



ESG NAVIGATOR

ENVIRONMENT • SOCIAL • GOVERNANCE

Sustainability Benchmarking Collaborative

Webinar

January 16, 2020

Hedstrom Associates

Welcome... (pre-registered and joined without registering)

Company	Returning
• AEP	Sandy Nessing
• Altria	Amanda Tate
• Ashland	Nicolle Voss
• Consumers Energy	Linda Hilbert
• Danaher	Sargam Saraf
• DTE	Greg Ryan
• Duke Energy	Pete Sherrard
• Eaton	Jon Newton
• Fluor	Jenna Richards
• Hain Celestial	Erol Odabasi
• Hexion	Syd Lindquist
• Ingersoll Rand	Jeff Moe, Ben Tacka, Debbie Kalish
• Lear	Carolyn Markey
• Otis	Terry Robinson
• PPL	Lisette Santana
• PPG	Mike Corcoran
• Stanley Black & Decker	Dan Fitzgerald, Allie Valenti
• UPS	Andria Smith

Company	New
• Campbell Soup	Roma McCaig, Megan Maltenfort
• Cisco	Lori Biesen
• DuPont	Bob Tucker
• Kohler	Nathan Nissen
• Maersk	Lene Serpa
• Merck	Kyra Lanza, Trish Frick
• Toyota	Elena Sacca
• Waters Corporation	Tom Wesley
• Few others – did not catch names or companies	

