



# **ESG Benchmarking Collaborative**

**Monthly Webinar**

**January 15, 2021**

# Final Participants

Company	Participated
• <b>Altria</b>	Kimberlee Pepple; Amanda Tate
• <b>Burns &amp; McDonnell</b>	Doug Dietrich
• <b>Consumers Energy</b>	Kristen Trovillion
• <b>Deere</b>	Kim Noe
• <b>Delek US</b>	Michael Ralsky
• <b>Dell</b>	Meagan Yates; Federico Sendel
• <b>DTE Energy</b>	Greg Ryan
• <b>Duke Energy</b>	Julie Hyde
• <b>Eaton</b>	Julia Lazar*
• <b>Eastman</b>	Jen Creek

Company	Participated
• <b>Kohler</b>	Nathan Nissan
• <b>Lear</b>	Carolyn Markey
• <b>Marriott International</b>	Denise Naguib; Claire Cutting
• <b>Medtronic</b>	Ginny Cassidy
• <b>PPG</b>	Mike Corcoran
• <b>Sims Ltd.</b>	Erica Ocampo
• <b>Trane Technologies</b>	Scott Tew; Ben Tacka
• <b>UPS</b>	Andria Smith
• <b>Wyndham</b>	Rishi Shah

**Shading:** Darker = 2018 Founding Member

\* First webinar

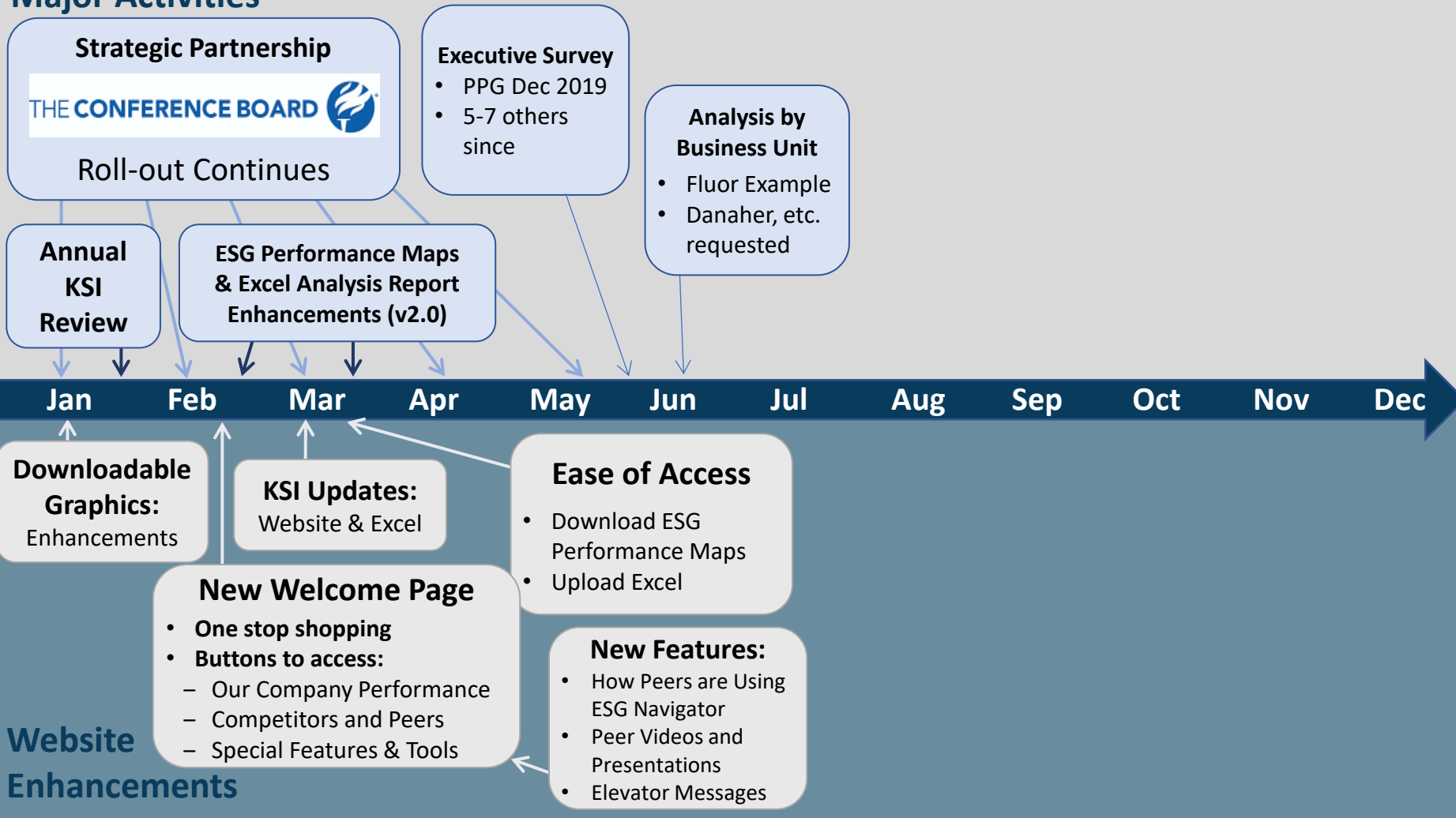
ESG Navigator Team  
 Gib Hedstrom  
 Larry Krupp  
 Allie Barrett  
 Dean Slocum

# Agenda

- **2021 Preview** *(10 minutes)*
- **Annual KSI Review** *(35-40 minutes)*
  - Context
  - Summary of Proposed Changes
  - **Breakout Groups:** Governance; Social & Supply Chain
  - What comes next?
- **Next Steps** *(5 Minutes)*
  - KSI Review
  - Future webinars

