

Sustainability Benchmarking Collaborative

Peer-to-Peer Learning

Webinar #4
April 9, 2019



CORPORATE
SUSTAINABILITY
SCORECARD™

BY HEDSTROM ASSOCIATES

Housekeeping

- **Tech overview:**
 - **Look at your live image – check the name – if it is not correct, type your name into Chat**
 - **Other:**
 - **Raise hands – speak up**
 - **Gallery view and speaker view**
 - **Ask questions via Chat box**
 - **Mute and unmute yourself**
- **Provide (email) feedback after the webinar**

Agenda

- **Quick Introductions (5 minutes)**
- **Latest Website Developments (10 minutes)**
- **Analysis & Insight (10 minutes)**
 - C-suite discussions Q1-2019 (using Scorecard analytics)
 - Preparing the “Pitch Deck”
- **Workshop (25 minutes)**
 - *Medtronic* Case Study: Engaging Peers to Update the Ratings
 - Small Group Discussion
- **What’s Next (5 minutes)**

2019 Game Plan

Q1-2019

January 15
February 5
March 5

Q2-2019

April 9
May 7
June 4

Q3-2019

*[Planning & Pitch
Deck Support]*
September 17

Q4-2019

October 15
November 12

	Q1-2019	Q2-2019	Q3-2019	Q4-2019
Updates	<ul style="list-style-type: none"> Participant Status Website Updates Analytics Peer Ratings New Excel version 	<ul style="list-style-type: none"> Downloadable graphics Completing Scorecard section-by-section 	<ul style="list-style-type: none"> Gib is available to have 1:1 calls to develop tailored 'Pitch Deck' Q3 updates 	<ul style="list-style-type: none"> Participant Status Website Updates Analytics
Analysis	<ul style="list-style-type: none"> PG&E Case Study The "G" in ESG 	<ul style="list-style-type: none"> Example 'Pitch Decks' Engaging peers inside your company C-suite presentations 	<ul style="list-style-type: none"> Example 'Pitch Decks' 	<ul style="list-style-type: none"> Example 'Pitch Decks'
Workshop	<ul style="list-style-type: none"> Small breakout group discussions Comparison to External Ratings Using Excel sheet for updating ratings 	<ul style="list-style-type: none"> Small breakout group discussions Engaging peers to do/update ratings Creating 'Pitch Deck' 	<ul style="list-style-type: none"> Small breakout group discussions Annual Planning <ul style="list-style-type: none"> – Priority KSIs – Action Planning 	<ul style="list-style-type: none"> Small breakout group discussions Annual Planning <ul style="list-style-type: none"> – Priority KSIs – Action Planning

Hedstrom Associates

Webinar Participants

Company	Participant	Completed Scorecard	Flagged Highly Relevant KSIs	Past Webs	Planned Next Step
• Chevron	Jeff Cavanagh	2018			2019 Update
• Coca-Cola	Sha Green	2018	Yes		2019 Update
• Eaton	Jon Newton	2018	Yes	Yes	2019 Update
• Fluor	Nancy Kralik	2018, 2019	Yes	Yes	Engage Peers
• John Deere	Jason Wattonville	2018			2019 Update
• Medtronic	Ginny Cassidy	2018, 2019	Yes	Yes	Engage peers
• Momentive	Roger Bowman	(Pending)			Initial Scorecard
• Polaris	Deborah Briggs	2018			2019 Update
• Southern Cal. Edison	Holly Hill	2018		Yes	2019 Update
• Eli Lilly	Lucas Booth	2018			2019 Update

[Note: We had some last-minute juggling with several registered participants needing to cancel at the last minute (Apex Tool, Ashland, Bristol-Myers Squibb, Dow, DTE, Kimberly-Clark, and Merck – and others who joined but were not registered (we may not have caught all.)]

