



ESG NAVIGATOR

ENVIRONMENT • SOCIAL • GOVERNANCE

Sustainability Benchmarking Collaborative

Monthly Webinar

May 22, 2020

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

Agenda

- **Expanding ESG Navigator** *(20 minutes)*
 - The Conference Board License Agreement
 - Website Enhancements
 - Breakout Session #1
- **Special Session: Rating Importance** *(40 Minutes)*
 - Criteria and Guidance
 - What your peers say?
 - Gib's "Top 20" most important KSIs
 - Other Tools
 - Possible new importance rating scale
 - Breakout Session #2
- **What's Next**

May 2020 Update (sent May 20th)

Purpose:

1. Single place for updates (file and save)
 2. More webinar time in discussion
- [Check spam filters...]



ESG Navigator: New Strategic Partnership May 2020 Update

Dear *[FNAME]*,

This (inaugural) news update will enable us to spend more time during our webinars on peer-to-peer discussions.



New Strategic Partnership

I am pleased to let you know that after a year of collaboration, The Conference Board (TCB) has licensed ESG Navigator. We are honored by this recognition. The Conference Board will encourage the use of ESG Navigator by TCB members worldwide. You will benefit from the expanded number of companies, the larger data set, and the global reach. A formal joint announcement will be forthcoming.

Addressing Your #1 Issue

You tell us that your #1 issue is the *growing investor pressure and toggling across ESG ratings*. In response, we have built a whole [new Investor section](#), available to the public (no log-in required). Please take a look and share this with your Investor Relations colleagues:

- [Six New Ratings](#) : We have added data on Bloomberg, Corporate Knights (Global 100), EcoVadis, FTSE Russell, GRI, MSCI, and B-Corps... and are updating our data on CDP, DJSI, ISS, SASB, Sustainalytics, and TCFD.
- [ESG Ratings Bubble Chart](#) – Folks love this! See the example below. Everyone will be able to view the [Navigate ESG Ratings](#) pages; Option C members will be able to download the full Excel sheet.

KSI#	KSI Name	CDP	GRI	SASB	TCFD	Bloom- berg	DJSI	FTSE	ISS	MSCI	Sustain- alytics	Eco- Vadis	Corporate Knights	B-Corps
8.2	Use of Scenario Planning	●	○	○	○	●	●	●	○	○	○	○	○	○
8.8	Sustainability Impact of Capital Expenditures	●	○	○	○	●	●	○	○	○	○	○	○	○

- [ABCs of ESG Ratings/Reporting Frameworks](#) – Here we provide a crisp summary of Bloomberg, DJSI, EcoVadis, FTSE, ISS, MSCI, SASB, and others.
- [Who Bought Who](#) – View how the ESG ratings industry has consolidated over the past decade - and how their content is connected in [What Feeds What](#) (see figure).

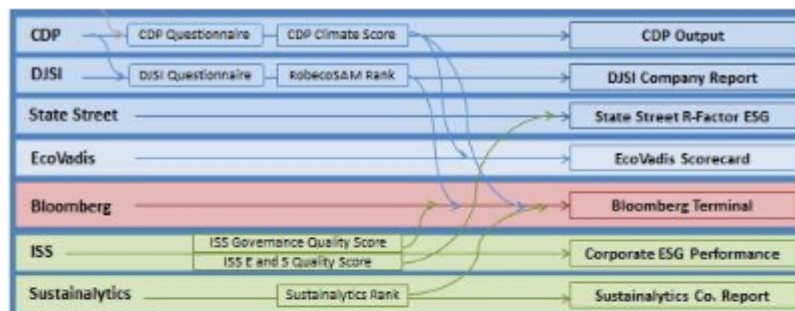
In other news...

- [New Videos](#) are now available on your Welcome page: PPG (converting ~20 ESG Navigator KSIs into a survey, shared with PPG's top 100 executives); and UPS (use of Excel tools with their cross-functional ESG council).
- [Best Practices](#) - The ability to download csv and PDF versions – by ESG Navigator Element - is coming in June.

Next Webinar - May 22 at 1:00 PM EST

At the end of our April webinar, I shared this quote from a March 26, 2020 article by Peter Dey and Sarah Kaplin: "Maybe this crisis is, when it comes to corporate governance, a blessing in disguise."

