



# ESG NAVIGATOR

ENVIRONMENT • SOCIAL • GOVERNANCE

## Sustainability Benchmarking Collaborative

Monthly Webinar

April 23, 2020

# Agenda

- **Quick Update** *(5 minutes)*
- **Company Example: Consumers Energy** *(15-20 minutes)*
  - Presentation: Linda Hilbert & Jessica Spagnuolo
  - Q&A
  - Follow-up to November Presentation
- **Special Session: Impact of Covid-19 on ESG** *(25 Minutes)*
  - Break-out groups
  - Full Group Discussion
- **What's Next** *(5 minutes)*

### 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

# April 2020 Update

[Gib email sent April 9, 10]

- <https://ESGnavigator.com>
- **ESG Investors: Market Watch Opinion**
- **Attachments**
  - New Pitch Deck pdf
  - Updated Join Options pdf
  - Reminder: Excel (use 2020 versions only)
- **ESG Ratings Analysis:**
  - Toggling
  - Adding 7 Ratings

Website Demo

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# Your 2020 Win: C-Suite Presentation

Three Steps	Webinar Presentations
<b>1. Is our company self-assessment data solid?</b>	<ul style="list-style-type: none"><li>• Medtronic (April 2019)</li><li>• Marriott Int'l. (May 2019)</li><li>• UPS (March 2020)</li></ul>
<b>2. Have we identified the “right” (~10-20) priority focus areas?</b>	<ul style="list-style-type: none"><li>• Ingersoll Rand (Sep 2019)</li><li>• PPG (Nov 2019)</li><li>• UPS (March 2020)</li></ul>
<b>3. How do we create the most powerful “pitch deck”?</b>	<ul style="list-style-type: none"><li>• Kohler (July 2019)</li><li>• Kaiser Permanente (July 2019)</li><li>• DTE Energy (Aug 2019)</li></ul>

# Consumers Energy ESG Navigator

April 23, 2020



# Pursuing the Triple Bottom Line

Consumers Energy is the largest combination utility in Michigan, providing natural gas and/or electricity to 6.7 million residents. With your help, we're empowering people, protecting the planet and promoting prosperity. Learn how, together with your help, we supported Michigan in 2019.



