

# Value Creation Through Responsible Investing

Tensie Whelan, Distinguished  
Professor of Practice, Founding  
Director, NYU Stern Center for  
Sustainable Business



# NYU Stern Center for Sustainable Business



**Unleash the business value of  
sustainability**

**&**

**the transformative potential of  
business**

**to**

**solve societal challenges at  
speed and scale**

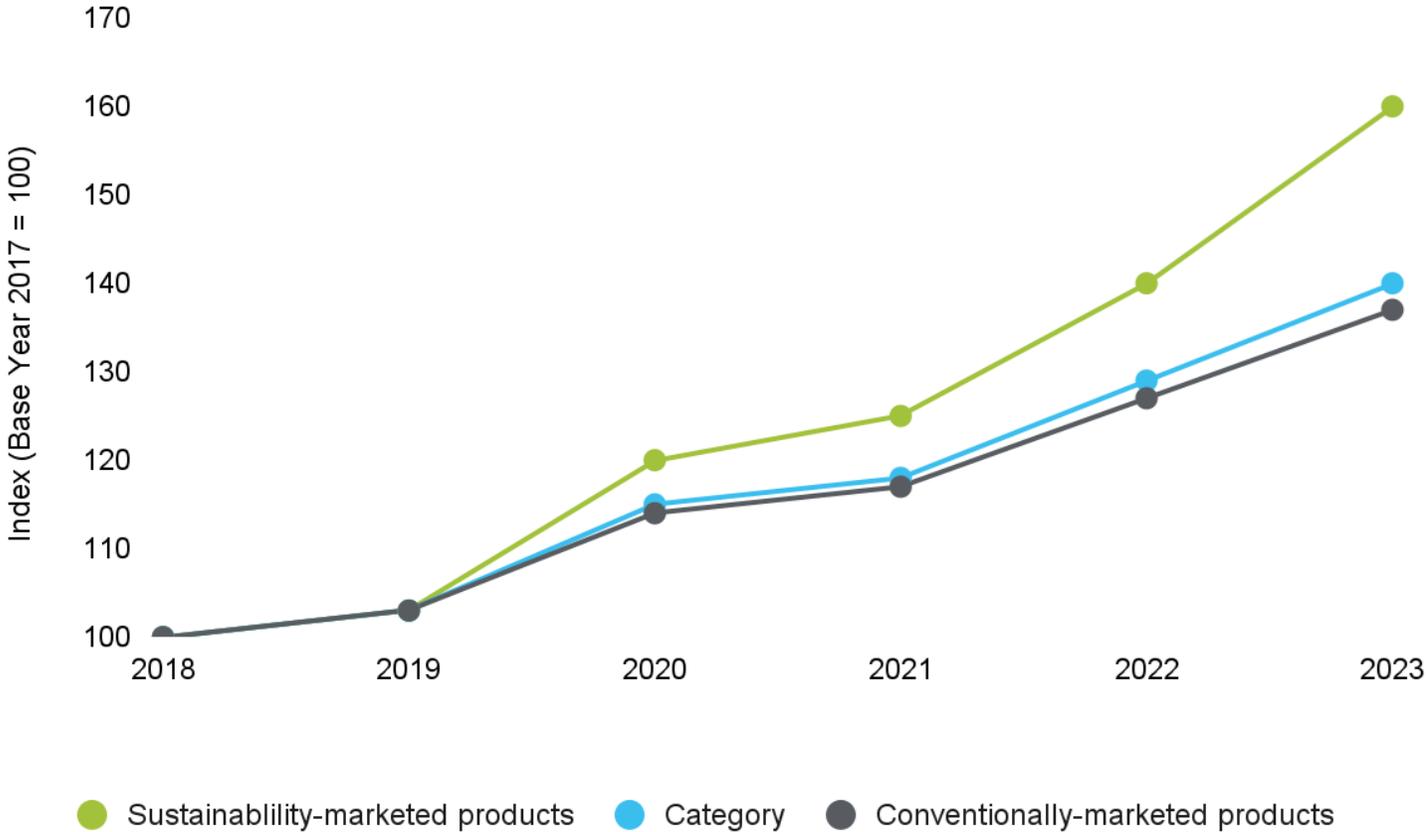
# Value Creation Through Sustainability in Private Equity: Battling the Backlash

- Sustainability issues are material to corporate performance on both the upside and downside
- Delivering the right sustainability strategies and practices drives financial value
- Managing to ESG reporting metrics alone will not drive financial value
- Companies are not tracking the return on their sustainability investments nor are they assessing the cost of inaction



# Sustainable Market Share Index™: US Consumer CPG Purchasing

Sustainability-marketed products grew at **~10% 5-YR CAGR**



Sustainability-marketed  
5-YR CAGR:  
**9.9%**

Total Market 5-YR  
CAGR:  
**7.0%**

Conventionally-marketed  
5-YR CAGR:  
**6.4%**

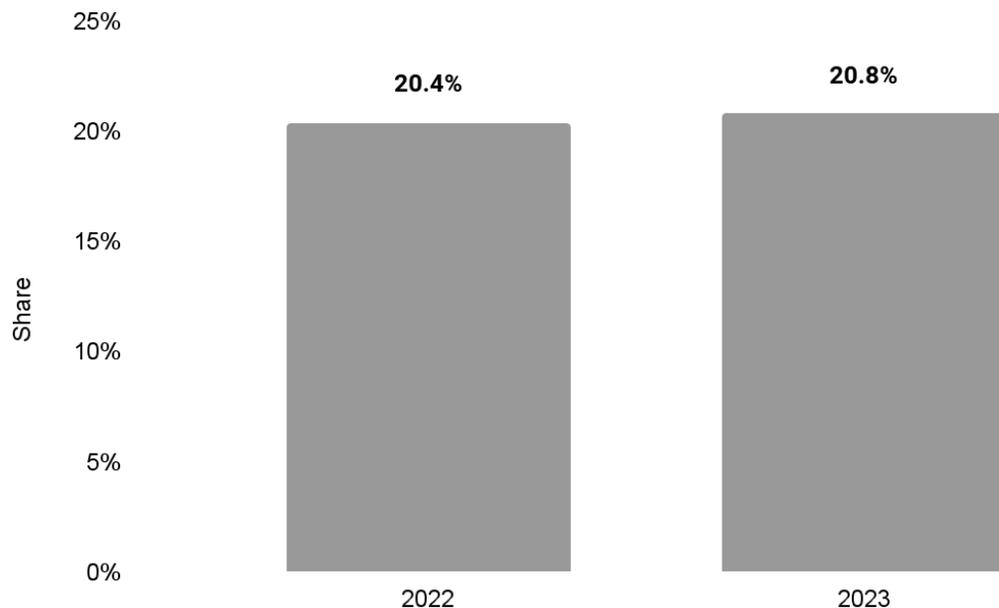
Note: Based on 36 categories examined



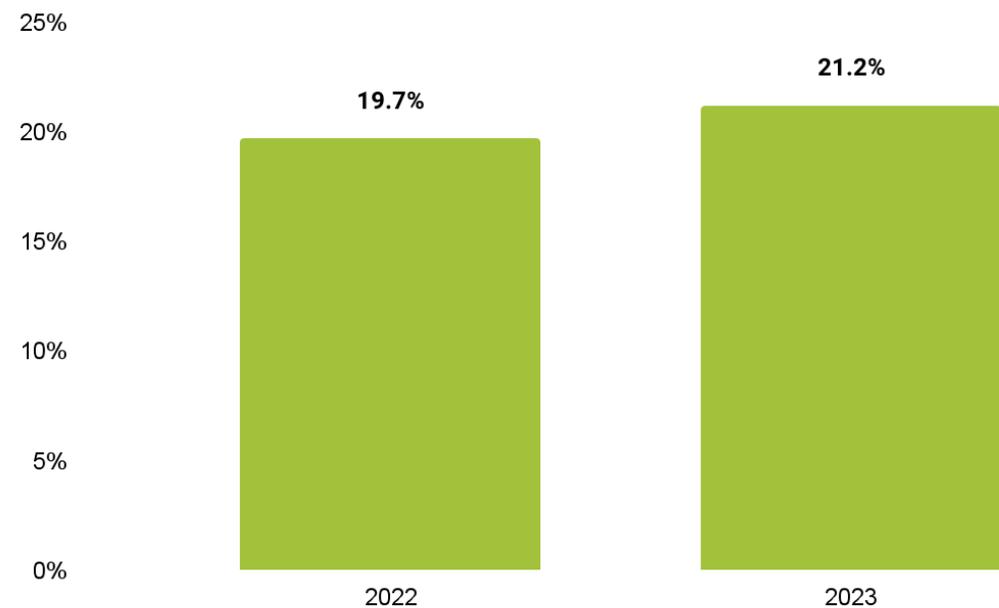
# Sustainable Market Share Index™: Store Brands

Store Brand share of market was 20.8%, up +0.4ppts from 2022 to 2023 suggesting that branded **sustainable products** are **more insulated** from inflation-driven moves to store brands and changes by brands to more sustainable options

Private Label: CPG\*



Sustainable Market Share\*\*



\* From IRI private label report  
\*\*36 categories examined



# How Sustainability Investments by Corporations Drive Financial Returns



# Return on Sustainability Investment (ROSI™) Framework

## Sustainability Drivers of Financial Performance and Competitive Advantage

When a  
company  
embeds  
sustainability  
in its strategy  
and practice,  
it...



