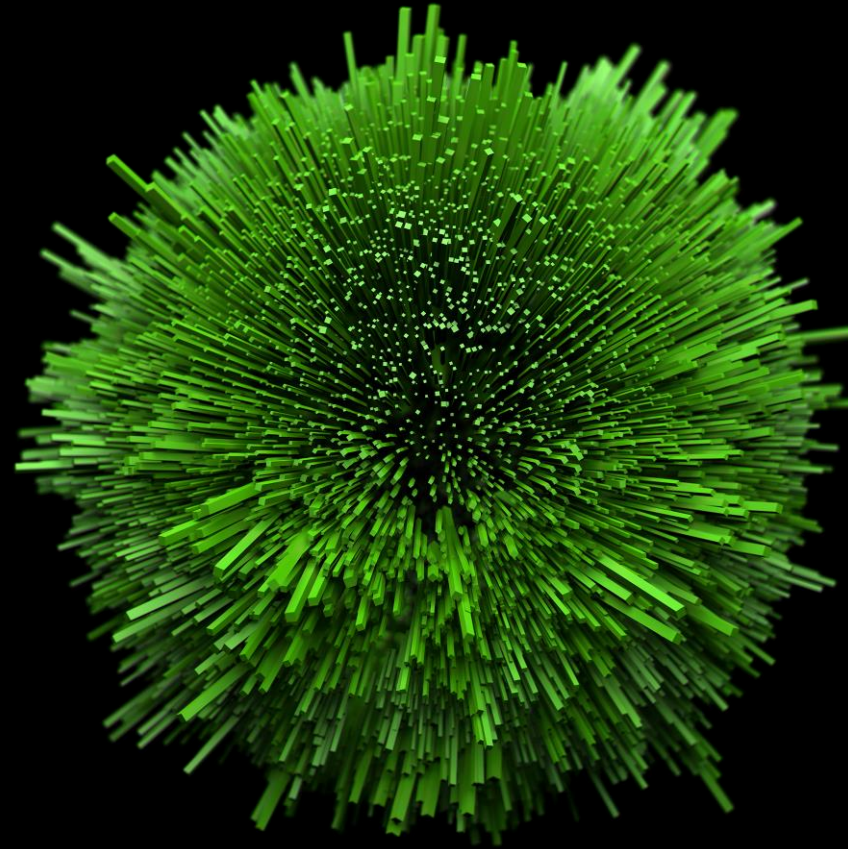


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ESG Planning approach

The increasing importance of sustainability drives companies to fully anchor sustainability into their strategic goals ensuring long-term success and credibility

Importance of sustainability

*“Most companies’ climate strategies are mired by **ambiguous commitments**, offsetting plans that **lack credibility** and emission scope exclusions, but **replicable good practice** can be identified from a **minority**.”¹⁾*

Climate strategies of 15 of the 24 companies to be of **low or very low integrity**



Only 5 of 24 companies’ net-zero pledges represent a **commitment to deep decarbonization**

Sustainability is a topic with **strategic relevance**, but lacks currently transparency and integrity

Sustainability performance management

77% of companies have an externally published sustainability strategy with which they are satisfied.



However, only **5%** of companies state that this is also anchored in the company as a whole and is optimally orchestrated in the specialist departments.



41% of companies already have sustainability KPIs in their target systems today.



Next to external reporting, **anchoring ESG in internal management** is also essential

Planning and steering sustainability

About every fourth CxO agrees that their current sustainability efforts have a positive impact on cost of investment