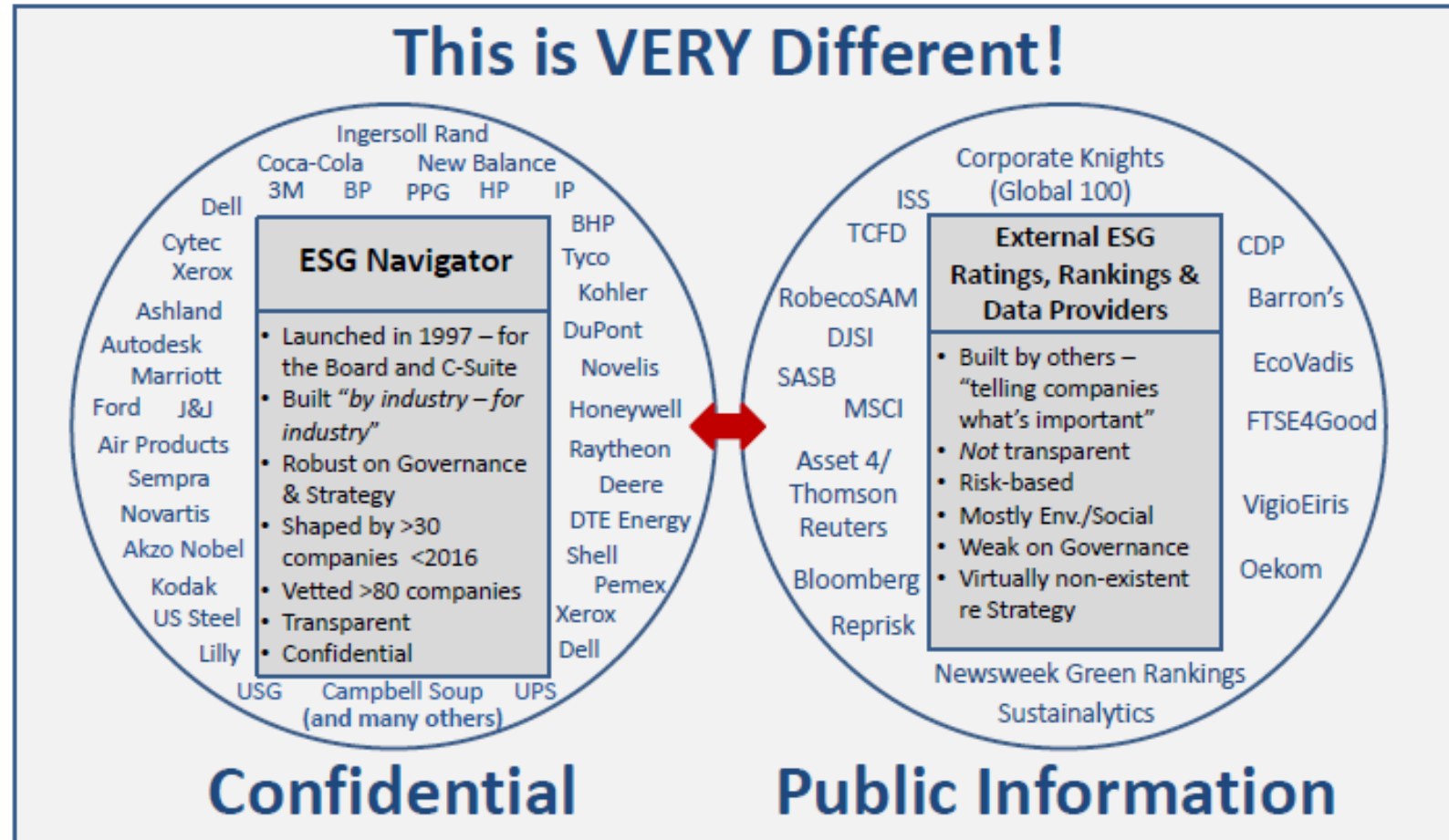
Our Team

Gib Hedstrom
Ben Roberts
Larry Krupp

Agenda

- **What's New & What's Coming Next (15 minutes)**
 - Key Messages
 - Recap
 - What's Coming Soon
- **Member Update: Q4-2910 Activity (10 minutes)**
 - **PPG** – Survey of ~100 top executives
 - **UPS** – Significant upgrade to ratings
- **Workshop – *Look Ahead to 2020* (20 Minutes)**
 - Small break-out groups
 - Full group discussion
- **What's Next (5 minutes)**
 - 2020 Webinar Plan
 - Actions for You

A Reminder: Why This Scorecard?



We are not competing with ESG ratings!

