Delta Series for the Resource Transformation Sector

Changing Standards for a Changing World

DELTA SERIES: RESOURCE TRANSFORMATION

8:30 **Welcome –** Jean Rogers, SASB

8:35 **Host Remarks –** Curtis Ravenel , Bloomberg LP

8:45 **SASB Overview –** Jean Rogers, SASB

9:00 **Keynote: Science Meets Sustainability**, Dawn Rittenhouse and Nicholas Fanandakis, DuPont

9:15 **Panel: Leveraging Sustainability Intelligence to Drive Value: A Cross Functional Imperative-** Donna Coallier, PwC; John Mulcahy/ Nick Pfeiffer/ Linda Froelich, FMC, Matthew Swibel/Scott Williams, Lockheed Martin

10:30 ***Break***

10:45 **SASB Standards for the Resource Transformation Sector** Katie Schmitz Eulitt/Andrew Collins, SASB

11:50 **Closing Remarks-** Deirdre Guice Minor/Bruno Bertocci, UBS

12:00 ***Lunch***

Special Thanks to Our Supporters

Bloomberg

GORDON AND BETTY MOORE FOUNDATION

The Betsy and Jesse Fink FOUNDATION

THE F.B. HERON FOUNDATION

generation foundation

EILEEN FISHER COMMUNITY FOUNDATION

DORIS DUKE CHARITABLE FOUNDATION

THE ROCKEFELLER FOUNDATION

TomKat Charitable Trust

THE GRANTHAM FOUNDATION FOR THE PROTECTION OF THE ENVIRONMENT

Green Mountain Energy®

SASB Board of Directors

Metanoia Fund

Curtis Ravenel

Global Head, Sustainability Group
Bloomberg L.P.

#DeltaSeries

Jean Rogers

SASB CEO and Founder

#DeltaSeries

Dawn Rittenhouse

Director of Sustainability
DuPont

Featuring Nicholas Fanandakis, CFO

#DeltaSeries


Science meets Sustainability.

Our Purpose

DuPont is a Science Company

We work collaboratively to find sustainable, innovative, market-driven solutions to solve some of the world's biggest challenges, making lives better, safer, and healthier for people everywhere.

Our Areas of Focus

As the global population climbs up to 9 billion people in 2050, DuPont uses its science-powered innovation to help solve the challenges facing the world, with a focus on:

FOOD **ENERGY** **PROTECTION**

Our Strategic Priorities

Our strategy is to be a premier market-driven science company and generate superior shareholder returns.

AG & NUTRITION

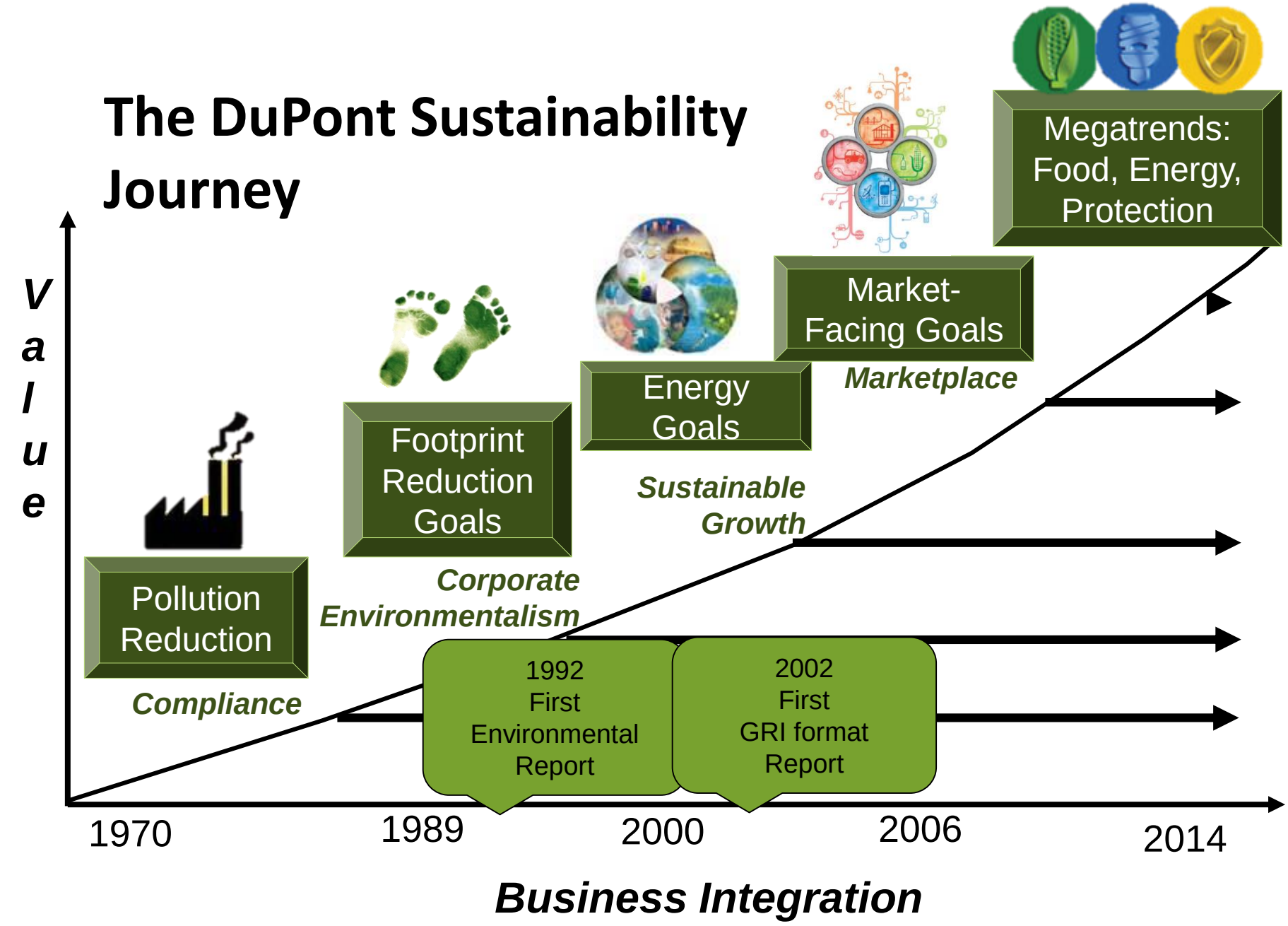
BIOBASED MATERIALS

ADVANCED MATERIALS

Nick Fanandakis

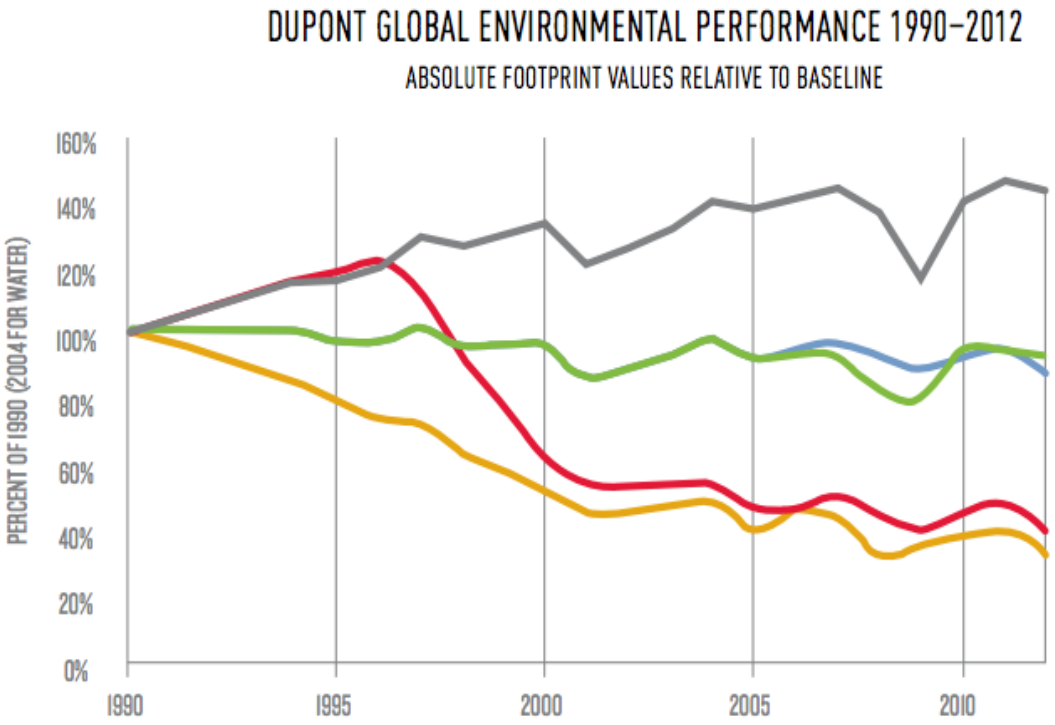
Executive Vice President and Chief Financial Officer

The DuPont Sustainability Journey



Our Sustainability Focus Has A Long History

20+ YEARS OF ENVIRONMENTAL SUCCESS



2012 PERFORMANCE VERSUS 1990

Production	up 45%
CO_2 eq.	down 59%
Energy	down 6%
Hazardous Waste	down 66%
Water	down 12%

How We Define Sustainability…

…and the connection to SASB material sustainability issues for Chemical Sector [Material Transformation Sector?]

Making Real Progress: How SASB Can Help

- Drive to develop the criteria so that reporting expectations are better aligned with the strategic intent of the companies in that sector
- Assure that there is a growing connection with the mainstream investment community so they understand and value the information that companies will be providing.
- Allow companies to focus resources on what really matters- the current process requires companies to spend a lot of time providing same/similar and less material information to different stakeholders

Panel

Leveraging Sustainability Intelligence to Drive Value:

A Cross Functional Imperative

#DeltaSeries

www.pwc.com

Resource Transformation Delta Series Event

July 2014

pwc

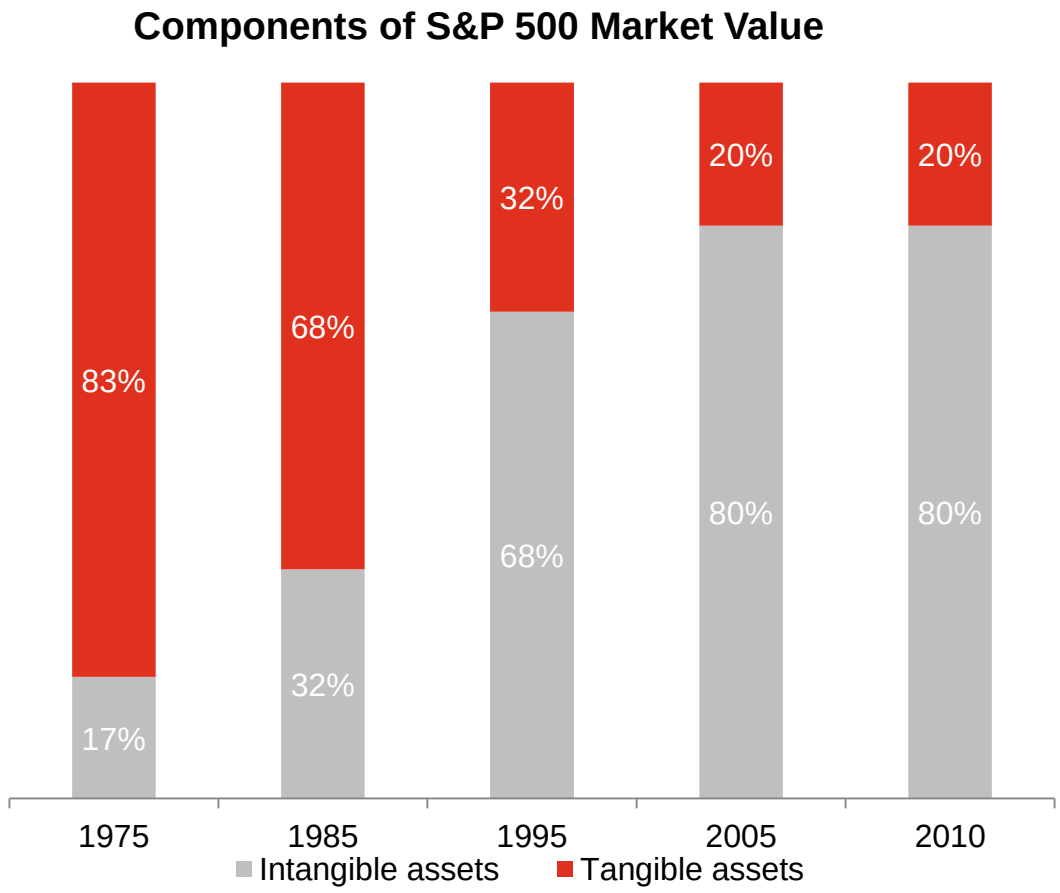
Discussion themes

Alignment: internal and external interest in environmental, social, and governance (ESG) matters