### Improves:

- Customer Loyalty
- Employee Relations
- Innovation
- Media Coverage
- Operational Efficiency
- Risk Management
- Sales & Marketing
- Supplier Relations
- Stakeholder Engagement

### Drives:

- Greater Profitability
- Higher Corporate Valuation
- Lower Cost of Capital

### Delivers:

- Short- and Long-Term Value Creation for Shareholders and Society



# ROSI™ Methodology and Collaboration Process

NYU Stern  
CSB works  
with company  
research  
partners using  
a 5-Step  
Methodology

1

## Identify Material ESG Issues and Strategies

Identify material sustainability challenges, (referencing frameworks such as SASB and GRI) and how the business is addressing associated risks and/or opportunities

2

## Assess Practices

Determine which practices have been implemented to address sustainability strategies

3

## Define Benefits

Define the types of economic benefits that could be expected from the changed practices through the ROSI mediating factors

4

## Quantify Benefits

Estimate the magnitude of those benefits and when they could be realized

5

## Monetize

Translate the benefits into economic value, stress test, and then forecast ROI



# Decarbonization Value Creation

## Drives:

- energy costs savings
- avoidance of energy pricing volatility
- avoidance of carbon fees
- avoidance of regulatory and market risk
- potential increased market share/premiums/customer loyalty
- more resilient supply chain partners
- lower cost of capital

# Gundersen Reduced GHG Emissions Through Improving Energy Management via Retrofits and Net Zero Design

*Gundersen Health System<sup>□</sup> collaborated with NYU Stern CSB to find operational efficiency and emission reduction benefits from energy retrofitting and incorporating low carbon features in an outpatient clinic*

## Financial Value Creation

### **Energy Retrofits**

- Created up to **\$35k** or **\$1 per sq.ft** in annual benefits

### **Net Zero Building Design**

- Created up to **\$66k** or **\$2 per sq.ft** in annual benefits
- Potential **72% emissions reduction**, compared to standard building design

## GHG Emissions Value Creation

- Stabilized energy costs
- Reduced GHG emissions



# Cardinal Health™ Reduced GHG Emissions by Optimizing Pharmaceutical Delivery Schedules

*Cardinal Health™ collaborated with NYU Stern CSB to find operational efficiency and emissions reduction benefits through early optimization of their pharmaceutical delivery schedules*

## Financial Value Creation

- Optimizing the number of last mile deliveries can yield **\$254K** in **average annual savings** by way of decreased fuel costs, operational efficiency, and reduced emissions

## Additional Benefits

- GHG emissions reduction
- Improved operational efficiency



# EILEEN FISHER Finds Financial Cost Savings by Shifting Away from Air Transportation

EILEEN  
FISHER

*NYU Stern CSB collaborated with Eileen Fisher to monetize shifting its transportation mix away from air and towards sea and trucking transports resulting in financial cost savings and societal benefit*



## ***Transportation Cost Savings***

In 2019, the company spent ~\$1.6 million less in transportation costs than in 2015

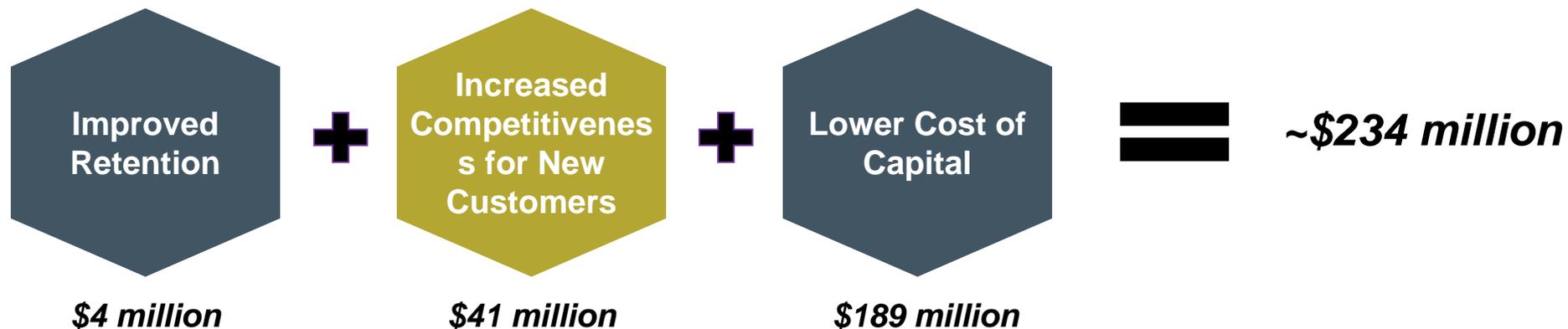
## ***Societal Benefit***

From 2015 to 2019, the company achieved a cumulative societal benefit of ~\$150,000\* due to the reduction in its GHG emissions

*\*Note: Using \$50 per MT CO<sub>2</sub>e as the social cost of carbon*

# Capital Power's Pursuit of Early Decarbonization

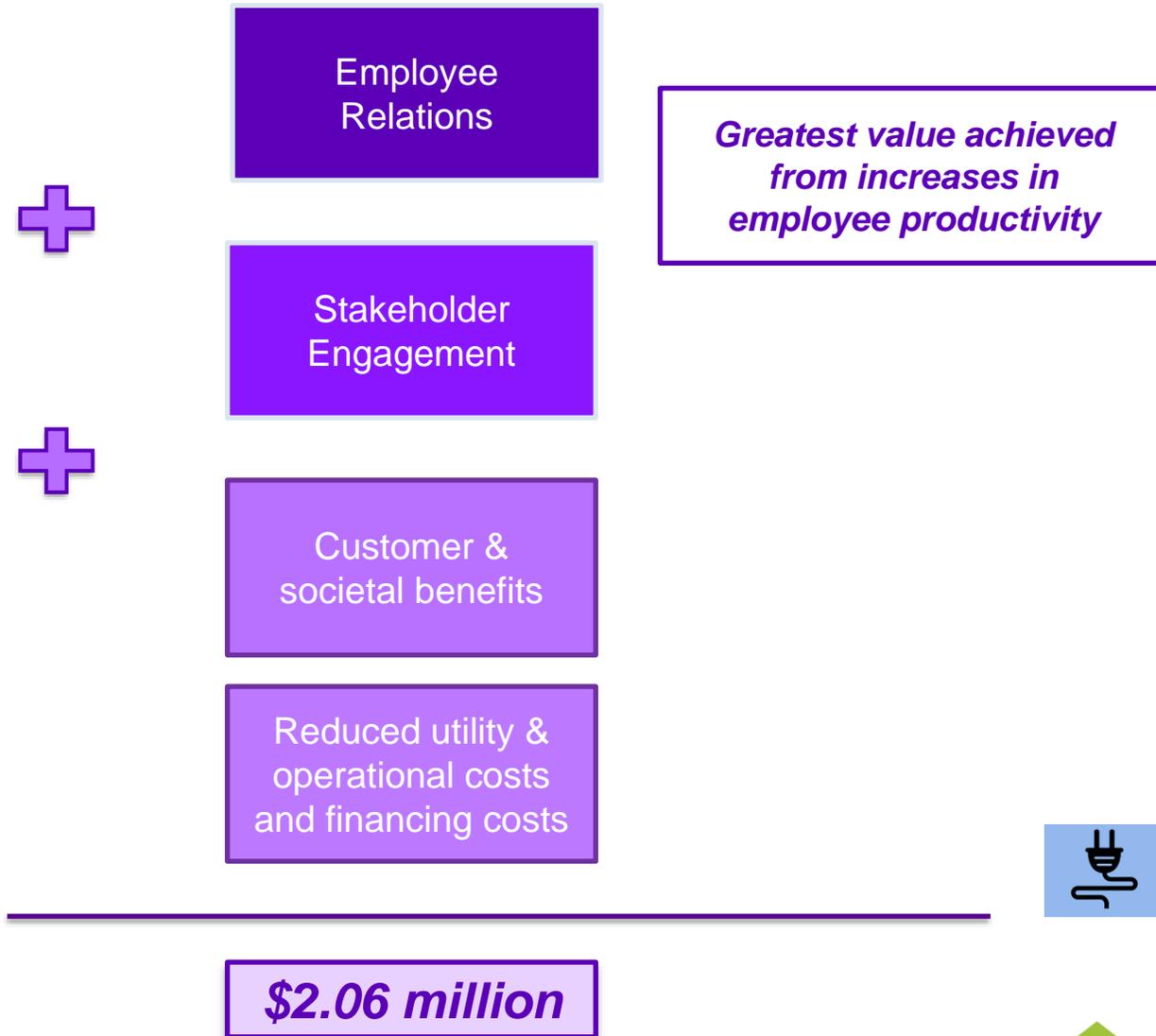
- Capital Power, a Canadian electricity generator with annual revenues of ~\$1bn, evaluated the business case for an early exit from coal-generated electricity and into renewable energy (primarily wind & solar)
- Upon applying the ROSI framework, 3 primary benefits were identified:
  - Improved retention and lower turnover due to sustainability commitments
  - Increased competitiveness for new customers interested in renewable energy
  - Lower cost of capital for sustainability initiatives



