



ESG NAVIGATOR

ENVIRONMENT • SOCIAL • GOVERNANCE

Sustainability Benchmarking Collaborative

Webinar

February 7, 2020

Hedstrom Associates

Welcome... (pre-registered)

Company	Active in 2019
• Altria	Amanda Tate
• Ashland	Nicole Voss
• CMS Energy	Jessica Spagnuolo
• Danaher	Sargam Saraf
• DTE	Greg Ryan
• Duke Energy	Pete Sherrard
• Fluor	Jenna Richards
• Hain Celestial	Erol Odabasi
• Hexion	Syd Lindquist
• Ingersoll Rand (Trane)	Scott Tew
• Lear	Carolyn Markey
• Marriott International	Denise Naguib
• Otis	Terry Robinson
• PPL	Lissette Santana
• PPG	Mark Cancilla; Mike Corcoran
• Solvay	Michel Washer
• Stanley Black & Decker	Dan Fitzgerald; Allie Valenti
• UPS	Patrick Browne

Company	New in 2020
• Dow	Jennifer Princing
• FCA Group	Kaileen Connelly
• HP Inc.	David Eichberg
• IFF	Mike Babicki; Christina Forst
• Johnson Controls	Gregg Ublacker
• Kohler	Nathan Nissen
• Toyota	Elena Sacca Viktoriya Muravlenko

Our Team

Gib Hedstrom
Ben Roberts
Larry Krupp
Jim Hamilton

Agenda

- **Your 2020 Win: C-Suite Presentation** *(10 minutes)*
 - What your peers are telling me
 - Updated “Pitch Deck”
 - Selecting your “Top 12” priority KSIs
- **How to Pick Your “Top 12” KSIs** *(20 Minutes)*
 - Hear from your peers...
 - Break-out groups and discussion
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 - Break-out groups
- **What’s Next** *(5 minutes)*

Preparing Your C-Suite Presentation

Consideration	Status	Comments
1. Is ESG a C-Suite and board topic?	↗	<ul style="list-style-type: none"> • Investor interest • Larry Fink's letter • Peer company actions
2. Do they care about benchmarking?	↗	<ul style="list-style-type: none"> • <i>"The one question asked"</i> • Driven by ESG ratings • The <i>"80/20 ESG Ratings Trap"</i>
3. Is this tool and database robust?	↗	<ul style="list-style-type: none"> • By industry, for industry • Vetted by >80 companies • 2020 KSI refresh
4. Are our own company ratings reasonable?	↗	<ul style="list-style-type: none"> • First pass (ESG) • Second pass (ESG) • Third pass (cross-function)
5. Have we come to the "right" conclusions?	?	<ul style="list-style-type: none"> • First pass (limited criteria) • Criteria to select "Top 20"

3. Is the ESG Navigator Tool Robust?

By Industry, For Industry

- **22-year history**
- **Built around ambitions of global leaders**
 - 300 best practice (& goals)
 - +150 2019 best practices
- **Multiple Rounds of Vetting**
 - 2015 Pilot
 - 2018 Launch and Revisions
 - 2020 Refresh

2020 Refresh

- **100+ comments**
- **Eliminated 18 KSIs**
 - Combine (two → one)
 - No deletion of content
- **General Updating**
 - Business Roundtable (KSI 1.1)
 - Science-based goals (KSI 4.2)
- **Improved Flow**

4. Are Our Ratings Reasonable?

1. **First Pass**: one or a few sustainability leaders
2. **Second Pass**: engage full sustainability / ESG team
 - Off-site meeting *[Marriott]*
 - Multiple (individual) Excel inputs *[Chevron Phillips Chemical, UPS]*
 - Analysis Tool *[Chevron Phillips Chemical, UPS]*
3. **Third Pass**: Engage Executive Council / Functional Peers
 - Create “Pitch Deck” (Rainbow Charts; Summary bubble chart) *[DTE, Kohler; KP]*
 - Invite Executive Sustainability Council Members to rate (using Excel) *[ConEd]*
 - Create mini-survey of 100 Executives (~20 KSIs) *[PPG]*
 - Engage internal “Social Team” *[Ingersoll Rand]*

5. Have we selected the 'right' priority KSIs

Consideration	Status
1. Is ESG a C-Suite and board topic?	↗
2. Do they care about benchmarking?	↗
3. Is this tool and database robust?	↗
4. Are our own company ratings reasonable?	↗
5. Have we come to the "right" conclusions?	?



