Sustainability Benchmarking Collaborative

Peer-to-Peer Learning

Webinar #8
August 27, 2019

Hedstrom Associates

Welcome…

Pre-Registered

Company	Participant	Past Webinars
• **AEP**	Sandy Nessing	No
• **Ameren**	Diane Saftic	No
• **Ashland**	Nicole Voss	Yes
• **Chevron**	Dave Payne; Jeff Cavanagh	No
• **Coca-Cola**	Sha Green	Yes
• **Consumers Energy**	Linda Hilbert; Jessica Spagnuolo	No
• **DTE**	Greg Ryan	Yes
• **Duke Energy**	Michelle Abbott	No
• **Eaton**	Jon Newton	Yes
• **Eli Lilly**	Julie Delp	Yes
• **Eversource**	Joy Wooley	Yes
• **Fluor**	Nancy Kralik	Yes
• **Hexion**	Sydney Lindquist	Yes
• **Kohler**	Brigitte Dillman-Cruze	Yes
• **Lear**	Jack Nunes	Yes
• **Marriott**	Claire Cutting	Yes
• **Merck**	Trish Fricke, Janet Friday	(Yes)
• **NextEra Energy**	Amy Albury	No
• **Solvay**	Amy Essenfeld	Yes
• **Stanley Black & Decker**	Dan Fitzgerald; Allie Valenti	Yes
• **UPS**	Patrick Browne	(Yes)

Our Team
Gib Hedstrom
Ben Roberts
Larry Krupp

Agenda

- **Recap (10 minutes)**
  - Plans Messages from Recent Webinars
  - Latest Website Developments
- **Pulse Check (5-10 minutes)**
- **Member Update & Discussion (15-20 minutes)**
  - Greg Ryan – DTE Energy
  - Discussion
- **Workshop – *Look Ahead: Q4-19 & 2020* (15 Minutes)**
  - Small break-out groups
  - Full group discussion
- **What's Next (5 minutes)**

Benchmarking "*By Industry – For Industry*"

Matured through >20 years of development, shaped by users.

1997 ----------> **2015**

Launched: response to F-500 board meetings

Web-tool established

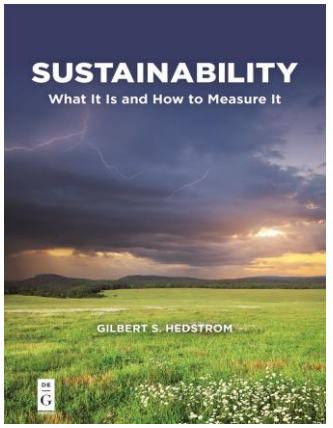
Pilot with 25 companies

2016

Major revisions based on input from Pilot

2018

60 "founding members" submitted data



2019

Year One Options (Q4-18 / 2019):

A. Free
B. Basic
~~C. Custom~~

2020

Year Two Options (Q4-19 / 2020):

TBD

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
Updates	• New Analytics • Comparison to ESG Ratings • New Excel sheet	• Downloadable graphics	• Simplify structure: 1. Rate 2. Analyze 3. Prioritize 4. Act • Custom Excel sheet	• Renewal for 2020 • New Join Options • Broaden Membership
Analysis	• PG&E Case Study ➢ Limits of ESG Ratings ➢ Focus on the "G" in ESG • The "G" in ESG	• Member sharing: ➢ Medtronic ➢ Marriott ➢ Kohler • 'Pitch Decks'	• Member Sharing: ➢ Kaiser Permanente ➢ DTE Energy ➢ Ingersoll Rand • 'Pitch Decks'	• Member Sharing: ➢ PPG ➢ Other TBD • 'Pitch Decks' • Best Practices
Workshop	• Breakout groups • Comparison to External Ratings	• Engaging peers to do/update ratings • Creating 'Pitch Deck'	• Annual Planning – Priority KSIs – Action Planning • 2020 Look-Ahead	• Breakout groups • Annual Planning – Priority KSIs – Action Planning

Take-Aways from Last Webinar(s)

1. **2nd Half of the Year = Best Time to Update Ratings**
   - Jan – Jun = Reporting (AR & SR) + Ratings (DJSI, CDP, etc.)
   - Jul – Dec = 2020 Planning + Budgeting (summer interns, ways to save $)

2. **Simplify Structure**
   - Make it easy for new companies
     - Demo; Submit by Section/Element
   - The simplified structure helps ➔

   1) *Rate* (initially – then with broader group of 10-30)
   2) *Analyze* (downloadable graphics are great – continue to fine-tune)
   3) *Prioritize* (engage functional peers – maybe 6 groups x ~25 KSIs each)
   4) *Act* (craft the pitch deck to take "upstairs")

3. **Define Highly Relevant** (avoid subjectivity)

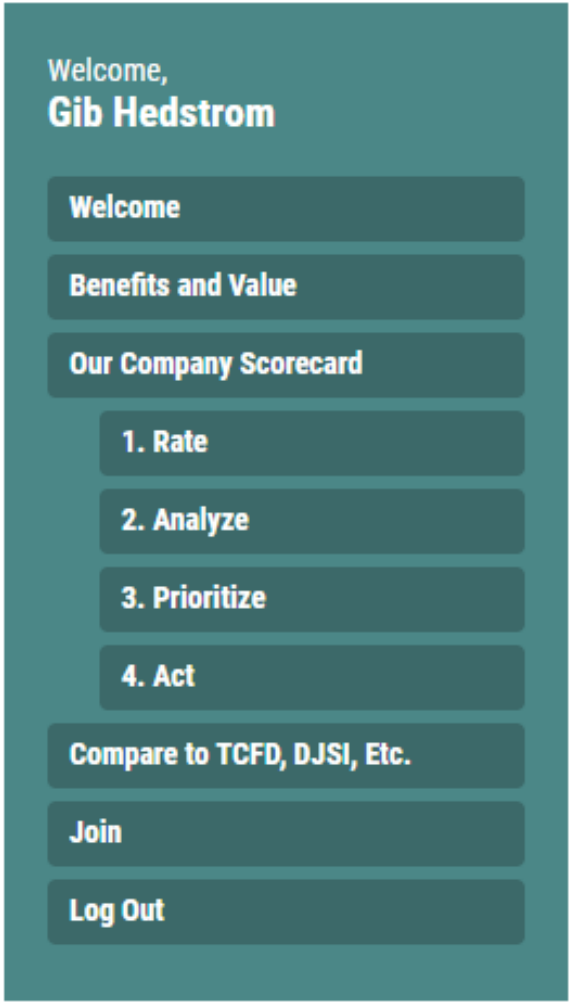
4. **Keep the New Tools Coming**
   - Example Pitch Deck
   - New Custom Excel Sheet – tailored for distribution internally to various different teams

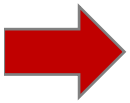
5. **More "Join Options" for 2020**
   - Customize to my company's needs
     - The way I want to gather inputs (many people from multiple teams internally)
     - What companies we want to compare our company to (select our own peer group)
   - Independent insight and reaction by Gib/team to our ratings and especially our Highly Relevant selections
   - Participation by Gib (remotely) during our internal team meetings / executive council presentations

