



ESG NAVIGATOR

ENVIRONMENT • SOCIAL • GOVERNANCE

Sustainability Benchmarking Collaborative

Monthly Webinar

October 16, 2020

Welcome... (final participants)

Company	Pre-Registered
• Altria	Amanda Tate
• Arconic	Ken Grace
• Chemours	Jessica Blint*
• Cisco	Amy Guimond
• Consumers	Linda Hilbert; Jessica Spagnuolo
• Danaher	Stephen Evanoff
• DTE Energy	Greg Ryan
• Duke Energy	Michelle Abbott
• Eastman	Davis Waters; Jen Creek (T)
• Eaton	Jon Newton
• Fluor	Nancy Kralik
• Goodyear	Ashley Fahey
• Hain Celestial	Simon Wong
• Hexion	Syd Lindquist

Company	Pre-Registered
• Lear	Carolyn Markey; Lori Hemingway
• Marriott Int'l.	Claire Cutting; Denise Naguib;
• Medtronic	Ginny Cassidy
• Merck	Tim Woodall*
• NextEra Energy	Amy Albury
• Northrop Grum.	Stanley Merritt
• Otis	Terry Robinson
• PPG	Mike Corcoran
• Sims Ltd.	Erica Ocampo
• Stanley B & D.	Dan Fitzgerald
• UPS	Danielle Crownover; Gabriela Lopez
• Waters Corp	Andrew Pastor