# January 2021 Update

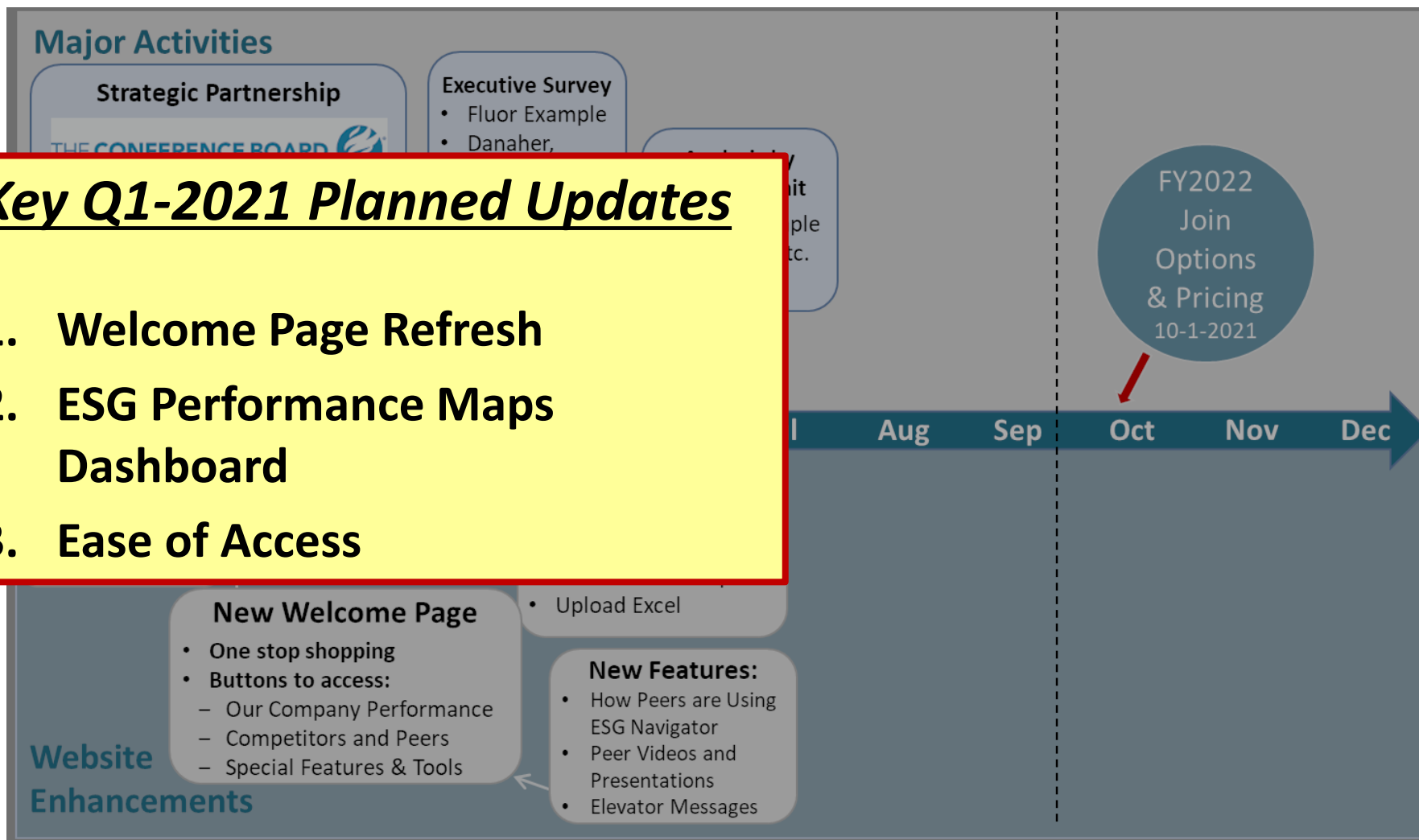
## Major Activities





# January 2021 Update

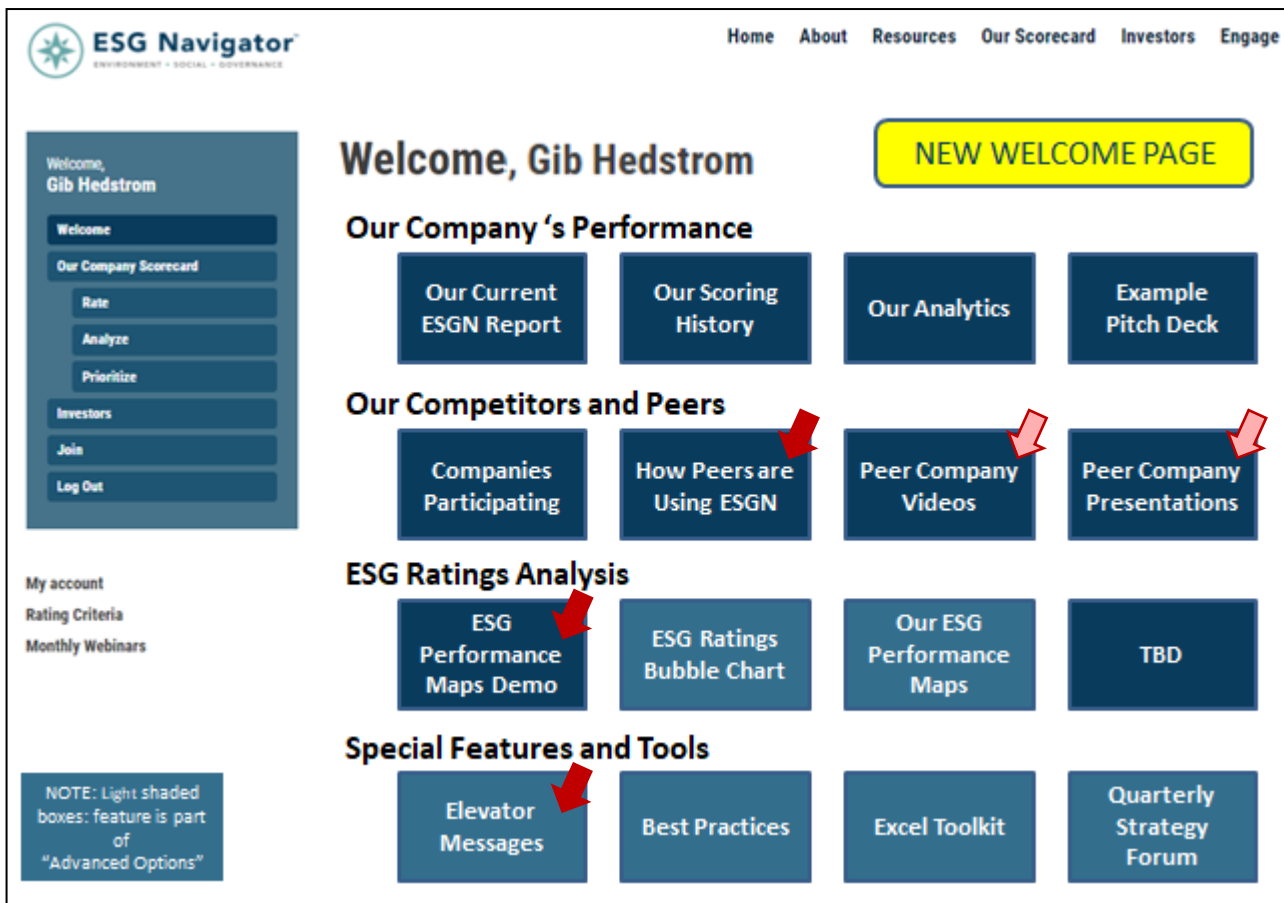
## Key Q1-2021 Planned Updates

1. Welcome Page Refresh
2. ESG Performance Maps Dashboard
3. Ease of Access



# 1. Welcome Page Refresh

- **One stop shopping**
- **Access or download**
  - Best Practices
  - Excel
  - ESG Ratings Bubble Chart
  - ESG Performance Maps
- **Easier to access** 
  - Peer company videos
  - Peer presentations
- **Few new items** 
  - How Peers are using ESG Navigator
  - ESG Performance Maps Demo
  - Elevator Messages



**ESG Navigator**  
ENVIRONMENT • SOCIAL • GOVERNANCE

Home About Resources Our Scorecard Investors Engage

Welcome, Gib Hedstrom

**NEW WELCOME PAGE**

**Our Company's Performance**

- Our Current ESGN Report
- Our Scoring History
- Our Analytics
- Example Pitch Deck

**Our Competitors and Peers**

- Companies Participating
- How Peers are Using ESGN
- Peer Company Videos
- Peer Company Presentations

**ESG Ratings Analysis**

- ESG Performance Maps Demo
- ESG Ratings Bubble Chart
- Our ESG Performance Maps
- TBD

**Special Features and Tools**

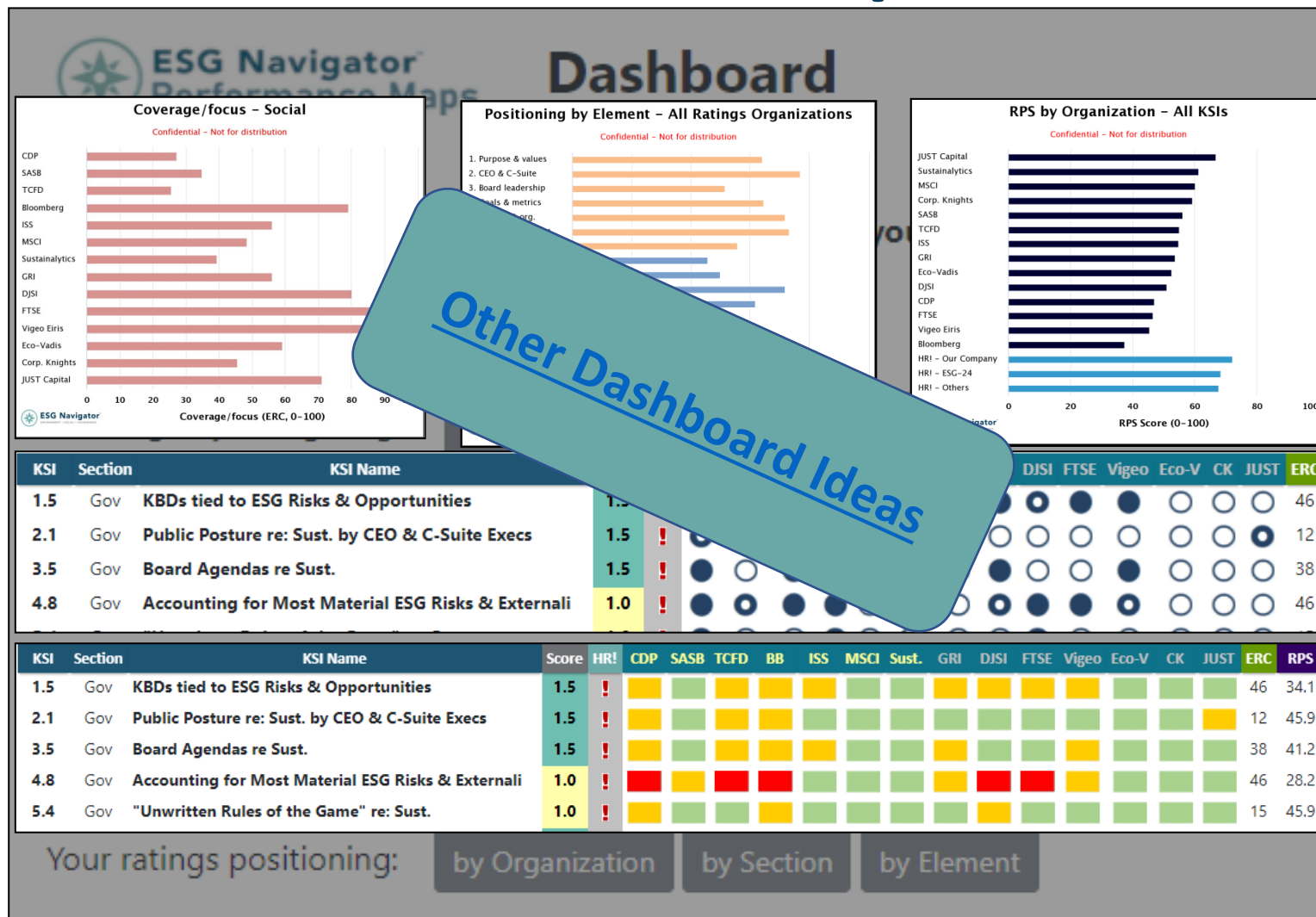
- Elevator Messages
- Best Practices
- Excel Toolkit
- Quarterly Strategy Forum