People



Planet

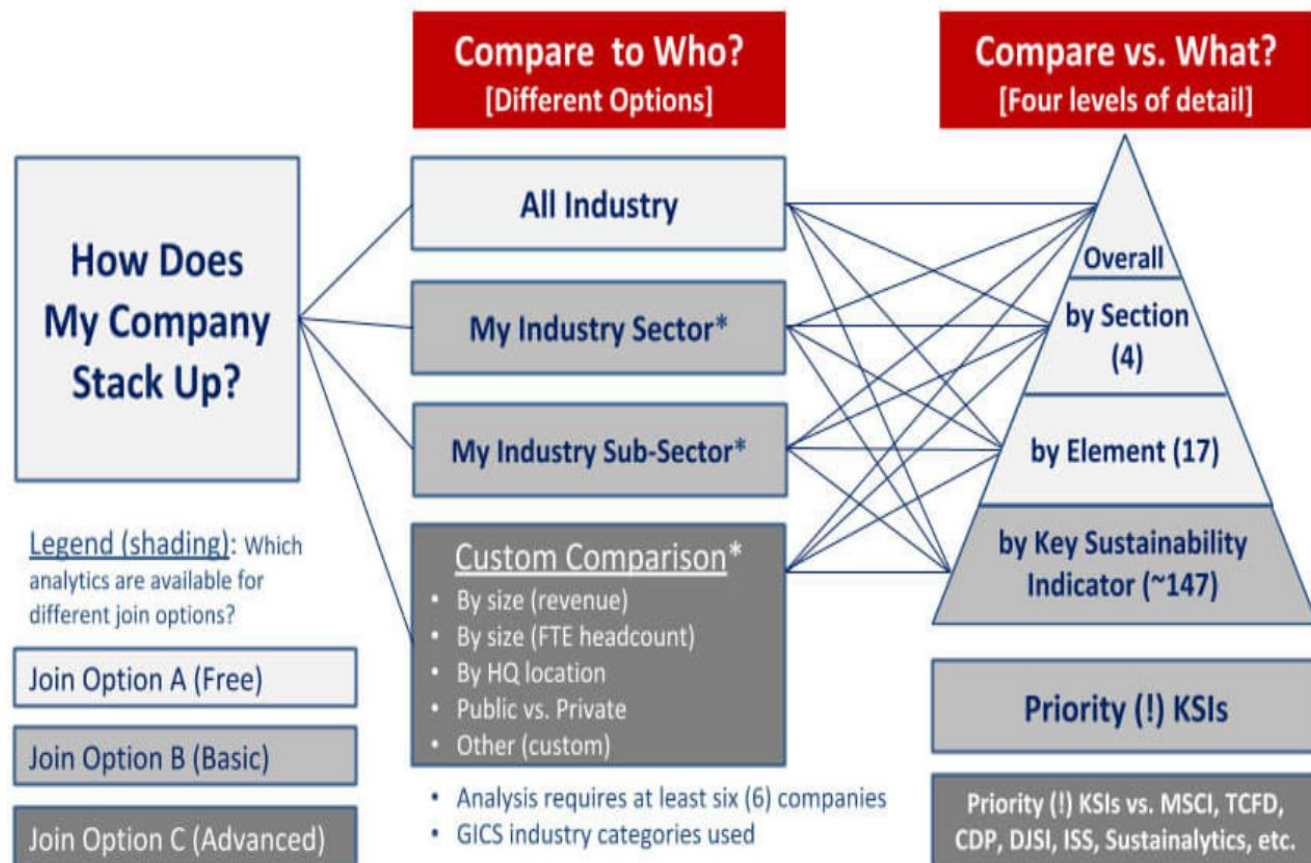


Prosperity



# ESG Navigator Option C

- Benchmark progress against other companies/peers
- Gap identification for improving sustainability strategy
- Mapping to external sustainability ratings and frameworks
- Best practices are provided by KSIs



# Scorecard Usage

- Initial scorecard was completed by Executive Director and Sustainability Director.
- The results were shared with C-Suite
  - Resulting discussion showed differing opinions
- A boarder group of cross functional subject matter experts (23) has recently completed this assessment
  - Discovered that there is a WIDE range of answers indicating different level of interpretation and understanding of what we actually do in certain categories - so education is key.

# Next Steps

- Recently established ESG teams at the Company to further the Company's sustainability strategy
  - Will use the new assessment report to set new goal and targets
  - Will benchmark best practices in tool and implement where appropriate
  - Will also be focusing on how COVID-19 has impacted Sustainability performance expectations
- Materiality assessment in 2020 to inform priority areas

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ESG Navigator: 17 Elements	PPG Survey of Top Executives
<b>Governance &amp; Leadership</b>	
1. Company Purpose and Values	
2. CEO and C-Suite Leadership	
3. Board of Directors' Leadership	
4. Goals and Metrics	#5
5. Culture and Organization	#3
6. Stakeholder Engagement	
7. Disclosure, Reporting, and Transparency	
<b>Strategy and Execution</b>	
8. Strategic Planning	
9. Innovation, Research and Development	#4
10. Customers and Markets	#1
11. Products, Services, and Solutions	#2
<b>Environmental Stewardship</b>	
12. Own Operations Footprint	
13. Supply Chain - Environmental Impacts	
14. Environmental Footprint: Products	
<b>Social Responsibility</b>	
15. Own Operations: Workplace	
16. Supply Chain - Social Impacts	
17. Community Investment	

# PPG

## November 2019 Webinar

- Survey of top 100 executives
- Picked ~20 KSIs (of 147)
  - Created survey
  - Rate Stage 1, 2, 3, 4
  - (no half-stages)
- Listed the 17 ESG Navigator Elements
  - Asked executives to select their “top five”