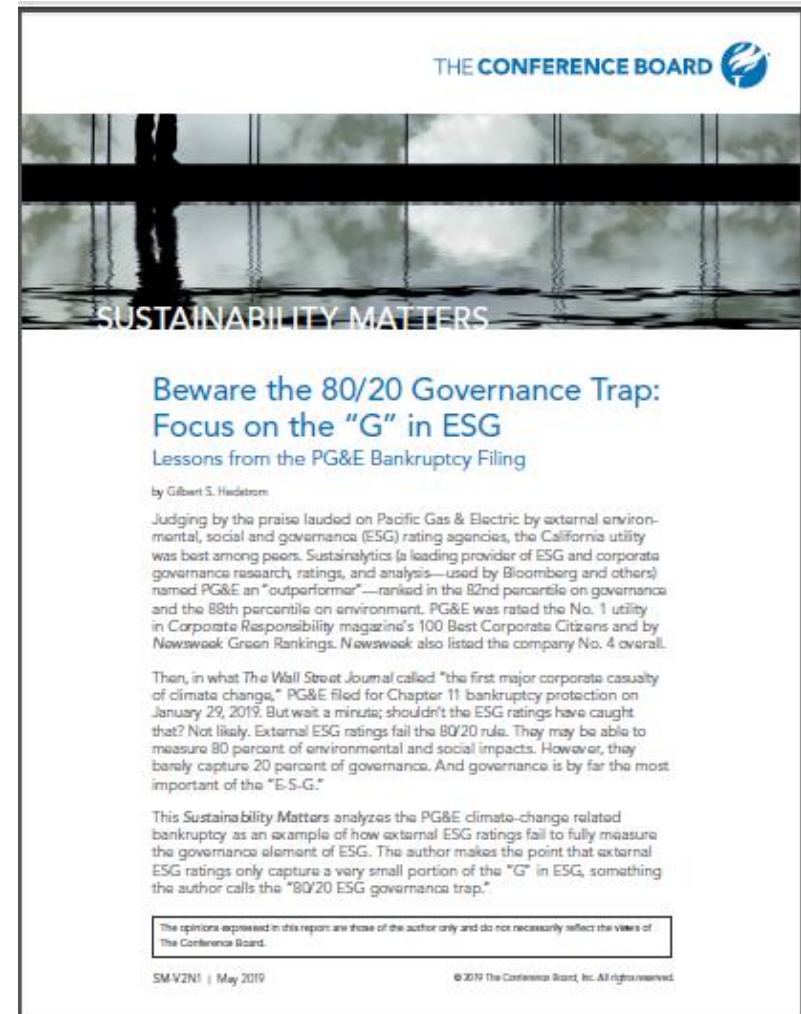
Outreach Activities

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



Key Messages

- 1. 2020: Breakthrough Year for ESG Globally**
 - Larry Fink Letter (January 14, 2020)
 - McKinsey Report (January 16, 2020 – today)
- 2. 2020: Breakthrough Year for *ESG Navigator***
 - New brand – reflecting broader remit
 - Join Options
 - Strategic partnership
- 3. Updated KSIs**
 - Streamlined (147 → 129 KSIs) and significantly improved
 - Go live January 20
- 4. Excel Tools and Analysis Report**
 - Stop using any old Excel sheets ; new Excel sheets available now
 - New enhancements to Excel Summary Analysis Report format
- 5. Serious Focus on Prioritizing, Acting, and Dealing with ESG Ratings**
 - How to best tell your story?
 - Which ratings to focus on?

Black Text = 2018

Green text = 2019

Red text = 2020

Peer Learning

- Monthly Webinars
- Quarterly Strategy Discussion Forum (Opt. C. only)
- “ESG Impact” – Current news stories for C-Suite discussion

Reporting

- Create downloadable graphics
- Example “Pitch Deck”
- Gib Join Internal Meetings
- Employee Survey (PPG test)
- Employee Survey Support

Benchmarking

- Complete Full Scorecard
- Update/Streamline KSIs
- Upload Excel to Website
- Compare vs. (Opt. C. only):
 - Companies by Revenue; Headcount
 - & by Geography; Public/Private
- Mini-ESG Scorecards:
 - ESG Governance Scorecard
 - ESG Strategy Scorecard
 - ESG Environment Scorecard
 - ESG Social Scorecard



Internal Alignment

- Excel Data Entry (v1.x; 2.x)
- Special Excel Analysis Tool
- Excel Data Entry (v3.x)
 - Option A: Simple
 - Option B: Functional Analysis
 - Option C: HA-HR(!) KSIs
- Special Excel Analysis Tool 2.0

Best Practices

- Example Best Practices by KSI
- Update with ~150 new “BPs”
- Download “Best Practice Library” by Element
- Explore how to invite BP suggestions

Analysis

- Identify Priority (HR!) KSIs
- Compare to TCFD, DJSI, etc.
- Build out all Analytics
 - Bubble Charts
 - Rainbow Charts
 - Bar Charts
- Identify “ESG-20”
- Toggle between TCFD etc. and Own Company Ratings

Join Options

- On website now
- Many new features:
 - Excel Uploads
 - New Analytics (compare vs. companies by revenue, headcount, etc.)
 - Toggle Analytics (rainbow and bar charts) to ESG Ratings
 - Best Practices Library
- Summary:
 - A = Free (status quo)
 - B = Basic (all new features added to date plus several new ones)
 - C = Advanced (new)

