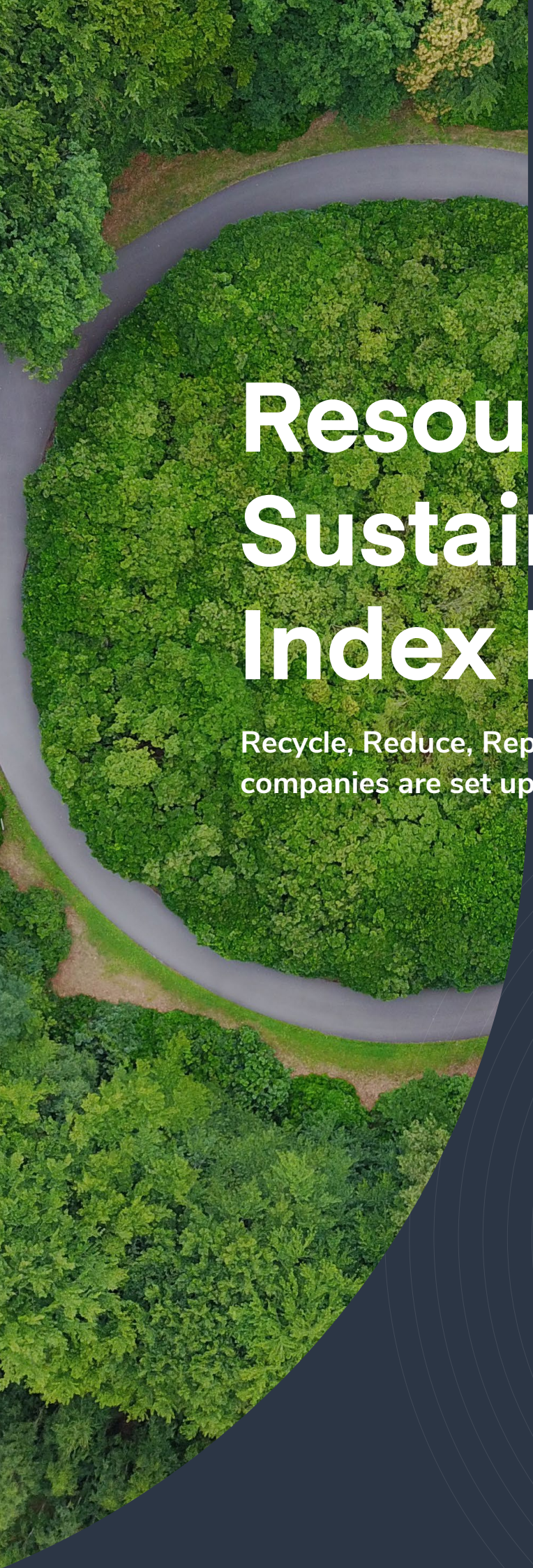


Resourcify

Resourcify Sustainability Index Report

Recycle, Reduce, Report: German DAX companies are set up to deliver these results.

2022

Introduction

With the Sustainability Index Report, Resourcify intends to sensitize society and the business world to the topic of sustainability and motivate companies to reach the important ESG (Environmental, Social, Governance) goals as quickly as possible.

With climate change and the destruction of the planet's most important ecosystems, the challenge is multi-faceted and the solution depends on the interplay of many factors - especially corporations. One way to reduce the negative impact of business on the environment is to create a circular economy. This economic concept is based on one simple idea: By keeping all reusable materials in a cycle for as long as possible, we can save energy and reduce costs, protect the environment and increase our independence from raw material suppliers. Given these clear advantages, the EU and the UN are addressing the issue by establishing internationally applicable rules for the circular economy, for instance by banning single-use plastic throughout the EU.

The circular economy is also becoming an increasingly important issue for the general public and the business economy has long been adapting to this trend. But there is still no clear overview of which major German companies are actually doing the most to promote a circular economy and which are leaving large parts of their potential untapped – and this is despite the fact that all the necessary data is publicly available.

This is why Resourcify, a company committed to promoting the circular economy, has come up with a comprehensive index by analyzing all of the annual and sustainability reports of Germany's DAX 40 companies. The Resourcify Sustainability Index (RSI) clearly shows which companies are ahead in terms of sustainability and which ones still have room for improvement. With the Sustainability Index Report, Resourcify intends to sensitize society and the business world to the topic of sustainability and motivate companies to reach the important ESG (Environmental, Social, Governance) goals as quickly as possible.



Method

Every year, all DAX 40 companies are required to provide their investors and the general public with an insight into key performance indicators and measures.