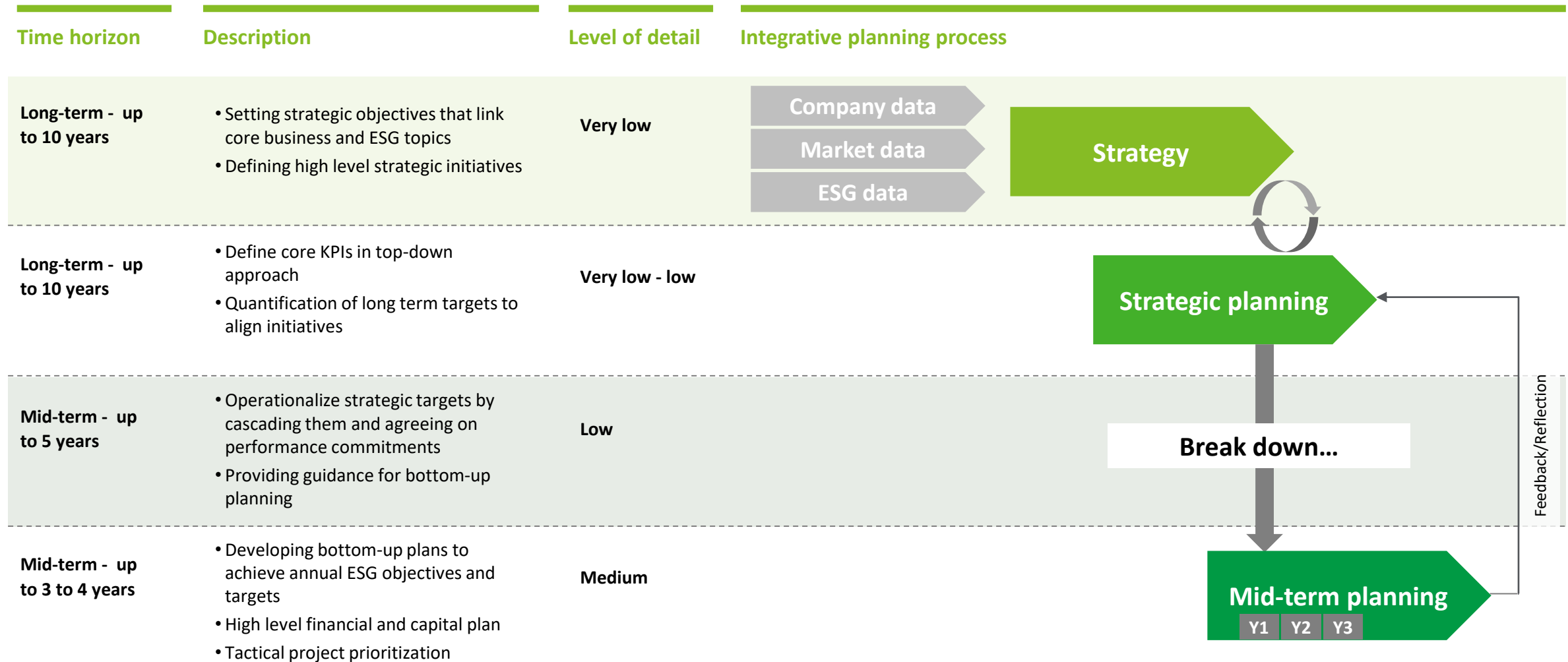
24% of companies have difficulty in measuring their environmental impact

Some 75% said their organizations have increased their sustainability investments over the past year, nearly 20% of whom say they’ve increased investments significantly.

33% of companies are already tying senior leaders’ compensation to environmental sustainability performance

Companies are starting to **steer and plan ESG** related KPIs and investments, but have difficulties doing so.

Sustainable corporate management starts by including ESG related data into its strategy. Information is integrated in the planning process and connecting financial and non-financial targets



The integrated planning process kicks off with a strategy discussion aligning core business and sustainability related ambitions

Strategy

Description

Definition of a strategy that

- ... can be actively managed and monitored
- ... illustrates the most important sustainability issues
- ... recognizes the interaction between core business and sustainability performance

