

Real Sustainability = Good business

Leveraging Sustainability for Value Creation

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CEO & Founder Kanata Advisors



Nawar Alsaadi

15+ Years of Sustainable Investing Experience

- Founder & CEO,  Kanata Advisors
- Co-Founder & CEO of **Kanata** : The Sustainability Solutions Hub
- Ex-Chief Executive Officer, Semper Augustus Capital
- Ex-Chief Impact Officer, ScopeFour Capital
- Ex-Senior ESG Portfolio Manager, Canada Post Pension Plan

Education:

- Master in Business Administration (Questrom School of Business, Boston University)
- BBA in International Business (Schiller University, Paris, France)
- CFA ESG Investing
- CFA Climate Investing
- SASB FSA (Fundamentals of Sustainability Accounting)
- Sustainable Investment Professional Certification (SIPC)

Advisory Board member at leading ESG solutions providers:



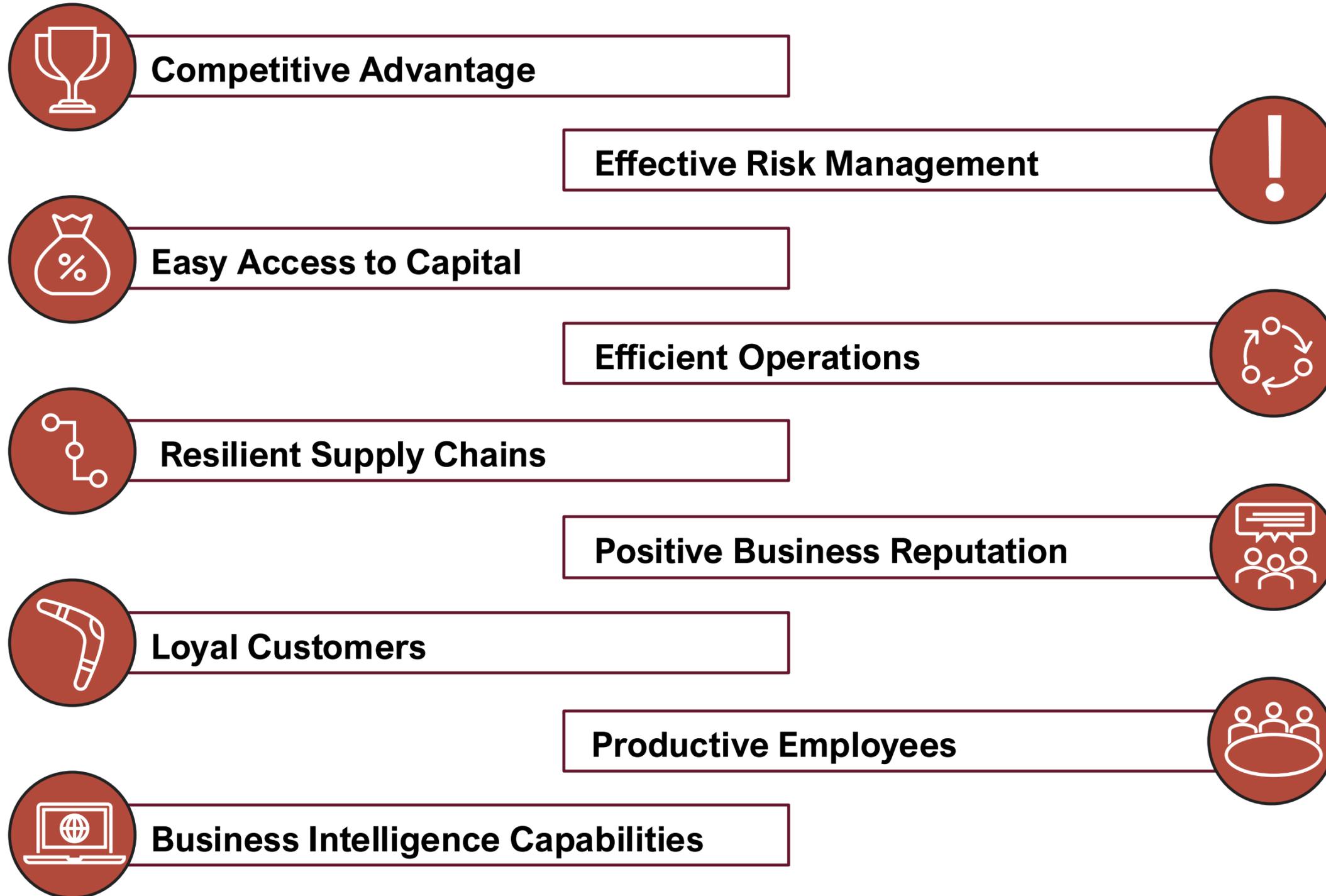
What's Value Creation?

Value creation is the process of generating economic, social, or environmental benefits for stakeholders (customers, shareholders, employees, or society).

Value creators **leverage financial, natural, and human capital** to produce a net benefit (outcomes exceeding input costs)



Business Value Creation Markers



The Three Pillars of Value Creation



Risk Reduction



Cost Reduction



Business Growth



The Three Pillars of Value Creation



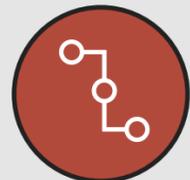
Risk Reduction



Effective Risk Management



Business Intelligence Capabilities

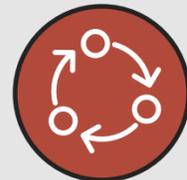


Resilient Supply Chains

Business Value Creation Markers



Cost Reduction



Efficient Operations



Easy Access to Capital



Productive Employees



Business Growth



Competitive Advantage



Positive Business Reputation



Loyal Customers

What's Business Sustainability?

Sustainable business is doing business **without negatively impacting the environment, the community, or the society as a whole.**

Companies and investors that include social and environmental considerations in their business and investment strategy, tend to create sustainable economic value.

Sustainable Business Markers

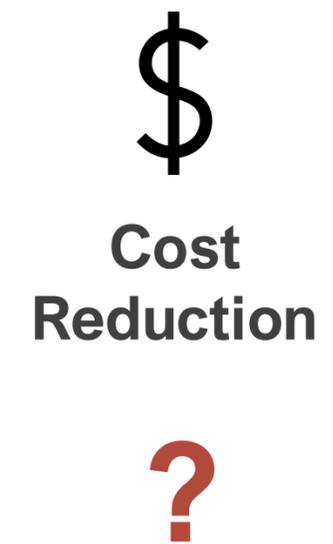
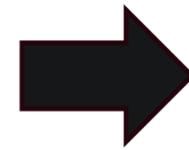
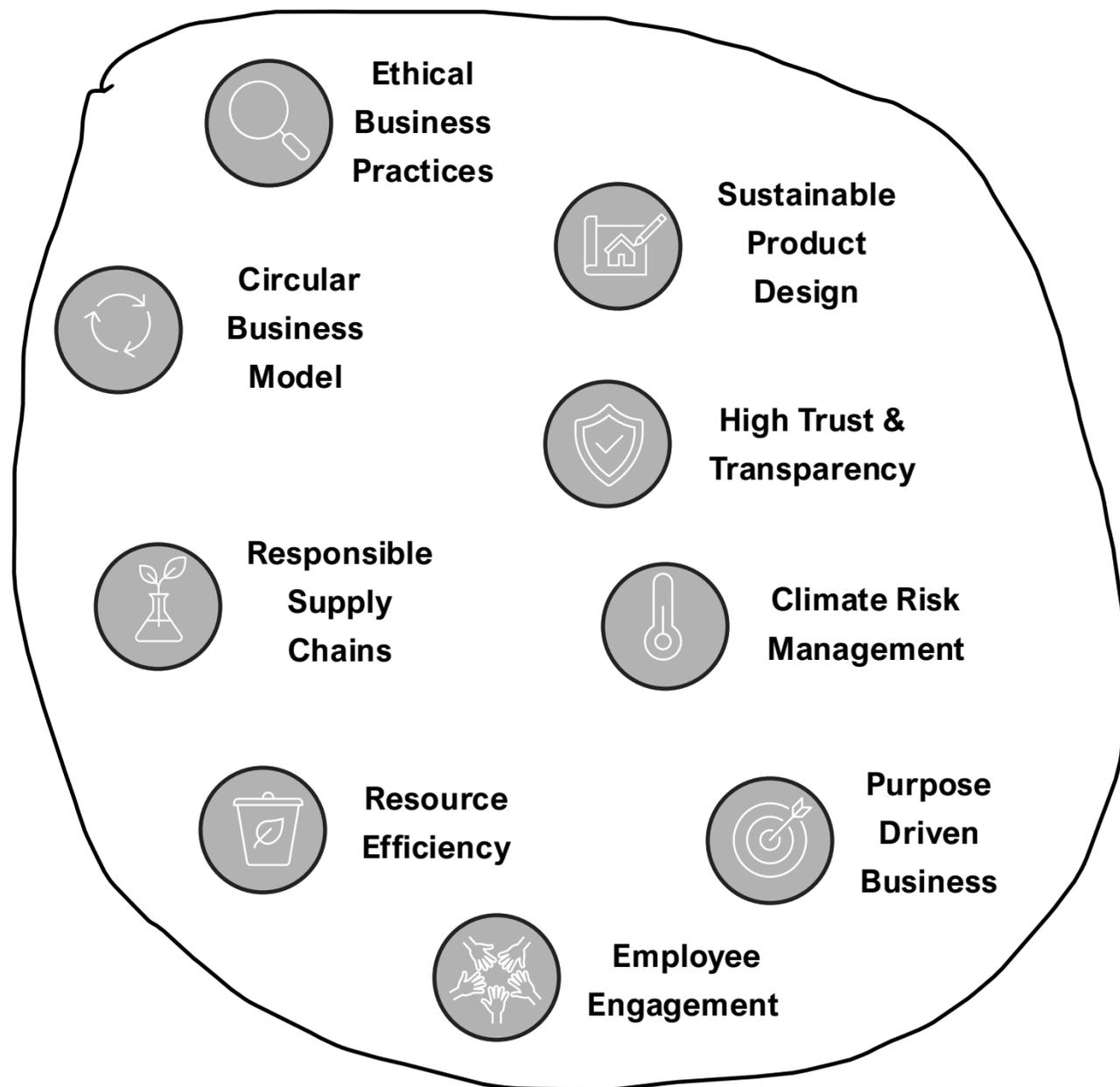




Sustainability + Value Creation Brainteaser!

Sustainability + Value Creation Brainteaser!

