

Sustainability Benchmarking Collaborative

Peer-to-Peer Learning

Webinar #5 (for posting following the webinar)
May 7, 2019



CORPORATE
SUSTAINABILITY
SCORECARD™

BY HEDSTROM ASSOCIATES

2019 Webinar Game Plan

Q1-2019

January 15
February 5
March 5

Q2-2019

April 9
May 7
June 4

Q3-2019

July 23
August 27
September 17

Q4-2019

October 15
November 12

	Q1-2019	Q2-2019	Q3-2019	Q4-2019
Updates	<ul style="list-style-type: none"> 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"> Website development: Prioritize & Take Action Gib is available to have 1:1 calls to develop tailored 'Pitch Deck' 	<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 Member company sharing 	<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 	<ul style="list-style-type: none"> 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

Agenda

- **Quick Introductions (5 minutes)**
- **Latest Website Developments (10 minutes)**
- **Member Update: *Marriott* (10 minutes)**
 - Process for review and updating – expanding the pool
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- **What’s Next (5 minutes)**

Hedstrom Associates

Webinar Participants: Quick Introductions

Company	Participant	Completed Scorecard	Flagged Highly Relevant KSIs	Past Webs	Planned Next Step
• DTE	Greg Ryan	2018, 2019	Yes	Yes	2019 Update
• Eastman	Cathy Combs; John Hott	2018	No	Yes	2019 Update
• Eaton	Jon Newton	2018	(A few)	Yes	2019 Update
• Marriott	Claire Cutting	2018, 2019	Yes	Yes	Engage peers
• Medtronic	Ginny Cassidy	2018, 2019	Yes	Yes	Engage peers
• Merck	Janet Friday	2018, 2019	Yes	Yes	Engage peers
• Momentive	Roger Bowman	(Pending)	---	Yes	Initial Scorecard
• PPG	Mike Corcoran; Mark Cancilla	2018	(A few)	Yes	2019 Update
• Stanley Black & Decker	Dan Fitzgerald	2018	(A few)	Yes	2019 Update
• UTC	Ellen Quinn	New	---	No	Initial Scorecard
• UTC - Otis	Steve Burke	New	---	No	Initial Scorecard

Research:

- TCB Global Sustainability Centre Advisory Board
- Close collaboration (Thomas Singer, etc.)
- Discussions re Scorecard and TCB

May 2019

THE CONFERENCE BOARD

SUSTAINABILITY MATTERS

Beware the 80/20 Governance Trap: Focus on the "G" in ESG
Lessons from the PG&E Bankruptcy Filing

by Gilbert S. Hedstrom

Judging by the praise lauded on Pacific Gas & Electric by external environmental, social and governance (ESG) rating agencies, the California utility was best among peers. Sustainalytics (a leading provider of ESG and corporate governance research, ratings, and analysis—used by Bloomberg and others) named PG&E an "outperformer"—ranked in the 82nd percentile on governance and the 88th percentile on environment. PG&E was rated the No. 1 utility in Corporate Responsibility magazine's 100 Best Corporate Citizens and by Newsweek Green Rankings. Newsweek also listed the company No. 4 overall.

Then, in what The Wall Street Journal called "the first major corporate casualty of climate change," PG&E filed for Chapter 11 bankruptcy protection on January 29, 2019. But wait a minute; shouldn't the ESG ratings have caught that? Not likely. External ESG ratings fail the 80/20 rule. They may be able to measure 80 percent of environmental and social impacts. However, they barely capture 20 percent of governance. And governance is by far the most important of the "E-S-G."

This Sustainability Matters analyzes the PG&E climate-change related bankruptcy as an example of how external ESG ratings fail to fully measure the governance element of ESG. The author makes the point that external ESG ratings only capture a very small portion of the "G" in ESG, something the author calls the "80/20 ESG governance trap."

The opinions expressed in this report are those of the author only and do not necessarily reflect the views of The Conference Board.