Scorecard Subscription Options - Feature Comparison		Subscription Options		
Effective October 1, 2019		Free	Basic	Advanced
Access the Website				
Access the website 24/7/365		•	•	•
Download a PDF of rating criteria		•	•	•
Rate Our Company: Data Collection & Data Entry				
Enter data directly into website; update "Scorecard" anytime		•	•	•
Use Standard Excel worksheet for ratings (all KSIs listed; no sorting)		•	•	•
Import Excel worksheets directly to website		•	•	• New
Use Custom Excel worksheet for ratings (sort KSIs by topic/team)		✗	•	• New
Use automated analysis of multiple Excel worksheets		✗	•	• New
Analyze Our Results				
1. Compare our Company to:				
• All companies in the system that have submitted data		•	•	•
• Companies in our industry sector and sub-sector (GICS definition)		✗	•	•
• Companies of similar size: annual revenue and FTE Headcount		✗	✗	• New
• Companies headquartered in our geography (U.S., Europe, etc.)		✗	✗	• New
• All public or private companies		✗	✗	• New
• Select our own benchmark group (of 6+ companies)		À la carte selection ¹		
• Compare vs. different industry sectors (customer groups)		À la carte selection ¹		
2. Compare our company at which "level":				
• Overall: Single average rating across all KSIs		•	•	•
• Sections: Ratings by the 4 Sections (Governance, Strategy, etc.)		•	•	•
• Elements: Ratings by the Elements within Sections		•	•	•
• KSIs: Ratings by each KSI (within Elements)		✗	•	•
• HRI: Ratings for only our Highly Relevant KSIs		✗	•	•
3. Download graphics				
• Save graphics (bubble, rainbow, bar charts) as JPEG or PNG		•	•	•
Prioritize our "Highly Relevant" (!) Key Sustainability Indicators				
"Highly Relevant" KSIs you select		✗	•	•
"Highly Relevant" KSIs of industry peers		✗	✗	• New
"Highly Relevant" KSIs of leading companies		✗	✗	• New
Action Planning				
Best Practices: View examples as we update our ratings		•	•	•
Best Practices: Download examples for our Priority (!) KSIs		✗	•	• New
Best Practices: Download library for the 17 Scorecard Elements		✗	•	• New
ESG Ratings: Evaluate our Priority KSIs vs. our TCFD input		✗	✗	• New
ESG Ratings: How to improve (e.g., CDP, MSCI) vs. our Priority KSIs		✗	✗	• New
Peer-to-Peer Learning				
Compare Scorecard v. ESG Ratings (e.g., MSCI, CDP, ISS, DJSI, etc.)		•	•	•
Access example "Pitch Deck"		•	•	•
Join general Monthly Webinars		•	•	•
Join Quarterly Strategy Discussion Forum		✗	✗	• New
ESG Impact - Powerful, current news stories for C-suite discussion		✗	✗	• New
Independent review, analysis, insight		✗	✗	• New
À la carte selection ¹		À la carte selection ¹		

Option A: Free
Option B: Basic
Option C: Advanced

Option B Participants

- 3M
- Apex Tool
- Ashland
- Bristol Myers Squibb
- Chemours
- Cisco
- Con Edison
- DTE Energy
- Eastman
- Eaton
- Eversource
- Fluor
- Medtronic
- Sempra Energy

Option C Participants

- Ingersoll Rand/Trane Technologies
- Consumers Energy
- Kaiser Permanente
- IBM
- Ecolab
- UPS
- Coca-Cola
- Marriott
- PPG
- Altria
- Chevron Phillips Chemical
- Kohler
- Duke Energy
- Danaher

Major Upgrade to KSIs

Structural Changes

- Review during the year
 - Identify Overlap
 - Suggestion from you
- Adding 150+ Best Practices
 - Assign each to a KSI
 - Identifies overlapping KSIs
- Eliminate 18 KSIs
 - Combine (two → one)
 - No deletion of content
- Moved 5 KSIs to more logical spot

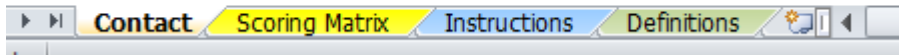
Stage 1-4 Descriptors

- >100 comments on specific KSIs/stage descriptors
- Common themes
 - Be more specific
 - Less prescriptive (e.g., LCA, LEED)
 - Sharpen what fits in Stage 2, 3, etc.
- General Updating - examples
 - Business Roundtable (KSI 1.1)
 - Science-based goals (KSI 4.2)
- Improved flow (use of action verbs, common phrases, etc.)