Collaboration: how ESG, finance, and ERM professionals team to track and report ESG matters that are important to the organization

Materiality: how does each organization assess the materiality of ESG activities, and how does that differ from the process of assessing financial materiality

In an intangibles-focused economy, the impact of non-financials on business value is magnified



Today…

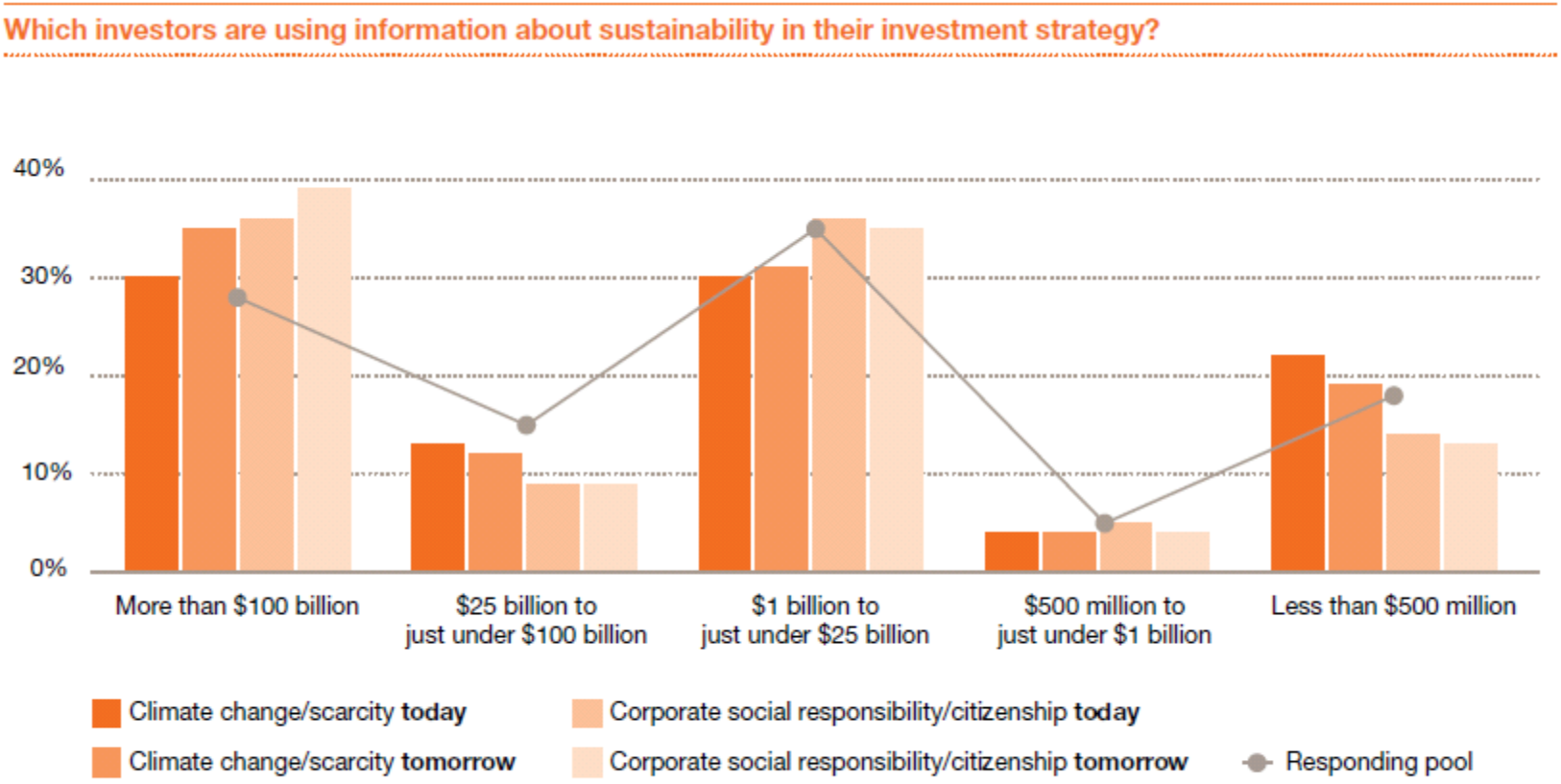
Corporate performance goals prioritize quarterly financial results

Going forward…

Performance goals need to account for and align with the non-financial issues that drive long-term value

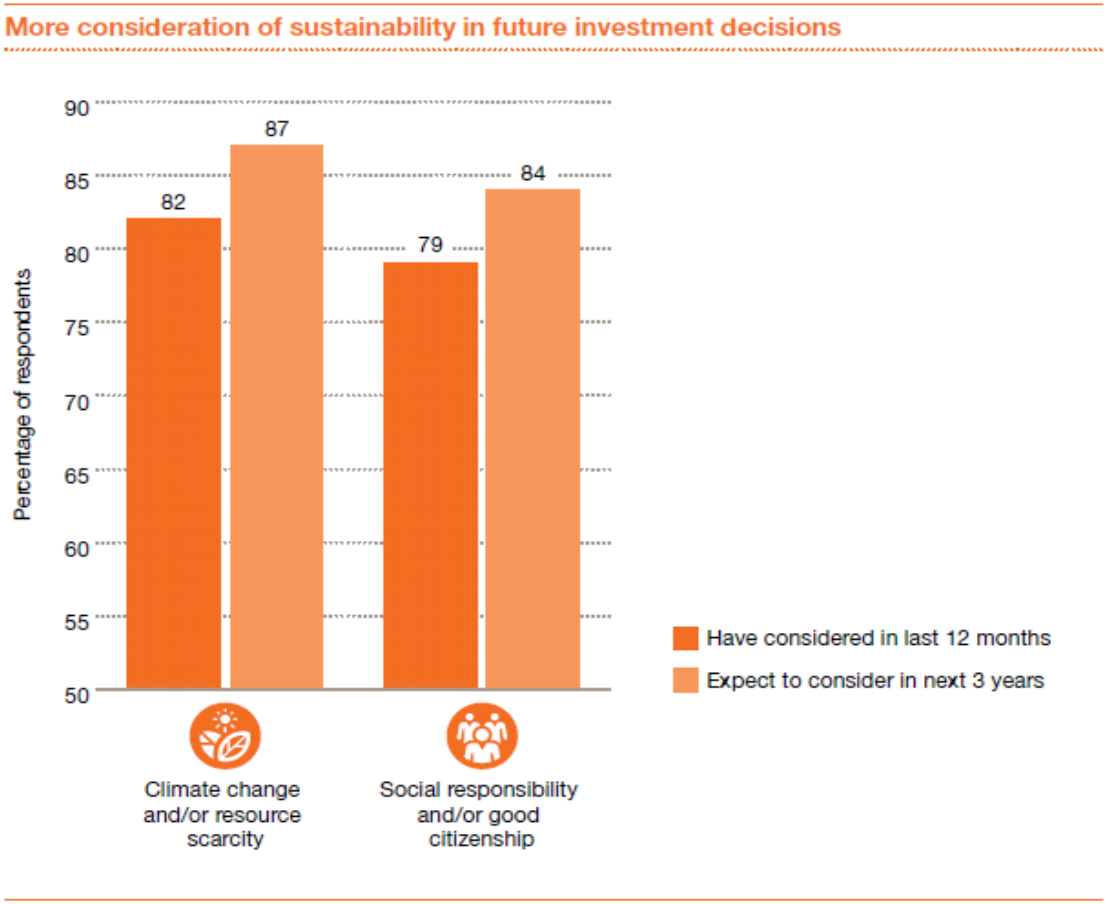
Source: Ocean Tomo, LLC Annual Study of Intangible Asset Market Value

Institutional investors use sustainability information in their investment strategy…



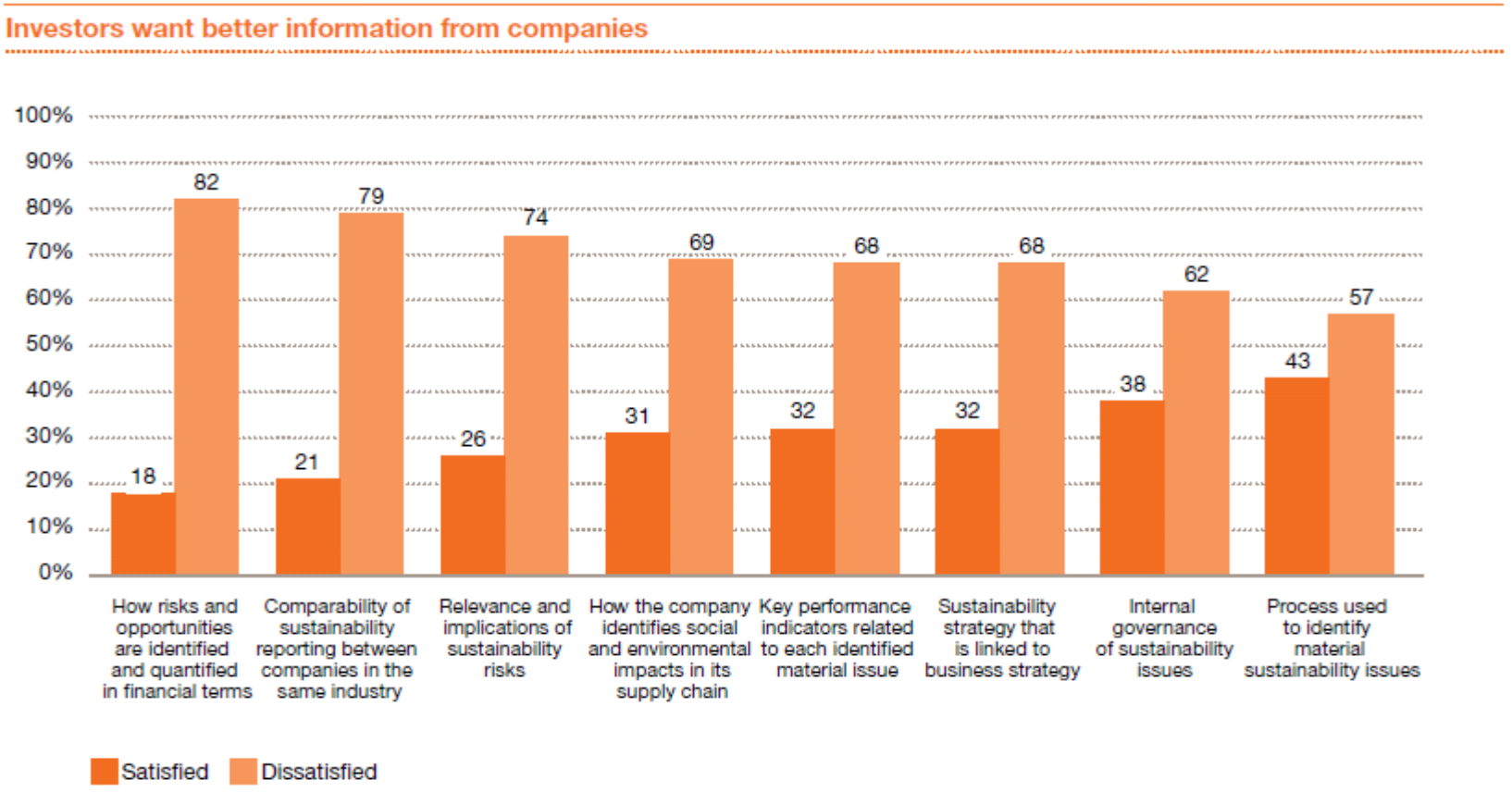
Source: PwC Investor Survey, winter/spring series, May 2014