In our next webinar this Friday May 22 webinar, we will explore best ideas for how you select your "top ten" Governance and Strategy KSIs - to include in your C-Suite pitch. [REGISTER for May 22nd](#)

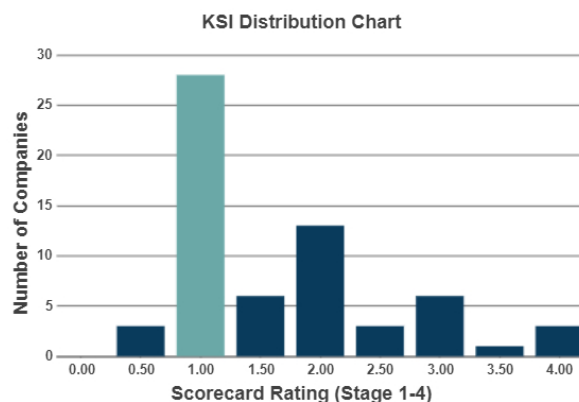


Special Benefits for *Basic* and *Advanced* Members

We continue to add features and benefits requested by our members - especially those subscribing to the [Basic Option B](#) and the [Advanced Option C](#). New features include:

- View and download [Rainbow Charts vs. ESG Ratings](#) (Options B and C)
- View and download [KSI bar charts vs. ESG Ratings](#) (Option C)
- View and download the full [ESG Ratings Bubble Chart](#) (Option C)
- Download [Best Practices by ESG Navigator topic/element](#) – coming soon in both PDF and CSV formats (Options B and C)

We are pleased to report that membership in Join Options B and C continues to grow with new members, renewals, and upgrades. (See lists below).



ESG Rating	Overlap
Bloomberg	●
CDP	●
DJSI	●
EcoVadis	○
FTSE	●
Global 100	○
GRI	●
ISS	○
MSCI	○
SASB	○
Sustainalytics	○
TCFD	●

Option B*

- 3M
- Apex Tool (*Renewal*)
- Ashland
- Chemours DTE Energy
- Eaton
- Easton
- Eastman
- Eversource
- Fluor
- Medtronic
- PPL
- Sempra
- Waters Corporation
- Otis (*New*)

*Some have not yet renewed for 2020

Option C

- Trane Technologies
- Consumers Energy
- Marriott International
- IBM
- Ecolab
- PPG
- UPS
- Kaiser Permanente
- Duke Energy
- Con Edison
- Danaher
- Coca-Cola
- Altria
- Kohler
- Chevron Phillips Chemical
- Cisco (*Upgrade*)
- Stryker (*New*)

A parting thought...

"Financial assets managed through ESG lenses have been steadily growing nearly 20% a year, and presently account for over one-third of the global financial market."

[Sustainable finance is performing well in the pandemic - but why?](#)
(by Rodrigo Tavares, PhD, May 14, 2020)

Quick Website Demo

- **New Investor Section**

- ABCs
- ESG Ratings Bubble Chart
- Navigate ESG Ratings
- What Feeds What
- Who Bought Who

- **Resources Section**

- Articles and Books
- Best Practices
- Excel Toolkit
- Rating Criteria



•

Excel Toolkit

- To do the ratings
- Special Analysis Report
- ESG Ratings Bubble Chart

How can esgnavigator.com help you?

1. Reactions to latest website developments

- What I like the most?
- Need to dig into it more before answering...

2. What more should we add to esgnavigator.com

- To help you strengthen the ESG conversation internally?
- For you to share with your boss, executive peers

**8 Minutes in Breakout Groups
90 seconds each...**

ESG Navigator: 17 Elements	PPG Survey of Top Executives
Governance & Leadership	
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	
Strategy and Execution	
8. Strategic Planning	
9. Innovation, Research and Development	#4
10. Customers and Markets	#1
11. Products, Services, and Solutions	#2
Environmental Stewardship	
12. Own Operations Footprint	
13. Supply Chain - Environmental Impacts	
14. Environmental Footprint: Products	
Social Responsibility	
15. Own Operations: Workplace	
16. Supply Chain - Social Impacts	
17. Community Investment	