Sustainable Business Markers



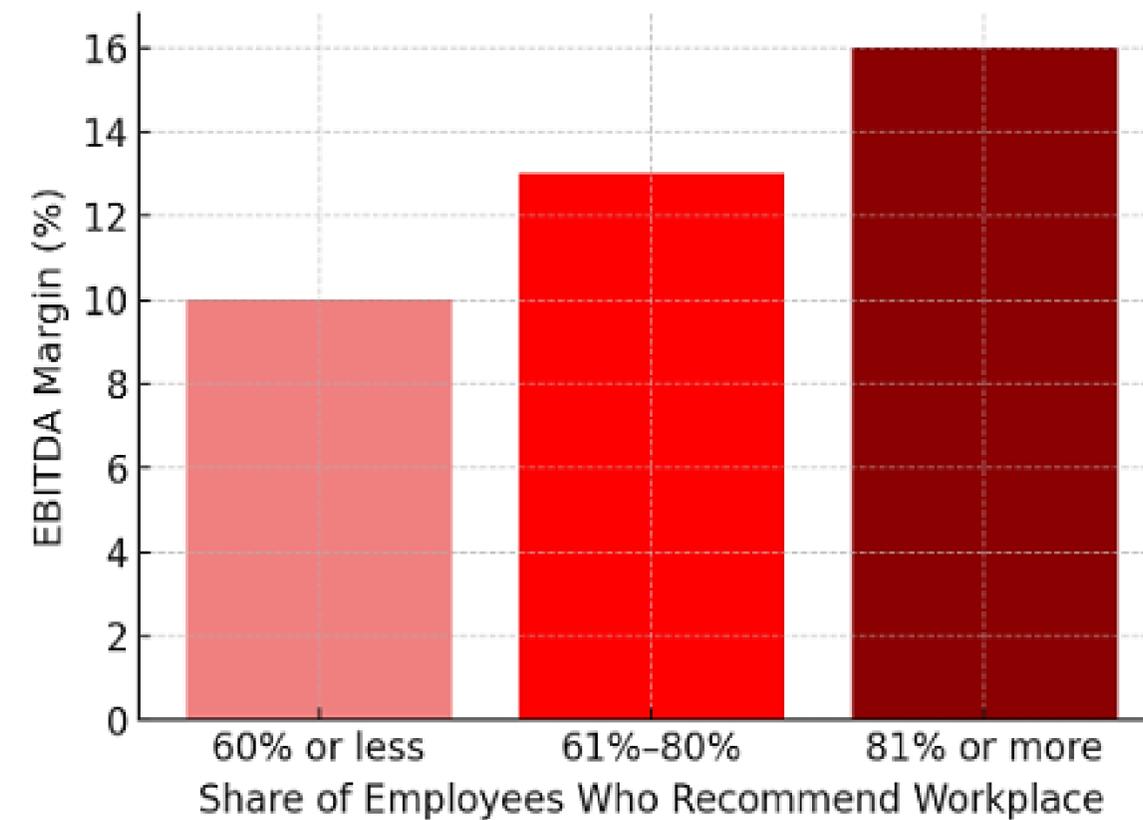
Employee Engagement

The degree of **employee involvement** and **enthusiasm** for their work

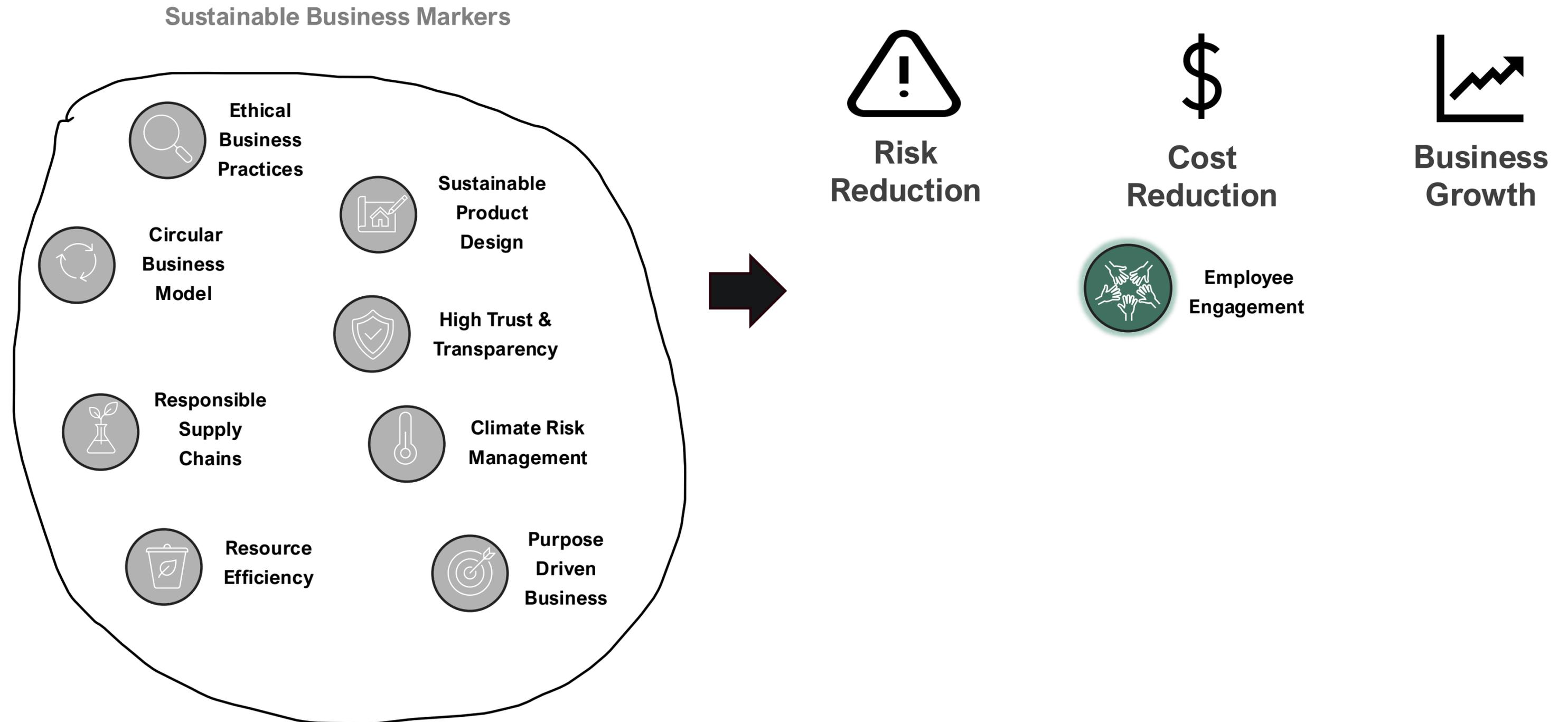
Differences between lowly and highly engaged business units*:

- ✓ **78%** decrease in absenteeism.
- ✓ **21% - 51%** decrease in employee turnover.
- ✓ **28%** decrease in shrinkage (theft).
- ✓ **63%** decrease in safety incidents (accidents).
- ✓ **32%** decrease in quality defects.

Higher Worker Satisfaction = Higher Profitability**

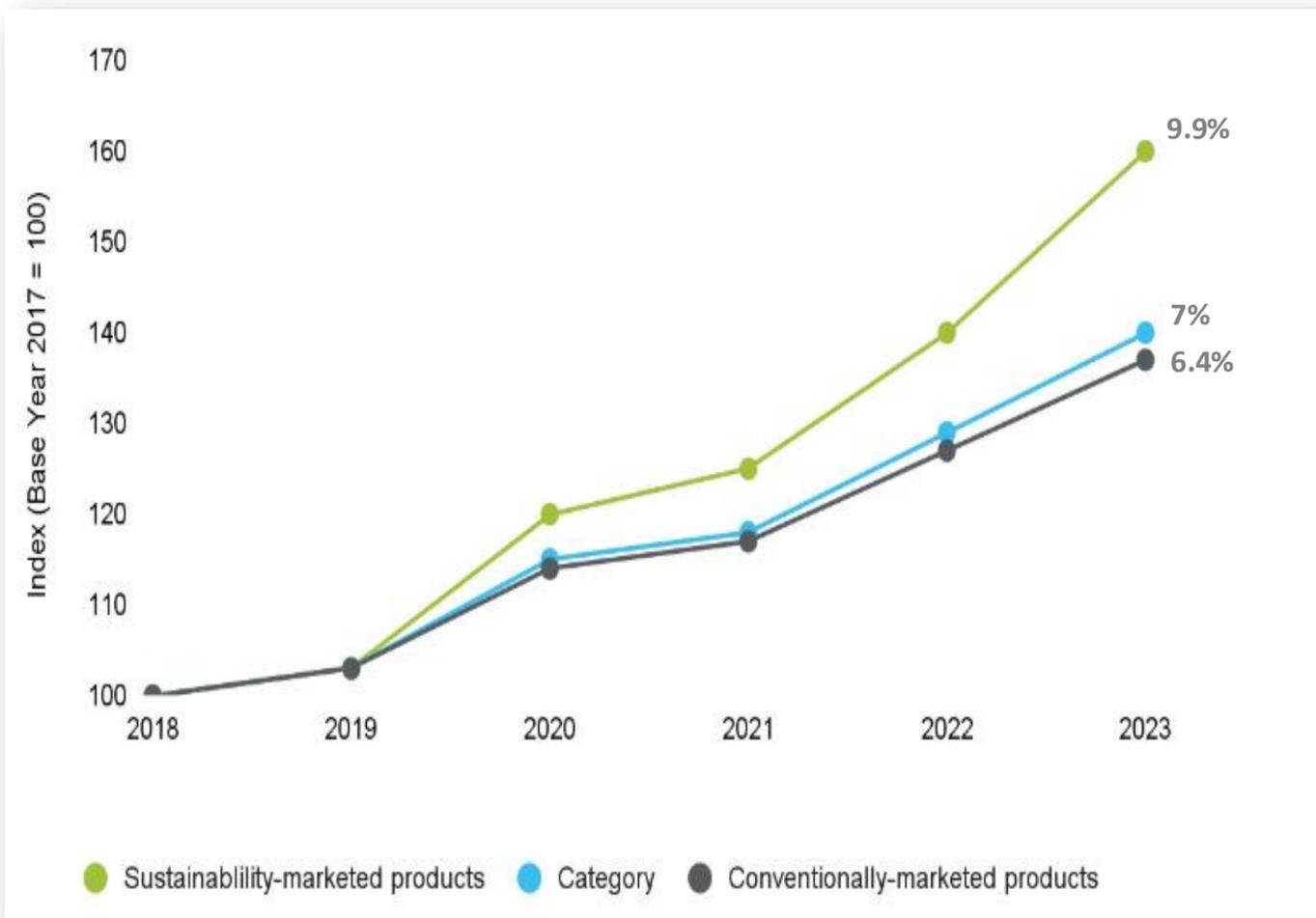


Sustainability + Value Creation Brainteaser!