This includes data on the various ESG targets, which are compiled according to international categories defined by the UN and its partner organizations. The RSI we created is an index that analyzes the data published by companies. The primary data sources used were the annual reports, which contain the ESG data. Where the annual reports did not contain the necessary data, the sustainability reports were used for analysis instead. Based on these data, three dimensions were identified, which incorporate a number of variables. Each dimension was entered into a formula with a quota formed by the variables (which weights these quotients differently and combines them). Finally, the final result for each DAX company can be seen in the Resourcify Sustainability Index.

The first dimension (topics) was identified by searching the reports on a yes-no basis for the inclusion of topics like waste tracking, closed loops, and more. So, for example, if a report showed that a company organized main material flows in a circular way, this would be coded as Yes. The topics considered in this report are: Sustainability Report, Scope 1-3 Emissions Report, Sustainable Development Goals, Reasonable Milestones, Waste Tracking, Water Management, Sustainable Procurement, Closed Loops, and Circular Economy.

The second dimension (buzzwords) focuses on a number of common buzzwords that provide information about how much effort a company puts into the circular economy. Four buzzwords were counted: Recycling, Circular Economy, Recovery and Waste Management. Counting the keywords made it difficult to achieve good comparability, as some of the companies vary greatly in the way they structure their reports. Some companies rely on plain texts, while others use pictures and graphics. images more. Hence, the total number of existing keywords is correlated with the total word count. In the end, these values became very small, so the value was multiplied by a factor of 1000 in each case to get a descriptive value. So the final number of the second dimension results from the number of keywords times 1000 in relation to the total word count of the report.

The third dimension (recycling) is the ratio of the total amount of non-hazardous recyclable waste to the amount of recycled waste in tons. Eleven companies failed to publish their waste figures in the reports we looked at and as a result cannot be fully evaluated as they did not provide the necessary data even when asked. These companies are: Deutsche Börse, Delivery Hero, Fresenius Medical Care, Adidas, Deutsche Post, Hello Fresh, Qiagen, Continental, Heidelberg Cement, Brenntag and Deutsche Telekom.

The formula for the RSI assigns a value of 10% to the key words and 45% to each of the recycling and topic figures. Since the keywords only give an indication of a company‘s sustainability efforts, they are given a lower value than the other dimensions. The RSI formula is designed to give scores between 0 and 1, with 1 being the best possible score.

The key index figures are not only included in the RSI, they are also recorded in two BCG charts which show the most important data (RSI, company turnover, number of employees). Interesting facts around the reports have been summarized in a factsheet.

Results and Remarks

Waste data and recycling rates

In many annual reports, information is provided on the amount of waste generated and the percentage that companies recycle. This information is not mandatory, which is why the analysis has had to exclude ¼ of the DAX companies. The actual amount of waste produced is highly dependent on the industry. This makes it understandable that a real estate group like Vonovia would generate more waste than SAP, for example. Recycling rates actually take this a step further and show the percentage of waste that is recycled.

- 50% of DAX-40 companies that publish their waste data recycle more than half of their waste.
- 25% of DAX companies provide no information on the waste they produce or their recycling rate.
- On average, the German DAX corporates' recycling rate (where this data has been provided) is 61%.
  - » The auto groups Mercedes-Benz and BMW recycle 99% of the waste they generate, making them pioneers in this field.
- The companies that produce the most waste:
  - » Mercedes-Benz 949,000 tons (recycling rate: 99%)
  - » Bayer 940,000 metric tons (recycling rate: 39%)
  - » BASF 840,000 metric tons (recycling rate: 47%)
- Least waste produced:
  - » SAP 117 tons (recycling rate: 97%)
- Most of the companies are in the mid-range with regard to the recycling ratio (between 55% and 70%), with few outliers either below or above.

Keywords related to the topic of sustainability

To determine how important the topic of sustainability is in the annual reports, we looked for certain keywords in the reports. The set of keywords defined in advance (Recycling, Circular Economy, Recovery, Waste Management) is intended to provide information about which aspects are taken into account in the reports and to what extent. The assumption is that the number of all these keywords in relation to the total number of words provides an indication of the importance of these topics in the respective companies.

- Recycling is the most frequently used keyword in the respective annual reports. Circular Economy was used second most frequently.
- SAP, VW and Henkel use the word recycling the most. They also back up their mentions in the annual report with actual practice and have the highest recycling rates.
- Waste management is the least used buzzword. It does not appear at all in seven reports.