Website Updates

- **Downloadable Graphics and Report**
 - Rainbow Charts, Bar Charts, “Highly Relevant” Summary
 - Peer Ratings (e.g., TCFD, MSCI, etc.)
 - Go to “Edit a Self-Assessment” – click on your latest Scorecard, click on REPORT
- **Submit New Scorecard by Section – easy way to get started**
- **2019 Revisions to KSIs**
 - We again plan to update in 2019 – by end of June
 - Criteria: simplify; streamline; retain integrity of year-to-year comparisons
- **Coming Next**
 - Enhancements to KSI bar charts (view Stage 1-4 rating criteria)
 - Tally of “Highly Relevant” KSIs
 - Excel Sheet Uploading

**Gib will walk through the updates sharing his screen on
<https://thesustainabilityscorecard.com/>**

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Trigger Event: PG&E Bankruptcy

External ESG Ratings

- **Sustainalytics** rated PG&E:
 - An “outperformer”
 - 88th percentile on Environment
 - 82nd percentile on Governance
- **CR Magazine’s 100 Best Citizens:**
 - #1 among utilities
 - #22 overall
- **Newsweek Green Rankings:**
 - #1 among electric and gas utilities
 - #4 overall
- **DJSI - NA:**
 - PG&E named for the 8th time

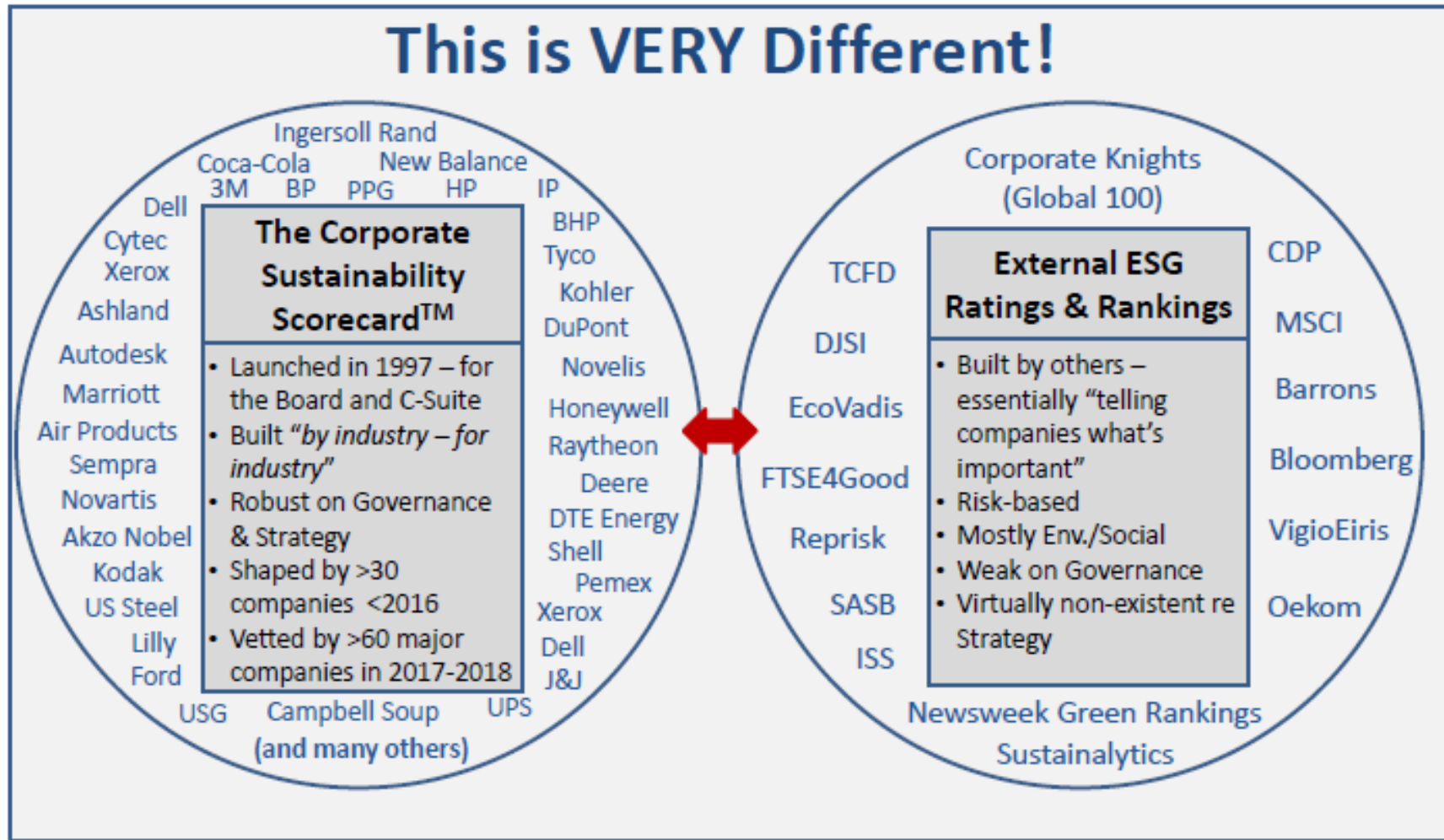
Whoops!