PPG

November 2019 Webinar

- Survey of top 100 executives
- Listed the 17 ESG Navigator Elements
 - Asked executives to select their “top five”

PPG Exec's #1 Priority: Customers

ESG Navigator: Comparison of Rating Criteria vs. Selected ESG Ratings

		ESG Reporting Frameworks				ESG Ratings and Rankings								
						Primarily for Investors						Primarily for Customers	Primarily for the Public	
KSI#	KSI Name	CDP	GRI	SASB	TCFD	Bloom-berg	DJSI	FTSE	ISS	MSCI	Sustain-alytics	Eco-Vadis	Corporate Knights	B-Corps
10. Customers and Markets														
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: 13%




= Partial: 42%



= Little or No: 45%

PPG Exec's #2 Priority: PSS

ESG Navigator: Comparison of Rating Criteria vs. Selected ESG Ratings

<div> ESG Navigator™ ENVIRONMENT • SOCIAL • GOVERNANCE</div>			ESG Reporting Frameworks				ESG Ratings and Rankings								
							Primarily for Investors						Primarily for Customer & Suppliers	Primarily for the Public	
KSI#	KSI Name		CDP	GRI	SASB	TCFD	Bloom-berg	DJSI	FTSE	ISS	MSCI	Sustain-alytics	Eco-Vadis	Corporate Knights	B-Corps
11. Products, Services, and Solutions															
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: 33%




= Partial: 30%



= Little or No: 37%

PPG Exec's #3 Priority: Culture

ESG Navigator: Comparison of Rating Criteria vs. Selected ESG Ratings

 ESG Navigator™ ENVIRONMENT • SOCIAL • GOVERNANCE			ESG Reporting Frameworks				ESG Ratings and Rankings								
							Primarily for Investors						Primarily for Customer	Primarily for the Public	
	KSI#	KSI Name	CDP	GRI	SASB	TCFD	Bloom-berg	DJSI	FTSE	ISS	MSCI	Sustain-alytics	Eco-Vadis	Corporate Knights	B-Corps
5. Culture and Organization															
	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: 26%




= Partial: 26%



= Little or No: 48%

PPG Exec's #4 Priority: Innovation

ESG Navigator: Comparison of Rating Criteria vs. Selected ESG Ratings

<div> ESG Navigator™ ENVIRONMENT • SOCIAL • GOVERNANCE</div>			ESG Reporting Frameworks				ESG Ratings and Rankings								
							Primarily for Investors						Primarily for Customer s	Primarily for the Public	
	KSI#	KSI Name	CDP	GRI	SASB	TCFD	Bloom-berg	DJSI	FTSE	ISS	MSCI	Sustain-alytics	Eco-Vadis	Corporate Knights	B-Corps
9. Innovation, Research and Development															
	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: 28%




= Partial: 32%



= Little or No: 40%

PPG Exec's #5 Priority: Goals/Metrics

ESG Navigator: Comparison of Rating Criteria vs. Selected ESG Ratings

<div> ESG Navigator ENVIRONMENT • SOCIAL • GOVERNANCE</div>			ESG Reporting Frameworks				ESG Ratings and Rankings								
							Primarily for Investors						Primarily for Customer s	Primarily for the Public	
KSI#	KSI Name		CDP	GRI	SASB	TCFD	Bloom-berg	DJSI	FTSE	ISS	MSCI	Sustain-alytics	Eco-Vadis	Corporate Knights	B-Corps
4. Goals and Metrics															
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: 48%