Website Updates

- **New Simple Structure**
- **Easier to Get Started (new companies)**
- **Supporting Tools**
  - Standard Excel Sheet v2.1 (Jan 2019); v2.2 (July 2019)
  - Custom Excel Sheet v2.3 (July 2019)
  - Program to analyze 5-50 separate Excel sheet inputs (minutes vs. a day)

Rate My Company





Rate My Company

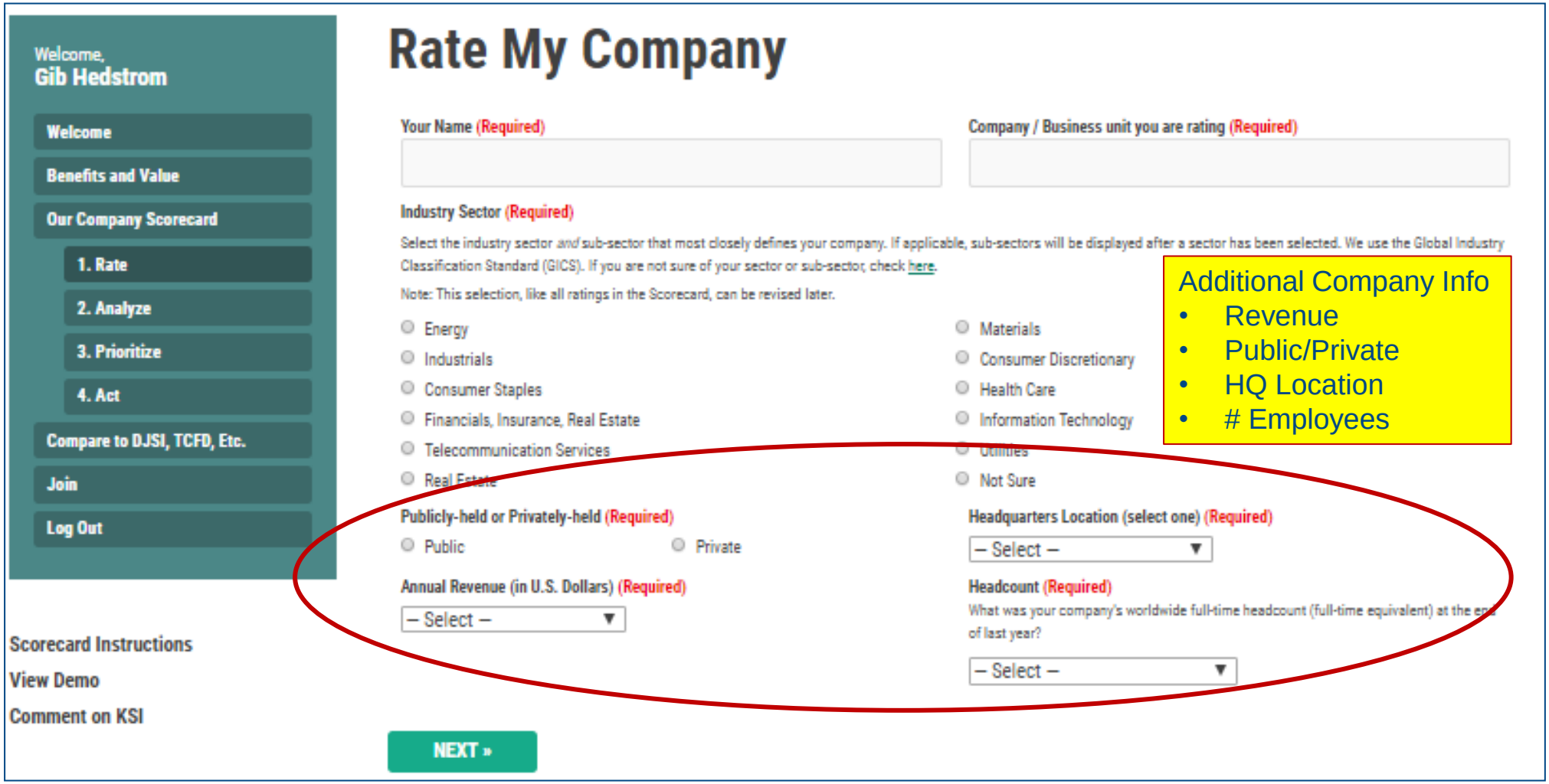
- If you are new, a 2-minute demo will guide you through.
- If you are new and want to just dive in, click on "Get Started." You can complete just one element or one section (~20-30 minutes); you do not have to complete a full Scorecard initially!
- If you want to complete or edit your company scorecard, hit "Returning."

View Demo | Get Started | Returning

BACKGROUND DOCUMENTS

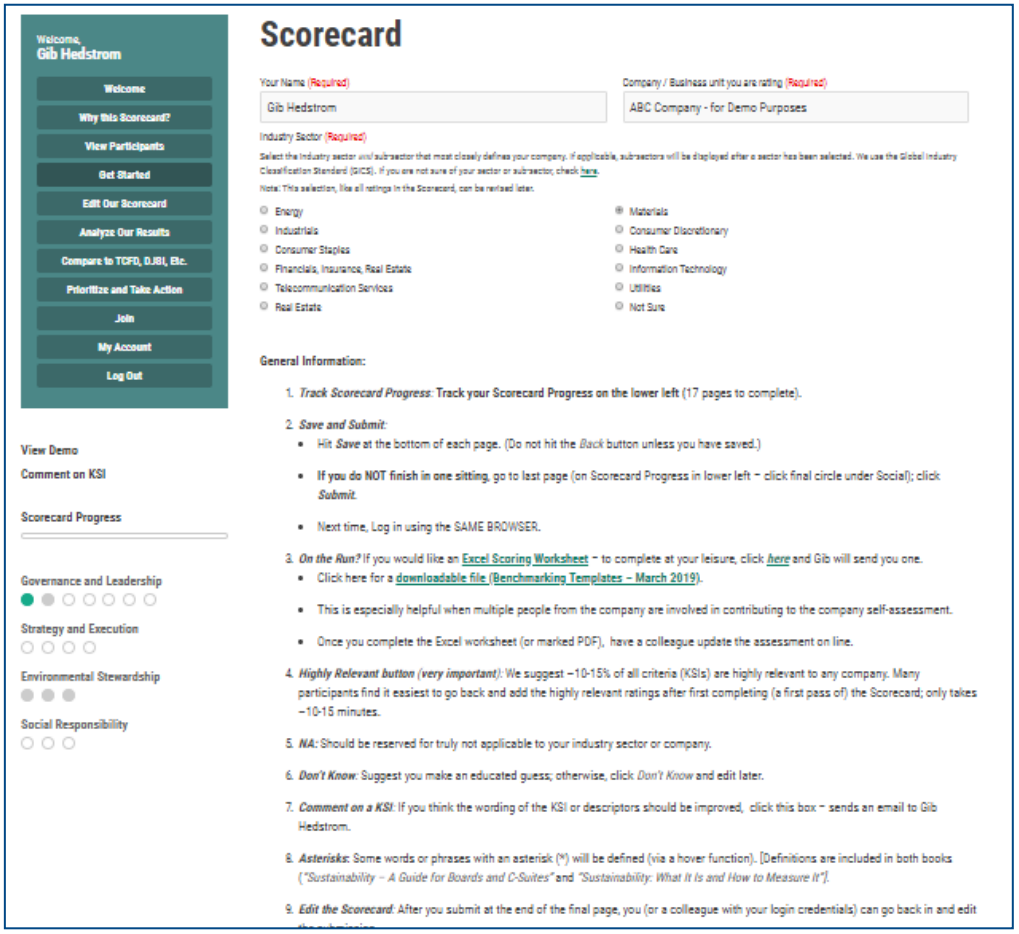
Two background documents (each with all rating criteria) can be helpful:

- Click here for a **downloadable file**.
- Click here to request an **Excel** file for use by your company only.

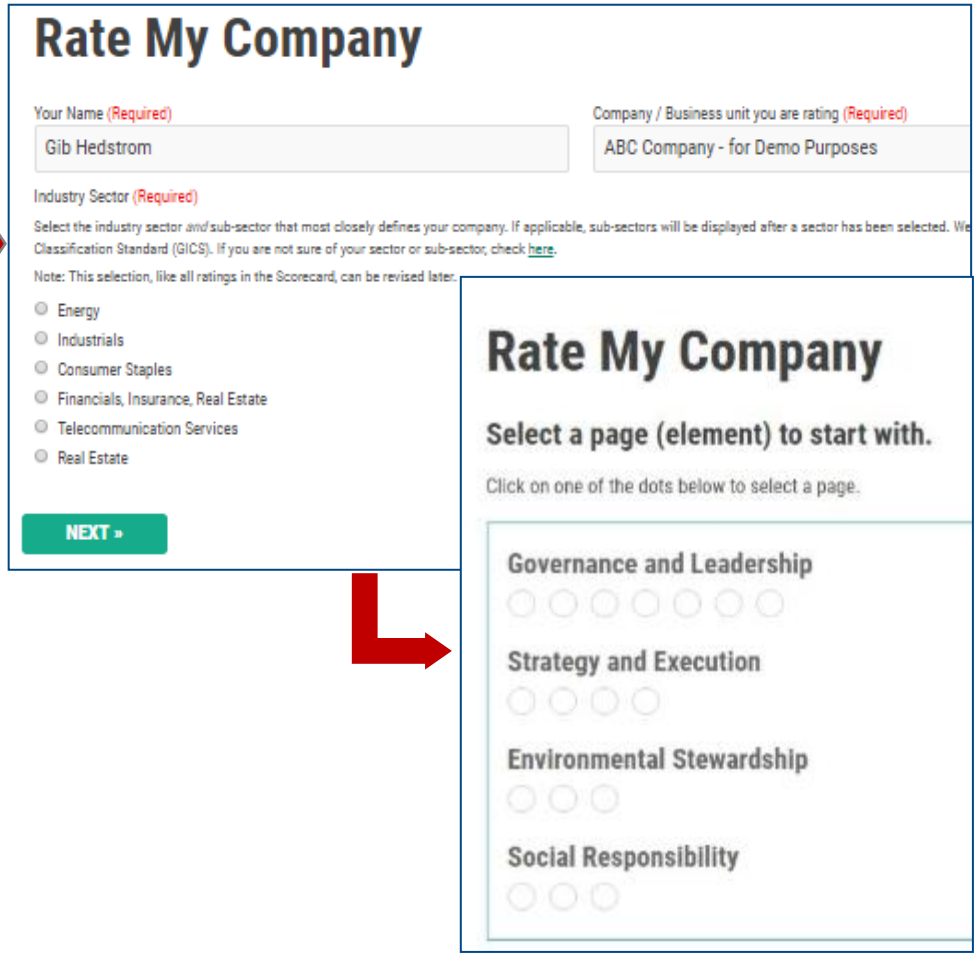

Welcome,
Gib Hedstrom
Welcome
Benefits and Value
Our Company Scorecard
1. Rate
2. Analyze
3. Prioritize
4. Act
Compare to DJSI, TCFD, Etc.
Join
Log Out
Scorecard Instructions
View Demo
Comment on KSI
Rate My Company
Your Name (Required)
Company / Business unit you are rating (Required)
Industry Sector (Required)
Select the industry sector and sub-sector that most closely defines your company. If applicable, sub-sectors will be displayed after a sector has been selected. We use the Global Industry Classification Standard (GICS). If you are not sure of your sector or sub-sector, check here.
Note: This selection, like all ratings in the Scorecard, can be revised later.
Energy
Industrials
Consumer Staples
Financials, Insurance, Real Estate
Telecommunication Services
Real Estate
Materials
Consumer Discretionary
Health Care
Information Technology
Not Sure
Publicly-held or Privately-held (Required)
Public
Private
Headquarters Location (select one) (Required)
– Select –
Annual Revenue (in U.S. Dollars) (Required)
– Select –
Headcount (Required)
What was your company's worldwide full-time headcount (full-time equivalent) at the end of last year?
– Select –
NEXT »
Additional Company Info
• Revenue
• Public/Private
• HQ Location
• # Employees