My account  
Rating Criteria  
Monthly Webinars

NOTE: Light shaded boxes: feature is part of "Advanced Options"

**Any Comments, Reactions?**

## 2. ESG Performance Map Dashboard



# 3. Ease of Access

## Upload to ESGNav

### Excel File

ABC Co - ESG Navigator Template v3.3(a) 2020_07_22.xlsx			
A	B	C	D
2		<b>Scoring Worksheet</b> <b>ABC Company, Inc. -</b> Enter data in yellow cells only (See arrow, choose scoring.	
3			
4			
5	KSI#	KSI Name	STAGE 1

ESG Navigator			
Scoring Worksheet			
ABC Company, Inc. -			
CSI	CSI Name	STAGE 1	STAGE 2
1	Carbon Footprint	Carbon Footprint	Carbon Footprint
2	Water Usage	Water Usage	Water Usage
3	Waste Management	Waste Management	Waste Management
4	Employee Safety	Employee Safety	Employee Safety
5	Community Engagement	Community Engagement	Community Engagement
6	Supplier Management	Supplier Management	Supplier Management
7	Product Safety	Product Safety	Product Safety
8	Customer Satisfaction	Customer Satisfaction	Customer Satisfaction
9	Employee Satisfaction	Employee Satisfaction	Employee Satisfaction
10	Board Diversity	Board Diversity	Board Diversity
11	Executive Compensation	Executive Compensation	Executive Compensation
12	Anti-Corruption	Anti-Corruption	Anti-Corruption
13	Human Rights	Human Rights	Human Rights
14	Environmental Impact	Environmental Impact	Environmental Impact
15	Social Impact	Social Impact	Social Impact
16	Governance	Governance	Governance
17	Overall ESG Score	Overall ESG Score	Overall ESG Score

## Download from ESGNav

### ESG Performance Maps





# Planned for Q2-2021

## Executive Survey

- **Goals [PPG Example]**
  - Engage C-Suite
  - Compare with ESG team
- **~15-25 KSIs**
  - Put into a survey form
  - Send to C-Suite, etc.
- **Plus: Rank 17 Elements: rank order top five**
- **Examples**
  - PPG (December 2019)
  - ~5-7 others since

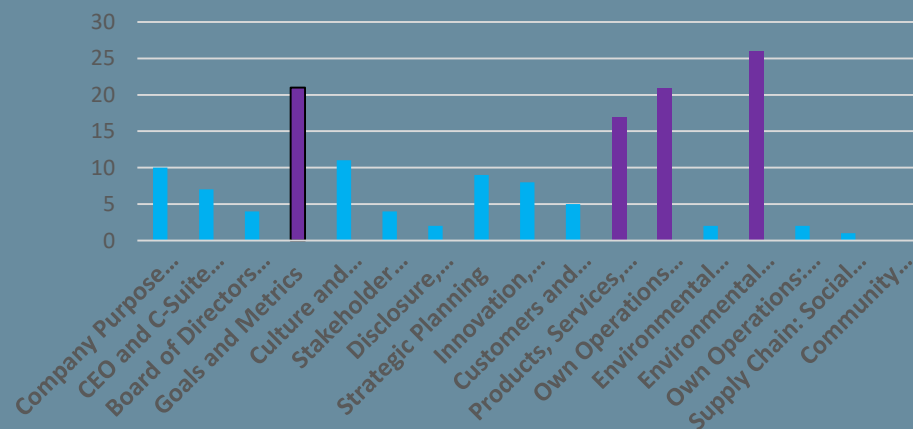
### 17. What is the linkage Between Sustainability and Innovation?

Q Insights

- 'S'/ESG is informally linked to i... 5
- 'S'/ESG issues are formally em... 3
- Innovation is a vital part of cul... 1
- 'S' is driver of long-term grow... 1



### Top ESG/Sustainability Issues for our Company, weighted



# Planned for Q2-2021

## Internal Comparisons

### • Goals

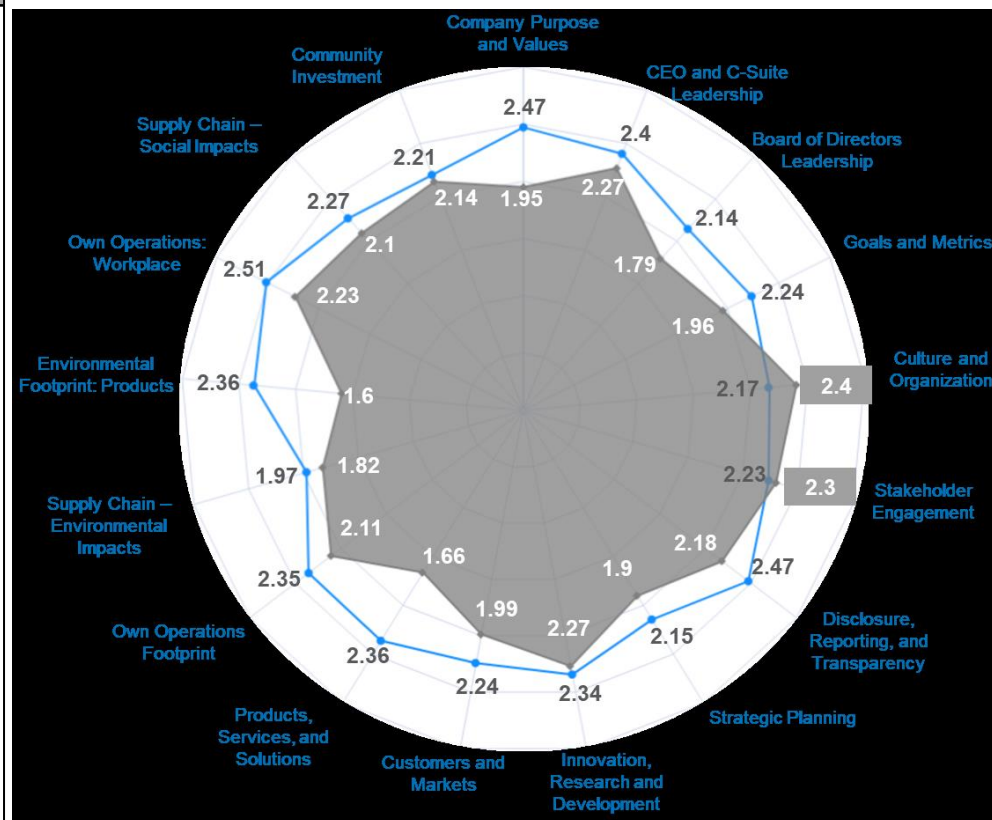
- Broaden internal engagement
- Compare Biz Units
- Compare Corp, ESG, BU, etc.