= Partial: 21%



= Little or No: 31%

Agenda

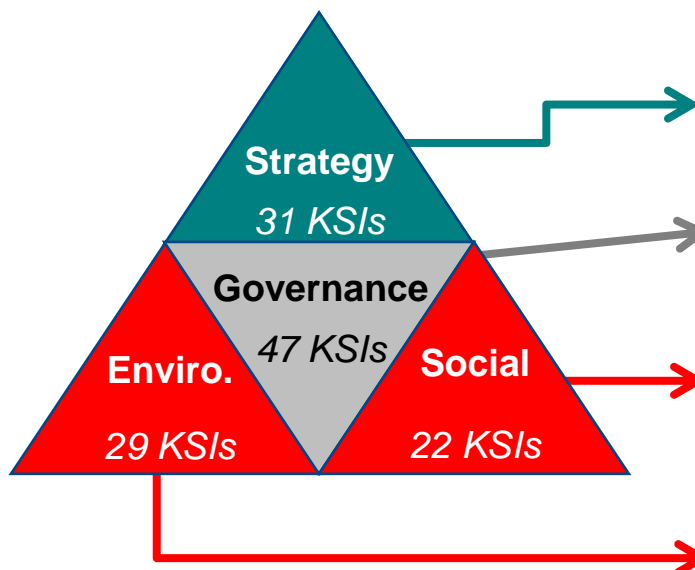
- **Expanding ESG Navigator** *(20 minutes)*
 - The Conference Board License Agreement
 - Website Enhancements
 - Breakout Session #1
- **Special Session: Rating Importance** *(40 Minutes)*
 - Criteria and Guidance
 - What your peers say?
 - Gib's "Top 20" Most Important KSIs
 - Other Tools
 - Possible new Importance Rating Scale
 - Breakout Session #2
- **What's Next**

How to Pick Your “Top 12-20” KSIs

Existing Guidance

- On website
- In Excel 2020 sheets

	# KSIs	~10-15%
Breakdown by Section		
• Governance & Leadership	47	5-8
• Strategy & Execution	31	3-5
• Environmental Stewardship	29	3-4
• Social Responsibility	22	2-3
Total (~10-15%)	129	13-20