Role of the finance department

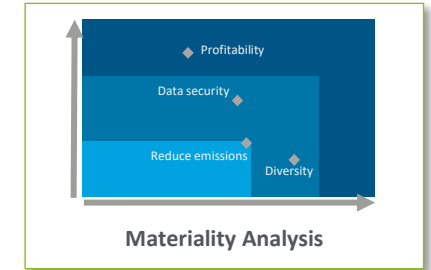
Providing information that

- ... enables strategy definition process for top management
- ... allows the integration of ESG criteria into existing decision-making, corporate planning, reporting and risk management processes



1. Understanding regulatory requirements

- Gather information and understand regulatory obligations regarding sustainability and its impact
- Analyze and prioritize stakeholder needs, e.g. materiality analysis



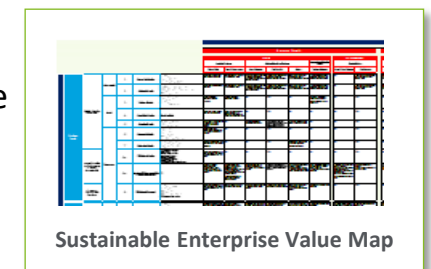
2. Setting strategy and strategic objectives

- Explore the company specific ESG profile by using targeted tools, e.g. sustainability balanced scorecard
- Define strategic objectives
- Link objectives with strategic sustainability topics



3. Defining high level strategic initiatives

- Derive strategic initiatives that are necessary to drive the strategy by using the sustainable enterprise value map
- Evaluate dependencies and impacts of initiatives within the integrated strategy approach



Strategic planning derives major strategy impacts and sets value drivers in the long-term perspective

Strategic planning

Description

Performing strategic planning by

... mapping strategy and related initiatives on a timeline (approx. 10 years)

... defining core KPIs and targets that are guiding the mid-term planning in a top-down approach

Role of the finance department

Actively managing the planning process by

... evaluating strategy and initiatives regarding impact

... quantifying formulated objectives

... developing a ramp-up curve for long-term targets to align ongoing initiatives



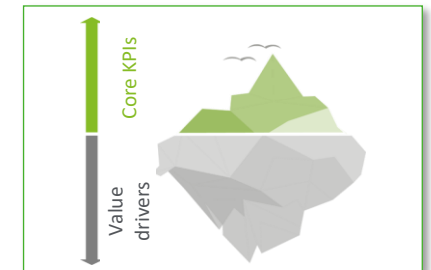
1. Distinguish and assign strategy and initiatives

- Divide strategy into various fields of action
- Assign responsibilities specifically
- Derive targets for each field of action



2. Defining core* KPIs and value drivers

- Define indicators that evaluate strategy execution and initiatives' impact
- Derive measures to achieve the targets
- Identify value drivers enabling strategy to be controlled



3. Long-term planning and scenario setting

- Scale quantified targets on a timeline
- Deduct traceable intermediate targets
- Plan the interplay of value drivers on a high level and evaluate financial impact in different scenarios



Within the mid-term planning, the key value drivers are broken down and integrated into corporate financial steering

Mid-term planning

Y1 Y2 Y3

Description

Performing mid-term planning

... providing an aggregate financial and investment planning

... by running a tactical project prioritization

... on a timeline of approx. 3-5 years

Role of the finance department

Actively managing the planning process by

... providing guidance for bottom-up planning

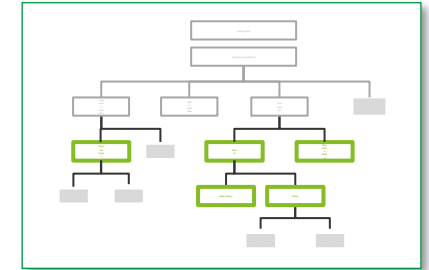
... agreeing on performance commitments

... continuously reflecting and giving feedback towards strategic planning



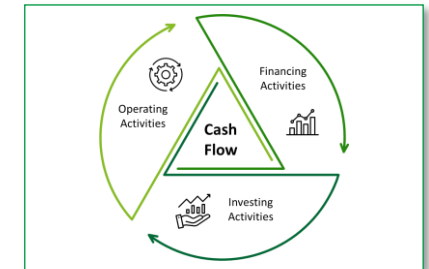
1. Break down value tree for identified core KPIs

