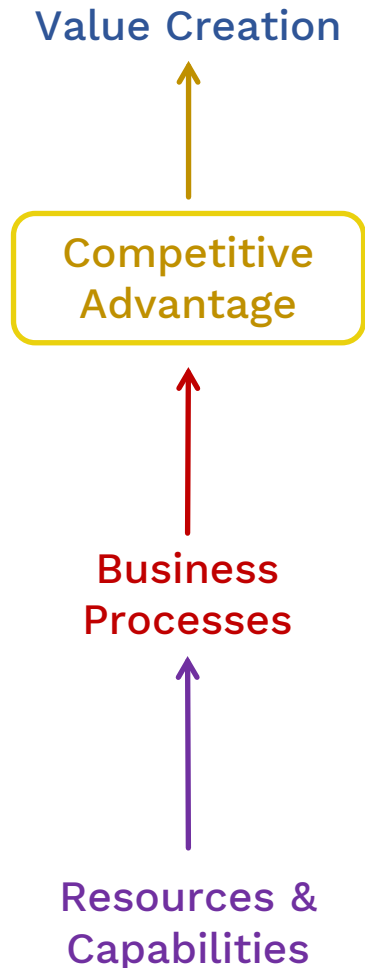


- Mid-to End Market Larger grocery stores, drug stores, supermarkets



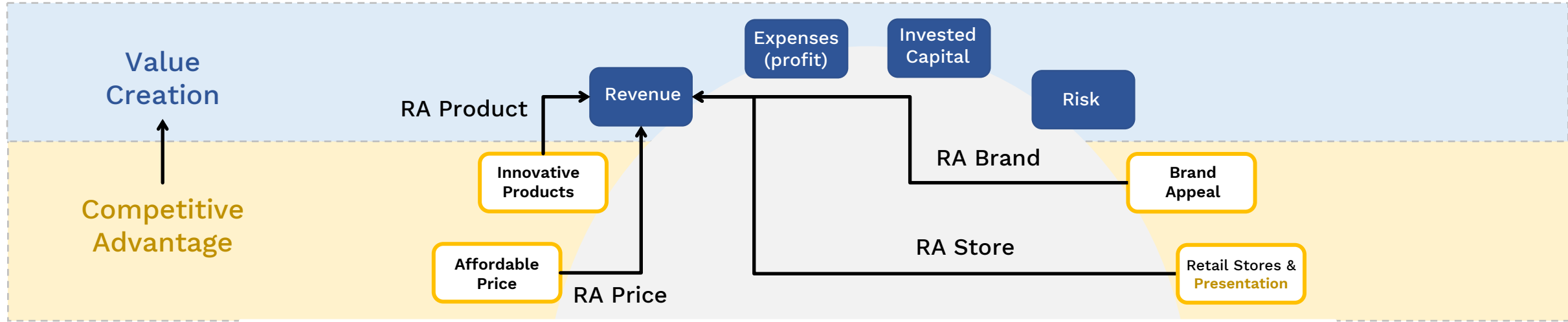
- Online Sales

The Strategy Drivers of Value Creation



Where will we choose to play? (markets)

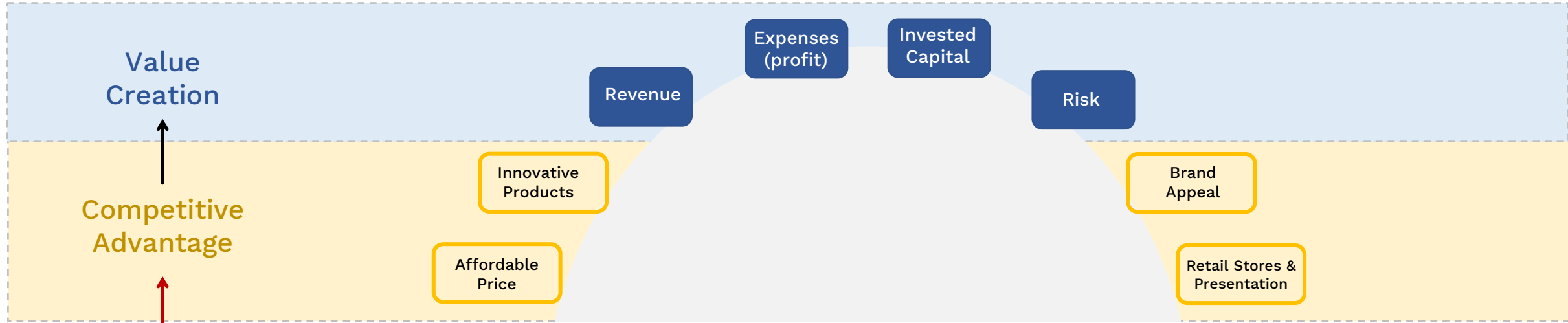
How will we win? (market share)



$$\text{Sales (\$)} = \text{Market size (\$)} \times \text{Market share (\%)}$$

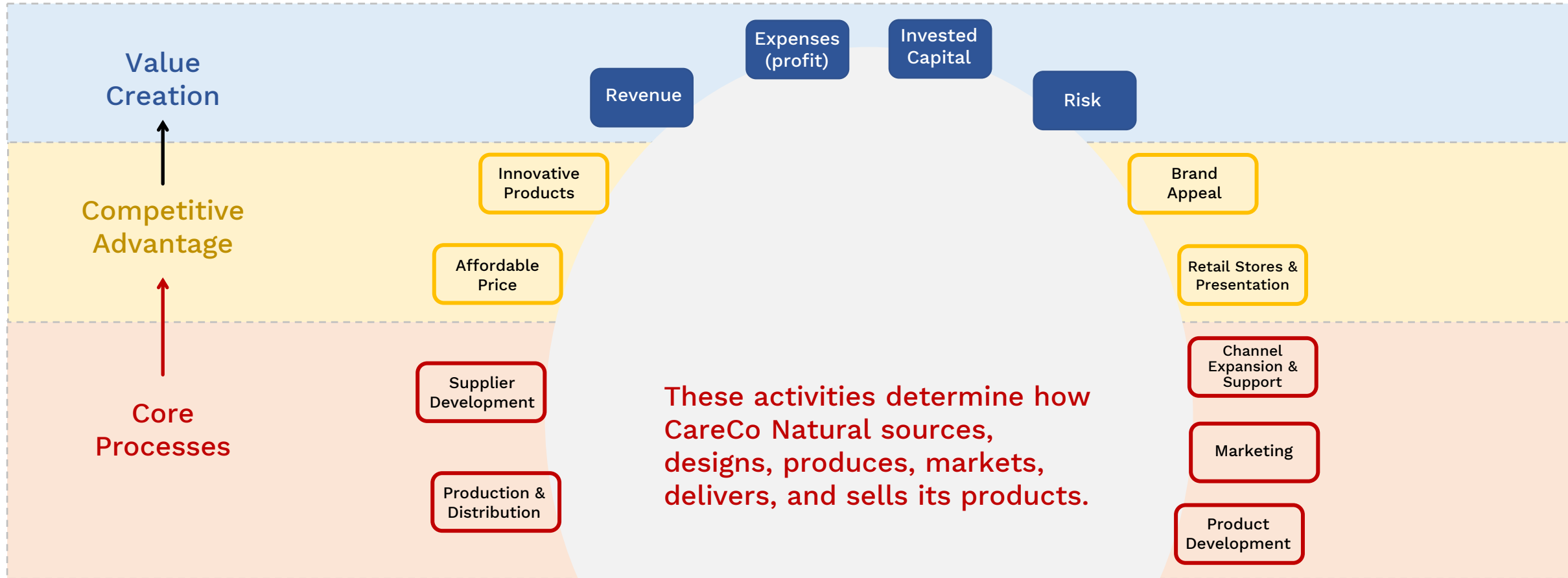
Relative Attractiveness (RA): Product, Brand, Price, Channel

