

MOBILISING FOR SUSTAINABILITY

*The KAIZEN™
approach*

01

**WHAT IS
SUSTAINABILITY AND
ESG**

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**HOW TO CHALLENGE
COMPANIES TO WORK
ON SUSTAINABILITY**

03

**HOW KAIZEN INSTITUTE
CAN HELP COMPANIES
THROUGH THIS
JOURNEY**

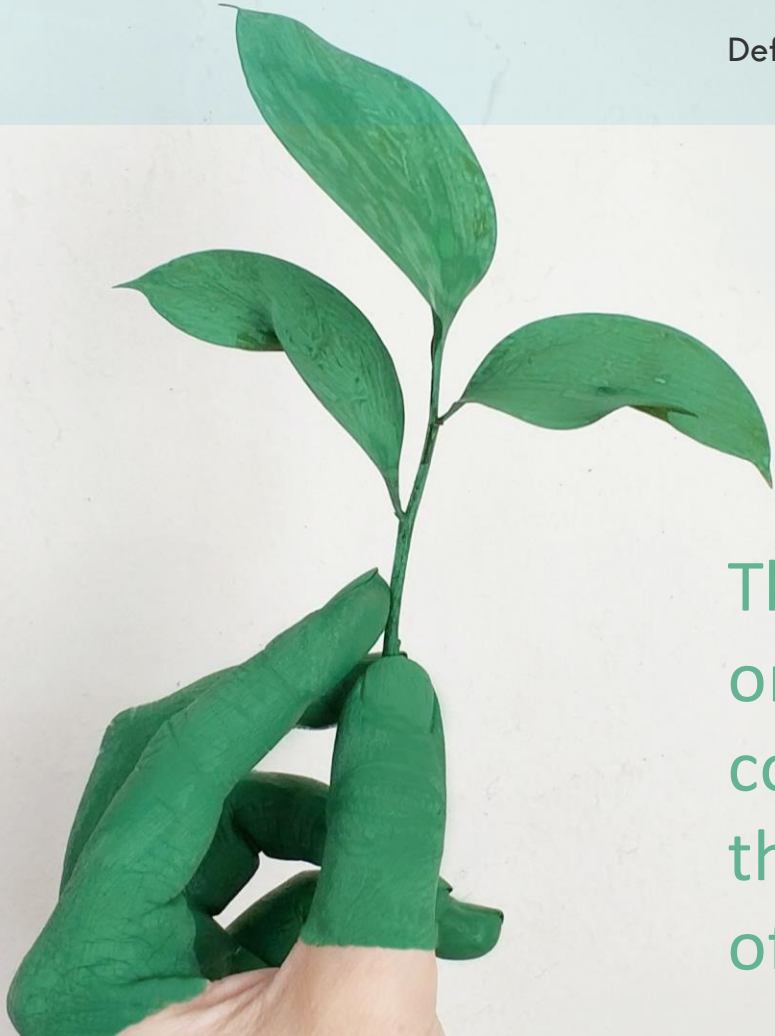
04

**WHO ARE THE
DECISION-MAKERS AND
INFLUENCERS**

05

**EVIDENCES OF
OUR EXPERTISE
IN THIS AREA**

Definition in Oxford English Dictionary



The degree to which a process or enterprise is able to be maintained or continued while avoiding the long-term depletion of natural resources.

Corporate sustainability
creates long-term stakeholder
value

by implementing a strategy
that addresses the needs of
the environmental, social, and
financial systems within which
a business operates.

The aim is to leave these
systems capable of existing
indefinitely.

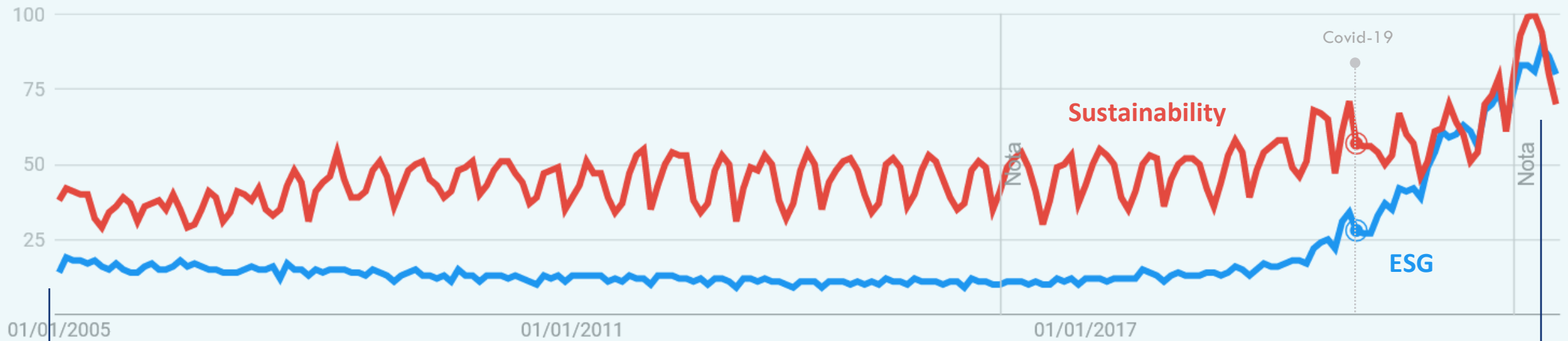


The boundaries of what constitutes business sustainability are fuzzy, making companies struggle to get their arms around such a broad concept.



For that reason, sustainability has never been truly integrated into most organisations.

Corporate Sustainability vs ESG



In 2004, Kofi Annan asked major financial institutions to partner with the UN to identify ways that will integrate environmental, social, and governance concerns into capital markets. The resulting study, titled *Who Cares Wins*, marked the first use of the term ESG.

ESG is gaining popularity over sustainability because it points to a specific set of criteria that remove the ambiguity surrounding the term sustainability.



ESG

ESG is the acronym
for Environmental, Social
and Governance

ESG is the assessable
outcome concerning
a company's overall
sustainability performance

ESG aspects



ENVIRONMENT

1. Carbon emissions
2. Toxic emissions
3. Energy efficiency
4. Climate change vulnerability
5. Water consumption and management of residual waters
6. Biodiversity and land use
7. Materials source
8. Waste and hazardous substances management
9. Product design and lifecycle management
10. Green technology/green buildings/renewable energies



SOCIAL

1. Workplace relations (inclusion and diversity)
2. Health and safety
3. Human capital development (training)
4. Talent attraction and retention
5. Work conditions in the supply chain
6. Prevention and work safety
7. Product safety and quality
8. Data security and privacy
9. Fair marketing and product labelling
10. Community relations



GOVERNANCE

1. Board structure
2. Employee Compensation
3. Customer satisfaction
4. Supply chain resilience
5. Business ethics and transparency of payments
6. Tackle corruption and instability
7. Accountability for performance
8. Systemic risk management
9. Responsible/ impactful finance and investments
10. Reporting and disclosure

ESG aspects

RELEVANT ESG ASPECTS DIFFER AMONG THE ECONOMIC SECTORS

The SASB identified **30** important sustainability topics organised into **5 dimensions** and **10 sectors**.