Get Started

Before



Now

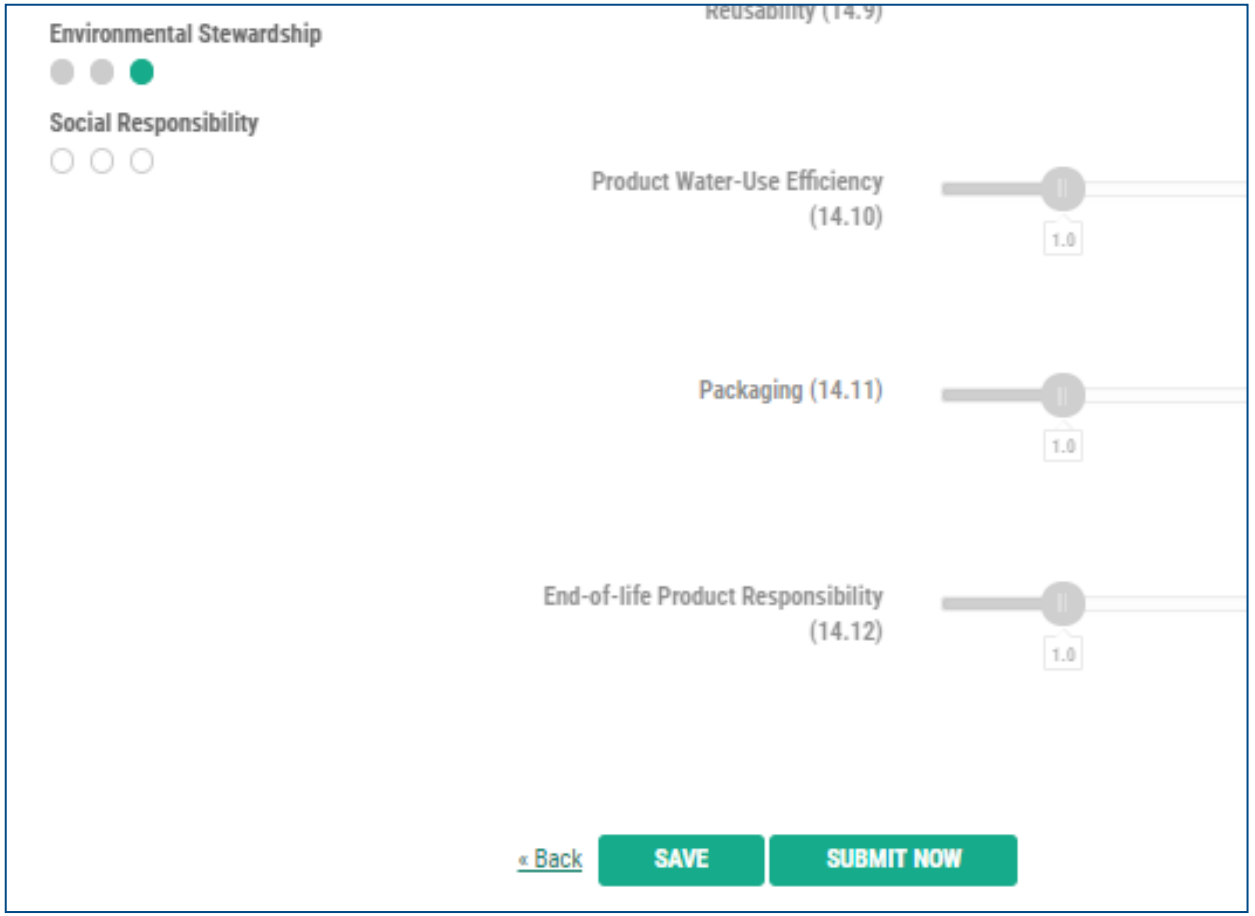


Get Started

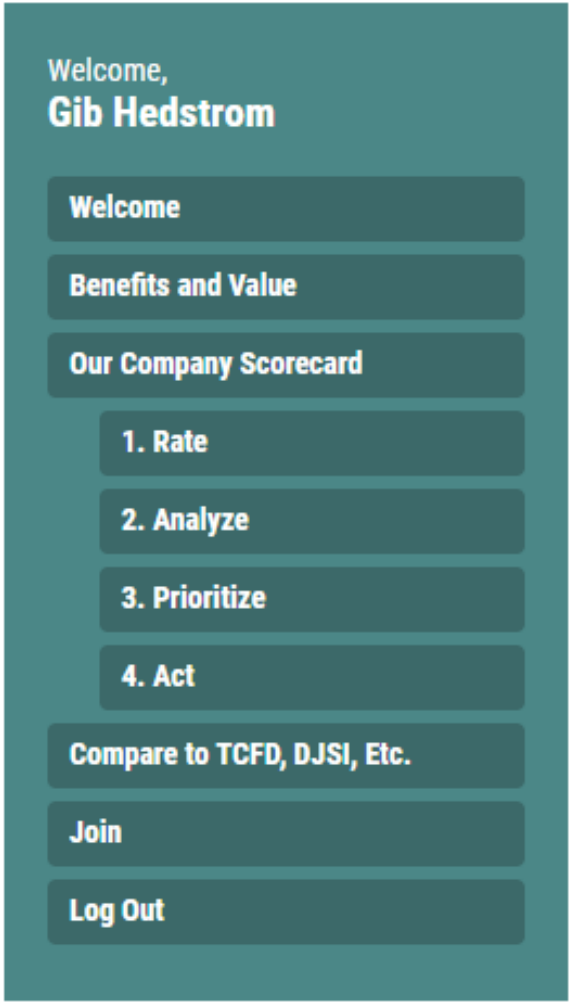
New Scorecard users can hit SUBMIT after each Section (e.g., Environment) – and then see the analytics.

Also in place now: submit after only one Element

Now



Prioritize "Highly Relevant" KSIs



Prioritize

It costs money/resources to move up the maturity curve. So pick your spots!

Once you have completed your Scorecard and analyze
"right" Highly Relevant KSIs. These will form your act

How Many "Highly Relevant" KSIs should we have?

- **We recommend tagging ~10-15% of the KSIs as Highly Relevant**
- **That equates to 1-2 per each of the 17 elements – on average**

Suggested breakdown of Highly Relevant KSIs by Section:

- **Governance: ~8-12 highly relevant KSIs**
- **Strategy: ~4-6 highly relevant KSIs**
- **Environment: ~3-5 highly relevant KSIs**
- **Social: ~3-5 highly relevant KSIs**

Excel Scoring Option

- Click here for an **Excel Scoring Worksheet** – to use in your company.
  - Full version – all ratings to distribute
  - Request a version of the sheet that allows you to hide rows and create a mini-version (e.g., 20-25 KSIs) to send to a group of executives.
- You can then send the full Excel sheet out to multiple people in the company, asking them to complete the ratings.
- We also have a program to to analyze the results (instead of you having to have an analyst do so manually)
  - You send us complete Excel files – and we shoot back a full report with analysis.
  - Coming soon: upload a completed Excel file directly to the website.

Prioritize

Adding Guidance re "Highly Relevant" based on user input

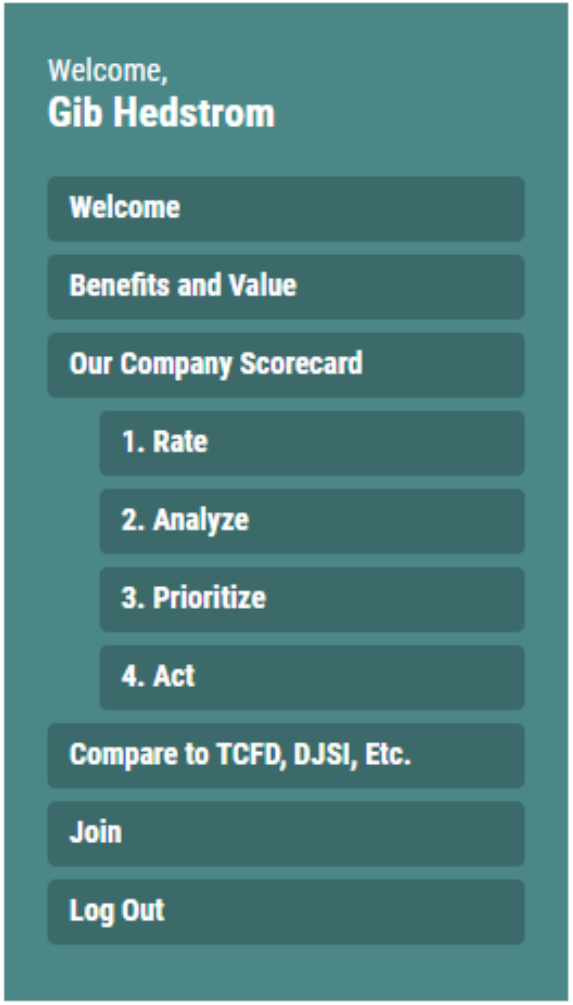
How Many "Highly Relevant"?