# PPG Exec's #1 Priority: Customers

		Questionnaires			Companies Review and Comment					Reporting Standards		
KSI#	KSI Name	CDP	DJSI	Eco-Vadis	Global 100 (Corporate Knights)	ISS	MSCI	Sustain-alytics	FTSE	SASB	TCFD	GRI
<b>10. Customers and Markets</b>												
10.1	Posture & Interaction with Customers Regarding Sustainability	●	⦿	⦿	○	○	○	⦿		⦿	⦿	○
10.2	Identifying Customers' Sustainability Issues	⦿	○	○	○	○	○	⦿		⦿	⦿	○
10.3	Customer Partnerships Regarding Sustainability	●	⦿	○	○	○	○	⦿		○	○	○
10.4	Nature of Customer Communications	⦿	⦿	○	○	○	○	⦿		○	⦿	○
10.5	Selling Sustainability Features into Existing Markets	⦿	⦿	⦿	○	○	○	⦿		⦿	⦿	○
10.6	Selling Sustainability Features into Developing Markets	⦿	⦿	○	○	○	○	○		⦿	⦿	○
10.7	Sustainability Attributes in Product Line Extension	⦿	⦿	○	○	⦿	○	⦿		⦿	⦿	○
10.8	New Sustainable Product Families	⦿	⦿	○	○	⦿	○	○		⦿	⦿	○

**Degree of Overlap**

● = High: 2%

⦿ = Partial: 45%

○ = Little or No: 53%

# PPG Exec's #2 Priority: PSS

		Questionnaires			Companies Review and Comment					Reporting Standards		
KSI#	KSI Name	CDP	DJSI	Eco-Vadis	Global 100 (Corporate Knights)	ISS	MSCI	Sustainalytics	FTSE	SASB	TCFD	GRI
<b>11. Products, Services, and Solutions</b>												
11.1	Product, Service, Solution (PSS)* Value Proposition	○	○	●	○	○	⊙	○		⊙	⊙	●
11.2	Product Stewardship Philosophy and Strategy	○	⊙	●	○	⊙	○	⊙		●	⊙	⊙
11.3	Product ESG Risk Assessment (e.g., Life Cycle Assessment*)	○	●	●	○	⊙	○	○		●	●	⊙
11.4	Sustainability in Product Design and Development	⊙	⊙	●	⊙	⊙	●	⊙		●	⊙	○
11.5	Product Sustainability Labeling and Rating	○	○	●	○	○		○		●	○	○
11.6	Product Quality and Safety	○	⊙	●	⊙	●	⊙	●		●	○	●
11.7	Product Sustainability Audits	○	○	●	⊙	○	○	⊙		○	○	○
11.8	Product Marketing & Advertising	○	○	●	○	●	○	○		○	○	○

**Degree of Overlap**



**= High: 26%**



**= Partial: 26%**



**= Little or No: 48%**

# PPG Exec's #3 Priority: Culture

			Questionnaires			Companies Review and Comment					Reporting Standards		
KSI#	KSI Name	CDP	DJSI	Eco-Vadis	Global 100 (Corporate Knights)	ISS	MSCI	Sustainalytics	FTSE	SASB	TCFD	GRI	
<b>5. Culture and Organization</b>													
5.1	Executive Committee (EC)* Roles Regarding Sustainability	●	○	○	○	○	○	●	●	○	●	●	
5.2	Sustainability Factored Into Executive Compensation	●	●	○	●	●	●	●		○	●	●	
5.3	Internal Reward and Recognition Regarding Sustainability	●	●	○	●	○	●	○		○	○	○	
5.4	"Unwritten Rules of the Game*" Regarding Sustainability	○	●	○	○	○	○	○		○	○	○	
5.5	Sustainability Leadership Position(s)	●	○	●	○	○	○	○		○	●	○	
5.6	Inclusion of Sustainability in C-Suite and Employee Goals	●	●	○	●	●	●	○		○	●	●	

**Degree of Overlap**

● = High: 25%

● = Partial: 22%

○ = Little or No: 53%



# PPG Exec's #4 Priority: Innovation

		Questionnaires			Companies Review and Comment					Reporting Standards		
KSI#	KSI Name	CDP	DJSI	Eco-Vadis	Global 100 (Corporate Knights)	ISS	MSCI	Sustainalytics	FTSE	SASB	TCFD	GRI
<b>9. Innovation, Research and Development</b>												
9.1	Linkage Between Sustainability and Innovation	●	●	●	●	●	●	○		●	●	●
9.2	Sustainable Innovation through Material and Labor Inputs	○	○	●	●	○	●	○		○	○	●
9.3	Sustainable Innovation through Technology	○	○	●	●	○	●	○		○	○	○
9.4	Sustainability Innovation Process and Tools	○	●	●	●	○	●	○		○	●	○
9.5	Sustainability R&D Partnerships	○	○	●	●	○	○	○		○	○	○
9.6	R&D Investment in Sustainable Products, Services, and Solutions (PSS)*	●	●	●	●	●	●	○		●	●	○
9.7	Sustainability Investment Criteria	●	○	○	●	●	●	○		●	●	○