	HEALTHCARE	FINANCIALS	TECHNOLOGY & COMMUNICATIONS	NON-RENEWABLE RESOURCES	TRANSPORTATION	SERVICES	RESOURCE TRANSFORMATION	CONSUMPTION	RENEWABLE RESOURCES & ALTERNATIVE ENERGY	INFRASTRUCTURE
ENVIRONMENT										
GHG emissions										
Air quality										
Energy management										
Fuel management										
Water and wastewater management										
Waste and hazardous materials management										
Biodiversity impacts										
SOCIAL CAPITAL										
Human rights and community relations										
Access and affordability										
Customer welfare										
Data security and customer privacy										
Fair disclosure and labelling										
Fair marketing and advertising										
HUMAN CAPITAL										
Labour relations										
Fair labour practices										
Employee health, safety and wellbeing										
Diversity and inclusion										
Compensation and benefits										
Recruitment, development and retention										
BUSINESS MODEL AND INNOVATION										
Lifecycle impacts of products and services										
Environmental, social impacts on assets & operations										
Product packaging										
Product quality and safety										
LEADERSHIP AND GOVERNANCE										
Systemic risk management										
Accident and safety management										
Business ethics and transparency of payments										
Competitive behaviour										
Regulatory capture and political influence										
Materials sourcing										
Supply chain management										

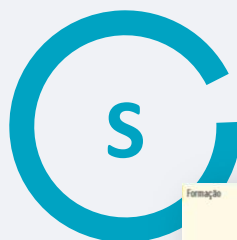
Issue is likely to be material for more than 50% of industries in sector
 Issue is likely to be material for less than 50% of industries in sector
 Issue is not likely to be material for any of the industries in sector

ESG metrics

General list of ESG criteria frequently assessed by investors and analysts



Ambiente	Política de ambiente e aspectos cobertos
Água	Programas e objectivos para reduzir o consumo de água Indicadores relativos ao uso da água
Emissões	Programas e objectivos para reduzir as emissões Indicadores relativos aos valores de emissões produzidas
Resíduos	Programas e objectivos para reduzir o consumo de resíduos Indicadores relativos aos valores de resíduos produzidos
Certificação	Sistema de gestão ambiental Indicadores relativos à certificação ambiental (# sítios; % de operações cobertas; % de colaboradores)
Oportunidades de mercado	Valor do investimento para evitar deslocações Valor do investimento e gasto ambiental
Incumprimentos	# acidentes Valor das multas Controvérsias relativas à gestão ambiental



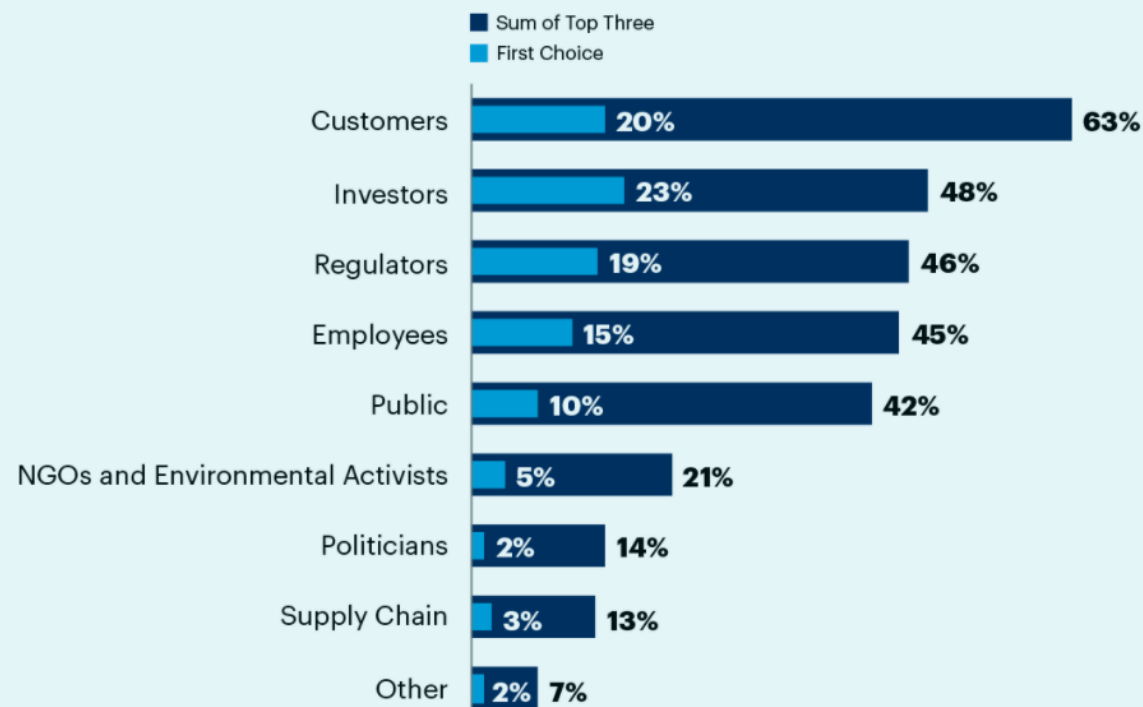
Formação	Horas de formação Valor imputado a formação # colaboradores formados # colaboradores envolvidos em acções de formação de combate à corrupção
Relações laborais	Programas para eliminar a discriminação e aumentar a diversidade % de mulheres no total de colaboradores % de mulheres em lugares de topo % de colaboradores representados em sindicatos ou acordos colectivos de trabalho # reuniões sindicais e taxa de presença # colaboradores por faixa etária Idade média dos colaboradores Distribuição geográfica por género dos colaboradores % de colaboradores cobertos por regimes de flexibilidade laboral % de colaboradores cobertos por benefícios # de horas de trabalho por semana por geografia # colaboradores com deficiência Políticas em Direitos Humanos
Atração e retenção de talentos	Taxa de turnover por geografia e global Satisfação dos colaboradores % de colaboradores coberto pelo regime de avaliação (180°, 270°, 360°)
Prevenção e segurança	Índice de frequência dos prestadores de serviço Índice de frequência dos colaboradores # acidentes de colaboradores e prestadores de serviço # acidentes mortais de colaboradores # acidentes mortais de prestadores de serviço # dias perdidos por acidentes % de colaboradores representados em tópicos de segurança e saúde no trabalho % de colaboradores cobertos por um sistema de gestão de segurança Horas de formação em tópicos de saúde e segurança Procedimentos de segurança para situações de emergência Horas de formação em tópicos de saúde e segurança dos prestadores de serviço % de fornecedores que têm um sistema de gestão em saúde e segurança # fornecedores auditados em tópicos de saúde e segurança Taxa de absentismo Programas para reduzir os incidentes de segurança e melhorar o bem-estar dos colaboradores Controvérsias nos tópicos de saúde e segurança
Responsabilidade com o cliente e produto	Valor do investimento para promover o acesso à água e à energia em países em desenvolvimento # clientes com necessidades especiais Acções desenvolvidas junto de clientes com necessidades especiais % de clientes cobertos por acções de promoção do uso eficiente dos recursos Valor do investimento em acções de eficiência energética # de reclamações de clientes Controvérsias de clientes
Comunidade	Programas de envolvimento com a comunidade Controvérsias relativas à qualidade do diálogo social



Estrutura do board/diversidade	# dos membros do board Separação entre o chair do board e o CEO # membros independentes # mulheres no board # reuniões do board e seus comités Controvérsias relativas ao governo corporativo
Conflitos de interesses	Valor dos non-audit fees Valor dos fees pagos Valor das contribuições, incluindo as políticas Valor dos impostos pagos por país Valor pago a associações ou outras instituições que podem actuar em nome dos interesses da empresa (custos de lobbying)
Compensação dos colaboradores	Compensação média anual dos colaboradores Compensação anual do CEO Proporção da compensação do CEO ligada a factores ESG, por exemplo redução de emissões, melhorias de eficiência energética, redução de acidentes de trabalho.
Códigos de ética e de conduta	Proporção de factores ESG cobertos Proporção de fornecedores/prestadores de serviços cobertos pelos factores ESG # auditorias realizadas no campo ético # reclamações éticas por categoria # casos de incumprimento # horas de formação ética Taxa de presença de colaboradores em acções éticas Programas de combate ao suborno e corrupção Valor gasto em práticas de transparência e integridade
Anti-trust	# casos relativos a incidentes anti-trust e de corrupção # e tipo de controvérsia
Relação com os clientes	Satisfação dos clientes
Cadeia de fornecimento	# fornecedores # fornecedores Tier 1 # auditorias a fornecedores Certificação de fornecedores Controvérsias relativas a fornecedores
Oportunidades de mercado	Gastos em I&D Meios dedicados a programas de gestão da procura
Materialidade	Qualidade do relato Ligação dos aspectos ESG materiais à compensação do CEO e restantes membros do CAE

THE SUSTAINABILITY FIELD IS EXPECTED TO EVOLVE IN AN ACCELERATED MANNER OVER THE NEXT DECADE FROM NEW LAWS AND REGULATIONS, TO SHARPER CONSUMER AND EMPLOYEE DEMANDS, AS WELL AS INVESTOR EXPECTATIONS.