- **Overall**
- **By Section**

How to Pick What's Highly Relevant?

- **Governance**
- **Strategy**
- **Environment**
- **Social**

Take Action…



This is where we will build a compendium of executive "pitch decks" and share lessons learned…

Take Action

What's the ultimate output? The end product?

Companies that are the most active users of the Corporate Sustainability Scorecard share the results with their top ESG executive oversight council, C-suite, and/or board of directors.

Example Pitch Decks

- Member companies continue to share their "pitch decks" with us.
- We take the examples, create generic versions (to preserve confidentiality) and share with you.
- Companies agree that the "pitch deck" must be highly tailored to each company – but we can all share and learn from each other.
- Click here for the latest example "pitch deck"
- We will continue to discuss during monthly webinars.

Consolidating Data Inputs

Improved spreadsheets for internal distribution

Excel v1.0

Company name:	XYZ Company		INSTRUCTIONS:			
Contact name:	G.Ryan		Use this worksheet internally to gather your company ratings - then upload to the website			
Contact email:	gary.ryan@xyzcompany.com		Enter your data in the YELLOW-SHADED CELLS ONLY			
Contact phone:	234-555-7122		Click in the rating box to see the arrow, then click the arrow and select from 0.5 to 4.0			
			For "Highly Relevant" - we recommend you select ~10-15% of the total (or ~15-25 KSIs)			
STAGE 1	STAGE 2	STAGE 3	STAGE 4	Person responsible for rating this item (optional)	YOUR RATING (from 0.5 to 4.0)	Highly relevant to your organization?
Typical of most industry peers over the past ten years; role is to create shareholder value	Sustainability ('S') is part of how the company sees its role in society	'S' is near the core of how the company sees its role in society	'S' is at the core of how the company sees its role in society; aligned with circular economy*		3.0	☑ Highly relevant

Excel v2.0

Name/contact info:	# Rated:	Rel.:	# With Comments:
Missing Data	4	2	0

INSTRUCTIONS: Use this worksheet internally to gather your company ratings - then upload to the website

Enter your data in the YELLOW-SHADED CELLS ONLY

Click in the rating box to see the arrow, then click the arrow and select

For "Highly Relevant" - we recommend you select ~10-15% of the total (

				Typical Function Responsible (for data gathering inside company)						
STAGE 4	YOUR RATING (from 0.5 to 4.0)	! if Highly Relevant	Comments (optional)	C-Suite	Business Leade	Marketing & Planni	Product Team	Supply Chain	EHS - esp. E Team	Social (HR etc.) Tea
Full board of directors signs a personal commitment to sustainability				X						

New Excel Features:

Excel v1.0

- Ability to hide rows
- Improved functionality

Excel 2.0

- ! if Highly Relevant
- Pre-sorted by function (~25-30 KSIs per team)
  - C-suite
  - Business leaders
  - Marketing & Planning
  - Product team
  - Supply chain
  - Environmental
  - Social
- Dashboard at top
  - # Rated
  - # Highly Relevant
  - # with Comments
- Ability to tailor

Consolidating Data Inputs

Spreadsheets are returned to Hedstrom for immediate analysis and consolidation – returning consolidated results to you.

- Scorecard ESG Rating Template 1901 - FSky.xlsx
- Scorecard ESG Rating Template 1901 - GRyan.xlsx
- Scorecard ESG Rating Template 1901 - RHayes.xlsx
- Scorecard ESG Rating Template 1901 - TField.xlsx
- Scorecard ESG Rating Template 1901 - WClements.xlsx

Hedstrom Associates

Consolidation Report

- Listed by KSI
- # Rated
- Scores (Average, High, Low)
- Highly Relevant
  - Number
  - Percent of those rating
- Comments

KSI RATING SUMMARY (5 worksheets - XYZ Company)	No.Rated	Avg.Rating	HR(!)	Note(s)	# Comments
01.01: Gov. - CEO's View re Role of Company in Society	5	2.70	2	Rated by all	0
01.02: Gov. - Sustainability in Corporate Vision and Mission	4	2.75	2		0
01.03: Gov. - Sustainability in Core Values & Corporate Policies	4	2.13	1		0
01.04: Gov. - Support of International Sustainability Charters/Commitments	4	2.00	0		0
01.05: Gov. - Managing the Long-Term Viability of Core Businesses	4	2.00	2		0
01.06: Gov. - Key Business Decisions (KBDs) tied to Core Values	4	3.00	0		0
01.07: Gov. - Sustainability Ratings/Rankings	5	2.30	1	Rated by all	3
01.08: Gov. - Ethics & Trust Ratings	5	2.20	0	Rated by all	0
02.01: Gov. -					0
02.02: Gov. -					0
02.03: Gov. -					0
02.04: Gov. -					0
02.05: Gov. -					0
02.06: Gov. -					0
02.07: Gov. -					0
02.08: Gov. -					0
03.01: Gov. - Board Responsibility for Oversight of Sustainability	4	2.88	2		0
03.02: Gov. - Board's Sustainability Commitment	4	2.88	2		0
03.03: Gov. - Board's Sustainability Expertise	4	2.38	0		0
03.04: Gov. - Board's External Sustainability Advisors	4	1.38	0		0
03.05: Gov. - Board ESG Review of Key Business Decisions (KBDs)	4	2.25	1		0
03.06: Gov. - Reporting to Board of Most Material ESG Issues	4	1.00	0		0
03.07: Gov. - Assurance Letter/Annual Risk Review Signed by Business Leader	4	1.00	0		0
03.08: Gov. - Time Spent on Sustainability in Board Meetings	4	2.00	0		0
03.09: Gov. - Board of Directors' Sources of Sustainability Learning	4	1.63	0		0
04.01: Gov. - Materiality Assessment of Sustainability Impacts/Risks	4	1.75	4	HR by all	0
04.02: Gov. - Philosophy Regarding Sustainability Goals	5	2.20	0	Rated by all	0

Consolidated Results

(details next slide)`

The consolidated data can be automatically imported into the web portal

CORPORATE SUSTAINABILITY SCORECARD™
BY HEDSTROM ASSOCIATES

Agenda

- **Recap (10 minutes)**
  - Plans Messages from Recent Webinars
  - Latest Website Developments
- **Pulse Check (5-10 minutes)**
- **Member Update & Discussion (15-20 minutes)**
  - Greg Ryan – DTE Energy
  - Discussion
- **Workshop – *Look Ahead: Q4-19 & 2020* (15 Minutes)**
  - Small break-out groups
  - Full group discussion
- **What's Next (5 minutes)**