Value Creation Map

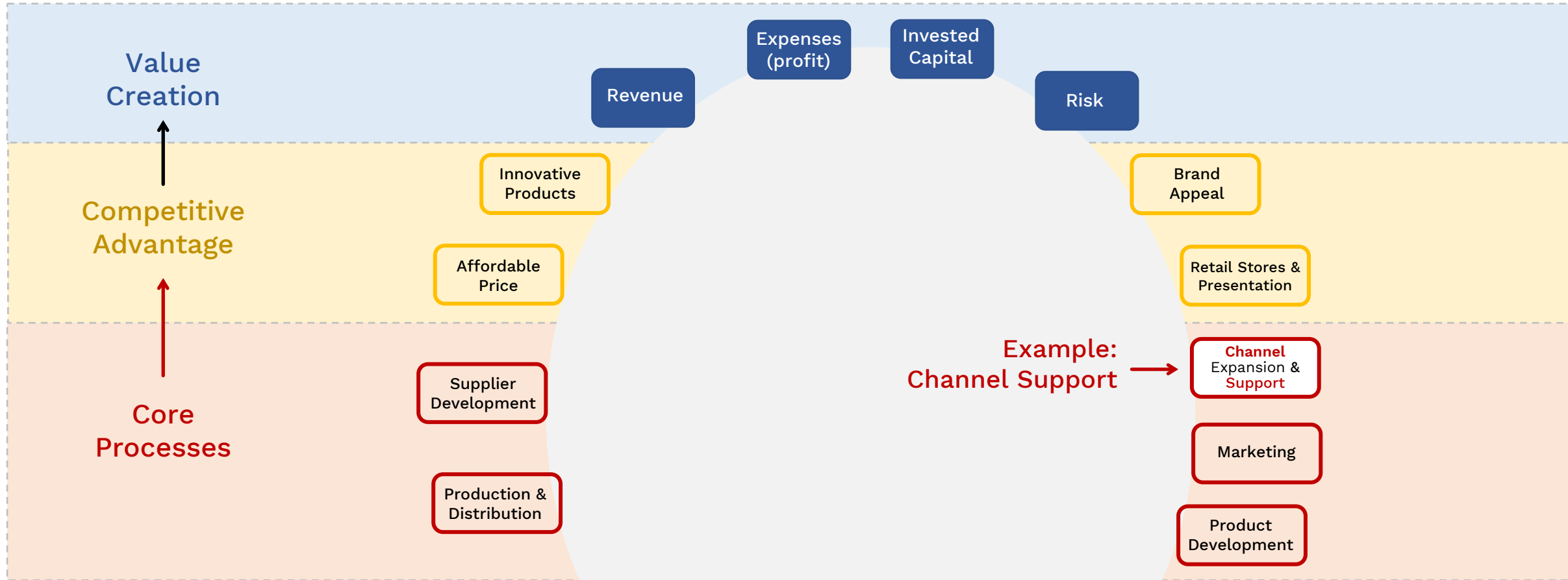


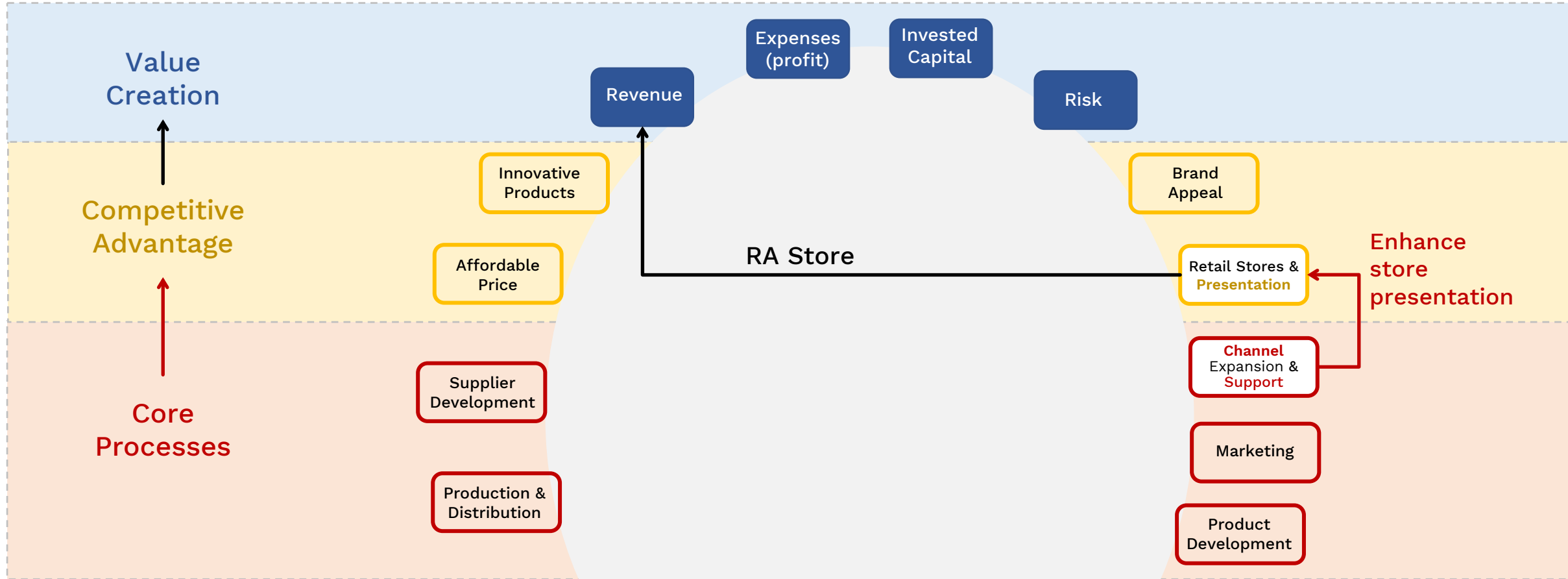
Core
Processes

{ At which core processes will we excel?



Value Creation Map

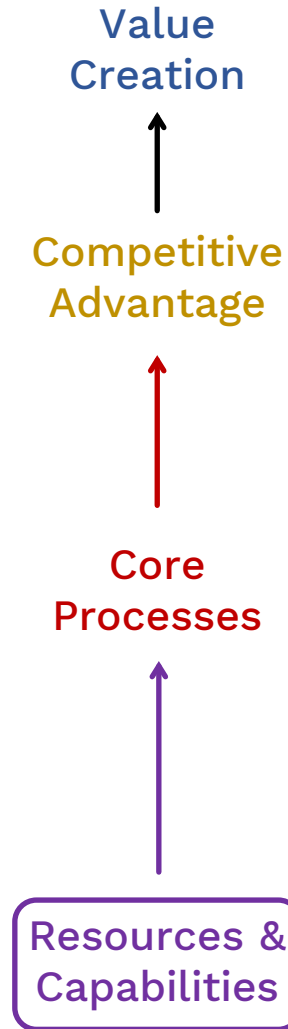




$$\text{Sales (\$)} = \text{Available retail market (\$)} \times \text{Market share (\%)}$$

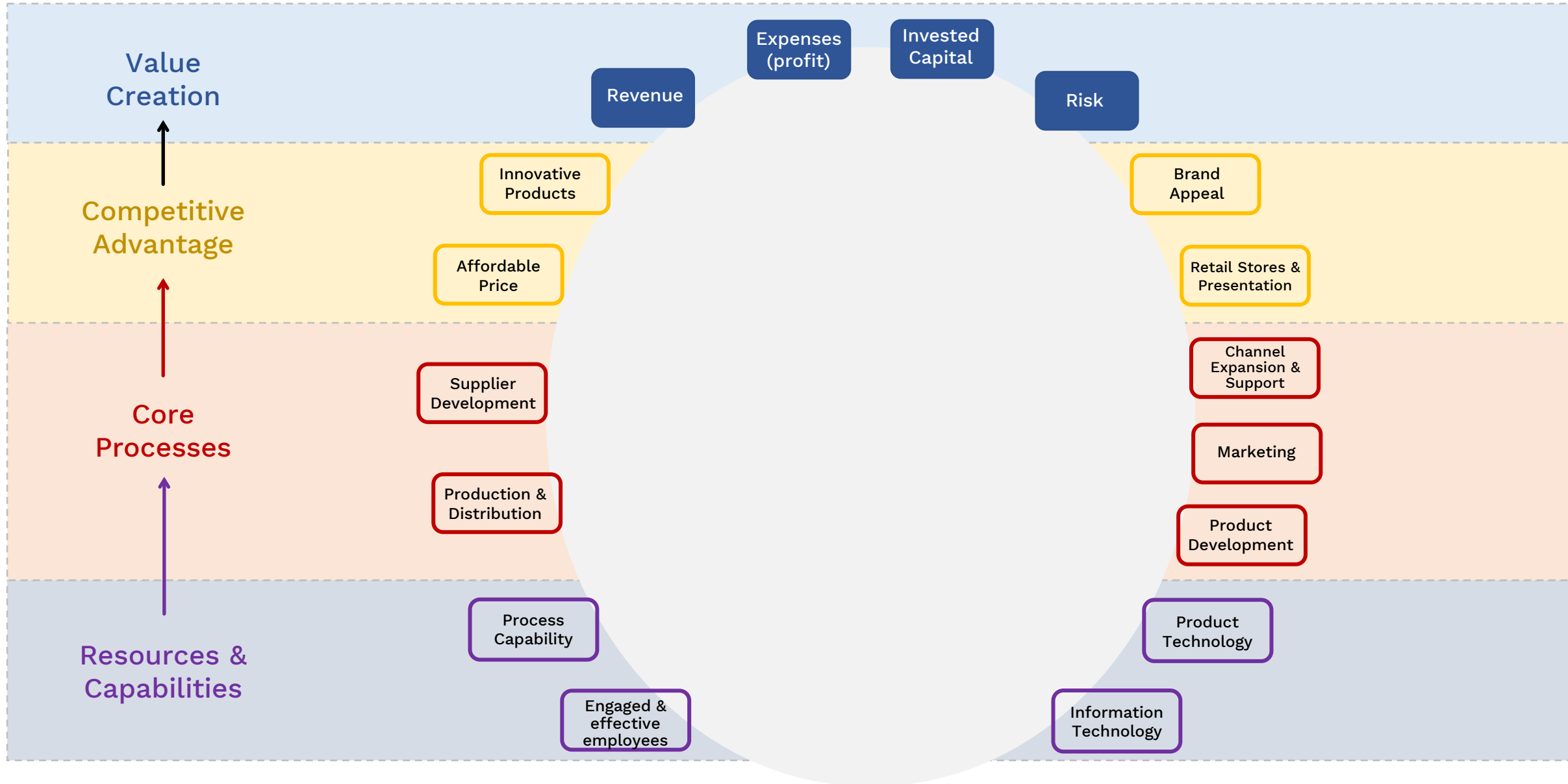
↑
RA Store
Channel support
(enhance store presentation)