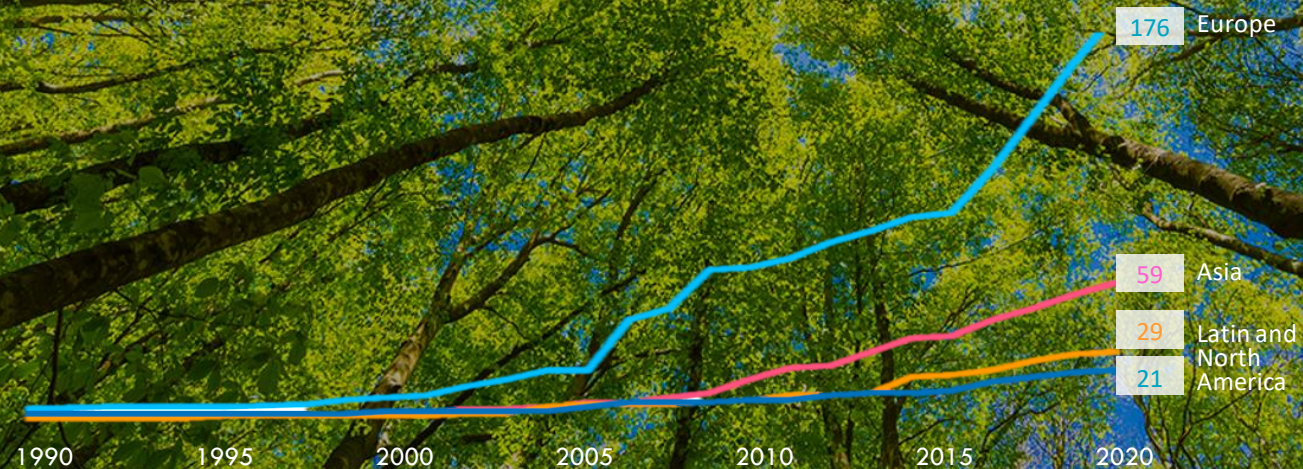
Top 3 Stakeholder Groups creating pressure to invest in Sustainability Initiatives



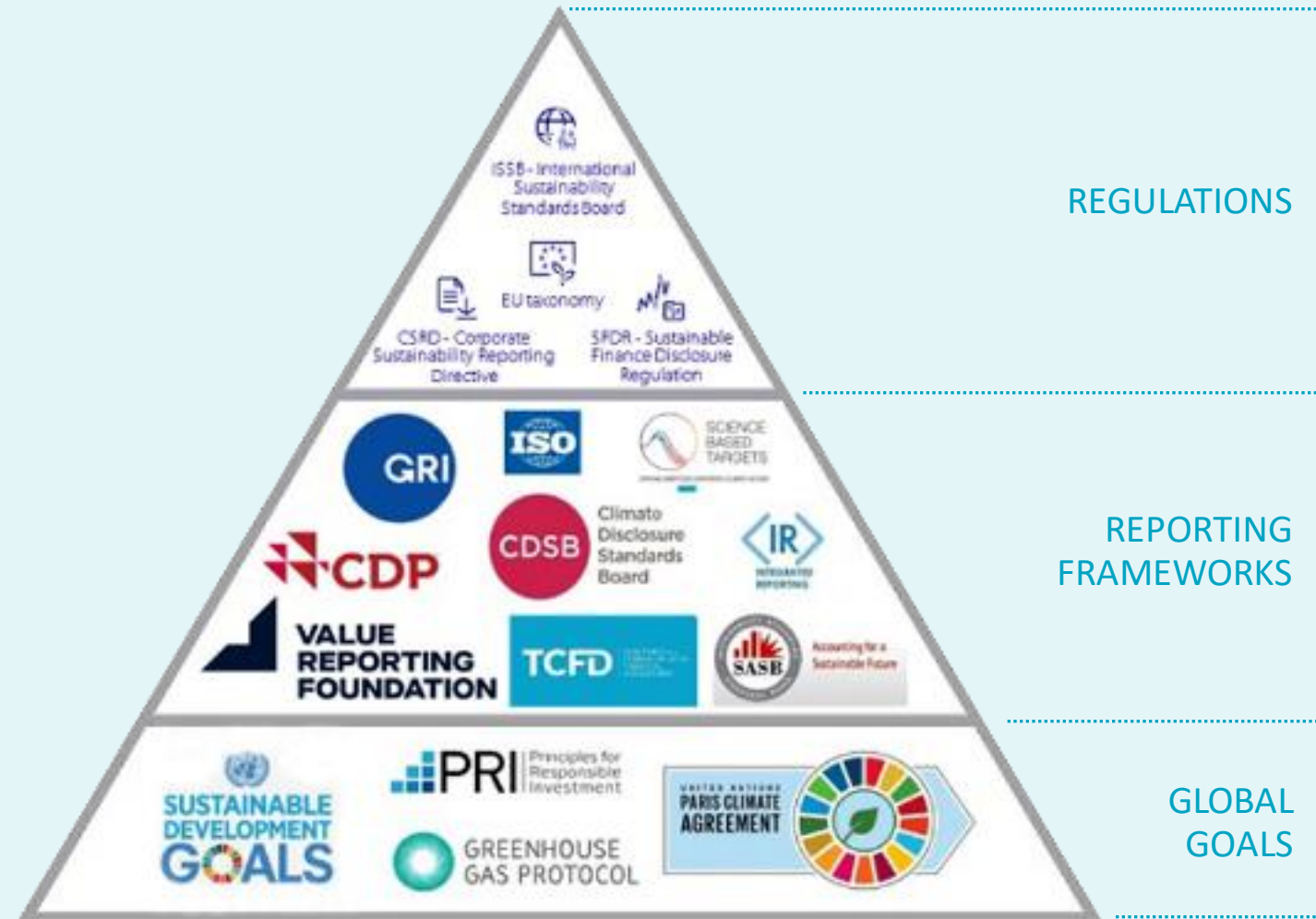
Source: Gartner

ESG reporting has received considerable attention in the past few years, which has contributed to a ‘boom’ in sustainability reporting standards, goals and regulations

Number of ESG frameworks



To understand how these standards and regulations are connected the different acronyms are grouped into 3 categories



GLOBAL GOALS

The most noteworthy differences between the regulations are the geographical scope of applicability and the fact that ISSB does not incorporate the double materiality.

EU TAXONOMY

CRSD

ISSB

The EU Taxonomy is a new green language developed by the European Commission and was implemented in Jan-22.

The goal is to help identify economic activities that substantially contribute to one of six EU environmental objectives, while not harming the other five.

The goal is to help all stakeholders to evaluate the non-financial performance of companies and to encourage companies to adapt their business models and operations to a sustainable economy and to limit global warming.

The CSRD requires companies to implement sustainability information in management reporting.

The formation of the ISSB was announced in November 2021 at COP26 in Glasgow.

The ISSB will develop standards that result in a high-quality, comprehensive global baseline of sustainability disclosures focused on the needs of investors and the financial markets.

Purpose

Geographical scope

Requirements

Implementation date

Materiality

EU

- Market participants offering financial products (SFDR)
- Market participants who fall under the scope of CRSD

2022: climate change mitigation and adaptation
 2023: other 4 climate objectives

N/A

EU

- Large companies to meet 2 out of 3 criteria:
- Balance sheet EUR 20m
 - Net revenue EUR 40m
 - 250 employees

2023: large companies
 2026: SMEs

Double materiality

Global

Jurisdictional authorities decide whether to mandate use of ISSB's standards

Release date to be set

Financial materiality

Let's outline 4 ESG frameworks most in use today

GLOBAL REPORTING INITIATIVE (GRI)



Created in 1997, the GRI was the first and most widely used framework.

To date, this framework is one of the most holistic approaches by working with stakeholders to determine how a company affects the world.

MORGAN STANLEY CAPITAL INTERNATIONAL (MSCI)



Morgan Stanley measures long-term resilience and ESG risks through a scoring system.

The MSCI ESG ratings are useful for institutional investors looking to build a portfolio or establish benchmarking.

SUSTAINABILITY ACCOUNTING STANDARDS BOARD (SASB)



In 2018, the Board published a set of ESG standards specific to 77 industries, each with a set of financially material topics and associated metrics.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD)



TCFD is an advisory body set up by the G20 to address concerns around insufficient disclosure of climate-related risks and opportunities for businesses.

The first publication of recommendations in 2017 provided context, background, and the framework for climate related financial disclosures.

The current challenges most companies face with regards to sustainability reporting are mainly access to data and sustainability expertise.