***The cumulative net benefits from 2021-2030 are equivalent to ~\$234 million***

# Energy Efficiency at Utility Company Creates Financial Benefits

- A utility company evaluated the business case for investments in energy efficiency projects at several facilities
- Upon applying the ROSI framework, four benefits from these investments were identified.
- ***On an annual basis, the total net benefit is ~\$2.1 million; the cumulative NPV benefit over 10 years is \$12.8 million***



# Sustainable Sourcing Commitments

## Drives:

- increased market share, premiums, loyalty
- reduced reputational, operational, market, regulatory risk
- more resilient, loyal and high quality suppliers
- ability to make sourcing claims (with third-party certifications)
- community support and license to operate benefits

# Monetization of McCormick's Sustainable Sourcing Program Generated Financial & Brand Values

- Using the ROSI™ methodology, four benefits of the program\* were monetized:

Sales & Marketing

Lower Cost of Capital

Risk Management

Earned Media

- Key project findings concluded that:
  - SSP is creating benefits for McCormick which can be accelerated with ongoing investments
  - SSP benefits were estimated to be \$6.0 million\*\* in 2019 and have the potential to increase by 60-70% in 2025**

\*SSP is a component of McCormick's broader Purpose-led Performance strategy which has time-bound, measurable goals relating to People, Communities, and the Planet

\*\*This includes benefits relating to incremental profit, reduced cost of debt, cost avoidance, and increased value of earned media



# Sustainable Sourcing in Cocoa Drives Better Performance

For Natra\*, a private label chocolate manufacturer, its investment in fully traceable cocoa yields a net positive bottomline benefit.

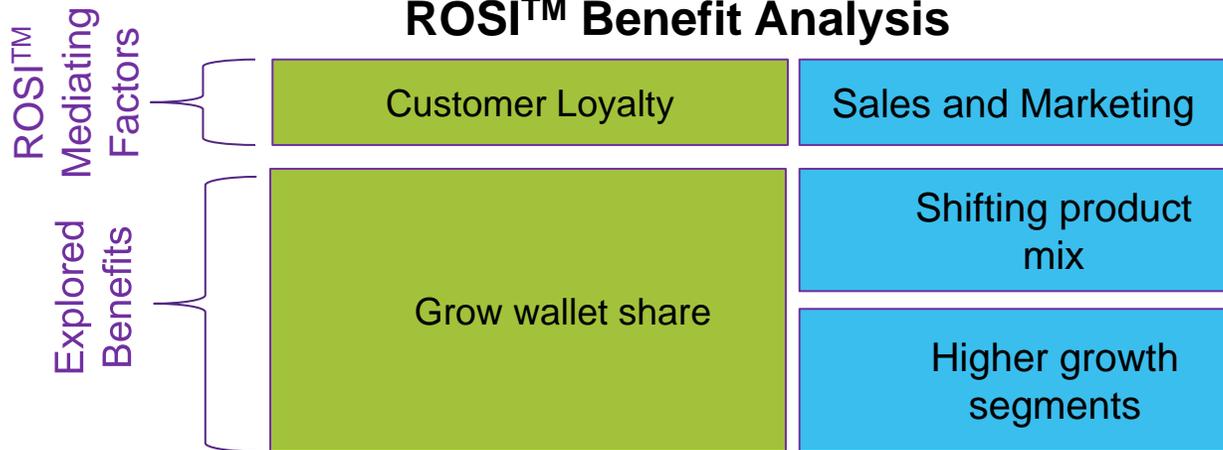
**Social and environmental challenges plague cocoa sourcing...**



**...while chocolate consuming markets are experiencing**

Changing regulation	Responsible sourcing
Shifting customer attitudes	Traceability in supply chains

## ROSI™ Benefit Analysis



## Results

PV <sup>1</sup>	€ 2.4Mn
As % of EBITDA (2020)	5.4%

\*a former Investindustrial company; 1- 4 year PV

# Circularity

## Drives:

- operational efficiency (reduced input and waste disposal costs)
- new product sales, increased market share, premiums, loyalty
- reduced supply chain risk through closing the loop
- ability to make sustainability claims (with third-party certifications)
- earned media benefits

# Advocate Health Boosted Operational Efficiency by Using Reprocessed Devices

*Advocate Health Care collaborated with NYU Stern CSB to find operational efficiency and risk management by utilizing reprocessed medical devices*

## Financial Value Creation

- **10-year Net Present Value** assessed at **\$20.3M**
  - ◆ Total present value of benefits were **\$20.8M** with program costs of **\$0.5M**
  - ◆ Average annual benefit of **\$3.5M**

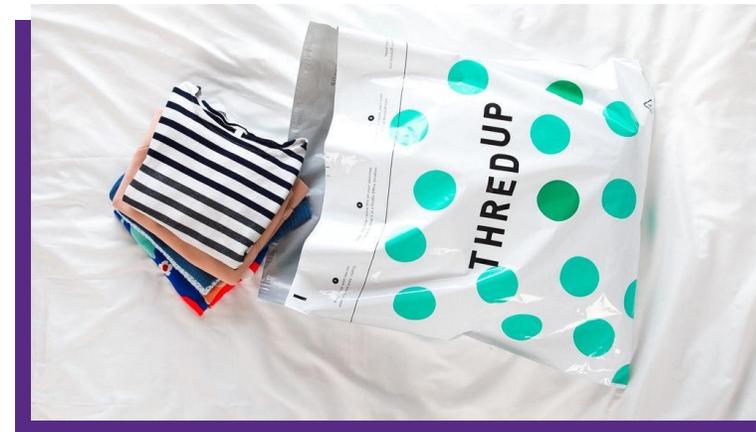
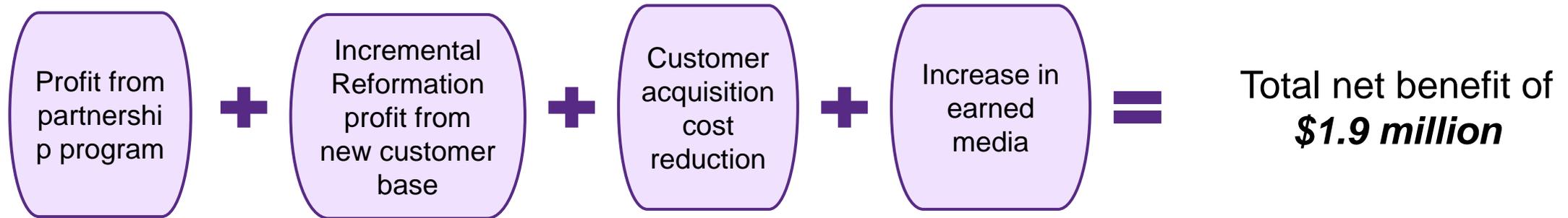
## Additional Benefits

- GHG emissions reduction
- Waste reduction
- Improved operational efficiency



# Reformation Accrues Financial and Brand-related Benefits through thredUP Circular Takeback Program

## *Benefits & Associated Costs Explored*



# Employee Satisfaction, Safety, and Well-Being

## Drives:

- productivity
- retention/lower recruitment costs
- reduced risks of employee lawsuits
- reduced insurance costs (safety)
- good corporate reputation
- customer satisfaction

# REI'S Sustainability Program Delivers HR Results



Employee  
Sustainability  
Program  
Benefits and  
Costs

Reduced turnover and  
hiring costs



Increased productivity  
amongst high performers



Mission-aligned  
investments, including  
paid time off days

Total net benefit of  
**\$34 million\***



*\*Note: This figure is ~5% of payroll expenses*

# GP Sustainability Value Driver Tool

NYU Stern CSB

2024



# In the first stage of the tool, users input the sector of the target portfolio company and rate it across key criteria

1 Identify Target & Sector

Identify sector of target company

2 Auto-Populated Buckets

After selection of sector, the tool identifies the most relevant material issues for the sector, then indicates mitigating or value-adding strategies, and underlying practices and value drivers

Material Issues (Defined by SASB)	Strategies	Practices	Value Drivers
<ul style="list-style-type: none"> <li>Energy Management</li> </ul>	<ul style="list-style-type: none"> <li>Improving Energy Efficiency &amp; Use of Renewables</li> </ul>	<ul style="list-style-type: none"> <li>Adopt products, services, and processes that use less energy</li> <li>Convert energy purchase (or generation) to renewables where possible</li> </ul>	<ul style="list-style-type: none"> <li>Lower energy costs</li> <li>Reduced exposure to energy cost volatility or grid break-downs</li> <li>Reduced regulatory fines and risks</li> </ul>

3 Assessment of Target Company

Next, identify how target company is currently responding to the material issues and related strategies, stated commitments, and progress towards commitments

4 Rating

Finally, add scores of 1-5 across six criteria

Current Progress	Clear Targets	Innovation & Growth	Risk Mitigation	Credible Reporting Standards	Mgmt. / Board / Org. Capabilities
------------------	---------------	---------------------	-----------------	------------------------------	-----------------------------------