…and expect to use more sustainability information going forward



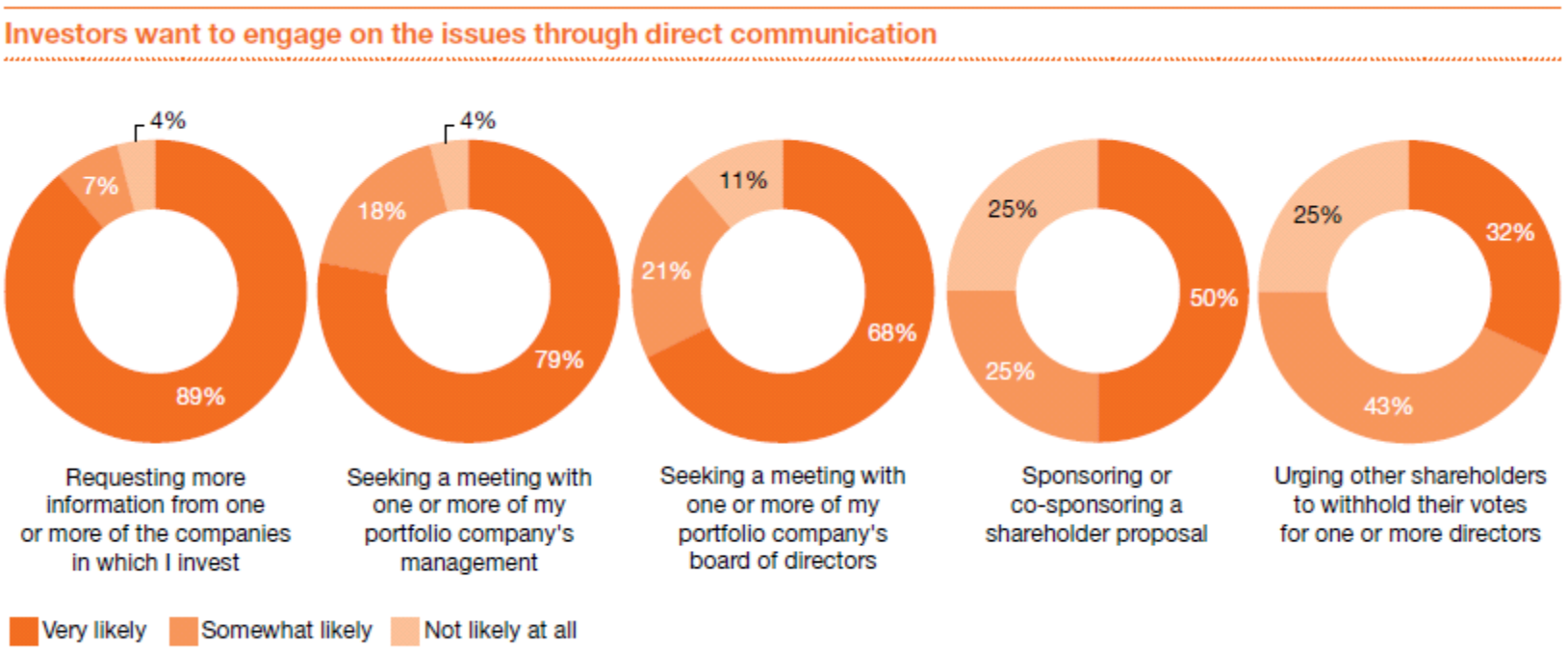
Source: PwC Investor Survey, winter/spring series, May 2014

Institutional investors seek more ESG information…



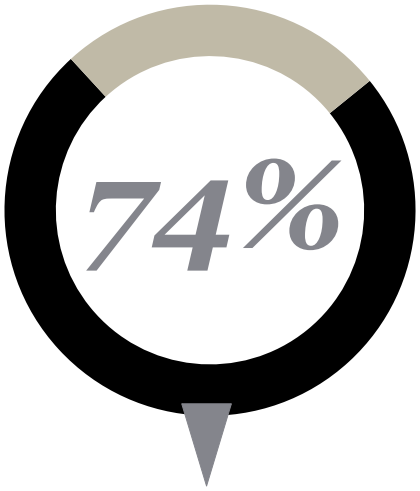
Source: PwC Investor Survey, winter/spring series, May 2014

…and seek direct ESG dialogue where desired information is not available in public reporting



Source: PwC Investor Survey, winter/spring series, May 2014

CEOs increasingly focused on total impact versus pure financial approach…



CEOs told us that **measuring and reporting their total (non-financial) impacts** contributes to their long term success

Believing sustainability is at the core of business success, means it's also at the heart of decision making. A focus on financial performance alone results in important considerations being missed.

75% CE
societa
of inves
employe
interests
is importa

75% CEOs believe **satisfying societal needs** (beyond those of investors, customers and employees) and protecting the interests of future generations is important

68% CEOs agree the **purpose of business** is to **balance the interests of stakeholders**

80% CEOs believe it's important to **measure** and try and **reduce their environmental footprint**

75% CEOs agree that being seen as paying their fair share of tax is important

Source: PwC's 17th Annual Global CEO Survey, 2014

SASB differentiates itself from other sustainability efforts by focusing on financial materiality

Per SASB, evaluating the materiality of sustainability issues involves looking beyond conventional measures of assets and liabilities to those embedded in aspects of social and environmental performance and stakeholder relationships, which may hold the key to future business success or failure.

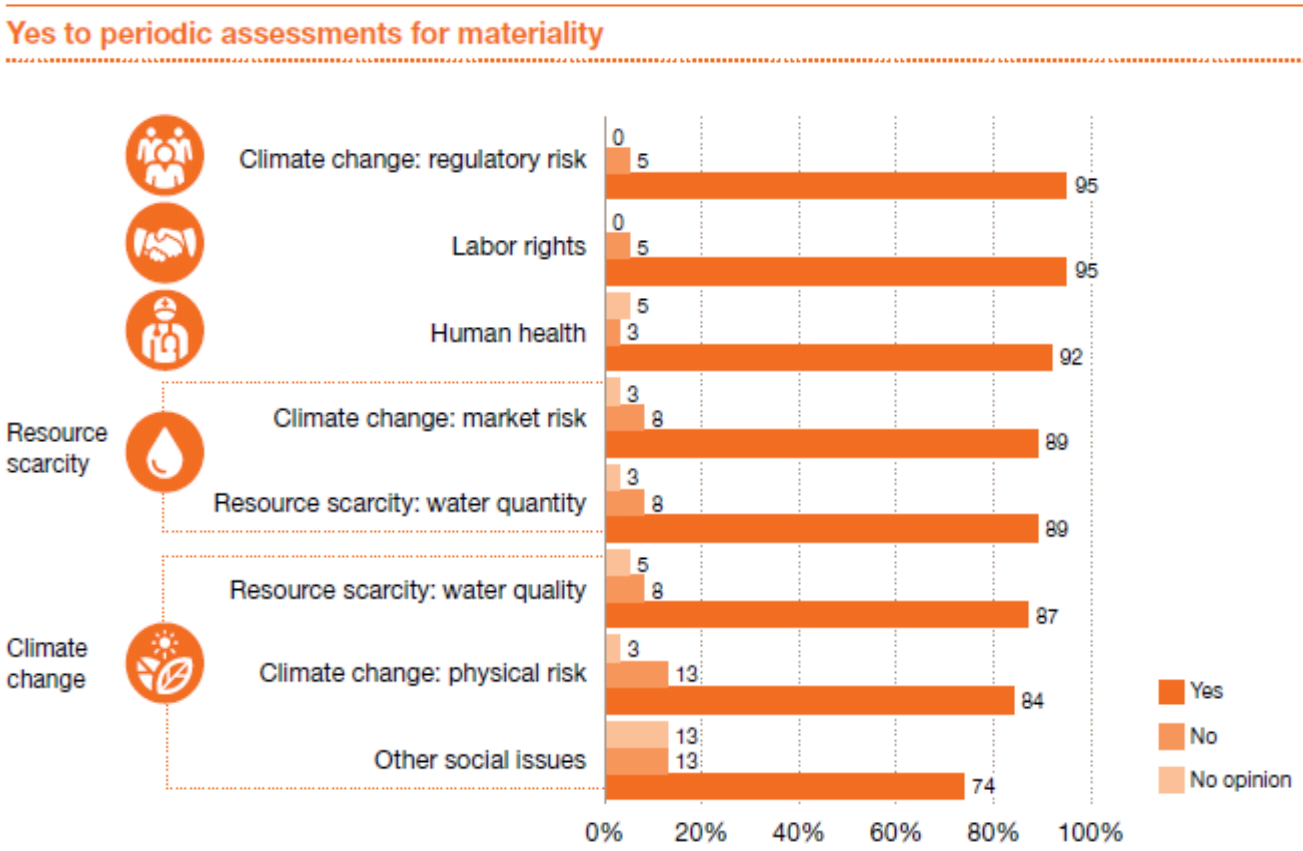
The Supreme Court's definition of materiality:

"Material information" is defined as presenting a substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the "total mix" of information made available.