2x

**finances amount increase
due
to non compliance
of environmental
regulation**

30%

**of corporate profit is at risk
due to wrong calls on
regulatory strategies**

The changing demands of consumers are challenging companies to innovate in products/ services and operating model.

Sustainability-marketed products grow


5.6%

faster

60%

of consumers prefer companies that consider their impact on environment and society

Younger generations prefer meaningful work that helped others to a high salary. Ignoring this mood means companies are cutting themselves off from two-thirds of the talent pool.



42%

of workers want to work for an organisation that has a positive impact on the world

80%

of Gen Z talent is looking for an employer that is purpose-driven

The main catalyst for the rise in ESG investment is companies scoring highly against ESG criteria and outperforming their counterparts.

Sustainability investment growth is expected to increase by an average of

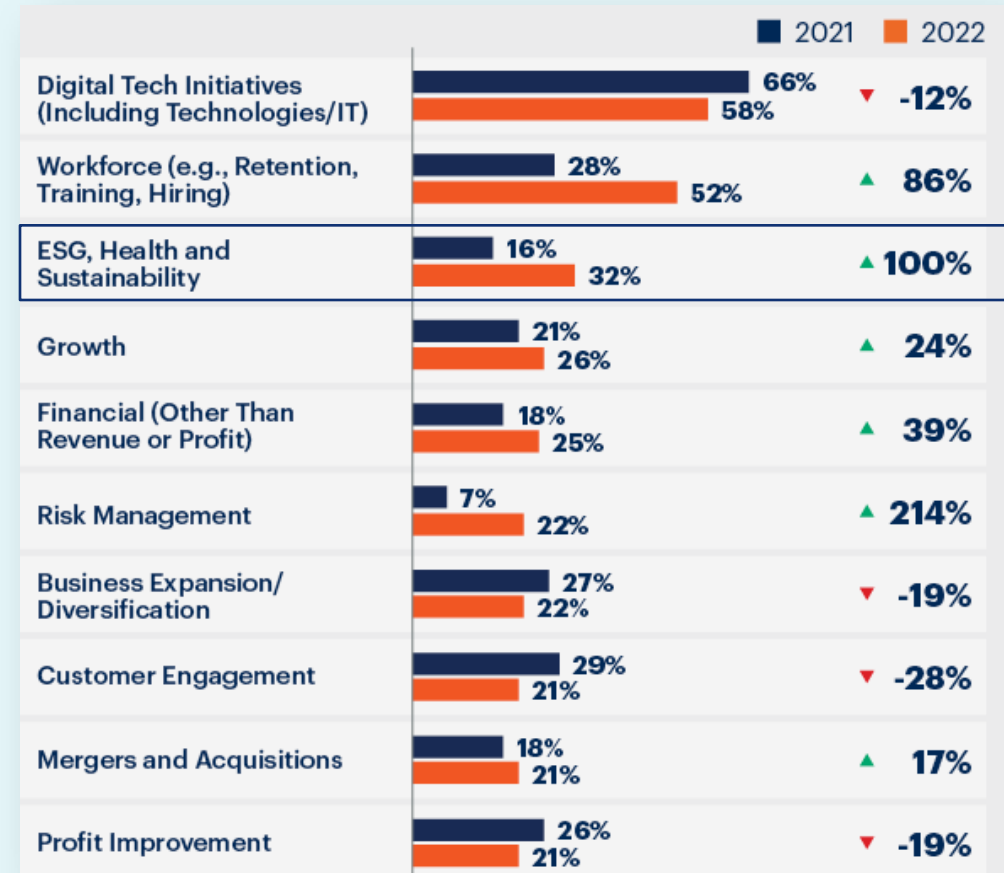
5.7%

over the next three years

An effective ESG strategy can affect operating profits by as much as

80%

Strategic Business Priorities for 2022



Source: Gartner

MANY ORGANISATIONS ARE CLAIMING THAT SUSTAINABLE PRACTICES ARE A STRATEGIC AMBITION.

HOWEVER, SUSTAINABILITY HAS HAD A PARALLEL AGENDA AND IS STILL MANAGED AS A STAND-ALONE INITIATIVE, RESULTING IN DISORGANISED EXECUTION AND SLOW PROGRESS.

Most common challenges on the road to enabling the sustainability strategy

Difficulty in selecting strategic ESG priorities



Efforts are disarticulated, marginal or generic



Lack of internal skills to implement the projects



Lack of processes to measure ESG metrics



Companies must choose
a sustainable business
strategy rather than
a sustainability strategy.

ESG should be fully integrated
into corporate strategy - not
subordinate to other, broader
business strategies.



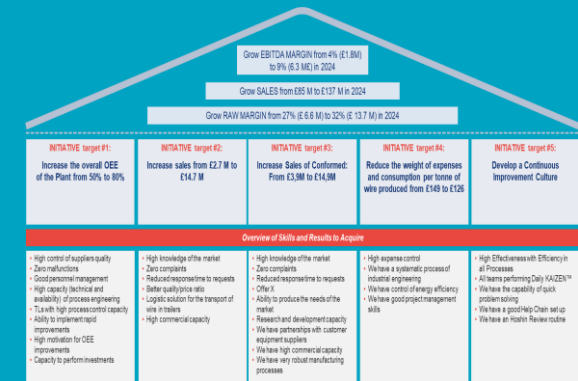


Here are the **4 steps** to **integrate sustainability into your organisation's strategy**

I. Review and plan the business strategy

OUTCOMES

Strategy summary (3-5 years)



CHALLENGES

- Sustainability is not integrated in the strategic planning
- Medium and long-term strategic objectives are not bold enough
- Medium-long term vision does not consider all the strategic drivers

PROCESS

- Carry out an analysis regarding the presence in current and potential markets (quantitative and qualitative)
- Conduct an analysis of historical performance and reflect on lessons learnt
- Identify, prioritise and listen to stakeholders concerning the impact of the organisation and the opportunities for value creation
- Analyse the main change drivers within the industry and globally
- Carry out a maturity assessment in terms of continuous improvement and sustainability
- List all options for the most promising strategic opportunities and run tests
- Design a strategic vision: what the winner looks like

Companies need to define a strategy that is supported by conviction, that is distinctive, meaningful to their stakeholders, that resonates with the market, and that is aligned with their purpose.

II. Deploy the strategy until the point of impact

CHALLENGES


- Public communication of sustainability goals without a roadmap
- Responsibility for the execution of the strategy centred on senior management
- Lack of understanding of the sustainability strategy by key people in the organisation
- Strategic directions and initiatives are trivial and many

PROCESS

- Select the strategic opportunities that need a deep dive: core value streams and areas of greater materiality
- Hold diagnostic workshops - value streams analysis
- Define a roadmap for carbon neutrality
- Set ambitious goals and annual priorities
- Create the top X matrix
- Define the deployment structure, points of impact and assess capacity
- Deploy based on the strategic initiatives, roadmaps and business case of the VSAs (catchall process)
- Develop the strategic report with the matrices and action plans at each level
- Formulate the sustainability targets to be publicly communicated

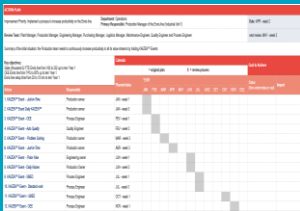
OUTCOMES

X Matrix



The X Matrix tool is a grid-based framework for strategic planning. It is divided into four quadrants: 'HOW?' (top-right), 'HOW FAR?' (top-left), 'HOW MUCH?' (bottom-right), and 'WHAT?' (bottom-left). Each quadrant contains specific questions and checkboxes to guide the user through defining goals, metrics, and implementation details.

Action plan



The Action Plan tool is a detailed grid for tracking progress. It features columns for 'What' (the task), 'When' (start and end dates), 'How' (the method or resources), and 'Who' (the responsible person). The grid allows for a clear visual representation of the project schedule and resource allocation.

Without action plans, there is no strategy. It is at the point of impact that the strategy is materialised with objective guidelines of 'what', 'when', 'how' and 'how much' we want to achieve.

III. Implement the strategic breakthrough initiatives

OUTCOMES

A3 report of a KAIZEN™ Event



CHALLENGES

- Implementation efforts are misaligned, marginal and/or generic
- Lack of capacity and objectivity to implement the defined strategy
- Internal resources without the skills to carry out breakthrough projects in the field of continuous improvement, sustainability, digitalisation, etc.

