



# ESG NAVIGATOR

ENVIRONMENT • SOCIAL • GOVERNANCE

## Sustainability Benchmarking Collaborative

Monthly Webinar

March 13, 2020

# Hedstrom Associates

Welcome... (pre-registered)

Company	Active in 2019
• <del>Altria</del>	<del>Kimberlee Pepple</del>
• Boeing	Mark Muller
• Cisco	Jen Boynton
• CMS Energy	Jessica Spagnuolo
• Eaton	Jon Newton
• <del>FCA Group</del>	<del>Matthew Reynolds</del>
• Goodyear	Lynn Bell
• <del>HP Inc.</del>	<del>David Eichberg</del>
• <del>IFF</del>	<del>Mike Babicki; Christina Forst</del>
• Kohler	Nathan Nissen
• <del>Lear</del>	<del>Carolyn Markey</del>
• <del>Medtronic</del>	<del>Ginny Cassidy</del>
• <del>Momentive</del>	<del>Jenny Liu (tentative)</del>
• Otis	Terry Robinson
• <del>Solvay</del>	<del>Michel Washer</del>
• <del>Stanley Black &amp; Decker</del>	<del>Dan Fitzgerald; Allie Valenti</del>
• UPS	Patrick Browne
• <del>Waters Corp.</del>	<del>Tom Wesley</del>

## NOTE

We had quite a few last-minute cancellations due to the coronavirus pandemic.

Thanks to those who were able to make it – and to those who kindly let us know in advance of your change in plans.

## Our Team

Gib Hedstrom  
Ben Roberts

# Agenda

- **Your 2020 Win: C-Suite Presentation** *(5 minutes)*
- **What's New?** *(10 Minutes)*
  - Updated KSIs
  - Excel tools
  - Best Practices
  - Toggling Across ESG Ratings (Options B and C only)
  - Growing interest
- **Company Example: UPS** *(15 minutes)*
  - Using the Excel Tools
  - Break-out groups
- **Small Group Discussions** *(15 minutes)*
- **What's Next** *(5 minutes)*

# 2019 Webinars: Learning from Peers

- April: Medtronic
  - Annual Scorecard update – and gradually expanding the internal pool
- May: Marriott International
  - Full sustainability team updating exercise during off-site (web and Excel)
- June: Kohler
  - Powerful downloadable benchmark graphics to share with C-suite
- July: Kaiser Permanente
  - Shared Environmental “Rainbow Chart” with Executive Sustainability Council
- August: DTE Energy
  - Shared Summary “Bubble Chart” and “Rainbow Charts” with ESG Committee
- September: Ingersoll Rand
  - Team ratings; strategic planning input; engaging execs; social team
- November: PPG Industries
  - Update ratings; create mini (20-question) survey to top 100 execs; CEO off-site meeting

# 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]*

# 2020 Webinars: Learning from Peers

- **March: UPS**
  - **Use Excel tool: extended ESG inputs; review Summary Analysis Report; update ratings & HR(!)**
- **April: Consumers Energy**
  - **Input from 3 sub-teams: Governance; Environment; Social; update ratings; share with CEO**
- **May: TBD**
  - **TBD**
- **June: TBD**
  - **TBD**
- **July: TBD**
  - **TBD**
- **August: TBD**
  - **TBD**
- **September: TBD**
  - **TBD**

# Your 2020 Win: C-Suite Presentation

Three Steps	Status	Best Practices
<p>1. Is our company self-assessment data solid?</p> <p><i>Webinar examples: Marriott Int'l.; PPG; Ingersoll Rand (TT); UPS</i></p>		<ul style="list-style-type: none"> <li>• First pass (ESG)</li> <li>• Second pass (ESG)</li> <li>• Third pass (cross-function)</li> </ul>
<p>2. Have we identified the “right” (~10-12) priority focus areas?</p> <p><i>Webinar examples: Marriott Int'l.; Ingersoll Rand (TT); UPS; CMS</i></p>		<ul style="list-style-type: none"> <li>• First pass (limited criteria)</li> <li>• Review HA Definitions: <ul style="list-style-type: none"> <li>• Governance</li> <li>• Strategy</li> <li>• Env. &amp; Social</li> </ul> </li> </ul>
<p>3. How do we create the most powerful “pitch deck”?</p> <p><i>Webinar examples: Kohler; Kaiser-Permanente; DTE; Ingersoll Rand (TT)</i></p>		<ul style="list-style-type: none"> <li>• 2019: examples from 6+ companies</li> <li>• 2019: Example Pitch Deck</li> <li>• 2020: Updated Pitch Deck</li> </ul>