### • Excel Toolkit 2.0

- Use Excel like today
- New features to create sub-groups of results

### • Examples

- Fluor
- TCB Europe company



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# Annual KSI Review and Refresh

## Goals

- **Feedback** *[e.g., political contributions]*
- **Simplify and Sharpen**
  - Eliminate redundancy
  - Clarify wording of Stage 1  
→ Stage 4 descriptors
- **Update**
  - Investor ESG priorities
  - ESG raters – new topics
- **Retain Integrity**
  - Year-over-year comparison

## History

- **2015-2017**
  - From 170 → 157 KSIs
- **2018**
  - From 157 → 147 KSIs
- **2019-2020**
  - From 147 → 129 KSIs
- **2020-2021 (proposed)**
  - From 129 → 132 KSIs
  - *Note: ideally we cut # KSIs but need to stay current*



# Annual KSI Review and Refresh

*As you think about what constitutes  
true ESG leadership  
(ESG Navigator Stages 3-4)...*

*... What has changed in the past 12  
months?*

# 1. Company Purpose

- **KSI 1.1: Company Purpose**
  - Better link to strategy (BlackRock)
- **KSI 1.3: ESG Commitments**
  - Reduce overlap
- **KSI 1.5: Key Business Decisions**
  - Sharpened text (BlackRock, etc.)
- **KSI 1.6: Messaging: Purpose & Strategy (NEW)**
  - Driven by BlackRock, etc.

1. Governance: Company Purpose and Values					
<b>Key Question:</b> How are sustainability/ESG and the drive to deliver long-term value to society integrated into our company's <u>core purpose</u> (vision, mission and <del>core values</del> )?					
(NOTE: For each Key Sustainability Indicator (KSI)* below, stages are additive: e.g., to be Stage 3 requires meeting metrics in Stages 1, 2, and 3.)					
KSI* #	Key Sustainability Indicators (KSIs)*	Stage 1 "Engaging"	Stage 2 "Accelerating"	Stage 3 "Leading"	Stage 4 "Transforming"
1.1	Company Purpose (CEO's View Regarding the Role of the Company in Society)	ESG/Sustainability (ESG/'S') is viewed as <u>compliance, an extension of EHS, and/or corporate responsibility</u> ; <del>the</del> the core purpose of the company is to create shareholder value	ESG/Sustainability is part of how the company sees its role in society; <del>company's public</del> commitment (e.g., signed 2019 Business Roundtable pledge); <u>purpose being reassessed</u> post-COVID	ESG/'S' is near the core of how the company sees its role in society; the executive team is driving integration of ESG/'S' into the business; <u>Corporate strategy and capital allocation are hard-wired to purpose</u>	ESG/'S' is "mission critical" - <del>the</del> the company's <u>distinctive</u> <del>core</del> role in society; <u>integral to company strategy</u> ; C-Suite is driving deep integration of ESG/'S' into core business processes
1.2	ESG/Sustainability in Corporate Vision, Mission, Values, and Policies	ESG/Sustainability is not explicitly called out; vision and mission can enable ESG/'S'*, while business ethics policies and controls are broadly communicated	ESG/'S' - is "part of what we do" - and employees, customers, and investors view company as committed to ESG/'S'	ESG/'S' is integral to vision and mission; ESG/'S' statements stand out among peers; robust ESG/'S' posture is fully woven into <u>all</u> <del>core</del> <u>core</u> values and policies	ESG/'S' is central to <u>company</u> transformation; driving goal of <u>leading-net positive</u> * impact; balance creating economic value and value for society
1.3	<u>Support of International Sustainability Charters</u> <del>ESG/Sustainability Commitments</del> <u>(by Board and/or C-Suite)</u>	Conform to common industry guidelines (e.g., Responsible Care® or Global Reporting Initiative*)	Conform to leading ESG/'S' initiatives within industry sector(s) (e.g., green chemistry*) or addressing a material* issue (e.g., RE100)	Support the objectives of leading global charters (e.g., UNGC) or commitments (e.g., "Davos Manifesto") - <u>as well as leading industry commitments</u> as signatory or equivalent; <u>disclose human rights policy</u>	<u>Full board of directors makes a personal commitment to ESG/'S' (the intent of the SDGs)</u> ; <u>contributing positive total societal impact</u> * <u>drive growth and societal value</u> <u>aligned with industry guidelines</u> (e.g., <u>from the intent of the SDGs</u> )
1.4	Managing Long-Term Viability of Core Business(es)	Company business may or may not align with sustainability principles*	Company business are aligned with sustainability principles* - either as or by actively reducing negative societal impacts	Business are fully aligned with sustainability principles* - measuring total societal impact* (and driving toward net positive* impacts)	Company is measuring and driving toward positive total societal impact* - helping to drive the global sustainability agenda, defined by the SDGs*
1.5	Key Business Decisions (KBDs)* tied to ESG/'S' Risks and Opportunities	ESG/'S' elements are <u>typically not key factors</u> in major business decisions; <u>made by C-Suite and Board</u> <del>policy</del> <del>decisions are made by C-Suite and Board</del>	ESG/'S' elements are key factors in major business decisions; openly discussed and debated; ESG/'S' factors <u>not</u> <del>not</del> <u>rule</u> * during crises	Formal ESG/'S' criteria or "screen" (e.g., internal carbon price*) is applied to all key business decisions* - <u>not</u> <del>not</del> <u>purpose is clear enough re ESG/'S' that mid-managers can make trade-offs in daily decisions</u>	<u>Material</u> * ESG/'S' issues guide strategic planning; <u>capital allocation</u> and other key business decisions* made by the C-Suite and the board of directors
1.6	<u>Messaging Regarding Company Purpose and Strategy</u>	Purpose, vision, mission, values is clearly articulated; often discussed <u>separate from strategy</u>	Purpose is clearly defined, articulated, and embedded in corporate and business unit, marketing and product strategies	ESG/'S' is integral to - and woven into - both purpose and strategy. Clearly defined and articulated in corporate communications	Messages about strategy are <u>promoted in purpose</u> ; fully aligned with megatrends and driving transition to a low-carbon economy

# 3. Board of Directors Leadership

- **KSI 3.2: Board Roles, Committees**
  - Sharpened re BlackRock
  - Moved “commitments” to KSI 1.3
- **KSI 3.8: Diversity of Boards (NEW)**
  - Driven by BlackRock, etc.
- **KSI 3.9: Independence & Tenure of Boards (NEW)**
  - Driven by BlackRock, etc.