New Tools: Excel Spreadsheets

Improved spreadsheets for internal distribution

Excel v3.x



v3.05f (20200108)	Contact info (Contact tab): Completed	1 rated	2 HR(!)	2 comments
-------------------	---	---------	---------	------------

For full instructions, please see the Instructions tab.					Typical Function Responsible						
STAGE 4	RATING (0.5 to 4.0)	! = Highly Relevant	Comments (optional)	HA HR	C-Su	Biz & Functi Leaders	Mktg Plann	Prod Tea	Supp Chai	CSO-E	Socis (HR)
critical to managing ESG											
"S" is "mission critical" - at the core of how the company sees its role in society; C-Suite is driving deep integration of ESG* into core business processes	3.0	!	Example comments... to delete Highly Relevant (!), just click on cell and Delete.	!	X	X					
"S" is central to company transformation - driving goal of having net positive* impact - balancing creating economic value and value for society		!	To mark a KSI as Highly Relevant, click cell and type in "!" - Enter		X	X					
Drive growth and societal value ahead of industry guidelines - e.g., from the intent of the Sustainable Development Goals (SDGs)*										X	X

New Excel Features:

Excel 3.x

- 4 Tabs
 - Contact Info
 - Scoring Matrix
 - Instructions
 - Definitions
- Dashboard at top
- ! if Highly Relevant
- New “HA-HR(!)”
- Pre-sorted by function (~25-30 KSIs per team)
 - C-suite
 - Business leaders
 - Marketing & Planning
 - Product team
 - Supply chain
 - Environmental
 - Social
- Ability to tailor

What's Coming Soon

1. January 20 “Roll-over”

- Streamlined (147 → 129 KSIs) and significantly improved
- Go live January 20

2. Best Practices Library

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

3. Additional Analytics

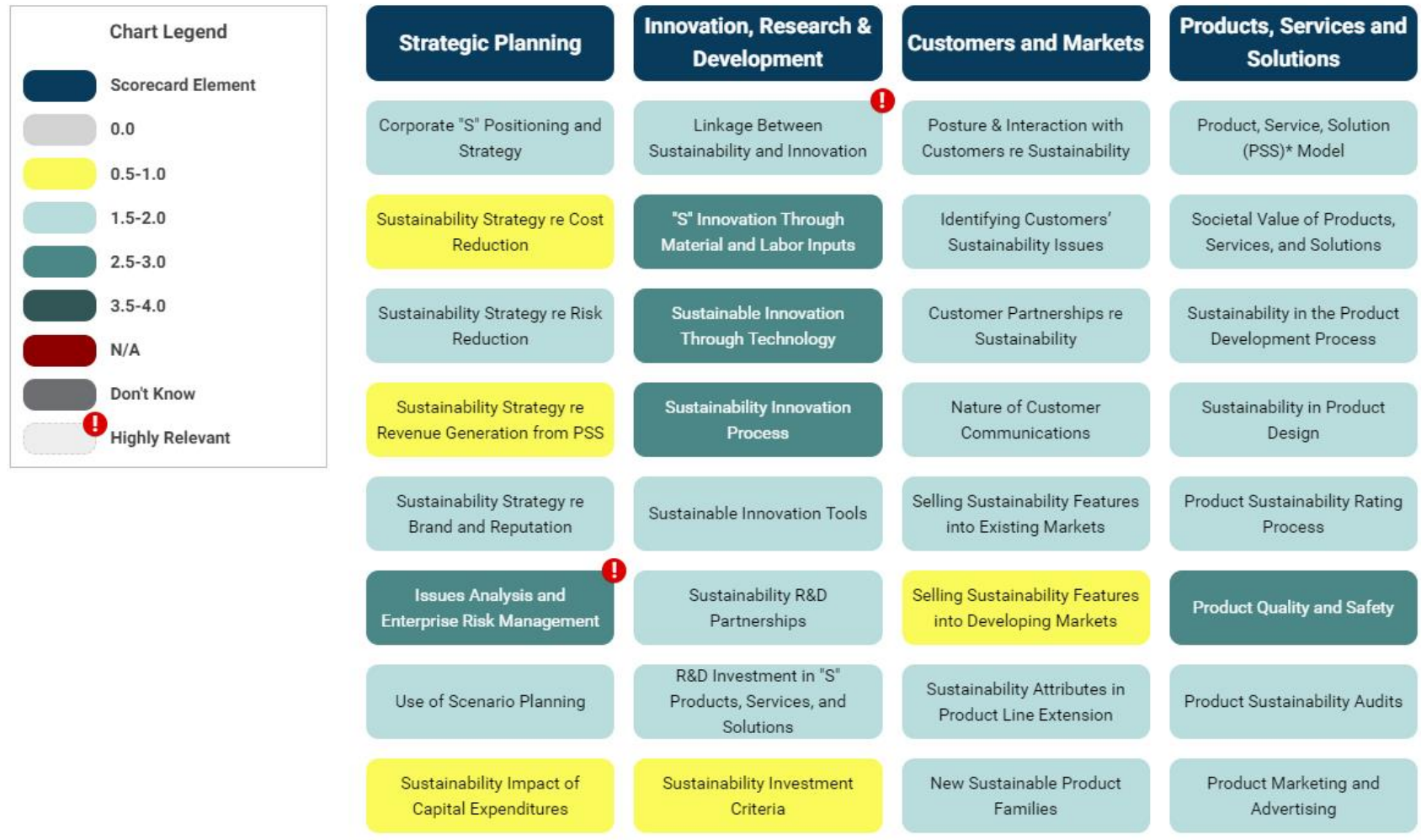
- “Toggle-Analytics” Rainbow Chart Comparisons to TCFD, DJSI, etc.
- “ESG-20” – Top 20” (!) KSIs