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- **What's Next** *(5 minutes)*



# What's New (since January 1)?

1. **Revised & Streamlined KSIs**
  - Reduced total from 147 → 129
  - We converted your existing ratings
2. <https://esgnavigator.com>
3. **Updated Excel Sheets**
  - STOP using any 2019 ones
  - Ask Gib if you do not have your “personalized” 2020 one
4. **Best Practices:** 150+ new ones uploaded
5. **Toggle Analytics:** b/w ESG Ratings and own ratings

Black Text = 2018

Green text = 2019

Red text = 2020

### Peer Learning

- Monthly Webinars
- Quarterly Strategy Discussion Forum (Option C)
- “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. (Option C):
  - Companies by Revenue
  - Companies by Headcount
  - Companies by Geography
  - Public/Private
- Mini-ESG Scorecards



### Internal Alignment

- Excel Data Entry (v1.x; 2.x)
- Special Excel Analysis Tool
- Excel Data Entry (v3.x)
  - Option A: “Chevy” Version
  - Option B: “Tesla” Version
  - Option C: “Tesla” Version with ESG-20”
- Special Excel Analysis Tool 2.0

### Best Practices

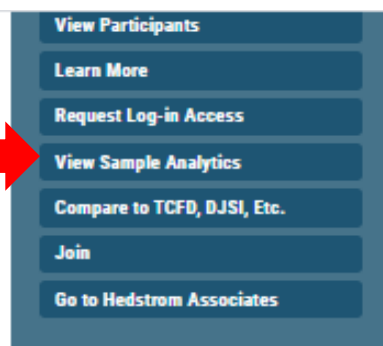
- Example Best Practices by KSI
- Update with ~150 new “BPs”
- Download “Best Practice Library” by Element (Opt. B, C)

### Analysis

- Identify Priority (HR!) KSIs
- Compare to TCFD, DJSI, etc.
- Build out all Analytics
  - Bubble Charts
  - Rainbow Charts
  - Bar Charts
- Toggle b/w CDP, DJSI, etc. and Own Ratings (Option C)
- Identify “ESG-20” (Option C)

## New “ESG Ratings ‘Toggle’ Analytics” Now Live

- All: Click on View Sample Analytics (before log-in or after log-in Analyze)
- Option C Subscribers: Log-in; Click Analyze/Rainbow Charts – select a section then toggle across 6-7 ESG Ratings



Sample Summary Bubble Chart

Rainbow Charts:

- Our Ratings
- Our Ratings vs. ESG Ratings

Analytics:

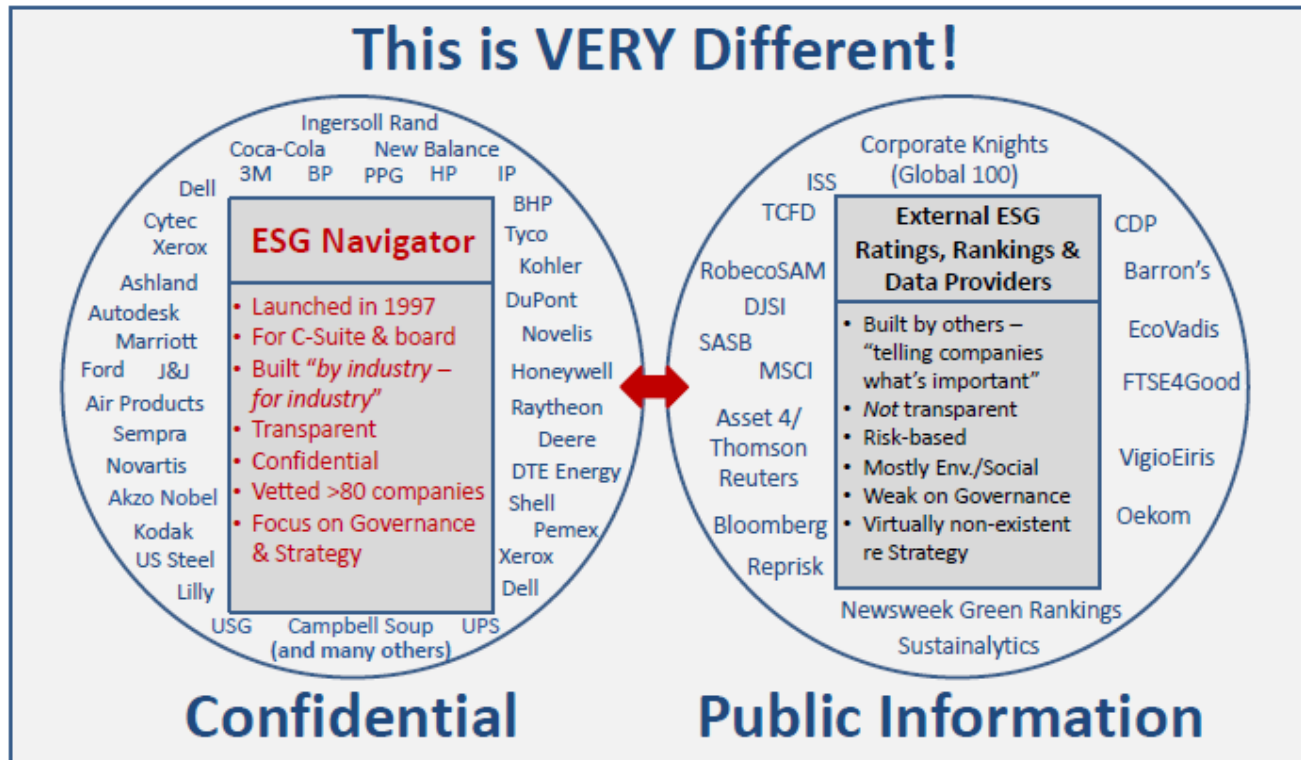
- Overall Analysis
- Analysis By Section
- Analysis By Element
- Analysis By KSI

Most Relevant Analysis

Chart Legend



# New Peer Rating Comparisons



## Peer Comparisons

### Currently Available

- CDP
- DJSI
- ISS
- SASB
- Sustainalytics
- TCFD

### Coming Soon

- Bloomberg
- EcoVadis
- FTSE4Good
- Global 100 (Corporate Knights)
- MSCI
- Refinitiv

**We are not competing with ESG ratings!**

### Option B Participants

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

### Option C Participants

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

# 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
<b>Access the Website</b>				
Access the website 24/7/365		•	•	•
Download a PDF of rating criteria		•	•	•
<b>Rate Our Company: Data Collection &amp; Data Entry</b>				
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
<b>Analyze Our Results</b>				
<b>1. Compare our Company to:</b>				
• 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 <sup>1</sup>		
• Compare vs. different industry sectors (customer groups)		À la carte selection <sup>1</sup>		
<b>2. Compare our company at which "level":</b>				
• 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		✗	•	•
<b>3. Download graphics</b>				
• Save graphics (bubble, rainbow, bar charts) as JPEG or PNG		•	•	•
<b>Prioritize our "Highly Relevant" (!) Key Sustainability Indicators</b>				
"Highly Relevant" KSIs you select		✗	•	•
"Highly Relevant" KSIs of industry peers		✗	✗	• New
"Highly Relevant" KSIs of leading companies		✗	✗	• New
<b>Action Planning</b>				
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
<b>Peer-to-Peer Learning</b>				
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 <sup>1</sup>		

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

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# UPS Global Network

## Who We Serve

**10.6 Million+**  
Customers Daily

**57 Million+**  
UPS My Choice® Members

**220+**  
Countries and Territories Served

## Where We Go

**5.2 Billion**  
2018 Delivery Volume

Americas  
Asia-Pacific  
Europe  
Indian Subcontinent, Middle East, and Africa  
USA

