



ESG NAVIGATOR

ENVIRONMENT • SOCIAL • GOVERNANCE

Sustainability Benchmarking Collaborative

Monthly Webinar

June 19, 2020

Our Team

Gib Hedstrom
Larry Krupp
Allie Barrett
Beth Tener

Breakout Group Support

Dean Slocum
Jon Newton
Andria Smith

Our Guest



Laurie Zelnio

Program Director

- *Sustainability Council I*
- *Sustainability Council II*

Start Recording

Hedstrom Associates

Welcome... (pre-registered)

Company	Pre-Registered
• Consumers Energy	Linda Hilbert Jessica Spagnuolo
• Coca-Cola	Sha Green; Tammy Shoemaker
• Con Edison	Andrea Schmitz
• Danaher	Sargam Saraf
• DTE Energy	Greg Ryan
• Eastman	Davis Waters
• Eaton	Jon Newton
• Duke Energy	Michelle Abbott Pete Sherrard Julie Hyde
• Fluor	Nancy Kralik
• Goodyear	Maureen DeSanza
• Lear	Carolyn Markey
• Kaiser Permanente	Joel Sigler
• Medtronic	Ginny Cassidy

Company	Pre-Registered
• Northrop Grumman	Stanley Merritt
• PPG	Mark Cancilla Rhonda Vete
• PPL	Lisette Santana
• Sims Metal Mgmt.	Elise Gautier; Erica Ocampo
• Solvay	Michel Washer
• Stanley Black & Decker	Dan Fitzgerald Allie Valenti
• Stryker	Eileen Buckley Erol Odabasi
• Trane Technology	Scott Tew; Ben Tacka Jessica McKinnerney
• Toyota	Holly Dee
• UPS	Andria Smith Danielle Crownover
• Waters Corp.	Tom Wesley
• Wyndham	Rishi Shah

Shading: Darker = 2018 Founding Member

This is our 15th webinar; I shared this on our first one January 2019. An update.

“PG&E ... the first major corporate casualty of climate change...”

The Wall Street Journal
January 18, 2019

“PG&E pleads guilty to 84 counts of manslaughter for its role in sparking California’s deadliest wildfire...”

The Wall Street Journal
June 17, 2020

PG&E: External ESG Ratings: 2018

- **Sustainalytics** rated PG&E as an “outperformer”
 - 88th percentile on Environment
 - 82nd percentile on Governance
- **CR Magazine’s 100 Best Corporate Citizens** rated PG&E:
 - #1 among utilities
 - #22 overall
- **Newsweek Green Rankings** listed PG&E
 - #1 among electric and gas utilities
 - #4 overall
- **DJSI**: PG&E named for the 8th time.

Yesterday



Tomorrow?



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

Peter Dey and Sarah Kaplan

March 26, 2020

Agenda

- **Quick Update** *(10 minutes)*
 - Investor Pages
 - New: ESG Navigator Performance Maps
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 - Presentation: Eileen Buckley and Erol Odabasi
 - Q&A
- **Selecting your “Top Ten” for C-Suite Pitch** *(25 Minutes)*
 - Excel Framework and New Survey Tool
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Option B Participants