4. Strategic Partnership

- A major strategic partnership
- 10x increase in the number of companies involved & submitting data

Rainbow Charts

ABC Company - for Demo Purposes for Strategy and Execution



Rainbow Chart: ABC Company – “Toggle” to ESG Ratings






**New Combo Page...
Coming in Q1-2020**

Compare To:

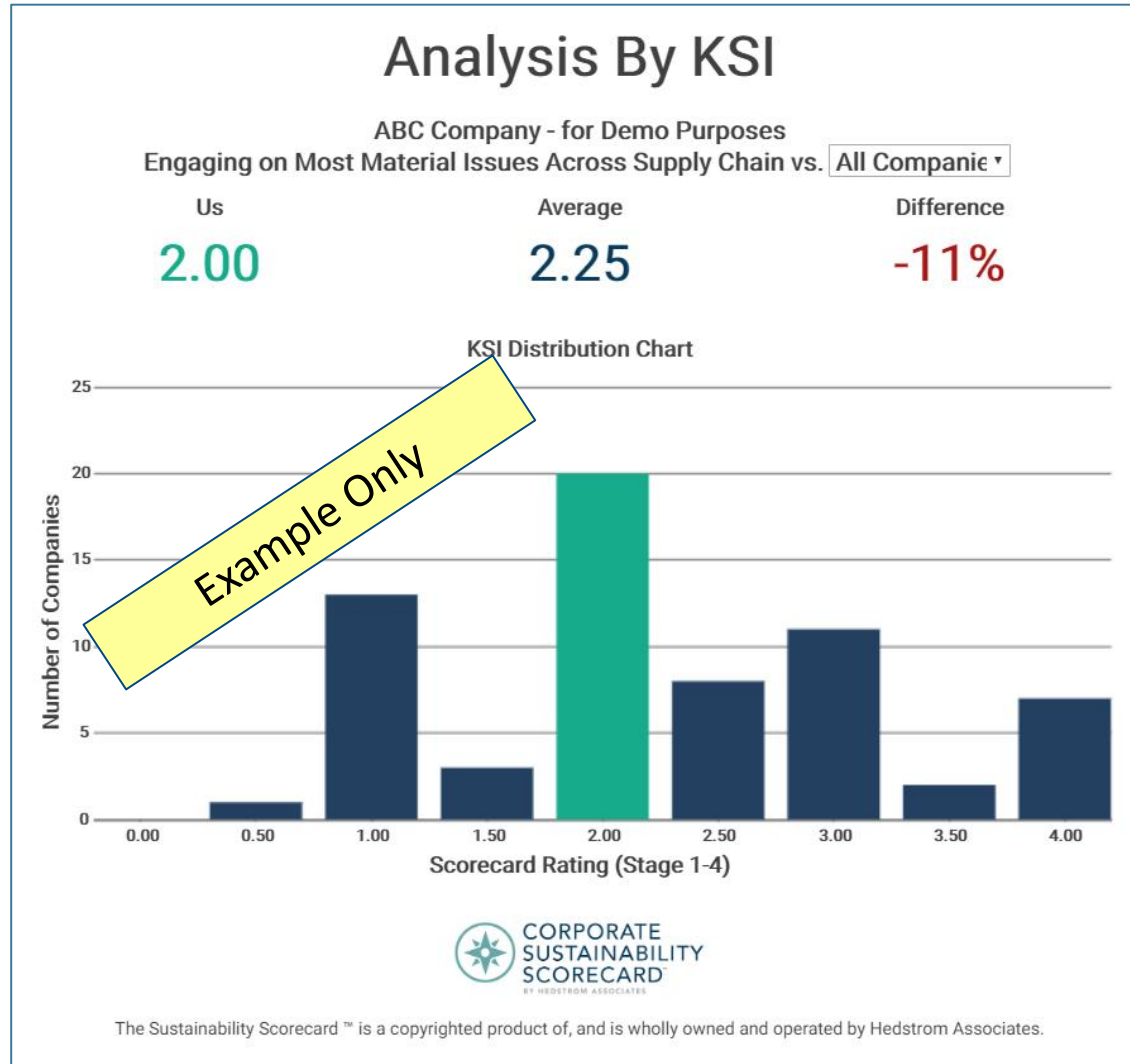
[Drop-down Menu]

- TCFD
- DJSI
- CDP
- ISS
- MSCI
- SASB
- **Sustainalytics**

-  = Major Overlap
-  = Partial Overlap
-  = Little/No Overlap

Priority KSIs (Highly Relevant and we Scored < Stage 2.5)

#2: Engaging on Most Material Issues Across Supply Chain



ESG Rating	Degree of Overlap
TCFD	○
DJSI	●
CDP	●
ISS	◐
MSCI	◐
SASB	●
Sustainalytics	●

Legend

- = Major Overlap
- ◐ = Partial Overlap
- = Little or No Overlap

ANY QUESTIONS?

TYPE INTO CHAT

Agenda

- **What's New & What's Coming Next (15 minutes)**
 - Key Messages
 - Recap
 - What's Coming Soon
- **Member Update: Q4-2910 Activity (10 minutes)**
 - **PPG** – Survey of ~100 top executives
 - **UPS** – Significant upgrade to ratings
- **Workshop – *Look Ahead to 2020* (20 Minutes)**
 - Small break-out groups
 - Full group discussion
- **What's Next (5 minutes)**
 - 2020 Webinar Plan
 - Actions for You

How Others Are Using the Tool

1. Create Better Ratings

- Full ‘Corporate Sustainability’ Team
 - Off-site meeting *[Marriott]*
 - Multiple (individual) Excel Inputs *[Chevron Phillips Chemical, UPS]*
- Analysis Tool *[Chevron Phillips Chemical, UPS]*

2. Engage Executive Council/Team

- 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]*

3. Engage Functional Peers

- Engage internal “Social Team” *[Ingersoll Rand]*
- New Option B/Option C Excel Sheet

4. Input to Strategic Planning; 2030 Goals *[Ingersoll Rand]*

Peer Company Examples











- **PPG**: Using ~20 “scorecard” KSIs for Executive Management Survey
- **UPS**: Updating Ratings; Engaging Broader Inputs