**Degree of Overlap**

● = High: 21%

● = Partial: 32%

○ = Little or No: 47%

# PPG Exec's #5 Priority: **Goals/Metrics**

			Questionnaires			Companies Review and Comment					Reporting Standards		
KSI#	KSI Name	CDP	DJSI	Eco-Vadis	Global 100 (Corporate Knights)	ISS	MSCI	Sustainalytics	FTSE	SASB	TCFD	GRI	
<b>4. Goals and Metrics</b>													
4.1	Materiality* Assessment of Sustainability Impacts / Risks	●	●	●	○	●	○	●		●	●	●	
4.2	Philosophy re Sustainability Goals	●	○	○	○	○	○	○		○	○	○	
4.3	ESG/Ethics Ratings and Rankings*	●	●	●	○	●	●	●		●	○	○	
4.4	Long-term (5-15 year) Sustainability Goals	●	○	○	○	○	○	○		●	●	○	
4.5	Ultimate (e.g., 2050) Sustainability Goals	●	○	○	○	○	○	○		○	●	○	
4.6	Magnitude of Reduction in Company's Footprint* or Impact	●	○	●	○	●	○	●		●	●	○	
4.7	Tracking ESG Impact on Growth (e.g., Revenue from Sustainable Products, Services, & Solutions (PSS)*)	●	○	●	●	○	○	○		●	○	●	
4.8	Accounting for Most Material ESG Risks and Externalities*	●	●	○	○	○	○	○		○	●	○	

**Degree of Overlap**

● = High: 43%

○ = Partial: 26%

○ = Little or No: 31%

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### Pre-Covid-19

**Business Roundtable**  
**181 Companies**  
**August 2019**

**Davos Manifesto**  
**January 2020**

**Proxy Filing re ESG**  
**2019: Support = all-time**  
**high (30%)**

**Federal Reserve:**  
**Climate = 1<sup>st</sup> order issue**  
**Larry Fink to CEOs**  
**January 14, 2020**

**Peak Car**  
**(Global auto market**  
**fell 2018, 2019)**

### During Covid-19



- **New CEO (Feb 4)**
- **Net Zero by 2050**  
**(Week one)**
- **Agreed Shareholder**  
**Resolution (Month 2)**