Hedstrom Associates

Webinar Participants: Pulse Check

Company	Participant	Completed Scorecard	Priority KSIs?	Past Webinars	Planned Next Step
• **AEP**	Sandy Nessing	New	No	No	Create Initial Scorecard
• **Alliant**	Michele Pluta	New	No	No	Create Initial Scorecard
• **Ameren**	Diane Saftic	New	No	No	Create Initial Scorecard
• **Ashland**	Nicole Voss	2018	Yes	Yes	Update Q3
• **Chevron**	Jeff Cavanagh	2018	No	No	Update Q3
• **Coca-Cola**	Sha Green	2018	(A few)	Yes	Update Q3/Q4
• **Consumers Energy**	Linda Hilbert; Jessica Spagnuolo	New	No	No	Create Initial Scorecard
• **DTE**	Greg Ryan	2018, 2019	Yes	Yes	Updating Now
• **Duke Energy**	Michelle Abbott	2018	No	No	Update – Q3
• **Eaton**	Jon Newton	2018	(A few)	Yes	Update – Q3
• **Eli Lilly**	Julie Delp	2018	No	Yes	Update – Q3
• **Fluor**	Nancy Kralik; Jenna Richards	2018, 2019	Yes	Yes	Engage peers
• **Hexion**	Sydney Lindquist	2018	(A few)	Yes	Update – Q3
• **Jenna Kunde**	Johnson Controls	2018	No	No	Update – Q3
• **Kohler**	Brigitte Dillman-Cruze	2018, 2019	Yes	Yes	Act on results
• **Lear**	Jack Nunes	New	No	Yes	Create Initial Scorecard
• **Marriott**	Claire Cutting	2018, 2019	Yes	Yes	Act on results
• **NextEra Energy**	Amy Albury	2018	No	No	Update – Q3
• **Stanley Black & Decker**	Dan Fitzgerald; Allie Valenti	2018	(A few)	Yes	Update – Q3
• **Tuscon Electric**	Cat Schladweiler (Elissa)	New	No	No	Create Initial Scorecard
• **UPS**	Patrick Browne	2018	No	(Yes)	Re-engage

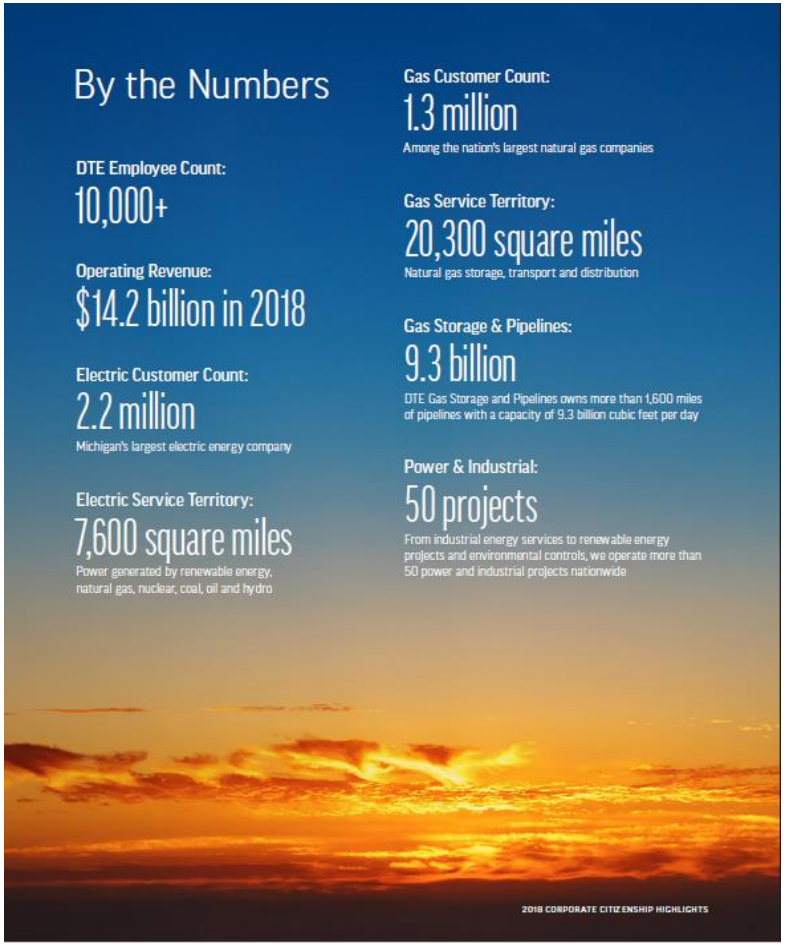
Agenda

- **Recap (10 minutes)**
  - Plans Messages from Recent Webinars
  - Latest Website Developments
- **Pulse Check (5-10 minutes)**
- **Member Update & Discussion (15-20 minutes)**
  - Greg Ryan – DTE Energy
  - Discussion
- **Workshop – *Look Ahead: Q4-19 & 2020* (15 Minutes)**
  - Small break-out groups
  - Full group discussion
- **What's Next (5 minutes)**