**20.7 Million**  
2018 Package Deliveries Daily

## How We Do It

**454,000+**  
Global Employees

**2,240+**  
Daily Flight  
Segments

**123,000**  
Vehicles

**2,500+**  
Worldwide  
Operating Facilities

**28,000+**  
UPS Access Point™  
Locations

**10,000+**  
Alternative Fuel  
or Advanced  
Technology Vehicles

**580+**  
Owned and  
Leased Aircraft

## What We Do

GLOBAL SMALL PACKAGE

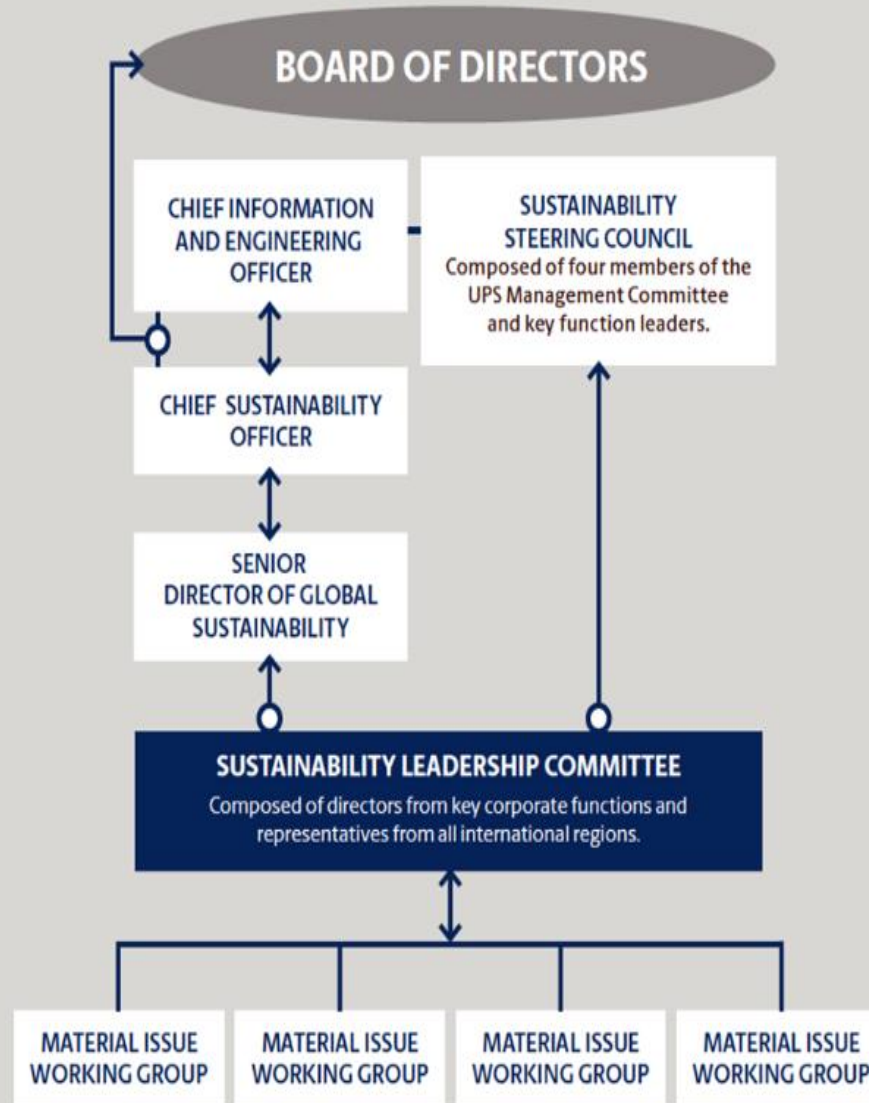
INSURANCE & FINANCING

LOGISTICS & DISTRIBUTION

FREIGHT FORWARDING



# Sustainability Management at UPS





# Excel Scorecard – Completed by Leadership Committee

KSI #	KSI Name	STAGE 1	STAGE 2	STAGE 3	STAGE 4	YOUR RATING (from 0.5 to 4.0)	! = Highly Relevant See Definitions Below
<b>Governance and Leadership</b>							
<b>1. Vision, Mission, Values</b>		<b>(!) Highly Relevant (Governance): What are the (~8-12) key business activities most critical to managing ESG risks and opportunities - and integrating ESG into how we run the company?</b>					
1.1	CEO's View re Role of Company in Society	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*	1.5	
1.2	Sustainability in Corporate Vision and Mission	Sustainability principles* are not explicitly embedded; vision / mission can enable 'S'	Enables, facilitates, and encourages 'S' – it is "part of what we do"	'S' is integral to vision and mission; bold 'S' statement; requires significant investment	Transforming the corporation to drive the circular economy; goals of being net neutral* (ultimately restorative) impact	1.0	
1.3	Sustainability in Core Values & Corporate Policies	Formal business ethics policies & controls are broadly communicated	Employees, customers, and investors view company as committed to 'S'	Robust ESG posture is fully woven into core values and policies	A balance in creating economic value and value for society	2.0	!