Ranking

The DAX 40 Top 5

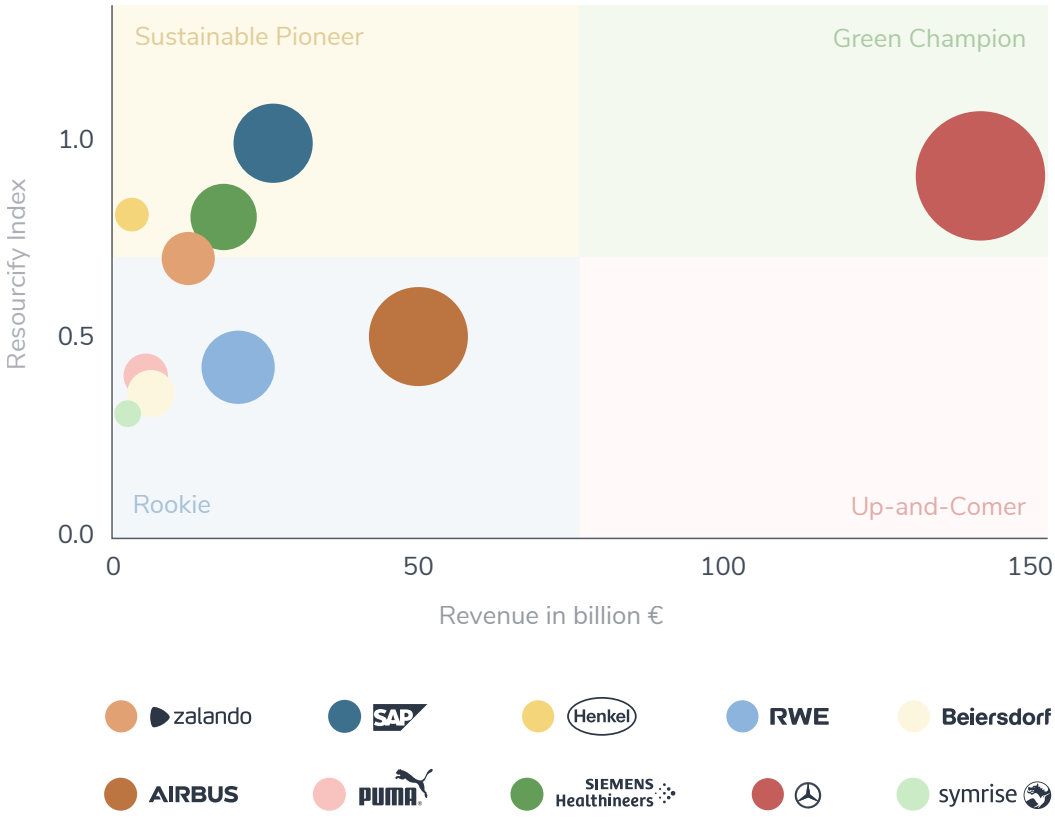
According to the RSI, SAP leads the top 5 most sustainable companies in 1st place. SAP has a perfect score of 1.0, closely followed by Mercedes-Benz with a score of 0.94, Henkel (0.88), Siemens Health (0.85) and Zalando (0.76). The top 5 are the same even if you leave out the companies that didn't publish any waste figures. It's a different story for the companies that have not yet fully realized their potential. The bottom five are Deutsche Post (0.22), Adidas (0.16), Fresenius Medical Care (0.15), Delivery Hero (0.11) and Deutsche Börse (0.06).

In the adjusted ranking, the bottom five spots are taken by Airbus (0.55), RWE (0.46), Puma (0.44), Beiersdorf (0.39) and Symrise (0.36). The adjusted ranking omits the eleven companies from which the necessary data were not provided even when asked.