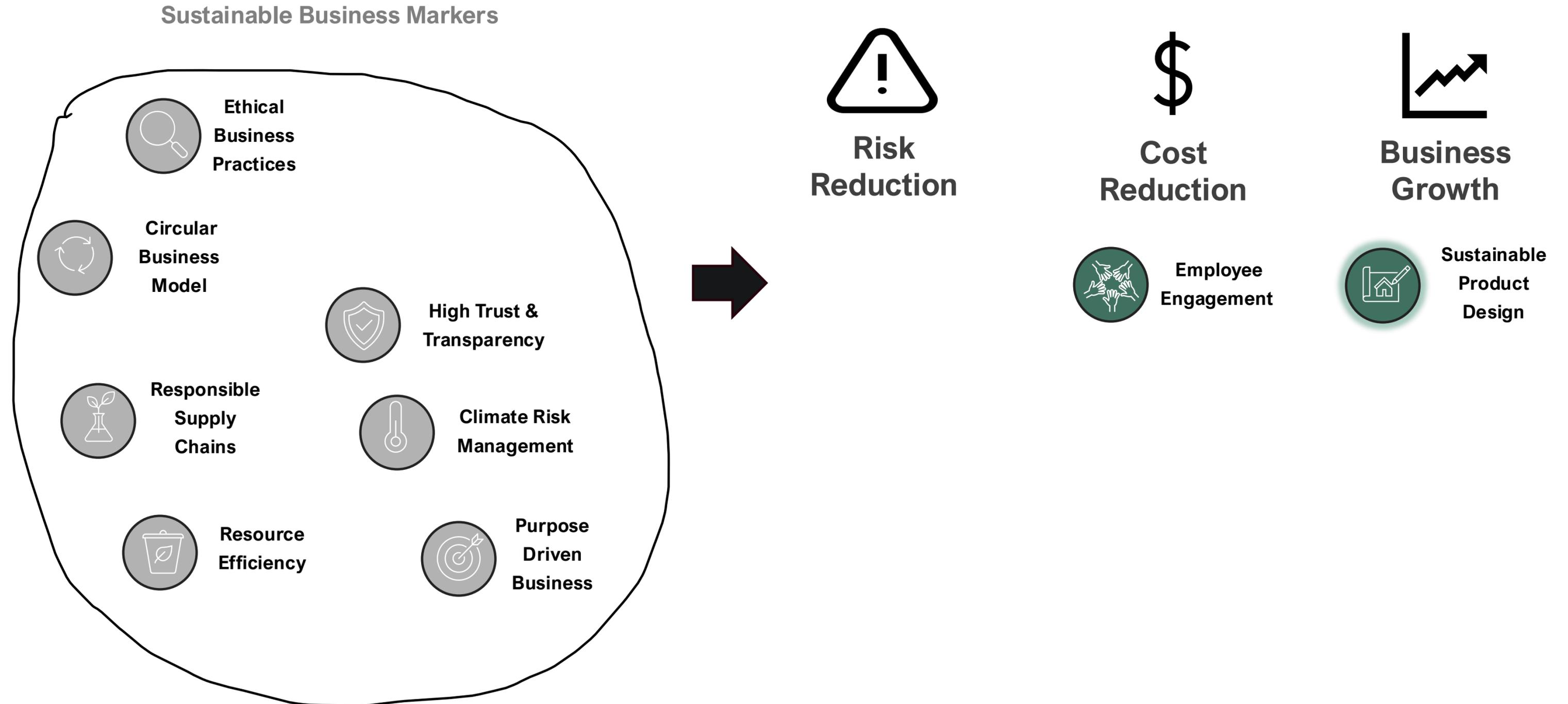
Sustainable product design **minimizes environmental impact**

Sustainable labelled products sales growth is 55% faster than conventionally marked products

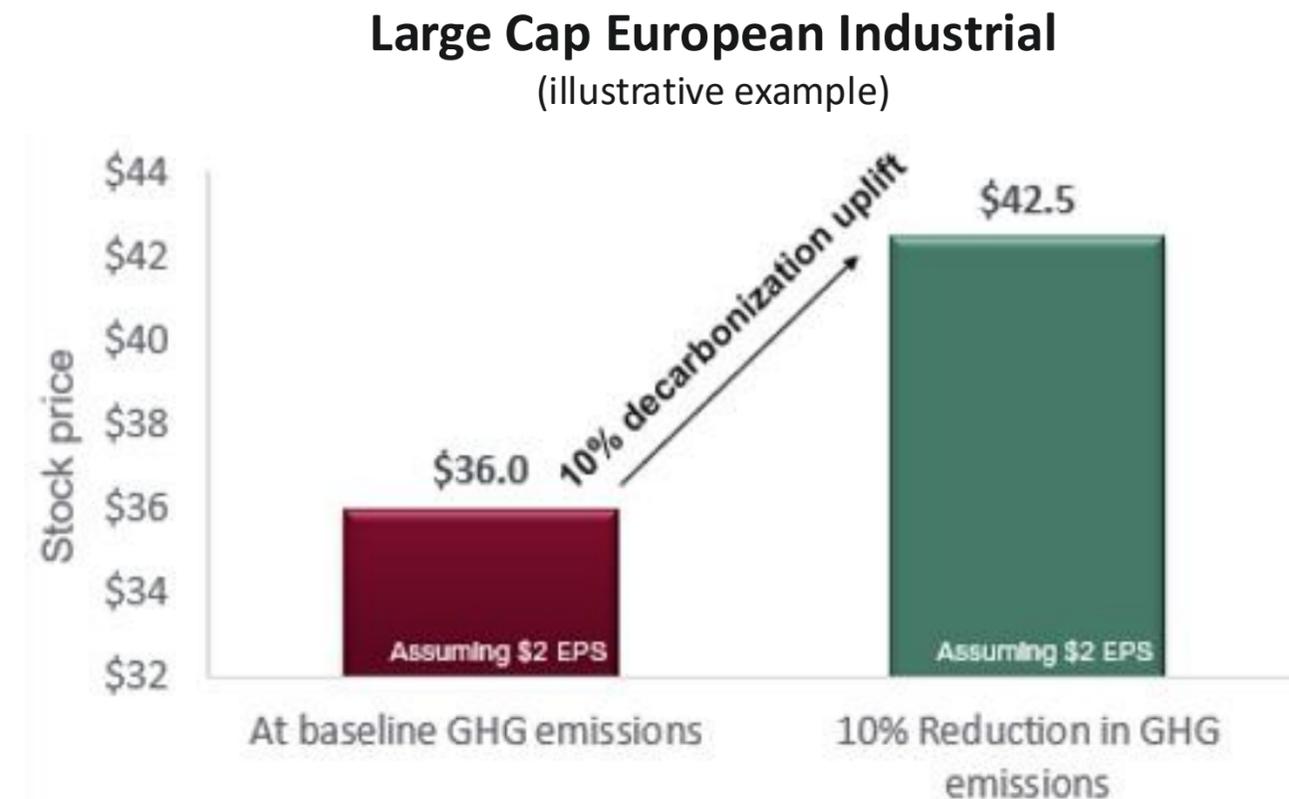
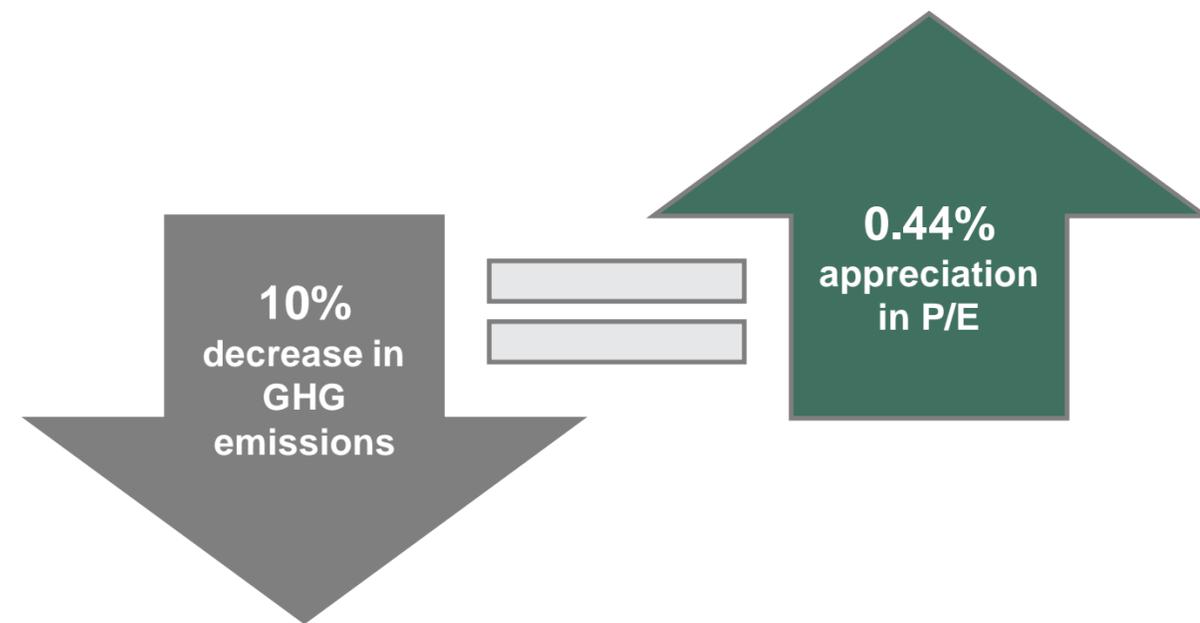


- Sustainable labelled consumer products now hold **18.5% market share** (up from 13.7% in 2015 (United States)).
- Consumers are willing to pay an average **12% price premium** for sustainable products.
- US consumers are willing to **spend an additional \$44B** a year on sustainable brands.

Sustainability + Value Creation Brainteaser!



A 2022 study by Columbia University and Lazard examined 16,995 publicly traded companies over 4 years (2016-2020) and observed the following relationship:



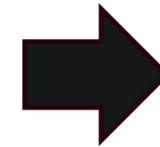
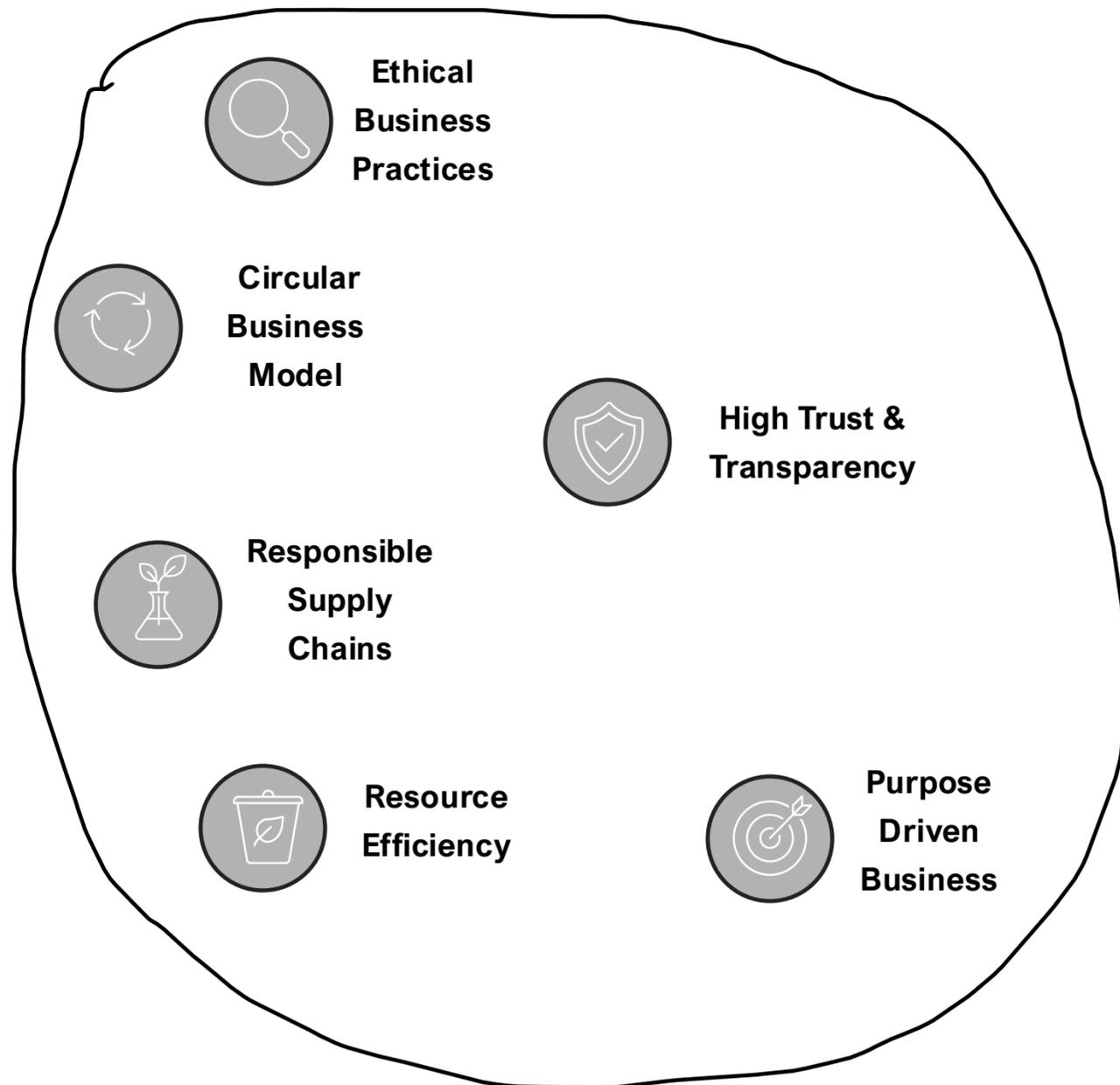
The appreciation in P/E for European large-cap energy and industrials stood at **9% and 18%**, respectively.

Three factors contribute to a higher P/E: **higher growth, lower risk, and low reinvestment needs**

(Aswath Damodaran, is a Professor of Finance at the Stern School of Business at New York University).

Sustainability + Value Creation Brainteaser!

Sustainable Business Markers



Risk Reduction



Climate Risk Management



Cost Reduction



Employee Engagement



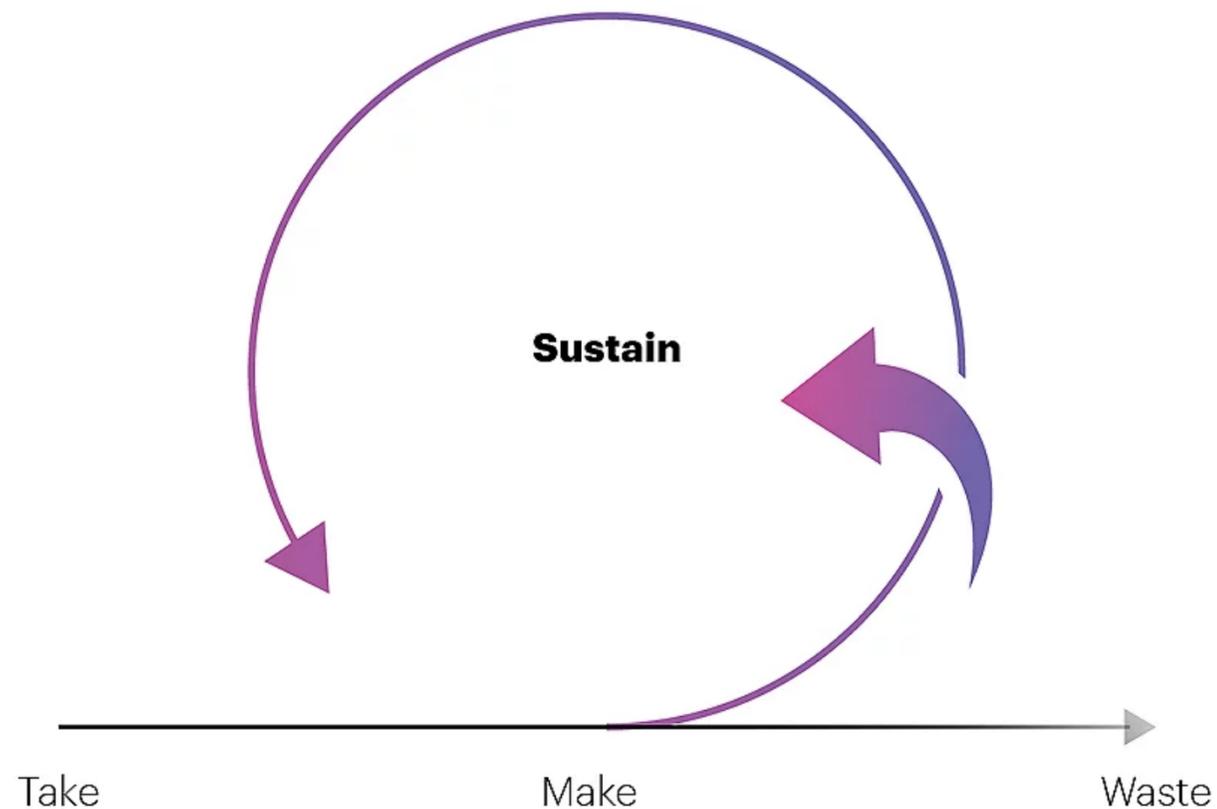
Business Growth



Sustainable Product Design

Circular Business Model

A circular business model focuses on **minimizing waste and maximizing resource use**



92.8% of our worldwide production of goods is not circular

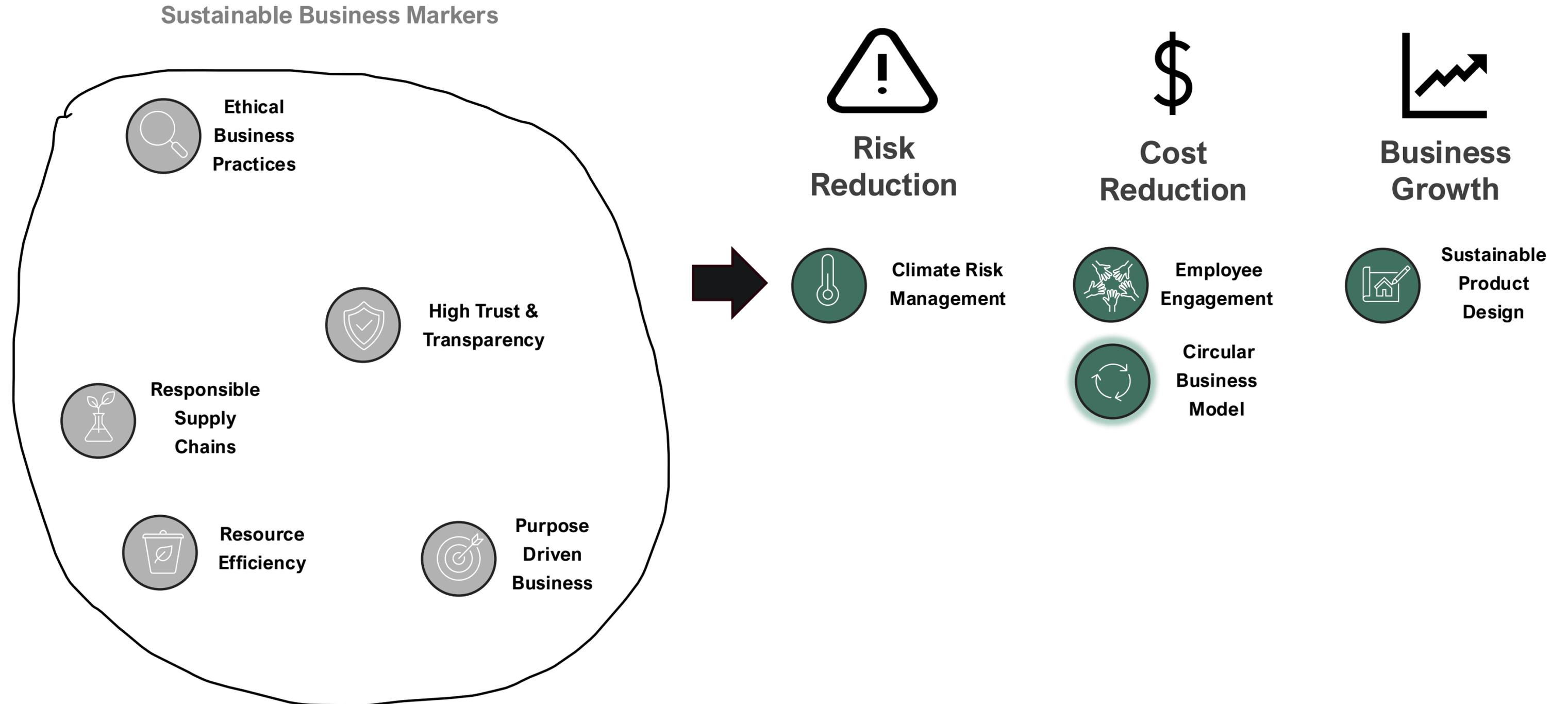
The circular economy could capture **\$4.5 trillion in lost** economic output by 2030.

Reduced
Material
Use

Reduced
Waste
Management

Monetized
Wasted Resources
/Capacity

Sustainability + Value Creation Brainteaser!



A **purpose-driven company** is an organization that places its purpose, or mission, at the center of its business strategy and operations.

Impact of company's purpose on consumer purchase decisions:

4x more likely to **purchase** from a purpose-driven company.

6x more likely to **protect** the company in the event of a misstep or public criticism.

4.5x more likely to **champion** the company and recommend it to others.

4.1x more likely to **trust** the company.