(TSC Indus. V. Northway, Inc., 426 U.S. 438 (1976) and Basic v. Levinson, 485 U.S. 224 (1988))

Source: sasb.org

Investors believe ESG matters should be assessed for materiality



Source: PwC Investor Survey, winter/spring series, May 2014

For more information…

http://www.pwc.com/en_US/us/cfodirect/assets/pdf/point-of-view-sustainability-reporting.pdf

http://www.pwc.com/en_US/us/pwc-investor-resource-institute/publications/sustainability-goes-mainstream-investor-views.jhtml

http://www.pwc.com/us/en/ceo-survey-us/index.jhtml

http://www.pwc.com/us/en/audit-assurance-services/valuation/publications/sustainability-valuation.jhtml

Today's panelists…

Panel Discussion- Leveraging Sustainability Intelligence to Drive Value: A Cross-Functional Imperative

FMC:
John Mulcahy, Internal Audit Director
Nick Pfeiffer, Corporate Controller
Linda Froelich, Global Sustainability Director

Lockheed Martin:
Matthew Swibel, Director Corporate Sustainability
Scott Williams, Director, Enterprise Risk Management

Coffee Break

10:30-10:45

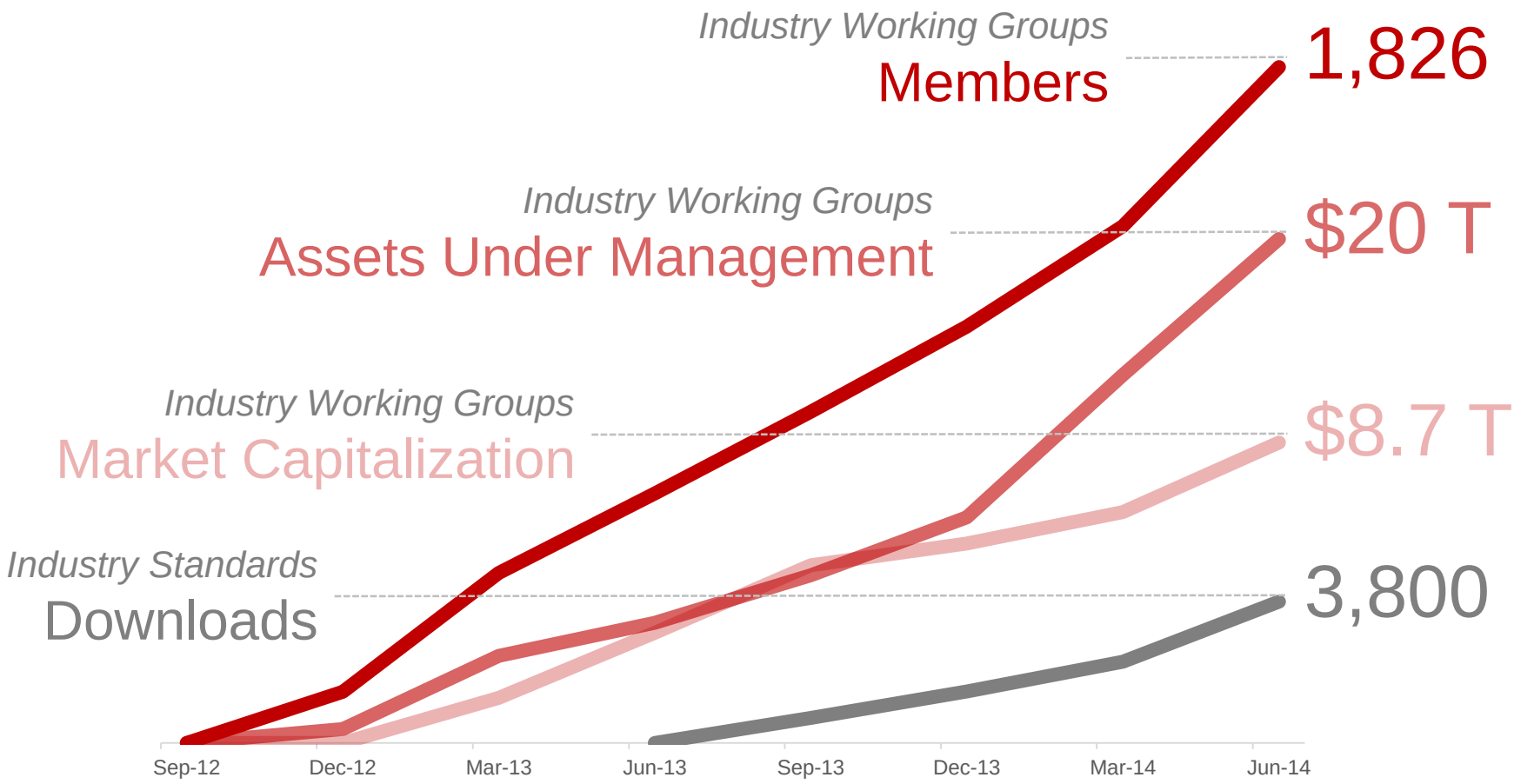
SASB Standards for the Resource Transformation Sector

How did we get here?

Katie Schmitz Eulitt
Director, Stakeholder Engagement, SASB

#DeltaSeries

Trajectory



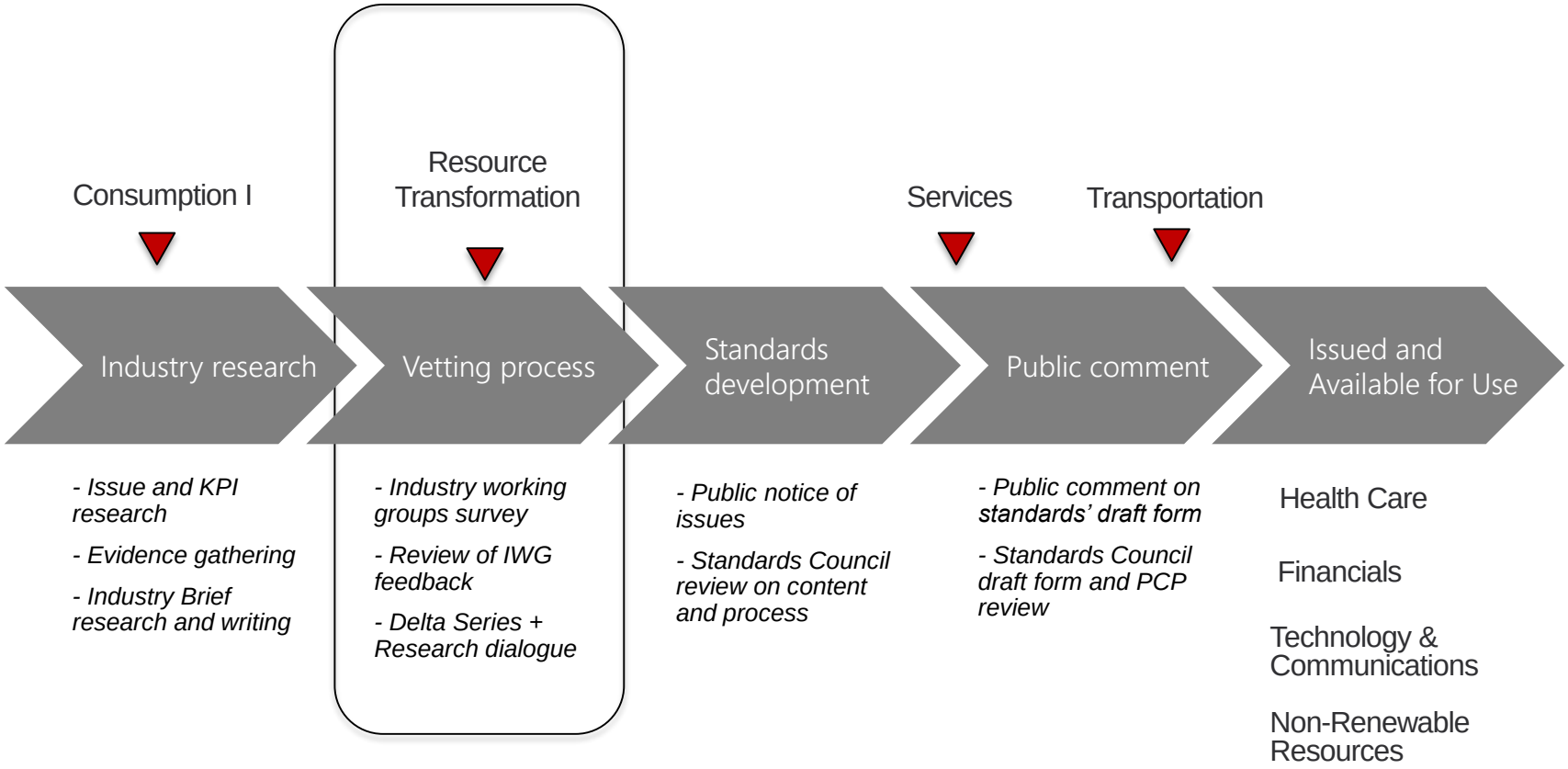
SASB is Developing Standards for 80+ Industries in 10 Sectors

To date, we have started/completed work on 62 industries (66% of SICS)

Time Frame	Sector	# of Industries
Q4, 2012	Health Care	6
Q1, 2013	Financials	7
Q2, 2013	Technology & Communication	6
Q3, 2013	Non-Renewable Resources	8
Q4, 2013	Transportation	8
Q1, 2014	Services	10
Q2, 2014	Resource Transformation	5
Q3, 2014	Consumption I	7
Q4, 2014	Consumption II	8
Q1, 2015	Renewable Resources & Alt. Energy	8
Q2, 2015	Infrastructure	10

- Chemicals
- Aerospace & Defense
- Electrical/Electronic Equipment
- Industrial Machinery & Goods
- Containers & Packaging

Standards Development Pipeline



Standards Council

Jim Coburn, JD, Senior Manager, Investor Programs, Ceres

Christine Ervine, CEO, e/co

Jeffrey Hales, PhD, Associate Professor, Georgia Institute of Technology

Tom Kiely, Sustainability Director, McKinsey & Company (Retired)

Gayle Koch, Co-Founder & Principal, Axlor Consulting LLC

Stephen Linaweaver, Principal, Blu Skye (formerly)

Jameela Pedicini, VP, Sustainability Investing, Harvard Management Company, Inc

Partricia Farrar-Rivas, Founding Principal/CEO, Veris Wealth Partners

Gregory Rogers, President, Advanced Environmental Dimensions

Elizabeth Seeger, Principal, KKR

George Serafeim, PhD, Assistant Professor, Harvard Business School

Jeremy Shapiro, Executive Directory, Morgan Stanley

Nigel Topping, Chief Innovation Officer, CDP

Andrew Park, Sustainability Manager, Bloomberg

The Universe of Disclosure Topics

SASB categorizes disclosure topics under 5 categories

Environment

- Corporate impact on the environment (e.g. natural resource use and/or environmental externalities)

Social Capital

- Perceived role of business in society (e.g. societal contribution in return for social license to operate)
- Management of relationships with outside stakeholders (e.g. customers, communities and the public)

Human Capital

- Management of company's human resources as key asset to deliver long-term value

Business Model & Innovation

- Impact of environmental and social factors on innovation, business models and the value creation process

Leadership & Governance

- Management of issues inherent to the business model, particularly those that are in potential conflict with the interest of broader stakeholders (e.g. risk or safety management, corruption and bribery, supply chain issues)

Emerging Topics

SASB also identifies topics of emerging interest which may fall under any of the 5 categories above

Materiality Assessment

Companies and courts determine materiality, not SASB

"Material information" is defined by the Supreme Court as presenting a substantial likelihood that the **disclosure** of the omitted fact would have been viewed by **the reasonable investor** as having significantly altered the **"total mix" of information** made available. *TSC Industries v. Northway, Inc., Supreme Court 1926*