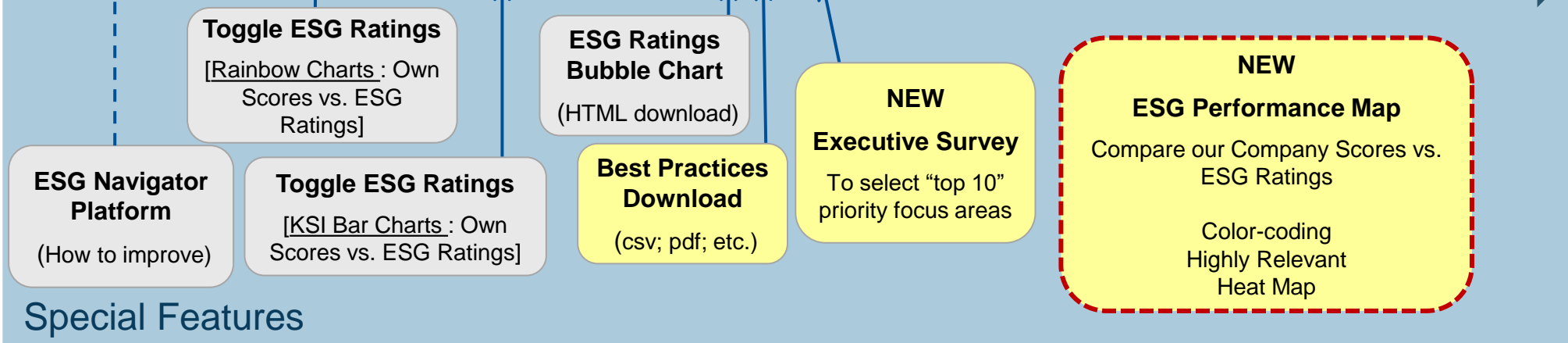
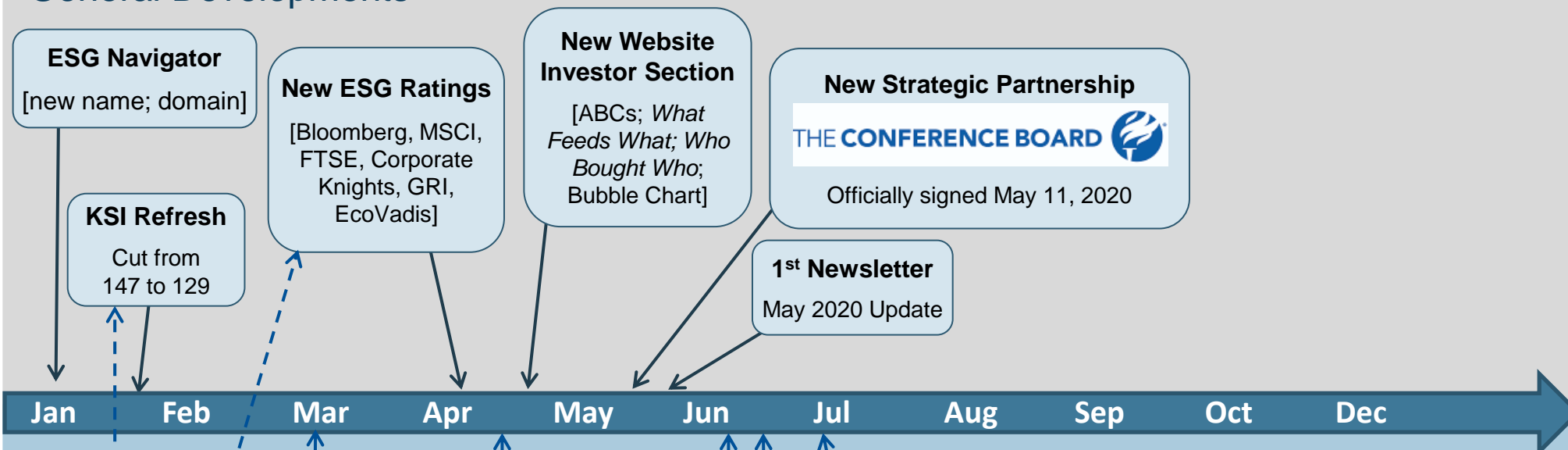
- 3M
- Apex Tool
- Ashland
- Bristol Myers Squibb
- Chemours
- **DTE Energy**
- **Eastman**
- **Eaton**
- Eversource
- **Fluor**
- **Medtronic**
- Otis
- Sempra Energy

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**
- Cisco
- **Stryker**


June 2020 Update

General Developments



Special Features

New: ESG Performance Maps



ESG Navigator
ENVIRONMENT • SOCIAL • GOVERNANCE

Performance Maps

Intro

(0)
Basic

(1)
w/Data

(2)
Score

(3)
Mix

(4)
Heat

**ABC
Comp
(5)**

ESG Ratings Map - Basic

The 'fill' of the circles indicates the extent to which the KSI subject matter is a focus of each rating organization: Solid circle=significant focus, 'Ring'=moderate focus, Empty circle=little or no focus.