# Excel Scorecard – Results

## KSI Summary

This section shows overall results for each KSI, averaged across all 11 scorecard Excel files for *UPS*.

KSI	Topic	Description	Avg.	#Rated	%Rated	Range	#HR(!)	%HR(!)	Details	Flags/Notes
03.07	Governance and Leadership	Assurance Letter/Annual Risk Review Signed by Business Leaders	2.0	10	91	0.50-3.50	0	0	<a href="#">details</a>	Very wide range (0.5-3.5) 
03.08	Governance and Leadership	Time Spent on Sustainability in Board Meetings	1.5	10	91	0.50-2.50	0	0	<a href="#">details</a>	Wide range (0.5-2.5)
03.09	Governance and Leadership	Board of Directors' Sources of Sustainability Learning	1.5	10	91	0.50-3.00	0	0	<a href="#">details</a>	Wide range (0.5-3.0)
04.01	Governance and Leadership	Materiality Assessment of Sustainability Impacts/Risks	2.5	11	100	1.00-3.00	5	46	<a href="#">details</a>	Wide range (1.0-3.0), Rated by all 
04.02	Governance and Leadership	Philosophy Regarding Sustainability Goals	2.0	11	100	1.00-2.50	3	27	<a href="#">details</a>	Wide range (1.0-2.5), Rated by all
04.03	Governance and Leadership	Stakeholder Input to Sustainability Goals	2.0	11	100	0.50-3.00	1	9	<a href="#">details</a>	Wide range (0.5-3.0), Rated by all
04.04	Governance and Leadership	Long-term (5-15 year) Sustainability Goals	1.5	11	100	1.00-2.50	5	46	<a href="#">details</a>	Wide range (1.0-2.5), Rated by all
04.05	Governance and Leadership	Ultimate (e.g., 2050) Sustainability Goals	1.5	11	100	0.50-2.00	3	27	<a href="#">details</a>	Wide range (0.5-2.0), Rated by all
04.06	Governance and Leadership	Magnitude of Reduction in Company Footprint or Impact	1.5	11	100	0.50-2.00	2	18	<a href="#">details</a>	Rated by all

# Excel Scorecard – Review with Leadership Committee

## Strategy and Execution

### 9.01 Linkage Between Sustainability and Innovation

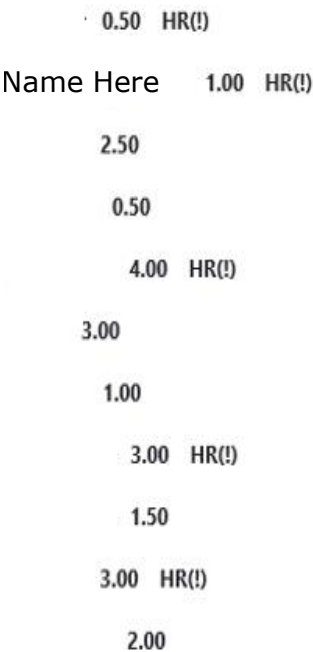
HIGHLY RELEVANT

VERY WIDE RANGE

RECOMMENDED

Rated by 11 respondents. HR(!) by 5 respondents. No comments.  
Average (mean): 2.00 --> 2.0