“first major corporate casualty of climate change”

The Wall Street Journal

January 18, 2019

A Reminder: Why This Scorecard?



The “G” in ESG...

External ratings address:

- Environmental and Social data (re impacts)
- Governance *data* (very limited – e.g., board diversity)
- Governance *structure/processes* (the existence of only)

External ratings currently do not (*cannot*) assess:

- *“the way things really work around here...”*
 - *the rigor and effectiveness of internal company processes*
 - *to define, discuss, and consider material ESG risks*
 - *at the C-suite and Board levels*
 - *and incorporate those issues into key business decisions (e.g., M&A)*

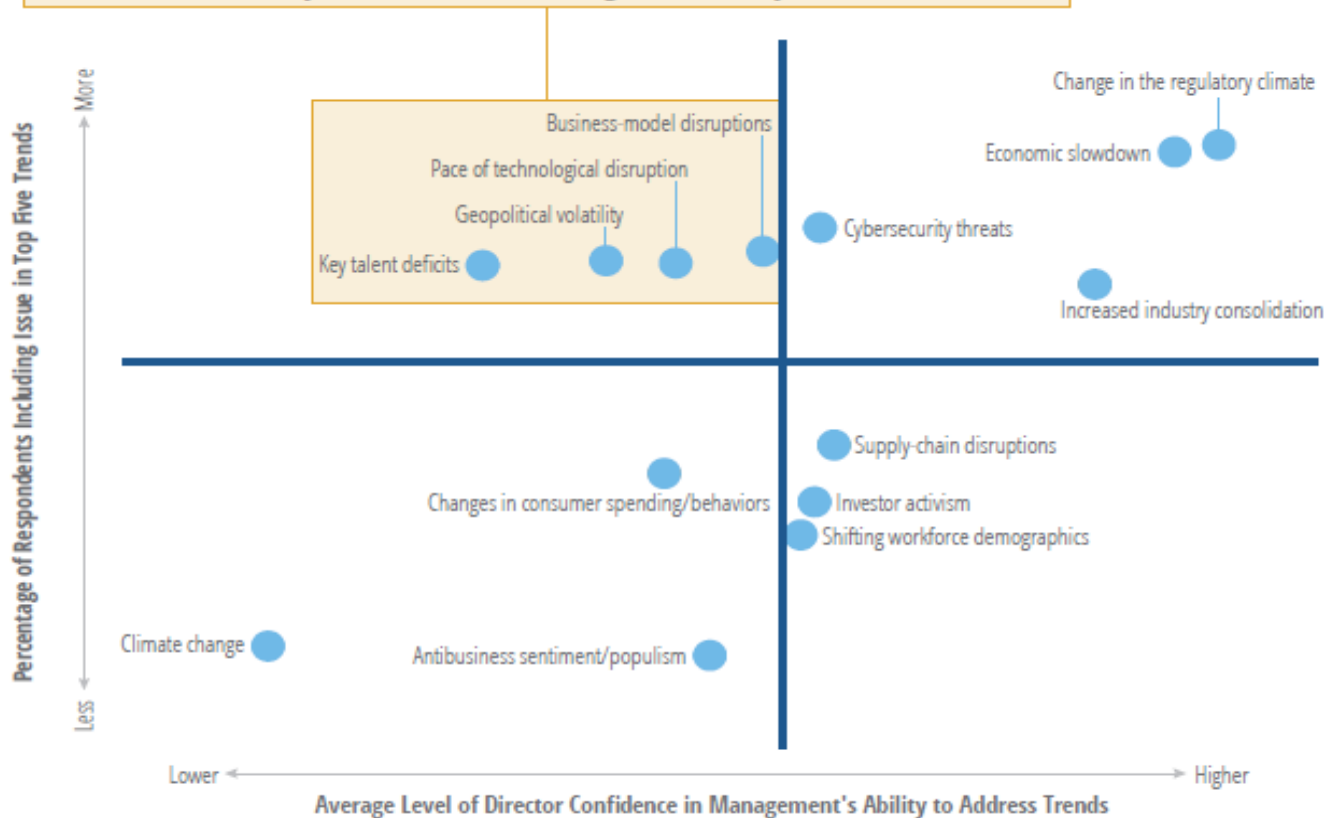
Executive “S” Council Meetings

- Four companies: healthcare, industrials, (2) utilities
- Participation in quarterly meeting of top ESG Oversight Council
- Key take-aways:
 - Rainbow chart self-assessment scores grab attention
 - Discussion about “how average we are” and “do we need to improve across the board”
 - Question re (*highly relevant*) where to focus improvements
 - Agreement to engage further to define priority actions

Confidence in management to address

Major Trends vs. Confidence in Management to Address Trends¹

These are trends that directors believe are very important to their business, but where directors have relatively low confidence in management's ability to address them.



Climate Change:

- Low percentage rating as a top five trend
- Lowest score re confidence in management to address

Climate change = lowest scores (though not “top 5” importance)

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You have shared two key Q1 priorities