KSI	Name	CDP	GRI	SASB	TCFD	BB	DJSI	FTSE	ISS	MSCI	Sust.
1.1	Co. Purpose (CEO's View re Role of Co. in Society)	○	●	○	●	○	○	○	○	○	○
1.2	Sust. in Corp. Vision, Mission, Values & Policies	○	●	○	●	○	○	●	○	○	○
1.3	Support of Intl. Sust. Charters or Commitments	●	○	○	○	●	○	●	○	●	●

Currently in Pilot Phase –
Let Gib know if you are
interested to pilot

KSI	Name	Score	Us	Gib	Others	CDP	GRI	SASB	TCFD	BB	DJSI	FTSE	ISS	MSCI	Sust.	Eco-V	CK	BCor.
6.4	Engaging on Most Material Issues Across Supply Cha	3.0	!	~	~	●	●	●	○	●	●	○	●	○	○	○	○	○
6.5	Scale of Typical Stakeholder Engagement Driven by	1.5	!	~	~	●	●	●	○	●	●	○	●	○	○	○	○	○
6.6	Link between Stakeholder Engagement & Biz. Strateg	0.5	~	~	~	○	○	○	○	○	○	○	○	○	○	○	○	○
6.7	Time Spent by C-Suite with NGO Stakeholders	~	~	~	~	○	○	○	○	○	○	○	○	○	○	○	○	○
7.1	Disclosure of Material ESG Impacts	1.0	~	~	~	○	○	○	○	○	○	○	○	○	○	○	○	○

Score	Us	Gib	Others	CDP	GRI	SASB	TCFD	BB	DJSI	FTSE	ISS	MSCI
0.5	~	!	~	●	○	○	●	●	○	○	○	○
0.5	~	!	~	○	○	○	○	○	○	○	○	○
1.0	~	!	!	●	●	●	●	●	●	●	●	●
0.5	~	!	~	■	■	■	■	■	■	■	■	■
1.0	~	!	!	■	■	■	■	■	■	■	■	■
2.5	~	~	~	■	■	■	■	■	■	■	■	■
2.5	~	~	!	■	■	■	■	■	■	■	■	■
1.5	~	!	!	■	■	■	■	■	■	■	■	■
3.0	~	~	~	■	■	■	■	■	■	■	■	■

Breakout #1 (Groups of 4-6)

5 Minutes Only!

- 1. What's one "Ah HA" from your ESG Ratings activity so far during 2020?**
- 2. Quick Reactions: ESG Performance Map**

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Your 2020 Win: C-Suite Presentation

Three Steps	Webinar Presentations
1. Is our company self-assessment (benchmarking) data solid?	<ul style="list-style-type: none">• Medtronic (April 2019)• Marriott International (May 2019)• UPS (March 2020)• Stryker (June 2020)
2. Have we identified the “right” (~10+) priority focus areas to drive more value from ESG?	<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” to our C-Suite and Board?	<ul style="list-style-type: none">• Kohler (July 2019)• Kaiser Permanente (July 2019)• DTE Energy (Aug 2019)• Stryker (June 2020)