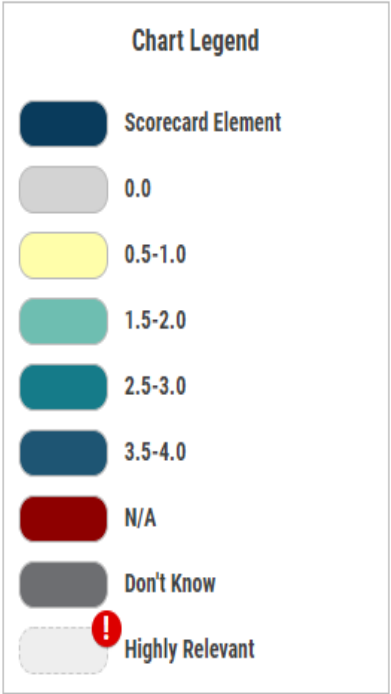
Ratings by respondent:



Range:	0.5 – 4.0
Average:	2.0
Final:	1.5

STAGE 1	STAGE 2	STAGE 3	STAGE 4
'S'/ESG is informally linked to innovation processes	'S'/ESG issues are formally embedded in innovation processes	Innovation is a vital part of culture; goal is to decouple sales growth from footprint	'S' is driver of long-term growth; the precautionary principle* (or equivalent) is central to R&D

# Senior Leadership Review



Environmental Footprint: Operations	Supply Chain - Environmental Impacts	Environmental Footprint: Products
Chemical Substances Sourced	Posture Regarding Supply Chain Environmental Footprint	Product Traceability
Energy Purchased - Scope 2 Emissions	Standards for Supply Chain Environmental Footprint	Product Energy Efficiency
Materials Sourced: Bio-based (e.g., forest products, etc.)	Measuring Supply Chain Environmental Footprint	Product Materials Use
Materials sourced: Human-made (e.g., plastics, etc.)	Verifying Supply Chain Environmental Footprint	Product Durability
Water Sourced	Supply Chain Impacts: Biodiversity	Product Biodegradability
Buildings and Equipment	Upstream and Downstream GHG Emissions (Scope 3)	Product Recyclability and Reusability
Land Management	Supply Chain Impacts: Materials Sourced	Product Water-Use Efficiency
Greenhouse Gas (GHG) Emissions (Scope 1)	Supply Chain Impacts: Toxics	Packaging
Other Emissions	Supply Chain Impacts: Water	End-of-life Product Responsibility
Waste Generation		
Water Discharges		