Future use of scorecard

- Present survey results
 - Global Leadership Meeting
 - Sustainability Committee
- Identify best practices to address gaps
- Assess against DJSI, SASB and TCFD
- Annual sustainability report content
- Annual benchmarking



UPS: Consolidating Data Inputs

 UPS - Custom Scorecard_JH.xlsx
 UPS - Custom Scorecard_KP.xlsx
 UPS - Custom Scorecard_PB.xlsx
 UPS - Custom Scorecard_PH.xlsx
 UPS - Custom Scorecard_SM.xlsx
 UPS - Custom Scorecard_JG.XLSX
 UPS - Custom Scorecard_SLW.xlsx
 UPS - Custom Scorecard_ANS.xlsx
 UPS - Custom Scorecard_CL.xlsx
 UPS - Custom Scorecard_JB.xlsx

Consolidation Report

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



	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	4	2.75	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



New analysis tool provides insights...

Scorecard

Intro


XLS Files

QC Results

KSI Summary

Outliers

UPS (11)

CORPORATE
SUSTAINABILITY
SCORECARD
BY HEDSTROM ASSOCIATES

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	1.5	11	100	0.50-3.00	3	27	details	Wide range (0.5-3.0), Rated by all
01.02	Governance and Leadership	Sustainability in Corporate Vision and Mission	1.5	11	100	1.00-2.00	6	55	details	Wide range (1.0-3.0), Rated by all
01.03	Governance and Leadership	Sustainability in Core Values					3	27	details	Wide range (1.0-3.0), Rated by all
01.04	Governance and Leadership	Support of International Sustainability Charters/Commitments					1	9	details	Wide range (0.5-3.0), Rated by all
01.05	Governance and Leadership	Managing the Long-Term Viability of Businesses					2	18	details	Wide range (0.5-3.0),

01.01 - Governance and Leadership - CEO's View re Role of Company in Society
Rated by 11 respondents. HR(!) by 3 respondents. 1 comment.
Average (mean): 1.64 --> 1.5

Ratings by respondent:

Jenn Garner 1.00

Suzanne LindsayWalker 1.50 HR(!)

T. Redmond 2.00

Andria Smith 1.50

Crystal Lassiter 0.50

Jim Bruce 2.00 HR(!)

June Holder 2.00

Kristen Petrella 3.00

Patrick Browne 1.00

Peter Harris 1.00 HR(!)
Comment: Holding us back

Stuart McAvoy 2.50

Flags / Notes

“Wide Range (0.5 – 3.0)”

Agenda

- **What's New & What's Coming Next (15 minutes)**
 - Key Messages
 - Recap
 - What's Coming Soon
- **Member Update: Q4-2910 Activity (10 minutes)**
 - *PPG* – Survey of ~100 top executives
 - *UPS* – Significant upgrade to ratings
- **Workshop – *Look Ahead to 2020* (20 Minutes)**
 - Small break-out groups
 - Full group discussion
- **What's Next (5 minutes)**
 - 2020 Webinar Plan
 - Actions for You

Breakout Group Task

- **Why did you join this webinar?**
[One minute each]
- **What is your biggest ESG challenge in 2020?**
- **How can ESG Navigator help?**

Agenda

- **What's New & What's Coming Next (15 minutes)**
 - Key Messages
 - Recap
 - What's Coming Soon
- **Member Update: Q4-2910 Activity (10 minutes)**
 - **PPG** – Survey of ~100 top executives
 - **UPS** – Significant upgrade to ratings
- **Workshop – *Look Ahead to 2020* (20 Minutes)**
 - Small break-out groups
 - Full group discussion
- **What's Next (5 minutes)**
 - 2020 Webinar Plan
 - Actions for You

Actions for All

1. Arrange 1:1 Call

- Helpful to review – lots going on!
- Discuss your 2020 priorities

2. Ratings Update (if not already completed)

- Ask for updated Excel sheet
- Make your internal outreach plan

3. Review Join Options

- Renewal time for many subscribers
- Option C launch right now

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)