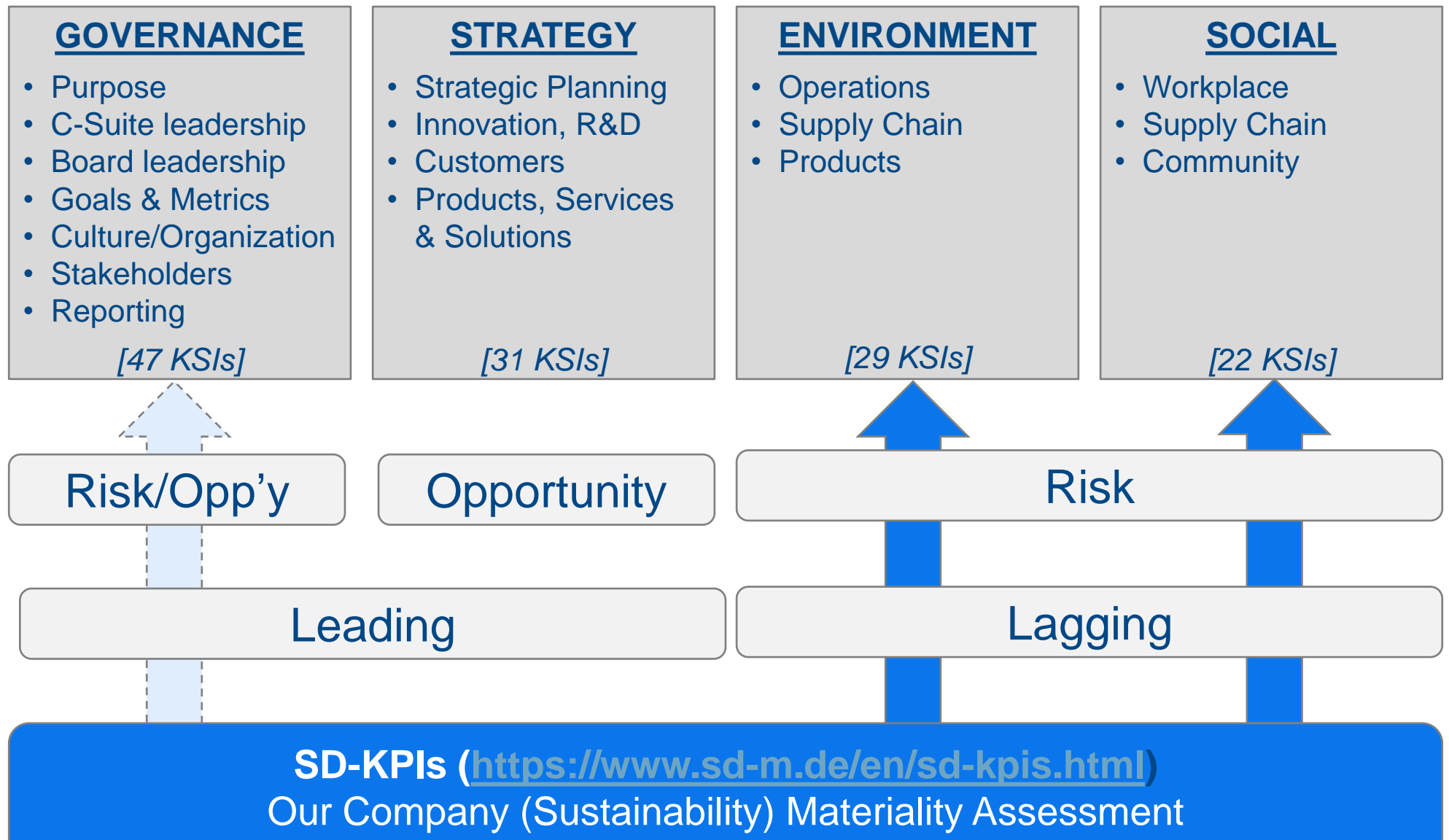


What will drive tomorrow's revenue growth?

How do we “run the company” – what's most critical to fully integrate “S”/ESG?

What are our top 1-2 material social issues – in our company and sector?

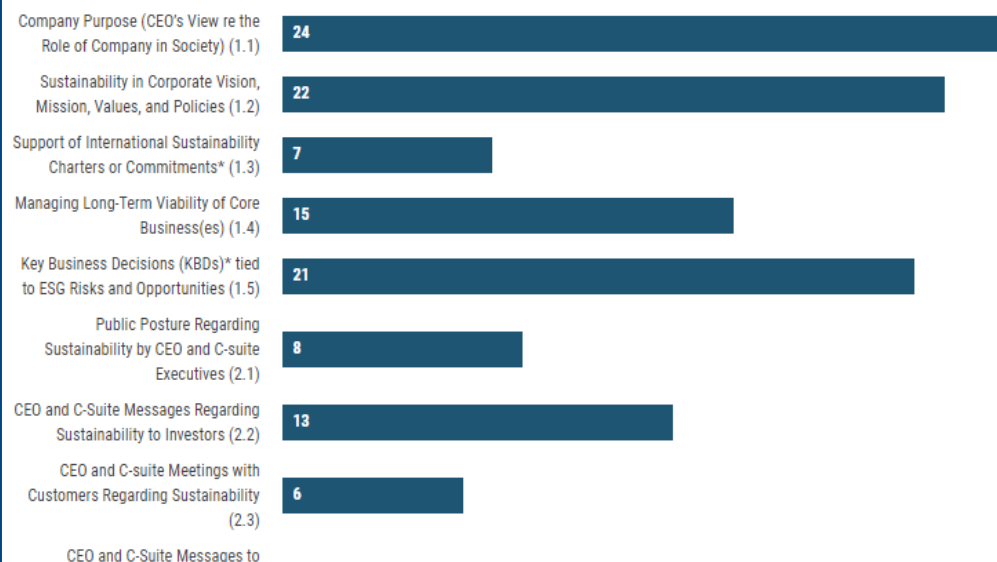
What are our top 1-3 material environmental issues – in our company and industry sector?



What Your Peers Say

HIGHLY RELEVANT KSIS

Highly relevant KSIs based on submitted data.