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## Breakout Session

### Discussion Questions

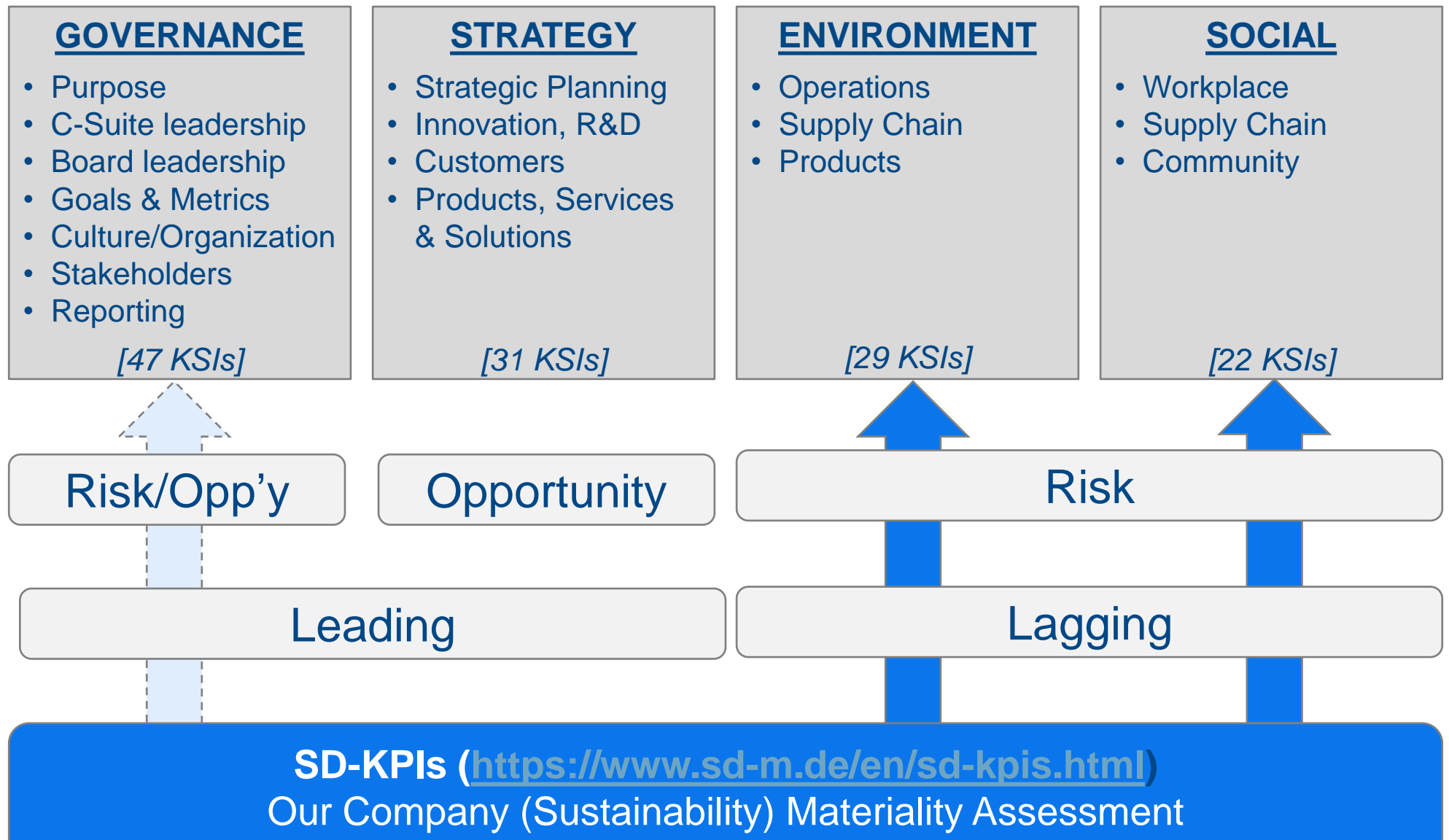
- How did your company select “Highly Relevant” in 2019?
- Does this guidance make sense?
- What will you change next time?