3. Governance: Board of Directors Leadership					
Key Question: What oversight structure, processes, and systems support our board of directors' commitment and engagement with ESG?					
[NOTE: For each Key Sustainability Indicator (KSI)* below, stages are additive: e.g., to be Stage 3 requires meeting metrics in Stages 1, 2, and 3.]					
KSI #	Key Sustainability Indicators (KSIs)*	Stage 1 "Engaging"	Stage 2 "Accelerating"	Stage 3 "Leading"	Stage 4 "Transforming"
3.1	Board of Directors' Oversight of ESG/Sustainability	Its oversight by board of directors is not explicit or intensive. Told under traditional board's commitment, board oversees ESG board's oversight	Its oversight by board of directors is strong and growing each year, commensurate with business growth and trends, board's oversight grows	Its oversight by board of directors is significant - in terms of time spent and effectiveness, board's oversight grows	Full board of directors is actively and frequently involved in discussing this issue, risks, and opportunities
3.2	Board Roles, Committees, and Charter	Board of Directors charter focuses on conventional environmental, health, and safety (EHS) and public policy issues	Board's oversight is explicit, comprehensive, and regularly discussed, sustainability oversight, where this issue is material	Board's oversight is explicit, comprehensive, and regularly discussed, sustainability oversight, where this issue is material	Board's oversight is explicit, comprehensive, and regularly discussed, sustainability oversight, where this issue is material
3.3	Board's Expertise in ESG/Sustainability	Little to moderate, board's expertise is mostly on external ESG reports and industry association	Moderate and growing, board's expertise is mostly on external ESG reports and industry association	Strong and explicitly growing, board's expertise is mostly on external ESG reports and industry association	Very strong and growing, board's expertise is mostly on external ESG reports and industry association
3.4	Reporting on ESG Issues to Board of Directors	Report ESG risks in own operations and those of key suppliers	Report most material ESG risks, robust ESG goals and metrics for own operations, ESG risks are factored into key business decisions	Report on ESG risks, robust ESG goals and metrics for own operations, ESG risks are factored into key business decisions	Report on ESG risks, robust ESG goals and metrics for own operations, ESG risks are factored into key business decisions
3.5	Board of Directors' Agenda Regarding ESG/Sustainability	Board of directors' agenda typically cover ESG risks, trends and emerging issues, philosophy, analysis of peer company ESG actions	Board's agenda include material ESG risks and opportunities as a main agenda item, includes benchmarks, detailed trends	Board's agenda include material ESG risks and opportunities as a main agenda item, includes benchmarks, detailed trends	Board's agenda include material ESG risks and opportunities as a main agenda item, includes benchmarks, detailed trends
3.6	Time Spent on ESG/Sustainability in Full Board & Board Committee Meetings	ESG is a major agenda item at 1 meeting(s) per year (typically 1-2 hours/year)	ESG is a major agenda item at 1 meeting(s) per year (typically 1-2 hours/year)	ESG is a major agenda item at 1 meeting(s) per year (typically 1-2 hours/year)	ESG is a major agenda item at 1 meeting(s) per year (typically 1-2 hours/year)
3.7	Board of Directors' Sources of ESG/Sustainability Learning	Board's members engage in pre-meeting, ESG risks and trends, thought leadership pre-meeting	Board's members engage in pre-meeting, ESG risks and trends, thought leadership pre-meeting	Board's members engage in pre-meeting, ESG risks and trends, thought leadership pre-meeting	Board's members engage in pre-meeting, ESG risks and trends, thought leadership pre-meeting
3.8	Diversity of Board of Directors	ESG board's diversity is not explicit or intensive, board's diversity is not explicit or intensive	ESG board's diversity is not explicit or intensive, board's diversity is not explicit or intensive	ESG board's diversity is not explicit or intensive, board's diversity is not explicit or intensive	ESG board's diversity is not explicit or intensive, board's diversity is not explicit or intensive
3.9	Independence & Tenure of Board of Directors	ESG board's independence is not explicit or intensive, board's independence is not explicit or intensive	ESG board's independence is not explicit or intensive, board's independence is not explicit or intensive	ESG board's independence is not explicit or intensive, board's independence is not explicit or intensive	ESG board's independence is not explicit or intensive, board's independence is not explicit or intensive

# 5. Culture and Organization

- **KSI 5.2: Compensation**
  - Updated re focus on short-term vs. long-term
- **KSI 5.4: “Unwritten Rules of the Game”**
  - Clarified based on feedback

5. Governance: Culture and Organization					
<b>Key Question:</b> How does our company's culture and organization promote robust integration of ESG into job descriptions and resulting actions and performance – from the C-suite to the shop floor?					
[NOTE: For each Key Sustainability Indicator (KSI)* below, stages are additive: e.g., to be Stage 3 requires meeting metrics in Stages 1, 2, and 3.]					
KSI#	Key Sustainability Indicators (KSIs)*	Stage 1 “Engaging”	Stage 2 “Accelerating”	Stage 3 “Leading”	Stage 4 “Transforming”
5.1	<del>CEO/C-Suite Executive Roles Regarding ESG/Sustainability</del>	An existing officer assumes role of sustainability leader; <del>CEO/C-Suite</del> addresses sustainability risks during crises and as part of formal risk reviews	A full-time sustainability leader reports to a C-suite executive; C-Suite meetings are dedicated to ESG about quarterly	C-suite executives are accountable for ESG programs, processes & performance – <del>overall</del> <b>and on most material ESG issues</b> ; ESG/S’ is a core part of <del>key</del> planning and operations meetings	The CEO and C-Suite personally drive an ambitious sustainability agenda; ESG/S’ is central to plans and CEO’s C-Suite meetings
5.2	<del>ESG/Sustainability Facilitated into Executive Compensation</del>	Safety or compliance may be part of executive compensation; <u>portion of short-term bonus paid in deferred shares</u> <del>ESG</del>	ESG/S’ <del>issues</del> (beyond safety or EHS) is a <del>very</del> small part of executive compensation; if any, <u>portion of short-term bonus paid in deferred shares is ~50%</u>	Long-term performance vs. <b>material</b> ESG issues = 10-15% of executive compensation; <u>CEO vesting period for longest period &gt;5 yrs</u>	Long-term performance vs. <b>material</b> ESG issues >15% of executive compensation
5.3	<del>Internal Reward and Recognition Regarding ESG/Sustainability</del>	Recognition of ESG/S’ excellence is limited to traditional sustainability topics only (e.g., safety, compliance, etc.)	Recognition of ESG/S’ excellence is informal but growing across corporation	Formal corporate ESG/S’ programs are recognized by business and functional leaders; highly visible reward	Recognition of ESG excellence is high profile; e.g., annually by CEO and/or <b>board</b> member(s)
5.4	<del>“Unwritten Rules of the Game” Regarding ESG/Sustainability</del>	<del>A candid survey of employees would likely convey a healthy skepticism re the importance of ESG/S’ (“another initiative”)</del>	<del>The existing culture and organization – a candid survey of employees would likely convey that the CEO is serious about ESG/S’ – but lack a system-driven approach with appropriate incentives</del>	<b>Broad-based employee culture assessments convey that the CEO and few business leaders are driving the ESG/S’ agenda; strong alignment among executive leadership</b>	<b>Broad-based employee culture assessments convey that sustainability is core to our business</b>
5.5	<del>ESG/Sustainability Leadership Position(s)</del>	Most senior, full-time corporate ESG/S’ leader reports several levels below CEO	Most senior, full-time corporate ESG/S’ leader(s) has occasional access to CEO/C-Suite with periodic reports to the board of directors (or equivalent if private)	Most senior, full-time corporate ESG/S’ leader(s) has frequent access to CEO/C-Suite – with periodic reporting to the board of directors	ESG/Sustainability is fully integrated into key C-Suite positions and roles of other senior leaders
5.6	<del>Inclusion of ESG/Sustainability in C-Suite and Employee Goals</del>	C-Suite KPIs may include a few “traditional” ESG topics (e.g., safety, diversity, compliance)	C-Suite annual goals and KPIs include performance vs. key, <b>material</b> ESG/S’ metrics <del>(including GHG* for almost all sectors)</del>	CEO and C-Suite KPIs include performance vs. key, <b>material</b> ESG/S’ metrics <del>(including GHG* for almost all sectors)</del> ; also <del>cascade down the reporting chain of command</del>	All relevant staff and contractors have KPIs on performance vs. key, <b>material</b> ESG/S’ metrics; <b>GHG* target cascades throughout company</b>



# 7. Disclosure, Reporting, Transparency

## • KSI 7.3: Sustainability Reporting

- Refined to focus on the importance of fully integrating ESG information into core financial and business (vs. ESG) disclosures and reporting.