Understanding the business drivers of value creation

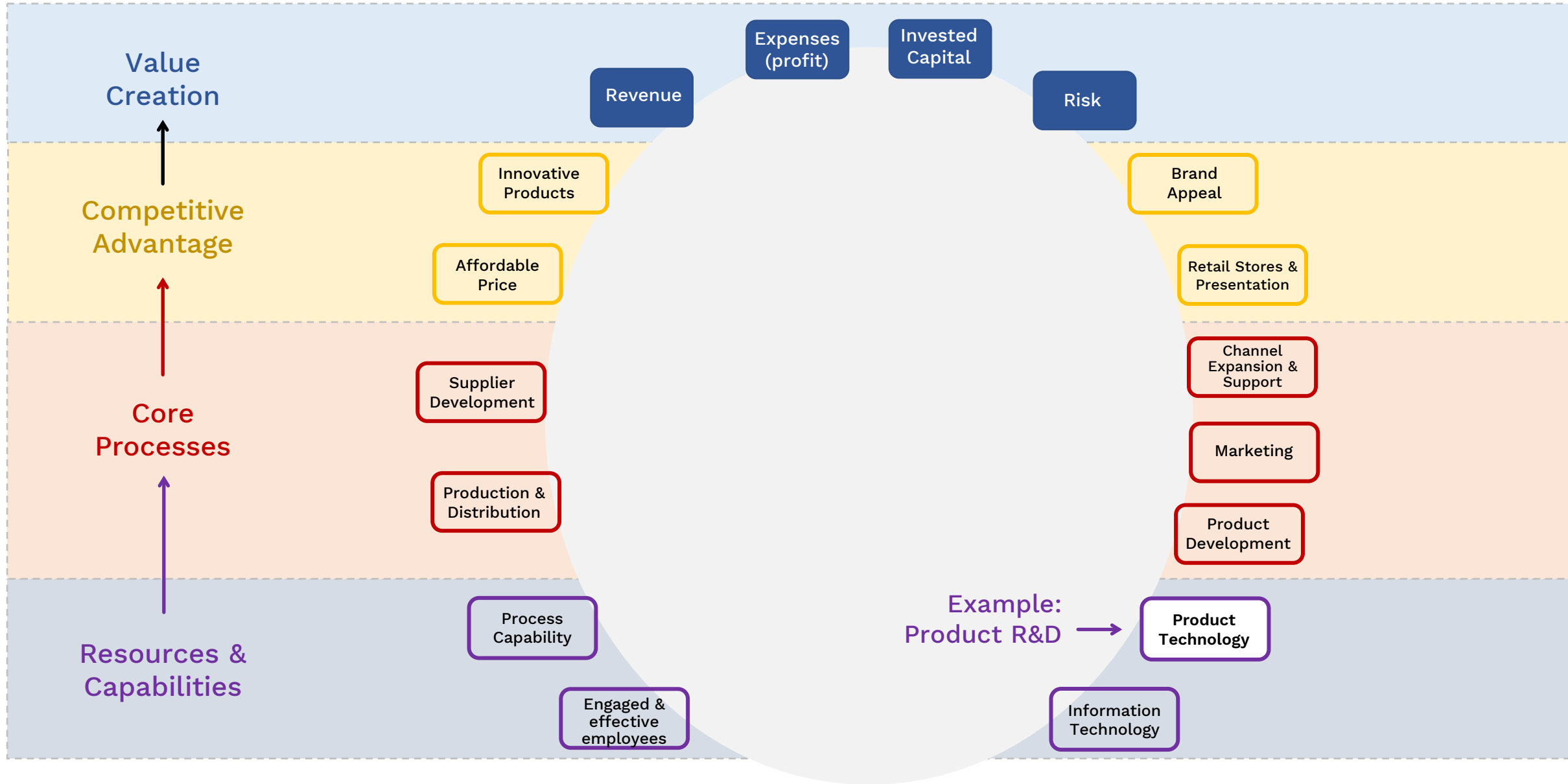


{ What we need to build to support the above?