- Further elaborate the value driver tree based on the identified core KPIs during strategic planning
- Cascade derived measures to pursue strategic goals down to create insights



2. Identify the key value drivers on lower levels

- Break the value driver tree down to operational KPI that are reflected in the company's financial statements (e.g. P&L, Cash Flow Statement)
- Create transparency and identify relevant action fields



3. Leverage identified drivers for planning & steering

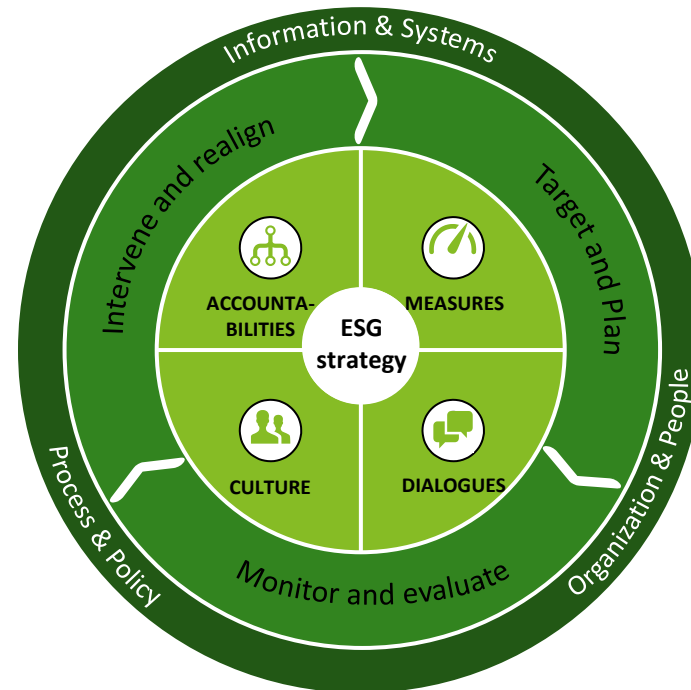
- Derive operational measures to pursue strategic goals
- Prioritize projects tactically with an efficient portfolio management
- Plan your budgets where they generate greatest benefits



The integration of sustainability into a holistic performance management cycle is a prerequisite for the successful long-term implementation of strategy and planning

ESG Steering and Planning Framework

-  The sustainability strategy is embedded in the target setting process
-  The strategic goals are broken down at least to the department level
-  The set targets are controlled by a defined steering body
-  A defined governance process ensures the implementation of measures
-  The purpose is to integrate sustainability in the steering of the company



Success factors for ESG planning

- **Consistent implementation of strategic measures** to achieve the targets of sustainable corporate management
- **Selecting the right KPIs** and being able to assign monetary values to ESG KPIs to include them in financial planning
- **Linking operational action planning** for the further development of the sustainability strategy **with other operational change and investment plans** as well as **budget planning**
- **Clear responsibilities** for the implementation of measures, in the various functions and at all levels involved
- Internal & external **transparency for trust and traceability**

We guide you through the definition, realization and integration of your ESG planning

Our 3-step approach for the realization of ESG planning



① EXPLORE

- Initial **as-is analysis**
- Understand **regulatory requirements**
- Design of **guiding principles**
- Derivation of a **target picture**

Strategy

- Definition of **sustainability strategy**
- Performing a **materiality analysis**
- Derivation of **strategic objectives and initiatives**

② REALIZE



Strategic Planning

- Definition of **strategic fields of action** with clear responsibilities and targets
- Definition of relevant **sustainability KPIs and value drivers**
- Definition of **scenario approach**

Mid-term Planning

- Definition of **value driver trees for deriving financial key figures**
- Derivation of **financial planning structure**
- Design **governance principles and processes** for a **portfolio management**



③ INTEGRATE

- Integration of identified financial KPIs into
...the **Financial Statements**
...the **planning tools**
...the **management reporting**

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