7. Governance: Disclosure, Reporting, and Transparency					
<b>Key Question:</b> To what extent is our disclosure and reporting of ESG risks and opportunities transparent, robust, and aligned with financially/business reporting?					
[NOTE: For each Key Sustainability Indicator (KSI)* below, stages are additive: e.g., to be Stage 3 requires meeting metrics in Stages 1, 2, and 3.]					
KSI#	Key Sustainability Indicators (KSIs)*	Stage 1 "Engaging"	Stage 2 "Accelerating"	Stage 3 "Leading"	Stage 4 "Transforming"
7.1	Disclosure of <u>Material</u> <sup>®</sup> ESG/Sustainability Impacts	Disclose required information; compliance focus plus a few other key issues	Follow a commonly accepted ESG/S disclosure and reporting tools and framework; provide annual progress review	Provide blunt, candid disclosure of <u>material</u> <sup>®</sup> ESG/S impacts across full <u>supply chain</u> <sup>®</sup>	Provide robust, balanced disclosure targeted at <u>total societal value</u> <sup>®</sup> – quantify and explain full life-cycle impacts
7.2	ESG/Sustainability in Annual Report and Financial Disclosures	Mention <u>material</u> <sup>®</sup> ESG/S issues briefly (if at all) in CEO letter; financial disclosures are mostly boilerplate <u>language</u>	Mention <u>material</u> <sup>®</sup> ESG/S issues in CEO letter; provide detailed information on <u>material</u> <sup>®</sup> ESG/S risks in financial disclosures	Include top <u>material</u> <sup>®</sup> ESG/S KPIs along with key business metrics and financial disclosures; <u>publicly report code of conduct breaches</u>	Publish an <u>integrated report to society</u> <sup>®</sup> with robust financial disclosure of <u>material</u> <sup>®</sup> ESG/S issues
7.3	Sustainability Reporting	Update website periodically with ESG data; may or may not have sustainability report; <u>Discuss 'S/ESG' in ways similar to EIS and corporate responsibility – mostly as separate from core business/financial disclosures &amp; reporting</u>	Update website in a timely way; <u>separate sustainability report available, discuss ESG/S as a set of issues, mostly "separate" from core business activities</u>	Provide clear and transparent reporting; conform to a common framework (e.g., TCFD*); <u>board</u> <sup>®</sup> review; <u>ESG issues discussed in business terms</u> (avoid ESG jargon); woven into <u>discussions of corporate governance and strategy</u>	Issue and integrate ESG/S information with annual report; <u>board</u> <sup>®</sup> review and approval; <u>difficult to distinguish ESG issues from core business issues</u> (100% core business language)
7.4	Data Assurance / Verification	No formal verification	Internal Audit review process and verifies selected data	Credible, independent 3rd party review process and data	Credible, independent 3rd party review in a manner consistent with its review of financial controls
7.5	<u>Transparency</u> ; Outreach Posture, Tools and Techniques	Adopt a very cautious approach: "stay in our comfort zone"	Implement candid, balanced reporting of own ESG/S impacts; use many outreach channels, including social media	<u>Fully transparent</u> ; communicate candid, balanced reporting of ESG impacts across full <u>value chain</u> <sup>®</sup>	Convey powerful ESG/S messages from CEO; reinforce in multiple ways; <u>drive increased transparency among industry peers</u>
7.6	Public Policy (e.g., Lobbying) Alignment with ESG/Sustainability Posture	Company's public policy positions on ESG issues and risks <u>(including political contributions)</u> are aligned with industry association positions	CEO makes strong statements about ESG/S issues/risks facing its industry sector(s); analyzing company policy vs. industry association positions	Company's public policy positions, actions, associations, and statements – <u>and its political contributions</u> – are fully aligned with a candid disclosure of full <u>value chain</u> <sup>®</sup> impacts	Company ends membership in industry groups whose ESG/S positions are not aligned; CEO joins other leaders in driving global sustainability agenda
7.7	Corporate Marketing and Advertising Approach Regarding ESG/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 that aim to be leaders	Earn ethical marketing credentials and reputation

# 8. Strategic Planning

- KSI 8.3: Strategy re Risks & KSI 8.6: Enterprise Risk Mg.

**(COMBINED)**

- KSI 8.6: Strategy ESG Roadmap **(NEW)**

– Driven by BlackRock, etc.

8. Strategy: Strategic Planning					
<b>Key Question:</b> To what extent are ESG considerations fully embedded in our company's strategic and operational planning processes?					
[NOTE: For each Key Sustainability Indicator (KSI)* below, stages are additive: e.g., to be Stage 3 requires meeting metrics in Stages 1, 2, and 3.]					
KSI#	Key Sustainability Indicators (KSIs)*	Stage 1 "Engaging"	Stage 2 "Accelerating"	Stage 3 "Leading"	Stage 4 "Transforming"
8.1	Corporate Sustainability Positioning and Strategy	Pursue a very basic ESG/S* strategy; sustainability not a key driver of business strategy; aim to "stay in the pack"	Implement a comprehensive ESG/S* strategy; 3-5 year plan tied to business plan; aim to "change the game; improve peers"	Pursue road to zero footprint* – hard-wired to business strategy; aim to "change the game; improve peers"	Embed ESG/S* fully into corporate strategy; no separate sustainability strategy; aim to "transform company and industry"
8.2	Strategy Regarding ESG Cost Reduction	Employ traditional costing; focus on reduction in footprint* (emissions, packaging, waste, etc.)	Pursue a relentless approach to cutting waste; often hard-wired to Six-Sigma; Lean, etc. Early stages of impact valuation* re ESG	Use full-cost accounting* or impact-weighted accounting* across supply chain* (e.g., assign cost of carbon)	Analyze cost of key material* externalities* and subsidize; significant CapEx for ESG/S* projects
8.3	Enterprise-Wide ESG Risks: Process to Manage & Embed into Enterprise Risk Management*	Analysis-identify ESG/S* risks across supply chain* (e.g., "heat map"); ESG issues are not fully integrated into strategic planning	Review key ESG/S* risks at the C-Suite – part of strategic and business planning process; ESG issues fully integrated with enterprise risk management*; define critical suppliers – updated post-COVID	Review material* ESG/S* issues with the C-Suite and board; "hard-wired" to strategic planning process; C-Suite member personally manages each material* ESG/S* issue	Transform portfolio to systematically reduce ESG/S* risks; C-Suite partners with customers, suppliers, etc. to cut material* ESG/S* impacts
8.4	Strategy Regarding Revenue Generation from "S" Products, Services, and Solutions (PSS)*	"S" attributes are not widely viewed as a revenue driver; respond to customer inquiries; pilot ESG/S* investments	"S"-advantaged PSS* sales are tracked and reported; work with customers to shape ESG/S* investments	"S" PSS portfolio (or equivalent) is growing with formal, robust criteria; make significant investments	"S" drivers dominate growth options; a major portion (e.g., >50%) of sales are "S"-advantaged PSS
8.5	Strategy Regarding ESG Impacts on Brand and Reputation	Market current activities in favorable ESG/S* light	Seek brand recognition via ESG ratings* (e.g., MSCI, Sustainability, CDP, DJSI, Global 100)	Demonstrate track record of industry-leading footprint* reduction on material* issue(s); ESG/S* positioning aimed at enhancing brand	Engage in a business transformation (CEO-led) – with ESG/S* at the core; results in enhanced brand tied directly to core corporate ESGs – driving total value to society
8.6	Roadmap Outlining Implementation of Strategy & ESG Goals	No special roadmap re ESG goals tied to strategy	Strong ESG goals supported by general commitments	Detailed roadmap showing key milestones to reach 2030, 2050 goals	Detailed short-, mid-, and long-term roadmap showing key milestones to reach 2030, 2050 goals
8.7	Use of Scenario Planning*	Identify potential future ESG impact on the business(es) informally	Use a formal scenario* process, systematically identifying and assessing major ESG/S* drivers in terms of impact and uncertainty	Use best-in-class ESG/S* scenario* process, including a 1.5 degree C scenario (perhaps also 2 degree scenarios); review with C-Suite	Review robust scenarios with C-Suite and board* – to consistently shape business strategy and portfolio changes
8.8	Sustainability Impact of Capital Expenditures	Traditional metrics; a chunk of CapEx (e.g., ~25% for many sectors) is driven by material* ESG/S* risks	Growing chunk of CapEx (~25-50 % for certain sectors) is driven by material* ESG/S* risks and opportunities	Major chunk of CapEx (>50 % for certain sectors) is driven by material* ESG/S* risks and opportunities	Major chunk of CapEx (often >75 % for certain sectors) is allocated to material* ESG/S* risks and opportunities