# The model automatically sorts and ranks the issues and strategies

Material Issues	Strategy	Current Progress	Clear Targets	Innovation & Growth	Risk Mitigation	Credible Reporting Standards	Mgmt./ Board/ Org. Capabilities	Total (Weighted)	Value Drivers
Product Design & Lifecycle Management (1/2)	Adopting Sustainable Packaging Solutions	3	4	4	4	3	3	3.6	<ul style="list-style-type: none"> <li>Reduced regulatory risk</li> <li>Reduced material and input costs</li> <li>Improved market share, loyalty, premium</li> </ul>
Employee Health & Safety	Protecting Employee Health and Safety	3	3	3	3	4	3	3.1	<ul style="list-style-type: none"> <li>Increased productivity</li> <li>Increased retention</li> <li>Reduced absenteeism</li> <li>Reduced workplace insurance costs</li> <li>Ability to hire the best</li> </ul>
Waste & Hazardous Materials Management (2/2)	Committing to Zero Waste to Landfill	3	3	3	3	3	3	3	<ul style="list-style-type: none"> <li>Operational efficiencies in reduced waste costs</li> <li>Reduced regulatory risks</li> <li>Innovation (to reduce waste generation, will need to innovate on process and products)</li> </ul>
GHG Emissions	Mitigating Climate Change Impacts	1	3	2	2	3	2	2.1	<ul style="list-style-type: none"> <li>Operational efficiencies in terms of costs</li> <li>Reduced exposure to regulatory fines and fees</li> <li>Reduced reputational and market risk</li> <li>Lower cost of capital</li> <li>Improved employee recruitment and retention</li> </ul>
Water & Wastewater Management	Improving Water Security	2	2	2	2	2	2	2	<ul style="list-style-type: none"> <li>Ensure ongoing access to water (no stranded asset)</li> <li>Reduced water use and wastewater disposal costs</li> <li>Reduced regulatory and license to operate risk</li> </ul>
Energy Management	Improving Energy Efficiency & Use of Renewables	1	2	2	2	3	2	1.9	<ul style="list-style-type: none"> <li>Lower energy costs</li> <li>Reduced exposure to energy cost volatility or grid break-downs</li> <li>Reduced regulatory fines and risks</li> </ul>
Customer Welfare	Protecting Customer Health and Welfare	2	1	3	2	1	2	1.9	<ul style="list-style-type: none"> <li>Increased sales/loyalty from changing consumer demand</li> <li>Reduced regulatory and reputational risk</li> </ul>
Waste & Hazardous Materials Management (1/2)	Reducing the Use of Harmful Chemicals	1	1	1	1	1	1	1	<ul style="list-style-type: none"> <li>Reduced chemical costs</li> <li>Reduced regulatory risk</li> <li>Reduced negative health incidents</li> <li>Potential reduction of lawsuits</li> </ul>

- After the user rates all the material issues, the “Ranked Table” tab sorts the issues from best-performing to worst-performing
- This is **intended to serve as a temperature check** on how the target company is performing across the spectrum of material issues while **highlighting if there are any significant red flags or upside opportunities**
- **OPTIONAL:** Model provides option to remove issues before moving to Stage 2 to help funnel analysis / focus on the most important issues

# The second stage prioritizes the most important material issues & strategies and provides guidance on KPI development

## 5 Issue Prioritization

Score add'l criteria; review heatmap and scatterplots to prioritize



Once the GP owns the target, **they need to prioritize the top 3-5 most important material issues with the greatest financial upside; they also need a better sense of the impact of each material issue in the context to the broader market**

## 6 KPI Development

After prioritizing the top 3-5 issues/strategies, user develops **related ESG and ROSI KPIs for each strategy**; CSB provides guidance and examples

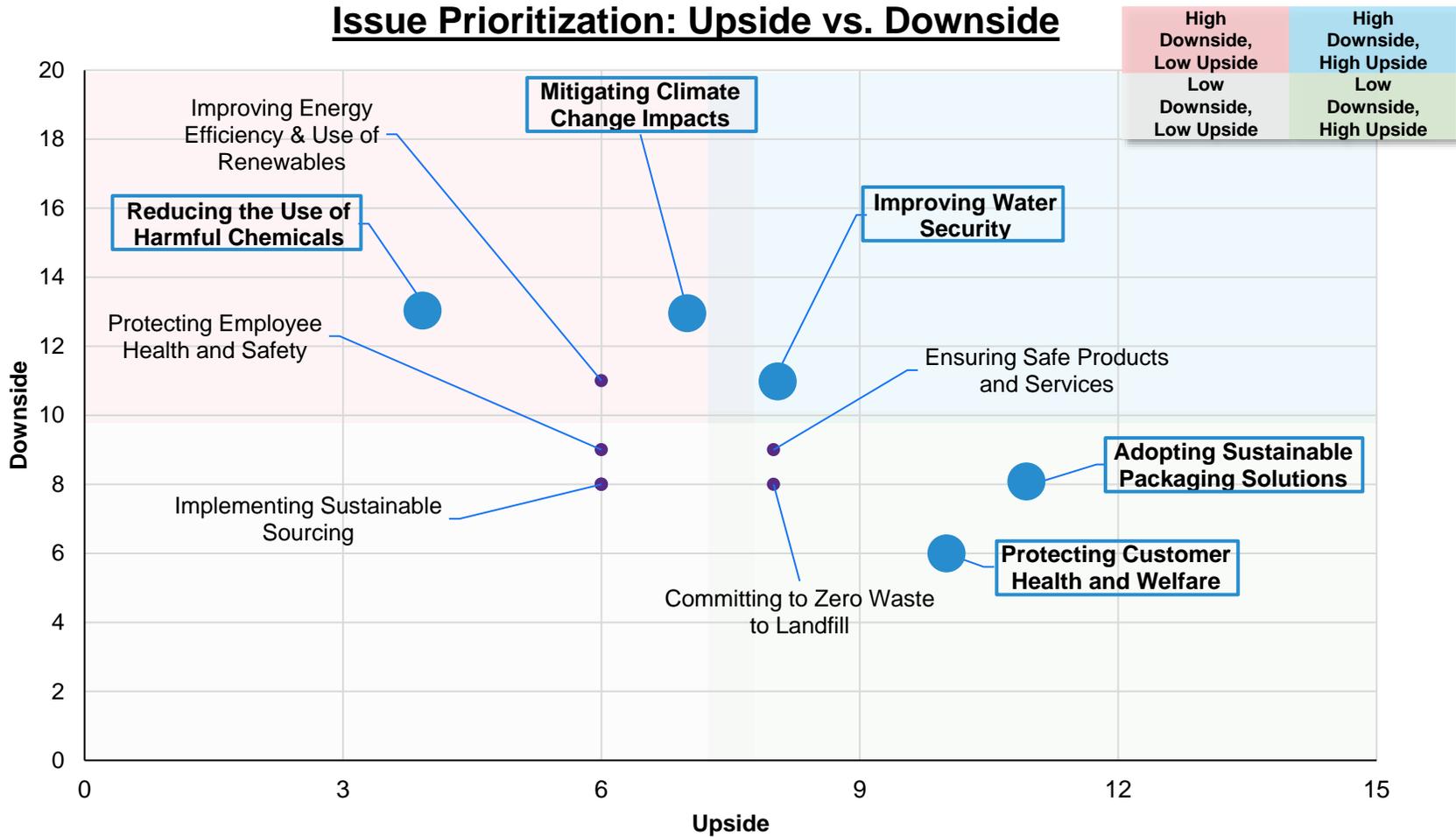
## 7 Strategy Development

CSB provides comprehensive output sheet, user develops deeper strategies for the **top 3-5 most important material issues** for the portfolio company

Over time, **the GP tracks KPI improvement, thus creating a track record of sustainable improvement and a growth story to be shared at exit**

**Note: The second stage of the value framework tool is intended to be used once the portfolio company has been acquired, in the first 100 days of the holding period, in order to improve value**