Shading: Darker = 2018 Founding Member

* First webinar

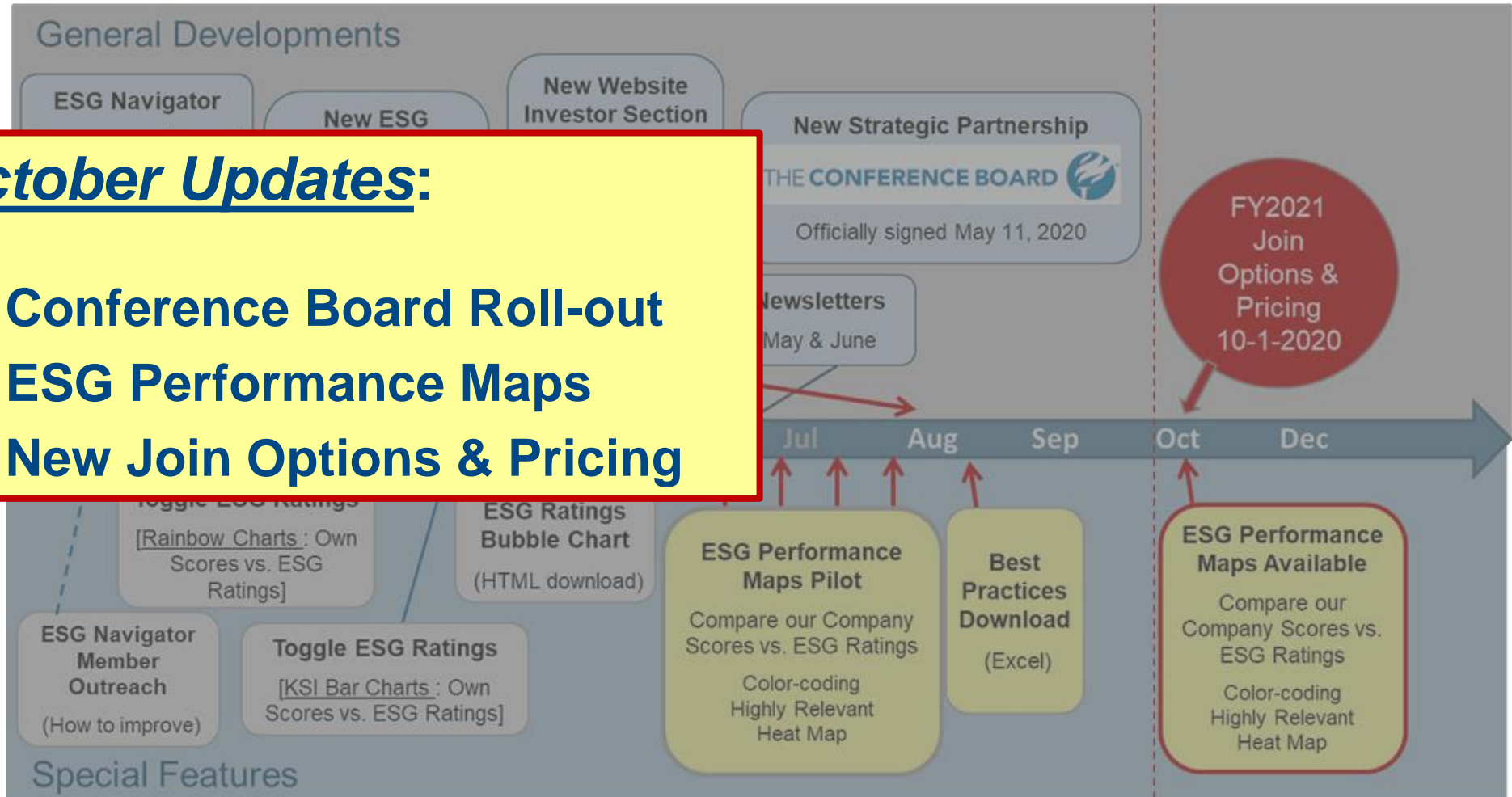
Agenda

- **Quick Updates** *(5 minutes)*
- **What Investors Want in 2021** *(30-35 minutes)*
 - Polling Questions
 - **Insights:** BlackRock's Michelle Edkins to Board members
 - Summary messages
 - Top company engagement priorities
 - **Discussion:** Reactions? Questions?
 - What does this mean over next 1-2 years
- **Q4-2020 Look Ahead** *(5 Minutes)*
 - The Conference Board
 - Join/Renewal Timing and Options

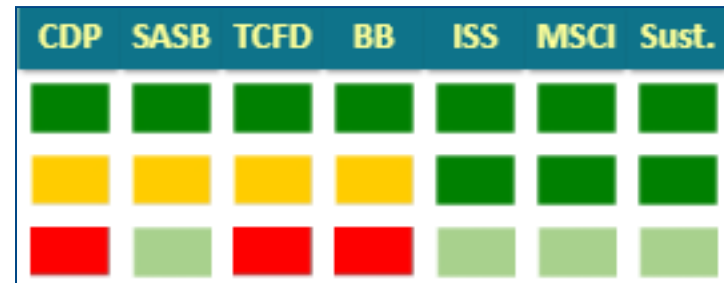
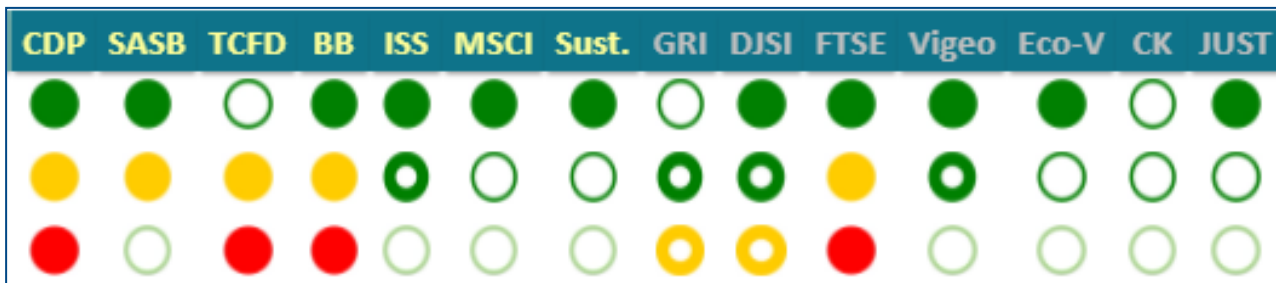
August 2020 Update

October Updates:

1. Conference Board Roll-out
2. ESG Performance Maps
3. New Join Options & Pricing



ESG Performance Maps – of keen interest...