Corporate Sustainability Scorecard Update

Greg Ryan, DTE Energy

August 27, 2019

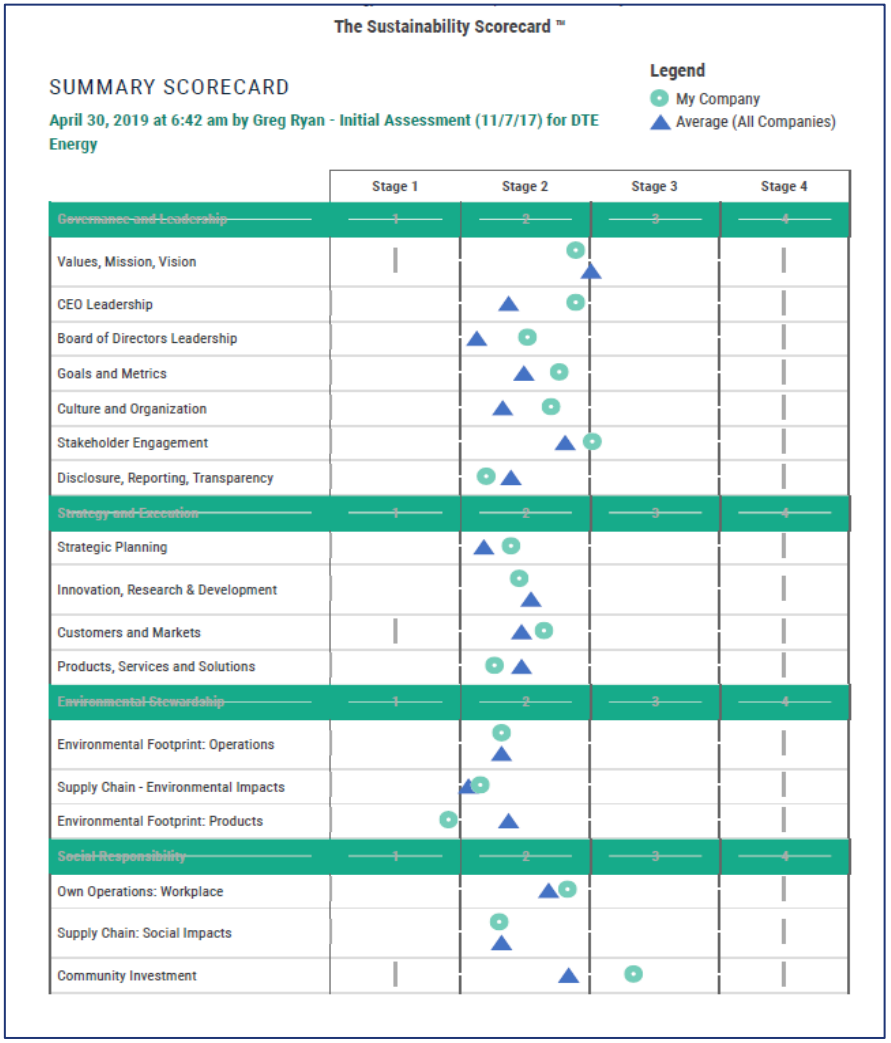


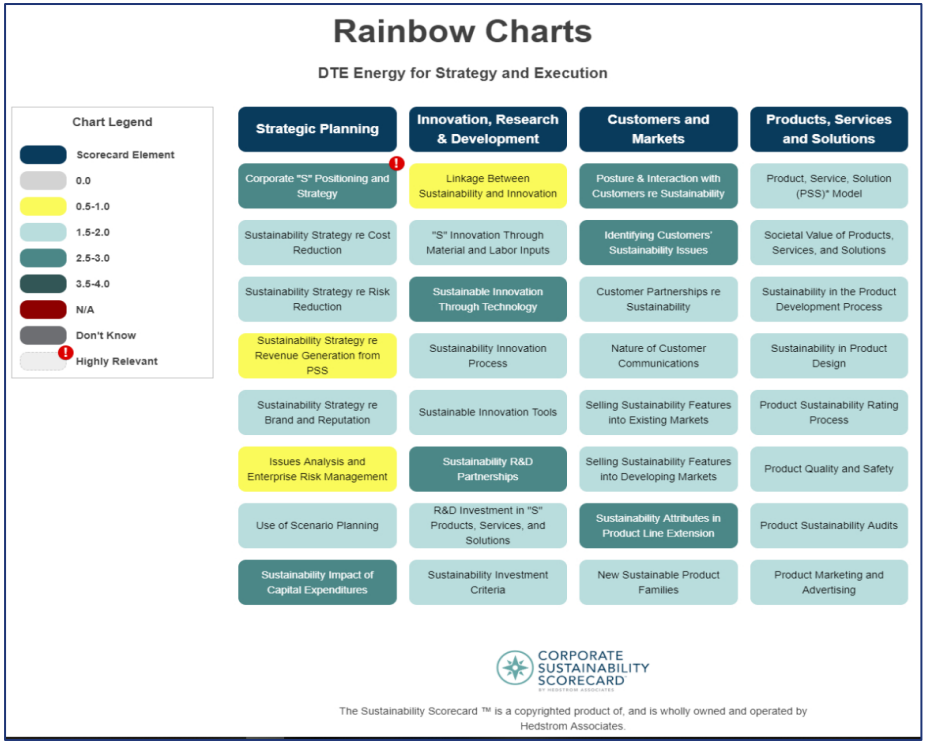
LEARN MORE AT DTEIMPACT.COM

DTE's Use of the Sustainability Scorecard

- Initial attempt completed by me in late 2017 – shared with a few people, didn't get much traction
- 2018: Formed ESG Team (Corporate Secretary, VP Environmental, VP Public Affairs, VP Corporate Communications, VP Human Resources, Director Investor Relations, Director Legal General Council)
- Early 2019
  - Got input from 5 people from ESG Team* using scorecard spreadsheet
  - Manually assembled and analyzed results (e.g., average scores)
- Shared Results of ESG Team scoring at August 2 ESG Team meeting
  - Summary Scorecard
  - Rainbow Chart – Strategy & Execution
- Next Steps
  - Provide ESG Team access to scorecard so that they can explore the tools and capabilities
  - Develop a draft deck for ESG Team that dives deeper into areas of opportunity
  - Continue to work on using Sustainability Scorecard in addition to other tools to drive a more integrated sustainability strategy

Samples of Scorecard Shared with ESG Team





Challenges – Sustainability Scorecard

- Focusing attention on completing the Scorecard given all the competing "voluntary" priorities:
  - Corporate sustainability reporting
  - EEI/AGA ESG Template Reporting
  - CDP Reporting
  - Responding to ESG Raters/Rankers (MSCI, Sustainalytics, ISS, etc.)
  - Climate reports (e.g. TCFD, Goal Setting)
  - Benchmarking of sustainability metrics
- Communicating that the Scorecard is different from all of the above
- Finding the "bandwidth" to complete the Scorecard
- Finding precious time to insert Scorecard discussion into already packed meeting agendas
- Getting the right Subject Matter Experts to review questions

Successes – Sustainability Scorecard

- Provides a platform for communicating sustainability and ESG performance from a C-Suite perspective
- Getting the attention of our Corporate Secretary and the ESG Team
  - Starts the discussion for getting key messages and opportunities to C-Suite and ultimately the Board of Directors
  - Provides a tool for identifying sustainability opportunities to integrate into core business strategy
- Using Scorecard Excel spreadsheet to facilitate responses from numerous stakeholders
- More expected as we work to present the results at executive level priority committee meetings

New analysis tool can save time…

Scorecard Intro XLS Files KSI Summary

KSI Summary

CORPORATE SUSTAINABILITY SCORECARD

This section shows overall results for each KSI, averaged across all 5 scorecard Excel files for *DTE Energy*.

KSI	Topic	Description	Avg.	#Rated	%Rated	Range	#HR(!)	%HR(!)	Details	Flags/Notes
01.01	Governance and Leadership	CEO's View re Role of Company in Society	2.70	5	100	2.00-3.00	2	40	details	Rated by all
01.02	Governance and Leadership	Sustainability in Corporate Vision and Mission	2.75	4	80	2.00-3.00	2	50	details	
01.03	Governance and Leadership	Sustainability in Core Values & Corporate Policies	2.13	4	80	2.00-2.50	1	25	details	
01.04	Governance and Leadership	Support of International Sustainability Charters/Commitments	2.00	4	80	2.00-2.00	0	0	details	
01.05	Governance and Leadership	Managing the Long-Term Viability of Core Businesses								
01.06	Governance and Leadership	Key Business Decisions (KBDs) tied to Core Values								
01.07	Governance and Leadership	Sustainability Ratings/Rankings								
01.08	Governance and Leadership	Ethics & Trust Ratings								
02.01	Governance and Leadership	Speeches on Sustainability by CEO and C-Suite Executives								

01.03 - Governance and Leadership - Sustainability in Core Values & Corporate Policies
Rated by 4 respondents. HR(!) by 1 respondents. No comments.