At a **glance**



\$14.9

billion in annual
global sales in 2019



8,883

patents owned
globally in 2019



\$971

million spent on
R&D in 2019



~40,000

employees
worldwide
in 2019



40

straight years of
sales growth



S&P

500

included in the
Standard & Poor's
500 Index

Depth and specialization

Orthopaedics

Medical and surgical equipment

Neurotechnology and spine



Hips



Knees



Robotic-Arm Assisted Technology



Orthopaedic Instruments



Surgical Technologies



Minimally Invasive and Open Surgical Solutions



Craniomaxillofacial



Interventional Spine



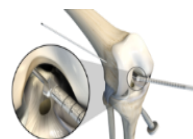
ENT



Trauma



Extremities



Sports Medicine



Infrastructure and Integration



Emergency Care and Acute Care



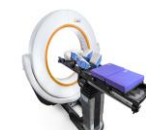
Reprocessing and Remanufacturing



Neurosurgical



Neurovascular



Spinal Implants, Biologics and Enabling Technologies

Committee structure



Working groups to operationalize strategy (TBD based on strategy and KPIs)

ESG Navigator Process

1. March 2020: Onboarding!
2. Alignment of Navigator as “the” tool
3. Stakeholder and SME identification
4. Creation of 20+ custom excel workbooks filtered by stakeholder
5. 48 hour analysis turnaround
6. Steerco and CEO report-out