# 12. Env. Footprint: Supply Chain

- KSI 12.1: Posture
- KSI 12.2: Standards
- KSI 12.3: Measure
- KSI 12.4: Verify

Align  
with #15:  
Social  
Supply  
Chain

14. Environmental Footprint: Products, Services, Solutions					
Key Question: How deeply and robustly are we managing and reducing the environmental risks associated with our products, services and other offerings?					
[NOTE: For each Key Sustainability Indicator (KSI)* below, stages are additive: e.g., to be Stage 3 requires meeting metrics in Stages 1, 2, and 3.]					
KSI #	Key Sustainability Indicators (KSIs)*	Stage 1 "Engaging"	Stage 2 "Accelerating"	Stage 3 "Leading"	Stage 4 "Transforming"
14.1	Product Traceability	Focus on compliance and efficiency when monitoring product inputs through stages of the life-cycle. <del>Traceability is not a major focus</del>	Establish and implement processes to ensure that <del>key</del> source materials come from traceable sources	Establish and implement processes to ensure that <del>key</del> source materials come from traceable sources	Establish and implement processes to ensure that <del>key</del> source materials come from traceable sources (e.g., from <del>low-to-low-risk material extraction to product end-of-life</del> )
14.2	Product Energy Efficiency	Focus on low cost; product energy efficiency is not a major priority	Research and map customer energy efficiency goals	Increase product energy efficiency ~25-50%	Design all products for maximum energy efficiency
14.3	Product Materials Use	Focus on compliance; may use some recycled material inputs	Eliminate prioritized list of toxic; systematically grow the recycled content of products	Grow recycled content to a significant level; reduce toxics <del>and high ESG/S risk product inputs</del> , systematically	Maximize recycled content; zero <del>use of</del> toxics <del>or high ESG/S risk product inputs</del>
14.4	Product Durability	Focus on traditional elements (low cost and quality); disposable products	Confront the conflict (durable vs. disposable products) in a public and transparent way	Reduce disposables and increase durability systematically	Earn a reputation as a model performer across industry sectors
14.5	Product Biodegradability	Not a major consideration	Explicit for few products	Explicit for most products	Explicit for all products (as applicable)
14.6	Product Recyclability and Reusability	Not typically considered	Explicit for few products	Explicit for most products	Explicit for all products (as applicable)
14.7	Product Water-Use Efficiency	Prioritize low cost; research and map customer goals	Increase product water use efficiency (e.g., ~10-20%)	Increase product water use efficiency (e.g., ~25% or more)	Design all products for minimum water use
14.8	Packaging	Some packaging may be renewable, recyclable or reusable – but not a major focus	Growing portion of packaging is renewable, recyclable, and/or reusable (e.g., ~25-50%)	Most packaging is renewable, recyclable, and/or reusable (e.g., ~50-75%)	<del>Actually</del> , all packaging is renewable, recyclable, and/or reusable
14.9	End-of-Life Product Responsibility	Implement very little or no recycling or reuse of own products sold; compliance-focus	Take back and manage a growing portion of the company's products (e.g., ~25-50%); follow industry code of conduct (e.g. WEEE)	Take back and manage more than half of the company's products (e.g., ~50-75%); leader in own industry	Approach 100% closed-loop* – a leader across all industries

# 15. Social Footprint: Supply Chain

- KSI 15.1: Posture
- KSI 15.2: Standards
- KSI 15.3: Measure
- KSI 15.4: Verify
- **KSI 15.5: Human Rights**
  - Formalized importance of human rights policy, plus more
- **KSI 15.5: Capacity Building**
  - Broadened beyond core capability building

Align  
with #12:  
Env'l.  
Supply  
Chain

16. Social Performance – Supply Chain – Social Impacts					
<b>Key Question:</b> How deeply and robustly are we managing and reducing the social risks associated with the full supply chain impacts?					
[NOTE: For each Key Sustainability Indicator (KSI)* below, stages are additive; e.g., to be Stage 3 requires meeting metrics in Stages 1, 2, and 3.]					
KSI* #	Key Sustainability Indicators (KSIs)*	Stage 1 "Engaging"	Stage 2 "Accelerating"	Stage 3 "Leading"	Stage 4 "Transforming"
16.1	<del>Assessing Supply Chain Social Footprint</del>	Comply with social responsibility requirements; respond as needed; <del>Engage on quality, cost, dependability, compliance</del>	<del>Engage with key tier 1 suppliers</del> to become a long-term partner; provide ESG/ S* training and incentives to suppliers	Engage upstream suppliers to cut material social impacts; set <del>full-supplier</del> <del>joint goals</del> ; <del>leverage joint ESG/ S* efforts</del> ; <del>Industry leader</del>	<del>Partner with most suppliers</del> ; set joint customer-supplier goals; collaborate around growth opportunities
16.2	<del>Standards for Supply Chain Social Footprint</del>	Focus on compliance in own operations and >50% joint ventures; <del>conduct basic due diligence</del>	Conduct <del>human rights</del> <del>supplier risk analysis</del> ; <del>adopt formal ESG/ S* procurement policy</del>	Require robust ESG/ S* controls and systems across full <del>value chain</del> * to drive improved supplier ESG/ S* performance	ESG/ S* requirements are non-negotiable. Take responsibility for social <del>impacts</del> across full <del>value chain</del> and in communities where we operate
16.3	<del>Measuring Supply Chain Social Footprint: Responsible Sourcing</del>	Emphasize local products and services in purchasing decisions; <del>protect customer privacy</del> through use of information storage and transparent privacy policies	Implement formal responsible sourcing program and criteria; <del>treat supply chain</del> * partners in a fair and inclusive way – without bias or discrimination	Measure, track and report ESG/ S* sourcing, aiming for <del>net positive</del> * impacts; <del>proactively engage</del> and incentivize suppliers to improve ESG performance	Engage suppliers through training, capacity building, and incentives; <del>earn</del> reputation as a global leader in responsible sourcing
16.4	<del>Verifying Supply Chain Social Footprint</del>	<del>Require</del> impose conventional contract requirements, including compliance assurance (self-audit)	Impose basic ESG/ S* contract requirements; <del>conduct third-party audits</del> <del>ask tier 1 suppliers to complete ESG/ S* questions in formal supplier quality assessments</del>	<del>Manage robust programs</del> <del>Conduct third-party audits of material ESG/ S* issues</del> <del>Require suppliers to be listed in buyer performance</del>	<del>Publish audit findings and use audits to strengthen full supply chain</del> * and <del>performance</del> ; <del>publish audit findings</del>
16.5	Human Rights	Comply with laws, regulations and global conventions, consistent with industry peers; <del>no formal human rights policy</del> ; <del>other than perhaps protecting human rights of direct employees</del>	Formal human rights policy; require suppliers to follow accepted best practices; <del>conduct basic human rights assessments</del> ; <del>no principles and requirements</del> <del>endorse relevant global charters, as appropriate</del> ; support UIN declaration re child/forced labor	Strong human rights policy in public domain; <del>endorse UIN Declaration on Human Rights</del> ; <del>UIN declaration re child/forced labor</del> ; <del>no principles and requirements</del> <del>endorse relevant global charters</del> (and due diligence process) in place to <del>ensure those policies are carried out</del> <del>endorse UIN declaration re child/forced labor</del>	Conduct human rights impact assessments of operations and <del>supply chain</del> * – and respond accordingly; <del>due diligence</del> ; actively support <del>UIN Global Compact</del> mission to eradicate child/forced labor
16.6	Labor Relations	Support <del>basic</del> , structured relations with trade unions by key suppliers	Encourage suppliers to have structured relations with employee representatives	Require <del>public</del> commitment and strong labor relations by all suppliers	Viewed as <del>among the best</del> <del>an exceptionally strong promoter of strong labor relations throughout supply chain</del> * – across all or industry
16.7	Animal Welfare	Comply with laws, regulations and global conventions	Acknowledge and take strong industry role addressing needs	Invest considerably as a leading industry advocate	Earn reputation as a leading solution provider, growing globally
16.8	Supplier <del>Capability</del> Capacity Building	Ensure quality, dependability and compliance of key supplier	Partner with <del>leading</del> <del>industry groups and peer companies</del> to address major industry-wide ESG issues	Partner with <del>NGOs and full value chain</del> efforts to transform the <del>supply chain</del> * to eliminate negative ESG impacts	Collaborate with suppliers and other companies to <del>only</del> <del>not only eliminate negative impacts, but also</del> become leading solution providers, globally

# 15. Social Footprint: Workplace

- **KSI 15.1: Workplace Env.**
  - Added: info on living wage; transparency
- **KSI 15.2: D&I → DIE**
  - Enhanced the traditional D&I text to incorporate equity, etc.
- **KSI 15.3: Benefits, Recruiting**
  - Added: info on pay equity; health care
- **KSI 15.6: Train & Develop**
  - Broadened beyond more mundane training and development actions