PROCESS

- Develop each strategic priority with a multidisciplinary team and with clear targets
- Follow an ESG improvement framework to implement the breakthrough projects such as:
 - Supplier development
 - Reduction of transport emissions
 - Energy efficiency
 - Increase in material yield
 - Empowerment of people
 - Improvement of employees' energy and motivation
 - Product reengineering
 - Eco-innovation
 - Improvement of the customer experience

Following a structured approach is critical to ensure the success of breakthrough improvements, to maximise outcomes and to ensure they are perpetuated.

IV. Monitor results and implement countermeasures

CHALLENGES

- Failure to track the progress of strategic initiatives at the right pace and frequency
- The priority management process is based solely on monitoring and communication
- The execution of the sustainability report is excessively complex and unlinked to reality

PROCESS

- Define the meeting cascade to review the strategy (bottom-up)
- Establish a Mission Control space to visualise the strategy execution
- Monitor the degree of targets achievement through bowler charts and assess their financial benefit
- Define countermeasures for deviating metrics using structured problem-solving tools
- Hold biannual retrospective sessions
- Draw up the sustainability report summarising the main initiatives and results

OUTCOMES

Bowler chart



Countermeasures



Sustainability report



Sustainability reports should be a true mirror of the ongoing effort to pursue priorities and achieve strategic goals.

To improve corporate sustainability, companies need to move from **IGNORANCE** to **COMPETITIVE ADVANTAGE**

IGNORANCE

Companies disregard sustainability

Traditional backward-looking sustainability focused lens (retro-fitting)

Limited sustainability policies

There is no one responsible for sustainability
Missing or conflicting responsibilities

Lack of sustainability awareness across the organisation

Lack of ESG related KPIs

Relevant information is only communicated internally and/or reported according to current regulation

COMPETITIVE ADVANTAGE

Companies are incentivised by market leadership and seek to influence change across the industry or ecosystem

Forward-looking financially focused view

Sustainability is a strategic priority and is embedded in the business model

Top management is champion on Sustainability
Sustainability attributes feature within all staff KPIs & job descriptions

Subject matter experts inside the business units
All employees apply sustainability lens in their daily work

Processes to measure and monitor, on a frequent basis, ESG related KPIs are in place

Sustainability and financial disclosures are reported collectively



How to start?

The **KAIZEN™ approach** starts with an **assessment of the organisation's maturity** in terms of **continuous improvement and sustainability**. This analysis reveals the weaknesses in sustainability efforts, and is key to identifying the initiatives to be developed, in order to **integrate sustainability into the culture and processes**, and thus ensure that the **ambitious goals are achieved**.

This entire process is carried out by **KAIZEN™ experts in collaboration with the management teams**. This will **leverage the teams' internal knowledge and experience**, as well as develop their improvement and sustainability capabilities.

MATURITY DIAGNOSIS



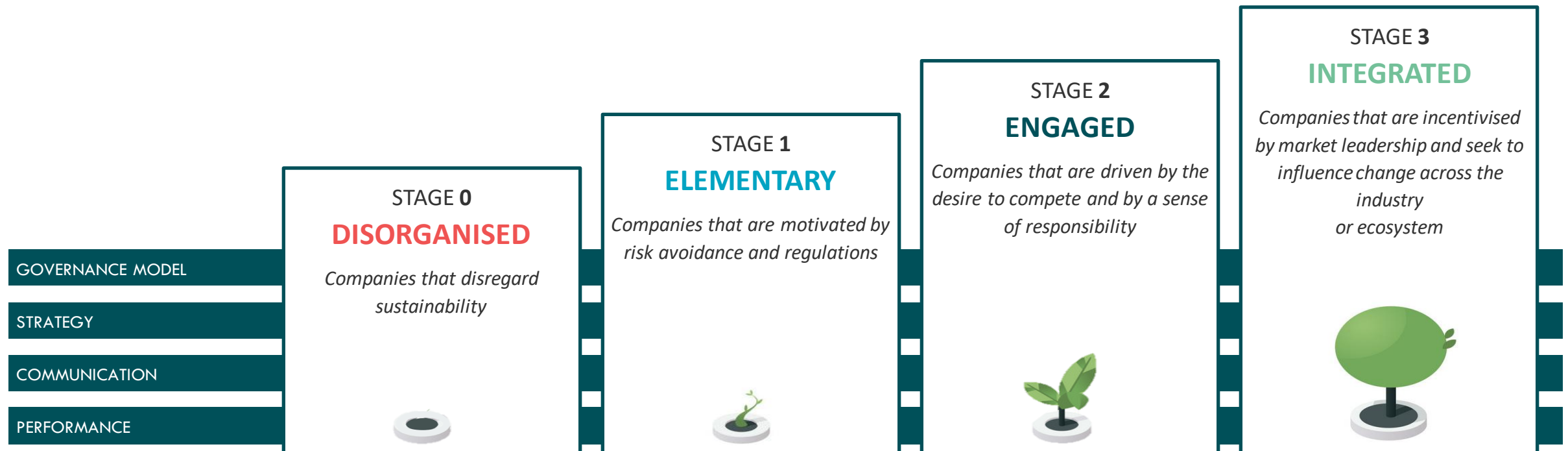
STRATEGY DEFINITION



ESG PERFORMANCE
EXCELLENCE

At Kaizen Institute, we classify organisations into 4 stages of maturity

There are four dimensions that comprise the ESG maturity of organisations. By analysing these dimensions, we can determine what stage each company is at, and help structure strategic choices, define goals and targets, and accelerate the advancement of ESG.



STAGE 1

ELEMENTARY

Becoming a sustainable, or more sustainable, business, is a process. The first steps should be creating internal awareness and measuring and reflecting upon the sustainability baseline



SUSTAINABILITY AWARENESS SEMINAR

Learn and reflect

- Introduction to Sustainability
- Sustainability Principles
- 5 Green Hazards and 7 Muda
- Initiatives to Maximise Company's Sustainability
- ESG Monitoring and Benefit Tracking
- Sustainability Maturity Path
- Case Studies



SUSTAINABILITY REPORT

Define, measure, and communicate

We help companies prepare and publish their annual sustainability reports in accordance with the Global Reporting Initiative (GRI) and Task Force on Climate-related Financial Disclosures (TCFD) guidelines.

STAGE 2
ENGAGED



When a company is in a transitioning stage, the following two steps will help fool-proof the benefits of sustainability and start mobilising towards an authentic and transformational journey



SUSTAINABILITY REPORT

Define, measure, and communicate

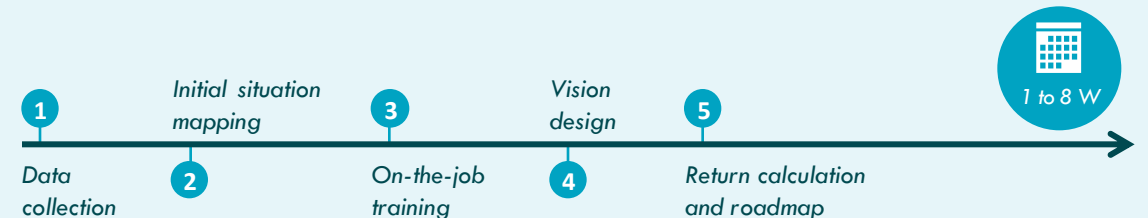
We help companies prepare and publish their annual sustainability reports in accordance with the Global Reporting Initiative (GRI) and Task Force on Climate-related Financial Disclosures (TCFD) guidelines.



VALUE STREAM ANALYSIS

Observe, analyse and plan

This approach consists of a complete analysis of the value chain and flows relating to the most material topics. It starts with the mapping of the current situation, ending with the design of a customised solution and an action plan ready for implementation.