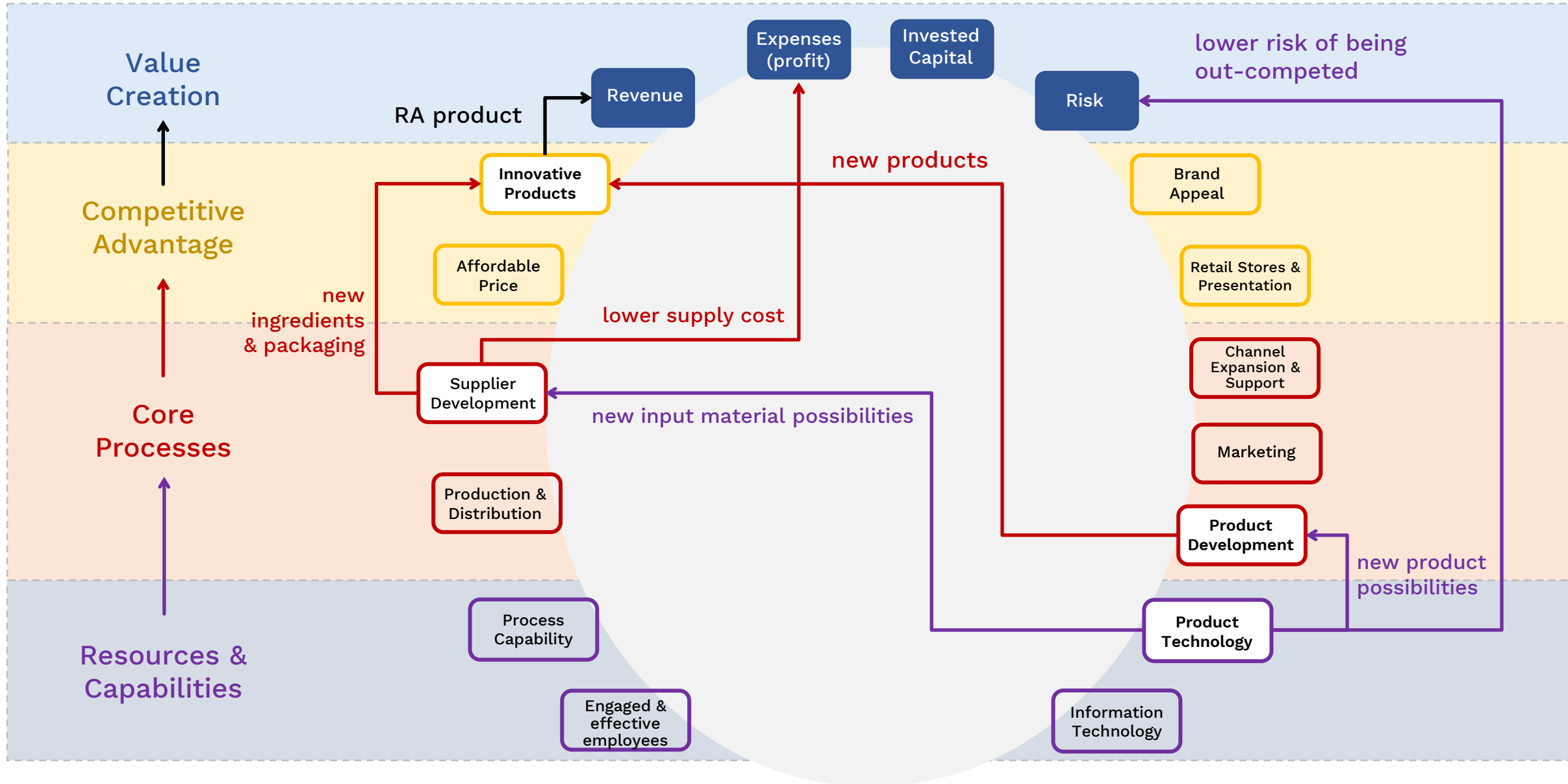
Value Creation Map



Value Creation Map



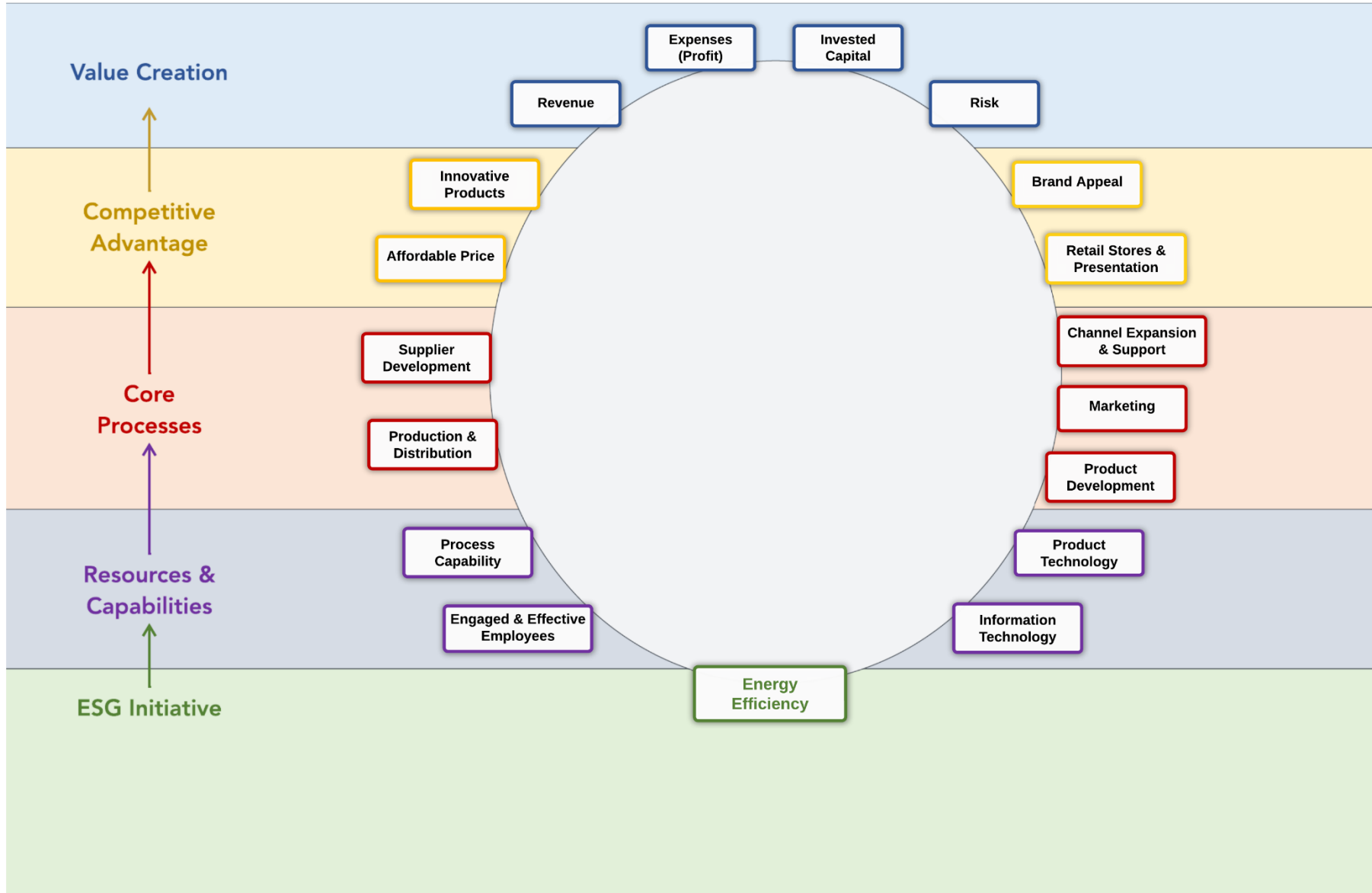
Value Creation Map

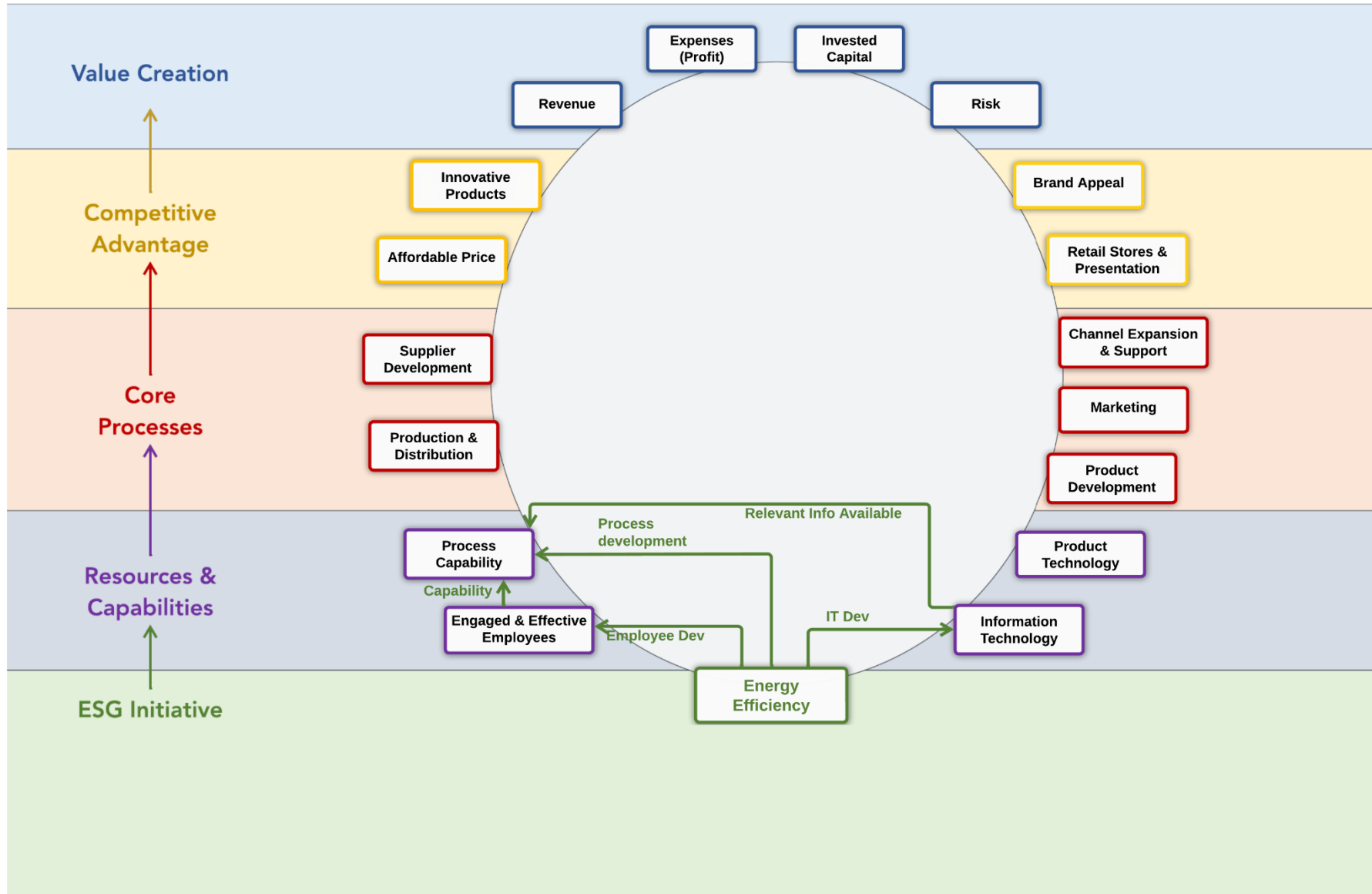