# The scatterplot populates with selected strategies; user selects top 3-5 to focus on

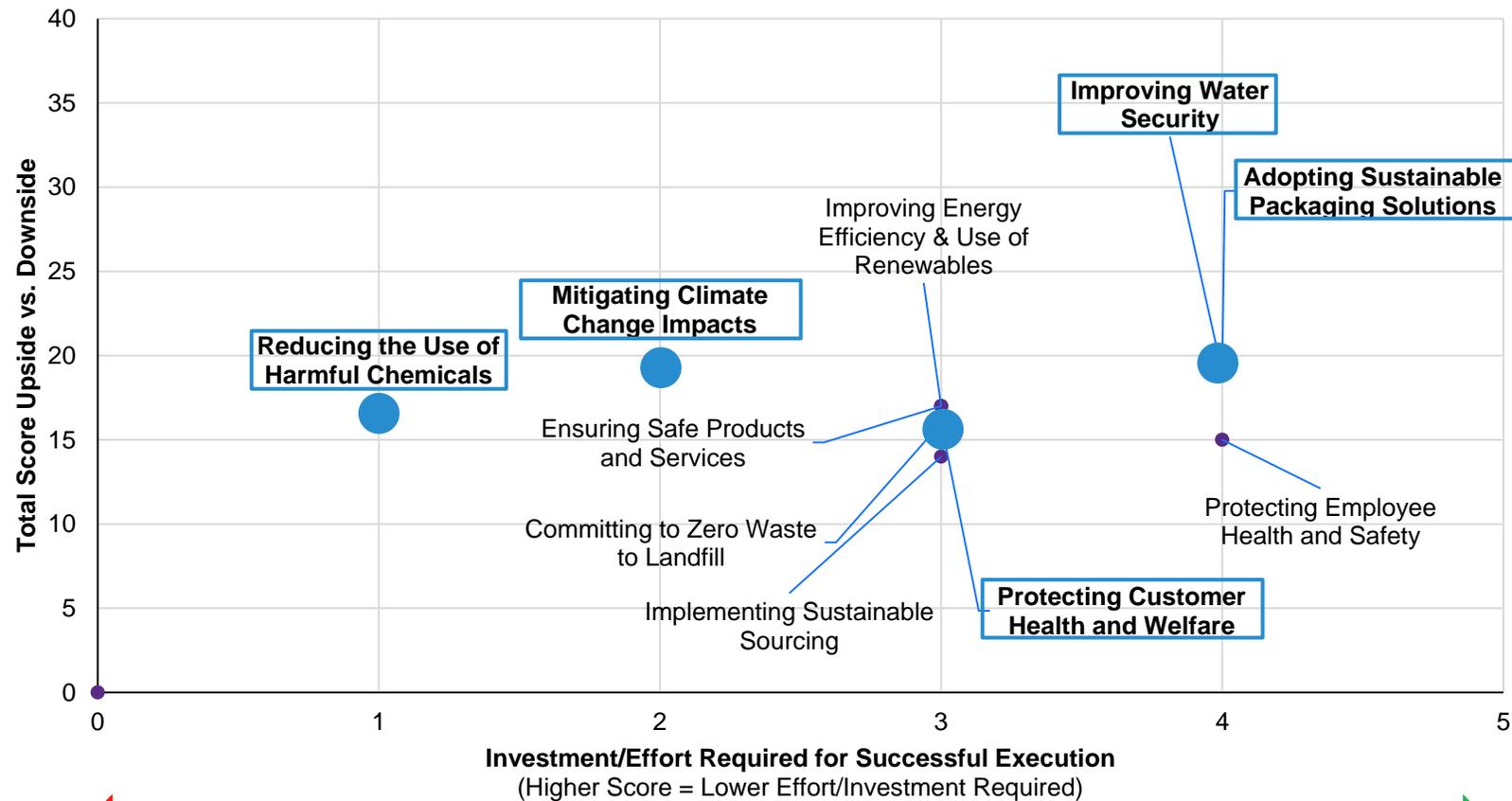


- Once the user completes the research and scoring in “Issue Prioritization,” they can look at scatterplot visualizations to help examine tradeoffs between material strategies
- The user would likely prioritize 1) high downside, high upside strategies first, then look at 2a) high downside, low upside strategies, and 2b) low downside, high upside strategies

Note: “High Downside” indicates that there is significant risk to the business if the associated strategy is not adopted / enacted

# OPTIONAL: User can review Investment/Effort Required for Successful Execution vs. the total Upside+Downside score

## Investment/Effort Required for Successful Execution vs. Total Score Upside vs. Downside



- Anything that falls on the right-hand side of the graph requires less investment or effort
- Viewing this scatterplot is completely optional – meant solely to indicate “low hanging fruit” or help prioritize edge cases

# GP Sustainability Value Driver Tool Case Studies

NYU Stern CSB

2024



# ADL, BSR, Fulcrum Working with GPs and PortCos to Test GP Value Driver Tool

## Cases with:

- Builders Vision
- Francisco Partners
- Kohlberg & Co.
- N.B. Renaissance

# Kohlberg & Co Case Study Due Diligence Assessment (with BSR)

Kohlberg used the Value Creation Tool to help link diligence findings with post-acquisition strategy development, using a recently closed deal in the **Healthcare** sector to evaluate the process.

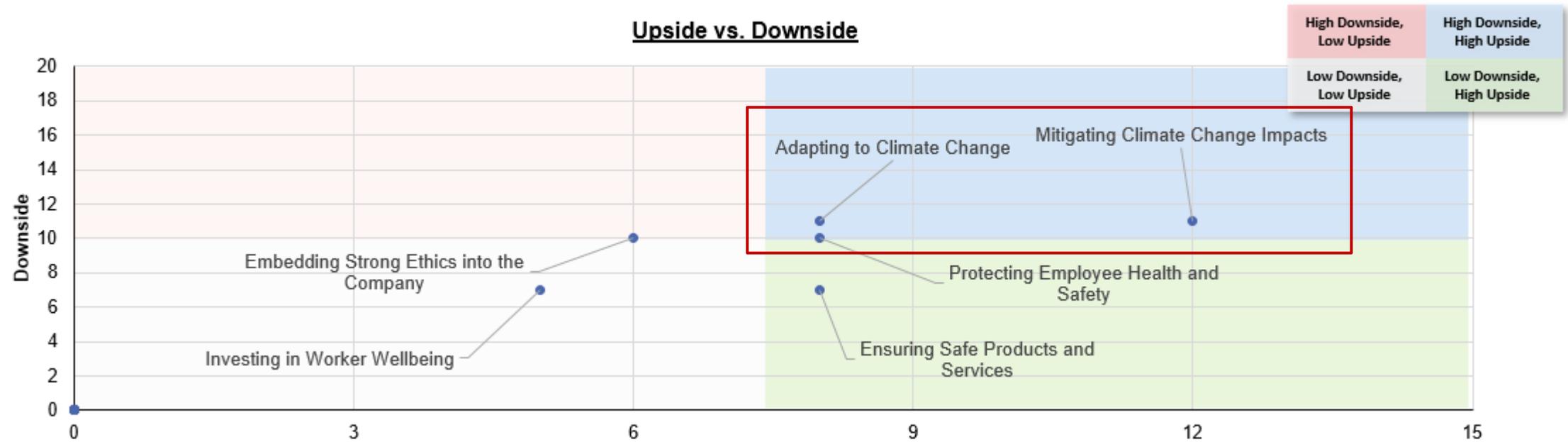
<b>GP</b>		<b>HQ: U.S.</b>	<b>AuMs ~\$14B</b>	<b>Target</b>	<b>Sub-Sector: Biotechnology &amp; Pharmaceutical</b>
		<b>Mid-market buyout</b>	<b>26 PCs</b>		<b>HQ: U.S.    # of Employees: ~3,500</b>

Material Issues	Value Drivers	Company Practices at Acquisition	Current Status Score*
<b>Labor Practices</b>	Improved retention, higher productivity, lower recruitment costs	The company maintains robust engagement initiatives such as exit/stay interviews, engagement surveys, and professional development programs. Benefits and policies are governed by a global employee handbook, which is inclusive of location-specific addendums.	
<b>Business Ethics</b>	Reduced regulatory, reputational or market risk	The company's operations comply with extensive regulations and are subject to regular audits by regulatory bodies and industry organizations. A cross-functional committee oversees the ethics and compliance program, with annual ethics training provided to all employees.	
<b>Product Quality &amp; Safety</b>	Reduced customer loss, improved patient recruitment, and lower risk of lawsuits or regulatory fines	The company has robust management practices including SOPs, personnel trainings, impact assessments, an internal regulatory intelligence newsletter, and an anonymous incident reporting mechanism for patients/participants.	
<b>Employee Health &amp; Safety</b>	Increased productivity and retention, reduced workplace insurance costs and better ability to hire the best talent	The company has a robust health and safety manual, provides extensive training on safety topics and conducts regular safety audits. While it has fewer severe incidents than industry, frequency of minor incidents is higher.	
<b>Physical Impacts of Climate Change</b>	Reduced likelihood of operational disruptions and associated costs	The company maintains site-specific business continuity plans.	
<b>GHG Emissions</b>	Improved operational efficiency, reduced exposure to regulatory fines, lower cost of capital, better customer retention	The company estimates Scope 1 & 2 emissions and has implemented site-level energy efficiency initiatives. However, it lacks short and long-term targets and a corporate climate strategy.	

# Issue Prioritization

Following the diligence assessment, each material issue was assessed for downside risk and upside opportunity. Strategy development

W



## Upside Factors (Value Creation)

- Revenue growth potential
- Operational efficiency
- Reputation

## Downside Factors (Value Protection)

- Market risk
- Regulatory risk
- Environmental risk
- Geopolitical risk

Based on these findings, Kohlberg developed an ESG strategy focused on mitigating climate-related downside risks and capitalizing on climate-related upside opportunities, following the ROSI framework.