STAGE 3
INTEGRATED

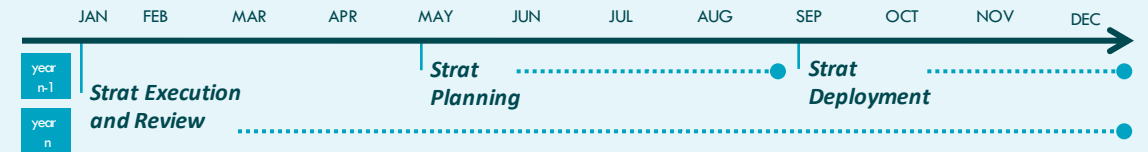
When a company is ready to commit, commercialise, get uncomfortable, and cooperate, the full KAIZEN™ approach will help mitigate business risks, build competitive advantage and prepare for the future



STRAT PLANNING & EXECUTION

Prioritise, deploy and monitor

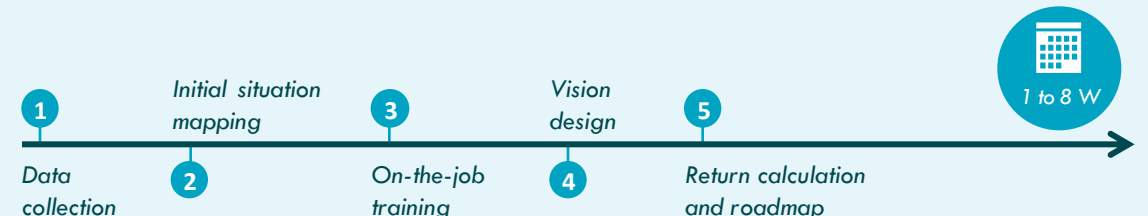
The aim of the strategic planning is to define a 3 to 5-year plan for the business to succeed and prosper.



VALUE STREAM ANALYSIS

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VSA Environment

Minimise the environmental impact of operations and supply chains



WATER

- Efficiency of water use
- Alternative sources of consumption
- Effluent treatment and toxicity elimination



ENERGY

- Efficiency in the use of equipment
- Alternative energy sources



POLLUTING GASES

- Emission reduction
- Gas treatment



MATERIALS

- Increased yield and waste reduction
- Stock Management



LOGISTICS NETWORK

- Logistics network optimisation
- Milkrun & Backhauling
- Vehicle sharing
- Distance and emission control
- Reverse logistics



TRANSPORT MEANS AND LOAD

- Definition of intermodal transport
- Implementation of electric vehicles
- Reduced packaging volume
- Load standardisation



TRANSACTIONAL PROCESSES

- Integration with suppliers and customers
- Elimination of paper in the process

VSA Social

Improve employee and customer satisfaction and develop suppliers



- Improved work standards with process confirmation support
- Core skills training academy and learning platforms to meet specific workflow needs
- Coaching and personal development programmes
- Fair and goal-oriented career progression plan
- Voice of Employee (VoE) follow-up system

- Improvement of the customer journey throughout all interactions with the company
- Voice of customer (VoC) follow-up system
- Re-engineer the product/service to remove features that detract from the customer and expand functionality that generates value and well-being
- Create customer and consumer database to generate insights - customer analytics
- Develop a more flexible organisational model, promote agile teams and "shorten" the distance to the operational level

- Methodology for supplier selection and evaluation based on ESG aspects
- Dashboards for follow-up and scenario simulation
- Optimise purchasing processes to avoid rush orders, last-minute changes or ordering beyond supplier capacity
- Programmes to improve supplier operations and encourage compliance with established sustainability standards

^ Talent retention
^ Results consistency

^ Net Promotor Score (NPS)
^ Customer Lifetime Value (CLV)

^ Supplier evaluation

VSA Governance

Minimise business risk and strengthen transparency and accountability within the organisation

RISK MANAGEMENT



- Assessment of external and internal environments and define approaches to manage operational, financial, regulatory and cyber-security risks
- Predictive analytics techniques to identify risks
- Risk governance model
- Obeya room for visual management of different risk factors and implementation of mitigation mechanisms
- Development of simulation capabilities to rapidly test tactics against disruption
- Assess criticality of business processes, define continuity requirements and identify their dependencies
- Business continuity plan

TRANSPARENCY AND ACCOUNTABILITY



- Structured communication throughout the hierarchy to report on condition, to escalate issues, to provide feedback and support, to deliver results and to prioritise
- Definition of key performance indicators to measure, monitor, analyse and improve at each level of the organisation
- Team boards to support standardised meetings focused on follow-up of people and their performance
- Help Chain system with the goal of solving a problem as it arises
- Integration into the reward system of a component related to the success of the organisation's continuous improvement and sustainability programmes

Business resilience

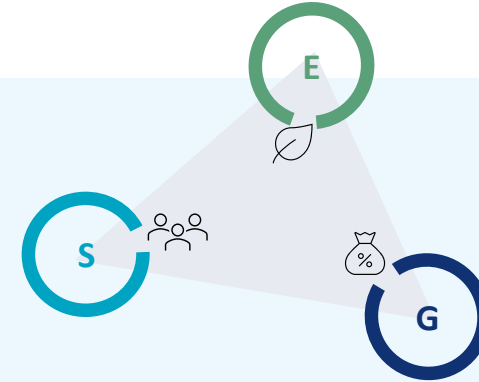
Profitability (teams involved and data visibility)

Simplified reporting

VSA's to find opportunities on Sustainability

CORPORATE SUSTAINABILITY

Planet Protection | Social Responsibility | Corporate Awareness



PARTNERS & SUPPLIERS

VSA Supply Chain

ACTIVITIES & RESOURCES

VSA Lean Green Operations

Daily KAIZEN™ Planning

VALUE PROPOSITION

VSA Portfolio & Projects

Innovation Strategy

CUSTOMERS & CHANNELS

VSA Customer Experience

VSA Marketing & Sales

GreenHouse Gas Protocol

Life Cycle Assessment
(LCC + E-LCA + S-LCA)

MONITORING

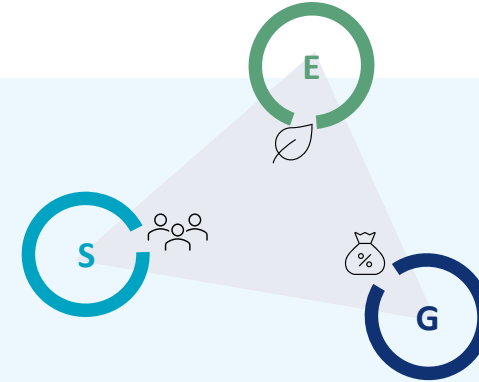
Sustainability Report

ESG Governance & Monitoring

KAIZEN™ Events with direct impact on Sustainability

CORPORATE SUSTAINABILITY

Planet Protection | Social Responsibility | Corporate Awareness



PARTNERS & SUPPLIERS

1. E2E Supply Chain Design
2. Suppliers Development
3. Transport Optimisation
4. Warehouse Optimisation

ACTIVITIES & RESOURCES

1. Energy Efficiency & Renewable Sources
2. Yield & Waste Management
3. Water Consumption & Toxicity
4. Polluting Gas Minimisation & Capture
5. Agile Organisation
6. Daily KAIZEN™
7. KAIZEN™ Energy

VALUE PROPOSITION

1. Portfolio management
2. Eco-innovation
3. Value Analysis Value Engineering
4. Product Labelling & Certification

CUSTOMERS & CHANNELS

1. Customer Experience
2. Green Sales & Marketing
3. Circular Economy

**KAIZEN INSTITUTE'S COURSE OF ACTION
RELIES ON A SOLID VALUE PROPOSITION
BASED ON UNIQUE SOLUTIONS**

Here are the 9 most impactful INITIATIVES to maximise the company sustainability



INCREASE ENERGY
EFFICIENCY

IMPROVE MATERIAL
YIELD

CREATE SUSTAINABLE PRODUCTS



DEVELOP
HUMAN CAPITAL

IMPROVE CUSTOMER SATISFACTION
AND WELLBEING

EXPAND SUSTAINABLE SOURCING
POLICIES



STRENGTHEN SUPPLY CHAIN
RESILIENCE

CREATE RISK MANAGEMENT SYSTEMS
AND PROCESSES

STRENGTHEN TRANSPARENCY AND
ACCOUNTABILITY

Increase energy efficiency

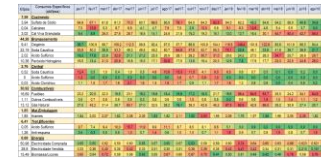
CHALLENGES

- Lack of visibility over energy consumption throughout the process
- Low equipment efficiency due to breakdowns, micro- breakdowns, cleaning or changeovers
- Inefficient work practices due to lack of sustainability awareness
- Use of some non-renewable energy sources such as oil, gas and coal

KAIZEN™ SOLUTIONS

- Perform a **consumption analysis** to identify the most critical equipment/operations
- Focus on **real-time measurement** of critical energy consumption points and perform frequent **energy audits**
- Implement **Kobetsu KAIZEN™** to solve efficiency losses of priority equipment and reduce major consumption deviations
- **Train staff** in the correct and responsible use of the equipment
- Replace the equipment with **more efficient alternatives** suited to the utilisation pattern
- Invest in a structured transition **to cleaner energy sources and in smart connectivity technologies**

Consumption heatmap



IMPACT

- ✓ Total energy consumption
- ✓ Energy share from renewable sources

We are undergoing an energy crisis. In this context, companies must boost investments in efficiency and non-fossil energy.