A	B	C	D	E	F	G	H	I	J	K	L
6.2	Reasons for Stakeholder Engagement	Respond to concerns; protect brand and reputation; solicit input re “S” goals from customers and/or “safe” NGOs	Anticipate future expectations; engage with business-friendly NGOs	Address customers’ “S” goals and ESG concerns; actively engage, listen, learn from full range of NGOs; factor into strategic planning	Drive strategic partnerships (e.g., regarding the circular economy); stakeholder engagement process is institutionalized - not a “one-off”						Yin, Dean, Sean
6.3	Sustainability Partnerships	Engage with local NGOs broadly - and with national NGOs on specific projects; well-established philanthropy	Engage with industry peers and NGOs to address key ESG issues in own industry sector(s)	Engage with others to lead efforts addressing the most material ESG issues in own industry sector(s)	Engage actively and deeply with “anchor” strategic partners; global NGOs; and/or other industry leaders to create large-scale, high impact initiatives						Yin, Dean, Sean
6.4	Engaging on Most Material Issues Across Supply Chain	Engage on an “S/ESG issue in own operations to gain visible public relations	Engage on most material” “S/ESG issue(s) in own operations	Engage on most material “S/ESG issue(s) across full supply chain	Engage on most material “S/ESG issue(s) across full supply chain” - with focus on opportunity						Yin, Viju
6.5	Scale of Typical Stakeholder Engagement Driven by ESG Issues	Partner with NGOs, communities, suppliers (often locally)	Partner to achieve a large, often regional, impact	Partner with peer companies to drive industry change (re “S/ESG)	Partner on very large initiatives, often with global impact						Yin, Dean, Sean
6.6	Link between Stakeholder Engagement and Business Strategy	Company takes a cautious approach focused on reducing risk and enhancing brand	Company engages in partnerships on major regional initiatives	CEO and C-suite lead partnerships; leverage key advisors (e.g., External Sustainability Advisory Board)	CEO leads strategic partnership(s) on most material issues among SDGs; a key growth driver						SLT Council Members
6.7	Time Spent by C-Suite with NGO Stakeholders	As needed (e.g., 5 hours/year) by CEO or C-Suite ESG leader	Driven by material” ESG issues (e.g., 5-10 hours/year)	Considerable (e.g., 10-20 hours/year) on key ESG issues in sector	Leading the charge for industry sector (e.g., >20 hours/year)						SLT Council Members
7. Disclosure, Reporting, and Transparency											
7.1	Disclosure of Material ESG Impacts	Disclose required information; compliance focus plus a few other key issues	Follow a commonly accepted “S/ESG disclosure and reporting tools and frameworks; provide annual progress review	Provide blunt, candid disclosure of material ESG impacts across full supply chain? value chain?	Provide robust, balanced disclosure targeted at total societal value” – quantify and explain full life-cycle impacts						Yin
7.2	Sustainability in Annual Report and Financial Disclosures	Mention material” ESG issues briefly (if at all) in CEO letter; financial disclosures are mostly boilerplate	Mention material ESG issues in CEO letter; provide detailed information on material ESG risks in financial disclosures	Include top material “S” KPIs along with key business metrics and financial disclosures	Publish an integrated report to society” with robust financial disclosure of material ESG issues						Yin, Dean, Sean
7.3	Sustainability Reporting	Update website periodically with ESG data; may or may not have sustainability report	Update website in a timely way; report annually; align with industry norms	Provide clear and transparent reporting; conform to a common framework (e.g., TCFD); board reviews	Issue and integrate “S/ESG information with annual report; board” reviews and approves						Yin, Dean, Sean
7.4	Data Assurance / Verification	No formal verification	Internal Audit reviews process and verifies selected data	Credible, independent 3rd party review of process and data	Consistent with 3rd party review of financial controls						Yin
7.5	Outreach Posture, Tools and Techniques	Adopt a very cautious approach: “stay in our comfort zone”	Implement candid, balanced reporting of own ESG impacts; use many outreach channels, including social media	Communicate candid, balanced reporting of ESG impacts across full value chain”	Convey powerful “S/ESG messages from CEO; reinforce in multiple ways						Yin
7.6	Public Policy (e.g., Lobbying) Alignment with Sustainability Posture	Company’s public policy positions on ESG issues and risks are aligned with industry association positions	CEO makes strong statements about ESG issues/risks facing its industry sector(s); analyzing company policy vs. industry association positions	Company’s public policy positions, actions, associations, and statements are fully aligned with a candid disclosure of full value chain” impacts	Company ends membership in industry groups whose ESG positions are not aligned; CEO joins other leaders in driving global sustainability agenda						Yin
7.7	Corporate Marketing and Advertising Approach re Sustainability	Focus on being honest – but often viewed by NGOs as “green marketing”	Focus on a balanced, truthful, humble approach	Earn the respect of NGOs; emulated by others	Earn ethical marketing credentials and reputation						Enk
Strategy and Execution		(I) Highly Relevant (Strategy): What are the “4-6 of the 31 Strategy KSIs most important to driving tomorrow’s revenue growth from more sustainable products, services and solutions?”									
8. Strategic Planning											
8.1	Corporate Sustainability Positioning and Strategy	Pursue a very basic “S” strategy; sustainability not a key driver of business strategy; aim to “stay in the pack”	Implement a comprehensive “S” strategy; 3-5 year plan tied to business plan; aim to “surprise key competitors”	Pursue road to zero footprint; hard-wired to business strategy; aim to “change the game; leapfrog peers”	Embed “S/ESG fully into corporate strategy; no separate sustainability strategy; aim to “transform company and industry”						SLT Council Members
8.2	Strategy Regarding ESG Cost Reduction	Employ traditional cost-cutting; focus on reduction in footprint” (emissions, cutting waste; often hard-wired to S-	Pursue a relentless approach to cutting waste; often hard-wired to S-	Utilize full-cost accounting” across supply chain (e.g., assign cost of	Analyze cost of key material externalities” and subsidies;						Yin
Contact Rating Matrix Instructions Definitions											

ESG Navigator results

Strengths:

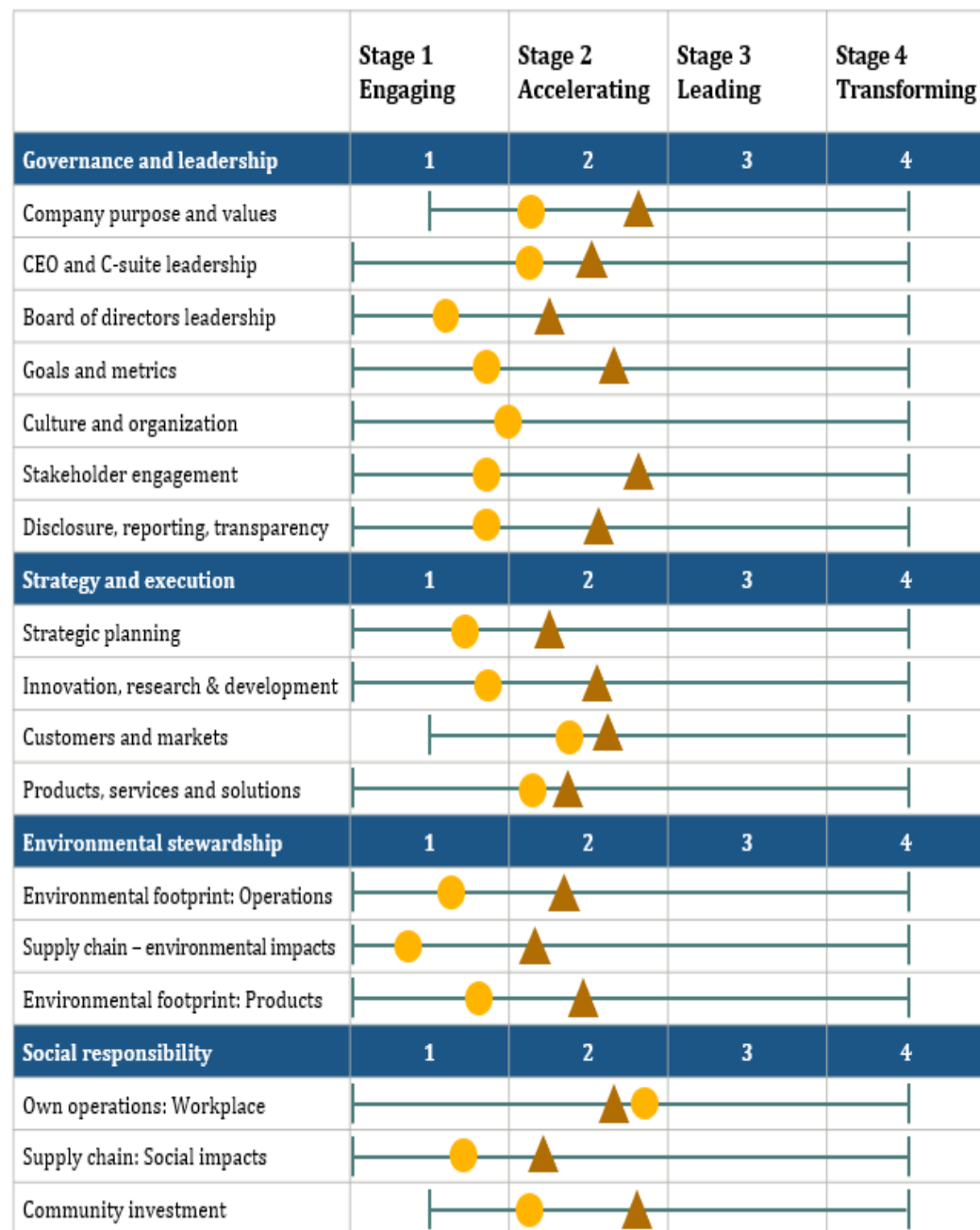
- Customers and markets
- Own operations: workplace
- Products, services solutions

Opportunities:

- Stakeholder engagement
- Strategic planning
- Goals and metrics

Legend

- Stryker
- ▲ Average



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Selecting Your “Top Ten” KSIs

GOVERNANCE

- Purpose
- C-Suite leadership
- Board leadership
- Goals & Metrics
- Culture/Organization
- Stakeholders
- Reporting

[47 KSIs]

STRATEGY

- Strategic Planning
- Innovation, R&D
- Customers
- Products, Services & Solutions

[31 KSIs]

ENVIRONMENT

- Operations
- Supply Chain
- Products

[29 KSIs]