# ROSI and ESG Strategy Development

ROSI Steps	Kohlberg Process	What we did	What we found
1. Assess Opportunity and Risk	Pre-acquisition Diligence	The target company underwent diligence on various material issues, with findings entered into the ROSI diligence tool and scored based on current practices.	<b>GHG emissions</b> and managing <b>climate risks</b> were not on the company's radar or recognized as key focus areas at the time of acquisition.
2. Identify Associated Strategy(ies)	Baseline Assessment	Conducted an assessment of peer performance, customer and regulatory requirements (e.g., CSRD), mapping them to the upside and downside categories based on the CSB issue prioritization framework.	<ul style="list-style-type: none"> <li><u>Downside Risk</u>: The company was exposed to <b>climate disclosure regulation</b> in the EU</li> <li><u>Upside Opportunity</u>: As part of its growth strategy, the company was focused on winning new contracts with pharma companies with <b>public net zero targets</b></li> </ul>
3. Determine Expected Benefits		Referenced ROSI Strategy & KPI database to determine key <u>mediating factors</u> and associated benefits.	<ul style="list-style-type: none"> <li>ROSI Mediating Factor 1: <b>Risk Management</b></li> <li>ROSI Mediating Factor 2: <b>Stakeholder Engagement/Customer Loyalty</b></li> </ul>
4. Quantify Results of Benefits	Strategy Development	<ul style="list-style-type: none"> <li>Developed a business case for formalizing ESG and climate program</li> <li>Created implementation strategy based on findings from baseline assessment</li> <li>Obtained management buy-in</li> <li>Set near term goals</li> </ul>	<ul style="list-style-type: none"> <li>Top pharma customers are prioritizing vendors based on <b>sustainability performance</b> and <b>climate program maturity</b> (impacting the top line), while <b>costs related to regulatory noncompliance</b> affect the bottom line.</li> </ul>
5. Monetize the Benefits	Strategy Execution	<b>What we plan to do</b> <ul style="list-style-type: none"> <li>Annual Scopes 1, 2 and 3</li> <li>Develop a decarbonization roadmap, focused on initiatives with highest ROI</li> <li>Achieve accreditation for ESG and climate improvements by aligning with customer requirements such as enhancing third-party assessments (e.g., EcoVadis, SBTi)</li> <li>Leverage ESG/ climate program as a competitive advantage</li> </ul>	<b>Value creation rationale</b> <ul style="list-style-type: none"> <li>Avoidance of regulatory penalties for non-compliance</li> <li>Identify customers with climate and ESG requirements, then focus on revenue expansion and retention through targeted engagement</li> <li>Track savings from increased efficiency and lower energy costs as the decarbonization plan is implemented</li> <li>Incorporate the above into exit materials</li> </ul>
		Exit	

Completed

Ongoing

# NB Renaissance Case Study (with BSR)

NB Renaissance used the Value Creation Tool on a recently closed deal in the **Apparel, Accessories, & Footwear** sector.

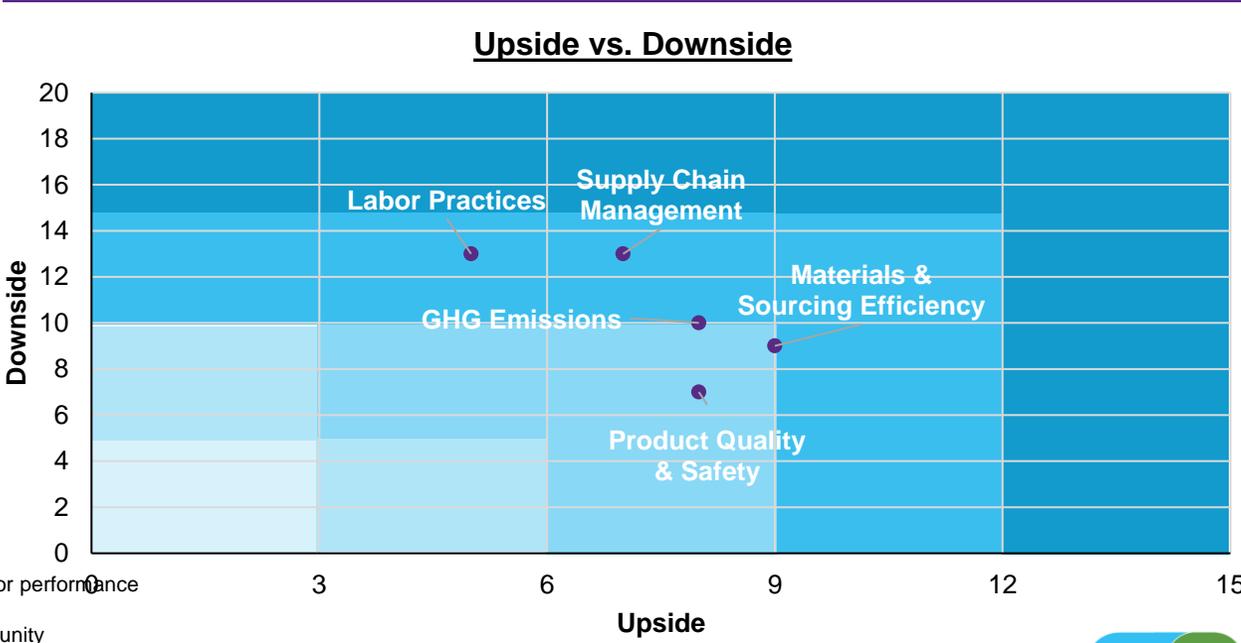
**GP** NB | RENAISSANCE  **HQ: Italy**  **€2.8 billion commitments**  **Mid-market companies primarily headquartered in Italy/Europe**  **33 PCs since inception**

**Target** **Sector:** Apparel, Accessories, & Footwear **Headquarter:** Italy **EBITDA (2020):** €79MM **# of Employees:** ~5,000

## Assessment Findings

Material Topics	Current State	Estimated Downside	Estimated Upside
Labor Practices	Low	High	Low
Supply Chain Management	Low	High	Medium
Materials Sourcing & Efficiency	High	Medium	Medium
Product Quality & Safety	High	Low	Medium
GHG Emissions	Medium	High	Medium

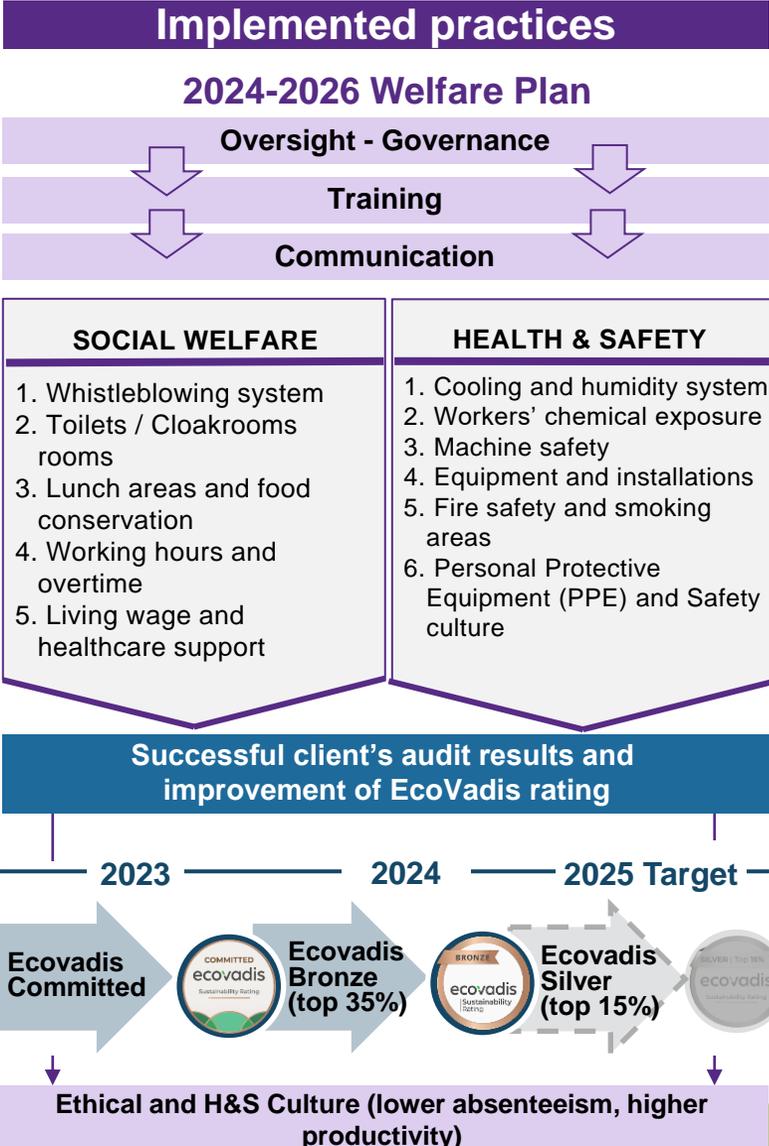
## Identified Priorities



**Current State:** green shading indicates good performance on material topics, while red indicates poor performance  
**Estimated Downside:** red shading indicates high risk, while green shading indicates lower risk  
**Estimated Upside:** red shading indicates low opportunity, while green shading indicates high opportunity