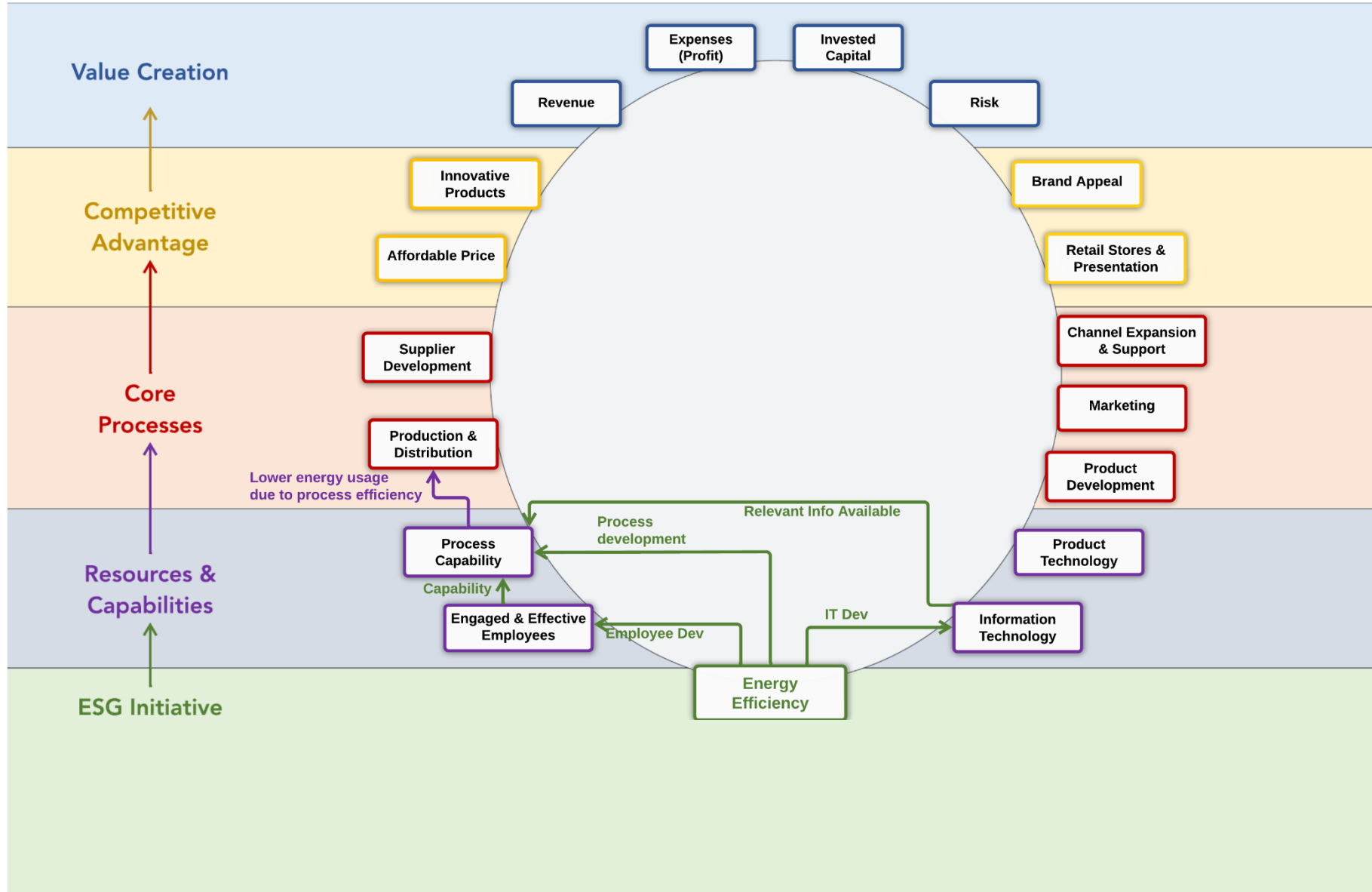
Value Creation Map

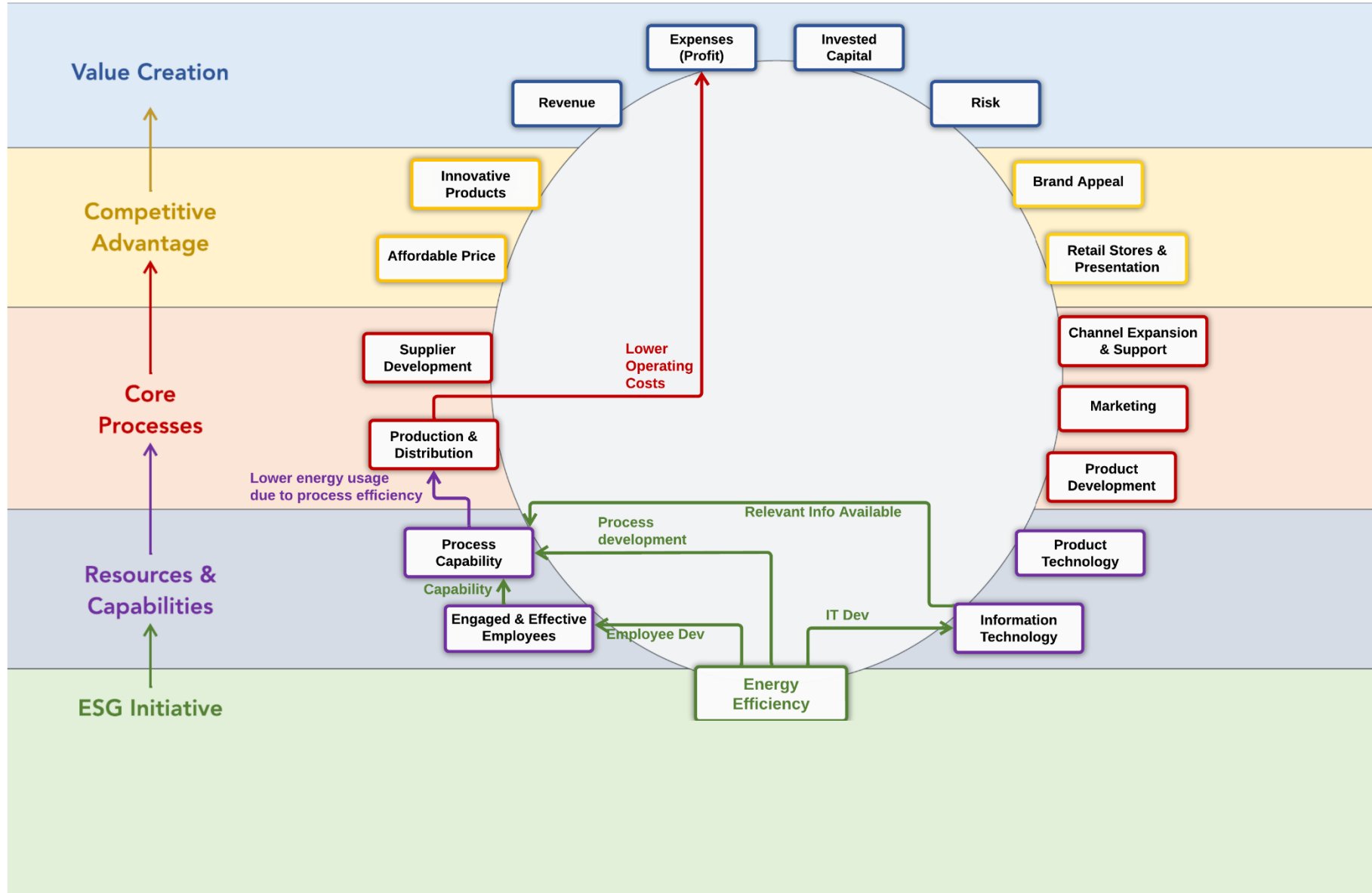


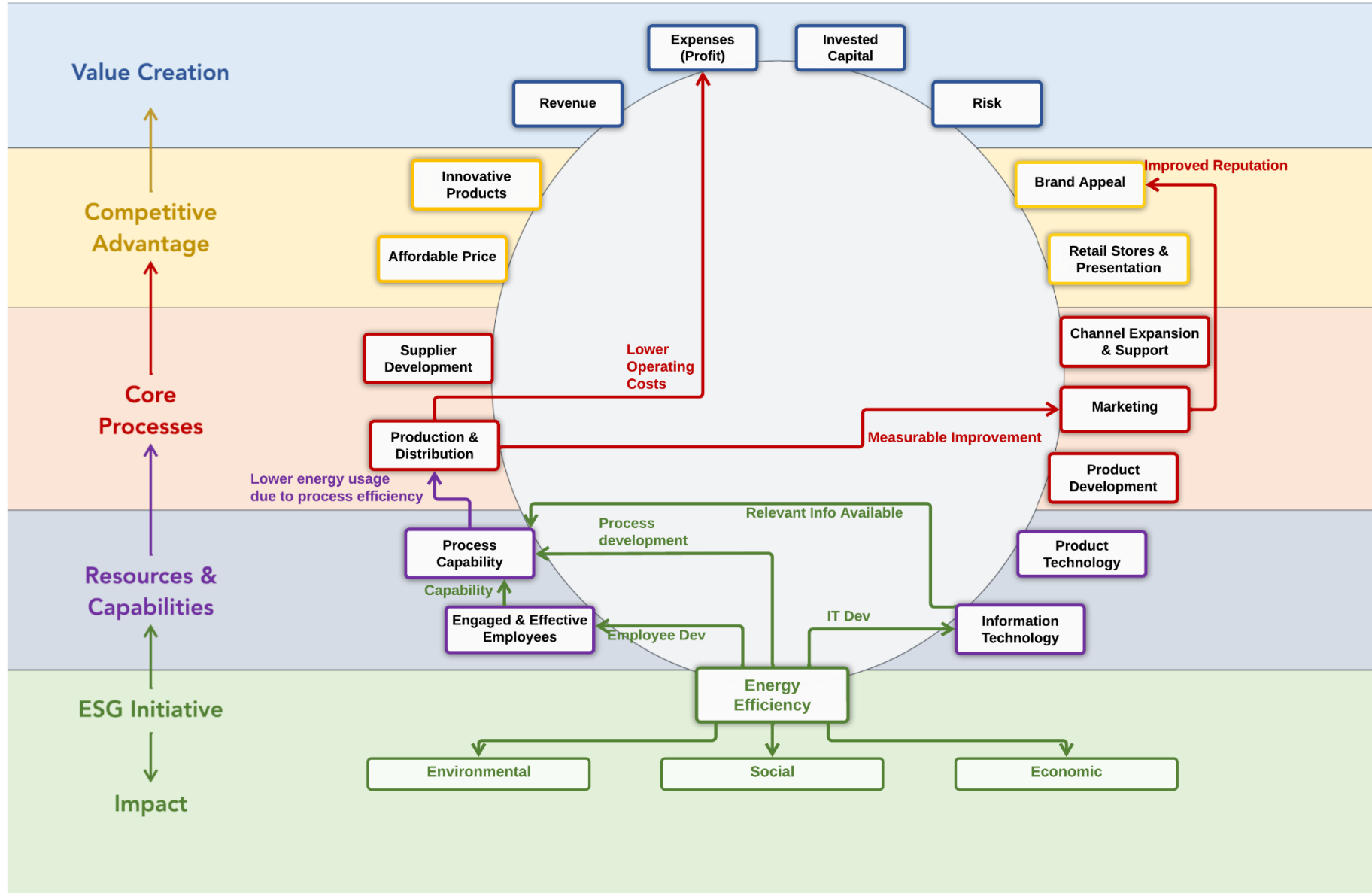