15. Own Operations-Social Performance Workplace					
Key Question: How does our workplace environment and supporting programs, incentives, and initiatives engage our employees and others in sustainability issues?					
[NOTE: For each Key Sustainability Indicator (KSI)* below, stages are additive: e.g., to be Stage 3 requires meeting metrics in Stages 1, 2, and 3.]					
KSI* #	Key Sustainability Indicators (KSIs)*	Stage 1 "Engaging"	Stage 2 "Accelerating"	Stage 3 "Leading"	Stage 4 "Transforming"
15.1	Workplace Environment	Employees view company as meeting basic needs; <u>pay fair wages</u> ; honor individual privacy; focus is mostly "inside the fence line" (company operations)	Employees view company as a very good company to work for; supportive work environment; <u>ensure living wage</u> ; focus is work, home & family; <u>create a transparent workplace</u>	Many view company as being among best to work for in sector; company stands for something meaningful; focus is work, home, family and community; <u>employees value high transparency culture</u>	Employees believe they are helping solve the world's toughest challenges – in a highly supportive work environment; focus is the global community
15.2	Diversity, <u>Equity</u> , and <u>Inclusion in Workplace</u>	<u>Provide a diverse and inclusive workplace with equal opportunity and pay w/o discrimination</u> ; public commitments (e.g., equal opportunity), programs, and training	Strong measures and programs; top 50% in industry sector; <u>evaluate diversity, equity and inclusion strategy from retention to promotion</u>	Diverse <u>board</u> ; lean-diverse C-suite and executive ranks	Highly diverse <u>board</u> , C-suite, executive and staff ranks; recognized for diversity excellence
15.3	Role of Sustainability Benefits in Recruitment and Retention	Growing focus on ESG benefits (e.g., child care, telecommuting, etc.); traditional approach	Deliberate focus on ESG/S* expertise and passion; employees can be part of a ESG/S* network, with opportunities for ESG/S* learning; <u>conduct pay equity analysis and living wage audit</u>	Rated among best companies to work for by millennials; company invests in, and rewards, sustainability-related initiatives; <u>shows a health care and retirement benefits are meeting employee needs</u>	"S" expertise and success are rewarded; ESG/S* rewards are high profile (e.g., C-suite/board recognition) and highly sought after; "S" benefits are among best in industry
15.4	Safety Programs and Performance	Generally consistent with peers	Top half in own sector (e.g., OHSAS 18001)	Top quartile across all industry	Best in class across all industry
15.5	Health, Wellness, and Promotion of Sustainable Lifestyles	Provide insurance coverage; exercise room; voluntary programs; healthy food offerings; comfortable work environment	Provide and encourage formal programs; health risk appraisals; growing number of healthy food offerings	Provide formal health and wellness programs to employees; many healthy food offerings	Provide best in class wellness programs, available to 100% of employees; healthy food offerings; maximum locally-sourced
15.6	Sustainability Training and Staff Development	Provide basic safety, ethics, diversity etc. training for all employees; hire ESG/S* interns; <u>provide workers with skills training and opportunities for career development</u>	Offer "S-101" short course for all staff; formal ESG/S* skills development; rotating assignments; promote career mobility and life-long ESG/S* learning	<u>Provide innovative employee training to help reduce personal (e.g. broader) footprint</u> ; implement sustained ESG learning for executive team; encourage and fund ESG/S* learning; part of 360 reviews and leadership development	Provide formal ESG/S* education for C-suite & board of directors; C-Suite supports high profile learning for high potential employees (e.g., put on a "S" project, away from work for ~3-6 months)
15.7	Employee Engagement with Sustainability	Company workplace provides for employee ESG/S* engagement - largely based on own initiative	C-Suite endorses "S" and encourages core set of ESG/S* teams and networks, supported by awards & recognition	C-Suite sponsors broad ESG/S* network and teams; encourages atmosphere of volunteering on ESG/S* initiatives	Company invests in robust self-education tools and infrastructure with strong ESG content; reputation for being among the best



# 17. Social: Community Investment

- Overall: minor changes (so far)
- KSI 17.5: Infrastructure
  - Added: use local products and resources
- KSI 17.7: Job Creation
  - Added: build educational and employment opportunities

17. Community Investment					
<b>Key Question:</b> What types of policies, programs, partnerships, and investments are we making to benefit the communities in which we operate and society at large?					
[NOTE: For each Key Sustainability Indicator (KSI)* below, stages are additive: e.g., to be Stage 3 requires meeting metrics in Stages 1, 2, and 3.]					
KSI#	Key Sustainability Indicators (KSIs)*	Stage 1 "Engaging"	Stage 2 "Accelerating"	Stage 3 "Leading"	Stage 4 "Transforming"
17.1	Company's Philosophy Regarding "Community"	Focus of community initiatives is predominantly local or regional; goal is "stay in the pack" among industry peers	Focus (and desired impact) of community initiatives considers full <u>supply chain</u> * impacts – and supports the notion of "think globally; act locally"	Focus (and desired impact) of community initiatives involves inspiring employees to help drive positive <u>total societal impact</u> *	Focus (and desired impact) of community initiatives is directly aligned to enhancing the company's positive <u>total societal impact</u> *
17.2	Philanthropy	Generally consistent with peer companies	Top quartile among peers; pro-bono service	Aligned with top few <u>material</u> * ESG/S* issues and SDGs; provide matching gifts	Aligned with the SDGs; a leader in helping to solve the world's toughest challenges
17.3	Community Partnerships	Partner with local industry groups and selected "safe" NGOs; sponsor events	Partner with a broad range of NGOs	Actively support effort to tackle a major societal challenge	Lead efforts to tackle a major societal challenge
17.4	Employee Volunteerism in Communities	Provide limited company sponsored time; consistent with most peer companies	Provide formal corporate ESG/S* volunteer programs; short-term ESG/S* volunteer projects (typically days)	Provide medium-term ESG/S* volunteer projects (e.g., weeks/months); best in sector	Provide long-term ESG/S* volunteer projects (years); major employee benefit (e.g., "10 hours per year paid per employee)
17.5	Community Infrastructure Development and Revitalization	Invest in enhancing societal value – mostly at a local level near company operations or offices (e.g., parks, schools)	<u>Use local products and resources</u> ; <u>invest in needed infrastructure</u> , mostly at a local or regional level (e.g., water treatment); <u>build a local employment pipeline</u>	Invest in leading a major "S" initiative (e.g., STEM); partner to achieve scale impacts (e.g., at a national level)	Invest at scale globally; partner with others to enhance societal value (e.g., a lead investor in eco-parks, smart cities, etc.)
17.6	Community Education and Sustainability Learning	Company takes traditional approach to community outreach (e.g., via philanthropy); ESG/S* not a major component	Company executives support ESG/S* education locally – and becoming more knowledgeable about ESG/S* issues in the process	Company executives advocate community education nationally (e.g., on STEM) – and sets an example for becoming very knowledgeable and articulate re ESG issues	Company executives are leading voice(s) on the national and international stage re global ESG/S* issues and solutions
17.7	Community Job Creation	Emphasize local talent in purchasing and hiring decisions	<u>Build educational and employment opportunities in A</u> <del>medium-size</del> <u>communities</u> where we operate	Among leaders in national efforts in key regions of the world	A leader across the full <u>value chain</u> * <del>in the value chain</del>



# Breakout Groups

**Group 1 = Governance**

**Group 2 = Social**

## **Key Question**

***As you think about what constitutes true ESG leadership (ESG Navigator Stages 3-4)...***

***... What has changed in the past 12 months?***

**Breakout Group Feedback**



# News from This Week

## ■ Investors

- BlackRock
- State Street
- Bloomberg & Rockefeller

## ■ Thought Leadership

- Harvard Business Review
- NYU Stern

*Elevator Messages*



# Agenda

- **2021 Preview** *(10 minutes)*
- **Annual KSI Review** *(35-40 minutes)*
  - Context
  - Summary of Proposed Changes
  - ***Breakout Groups:*** Governance; Social & Supply Chain
  - What comes next?
- **Next Steps** *(5 Minutes)*
  - KSI Review
  - Future webinars



# Next Steps

## ■ KSI Review

- Please send comments!
- Tracked with added comments best – but anything works

## ■ Future Webinars

- Company Examples: How are you using ESG Navigator?
- Other ideas?
  - What is the ROI of spending time on different ESG Frameworks, Ratings and Rankings?
  - Other?

### Upcoming Webinars:

**February 11 @ 12:00 noon EST**

**March 19 @ 10:00 am EST**

# Agenda

- 2021 ESG Initiatives

- Annual ESG Report

- Con

- Sum

- *Dem*

- *Bre*

- Wha

- Next Steps

- Opti

- Timi

## Thank You!

Please take a minute and send Gib an email with any thoughts as to how these webinars can be even more valuable