Questions to Answer

1. How many KSIs?
2. What's the 'right' spread:
 - Governance
 - Strategy
 - Environment
 - Social
3. Where does materiality fit in?

How to Pick Your “Top 12” KSIs

	# KSIs 2019	~10-15% 2019	# KSIs 2020	~10-15% 2020
Breakdown by Section				
• Governance & Leadership	57	6-9	47	5-8
• Strategy & Execution	32	3-5	31	3-5
• Environmental Stewardship	34	3-5	29	3-4
• Social Responsibility	24	2-3	22	2-3
Total (~10-15%)		14-22		13-20
Total Number of KSIs	147		129	

QUESTION:

Are all four sections of “equal” weight?

Without “getting governance right,” it’s hard to get anything else right.

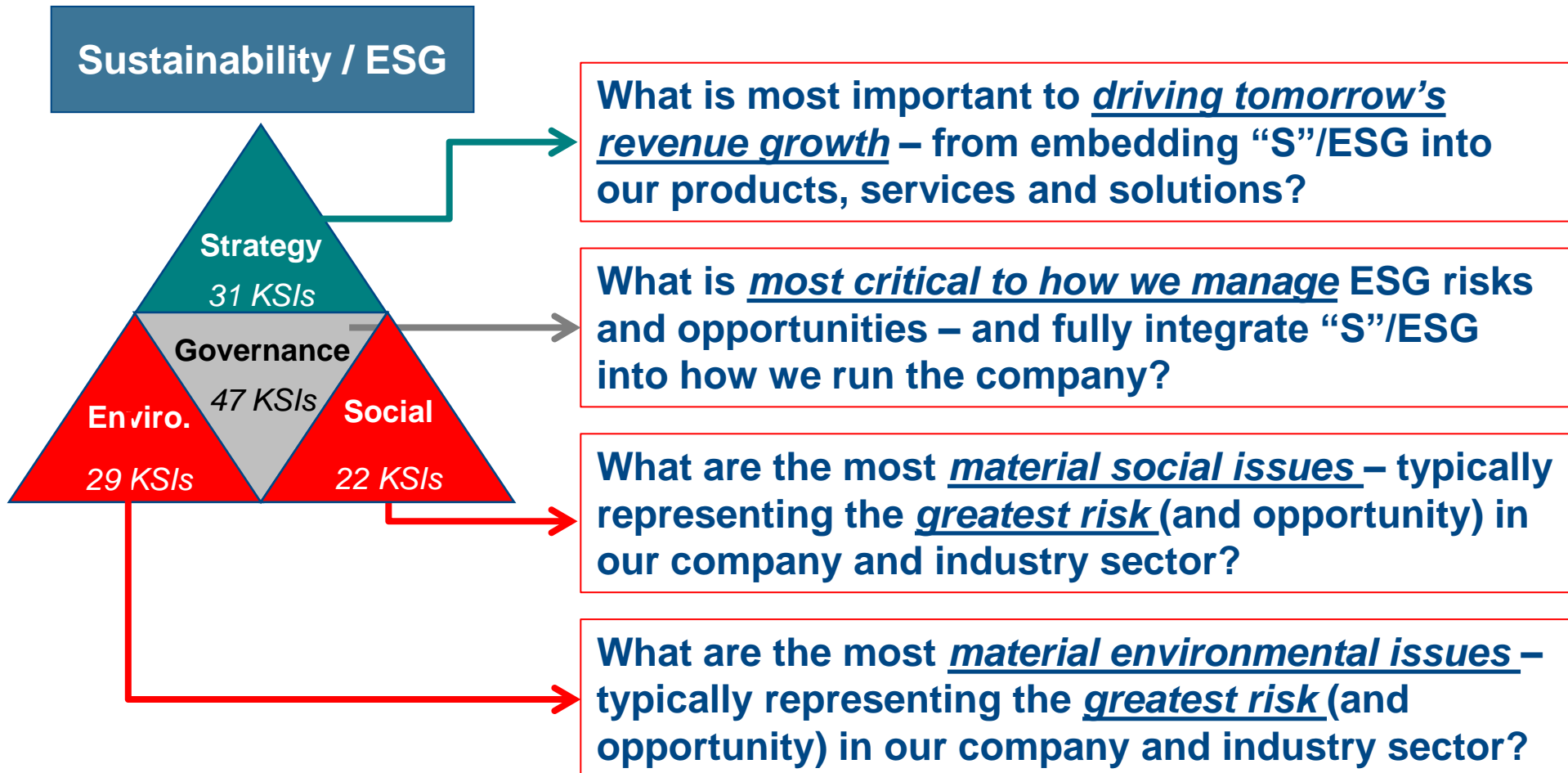
This is true with creating successful products and services; building robust brands; delivering consistent and strong financial results, and earning a reputation as “a good company to work for.”