The Supreme Court's definition of materiality

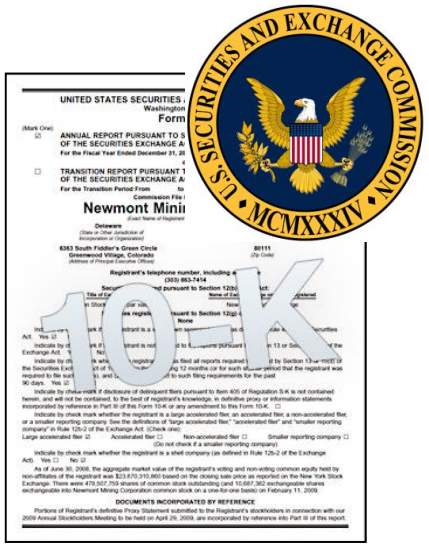
SASB Standards

Industry-specific guidance & metrics

Company determines material information

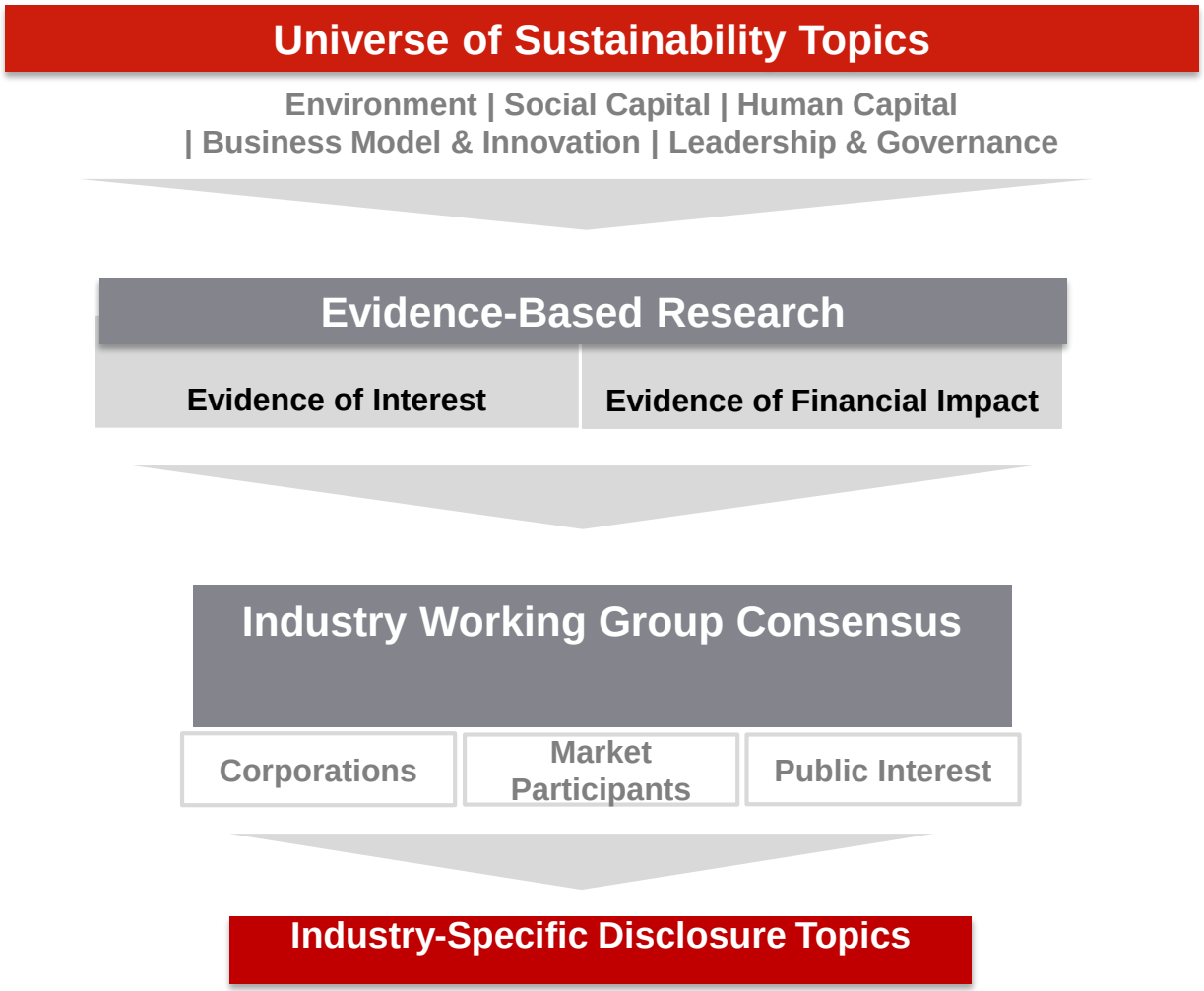
Guided by SASB standards but **based on company specific operations and analysis**

(Form 10-K preparation)



Materiality Assessment

SASB uses an evidence-based, multi-stakeholder approach



Suggested Disclosure Topics for the Resource Transformation Sector

Disclosure topic list presented to Industry Working Groups

	Chemicals	Aerospace & Defense	Electrical / Electronic Equipment	Industrial Machinery & Goods	Containers & Packaging
Environment	▪ Greenhouse Gas Emissions ▪ Air Quality ▪ Water Management ▪ Hazardous Materials Management	▪ Energy Management ▪ Water & Waste Management in Manufacturing	▪ Energy Management ▪ Air Emissions & Waste Management	▪ Energy Management ▪ Water Management ▪ Waste Management	▪ Greenhouse Gas Emissions & Energy Management ▪ Water Management ▪ Air Emissions & Waste Management
Social Capital		▪ Data Security	▪ Product Quality & Safety		▪ Product Quality & Safety
Human Capital	▪ Employee Health & Safety				
B. Model & Innovation	▪ Product Lifecycle Management & Innovation	▪ Product Lifecycle Management & Innovation ▪ Product Quality & Safety	▪ Product Lifecycle Management & Innovation	▪ Product Lifecycle Management & Innovation	▪ Product Lifecycle Management & Innovation
Leadership & Governance	▪ Management of the Legal & Regulatory Environment ▪ Process Safety, Emergency Management & Response	▪ Management of the Legal & Regulatory Environment ▪ Business Ethics ▪ Supply Chain Management & Materials Sourcing	▪ Supply Chain Management & Materials Sourcing ▪ Business Ethics & Competitive Behavior		▪ Supply Chain Management & Materials Sourcing

Industry Working Groups

Composition, balance, gravitas, participation

- Chemicals
- Aerospace & Defense
- Electrical / Electronic Equipment
- Industrial Machinery & Goods
- Containers & Packaging

Balanced **across interest groups**

Corporations **|** Market Participants **|** Public Interest/Intermediaries

$4.7T **AUM** **$1.2T** **Market Cap**

117 **Surveys completed**

Resource Transformation Sector Working Groups

Participant Highlights: Total Participants = 221, Survey Responses= 117

Corporations:

3M
Air Products and Chemicals, Inc.
Amcor
BAE Systems
Ball Corporation
BASF
Boeing
Danaher Corporation
Diebold
Dow Chemical Corporation
DuPont
Eastman Chemical
Eaton
EMC Corporation
Emerson
FMC
Greif, Inc.
Illinois Tool Works
Ingersoll Rand
International Paper
Lockheed Martin
MeadWestvaco
Monsanto Company
Navistar
PaperWorks Industries Inc
Raytheon
RockTenn
Royal Philips Electronics NV
SABIC
Sasol
Solvay
Sonoco
Tyco
United Technologies
Weyerhaeuser

Investors:

Acme Alpha, LLC
Allianz Global Investors
Bloomberg LP
Breckinridge Capital Advisors
Buckingham Research
CalPERS
Calvert Investments
Citigroup
Credit Agricole Securities
CSR Profit
Deutsche Bank
FBR Capital Markets
Franklin Templeton
IFC - World Bank
IW Financial
Impax Asset Management
ING Investment Management
Langenberg & Co.
Max Rutten
Morningstar
MSCI
New Amsterdam Partners
Oregon State Treasury (OST)
Pax World Investments
Perella Weinberg Partners
RBC
Robeco Asset Management
Societe General CIB
Standard Life Investments
Sustainalytics
Trillium Asset Management
Trucost
Walden Asset Management / Boston Trust
Washington Capital Management

Intermediaries:

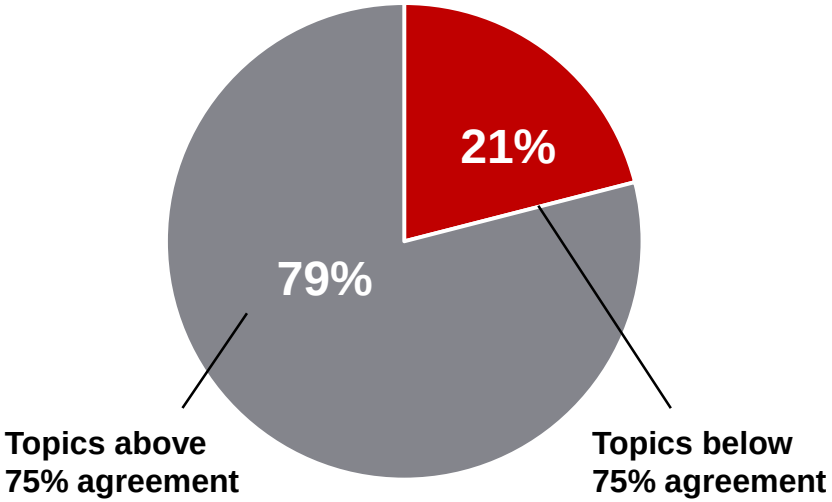
AF&PA
AIHA
American Chemistry Council (ACC)
Antea Group
Antimony Green
Aust Ventures, LLC
BSR
Bureau Veritas
DNV KEMA
Delta Consulting, Inc.
Design with Nature, LLC
EOS Climate, Inc.
EY
Gradient
GreenBlue
Haley & Aldrich, Inc.
KPR Associates
Lightstone Consulting, LLC
McMahon DeGulis LLP
Michigan State University
Miller & Martin PLLC
NSF International
PwC
Resource Recycling Systems
Strategic Sustainability Consulting
Sustainability Partners Inc.
Sustainable Forestry Initiative, Inc.
TATA Consultancy Resource Transformation
Trinity Consultants
Trucost
UNEP
Verdantix
WSP Group
Verasiti

**Participants contribute as individuals. Organizations listed for affiliation purposes only.*

IWG Feedback on Disclosure Topics

General agreement on materiality of suggested disclosure topics

- For **79% of topics** across all industries, more than 75% of IWG participants agreed on materiality



Industry	Completed surveys	Avg. approval	Lowest agreement
Chemicals	42	87%	83%
Aerospace & Defense	16	73%	50%
Electrical / Electronic Equipment	13	85%	77%
Industrial Machinery & Goods	23	65%	48%
Containers & Packaging	23	82%	70%

SASB Standards for the Resource Transformation Sector

How did we get here?