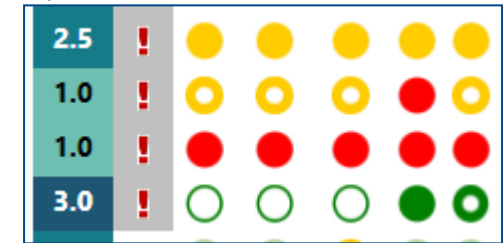


- **Color** = how well positioned your company is, given the Coverage by each Rating
 - **Green** = very well positioned
 - Light Green = b/c not covered
 - Dark Green = b/c your score
 - **Yellow** = somewhat positioned
 - **Red** = poorly positioned

Your Score	Ratings Organization - Overlap		
	High ●	Med. ○	Low ○
High 3.0 - 4.0	green	green	green
Med. 1.5 - 2.5	yellow	green	green
Low 0.5 - 1.0	red	yellow	green

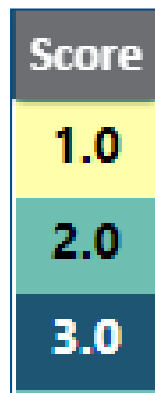
ESG Performance Maps: RPS = Ratings Positioning Score

- A measure of how well-positioned your company is
- Based on both:
 - Your ESG Navigator scores
 - and
 - The Coverage of the ESG Raters
- Applied to KSIs, Elements, Sections
- And applied to entire ESG ratings organizations



Rainbow Charts

CURRENTLY
4 Ranges



COMING SOON *
3 Ranges

- **0.5 to 1.0**
- **1.5 to 2.5**
- **3.0 to 4.0**

	0.0
	0.5-1.0
	1.5-2.0
	2.5-3.0
	3.5-4.0
	N/A
	Don't Know
	Highly Relevant

Rainbow Charts

ABC Company - for Demo Purposes for Social Responsibility

Select a Section:
Social Responsibility

Own Operations: Workplace	Supply Chain: Social Impacts	Community Investment
Workplace Environment	Sustainability Philosophy Regarding Supply Chain	Company's Philosophy Regarding "Community"
Diversity and Inclusion	Supply Chain Risk Assessment and Management	Philanthropy
Role of Sustainability Benefits in Recruitment and Retention	Responsible Sourcing	Community Partnerships

* During August 27 webinar, we polled participants. An overwhelming majority agreed that we should **simplify** and move to three score ranges

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How can CSOs meet CEO's needs?

ESG leaders are challenged: buried in data, questionnaires, ratings, and reporting – yet trying to help position the company as an ESG leader. To respond to the CEO at a moment's notice, you must:

- *Rate our company* – in a frank and honest way.
- *Learn from their peers* – “peek around the corner” to see where leaders are heading.
- *Analyze our position* – vs. peers and vs. ESG rating organizations that matter.
- *Craft our company's story* – its value to society in a world constantly changing around us.

How can CEOs meet Investor Needs?

As the drumbeat of societal expectations accelerates, CEOs and C-suites have two big ESG questions:

- **How well-positioned are we to earn strong ESG ratings (e.g., CDP, SASB, TCFD, MSCI, etc.)?**
- **How do we tell a compelling story about our company's value - especially to investors?**

How can CEOs meet Investor Needs?

How do we tell a compelling story about our company's value - especially to investors?

- *What's our strategy – how is it linked to our purpose?*
- *How and where do we invest capital and resources?*
- *How do we engage with stakeholders to shape our strategy and action plans?*
- *How does our board actively engage?*

Polling Question

What's the balance of your CEO/C-Suite's
focus right now:

ESG Ratings and Telling Our Story?

1. ~80/20 – significantly more attention to ESG ratings
2. ~60/40 – Somewhat more attention to ESG ratings
3. ~50/50 – About the same on ESG ratings and telling our company's story
4. ~40/60 – Somewhat more attention to telling our company's story
5. ~20/80 – Significantly more attention to telling our company's story



Michelle Edkins – BlackRock

On September 23, 2020, NACD hosted a webinar (featuring Michelle Edkins) for its members – almost all are corporate board members.