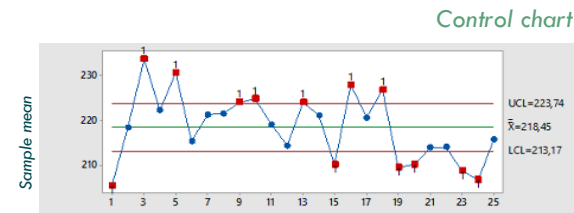
Improve material yield

CHALLENGES

- Increased raw material prices
- High losses of material yield hidden in the process
- Significant variations in quality and raw material characteristics
- Low first-time quality index
- No reuse of materials in the process

KAIZEN™ SOLUTIONS

- Improve process control and reduce variability using **Lean Six Sigma** methodology and **standardisation**
- **Product reengineering** based on the removal of product characteristics with low added value, technical improvement and maximisation of the incorporation of multi-reference materials
- **Reintroduction of by-products** into the production process or use to generate energy (if possible)
- **Recover and reuse** packaging and transport materials
- Improve stock management with a **pull planning system** to avoid excess inventory and potential deterioration or obsolescence



IMPACT

- ✓ Materials consumption
- ✓ Non-quality costs

Material costs range from 35% to 55% in industrial sectors. Small improvements in material yield can significantly impact the margin.

Create sustainable products



CHALLENGES

- Evolving consumer expectations to value convenience, sustainability, transparency and ethical sourcing
- The oceans are being turned into landfills for toxic waste
- More than half of the material value is lost in the first production cycle
- Most products have a very low use rate

KAIZEN™ SOLUTIONS

- Use process waste as a resource by recovering it for **reuse and recycling**
- Design for the future - **eco-design** - by incorporating durable and recoverable materials
- **Product re-engineering** to reduce/eliminate materials with low added value and/or high environmental impact
- **Prioritise regenerative resources in design and industrialisation:** ensure renewable, reusable and non-toxic resources both in terms of energy and materials
- **Work together** with suppliers and customers to increase transparency and create shared value within the value proposition
- Rethinking the **business model** by integrating or transitioning from products to services

Quality Function Deployment

IMPACT

- ↗ Sales (portfolio increase and new markets)
- ↗ % of incorporated renewable resources

To kick-start the circular economy, one must start with process innovation, then with product innovation and finally with business model innovation.

Develop human capital

CHALLENGES

- Talent shortage and low staff retention rate
- Lack of alignment between the ageing active population and the demands of the technological business world
- Lack of awareness and quantification of the impact of human capital on the organisation's success
- Low sense of ownership at the bottom of the pyramid
- High variability in the execution of core activities

KAIZEN™ SOLUTIONS

- Enable the implementation of better **work standards** supported by process **confirmation standards**
- Set up **push training processes** for core skills
- Invest in **learning platforms** to meet specific needs in the flow of the work
- Enable employees to act as process owners - stimulating and empowering them to **solve problems**
- Promote **coaching and personal development** programmes
- Establish a fair and goal-oriented **career progression plan**
- Develop **personalised talent attraction and retention strategies**
- Implement an **employee voice monitoring system (VoE)**

Training plan and skills matrix



IMPACT

- ↗ Talent retention
- ↗ Results consistency

By placing professionals at the core of the business, companies are boosting retention rates, strengthening the culture with more engaged teams and higher customer satisfaction.

Improve customer satisfaction and wellbeing

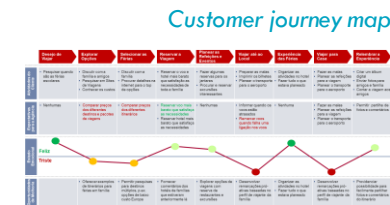


CHALLENGES

- Customer expectations are ever-changing (multi-channel, immediacy, etc.)
- Consumer environmental awareness is on the rise
- Product-centric culture
- Business orientation towards transaction (vs. relationship)
- Organisations with low concern for the use and disposal condition of their products

KAIZEN™ SOLUTIONS

- Optimise the **customer journey** in all their interactions with the company by eliminating pain points and reinforcing pleasure points
- Implement a **voice of the customer (VoC)** monitoring system
- **Product reengineering** to eliminate harmful consumer features and expand functionalities that create value and wellbeing
- Create **consumer awareness** of sustainable product use and disposal practices
- Create a database of consumer and customer data to generate insights - **customer analytics**
- Develop a **more flexible organisational model**, promoting agile teams and "shortening" the distance to the front line



IMPACT

- ⤴ Net Promotor Score (NPS)
- ⤴ Customer Lifetime Value (CLV)

It is the customer that determines what the business is, what it produces and whether it will thrive. However, few companies have a truly customer-centric culture.

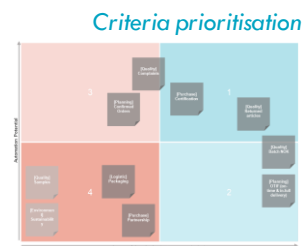
Expand sustainable sourcing

CHALLENGES

- Increased pressure from stakeholders to establish sustainable sourcing policies
- Half of the companies' suppliers are inactive
- Lack of visibility on supplier performance makes decision-making difficult
- Traditional sourcing strategy focused on the transaction and generic (one size fits all)
- Incidents at one supplier have impacted the reputation of several links in the supply chain

KAIZEN™ SOLUTIONS

- Create a methodology for **selecting and assessing suppliers** based on environmental, social and economic criteria
- Develop **dashboards** for monitoring and simulating scenarios
- **Optimise purchasing processes** in order to avoid urgent orders, last minute changes or placing orders that exceed supplier capacity
- Develop **programmes to improve** supplier operations and support compliance with established sustainability standards
- **Integrate upstream** to reduce reliance on powerful, unsustainable suppliers
- Adopt a "**reshore**" or "**nearshore**" approach to key strategic partners



IMPACT

- ✓ Supplier assessment
- ✓ Greenhouse gas emissions (scope 3)

Responsible sourcing is one of the top 10 global reputation trends. It is imperative that companies develop strategic relationships and define more sustainable sourcing policies.

Strengthen supply chain resilience

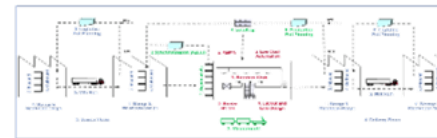
CHALLENGES

- Supply chains are organised in silos and are inward-oriented
- Supply chains are very vulnerable to disruptions in both demand and supply (health, weather and politics)
- Difficulties in forecasting demand due to lack of data
- infrastructure inadequate to meet the logistics challenges

KAIZEN™ SOLUTIONS

- **Map the end-to-end supply chain** and assess strategic player locations based on geographic and capacity matters
- Implement a demand-driven **pull planning system**
- Use **analytics tools** to define the best **transport routes**
- Use **flow creation** and productivity improvement tools in **warehouse operations** - loading and unloading
- Reduce part of the portfolio through a **variety reduction programme**
- Modernise the supply chain with **digitalisation**

Supply chain map



IMPACT

- ✓ On-time in full (OTIF)
- ✓ Cost-to-serve

Supply chains must be more customer-focused, agile, lean and fast to anticipate and recover from instability and disruption.

Create risk management system and processes

CHALLENGES

- Taking on risk as an integral component of business (reactive behaviour)
- Supervisory authorities are increasingly vigilant in how institutions implement and test their resilience mechanisms
- Increase in the number of cybersecurity incidents globally
- Technological disruptions are hand-in-hand with the adoption of cloud-based solutions

KAIZEN™ SOLUTIONS

- Assess external and internal environments and define **frameworks to manage** operational, financial, regulatory, compliance and cybersecurity **risk**
- Apply **predictive analytics** techniques to identify risks
- Implement a **risk governance model**
- Set up an obeya room for **visual management** of the different risk factors and corresponding implementation of **mitigation mechanisms**
- Develop simulation capabilities to quickly test tactics against **disruption**
- Assess the **criticality of the business processes**, define the continuity requirements and identify dependencies
- Consolidate the processes and common activities to be developed in a contingency scenario - **business continuity plan**



IMPACT

Business resilience

One of the fundamental factors in ensuring business continuity is seamless collaboration between different business functions, both before and during the management of crisis situations.