Extend to Create Sustainable Value

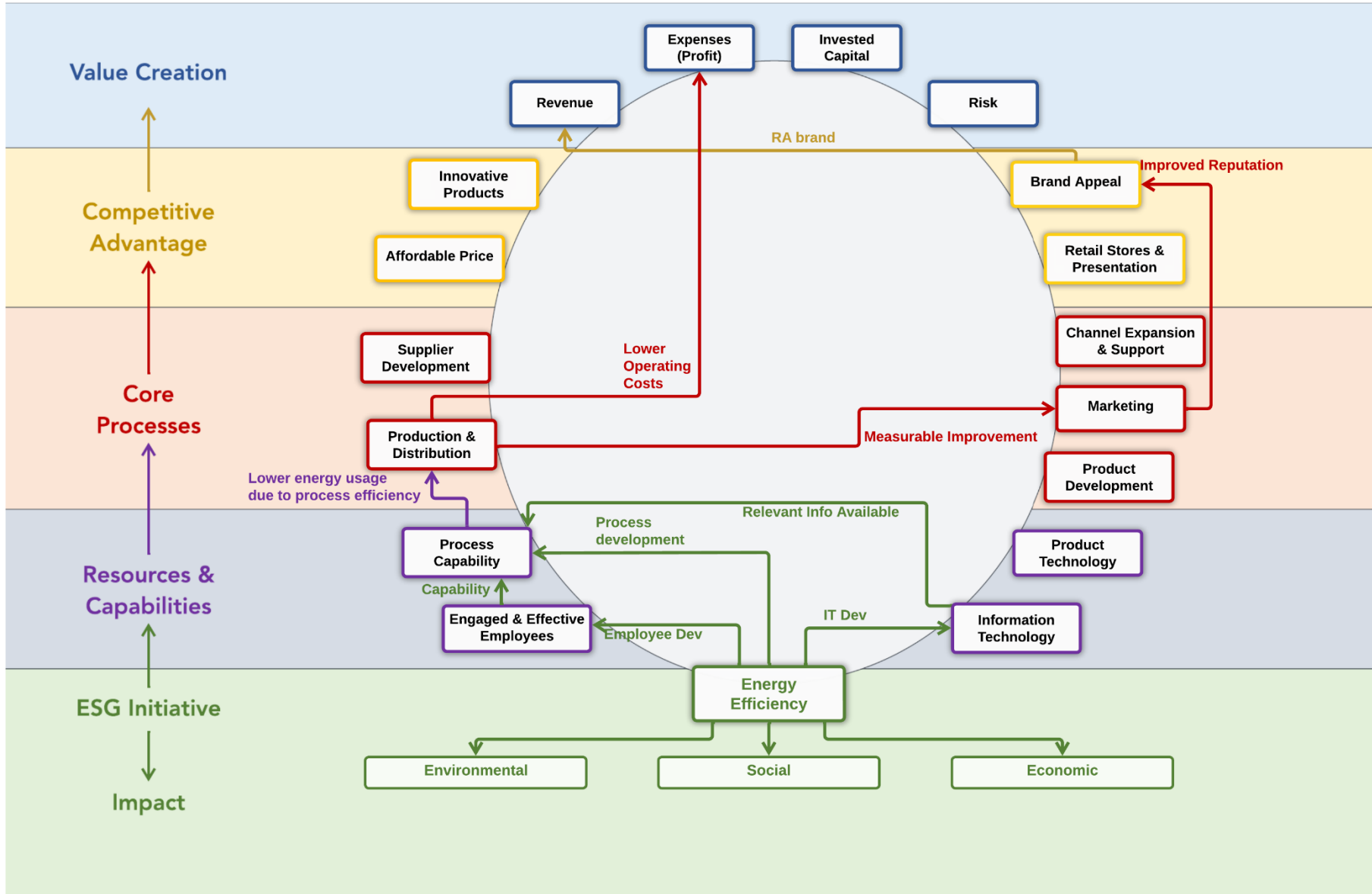


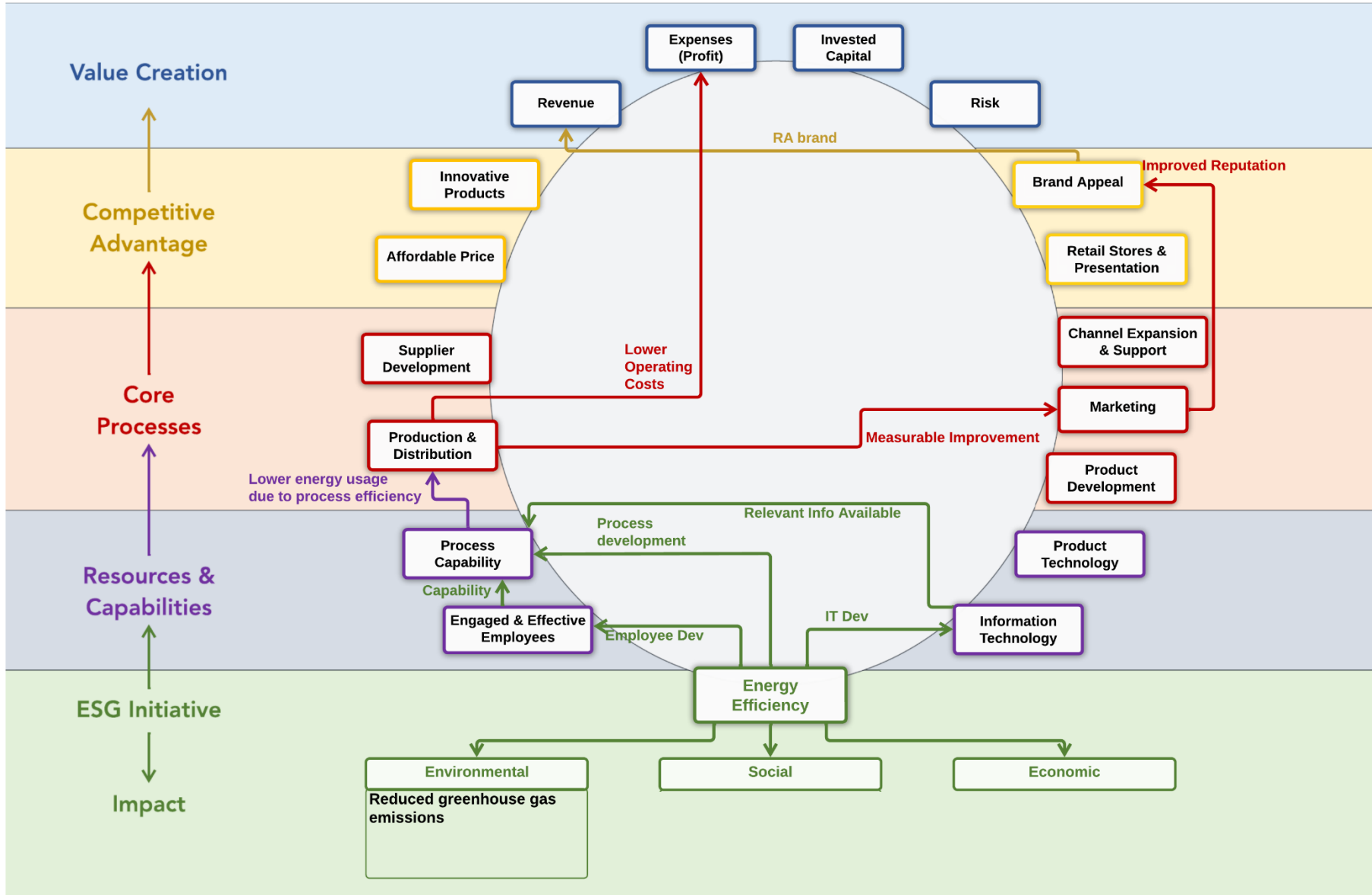


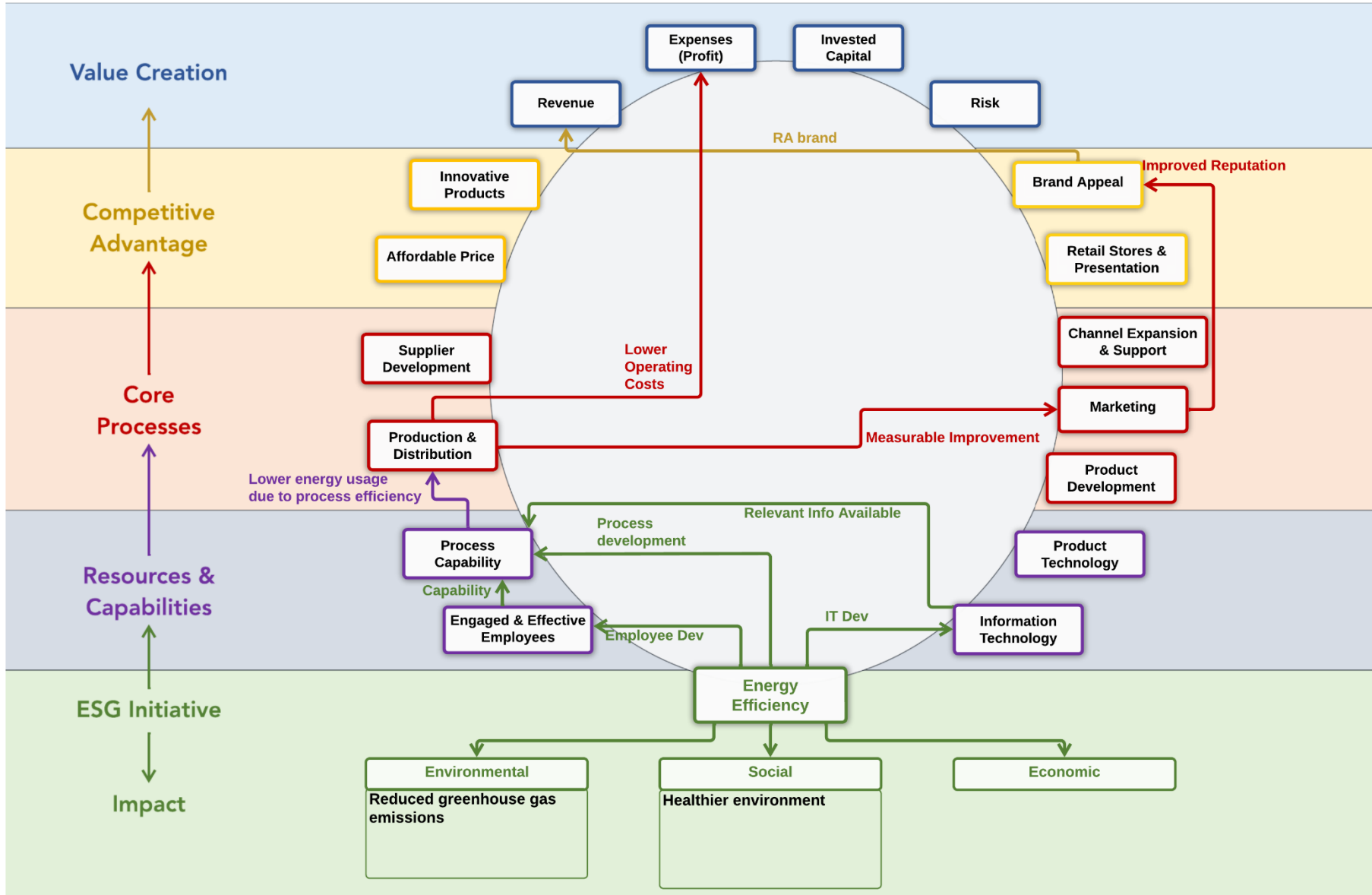


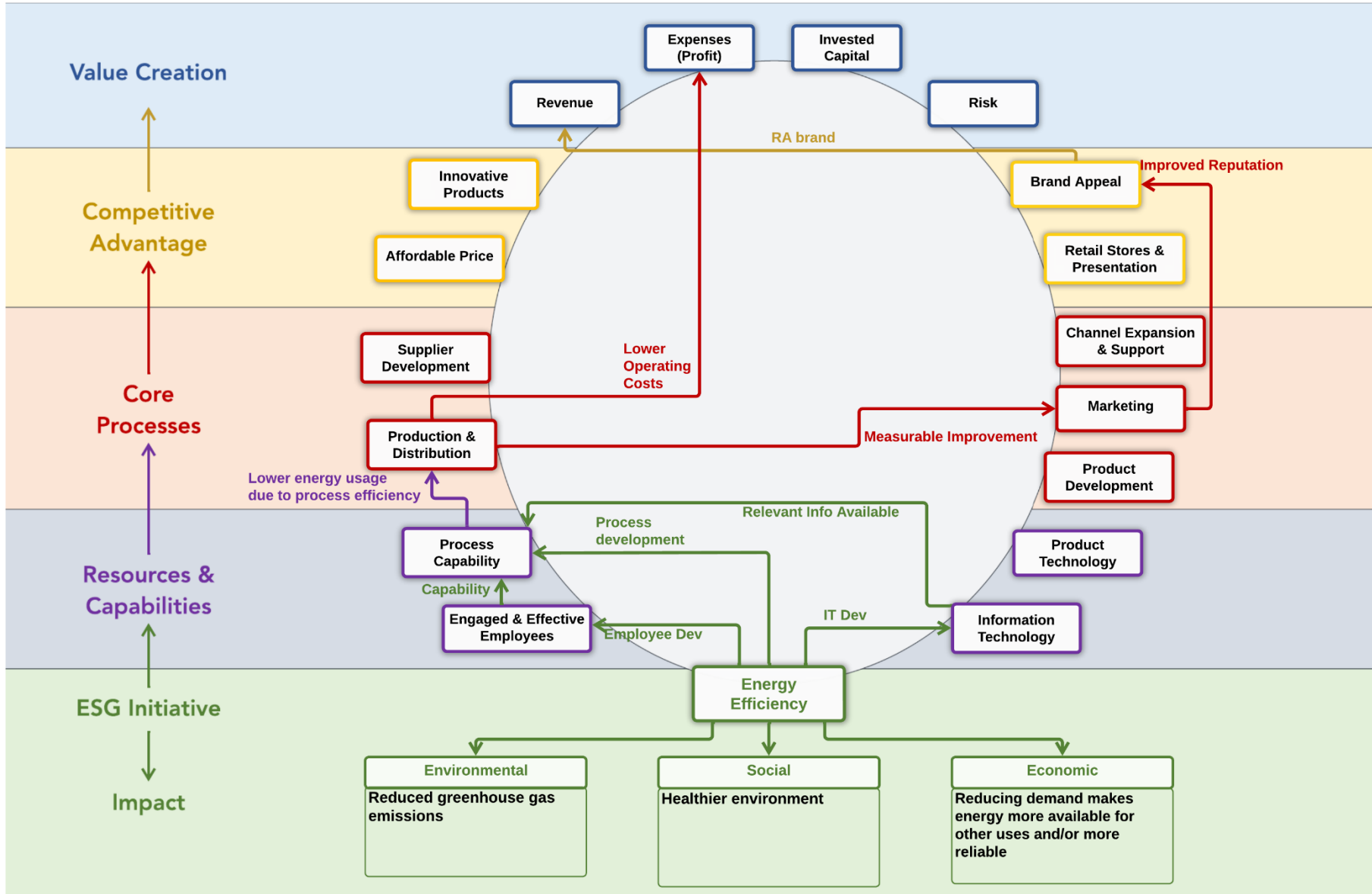


