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Introduction to Multidimensional P&L
About True Price

True Price’s mission

True Price’s mission is to make markets work for sustainable development. It does that by helping organizations measure, value and improve their impact. In addition, True Price contributes together with partners to the development of open source methods for impact measurement and valuation.

Sectors we work in:

- Financial services
- Transportation
- Construction
- Online media
- Chemicals
- Horticulture
- Apparel
- Retail
- Crop agriculture
- Food production
- Livestock
- Advisory services
- Transportation

Selection of our service (partners):

- Rabobank
- DSM
- Bijkoeverkant
- Bam
- ABN-AMRO
- AkzoNobel
- FMO
- European Commission
- UNEP
- Achmea
- Tony’s Chocolonely
Businesses increasingly measure and value impact

Natural Capital

Social, human and financial capital

Uptake in 2010 (maturity)

Pilot
Measure
Integrate

Plan

Pilot
Measure
Integrate

Plan

Uptake in 2015 (maturity)

Plan

Pilot
Measure
Integrate

100+

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Next step is multidimensional P&L

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<th>FINANCIAL CAPITAL</th>
<th>NATURAL CAPITAL</th>
<th>SOCIAL CAPITAL</th>
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<td>Costs</td>
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<td>Direct value chain</td>
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</tbody>
</table>

Valued, monetized, reported impacts of:

- one product or plant
- one or more business unit(s) or entire operation
Shareholder vs societal value

Shareholder value

Business

INTERNALIZATION RATE

Society

Impacts

Dependencies

Value society

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Aligning value creation shareholders and society

Shareholder value

Business

INTERNALIZATION RATE

Society

Impacts

Dependencies

Value society
Traditional shareholder value

Financial Capital

Benefits

Profit

Costs
Including other stakeholders

Financial Capital

Benefits
- Customers
- Suppliers
- Workers
- Government
- Profit

Costs
Including non-financial capitals

- Financial Capital
  - Customers
  - Suppliers
  - Workers
  - Government
  - Profit

- Natural Capital
  - Green

- Social Capital
  - Red

- Human Capital
  - Blue

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## Impact measurement and valuation method

<table>
<thead>
<tr>
<th>Step</th>
<th>Measure outputs</th>
<th>Estimate outcome</th>
<th>Estimate impact</th>
<th>Monetize impact</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Stylized Example 1</strong></td>
<td>Methane emissions (1ton)</td>
<td>Global warming potential (21 TCO2-eq)</td>
<td>Various effects (on e.g. agriculture, coastal areas, pollution)</td>
<td>Monetize impact 21 x €115 = €2,415</td>
</tr>
<tr>
<td><strong>Stylized Example 2</strong></td>
<td>Accident leading to short term injury to eyes of 1 person</td>
<td>0.08 disability weight for 19 days</td>
<td>Various effects (e.g. discomfort) lead to 0.004 reduction of Disability Adjusted Life Years</td>
<td>Monetize impact 0.004 x €45,000 = €181</td>
</tr>
<tr>
<td><strong>Benefits</strong></td>
<td>Know what is going on</td>
<td>Consistent triple P measurement framework</td>
<td>Objectifying value by rigor and consensus</td>
<td>Single business currency everyone understands</td>
</tr>
</tbody>
</table>
Measuring Our Impact in 4D
Overview of AkzoNobel

€14.3 billion in revenue

47,200 employees

200+ production sites

80+ countries

3 businesses
- Decorative Paints
- Performance Coatings
- Specialty Chemicals

#1 for four years in a row

4 end-user segments
- Buildings and Infrastructure
- Transportation
- Consumer Goods
- Industrial

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All figures relate to 2014
**4D P&L accounting pilot**

**Investigate total effect of our business**
- Environment, people, society and financial capital
- Profits and Losses (P&L)
- Full value chain

**Business and Location**
- AkzoNobel PPC: Bleaching Chemicals business in Brazil

**Stage**
- Pilot study

**Timeline**
- Q3 2014 - Q1 2015
4D P&L pilot goals

Go beyond environmental profit and loss

Test a P&L for all four pillars of sustainability
  • Environment, people, society and financial capital

Explore social methods with collaborations
4D P&L Pilot – monetized impact across the whole value chain

- Environmental Capital
- Societal Capital
- People Capital
- Financial Capital

Distribution between the “4 Capital Accounts”

- Main profit: Financial capital
- Main loss: Environmental capital
- Societal and people capital are small compared to environmental and financial capital (compared to agriculture, food, textile industry, etc.)

These indicative results are based on work carried out in cooperation with TruePrice and Pavan Sukhdev (GIST)
4D P&L Pilot – monetized impact across the whole value chain

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Environmental Capital
• Engage with suppliers and customers to reduce their fossil resource use
• Efficiency in energy / resource use

People Capital
• Staff retention and training

Social Capital
• Health and safety
• Rights at work
• Work with local communities

Financial capital
• Grow business to increase financial capital
4D P&L pilot outcomes

• Understand value creation in multiple dimensions

• Reducing the negatives and building on positives

• Stimulate innovation along the value chain

• Compare and prioritize issues

“By attaching an economic value to the positive and negative aspects of each dimension, we can gain valuable insights into how we can drive longer-term value not only for our shareholders, but also for the environment, people and society at large.

Ton Büchner, AkzoNobel CEO
Final Thoughts

Sustainability is not about calculating natural capital…

But natural capital calculation should initiate real actions leading to change

Helping us to deliver our Planet Possible promise of generating more value from fewer resources
Thank you

AkzoNobel
Strawinskylaan 2555, 1070 AS Amsterdam
Site:  www.akzonobel.com
Facebook: /AkzoNobel
Twitter: @AkzoNobel
Tel.: +31 20 502 7555

True Price
Condensatorweg 54, Amsterdam
Site:  www.trueprice.org
Facebook: /trueprice.org
Twitter: true_price
Tel.: +31 202 403 440
Challenges and outlook
Outlook: Main challenges

- Integration of many knowledge domains
- Sound method
- Reliable data
- Verification
- Understanding in business
- Harmonization: 1 standard
Towards Harmonization
Current frontiers

Full value chain

Positive impact

Value creation

Dependencies

Internalization