

DVFA Committee on Non-Financials

Key Performance Indicators for ESG

Society of Investment Professionals in Germany

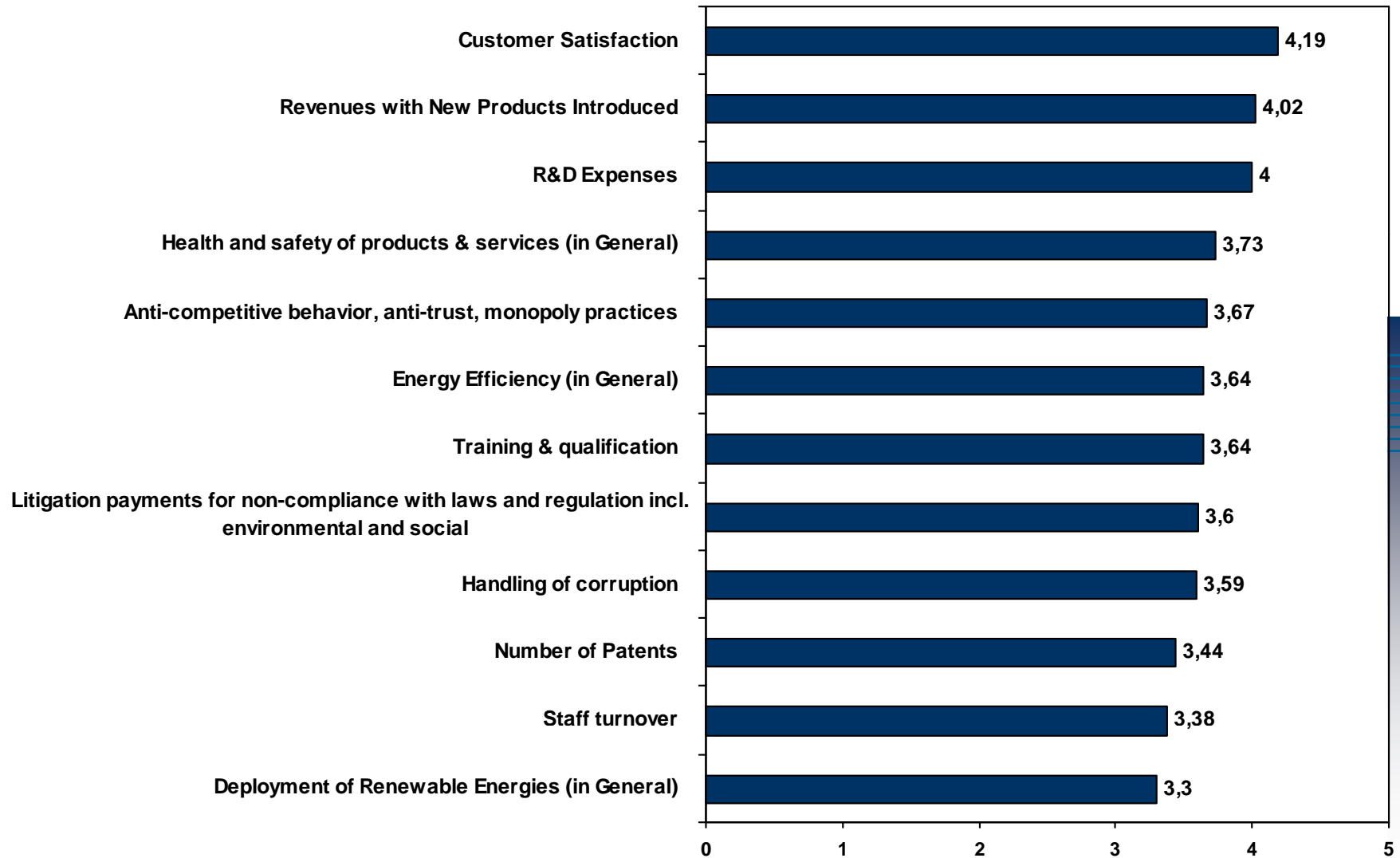


DVFA Criteria for KPIs for Extra-/Non-Financial

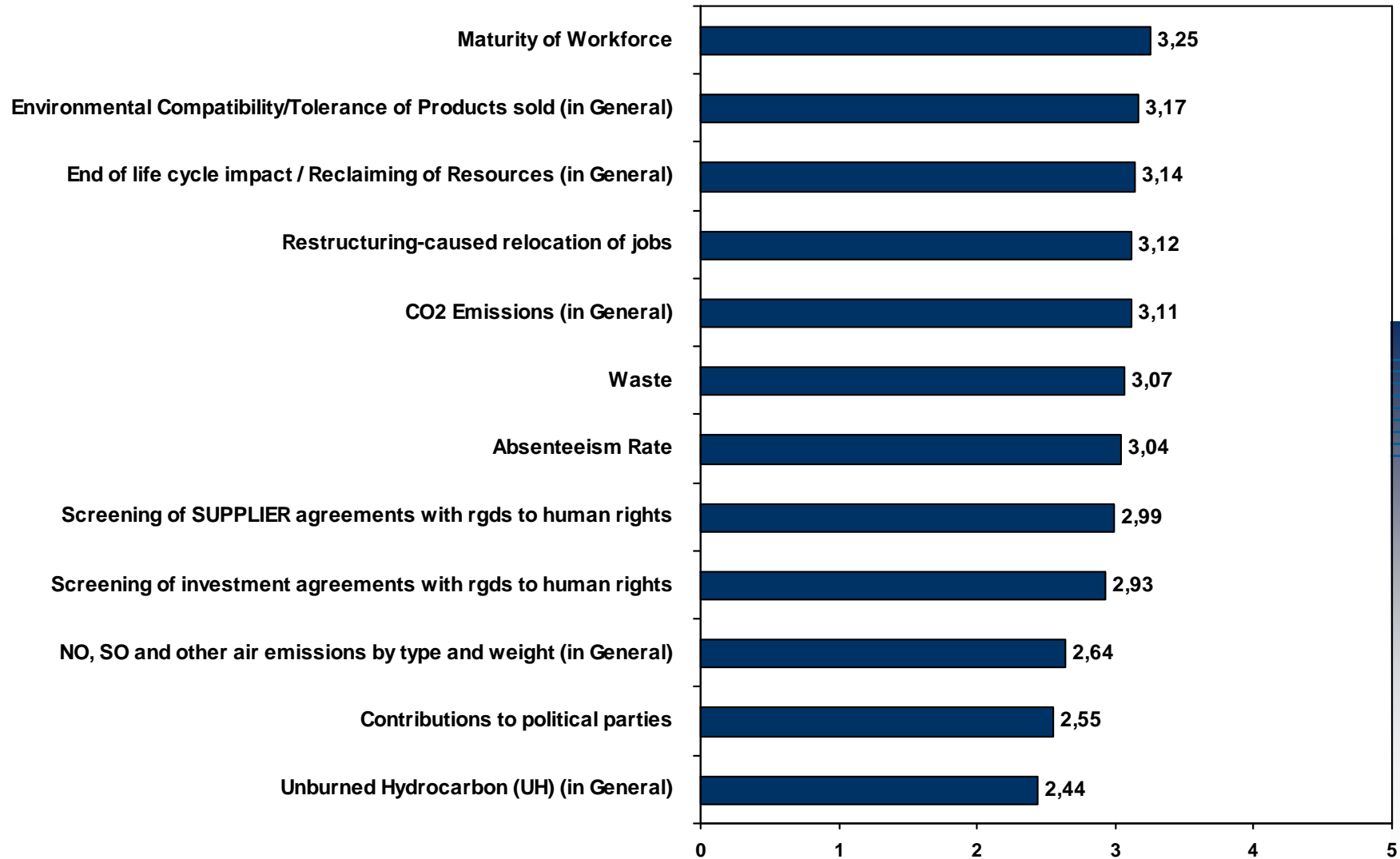
IMPERATIVE:

- Depict correlation to
 - Risk
 - Success factors of corporate business
- Significant and relevant for investment decisions
- Firmly anchored in corporate management system
- Quantified
- Comparable
 - Benchmarkable from peer to peer
 - Depict dynamic i.e. from reporting period to reporting period
- Accepted by mainstream financial analysts and investors
- Manageable amount („Key“) e.g. small set of max. 30 KPIs
- Not yet another reporting scheme: KPIs can be reported within
 - traditional reporting statements e.g. quarterly reports, annual reports,
 - Sustainability formats e.g. GRI's G3

ESG Issues considered important



Perception of the 24 KPIs: Summary (2)



What are the Specifics of the Approach?

- Utilize XBRL as an analytical tool *first*
- then as an enabler
- ‚Open source‘ framework
- Validation process – mandate of DVFA and EFFAS
- Clear separation between topical area (ESG) and measurable item (KPI)
- Provision of KPI line item for Corporate and Benchmark represents investment analysis approach
- Detailed taxonomy