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January 2015

Director Notes

Navigating the Sustainability Transformation

by Gilbert S. Hedstrom

Business is changing rapidly. CEOs and directors making key business decisions regarding their company's strategy for the year ahead and beyond would be well advised to change the current boardroom conversations. Driven by factors tied to sustainability, over the next 15 years, every company in every industry sector will need to transform itself to survive and succeed. Board members, CEOs, and the executives advising them need to ask, "How should we plan for this major transformation?" This report describes a four-stage model for companies to progress from engaging initially with sustainability to accelerating, leading, and ultimately, transforming their businesses.*

Senior management and boards of directors give far more than a nod to sustainability today. In a 2014 McKinsey & Co. survey, 43 percent (the largest share) of executives said their companies "seek to align sustainability with their overall business goals, mission, or values." That is up from 30 percent in 2012.¹ In the coming decades, factors tied to sustainability will disrupt virtually every sector, at times reshaping the competitive drivers of an entire industry. Given the right strategic underpinnings, sustainability can provide a significant edge for launching or transforming companies anywhere in the world.

The signals of change can be seen in a range of industries. For example:

- Airbnb, an online service founded in 2008 that enables hosts to rent out their homes or spare bedrooms, appears on track to become one of the world's largest hotel chains without owning a single hotel room, thereby disrupting the entire industry.
- Google has invested a billion dollars in renewable energies; purchased high-altitude, solar-powered drone maker Titan Aerospace; and bought satellite startup Skybox Imaging to bring internet access to millions of people and address environmental damage such as deforestation and social disruption, including disaster relief.

*This Director Note is based on Gilbert Hedstrom, "The Sustainability Scorecard" Handbook, pre-publication draft (www.theconferenceboard.org).

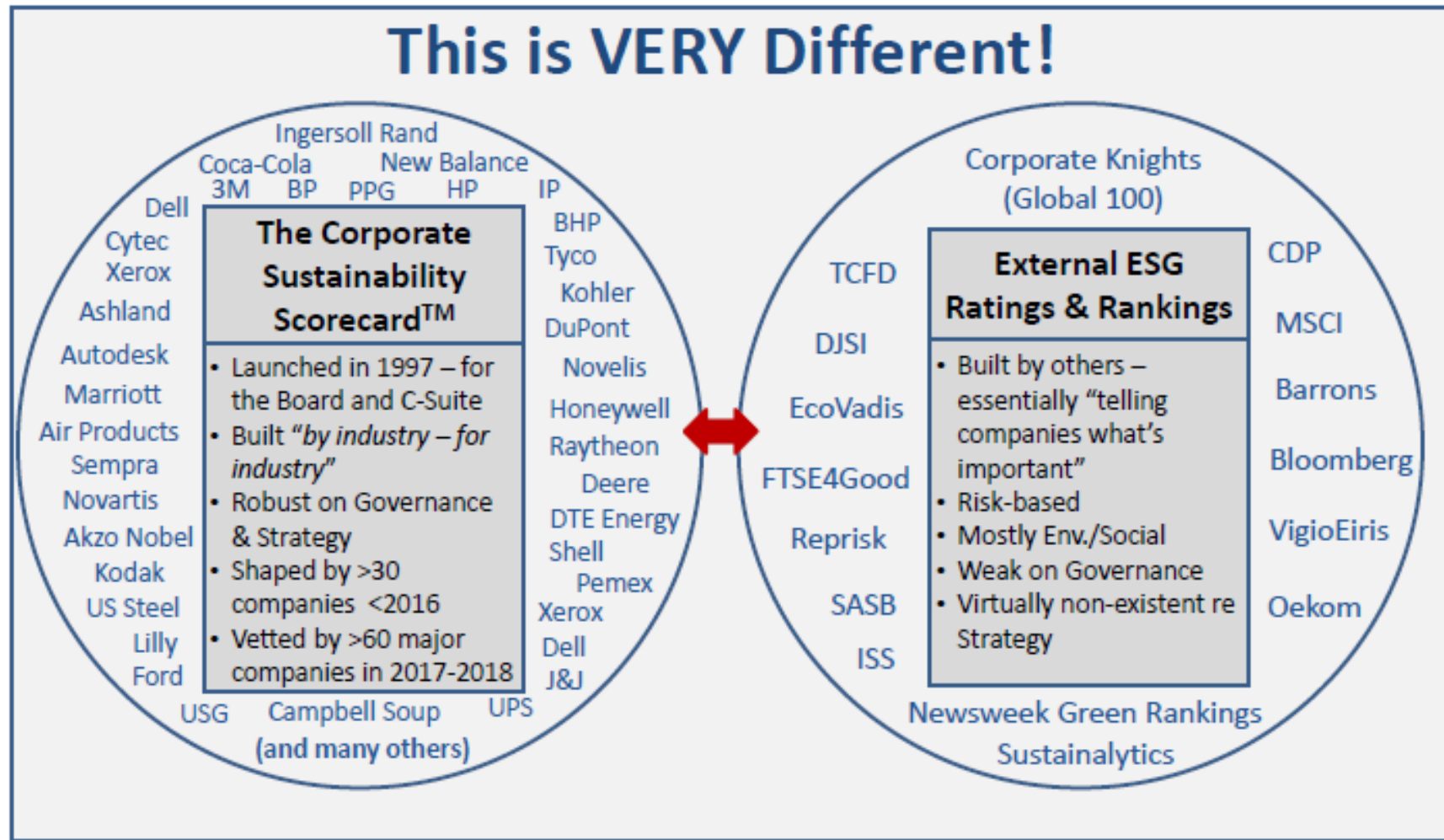
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A Reminder: Why This Scorecard?