# How to Pick Your “Top 12” KSIs

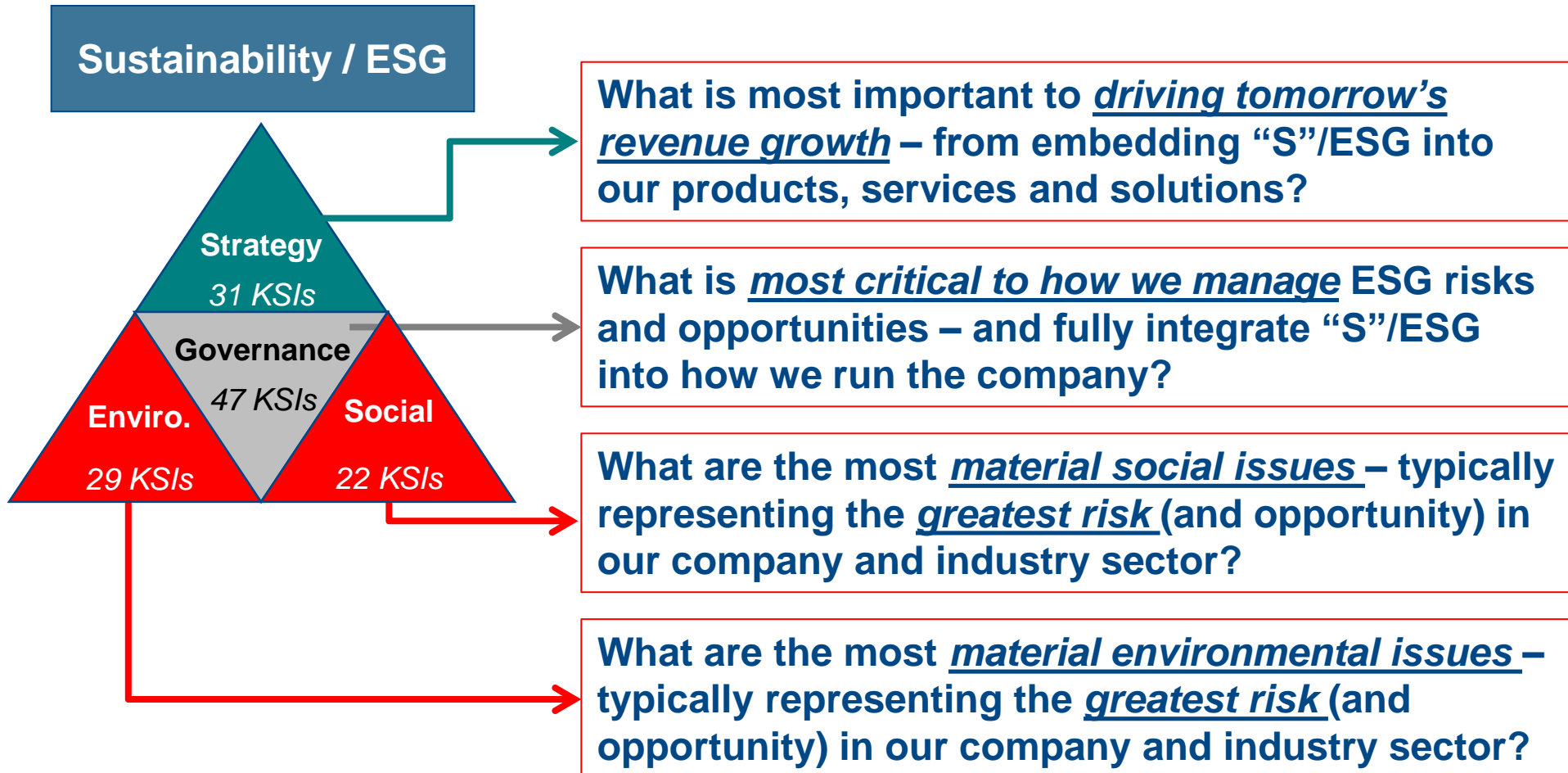
	# KSIs 2019	~10-15% 2019	# KSIs 2020	~10-15% 2020
<b>Breakdown by Section</b>				
• Governance & Leadership	57	6-9	47	5-8
• Strategy & Execution	32	3-5	31	3-5
• Environmental Stewardship	34	3-5	29	3-4
• Social Responsibility	24	2-3	22	2-3
Total (~10-15%)		14-22		13-20
<b>Total Number of KSIs</b>	<b>147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

**QUESTION:**  
Are all four sections of “equal” weight?





## How to Pick Your “Top xx” KSI



### Groupings

- **Jon Newton (Eaton)**
  - Lynn Bell (Goodyear)
  - Nathan Nissen (Kohler)
  - Jessica Spagnuolo (CMS)
- 
- **Patrick Browne (UPS)**
  - Jen Boynton (Cisco)
  - Mark Muller (Boeing)
  - Gib Hedstrom

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# What's Coming Soon

## 1. Additional Analytics

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

## 2. Best Practices Library

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

## 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)

# Actions for All

1. Update your “Highly Relevant” (top ~12-20) selections
  - Limit Environment & Social to just a few
  - Pick few Strategy items that will drive tomorrow’s growth
  - Focus on Governance – where’s the leverage?
2. 2020 Update: Plan now
  - Time with strategic planning season
  - Make your internal outreach plan (Excel inputs)
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)