Andrew Collins
Associate Director, Standards Development, SASB

#DeltaSeries

Suggested Disclosure Topics for the Resource Transformation Sector

Sector Trends and Themes	
Environment	▪ Strong evidence of environmental resource topics – water, GHGs, waste, and air emissions
Social Capital	▪ Fewer Social Capital than other Sectors
Human Capital	▪ Health and Safety – only proposed for Chemicals issue
B. Model & Innovation	▪ Product Lifecycle Management in all industries
Leadership & Governance	▪ Supply chain management and political spending

Suggested Disclosure Topics for the Resource Transformation Sector

Incorporating feedback from the Industry Working Groups

	Chemicals	Aerospace & Defense	Electrical / Electronic Equipment	Industrial Machinery & Goods	Containers & Packaging
Environment	▪ Greenhouse Gas Emissions ▪ ***Energy Management*** ▪ Air Quality ▪ Water Management ▪ Hazardous Materials Management	▪ Energy Management ▪ ***Water & Waste Management in Manufacturing***	▪ Energy Management ▪ Air Emissions & Waste Management ▪ ***Water Management***	▪ ***GHG Emissions*** ▪ Energy Management ▪ ***Water Management*** ▪ ***Waste Management***	▪ Greenhouse Gas Emissions & Energy Management ▪ Water Management ▪ Air Emissions & Waste Management
Social Capital	▪ ***Community Relations***	▪ Data Security	▪ Product Quality & Safety		▪ Product Quality & Safety
Human Capital	▪ Employee Health & Safety	▪ ***Employee Health & Safety*** ▪ ***Employee Recruitment, Development, and Inclusion***	▪ ***Employee Health & Safety***	▪ ***Employee Health & Safety***	▪ ***Employee Health & Safety*** ▪ ***Labor Relations***
B. Model & Innovation	▪ Product Lifecycle Management & Innovation	▪ ***Product Lifecycle Management & Innovation*** ▪ Product Quality & Safety	▪ Product Lifecycle Management & Innovation	▪ Product Lifecycle Management & Innovation	▪ ***Product Lifecycle Management & Innovation***
Leadership & Governance	▪ Management of the Legal & Regulatory Environment ▪ Process Safety, Emergency Management & Response ▪ ***Supply Chain Management & Materials Sourcing***	▪ ***Management of the Legal & Regulatory Environment*** ▪ ***Business Ethics*** ▪ ***Supply Chain Management & Materials Sourcing***	▪ Supply Chain Management & Materials Sourcing ▪ Business Ethics & Competitive Behavior	▪ ***Supply Chain Management & Materials Sourcing***	▪ Supply Chain Management & Materials Sourcing

Reviewed after IWG, expected to remain in final list

Seeking additional evidence & inputs

Issue up for removal

New issues proposed by IWGs, seeking additional evidence

Types of Evidence Backing Up Sustainability Disclosure Topics

Issues are backed up by evidence of interest, financial impact and/or a forward-looking impact

Evidence Table for Aerospace & Defense

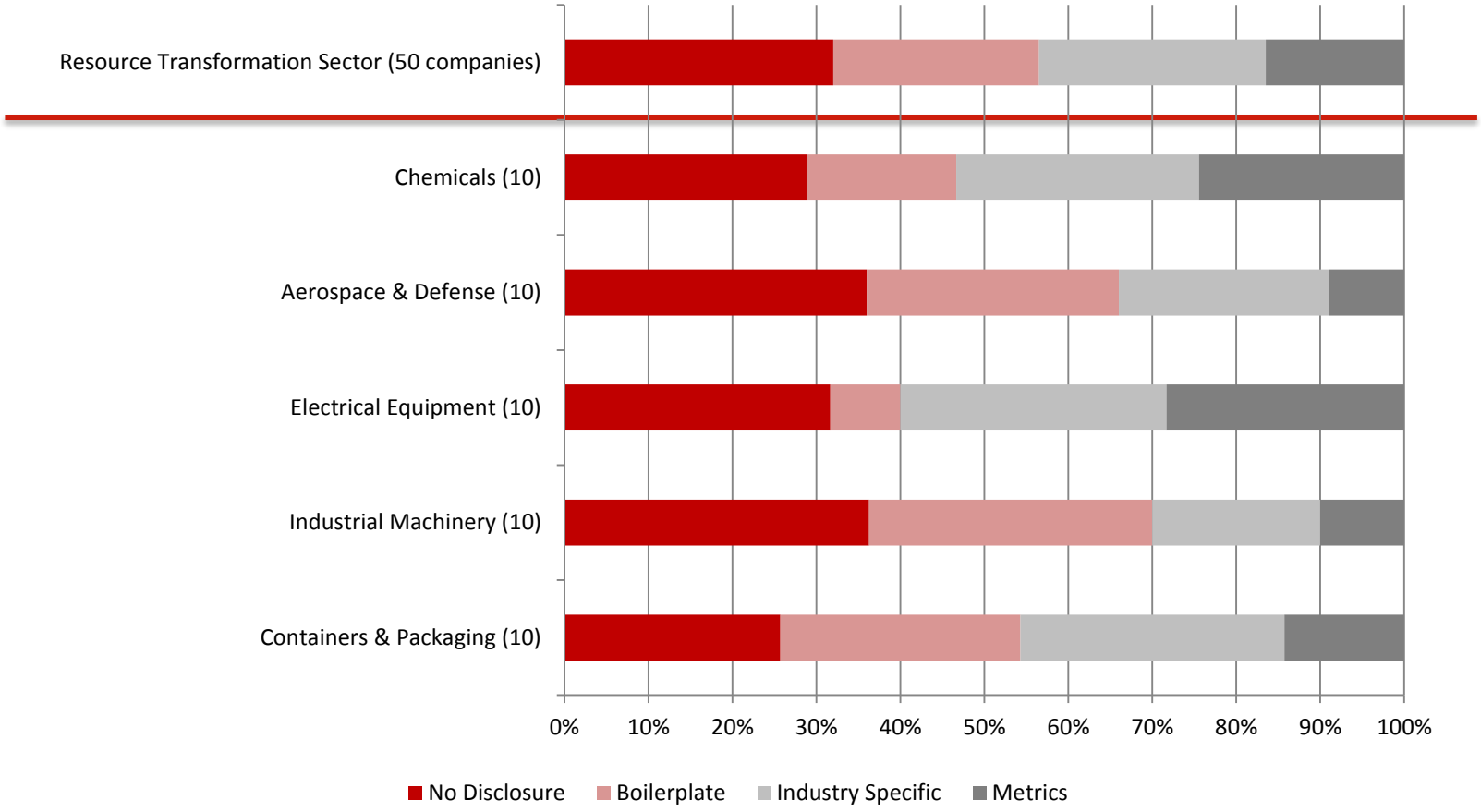
Material Sustainability Topics	Evidence of Interest				Evidence of Financial Impact				Forward-looking Impact		
	HM (1-100)	IWGs		EI	Revenue / Cost	Assets / Liabilities	Cost of Capital	EFI	Probabil-ity/Mag-nitude	Exter-nalities	FLI
		%	Priority								
Energy Management	70*	81	5	High	•			Medium			No
Water & Waste Management in Manufacturing	73*	50	7	Low	•	•	•	Medium	•		Yes
Data Security	30	81	2t	High	•	•	•	High	•	•	Yes
Product Lifecycle Management & Innovation	90*	69	4	Medium	•		•	High	•	•	Yes
Product Quality & Safety	45	88	1	High	•	•	•	High		•	Yes
Management of the Legal & Regulatory Environment	5	75	6	Medium			•	Medium	•	•	Yes
Supply Chain Management & Material Sourcing	30	63	2t	Medium	•	•	•	Medium	•	•	Yes
Business Ethics	80*	75	3	High	•	•		Medium			No

* Indicates upper quartile issues

State Of Disclosure In SEC Filings – Resource Transformation Sector

SASB analyzes the state of disclosure on sustainability topics in SEC Filings

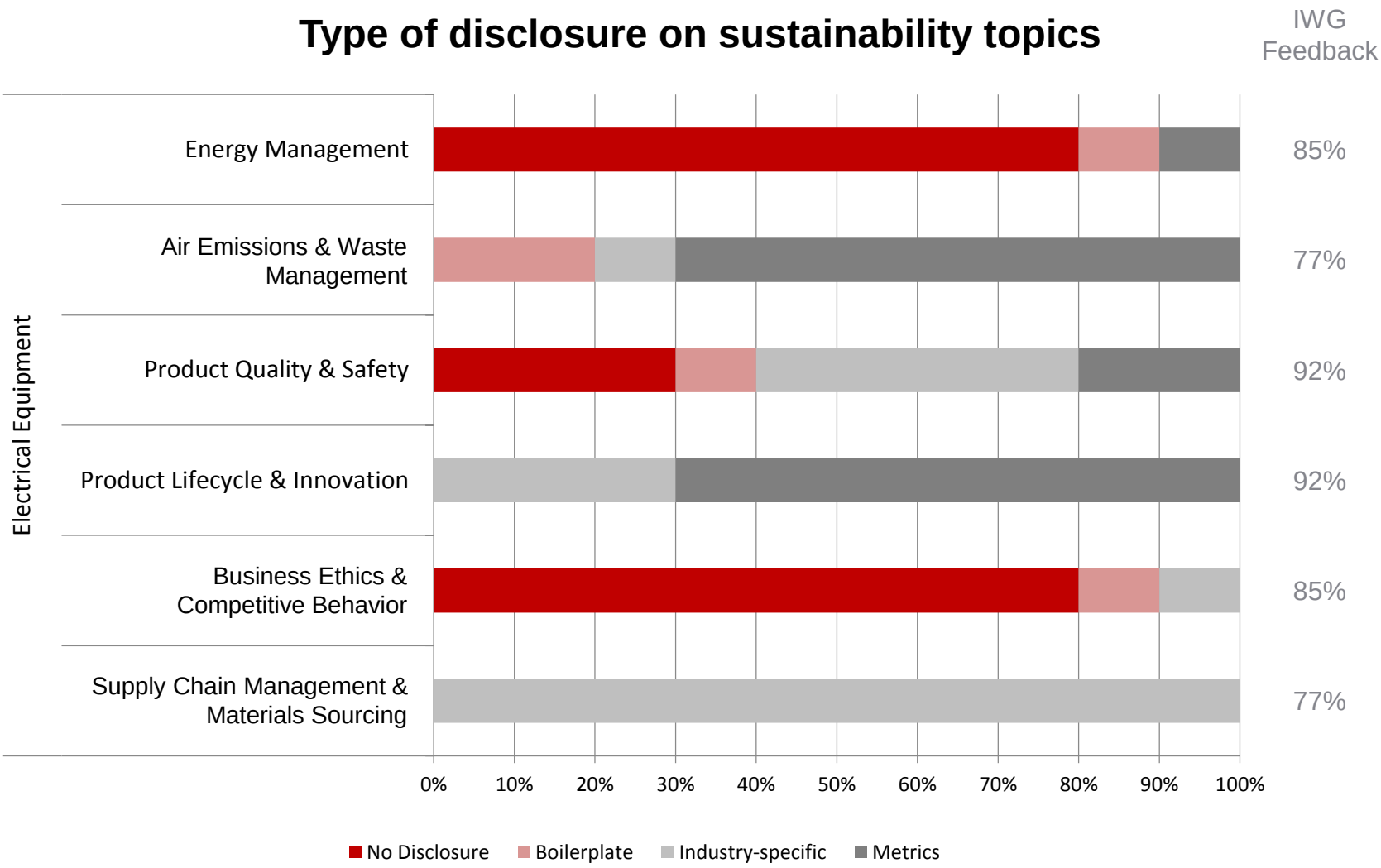
Type of disclosure on sustainability issues



Note: 2013 Form 10-Ks for top companies in each industry

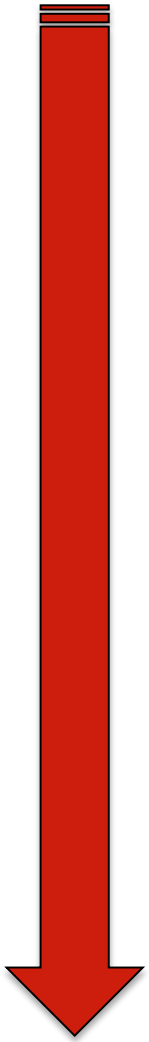
State Of Disclosure In SEC Filings – Electrical Equipment

Our 10-K analysis is performed at the disclosure topic level for each industry



Moving From Boilerplate Disclosure to Decision-Useful Information

Quality of disclosure varies by issue, industry and company



Boilerplate

"*[P]otential legislation related to greenhouse gas emissions, energy policy, and associated implementing regulations could impact the timing and amount of environmental costs incurred by the Company. The Company has reduced its greenhouse gas emissions and energy consumption on a unit basis over the last five years*."