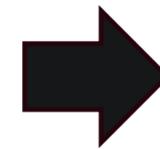
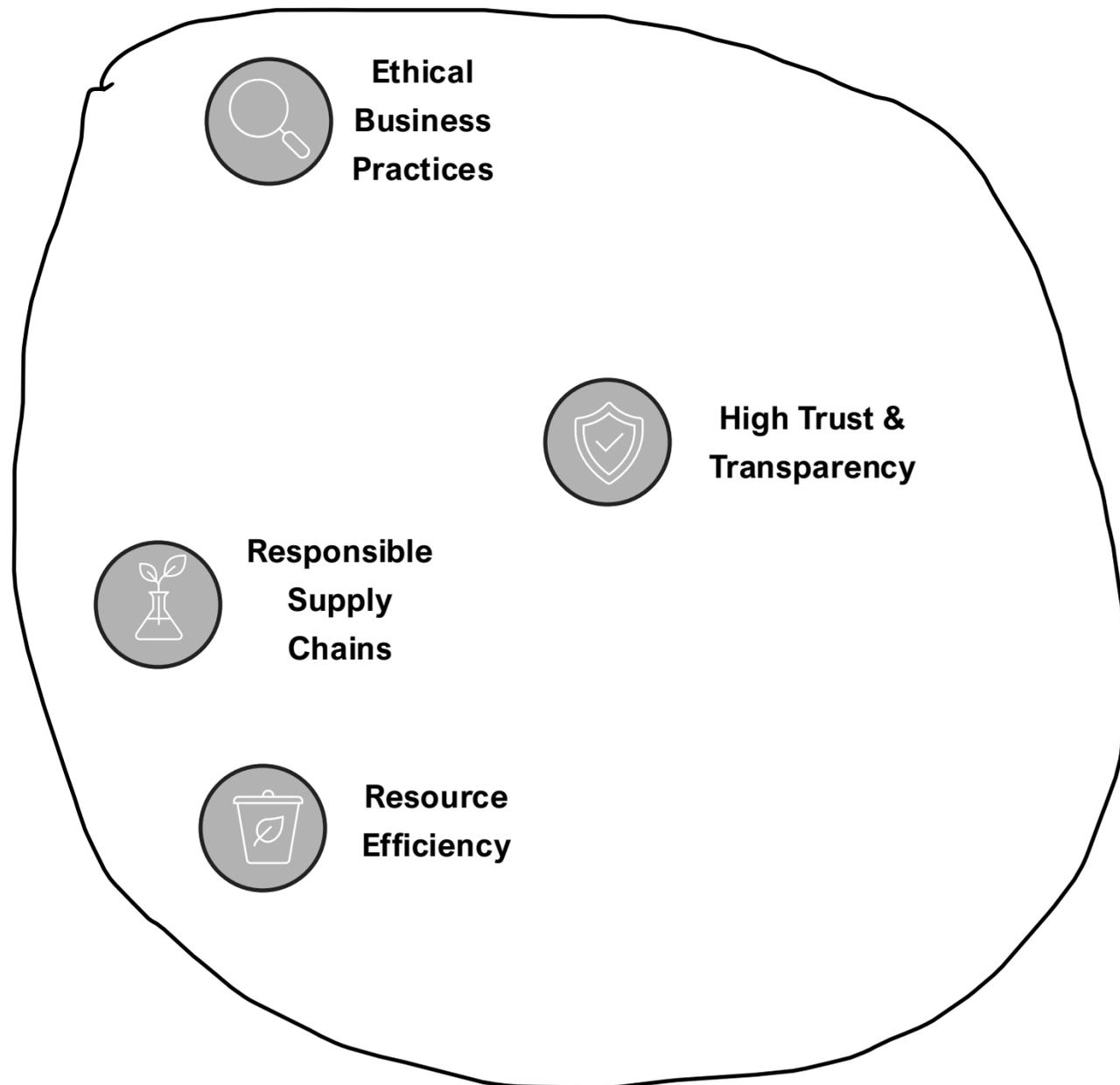
Survey of 8,000 consumers across eight countries (United States, Canada, United Kingdom, France, China, India, Singapore, Malaysia) (Zeno).

“Purpose driven companies grow **3X faster** than their competitors”

- Jim Stengel

Sustainability + Value Creation Brainteaser!

Sustainable Business Markers



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Employee Engagement



Circular Business Model



Business Growth



Sustainable Product Design



Purpose Driven Business

The Four Trust Factors “Trust Index”:



Customers Who Trust Their Suppliers Are*:

3x more likely to **SIGN** a long-term supply commitment.

1.7x more likely to **CHOOSE** the supplier over alternatives.

1.6x more likely to **PAY** a higher price when a cheaper option is available.

1.5x more likely to continue **WORKING** with the supplier despite a previous mistake or product/service failure.

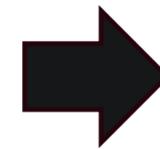
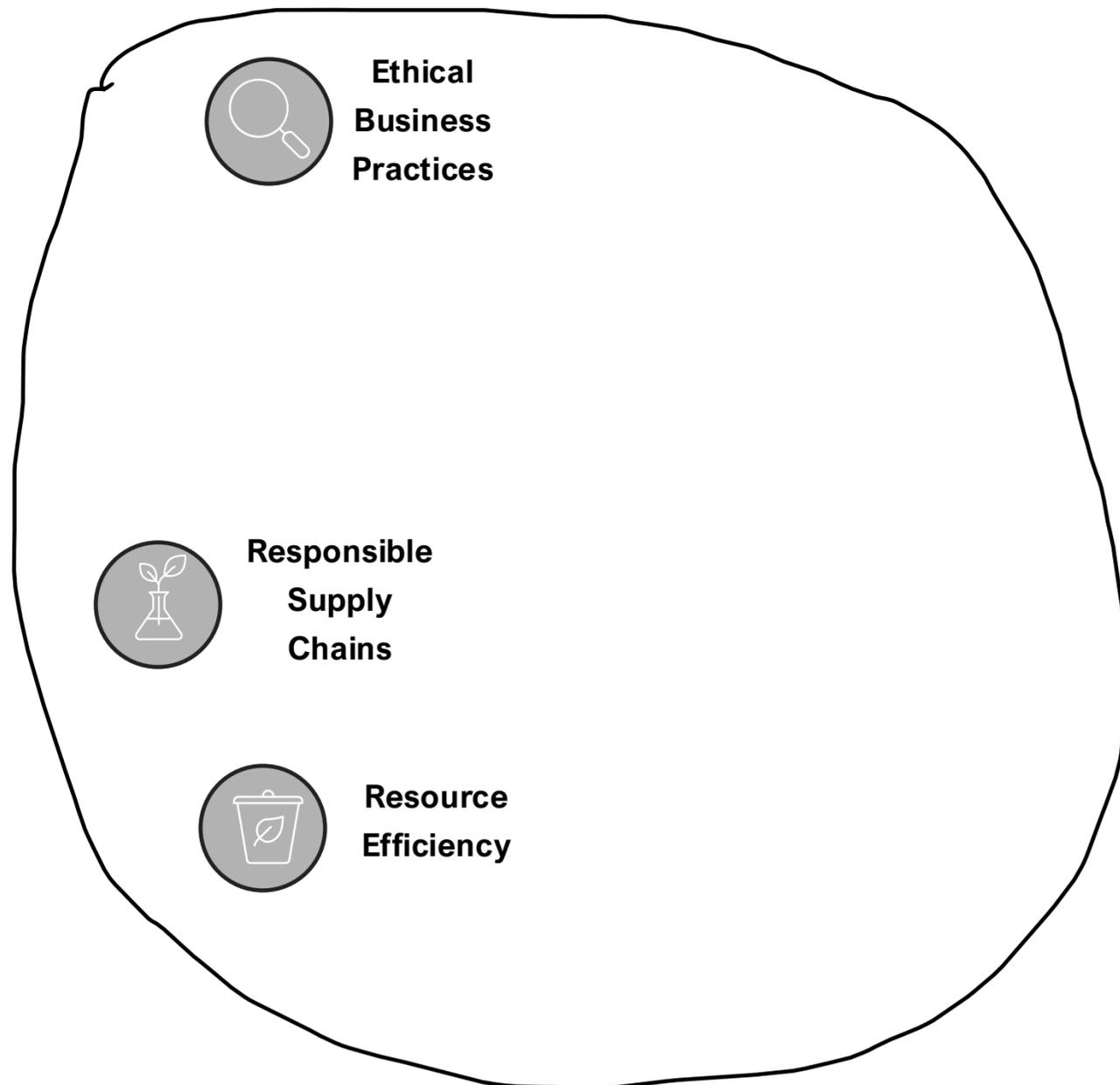
*Based on a survey with 1,300 B2B energy and chemical customers.

“Building trust is the single greatest opportunity to **create competitive advantage**”

- Deloitte

Sustainability + Value Creation Brainteaser!

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Sustainable Product Design

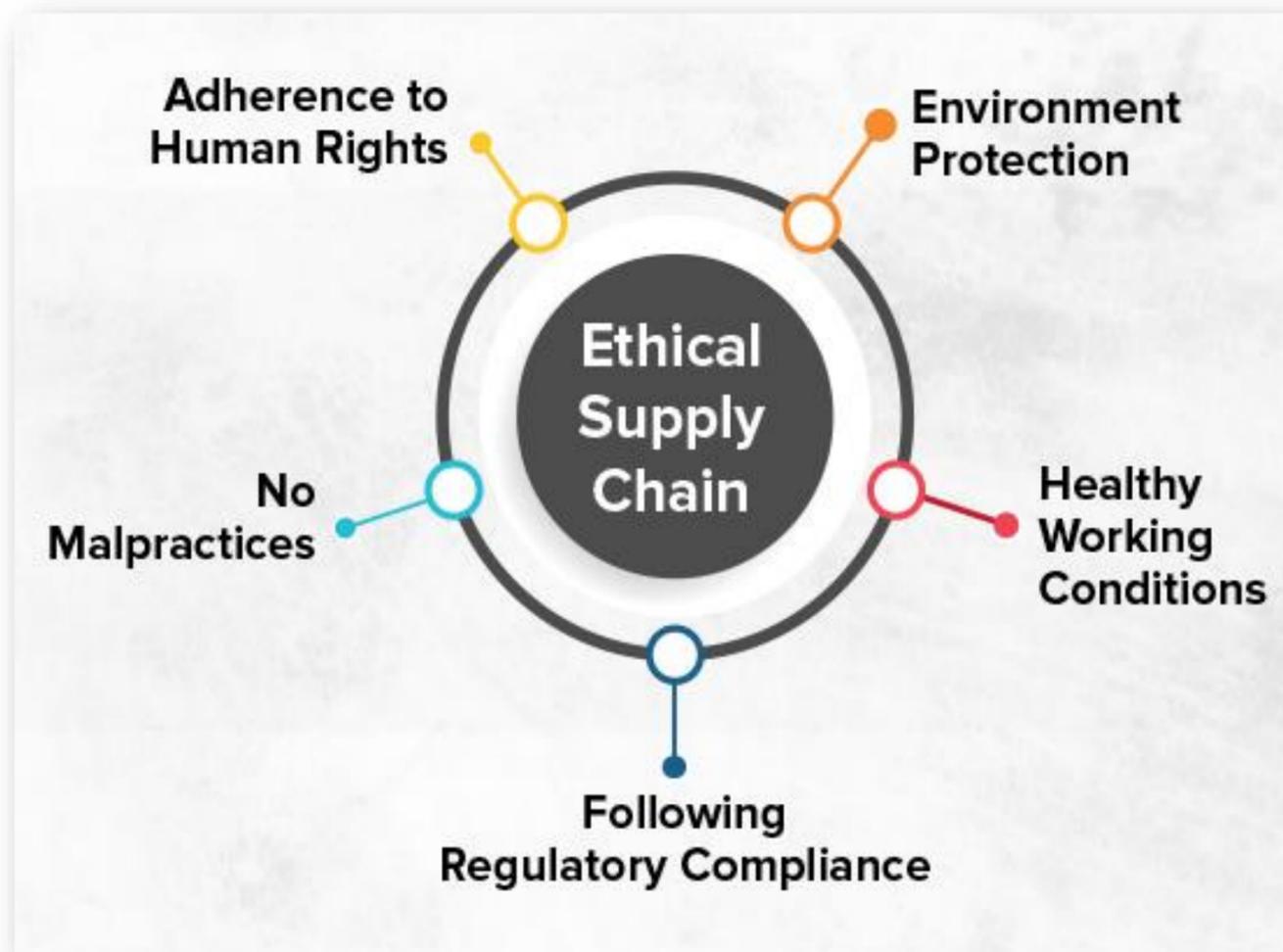


Purpose Driven Business



High Trust & Transparency

A responsible supply chain prioritizes **ethical and sustainable supplier practices**