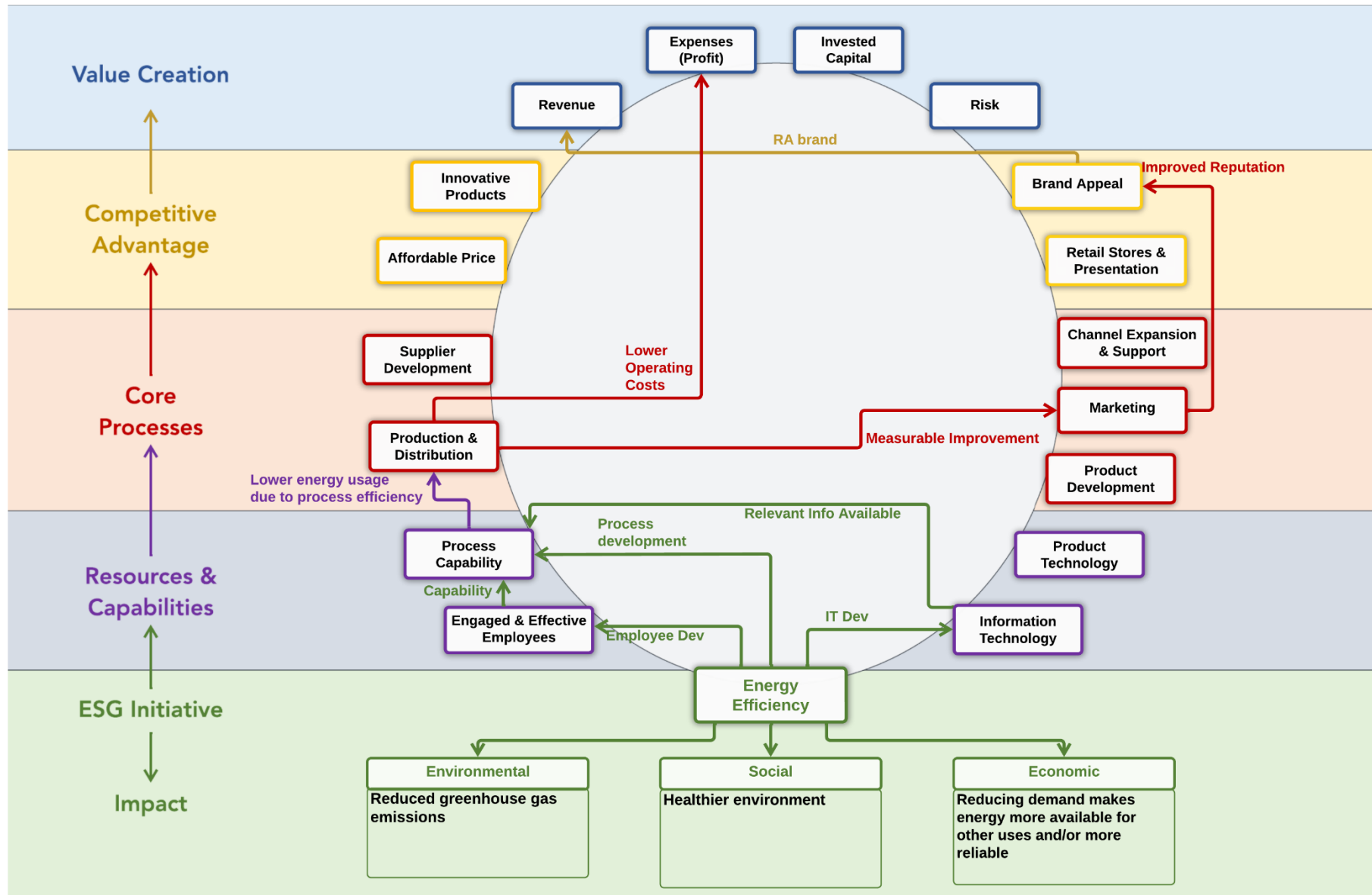












Business Value
(ROIC)

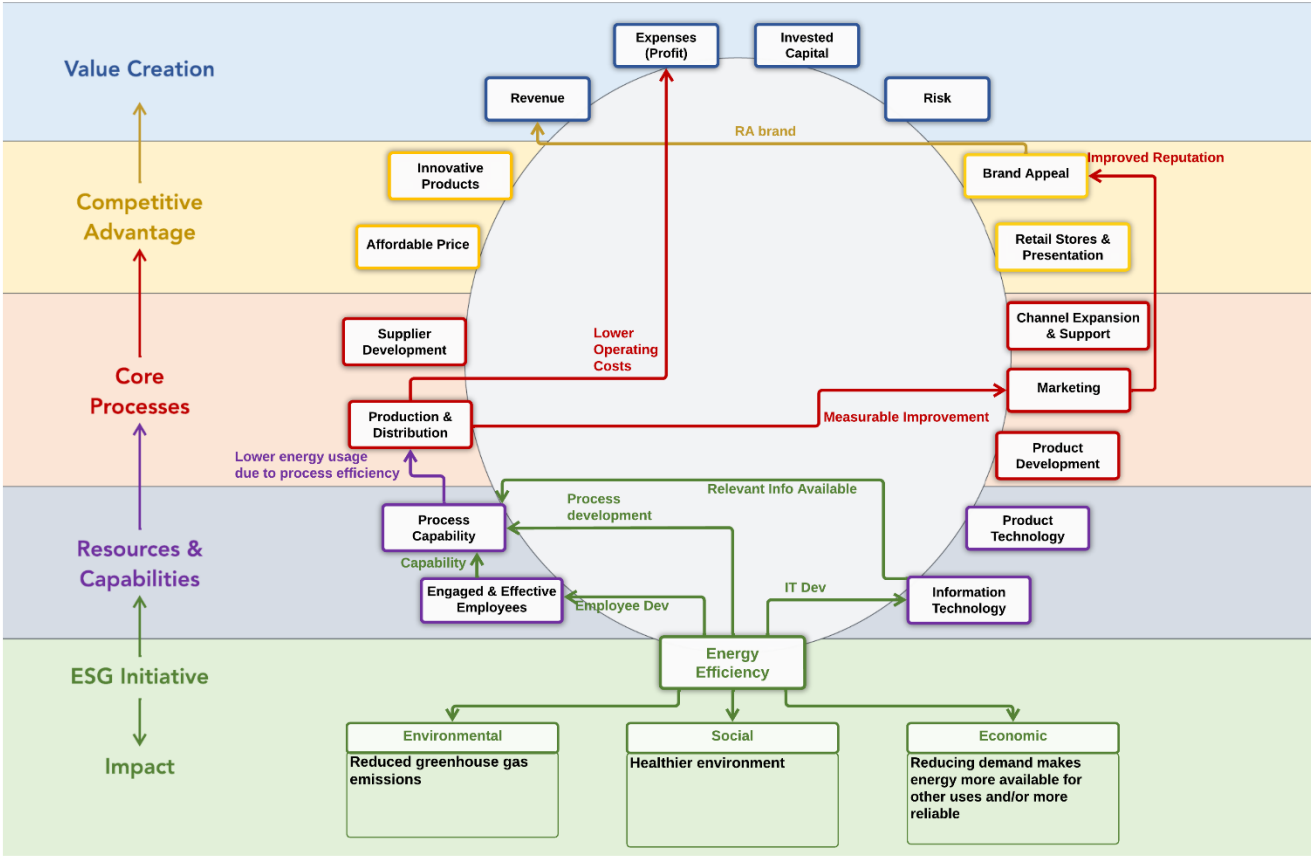
Sustainable Impact
(Triple Bottom Line)