- Three big 2020 (Covid etc.) engagement learnings
- BlackRock’s 2020 company ESG engagement priorities – and feedback based on ~1,000 engagements.
- Where does BlackRock place the balance:
 - The “hard stuff” (data, metrics – backward looking – ESG Raters
 - The “soft stuff” (governance practices, strategy, culture, etc.)



Michelle Edkins – BlackRock

BlackRock

September 2020





Three Big 2020 *Ah Ha's*

- **Director Capacity:** what happens when every company is in crisis at the same time?
- **The Future is Coming at us Fast:**
 - Workplace of the future is here
 - Making tough decisions (that might have been delayed)
- **People:** The impact of events on people
 - Employees
 - Supply chain, customers, community



Five Engagement Priorities

- 1. Board Quality:** Diverse mix of life (and work) experiences; tenure? Aligned with LT strategy? Strong oversight? Holding management accountable?
- 2. Environmental Risks and Opportunities:** Fundamentally about climate; how are you transitioning to a low-carbon economy?
- 3. Corporate Strategy and Capital Allocation:** Key milestones? Reinvest vs. return cash to shareholders? Strong link to purpose?
- 4. Human Capital Management:** What is your actual strategy to “win the war for talent” – and keep the best employees to execute LT strategy?
- 5. Compensation that Promotes Long-termism:** How do you demonstrate alignment with LT strategy and LT performance?

Polling Question *[with results]*

Where does BlackRock “stand” re important investors to your C-Suite?

1. Top one or two *[30%]*
2. Top quartile *[40%]*
3. Middle of the pack *[30%]*
4. Bottom half
5. Not important

Polling Question *[with results]*

Has your company engaged with BlackRock during 2020?

1. Yes *[39%]*

2. No *[26%]*

3. Not Sure *[35%]*

4. N/A



Gib's Question to Michelle

How does BlackRock gather information to make judgements about board quality -- given that:

1. Outside ESG rating frameworks and organizations (MSCI, DJSI, SASB, TCFD, Sustainalytics, etc.) focus on data ("the hard stuff") yet
2. Understanding board quality requires measuring "the soft stuff"
 - time spent seriously discussing E and S risks/opportunities;
 - systematically including E and S factors in key business decisions made in the boardroom, etc.



Michelle's Answer

“By the information the company publishes in the public domain.

That's a core source of input for us.

We look very closely at a company's formal reporting; at information on the company website -

- *little things like do you provide photos of your board members can be extremely helpful*
- *not assessing the quality of the board – but who's in the boardroom.*



Michelle's Answer (continued)

We depend very directly on information that companies publish about their boards, the work of the boards and its committees, to make our assessments.



Michelle's Answer (continued)

*Yes we are very data-driven and retrospective...
the data aggregation and the proxy advisors'
research are is an input into what we do –
**but the company's own reporting is way more
important.***

Breakout Groups

Striking the Balance:

Earn strong ratings and Tell a compelling story

How do you see the focus of your board and C-Suite changing over the next 1-2 years?

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What's Coming Soon?

- **The Conference Board**
 - Continued roll-out
 - IT platform
 - Video etc.
- **Renewal (and Join) Season**
 - Q4 target
 - Flexibility to meet your company needs
- **Annual KSI Review: November 2020 to January 2021**
 - Refine
 - Update (COVID, social issues, investor needs, etc.)
 - Expand (The Conference Board)

New Join Options and pricing will take effect October 1, 2020

Renewal Season

Renewals – Sign-ups Now Available!

- Base Price lowered
 - Option C = ~~\$4,250~~ \$4,000
 - Option B = ~~\$2,750~~ \$2,500
- Founder Discount (20% of Base Price) stays
- ESG Performance Maps
 - An add-on (not required but 100% so far)
 - Option B = \$1,800
 - Option C = \$1,600
- Renewal Date: Move to Q4 (Oct-Dec)
 - Discount if moving from Q1; Q2; Q3

On behalf of our
ESG Navigator team:

Thank You!

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