Increasingly, this is true for sustainability also.

How to think about Governance?

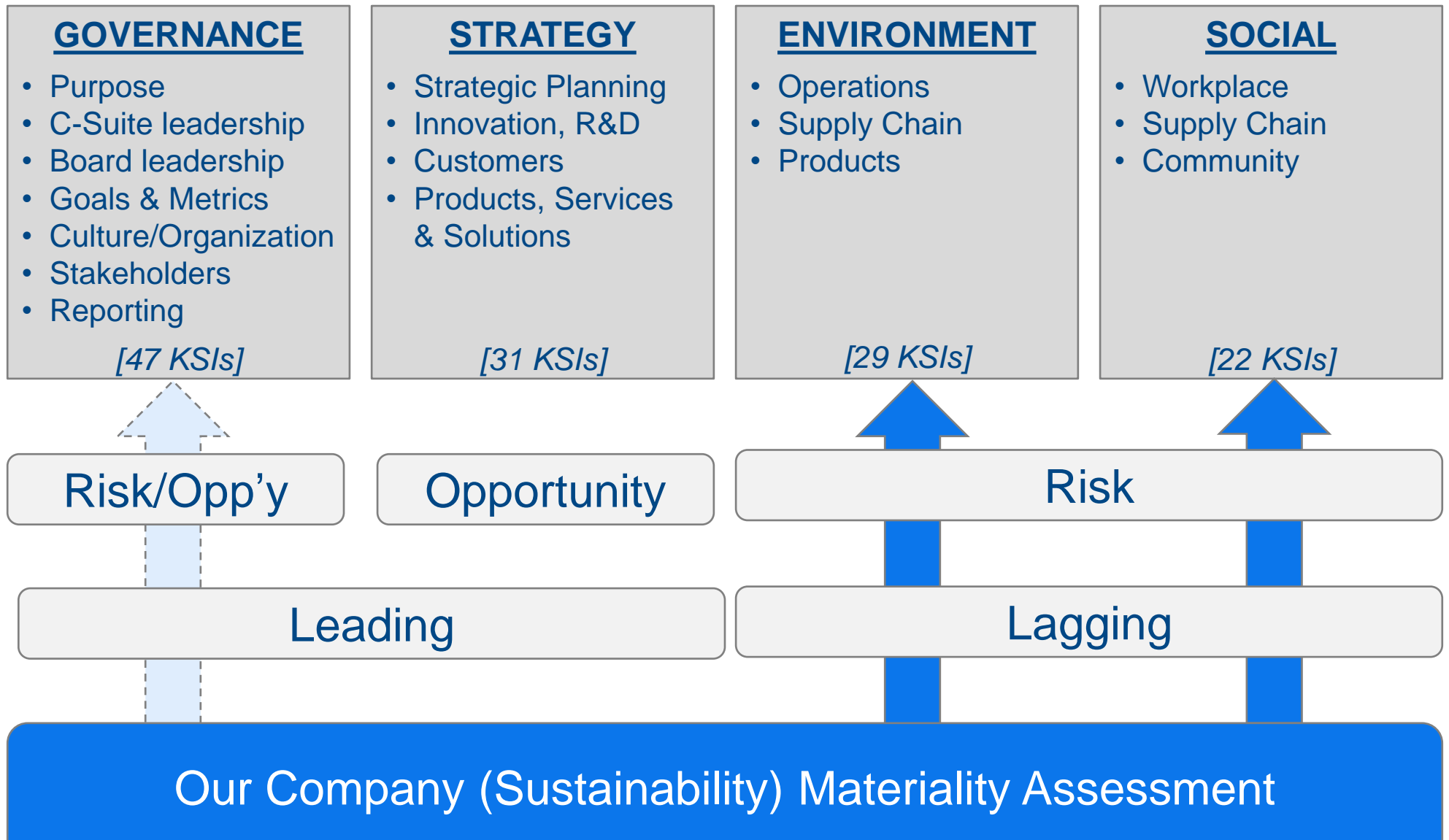
- *“The way things work around here”*
- **The company DNA: the structure, processes, and culture in place that impacts how major decisions are made**