A New Tool for Connecting the Dots

The Sustainable Value Creation Map makes clear the cause-and-effect connections between ESG initiatives and Value Creation—creates understanding, collaboration, and commitment to action



Sustainable Value Creation Map powered by WholeWorks



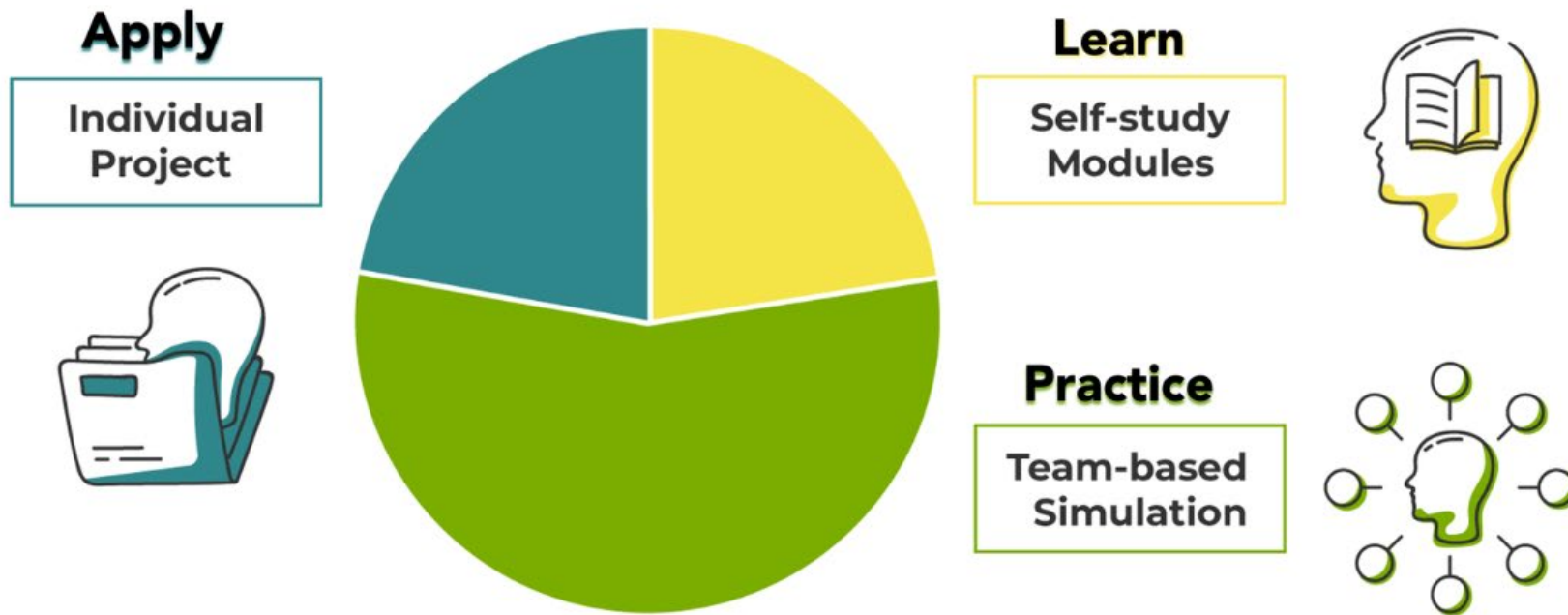
Questions?

Program Powered by WholeWorks

Strategic ESG: Creating Sustainable Value

- **Oct 2-Nov 12, 2023**
- **6 weeks, approximately 6 hours/week, most self-study (8 x 1 hour simulation team meetings)**
- **Deadline for Registration: Sep 22, 2023**
- **Proven Learn-Practice-Apply learning approach:**
 - Content focused on ESG integration
 - Realistic team-based simulation (CareCo Natural)
 - Individual project (w/ coaching and feedback)
- **\$1,950 with discount code ESGISRI (retail \$2,250)**
- **<https://www.wholeworks.com/esg-program>**

Learn-Practice-Apply



Learn and Practice Sample

Learn
Self-study
Modules



Lesson 3: Strategy-Driven Value Creation

Week 0
Getting Started

Week 1
Introduction to Week 1 Completed

Module 1: Creating Value

- Introduction (Release Date: 03/01/2023) 3 mins read
- Lesson 1: Financial basics (Release Date: 03/01/2023) 40 mins of work
- Lesson 2: Creating Shareholder Value (Release Date: 03/01/2023) 45 mins of work
- Lesson 3: Strategy-Driven Value Creation (Release Date: 03/01/2023) 40 mins of work**
- Case Study: Southwest Airlines (Release Date: 03/01/2023) 20 mins read
- Summary and What's Next (Release Date: 03/01/2023)

Module 2: Sustainability, Business, and ESG

Week 1 Team Assignment

Week 1 Wrap-Up Completed

Lesson 3: Strategy-Driven Value Creation

40 mins of work

Connecting the dots

A good strategy should create value for a business to be sustainable.

Too often, however, the cause-and-effect linkages between strategy and value creation are left unspecified or assumed to be understood by business managers and employees.

In this lesson we make these connections clear and explicit to generate common understanding about the mechanisms for generating financial returns. This will be helpful in Module 3 when we look at how Strategic ESG initiatives can create value.

We'll also introduce you to a tool called the Sustainable Value Creation Map which will enable you to connect the dots between a company's competitive strategy and shareholder value creation.

CareCo Natural Sustainable Value Creation Map

Practice
Team-based
Simulation



Company Profile

Our history, our mission, & our work

Apply Sample

Apply

Individual Project



Project Outline

Purpose

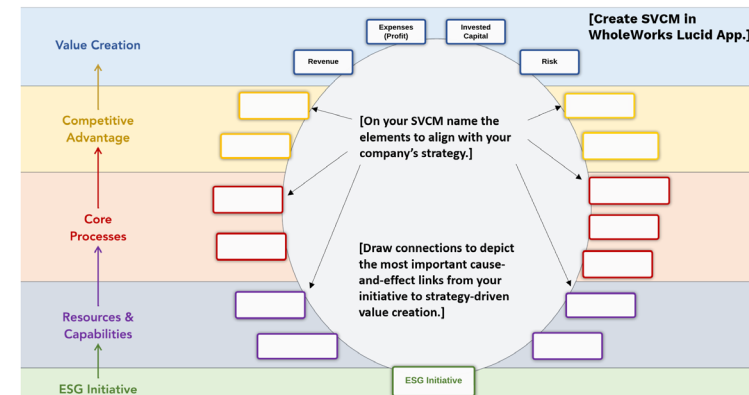
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Agenda

- Context and need for project
- Project/Proposal Summary
- Objectives
- Sustainable Value Creation Map
- Team
- Resources Required
- Concerns and Risks

Sustainable Value Creation Map

How this project creates value and impact for [Business Name].



Strategic ESG: Creating Sustainable Value

Our ESG
program

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- **6 weeks, 36 – 40 hours of work in total**
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Q&A

**What questions do you have about
the value creation opportunities for
ESG?**

Participating in an exercise like Whole Works' Value Mapping program may be an excellent way to bring an integrated ESG strategy to life at your company, creating excitement and energy:

1. Working with your leaders to convey the value of developing and executing an ESG Strategy, and the opportunity for more than risk reduction, but also to create new value for the company.
2. This starts with completing a materiality review to understand what your stakeholders think are material issues for your company.
3. Make sure that your house is in order: You'll want to show evident that your company's Governance, Social programs, your environmental footprint, and emission reduction goals are sound and show evident of continual improvement.

Using an ESG strategy to create value at your company requires that you are walking the talk.

Next Workshop: October

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December 7	Looking Ahead to 2024: A review of the toolkit. Taking time to look ahead to future trends and program needs.

Upcoming ISRI Events



In-Person:

- **ISRI 2023 Fall Meeting | Denver, October 16-18**
- **Shredder Operations & Safety Forum | Atlanta, October 25-27**

Virtual Events:

- **The State of Software in the Recycled Materials Industry- September 20**
- **ESG Workshop Series- Understanding Scopes 3 & 4 - October 12**

Chapter Events:

- **Mid-Atlantic Chapter Oyster Roast | Pikesville, MD, September 28**
- **Upper Midwest Chapter Fall Event | Plymouth, WI, September 28**
- **Rocky Mountain Fall Meeting | Scottsdale, AZ, October 1-4**
- **Pacific Northwest Chapter Fall Meeting & Hockey Game | Vancouver, BC, October 11**
- **Joint Northern Ohio & Pittsburgh Chapter Vendor Expo | Warren, OH, Thursday, October 26**

<https://www.isri.org/events-training/>



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Voice of the Recycling Industry

Thank you