[FY 2013 Form 10-K – Chemicals Industry]

Industry-specific

"*The EU, EPA, and CARB have certified that our engines meet the current emission requirements. Emission standards in international markets. (…) We believe that our experience in meeting the EU and EPA emission standards leaves us well positioned to take advantage of opportunities in these markets as the need for emission control capability grows. We have received certification from the EPA that we have met both the EPA 2013 and 2014 GHG regulations and rules.*"

[FY 2013 Form 10-K – Industrial Machinery & Goods Industry]

Metrics

"*[T]he company reduced its environmental footprint achieving in 2012 reductions* ***of 25 percent*** *in GHG emissions and* ***12 percent*** *in water consumption versus our 2004 baselines. In addition, in 2012 the company achieved a* ***one percent*** *reduction in energy intensity from non-renewable resources versus a 2010 baseline. The company continuously evaluates opportunities for existing and new product and service offerings in light of the anticipated demands of a low-carbon economy. About* ***$2 billion*** *of the company's 2012 revenue was generated from sales of products that help direct and downstream customers reduce GHG emissions*."

[FY 2013 Form 10-K – Chemicals Industry]

Issues Backed by Strong Evidence

Disclosure Topic Principles

SASB is guided by these principles to select sustainability disclosure topics

Applicability to investors

Relevance across industry

Potential to affect value creation

Benefits exceeding the perceived costs

Actionable by companies

Reflective of the views of stakeholders

Product Lifecycle Management & Innovation - Chemicals

Example of an issue backed by strong evidence

- **Potentially lower demand** for products in the medium to long-term from consumer and regulatory concerns over human health impacts, climate change, and other environmental externalities.

- Companies **innovating to reduce product environmental and health impacts** and continually assessing **lifecycle impacts** can benefit from improved competitive positioning, greater market share, and lower regulatory, demand, and supply chain risks.

- **Green chemistry** approach to chemical manufacturing includes using **renewable feedstocks, waste minimization, reduced product toxicity, and energy efficiency**.

- Shift towards green chemistry **driven by key trends** including:
  - Rising energy costs
  - Concern over reliance on petroleum-based feedstocks
  - Technological advances
  - Regulatory pressure
  - Consumer preferences

Product Lifecycle Management & Innovation

Chemicals

Evidence of Interest

Heat Map

Form 10-K, 20-F: High

Legal news: Medium

CSR Reports: High

Media: High

Shareholder Resolutions: Medium

Innovation news: Medium

IWG Feedback

Number of Respondents: 42

Approval: 83%

Rank: 4th

"Disruptive innovation is required to address the sustainability issues we're facing." – **IWG member (Corporation)**

"…product lifecycle policies are a key part of any company's business model. The instruction that historical problems offer --CFCs and other ozone depleting chemicals, PFOA, leaded gasoline, BPA, and so on--have driven home the point that chemical companies must plan for the long term and for potentially indirect consequences of product impacts." **– IWG member (Market Participant)**

Evidence of Financial Impact & Forward-Looking Impact

Suggested Metrics

Product Lifecycle Management & Innovation

Chemicals

Evidence of Interest

Evidence of Financial Impact & Forward-Looking Impact

Examples of evidence

- A 2012 report by the UN concludes that a number of chemicals, including lead and pesticides, cause an estimated 964,000 deaths worldwide annually and 21 million disability-adjusted life years.
- In response to concern over the use of the chemical, DuPont ceased manufacturing of bio-persistent PFOA and eliminated it as a raw material in certain resins.
- A 2011 report indicates that green chemistry represents a potential market opportunity that will grow from $2.8 billion in 2011 to $98.5 billion by 2020. Also, green chemistry could save the industry's customers a total of $65.5 billion by 2020 through various efficiency benefits.

Examples of value impact

- Increasing public concern over environmental and human health issues is likely to shift demand towards chemical products with reduced safety and environmental externalities, affecting revenue growth and competitiveness over the long-term.
- Development of alternative, renewable feedstocks can reduce the risk of volatile material costs or reduced availability of common feedstocks in the future.

Suggested Metrics

Product Lifecycle Management & Innovation

Chemicals

Evidence of Interest

Evidence of Financial Impact & Forward-Looking Impact

	Revenue & Expenses						Assets & Liabilities				Risk Profile	
	Revenue		*Operating Expenses*		*Non-operating Expenses*		*Assets*		*Liabilities*			
	Market Share	Pricing Power	Cost of Revenue	R&D	CapEx	Extraordinary Expenses	Tangible Assets	Intangible Assets	Contingent Liabilities & Provisions	Pension & Other Liabilities	*Cost of Capital*	*Industry Divestment Risk*
Product Lifecycle Management & Innovation	•	•	•	•		•		•	•		•	

Level of impact	
•	Medium
•	High

Suggested Metrics

Product Lifecycle Management & Innovation

Chemicals

Evidence of Interest

Evidence of Financial Impact & Forward-Looking Impact

Suggested Metrics

Suggested Metrics

Quantitative

- Percentage of products by revenue on the U.S. EPA Design for Environment (DfE) Safer Chemical Ingredients list
- Percentage of raw materials from renewable resources
- Process mass intensity
- Percentage of products by revenue that qualify as Registration, Evaluation, Authorization and Restriction of Chemical (REACH) substances of very high concern (SVHC)
- Amount of legal and regulatory fines and settlements associated with product safety
- Total addressable market and share of market for products aimed at improved fuel efficiency and/or reduced emissions

Qualitative

- None

Accounting Metrics

Accounting Metric Criteria

SASB is guided by the following criteria to develop sustainability standards

Relevant / Useful

Cost-effective

Comparable

Auditable

IWG Feedback On Accounting Metrics

Building agreement on usefulness and cost-effectiveness of key metrics

76% Relevant / Useful

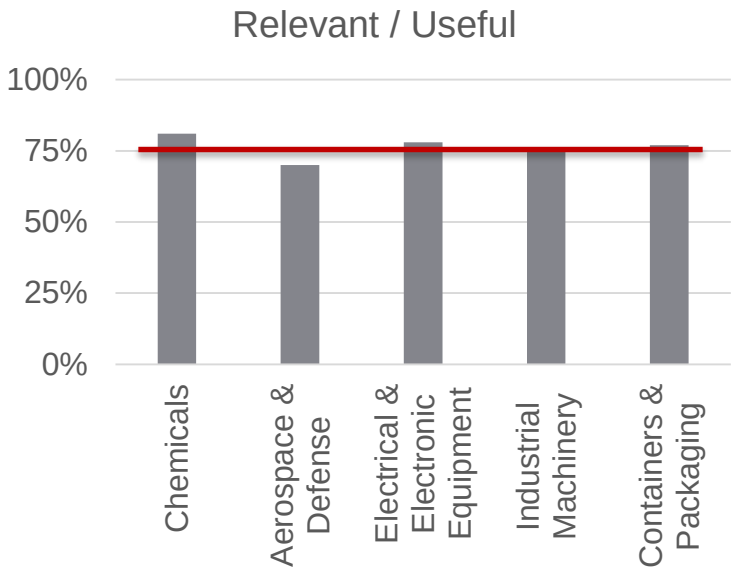
77% Cost-effective

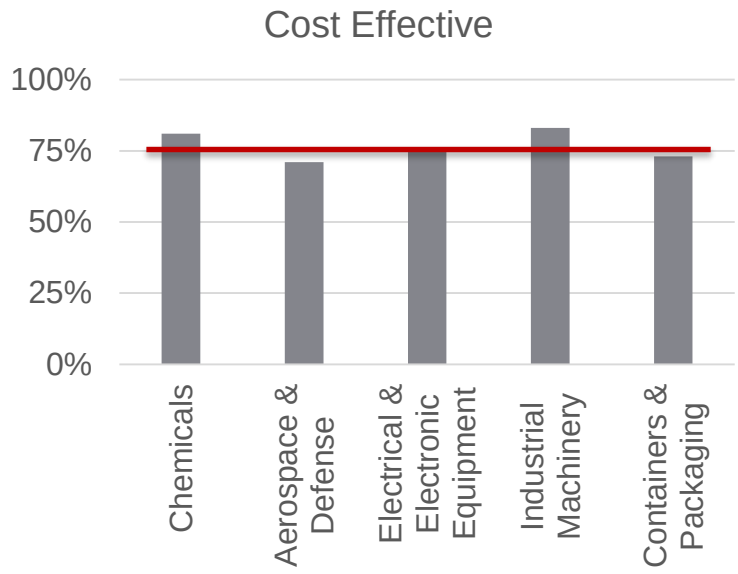
68% Comparable*

79% Auditable

Average agreement for all accounting metrics and for all industries

Average % of participants agreeing that metrics meet criteria





* Not all SASB suggested metrics are quantitative, some require qualitative disclosure

Sector and Industry-Level Figures On Type Of Metrics

Finding a balance between quantitative and qualitative disclosure

17 Average metrics per industry

91% Quantitative

9% Discussion and Analysis

	Type of metrics by industry		
Industry	**Total metrics**	**Quantitative**	**Discussion and Analysis**
Chemicals	18	16	2
Aerospace & Defense	20	17	3
Electrical & Electronic Equipment	19	17	2
Industrial Machinery	12	12	0
Containers & Packaging	16	15	1
	85	77	8

Sources Of Metrics And Harmonization

Seeking harmonization to improve cost-effectiveness of standards

Sources of Metrics:

0% Required Public Disclosure

12% Voluntary Public Disclosure

21% Required Tracking

67% Internally Available

Required Public Disclosure	Voluntary Public Disclosure	Required Tracking	Internally Available
▪ **SEC filings** e.g. 10-K Disclosures ▪ **Regulatory disclosures** e.g. GHG emissions	▪ **Voluntary CSR disclosures** e.g., CSR reports on website, GRI, CDP, consumer marketing, etc. ▪ **Industry Trade Association disclosures** e.g. required for membership or recommended best practice—CARU, IPIECA, ACC, etc.	▪ **Required tracking, but not publicly reported** e.g., OSHA; Equal Employment Opportunity Commission (EEOC)	▪ **Optional, but commonly internally tracked** e.g. energy and water use in unregulated sectors

