DVFA Committee on Non-Financials

Key Performance Indicators for Extra Financial Analysis

Prof. Dr. Alexander Bassen
University of Hamburg
Goals of the DVFA Committee Non-Financials

Defining requirements of mainstream investment professionals for non-financials

There is almost no link between CR reporting and (CR) performance

Selecting KPIs on non-financial issues

- are meaningful for investors and analysts
- can be reported by corporates (data available, consolidation possible etc.)
- can undergo meaningful verification (legal audit, assurance)
- Define no more than 50 KPIs in total to avoid data spamming!

Not defining (yet another) reporting scheme, rather: defining KPIs compatible with and useable in other formats such as G3
Multi-stakeholder approach including

- Fund managers
- Equity Sell-Side Analysts
- Corporates (IR Managers, CR Managers)
- Auditors
- Scientific community
- Professional associations (issuers, communication, investment professionals, auditors)
- Selected NGOs

* DVFA is the Society of Investment Professionals in Germany
# Structure of KPIs

<table>
<thead>
<tr>
<th>E</th>
<th>S</th>
<th>G</th>
<th>V</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Environmental</strong></td>
<td><strong>Social</strong></td>
<td><strong>Governance</strong></td>
<td><strong>Longterm Viability</strong></td>
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<tr>
<td>E1 Energy Efficiency</td>
<td>S1 Staff Turnover</td>
<td>G1 Contributions to Political Parties</td>
<td>V1 Customer Satisfaction</td>
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<tr>
<td>E2 Deployment of Renewable Energy Sources</td>
<td>S2 Training &amp; Qualification</td>
<td>G2 Anti–competitive Behaviour, Monopoly</td>
<td>V2 Revenues from New Products</td>
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<td></td>
<td>S3 Maturity of Workforce</td>
<td>G3 Corruption</td>
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<td>S4 Absenteeism</td>
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<td>S5 Restructuring-related Relocation of Jobs</td>
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<tr>
<td><strong>General:</strong> KPIs which apply to all industry-groups</td>
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<tr>
<td>E4 NO,SO Emissions</td>
<td>S6 Diversity</td>
<td>G4 Litigation Payments</td>
<td>V3 R&amp;D Expenses</td>
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<td>E3 CO2 Emissions</td>
<td>S7 % of Credit Loans, Undergone ESG Screening</td>
<td>G5 Dimension of Pending Legal Proceedings</td>
<td>V4 Number of Patents</td>
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<tr>
<td>E5 Waste</td>
<td>S8 % of Funds Managed in Accordance to ESG Criteria</td>
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<td>V5 Investments in Research on New Risk</td>
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<td>E6 Environmental Compatibility</td>
<td>S9 Financial Instruments held in Accordance to ESG Criteria</td>
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<td>V6 Customer Retention</td>
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<td>E7 End-of-Lifecycle Impact</td>
<td>S10 Investments in Accordance with ESG</td>
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<td></td>
<td>S11 Supplier Agreements in Accordance with ESG</td>
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<td>S12 Health &amp; Safety of Products</td>
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<td><strong>Sector-Specific:</strong> KPIs which apply to select sectors</td>
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Perception of the 24 KPIs: Summary (1)

- Customer Satisfaction: 4.19
- Revenues with New Products Introduced: 4.02
- R&D Expenses: 4
- Health and safety of products & services (in General): 3.73
- Anti-competitive behavior, anti-trust, monopoly practices: 3.67
- Energy Efficiency (in General): 3.64
- Training & qualification: 3.64
- Litigation payments for non-compliance with laws and regulation incl. environmental and social: 3.6
- Handling of corruption: 3.59
- Number of Patents: 3.44
- Staff turnover: 3.38
- Deployment of Renewable Energies (in General): 3.3

0 1 2 3 4 5
Perception of the 24 KPIs: Summary (2)

- Maturity of Workforce: 3.25
- Environmental Compatibility/Tolerance of Products sold (in General): 3.17
- End of life cycle impact / Reclaiming of Resources (in General): 3.14
- Restructuring-caused relocation of jobs: 3.12
- CO2 Emissions (in General): 3.11
- Waste: 3.07
- Absenteeism Rate: 3.04
- Screening of SUPPLIER agreements with rgds to human rights: 2.99
- Screening of investment agreements with rgds to human rights: 2.93
- NO, SO and other air emissions by type and weight (in General): 2.64
- Contributions to political parties: 2.55
- Unburned Hydrocarbon (UH) (in General): 2.44
Executive Summary

KPIs on ESG are important for the investment decision of mainstream investment professionals.

Investment professionals appear to perceive most value in KPIs measuring “long-term viability” i.e. corporates being capable and willing to undertake investments which safeguard maintaining success factor.

Governance KPIs are widely perceived to be slightly more important than Social and Environmental KPIs.

There are significant differences in the importance depending on the industry.