# ROSI – Labor Practices: Mitigating the Estimated Downside

Proposed Practices	Implemented Practices	Direct ROSI Monetization		
		ROSI Mediating Factor	ROSI Benefit	ROSI Monetization
<ol style="list-style-type: none"> <li>Competitive salary and benefits</li> <li>Engagement on sustainability</li> <li>Close pay equity gap</li> <li>Ensuring a living wage</li> <li>Promote workplace flexibility</li> <li>Create clear and equitable promotion pathways</li> </ol>	<b>2024-2026 Social Welfare plan</b>	Operational Efficiency	Improved worker satisfaction leading to improved productivity	<ul style="list-style-type: none"> <li>✓ Reducing the absenteeism rate by 15%, avoiding extraordinary hours</li> <li>✓ Ensuring 100% machinery productivity (maintaining the temperature below thresholds) avoiding extraordinary hours</li> </ul> <p><b>Savings of the related additional costs: 50% avg. cost increase for extraordinary hours</b></p>
		Indirect ROSI Monetization		
		Financing Accessibility	Increased access to diverse financing options and reduced interest expenses	<ul style="list-style-type: none"> <li>✓ Secured <b>ESG-linked financing option with social compliance</b></li> </ul> <p><b>Saving up to €300k per year</b></p>
Customer Retention	Improved customer satisfaction leading to reduced churn rate	<ul style="list-style-type: none"> <li>✓ Good performance in <b>ESG audits</b> and third-party <b>ESG Rating</b>, better securing <b>~€85 million of the turnover (~30% of total revenues) from ESG sensible clients</b></li> </ul> <p><b>Reducing exposure to clients shifts</b></p>		



1

# Company Overview | Builder’s residential solar company is the leading national provider of leased solar + energy efficiency upgrades focused on low-moderate income (LMI) homeowners

Key Metrics		Products and Services
<b>Industry</b> 	<b>Residential Solar Energy</b>	<ul style="list-style-type: none"> <li>25-year solar lease plus energy efficiency upgrades for LMI homeowners.</li> <li>PosiGen customers have saved more than \$65.9 million to date.</li> <li>No money down. No FICO credit check. No variable interest rate lease escalators, ensuring long-term savings, driving retention.</li> <li>Standardized kit model enables PosiGen to cost-effectively serve target working family communities.</li> </ul>
<b>Role in Value Chain</b> 	<b>Working with 30K families in 15 states,</b> PosiGen works to close the clean energy affordability gap for LMI homeowners with lower - cost utility bills & environmental benefits of clean energy <b>through residential solar, storage &amp; energy efficiency upgrades</b>	
<b>Number of Employees (2023)</b> 	<b>~750</b>	
<b>Revenue (2023)</b> 	<b>\$77.4 M</b>	
<b>Investment Maturity Stage</b> 	<b>2021 Series E \$100M Preferred Equity Financing Round led by Magnetar Capital, supported by Builders Fund</b>	
		Strategic Goals
		<ul style="list-style-type: none"> <li><b>Carbon Mitigation:</b> By installing solar panels on residential rooftops, households can provide for their own electricity needs with 80% lower carbon emissions than by using fossil fuels.</li> <li><b>Democratizing Access to Clean Energy:</b> By reducing their energy bill, these households can save on average \$640+ per year with their solar system.</li> <li><b>Economic Empowerment:</b> There are 30+ million LMI households in the company’s target states, representing 42% of the total potential for residential solar yet they only represent 30% of installations annually.</li> </ul>

Source: Company Materials



1

# Understanding the PortCo | Issues already tackled / achieving strong performance were removed from selection, leaving six material issues for further review

Selection of Issues	Why is this issue critical?	What is currently being done?	Current Status Score <small>(1 = not well managed, 5 = very well managed)</small>
01 Labor Practices	Improved <b>retention</b> , higher <b>productivity</b> , lower <b>recruitment costs</b> , fewer work stoppages, reduced <b>insurance costs</b>	Company offers <b>profit sharing</b> / ownership options to employees to boost retention, <b>wellness programs</b> , comprehensive insurance, and <b>assesses worker health</b> (no exposures detected)	3.6
02 Waste & Hazardous Materials – Zero Waste	<b>Operational efficiencies in reduced waste costs, reduced regulatory risks</b> , innovation (required to reduce waste generation)	Company has a <b>reuse / redeployment program</b> for used solar panels and a recycling program addressing more than 50 tons of waste annually.	3.1
03 GHG Emissions	<b>Operational efficiencies in terms of costs, reduced exposure to regulatory fines and fees, reduced reputational and market risk</b> , lower cost of capital, improved employee recruitment	<b>Business model promotes climate resiliency</b> and reduces emissions in residential, company is <b>preparing to measure Scopes 1-3 emissions and set targets</b>	2.3
04 Supply Chain Management	Increased <b>market share and premium, improved supplier and customer loyalty, reputational brand benefits</b> , reduced regulatory, operational, and market risk	Suppliers must obtain a <b>third-party certification, opportunity to develop a supplier code of conduct</b>	2.2
05 Physical Impacts of Climate Change	<b>Reduced operational and physical risk</b> (reduced costs), reduced likelihood of stranded assets, <b>improved ability to avoid supply chain disruption</b>	Company does not track or offset emissions of suppliers in value chain and <b>does not have specific targets to reduce risk in sourcing</b>	2.0
06 Waste & Hazardous Materials – Reducing Harmful Chemicals / Materials	Reduced chemical costs, <b>reduced regulatory risk</b> , reduced negative health incidents, potential reduction of lawsuits	Company relies on <b>suppliers to disclose chemicals of concern</b> ; does not currently monitor hazardous waste in supply chain	2.0

***11 other material issues were assessed that were already addressed or yielded lower relevancy for PosiGen, including Critical Incident Risk Mgmt., Energy Management, Employee Health & Safety, Employee Engagement & Inclusion, etc.***

\*Scoring methodology is based on assessment of 6 criteria for each topic: Current progress, clarity of targets, innovation & growth, risk mitigation, credible reporting standards, Mgmt/Board capabilities  
Source: Builders Fund, PosiGen, Arthur D. Little



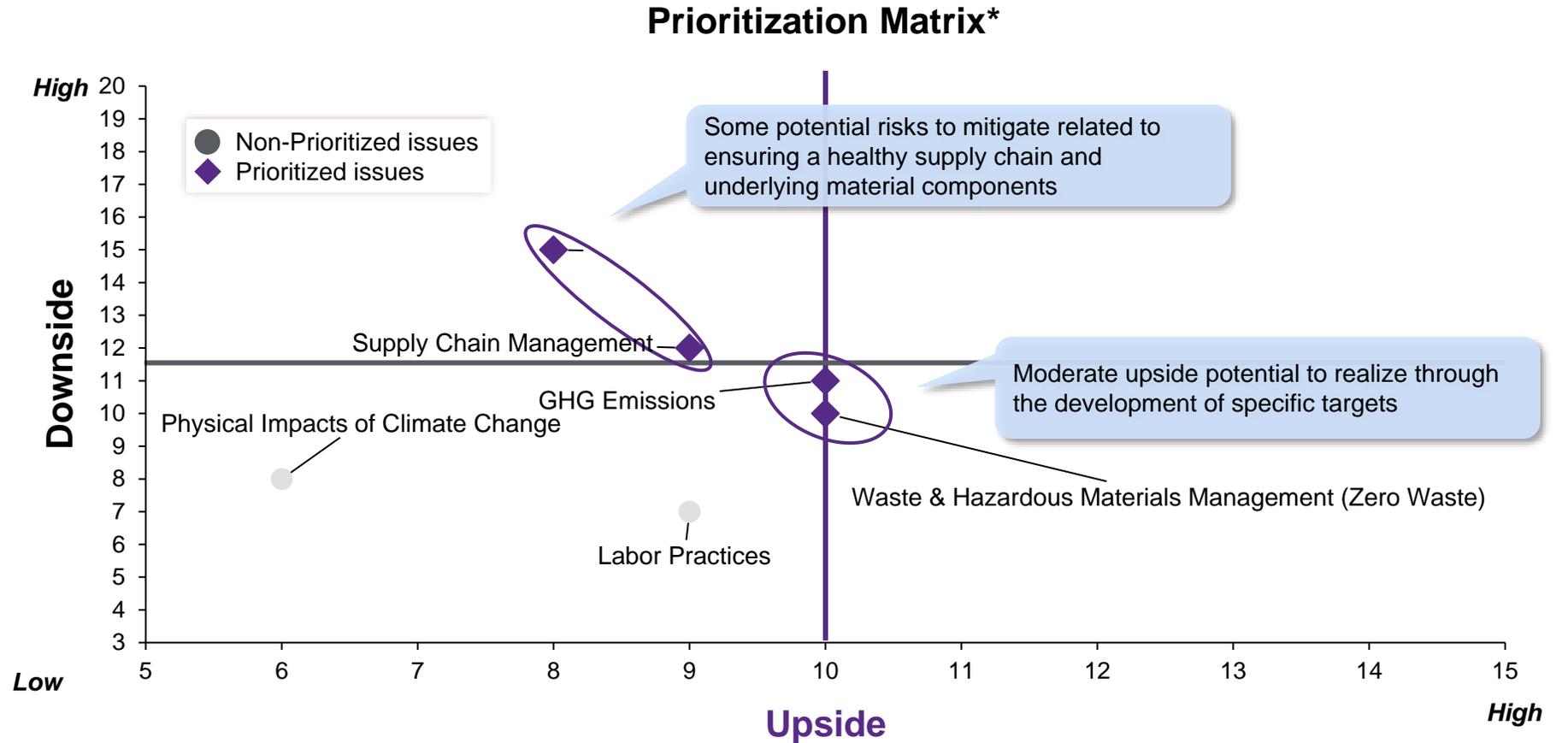
## 2 Identifying What Matters | Issues were prioritized according to both upside potential and downside risk