- Creating an internal “pitch deck” to share results with boss and executive team
- Engaging group of internal peers in updating the ratings

Ginny Cassidy (Medtronic) has agreed to share the work she is doing to engage a cross-functional peers to review ratings and identify “highly relevant” KSIs – areas for action

Followed by Group Discussion

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What's Next?

■ Pitch Deck

- Further tweaks to downloadable graphics
- Gib available to help 1:1 as you develop your Scorecard analysis and pitch deck

■ Revisions to KSIs

- See downloadable PDF on Welcome Page
- Propose to eliminate 7-8 KSIs (combine; eliminate redundancy)
- Continue to sharpen Stage 1-4 descriptors
- Maintain the integrity of comparable ratings

■ Excel Sheet Updates

- Ability to directly upload to website coming soon

Your Actions Please

- **Update Your Company Self-Assessment**
 - Update or new
 - On-line or Excel
- **Flag “Highly Relevant” KSIs**
- **User Report – Check downloadable graphics**
- **KSIs: Q2-2019 Revisions**
 - See Draft KSI Changes
 - Provide comments (as/after you update your company self-assessment)

Upcoming Webinars

Mark Your Calendars (all on Tuesday for one hour, starting at 11:00 AM EST):

- **May 7**
- **June 4**
- **September 17**
- **October 15**
- **November 12**

On behalf of our
Corporate Sustainability Scorecard team:

Thank You!

Please take 3 minutes and send Gib an
email with any comments or suggestions.

Gib Hedstrom

Ben Roberts (Webinar Mechanics and Facilitation)

Scott Sousa (Website Design)

Kelsa Summer and Ruth Shafer (Best Practices Research)