BCG-Matrizen

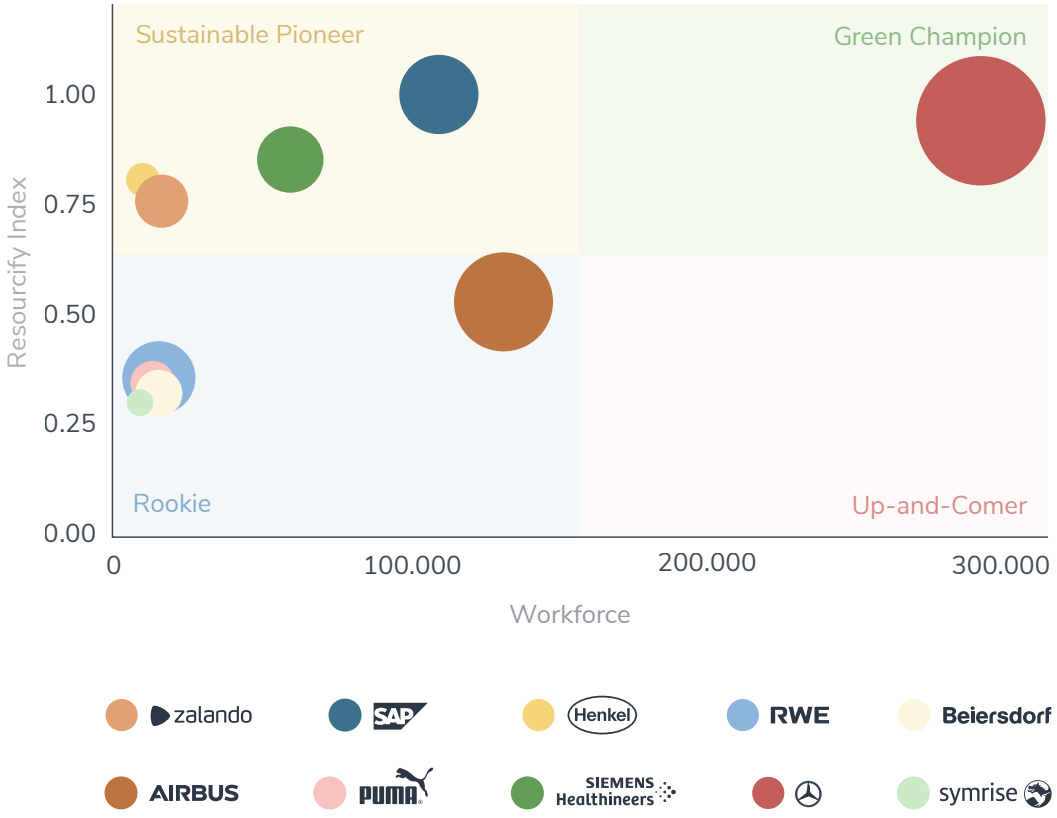
An overview of companies

Two BCG matrices were created using the RSI. The matrices only include companies for which a completed data set is available. Both BCG matrices relate RSI, sales and size by employees to each other, with sales and the number of employees alternating on the x-axis. This allows us to very clearly identify the companies according to their sustainability efforts.



In the first matrix, the X-axis represents the turnover. The size of the dot of a company is representative of the number of employees. This way, the DAX companies can be characterized according to their position in one of four quadrants. SAP has a perfect score, but is not quite as large or high in sales as other companies in the top 5 and therefore receives the Sustainable Pioneer label. Mercedes in second place, on the other hand, is a company with a fairly large headcount, which moves it further to the right into the Green Champion quadrant. Symrise, a manufacturer of flavors and fragrances, is in the lower left quadrant for Rookies, that is, companies that have not yet fully realized their potential for sustainability, because of their low RSI and comparatively low sales. The last quadrant Up-and-Comer contains companies that have high sales and a low value in the RSI. According to the analyses carried out, however, this quadrant is unoccupied - in other words, according to the reports, all resource-rich DAX companies are active in the sustainability area and are steadily implementing changes.

The second matrix, which correlates the number of employees and the RSI on the X and Y axes, paints an almost identical picture. The only company to occupy a clearly different position is RWE. Since RWE is a company with relatively few employees, it falls sharply into the Rookie category, while there is hardly any change in the positioning of the other companies relative to one another. The BCG matrix focused on the number of employees clearly shows that the size of a company does not mean poor sustainability - on the contrary. Mercedes-Benz, as the company with the most employees, is among the best performers in our survey.



Summary

The RSI serves as a map of the circular economy of the DAX 40 companies, which reveals a number of interesting insights.

However, the analyses can only provide an indication of the current state. We can't make any predictions about the speed at which the positive developments will continue to progress. The RSI shows potential, but is only as accurate as the information provided by the companies in their annual and sustainability reports. Nonetheless, we were able to show that many DAX companies recycle more than half of their waste and are committed to further addressing the topic of circular economy.

Despite the positive picture painted in this report, we can't afford to relax. After all, DAX companies have a particular responsibility: As Germany's largest and, in some cases, best-known companies, they must be committed to not exploiting the broad legal frameworks, but to doing better than legislators expect. If the DAX companies continue their efforts with the goal of a circular economy, they can be a shining example that economic success and environmental protection are not mutually exclusive, but instead go hand in hand.

About Resourcify

Established in 2015, the recycling platform Resourcify supports companies in optimizing their waste management. The easy-to-use software solution makes recycling more efficient and transparent and helps companies to recycle more, cut costs and turn waste into recyclables. This ultimately helps them achieve zero-waste goals and avoid previously time-consuming processes such as collecting, separating and processing waste. Each year, the platform handles more than two million waste disposal orders from customers such as Bosch, Hornbach, Johnson & Johnson and McDonald's in over six European countries. Moreover, waste management companies also use Resourcify to improve their customer service, boost their sales, and attract and retain more high-revenue customers.

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