How to Pick Your “Top xx” KSI



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Your 2020 Win: C-Suite Presentation



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Breakout Session #1

Discussion Questions

- **How did your company select “Highly Relevant” in 2019?**
- **Does this guidance make sense?**
- **What will you change next time?**

Preliminary Groupings

- **Denise Naguib (Marriott Int'l.)**
- Michel Washer (Solvay)
- Elena Sacca Smith (Toyota)
- Patrick Browne (UPS)

- **Scott Tew (Ingersoll Rand)**
- Mark Cancilla (PPG)
- Jennifer Princing (Dow)
- David Eichberg (HP Inc.)

- **Jessica Spagnuolo (CMS)**
- Pete Sherrard (Duke Energy)
- Nicole Voss (Ashland)
- Sargam Saraf (Danaher)

- **Greg Ryan (DTE Energy)**
- Terry Robinson (Otis)
- Mike Babicki (IFF)
- Gregg Ublacker (Johnson Controls)

- **Erol Odabasi (Hain Celestial)**
- Amanda Tate (Altria)
- Allie Valenti (Stanley Black & Decker)
- Nathan Nissen (Kohler)

- **Mike Corcoran (PPG)**
- Carolyn Markey (Lear)
- Christina Forst (IFF)
- Lissette Santana (PPL)

- **Dan Fitzgerald (Stanley B&D)**
- Sydney Lindquist (Hexion)
- Jenna Richards (Fluor)
- Viktoriya Muravlenko (Toyota)

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Updated “Pitch Deck”

- **2019 Version: *How do we stack up?***
- **2020 Version: *Where do we go from here?***
 - ***What’s our strategy (priority focus areas)?***
 - ***Which ESG ratings help us advance our strategy? (And which do not?)***
 - ***As we advance our strategy, will that also improve the ESG ratings we care about?***

Breakout Session #2

Discussion Questions

- Do you like the updated *Pitch Deck*?
- What could make it better?