**Hedge Funds Jump on**  
**ESG (e.g. Elliott**  
**Management)**  
**March, 2020**

**Larry Fink Update**  
**April, 2020**

**Below Zero Oil**

### After? Covid-19



# Breakout Group Discussion

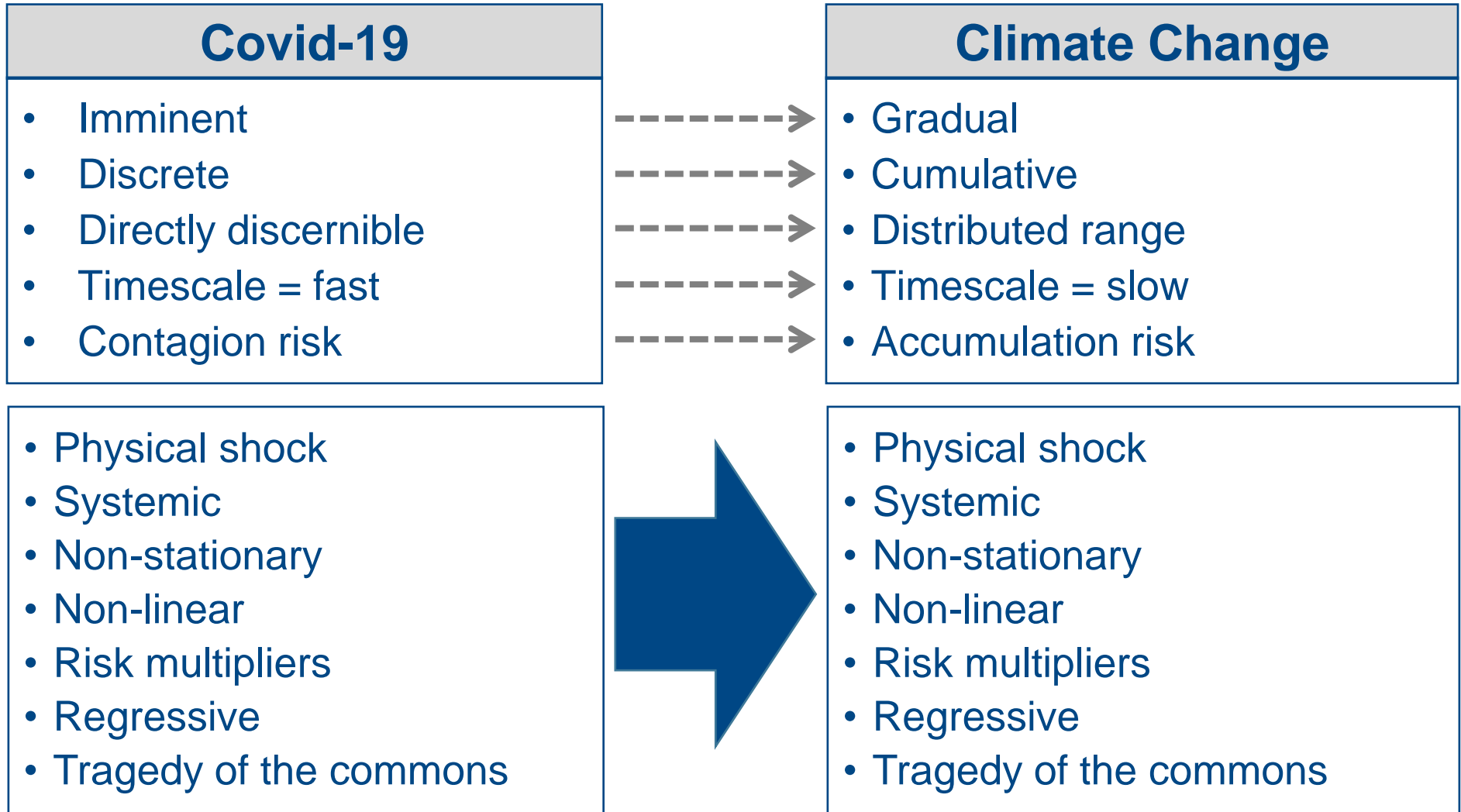
## 1. Impact of Covid-19 on ESG (Feb → Apr):

- Have any key ESG initiatives been sidelined?
- Have any ESG initiatives gained more traction?
- What have you heard from investors?

## 2. Short-term actions → impact on long-term?

- Company purpose: rethinking or reinforcing
- Workplace: Future travel; work from home; videoconferencing
- Key Business Decisions:
  - Exit marginal, carbon-intensive assets, businesses, etc.
  - Shorter supply chains
  - Digitization of sales and marketing

# Key Differences – Many Similarities



# A “BlackSwan” Event?

No...

- Black Swan Event:
  - Low Probability; High Impact
  - Unexpected and Unknowable
- Covid-19 + Climate Change:
  - High Impact
  - Largely Unpredictable – yet
  - Inevitable

When the outbreak finally ends...

*“if we can tell that story of what we just went through and help people understand that this is an accelerated version of another story we’re going through that has the same plot structure but a different timeline, that could be transformative.”*

*Elizabeth Swain, Climate Interactive*

*“Coronavirus Holds Key Lessons on How to Fight Climate Change”*

Beth Gardiner

March 23, 2020



*“Maybe this crisis is,  
when it comes to corporate  
governance,  
a blessing in disguise”*

*“Pandemic should force corporate boards to think beyond bottom line”*

Peter Dey and Sarah Kaplan

March 26, 2020

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# What's Next for ESG Navigator?

## FOR US

- Best Practices
  - By (17) Elements
  - Excel or pdf?
- Downloadable Graphics
  - Standard shape
  - Easier for Pitch Decks
- Excel
  - Uploadable
  - Downloadable

## FOR YOU

- Plan your 2020 Update
  - NEW Excel workbooks
  - Talk with us
- Picking “Top 12” (HR!)
  - May Webinar plan
  - Send ideas
- Join Options
  - See latest 3-pager
  - Talk with Gib

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)