12.8 Scope 1 **Env.**
12.2 Scope 2
13.6 Scope 3
14.2 Product EE

15.2 D&I **Social**
15.4 Safety
15.1 Workplace Env.
17.1 Philosophy re Community

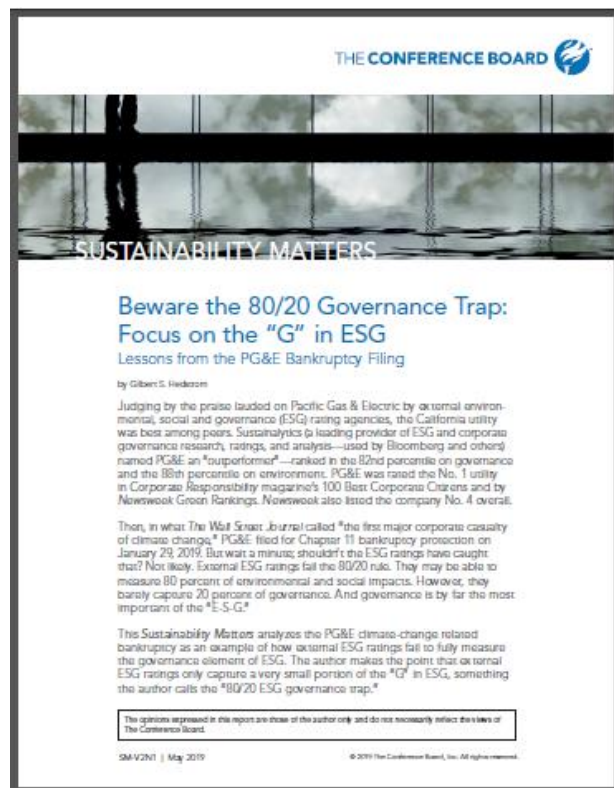
KSIs Most Often Selected As “Highly Relevant”

1.1 Company purpose **Governance**
1.2 Vision, Mission, Values, Policies
1.5 ESG in Key Business Decisions
1.4 Long-term viability of core businesses
4.1 Materiality
4.4 Long-term goals

8.1 Corporate positioning & strategy
10.1 Posture & interaction w/ customers
10.2 Identifying customers’ ESG issues
9.1 Link between innovation and ESG
8.6 Enterprise risk management
8.3 Strategy re ESG risk reduction **Strategy**

BOLD = Also on Gib’s list

Gib's "Top 20" KSIs



How I Selected My "Top 20" KSIs?

1. **Managing ESG Risk:** Research for the "80/20 ESG Governance Trap" article (data analysis from 60+ companies on ESG Navigator)
2. **ESG Opportunity:** Added key revenue growth KSIs for the Aspen Institute presentation
3. **Personal Experience** (especially >60 board meetings of Fortune 500 companies)
4. **ESG Navigator Best Practice Examples**
5. **Literature Review**

The Art of the Corporate-Investor ESG Conversation Draft Workshop Agenda

December 3 and 4, 2019 | New York, NY

Gib's "Top 20" KSIs

	KSI	Key Sustainability Indicator	
<u>GENERAL</u> Overarching indicators of the company's posture and leadership, and boldness of future direction re ESG	1.1	Company purpose (CEO's view of role of company in society)	
	2.1	Public posture re ESG by CEO and C-Suite	
	4.4	Long-term (5-15 year) sustainability goals	
	7.2	Sustainability in annual report & financial disclosures	GAP
	7.6	Public policy (e.g., Lobbying) alignment with ESG posture	GAP

Gib's "Top 20" KSIs

Manage Risk/Oppy	KSI	Key Sustainability Indicator
<u>1. IDENTIFY</u> What are the major issues that represent key risks and opportunities?	4.1	Materiality assessment of ESG impacts and risks
	10.2	Identifying customers' sustainability Issues
	4.8	Accounting for most material ESG risks and externalities
<u>2. EMBED</u> How do we incorporate/integrate ESG into our day-to-day management of the company?	8.3	Strategy regarding ESG risk reduction
	8.6	Process to embed risk into Enterprise Risk Management
	8.7	Use of scenario planning GAP
	10.1	Posture and interaction with customers re sustainability
	11.1	Product, Service, Solution (PSS) value proposition
<u>3. OWN</u> Does our CEO and C-Suite personally own ESG?	2.6	Annual ESG risk review signed by business leaders GAP
	5.2	Sustainability factored into executive compensation GAP
	5.4	"Unwritten rules of the game" regarding sustainability GAP
<u>4. OVERSEE</u> How actively does our board of directors engage with ESG?	3.6	Time spent on ESG in board meetings GAP
	3.5	Board agendas regarding ESG GAP
	1.5	Key Business Decisions (KBDs) tied to ESG risks & opportunities