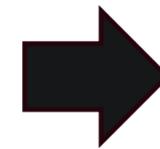
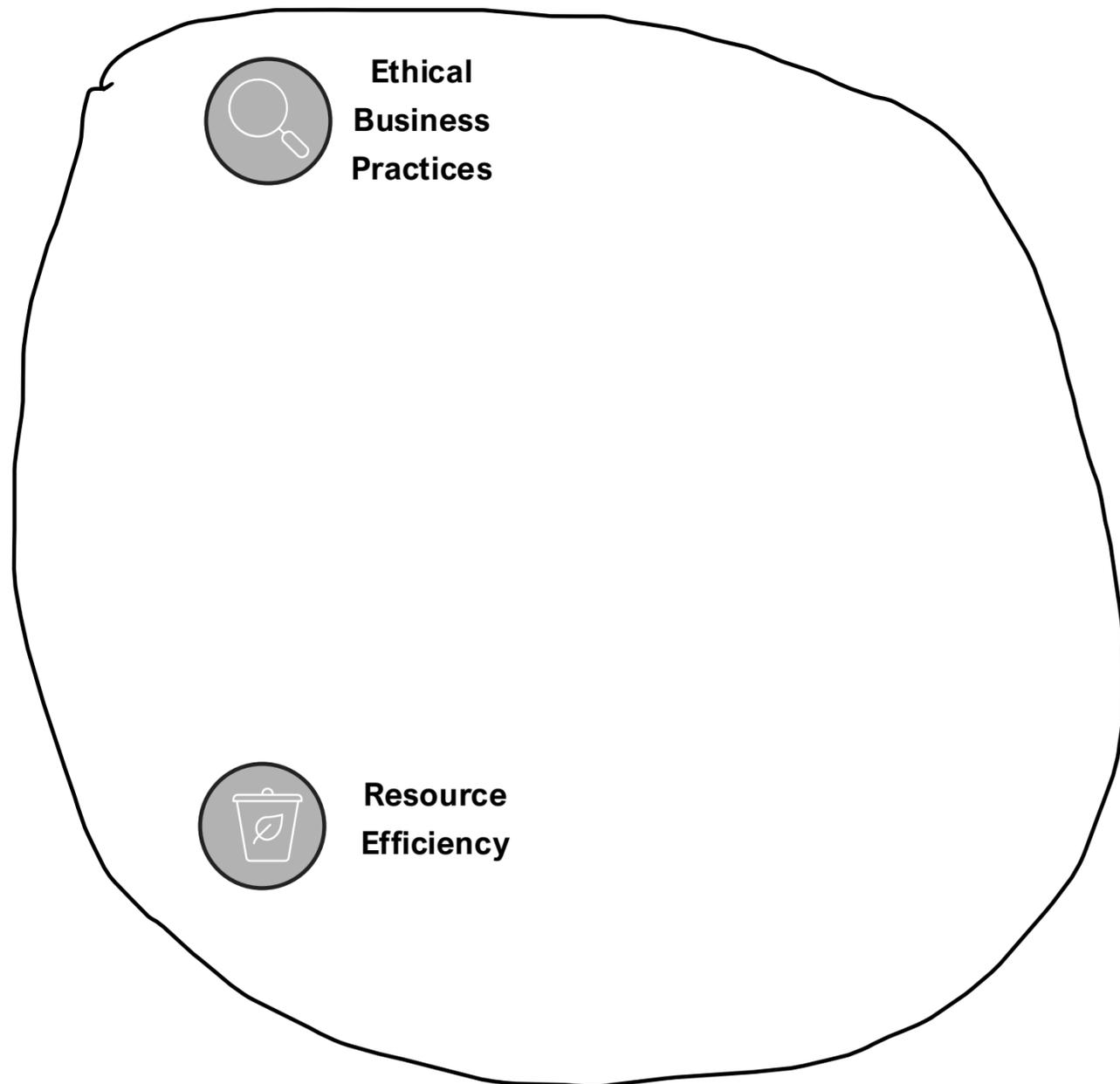


Supply Chain Risks (examples)

- Companies can face up to **US\$120 billion in costs** from environmental risks in their supply chains by 2026 (CDP).
- **5% of annual net revenue** in the global supply chain (Corporate Sustainability Due Diligence Directive (CSDDD)).
- **36% of B2B customers** would change suppliers if their sustainability needs weren't met.
- **94% of Europe Stoxx 100 companies** apply **sustainability criteria** when selecting suppliers.
- Corporate reputation risk equates to between **25% and 35% of a company's market value**.

Sustainability + Value Creation Brainteaser!

Sustainable Business Markers



Risk Reduction



Climate Risk Management



Responsible Supply Chains



Cost Reduction



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Business Growth



Sustainable Product Design

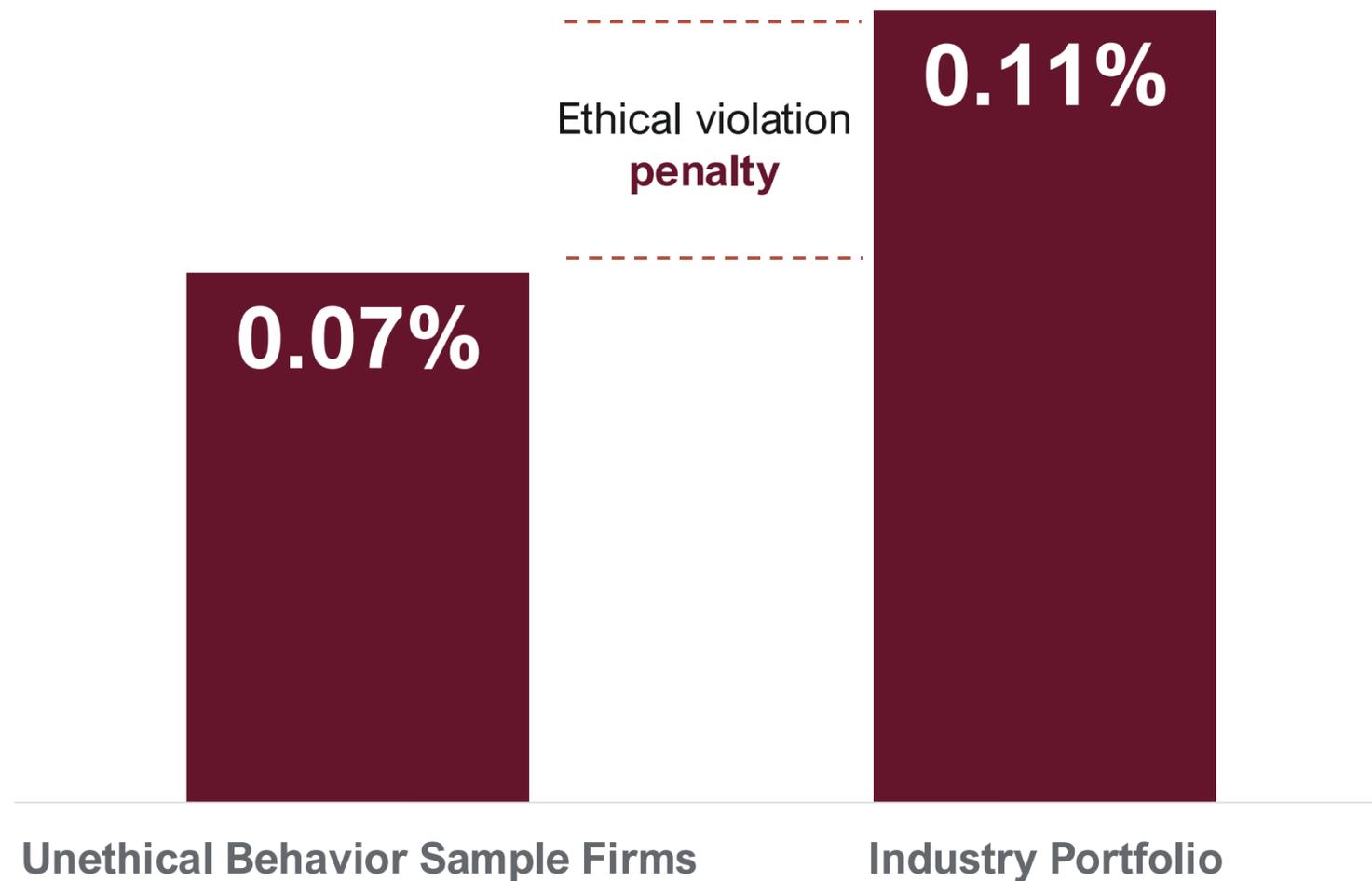


Purpose Driven Business



High Trust & Transparency

5-Year Daily Performance (post unethical behavior disclosure)

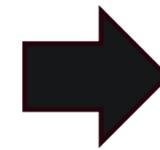
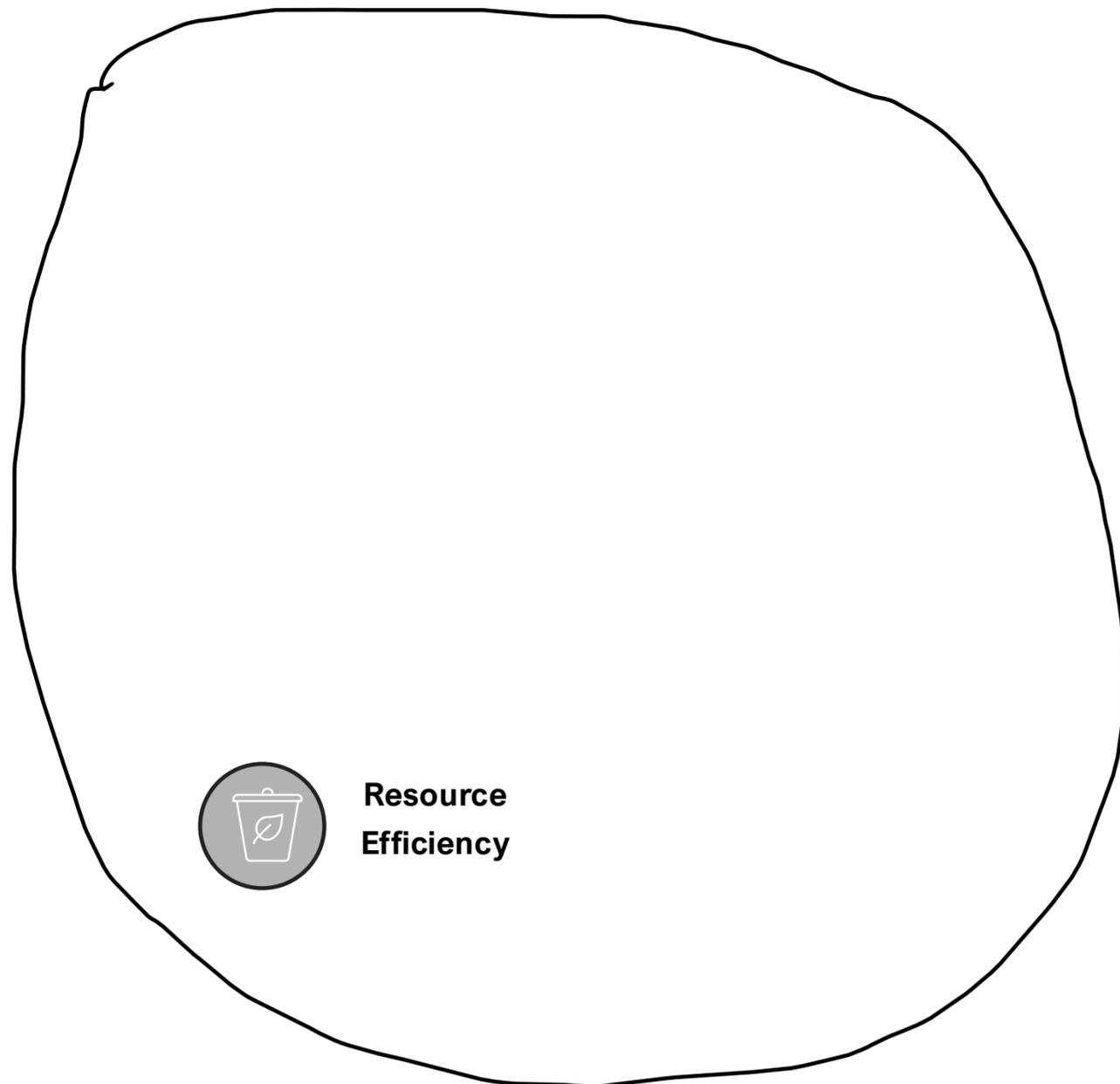