Harmonized And Well-Defined Metrics

	Proposed Metric for IWG	Source
Chemicals – Process Safety, Emergency Management and Response		
• High risk of severe incidents • Risk of catastrophic incidents	Process Safety Incidents Count (PSIC), Process Safety Total Incident Rate (PSTIR), Process Safety Incident Severity Rate (PSISR)	AIChE Center for Chemical Process Safety (CCPS®)
Electrical & Electronic Equipment – Air Emissions & Waste Management		
• Use of hazardous chemicals • Legacy Superfund liability	Amount of hazardous waste from manufacturing	EPA Toxics Release Inventory (TRI) Program

Less Harmonized But Decision-Useful Metrics

	Proposed Metric for IWG	Source
Chemicals – Product Lifecycle Management & Innovation		
• Health and safety impacts across lifecycle • Costs are indirect measure of performance due to variability of fines levied	Percentage of products by revenue that qualify as Registration, Evaluation, Authorization and Restriction of Chemical (REACH) substances of very high concern (SVHC)	Internal tracking
Aerospace & Defense –		
• Routine use of sensitive business data • Increasing integration of technology in products	Number of data security breaches and percentage involving customers' confidential business information or sensitive national security information	Internal tracking

SASB Standards And Industry Briefs

Standards, technical protocols, and industry briefs are free to the public

SASB Standards and Technical Protocol

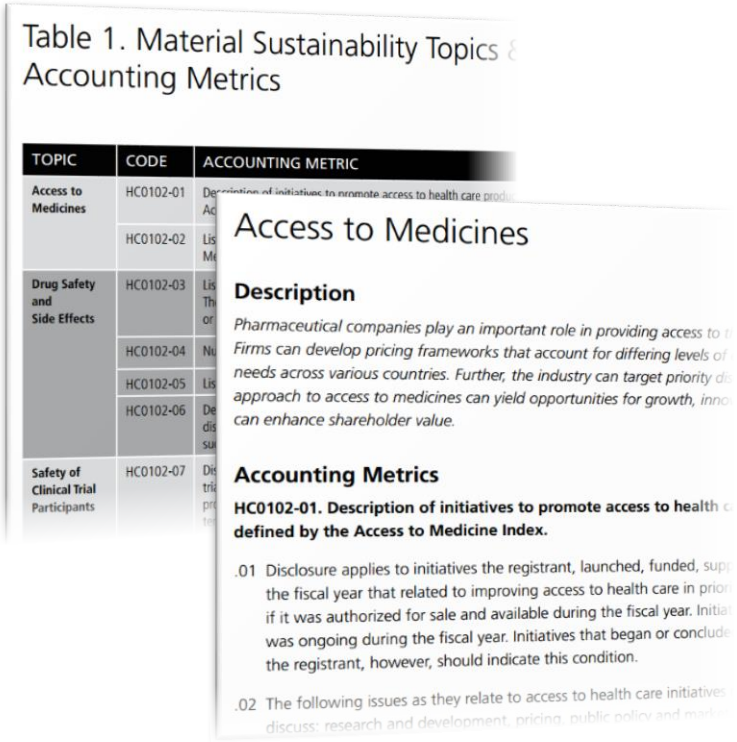


Table 1. Material Sustainability Topics & Accounting Metrics

TOPIC	CODE	ACCOUNTING METRIC
Access to Medicines	HC0102-01	Description of initiatives to promote access to health care prod... Ac...
	HC0102-02	Lis... Me...
Drug Safety and Side Effects	HC0102-03	Lis... Th... or...
	HC0102-04	Nu...
	HC0102-05	Lis...
	HC0102-06	De... dis... su...
Safety of Clinical Trial Participants	HC0102-07	Dis... tri... pr...

Access to Medicines

Description

Pharmaceutical companies play an important role in providing access to t... Firms can develop pricing frameworks that account for differing levels of ... needs across various countries. Further, the industry can target priority di... approach to access to medicines can yield opportunities for growth, inno... can enhance shareholder value.

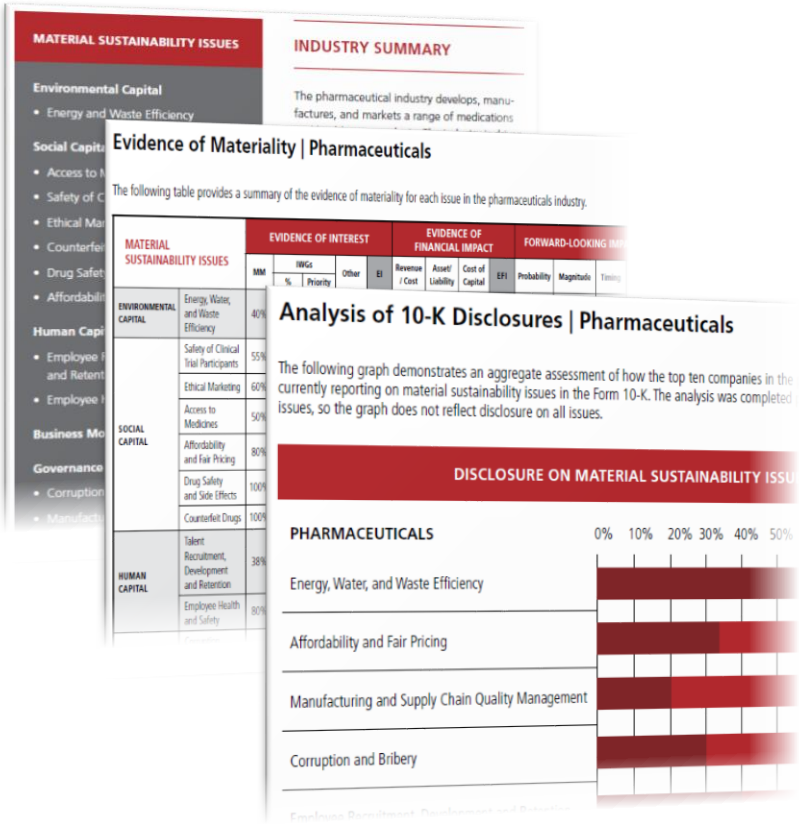
Accounting Metrics

HC0102-01. Description of initiatives to promote access to health c... defined by the Access to Medicine Index.

.01 Disclosure applies to initiatives the registrant, launched, funded, supp... the fiscal year that related to improving access to health care in prior... if it was authorized for sale and available during the fiscal year. Initiat... was ongoing during the fiscal year. Initiatives that began or conclude... the registrant, however, should indicate this condition.

.02 The following issues as they relate to access to health care initiatives ... discuss: research and development, pricing, public policy and mark...

SASB Industry Brief


MATERIAL SUSTAINABILITY ISSUES

Environmental Capital
- Energy and Waste Efficiency

Social Capit...
- Access to M...
- Safety of C...
- Ethical Ma...
- Counterfei...
- Drug Safet...
- Affordabili...

Human Capi...
- Employee ... and Retent...
- Employee ...

Business Mo...

Governance
- Corruption ...
- Manufact...

INDUSTRY SUMMARY

The pharmaceutical industry develops, manu-factures, and markets a range of medications ...

Evidence of Materiality | Pharmaceuticals

The following table provides a summary of the evidence of materiality for each issue in the pharmaceuticals industry.

MATERIAL SUSTAINABILITY ISSUES		EVIDENCE OF INTEREST				EVIDENCE OF FINANCIAL IMPACT				FORWARD-LOOKING IMP...		
		MM	IWGs %	IWGs Priority	Other	EI	Revenue / Cost	Asset/ Liability	Cost of Capital	EFI	Probability	Magnitude	Timing
ENVIRONMENTAL CAPITAL	Energy, Water, and Waste Efficiency	40%											
SOCIAL CAPITAL	Safety of Clinical Trial Participants	55%											
	Ethical Marketing	60%											
	Access to Medicines	50%											
	Affordability and Fair Pricing	80%											
	Drug Safety and Side Effects	100%											
	Counterfeit Drugs	100%											
HUMAN CAPITAL	Talent Recruitment, Development and Retention	38%											
	Employee Health and Safety	80%											

Analysis of 10-K Disclosures | Pharmaceuticals

The following graph demonstrates an aggregate assessment of how the top ten companies in the ... currently reporting on material sustainability issues in the Form 10-K. The analysis was completed ... issues, so the graph does not reflect disclosure on all issues.

DISCLOSURE ON MATERIAL SUSTAINABILITY ISSU...

PHARMACEUTICALS

Stay Involved

Next Steps

- ✓ Participate in Public Comment Period- Oct 7h - Jan 8th, 2014

  http://www.sasb.org/engage/public-comment/

- ✓ Follow Resource Transformation Sector Status

  http://www.sasb.org/sectors/Resource Transformation/

- ✓ Help Spread the Word

  Invite SASB to speak at relevant meetings/conferences/webinars

- ✓ Download Provisional Standards and Consider Use

  Release scheduled for Feb 2015

  http://www.sasb.org/standards/download/

Q&A

Accounting for a Sustainable Future

Bruno Bertocci

Senior Portfolio Manager, UBS

#DeltaSeries

SASB Delta Series

Bruno Bertocci
Senior Portfolio Manager

July 16, 2014

Why sustainability data helps the investment process

- Graham and Dodd, *Security Analysis* (1935) first describe **mosaic theory**
- In 1935 book value and market value closely related
- Aimed to provide investors with a logical way to make good decisions
- Focused on financial data but includes non-financial factors
- Material sustainability data extends the mosaic of fundamental data **beyond financial analysis**
- Today market value is a multiple of book value because it includes intellectual property, patent libraries, brand equity and other intangible assets
- **The emergence of material non-financial data is the modern way to extend the mosaic theory of investing to better assess business models**
- Completely **compatible with traditional fundamental investing**, portfolio construction and financial theory

Why the SASB matters

- **Standards** are important because they provide a common reference point for conversations
- **Standards** for material Sustainability data should create equivalence with traditional financial data
- **Standards** extend the mosaic of information in a way that is consistent with the history, tradition and financial theory of fundamental investing
- **Standards** make sustainability data an accepted part of the analytical and decision-making process

UBS

Development of the end market – moving to the mainstream

- **Pension Funds and Institutional Investors** are interested in Sustainable Investing from an **alpha generating and risk reduction approach**
- **High Net Worth, Endowments and Foundations** are interested in Sustainable Investing from a **philosophical and mission alignment approach**. Recent US Trust study found that 45% of HNW would like to have a conversation with their advisor on being able to invest in line with their values.
- **Large wirehouses** (UBS, Merrill Lynch and Morgan Stanley) have **strategic values-based investing programs** that are open architecture and have clear AUM goals
- Many investors want **both** alpha generating/ risk reduction and mission alignment
- **The development of accounting standards for sustainability data can make all this possible**

DELTA SERIES: RESOURCE TRANSFORMATION

8:30 **Welcome –** Jean Rogers, SASB

8:35 **Host Remarks –** Curtis Ravenel , Bloomberg LP

8:45 **SASB Overview –** Jean Rogers, SASB

9:00 **Keynote: Science Meets Sustainability**, Dawn Rittenhouse and Nicholas Fanandakis, DuPont

9:15 **Panel: Leveraging Sustainability Intelligence to Drive Value: A Cross Functional Imperative-** Donna Coallier, PwC; John Mulcahy/ Nick Pfeiffer/ Linda Froelich, FMC, Matthew Swibel/Scott Williams, Lockheed Martin

10:30 ***Break***

10:45 **SASB Standards for the Resource Transformation Sector** Katie Schmitz Eulitt/Andrew Collins, SASB

11:50 **Closing Remarks-** Deirdre Guice Minor/Bruno Bertocci, UBS

12:00 ***Lunch***