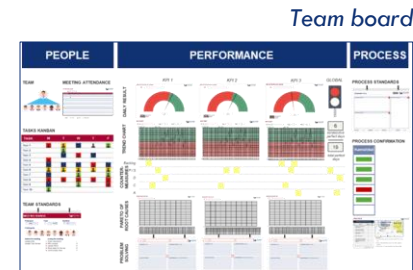
Strengthen transparency and accountability within the organisation

CHALLENGES

- Traditional management model where firefighting is common
- Lack of leadership skills and improvement culture
- Lack of alignment and transparency in internal communications
- Lack of accountability of the individuals and teams regarding results

KAIZEN™ SOLUTIONS

- Establish a **structured communication** throughout the hierarchy to report status, escalate issues, provide feedback and support and deliver results and set priorities
- Define **key performance indicators** to measure, control, analyse and improve at each level of the organisation
- Create **team boards** to support standardised meetings focused on monitoring people and their performance
- Design a **help chain** system with the goal of solving a problem when it occurs
- Integrate in the **reward system** a component associated to the success of the continuous improvement and sustainability programmes of the organisation



IMPACT

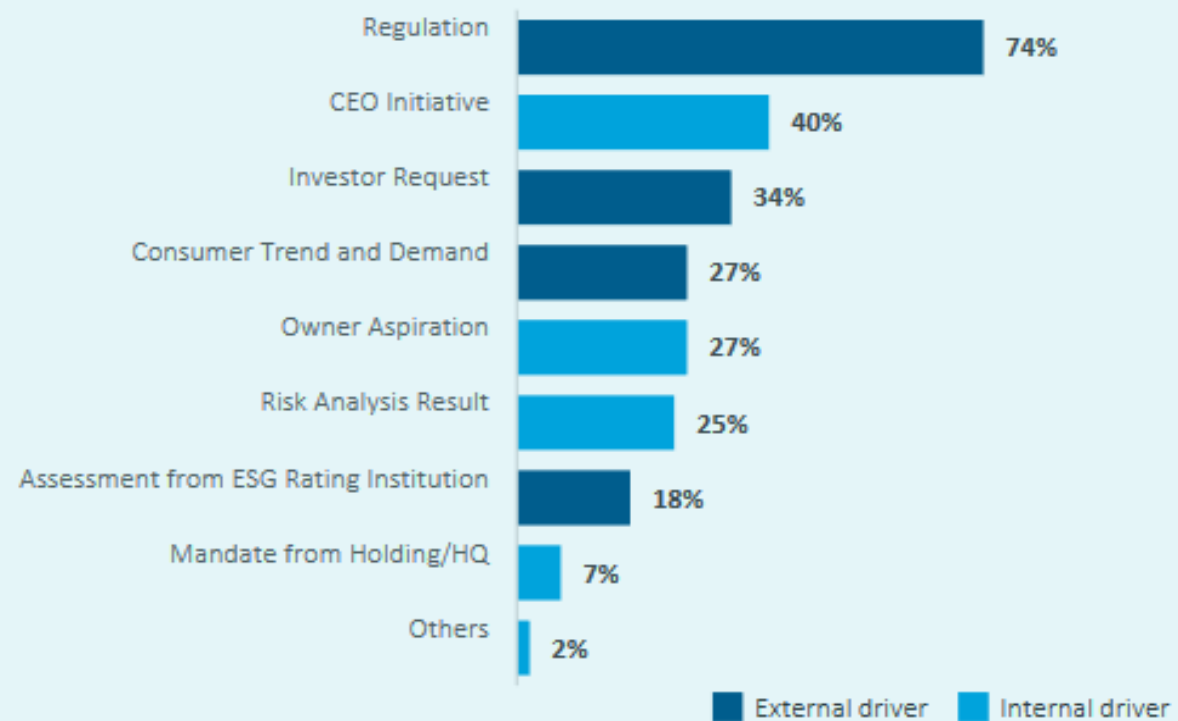
- ✓ Profitability (teams involved and data visibility)
- ✓ Simplified reporting

Visual management makes people accountable, promotes predictable and effective work, improves alignment and helps achieve and sustain breakthrough results on a consistent basis.



**AT KAIZEN INSTITUTE,
WE PARTNER WITH COMPANIES' LEADERS
TO BUILD OPTIMAL
PERSONALISED SOLUTIONS**

Drivers of ESG discussion on the Board's Agenda



ESG IS DISCUSSED ON BOARDS' AGENDA NOT ONLY DUE TO REGULATION OR INVESTORS PRESSURE.

CEOs ARE KEY TO MOBILISE FOR SUSTAINABILITY AS WELL AS APPOINTED CSOs.

Buyer Personas

CEO



Sustainability must be part of the CEO's strategy, supported by the C-suite, championed by the board, and lived, believed, and owned by the full organisation.

CSO



In a sample of S&P 500 companies, the majority have appointed a dedicated sustainability leader. And most of them have given the CSO the authority required to be a true catalyst for change, with about 86% placing that person within two levels of the CEO in the organisation chart.

CSCO



The spotlight on chief supply chain officers is significant, because supply chain operations account for most emissions in the value chain. CSCOs need to double down on their efforts to reduce emissions.

Sustainability Governance

The need for dedicated teams diminishes as employees across the business learn to apply a sustainability lens to the decisions they make.

STAGE 0
DISORGANISED

STAGE 1
ELEMENTARY

STAGE 2
ENGAGED

STAGE 3
INTEGRATED

Centre of Support

As a company's sustainability effort becomes more mature, the sustainability function is organised into a moderately sized central team with small satellite groups embedded in the business.

Central team: activities that support the corporate sustainability agenda - data management, reporting, communications, and external partnerships and advocacy

Embedded sustainability teams: set the sustainability strategy for the business units

Centre of Coordination

At the early stages of the sustainability journey, companies often create a central sustainability team.

Central team: works with executive leadership to develop the sustainability strategy, set goals and targets, focus in coordinating the initiatives.

Sustainability-affiliated staff in the business units: execute the sustainability initiatives (dedicated only part-time)

Centre of Expertise

Other common model among mature companies is the establishment of a **central sustainability team** that houses subject matter experts who can help business units design and execute sustainability initiatives.

Corporate centre: key activities such as data, reporting, communications, and partnerships are frequently embedded within finance or corporate communications





THE BENEFIT OF THE SUSTAINABILITY EFFORT
ARISES WHEN IT BECOMES
A PROFIT CENTER, A MAGNET FOR CUSTOMERS
AND TALENT,
AND AN INNOVATION ENGINE

ESG factors have become key drivers of value, proving that business performance is no longer measured only in terms of market size and profit



+



+



5 ESG levers to create value

The changing demands of consumers can provide significant growth opportunities



Even the most advanced companies have opportunities to reduce costs along their value chain from reducing water consumption or packaging materials to saving energy in their operations

ESG actions can be a great opportunity to boost employee motivation and attract and retain talent



Better relationships between companies and regulators leads to better performance for the company and the community

The shift to a low carbon environment will require huge investments. There are big value-creating opportunities for thoughtful companies



COMPANIES THAT ARE ACTIVELY PLANNING
THEIR STRATEGY TO BECOME MORE SUSTAINABLE
HAVE AN INCREASE IN RETURN BY ABOUT

15%

Start now and get competitive
advantage!

STAGE 0
IGNORANCE

STAGE 1
COMPLIANCE

STAGE 2
CONTRIBUTION

STAGE 3
COMPETITIVE
ADVANTAGE

START YOUR JOURNEY

Join our customers

Sustainability Success Stories

Sonae

 **Olam**

ATLANTIC LNG
COMPANY OF TRINIDAD AND TOBAGO

altri

 **Sugal**


AMORIM


Cerealis

Porto.
Câmara
Municipal

 **edp**

Bial

 **BOSCH**

Millennium
bcp

NORS

**Jerónimo
Martins**

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GROUP

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