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What's Coming Soon

1. Best Practices Library

- Over 150 new best practices – in place in February
- New downloadable “library” by topic (Scorecard Element)

2. Additional Analytics

- “Toggle-Analytics” - Comparisons to TCFD, DJSI, etc.
 - Rainbow Charts
 - Bar Charts (by KSI)

3. Excel Upload

- Option to complete or update ratings (on-line or Excel upload)
- Multiple Excel Inputs:
 - Distribute internally (e.g., to 5 or 50 people)
 - We provide Summary Analysis Report
 - Average ratings automatically uploaded
- Ability to revise (as always)

Outreach Activities

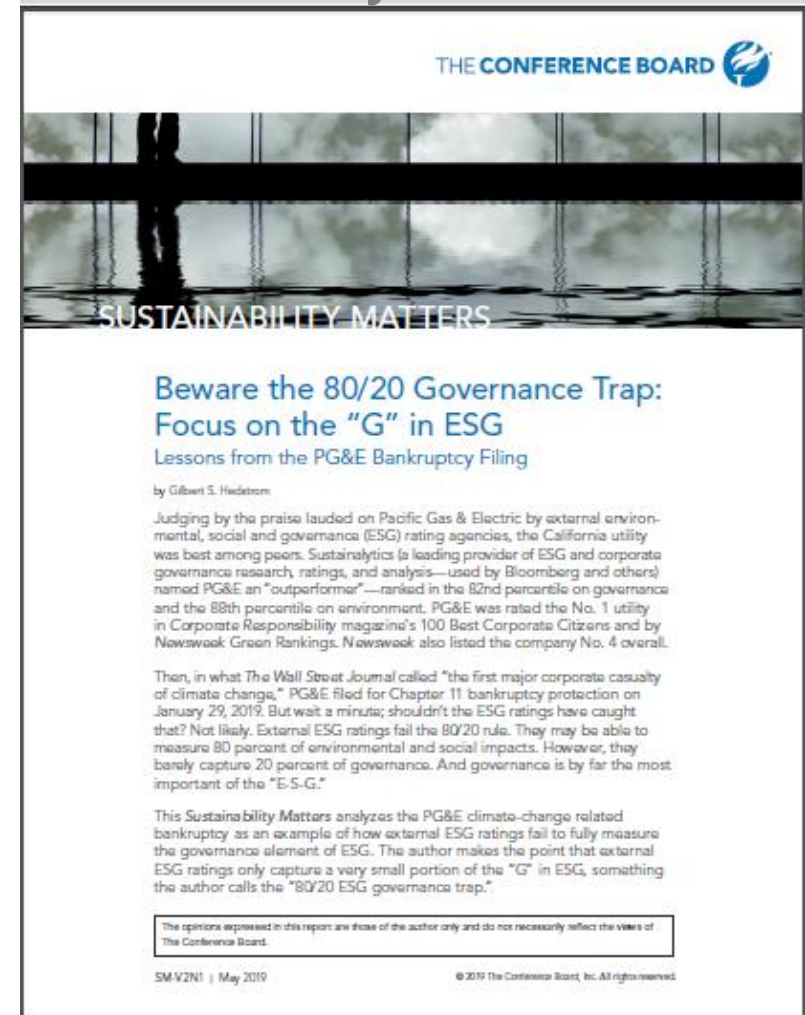
May 2019

The Aspen Institute Business & Society Program:

- December 3-4, 2019 in NYC
- Mainstream investors & corporate leaders

The Conference Board:

- TCB Global Sustainability Centre
- TCB Sustainability research experts



Actions for All

1. 2020 Update: Plan now
 - Time with strategic planning season
 - Make your internal outreach plan (Excel inputs)
2. Arrange 1:1 Call
 - Helpful to review – lots going on!
 - Discuss your 2020 priorities
3. Review Join Options
 - Free Trial – for newcomers (and some ‘founders’)
 - Option C Quarterly Strategy Discussions

On behalf of our
ESG Navigator 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)

Larry Krupp (Technology Colleague)

Scott Sousa (Website Design)