### Upside Factors

- Revenue growth potential
- Operational efficiency
- Reputation

### Downside Factors

- Market risk
- Regulatory risk
- Environmental risk
- Geopolitical risk



\*Only 6 most material topics are visualized in the matrix; 11 other material topics were assessed and yielded lower relevancy for HireRight (Critical Incident Risk Mgmt., Energy Management, Employee Health & Safety, Employee Engagement & Inclusion, etc.)  
Source: Builders Fund, PosiGen, Arthur D. Little



3

## Setting a Plan of Action | Initiatives in zero waste and supply chain were selected as most attractive for implementation or measurement

Material Issue	#	Proposed Practice	Builders KPI Creation	Sustainability KPI	Status												
01 Waste & Hazardous Materials – Zero Waste	1	Develop zero waste principles to manage end-of-life solar panels	Develop standards to maximize useful life, incl. maintenance & reassembly	Ensure x% of waste diverted from landfill by xx date, implement processes focused on circularity and extension of useful life	Initiative in place / already covered												
	2	Zero waste recycling program	Measure baseline levels of waste and achieve x% diversion	Increase % of solar panel components reused and recycled by x% by xx date, can partner with manufacturers													
03 GHG Emissions	3	Work with Proof to establish 2024 baseline of scopes 1-3 and set targets for reduction	Measure current GHG emissions, identify 2030 target	& 2 emissions by x% by x date, reduce scope 1 & 2 emissions by x% by x date, reduce scope 3 emissions by x% by x date	KPI opportunity / ongoing area of focus												
04 Supply Chain Management	4	Draft and approve supplier code of conduct in alignment with industry standards	Ensure creation of code of conduct and 100% supplier compliance with code of conduct across footprint by xx date														
	5	Implement preferred supplier status and incentives for sustainable sourcing	Develop preferred materials / suppliers	Offer alternative benefits to suppliers like long-term contracts, etc.													
06 Waste & Hazardous Materials – Reducing Harmful Chemicals / Materials	6	Implement Toxicity Characteristic Leaching Procedure (EPA Test Method 1311)	Measure current harmful materials, substitute, waste reduction		<p><b>Value creation potential</b></p> <table border="1"> <tr> <td>Est. Avg. Price of Solar Equipment:</td> <td>\$14,000</td> <td>Resale Value of Panels to Recyclers:</td> <td>36% of Purchase Price</td> </tr> <tr> <td>Avg. # of Panels:</td> <td>19</td> <td>Est. Avg. Resale Value:</td> <td>\$265</td> </tr> <tr> <td>Avg. Price / Panel:</td> <td>\$737</td> <td>Total # of Panels Installed to Date:</td> <td>25,000+</td> </tr> </table> <p><b>Total Opportunity Size: ~\$2.4mn → Likely to increase with US legislation</b></p> <p><b>Study findings:</b></p> <ul style="list-style-type: none"> <li>“Used modules could be sold at 36% of new module prices” (PV Magazine)</li> <li>“The average home needs between 15 and 19 solar panels to cover its daily electric usage” (Solar Reviews)</li> </ul>	Est. Avg. Price of Solar Equipment:	\$14,000	Resale Value of Panels to Recyclers:	36% of Purchase Price	Avg. # of Panels:	19	Est. Avg. Resale Value:	\$265	Avg. Price / Panel:	\$737	Total # of Panels Installed to Date:	25,000+
	Est. Avg. Price of Solar Equipment:	\$14,000	Resale Value of Panels to Recyclers:	36% of Purchase Price													
	Avg. # of Panels:	19	Est. Avg. Resale Value:	\$265													
	Avg. Price / Panel:	\$737	Total # of Panels Installed to Date:	25,000+													
7	Program to reduce hazardous waste in procurement	Assess supply chain for hazardous materials															
8	Introduce a training program to relevant employees on best practices for waste reduction	% of relevant employees completed training															

Initiative in place / already covered
  KPI opportunity / ongoing area of focus

Source: Builders Fund, PosiGen, Arthur D. Little, PV Magazine, Solar Reviews, SEIA



# Join the New UNPRI Initiative on Sustainability-Linked Value Creation



# 'New' initiative on 'Sustainability-linked value creation in Private Markets'

## PROJECT OBJECTIVES

*Empower investment firms to drive (financial) value through sustainability!*



Provide **guidance** & raise **standards**



Foster **collaborative dialogue** btw. private markets stakeholders



Understand & disseminate **best practices**

## LEADING INSIGHTS & PERSPECTIVES



**Investor-led guidance** from independent standards setter



**Pragmatic business practices** from consulting experience



**Pioneering research** from academia expertise

GET INVOLVED BY ENTERING YOUR E-MAIL ADDRESS



Why participate?

- Early access to results
- Gain peer insights
- Shape the future of sustainable investing!



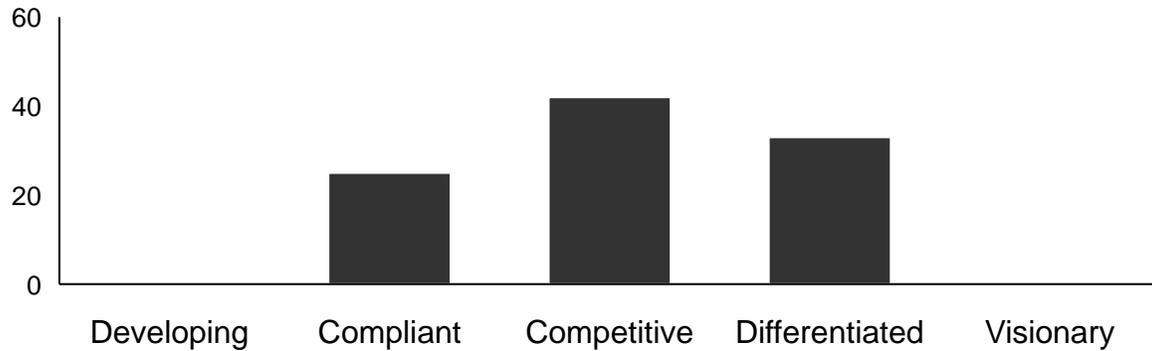
Join the **Interactive Group Discussion** at 2 PM with Marc Lino & Tensie Whelan

# Emerging survey insights | Most respondents are well advanced in their journey, recognizing sustainability as a key driver of present and future financial value

/ PRELIMINARY

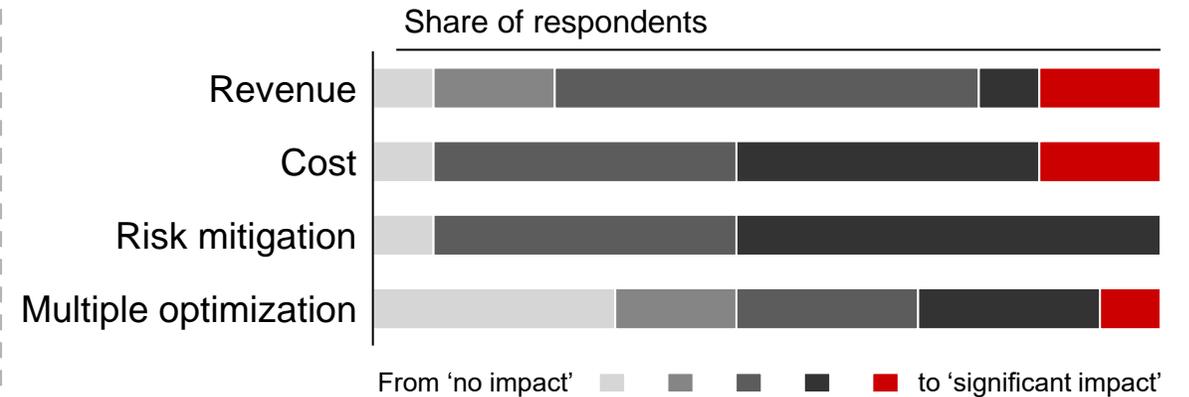
## SUSTAINABILITY-LINKED VALUE CREATION TODAY

% of respondents per maturity level



## SUSTAINABILITY-LINKED VALUE CREATION TOMORROW<sup>1</sup>

Future impact of sustainability-linked value creation on PortCo's outcomes



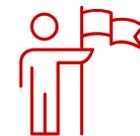
Share of respondents stating...

85%

Sustainability-linked value creation is a critical component in fulfilling their fiduciary duties

Sustainability-linked value creation has a moderate to significant financial impact

67%



**Top 3 drivers:** Operational efficiency, Reduced reputational risk, and Future-proofing the business

Note: Tomorrow = in 3 years  
Source: Sustainability-linked value creation preliminary survey results