Definitions

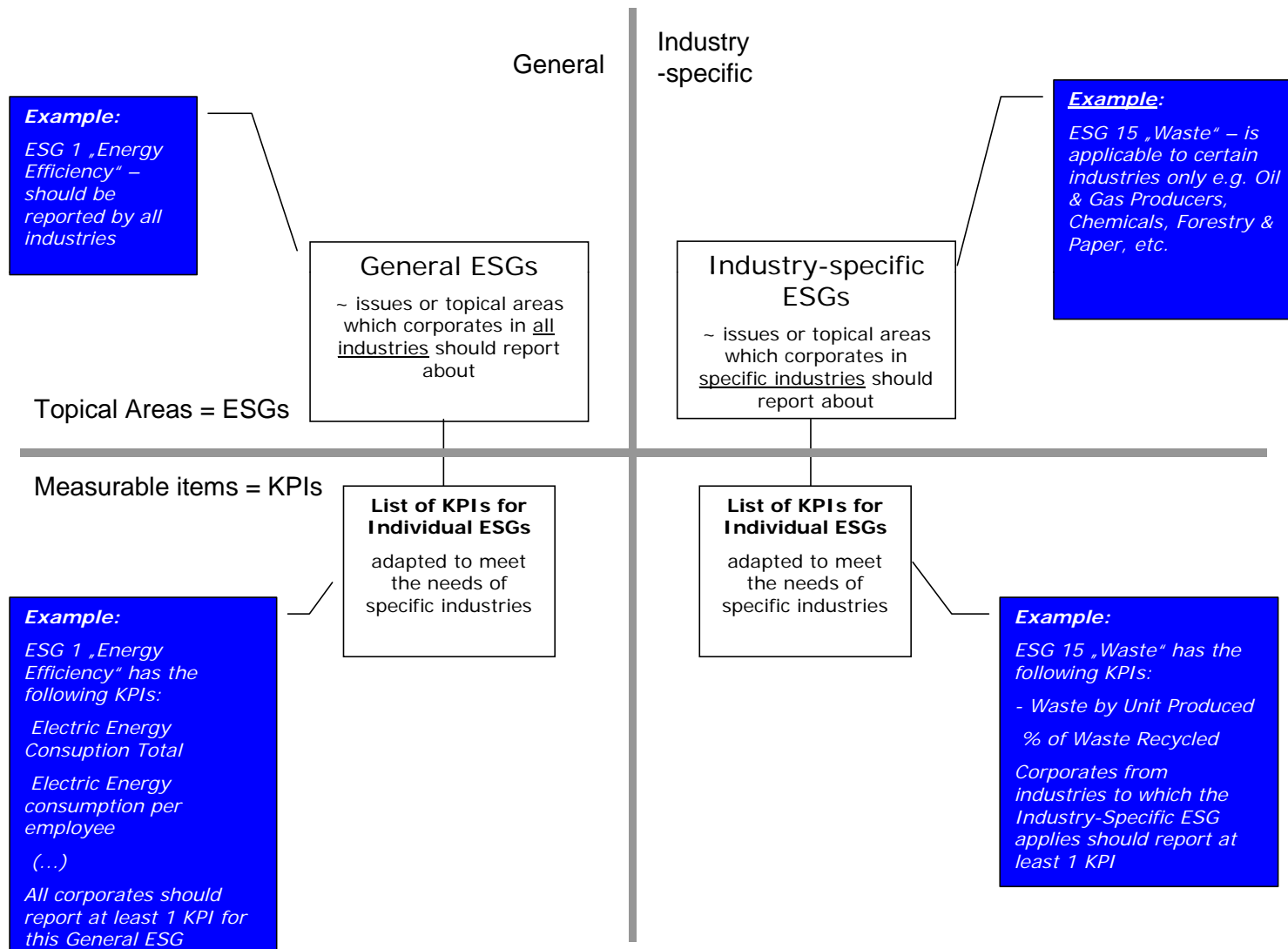
Two levels of Standardisation

- Topical areas are called **ESGs**
 - ESG has several topical areas e.g. CO2 Emissions, Maturity of Workforce, Handling of Corruption = ESG (-> IAS)
 - Example: ESG 15 Waste, ESG 18 Diversity
 - Litmus test: ESG are not measurable!
- Measurable elements are called **KPIs** (Key Performance Indicators)
 - Always linked to an ESG
 - Can be modified according to industry-group

Structure of ESGs

	E Environmental	S Social	G Governance	V Longterm Viability
General: ESGs which apply to all industry-groups	ESG 1 Energy Efficiency ESG 2 Deployment of Renewable Energy Sources	ESG 3 Staff Turnover ESG 4 Training & Qualification ESG 5 Maturity of Workforce ESG 6 Absenteeism ESG 7 Restructuring-related Relocation of Jobs	ESG 8 Contributions to Political Parties ESG 9 Anti-competitive Behaviour, Monopoly ESG 10 Corruption	ESG 11 Customer Satisfaction ESG 12 Revenues from New Products
Industry-Group Specific: ESGs which apply to select industry-groups	ESG 13 CO2 Emissions ESG 14 NO,SO Emissions ESG 15 Waste ESG 16 Environmental Compatibility ESG 17 End-of-Lifecycle Impact	ESG 18 Diversity ESG 19 % of Credit Loans, Undergone ESG Screening ESG 20 % of Funds Managed in Accordance to ESG Criteria ESG 21 Financial Instruments held in Accordance to ESG Criteria ESG 22 Investments in Accordance with ESG ESG 23 Supplier Agreements in Accordance with ESG ESG 24 Health & Safety of Products	ESG 25 Litigation Payments ESG 26 Dimension of Pending Legal Proceedings	ESG 27 R&D Expenses ESG 28 Patents ESG 29 Investments in Research on New Risk ESG 30 Customer Retention

ESGs and KPIs



KPIs for ESG and XBRL

- Taxonomy designed by PwC NY David von Kannon
- Tested with data from Asset4
- Section within WICI framework
- Next step: pilot with corporates