Gib's "Top 20" KSIs

	KSI	Key Sustainability Indicator
<u>GENERAL</u> Overarching indicators of the company's posture and leadership, and boldness of future direction re ESG	1.1	Company purpose (CEO's view of role of company in society)
	2.1	Public posture re ESG by CEO and C-Suite
	4.4	Long-term (5-15 year) sustainability goals
	7.2	Sustainability in annual report & financial disclosures GAP
	7.6	Public policy (e.g., Lobbying) alignment with ESG posture GAP
<u>ENVIRONMENT</u>	-----	See SD-KPI Standard for top three
	12.x	Scope 1, 2, 3 – representing >50% of full value chain impacts
	13.1	Supply Chain footprint
<u>SOCIAL</u> Top 2-3 post-Covid	15.3	Role of Sustainability Benefits in Recruitment & Retention
	15.7	Employee Engagement
	17.1	Community (growing importance post-Covid)

Other Tools to Prioritize KSIs

“Pair-wise Trade-off Comparison”

- Goal:
 - Compare each “Highly Relevant” KSI against each other “Highly Relevant” KSI
- Question to Ask:
 - Plot in Excel sheet (across & down)
 - Is KSI #1 more critically important to our company than KSI #2, #3, #4, etc.
- Output
 - See which KSIs in general are more important than which others

“House of Quality” Exercise

- Goal:
 - Categorize the relationships between KSIs as strong, medium, or weak
- Question to Ask:
 - Does excelling at KPI #1 positively affect KPI #2, #3, #4, etc.?
- Output
 - KPIs with the most interrelationships would be the ones to address

Rating Scale – New Possibilities

Current KSI Importance Rating Scale

N/A

The “Default” Rating = Important

Highly Relevant

2nd 10+

Top 10

- General guidance on what constitutes “Highly Relevant”
- General guidance on selecting your top ~10-20% (~12-25 KSIs)
- Leave it to you to narrow down to your “top 10” etc.

Possible Future KSI Importance Rating Scale

1

2

3

4

5

N/A

Less Impt.

The “Default” Rating

2nd 10+

Top 10

Prioritizing KSIs

1. Is this additional guidance helpful?
 - What do you like the most?
 - What do you like the least?
 2. Your thoughts about the possible new rating scale?
 - Yes or no?
 - Something different?
- General guidance
 - What your peers say
 - Gib's "Top 20"
 - Other Tools (Pair-wise Trade-off Comparison & House of Quality)

**20 Minutes in Breakout Groups
~3 minutes each...**

Agenda

- **Expanding ESG Navigator** *(20 minutes)*
 - The Conference Board License Agreement
 - Website Enhancements
 - Breakout Session #1
- **Special Session: Rating Importance** *(40 Minutes)*
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- **What's Next**

“Our company is guided by three deeply-held beliefs: that brands with purpose grow, companies with purpose last, and people with purpose thrive...more relevant in a post-coronavirus world...”

We will never waver one iota in our commitment to purpose-led business.”

Alan Jope, CEO Unilever

May 18, 2020

Bloomberg Businessweek

ESG Funds Outperforming S&P 500 This Year

Investment funds set up with ESG criteria remain relative safe havens in the economic downturn caused by the coronavirus pandemic, according to an analysis released Wednesday by S&P Global Market Intelligence and reported on by

Pensions & Investments

(May 20, 2020)

What's Next for ESG Navigator?

For Our Team

- Best Practices
 - By (17) Elements
 - Excel or pdf
- Excel
 - Upload
 - Download
- Downloadable Graphics
 - Easier for Pitch Decks
 - With ESG Ratings

For You

- Plan your 2020 Update
 - Use new 2020 Excel
 - Talk with us first
 - Ways to tailor...
- Join Options
 - How to access new features (e.g., ESG Ratings Bubble Chart)
 - See latest 3-pager
 - Talk with Gib

Your 2020 Win: C-Suite Presentation

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

**Next Webinar: June 19th
Stryker presenting...**

Happy Memorial Day Weekend!

Please take 3 minutes and send Gib an email with any comments or suggestions.

Gib Hedstrom
Ben Roberts (Webinar Facilitation)
Larry Krupp (Technology Colleague)
Allie Barrett (Research)
Scott Sousa (Website Design)

Breakout Group Facilitation

- Beth Tener
- Dean Slocum
- Jen Ballen