SOCIAL

- Workplace
- Supply Chain
- Community

[22 KSIs]

Risk/Opp'y

Opportunity

Risk

Leading

Lagging

Your Company (ESG) Materiality Assessment

[See also: SD-KPIs (<https://www.sd-m.de/en/sd-kpis.html>) and SASB]

Selecting Your “Top Ten” KSIs

1. For Environment and Social, quickly from...

- Materiality Assessment
- SASB
- SD-KPI

2. For Governance and Strategy...

a) Tap into ESG Navigator Experience

- What Peer Companies Rate as HR!
- Gib’s “Top 20”

b) Survey Your Executives

Selecting Your “Top Ten” KSI

Survey Your Executives

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”

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	

Proposed Survey Tool

Goal: to help companies zero in on their “top ten” priority focus areas (KSIs) to present to the C-Suite.

1. The “PPG Question” list the 17 ESG Navigator Elements and ask for a forced ranking of top five.
2. Rate 24 KSIs on degree of importance. The 24 are from the Governance and Strategy sections, selected by:
 - a) ESG Navigator user companies most often rank as Highly Relevant.
 - b) Gib’s “top 20.”
3. Rate those same 24 KSIs on their “multiplier effect” – meaning if we focus on KSI #X, does that also have a “ripple effect” on one or more other KSIs.

We will develop a Survey Tool...

ESG Navigator - Executive Survey

Introduction

This Survey is designed for companies participating with ESG Navigator to benchmark their current status vs. peers and to prioritize actions to drive increased value from ESG.

The goal of this survey is to help companies zero in on the 'critical few' priority areas for increased focus - in order to capture greater value from ESG. (Definitions: The terms ESG and sustainability are, for the purpose of this survey, used interchangeably. We use "S" as an abbreviation for sustainability.)

Question 1: Rate Importance of Key Sustainability Indicators

Rate each of the following "performance indicators" (we call them Key Sustainability Indicators) as follows "In order to move our company to the 'next level' of ESG performance, this particular KSI is: less important, important, very important, or critical".

The 24 KSIs below were selected because we and your peers believe they are the most important Governance and Strategy topics. In each case, we describe (in parentheses) examples of the range from Stage 1 to Stage 4.)

You likely view most or all as important. Please try to limit your "Critical" KSIs to five.

1. **Company purpose - CEO's view re the role of the company in society** (ranging from solely creating shareholder value to sustainability as mission critical)

- ☐ Less Important
- ☐ Important
- ☐ Very Important
- ☐ Critical

Polling Questions

1. Do you like the idea of an executive survey rating the importance of “top 25” KSIs?
 - Definitely (12) = 63%
 - Likely (6) = 32%
 - Not Sure (1) = 5%
 - Not for me (0) = 0%
2. How important is it that you are able to add, change, or delete KSIs (or otherwise customize the survey)?
 - Very Important (9) = 47%
 - Somewhat Important (10) = 53%
 - Not important (0) = 0%

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What's Next for ESG Navigator?

FOR US

- Best Practices
 - Best Practices download
 - ESG Performance Maps
- Importance Survey
 - Standard format
 - Easy to use/modify
- Excel (Upload; Download)
- Ongoing...



FOR YOU

- Plan your 2020 Update
 - 2020 Excel workbooks
 - Talk with us
- Picking “Top 10” (HR!)
 - New Survey
 - Send ideas
- ESG Performance Maps
 - See Join Options
 - Talk with Gib

Meanwhile...

“BP’s big asset write-downs hint at a new seriousness in the company’s green ambitions. Investors may be slow to appreciate the strategic shift.”

The Wall Street Journal

June 16, 2020

“U.S. Consumed More Renewables Than Coal for First Time in 134 Years...”

The Wall Street Journal

June 17, 2020

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
Larry Krupp (Technology Colleague)
Scott Sousa (Website Design)