Ratings by respondent:

Skiles 2.50

Ann Hayes (C) 2.00

Ann Hayes 2.00

Greg Ryan 2.00 HR(!)

Agenda

- **Recap (10 minutes)**
  - Plans Messages from Recent Webinars
  - Latest Website Developments
- **Pulse Check (5-10 minutes)**
- **Member Update & Discussion (15-20 minutes)**
  - Greg Ryan – DTE Energy
  - Discussion
- **Workshop – *Look Ahead: Q4-19 & 2020* (15 Minutes)**
  - Small break-out groups
  - Full group discussion
- **What's Next (5 minutes)**

Looking Ahead to 2020…

(Unplanned) 2019 Additions

- **Analytics**
  - Downloadable Rainbow and Bar Charts
- **Webinars**
  - Build a collaborative learning network
  - Member company sharing
  - Analogous to Conference Board Councils
- **Comparisons (TCFD, DJSI, etc.)**
- **Publication (TCB 80/20 article)**
- **Supporting Tools**
  - Excel v1.0 (full rating with comments)
  - Excel v2.0 (hide rows; sort by team/function)
  - Example Pitch Deck

2020 Possibilities

- **Webinars and Peer Learning**
  - What would you love in 2020?
- **Custom Analysis**
  - Hand pick peer companies
  - My priority issues (e.g., supply chain, etc.)
- **Priority (!) Issues** *[Highly Relevant]*
  - What KSIs do peer companies flag?
  - Who is best-in-class on my (!) issues
- **Ratings Comparison**
  - Analyze my company ESG Ratings vs. Scorecard
- **Insights & Coaching**
  - Independent analysis of your ratings & your priority (!) [highly relevant] issues
  - Coaching on C-suite/board pitch decks

Small Group Discussions: Brainstorm new value-adding ideas

How can the Scorecard provide greater value?

[Possible Q4-19 and 2020 Join Options – for discussion]

Possible Options	Comments
A. Free	Basically same as 2019
B. Basic	Basically same as 2019
C. Custom	Tailor to your company needs • How you gather and analyze data (broader cross-section) • Who you compare your company to
A La Carte: Add-Ons	**[Can be added to any option above]**
Coaching	Independent analysis by Gib/team: • We remotely join your team updating session (if desired) • We review and comment on your ratings • We suggest "Highly Relevant" KSIs
Internal Meetings & Presentations	Gib/team assist with your presentations: • Help you prepare your "Pitch Deck" • Remotely join your internal meetings, calls • Remotely join an executive presentation
Other Ideas?	• ?????

Small Group Discussions: Brainstorm new value-adding ideas

Results from Breakout Groups…

How do we capture even more value from the Scorecard?

- **Positioning this benchmarking tool: Get C-Suite Attention**
  - The word "Scorecard" can be a turn-off *("Not another scorecard!")*
  - This is a strategy tool *("How are we doing re our corporate ESG strategy?")*
  - Internal Alignment: a powerful tool to get alignment internally
- **Automate: Anything to make our life easier**
  - Excel Tool: Continue to refine; tailor to our company – up-loadable to website
  - Pitch Deck: with C-suite friendly graphics (bubble chart; rainbow charts)
- **Overlap with TCFD, MSCI, etc.**
  - What's the degree of overlap: Strong on Environment and Social; very weak on Governance and Strategy
  - Showing the Value: How to show the value (especially Governance & Strategy)
  - Linking our Scorecard Results to our External ESG Ratings
- **Performance Improvement**
  - Best Practices: Not currently leveraged: >400 best practices on the website
  - Link best practices to our improvement priorities ("Highly Relevant") KSIs

Agenda

- **Recap (10 minutes)**
  - Plans Messages from Recent Webinars
  - Latest Website Developments
- **Pulse Check (5-10 minutes)**
- **Member Update & Discussion (15-20 minutes)**
  - Greg Ryan – DTE Energy
  - Discussion
- **Workshop – *Look Ahead: Q4-19 & 2020* (15 Minutes)**
  - Small break-out groups
  - Full group discussion
- **What's Next (5 minutes)**

Actions for All

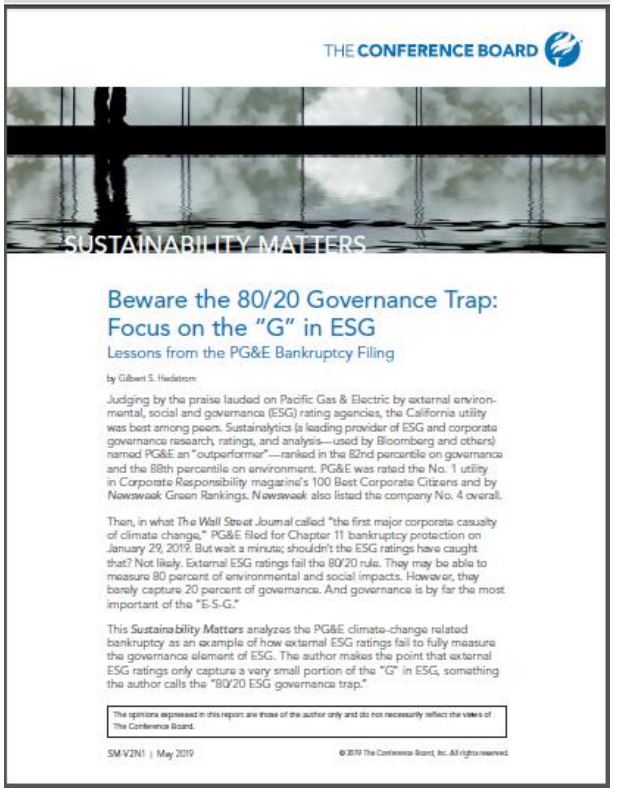
1. 2019 Update (if not already completed)
   - Updated Excel sheets (hide rows; sort by team)
   - Target date
2. Q4-19 and 2020 Look Ahead
   - 1:1 Calls with Gib
   - September 30, 2019: New Join Options
   - Q4-2019: Renewal time for many subscribers
   - Selectively add new companies:
     - ✓ Work together with Gib to invite, encourage

Gib's Outreach Activity

The Conference Board:

- TCB Global Sustainability Centre
- PSRA Council: Update data (or create new Scorecard data) related to product stewardship – prior to fall 2019 meeting)

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.

SM-V2N1 | May 2019

© 2019 The Conference Board, Inc. All rights reserved.

Other Industry Groups:

- WBCSD
- NAEM
- GEMI
- NACD

Gib has had ongoing conversations with these industry groups – all of which are very interested in the Corporate Sustainability Scorecard. The emerging collaboration:

- They encourage members to use the Scorecard
- Gib and team provide tailored analytics for the groups to use in meetings, etc.

Upcoming Webinars

Mark Your Calendars

(all on Tuesday 11:00 AM – Noon EST)

- **September 17**
- **October 15**
- **November 12**
- *[No webinar in December]*

2020: Continue with same time? (Tuesday 11am EST)

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)