Website Updates

- **Welcome Page**
 - TCB article; Supplier Partnership meeting; past webinar slides
- **Downloadable Graphics and Report**
 - Added Summary “Bubble Chart” to Rainbow Charts, Bar Charts, “Highly Relevant”
 - Bar charts – enhance images (colors, font size, etc.)
 - Go to “Edit a Self-Assessment” or “Prioritize and Take Action” - click on REPORT
- **Submit Scorecard by Section – easy way to get started**
- **2019 Revisions to KSIs (annual update)**
 - Criteria: simplify; streamline; retain integrity of year-to-year comparisons
- **Coming Next Few Months**
 - Enhancements to KSI bar charts (view Stage 1-4 rating criteria)
 - Greater access to Best Practices (wealth of information few people see)
 - Excel Sheet Uploading

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

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- What’s Next (5 minutes)

Update from *Marriott*...

Process for Updating:

- Who was involved?
- How did we do it?
- What did we learn?
- What (if anything) would we do differently?

Next Steps:

- Sharpening the “highly relevant” KSIs
- Thoughts re sharing the results internally
- Other comments

Key “take-aways” from *Marriott...*

1. **Off-site:** eliminate disruptions; deeper engagement
2. **Time Allocation:** blocked a half-day; needed more
3. **Areas of Focus:** spent 75% of time on Governance
4. **Voting:** democratic approach worked
5. **Excel Version:** worked well to keep notes; did update on-line
6. **Deliberations:** internal discussions/debates were incredibly useful
7. **Highly Relevant:** we were “stingy” flagging only a few

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We discussed:

1. Updating your Company Self-Assessment: Engaging group of internal peers in updating the ratings
 - Using the Excel sheet
 - Single account vs. several per company
2. Highly Relevant: Flagging ~10-15% (15-25) KSIs
 - Criteria (define vs. leave loose)
 - What next? (See Prioritize and Take Action)
3. Pitch Deck: Creating an internal “pitch deck” to share results with boss and executive team
 - Gib presented latest working example
 - Folks liked it – but said each company needs to create it’s few critical slides.

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What's Next?

■ Pitch Deck

- Further tweaks to downloadable graphics
- Please share your ideas!

■ Prioritize and Take Action

- Build out website tools
- Need your input to shape

■ Revisions to KSIs

- See downloadable PDF on Welcome Page
- Goal = (1) combine; eliminate redundancy; (2) continue to sharpen Stage 1-4 descriptors; and (3) 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**
- **Check downloadable graphics – send comments!**
- **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):

- **June 4**
- **July 23**
- **August 27**
- **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)