The Financial Cost of Unethical Business Practices

- Since 2000, **U.S.-based corporations paid over \$1 trillion** in regulatory fines.
- Total annual corporate misconduct payouts = **\$50 billion/year.**
- Unethical business behavior leads to **5 years of stock underperformance** (vs. industry).
- The total cost of misconduct is estimated at **\$3.08 for every one dollar** gained from unethical practices.

Sustainability + Value Creation Brainteaser!

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Risk Reduction



Climate Risk Management



Responsible Supply Chains



Ethical Business Practices



Cost Reduction



Employee Engagement



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Sustainable Product Design



Purpose Driven Business



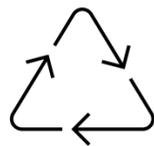
High Trust & Transparency

Corporate resource efficiency aims for **optimal resource use**



Energy Efficiency

Reduce energy use by adopting better technologies and renewable sources.



Material Efficiency

Minimize raw material usage, promote recycling and reuse.



Water Efficiency

Optimize water use and prevent waste or contamination.



Waste Reduction

Cut waste by adopting circular economy practices.

\$2.2B Savings due to Pollution Prevention

3M saved \$2.2 billion since the 1975 launch of its “Pollution Prevention Pays” (3Ps) program.

\$180M Annual Savings from Optimization

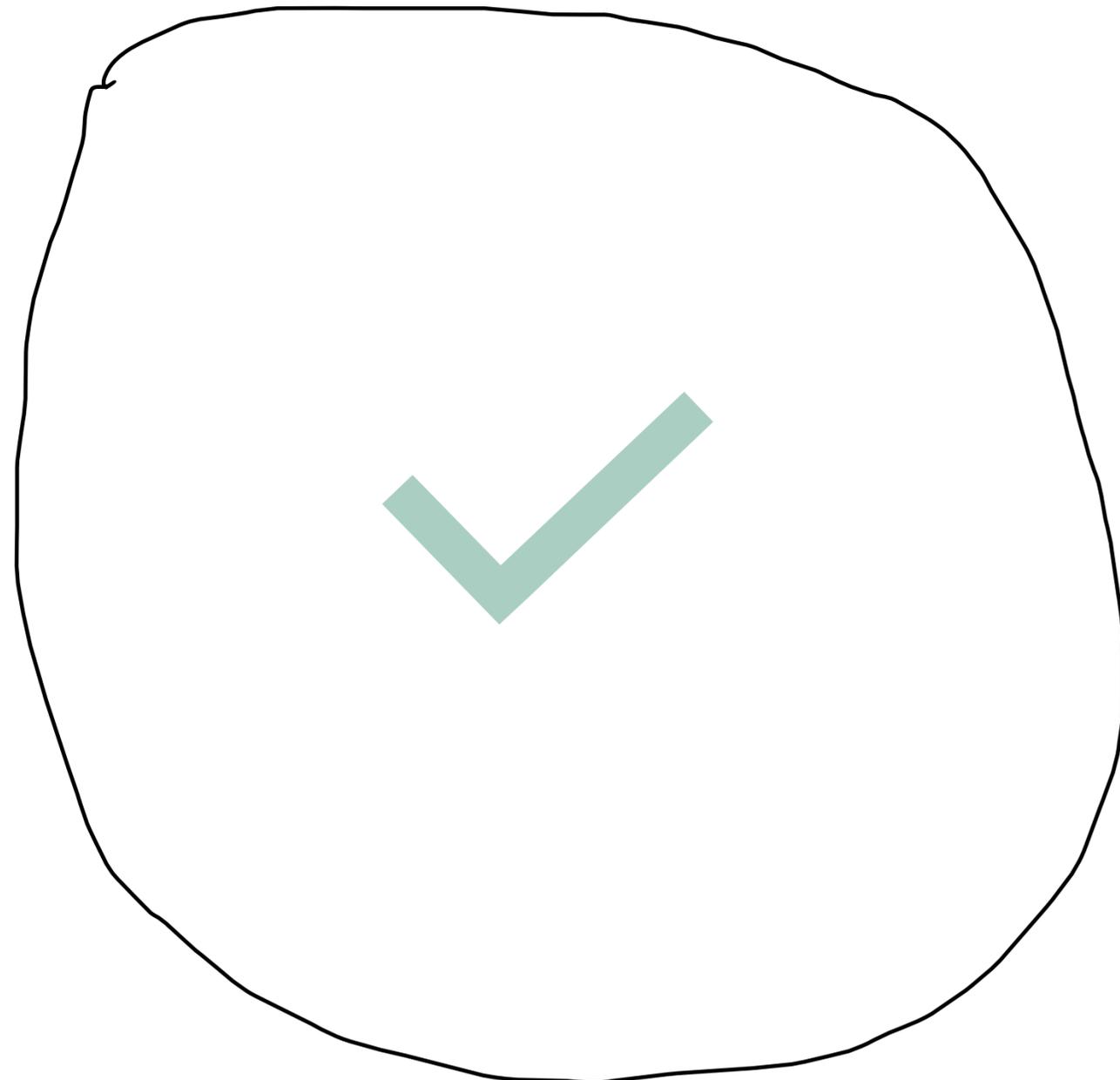
US-based water utility achieved cost savings of almost \$180 million per year due to lean efficiency initiatives.

“There is a **significant correlation** between a company’s **resource efficiency** and the strength of its **financial performance**. Reducing resource costs can **improve operating profits by up to 60%**”

- McKinsey

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Ethical Business Practices



Cost Reduction



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Resource Efficiency



Business Growth



Sustainable Product Design



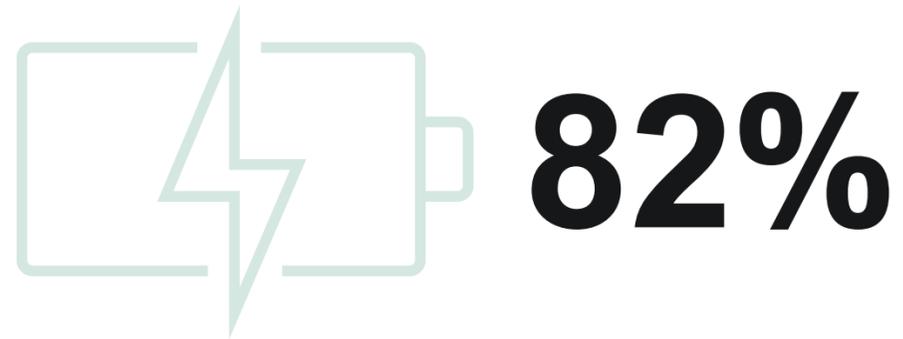
Purpose Driven Business



High Trust & Transparency

Sustainable Value Creation: Financial Metrics Mapping

Decarbonization initiatives among the largest 2,000 public and private companies globally:

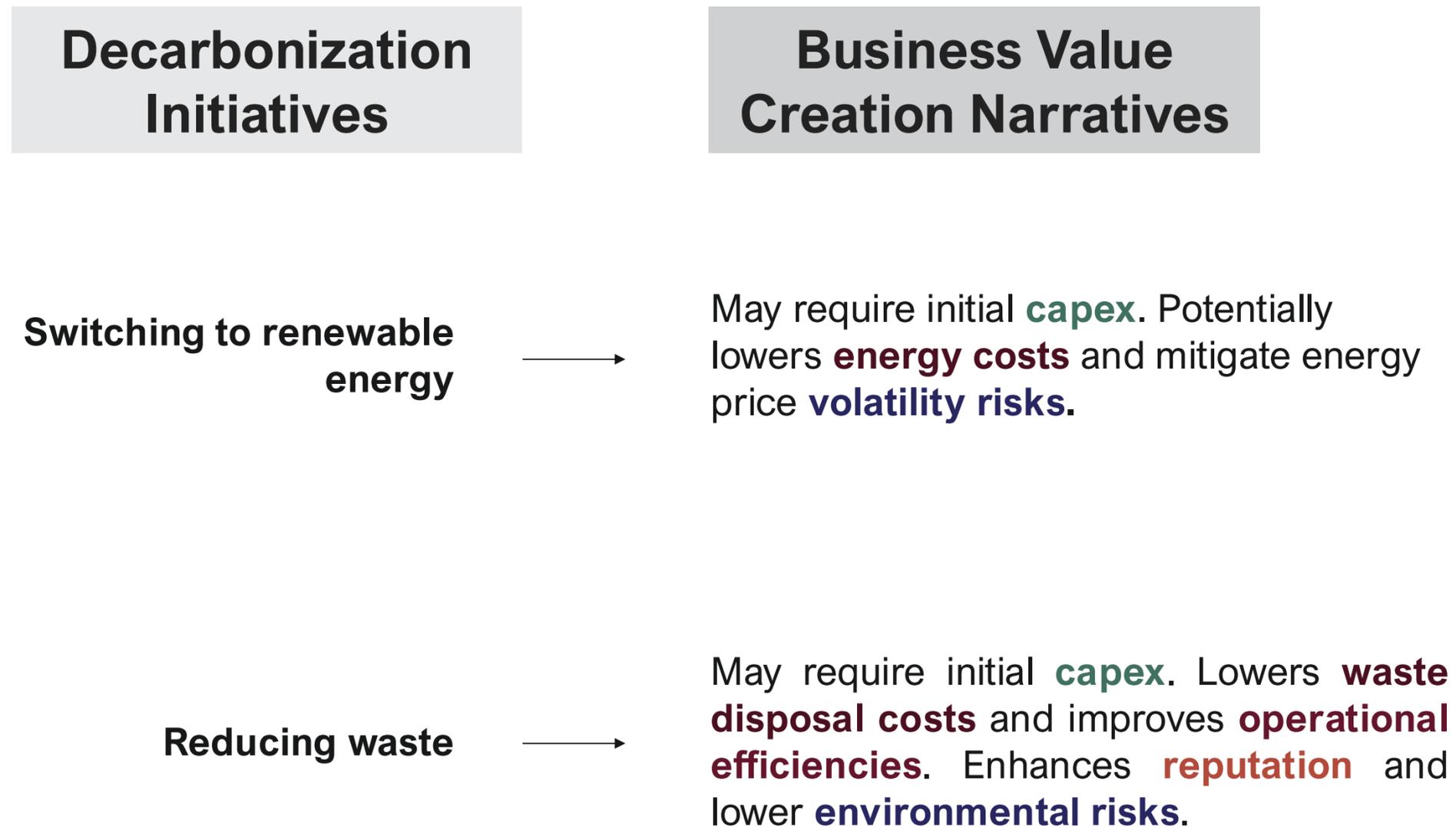


Energy efficiency
initiatives

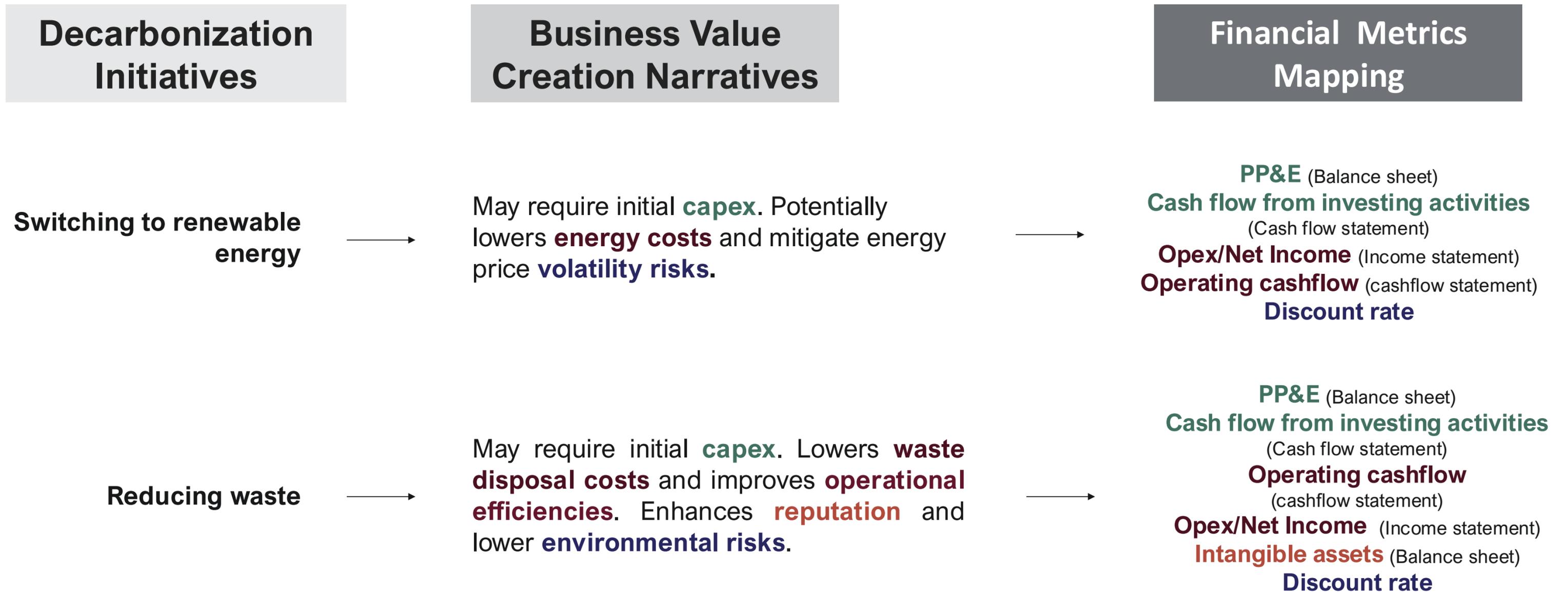


Waste reduction
initiatives

Linking Decarbonization Initiatives to Financial Metrics



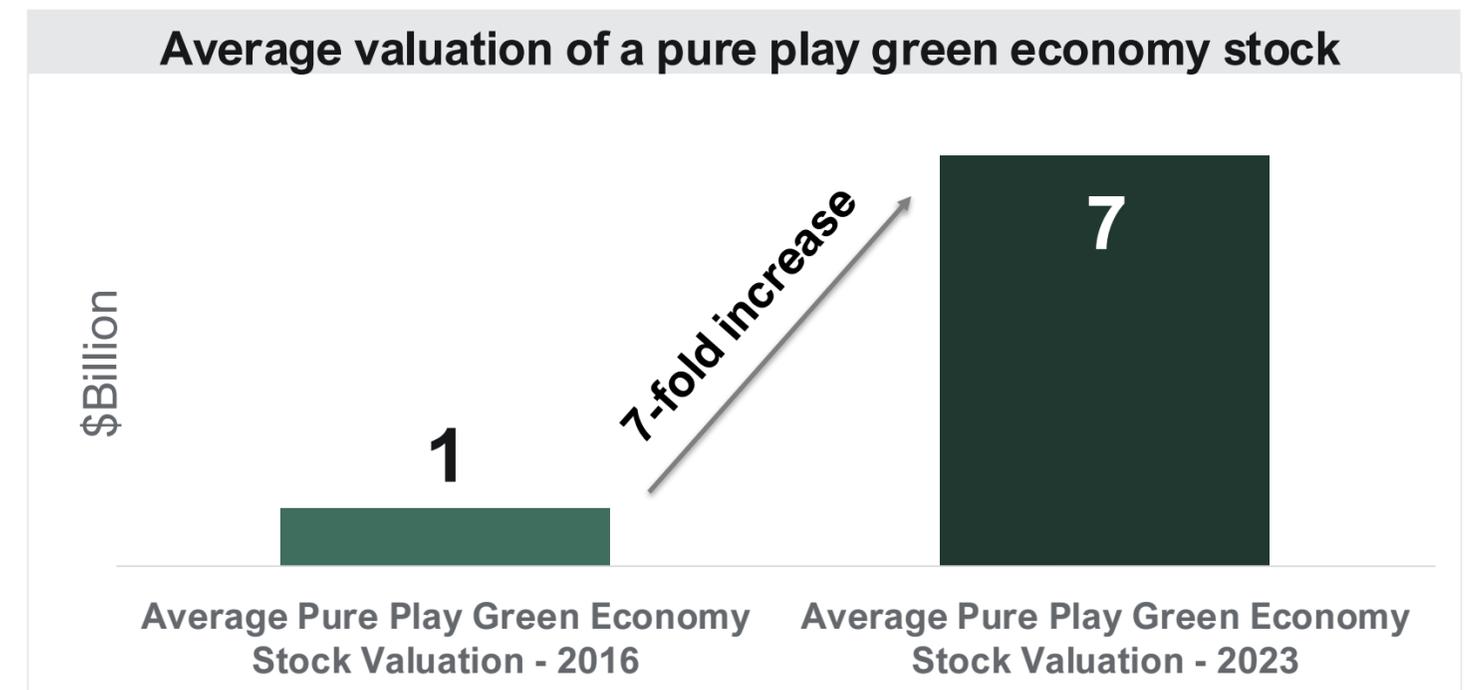
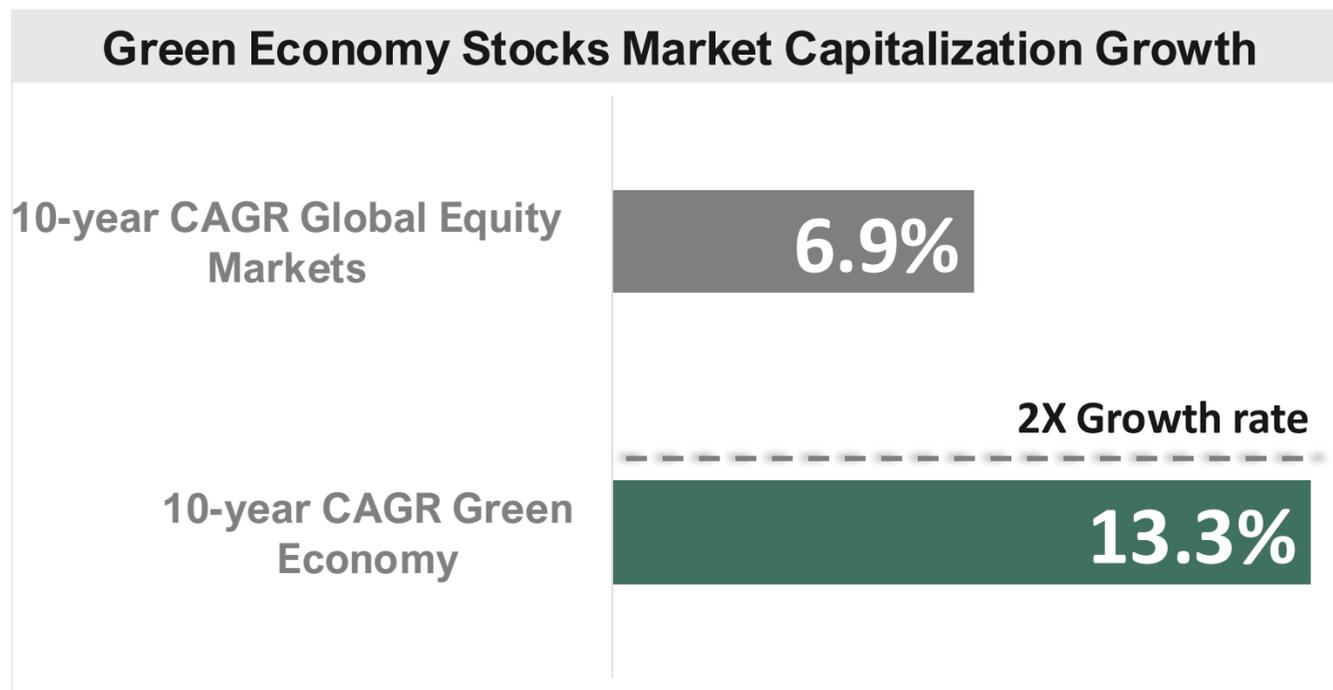
Linking Decarbonization Initiatives to Financial Metrics



Conclusion

- **Business sustainability** is a key contributor to financial **value creation**.
- Business sustainability initiatives fit within 3 buckets:
 - **risk reduction,**
 - **cost reduction,** and/or
 - **business growth.**

- **Sustainability initiatives** can and should be mapped to **financial metrics**.
- **Investors are increasingly grasping the business value of sustainability.**





Thank You!

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