



ESG Navigator[™]
ENVIRONMENT • SOCIAL • GOVERNANCE

ESG Benchmarking Collaborative

Monthly Webinar

February 11, 2021



Agenda

- **Updates** *(10-15 minutes)*
- **ROI of ESG Ratings Organizations** *(~20 minutes)*
 - Draft Survey Questions
 - Comments via Chat
 - ***Breakout Groups – Survey Ideas***
 - Summary
- **Annual KSI Review** *(15-20 minutes)*
 - Summary of Proposed Changes
 - ***Breakout Groups: Social - Community***
 - What comes next?
- **Next Steps** *(5 Minutes)*

February 2021 Update

Major Activities



Roll-out Continues

Annual KSI Review

- V1 – Jan 11-30
- V2 – Feb 1-10
- **V3 – Feb 11-20**

ESG Performance Maps
& Excel Analysis Report
Enhancements (v2.0)

Executive Survey

- PPG Dec 2019
- 5-7 others since

Analysis by Business Unit

- Fluor Example
- Danaher, etc. requested

Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec

Graphics:

- Crop for PPT
- Best Practices by KSI

KSI Updates:

- Website
- Excel
- PDF

Ease of Access

- Download ESG Performance Maps
- Upload Excel

Welcome Page “Buttons”

- Learn from Competitors/Peers
- Access Special Features & Tools
- Analyze Our Company Performance

New Features:

- 8-Minute Intro
- How peers are using ESGN (Pushing the Envelope)
- CEO Messages (Signposts)

Website Enhancements

February 2021 Update

Major Activities

THE CONFERENCE BOARD



Executive Survey

- PPG Dec 2019
- 5-7 others

February Updates

1. Welcome Page Refresh
2. Best Practices
3. ESG Performance Maps

Analysis by
Business Unit
Fluor Example
Manaher, etc.
Requested

Aug

Sep

Oct

Nov

Dec

Access

ESG
Performance Maps

- Upload Excel

Welcome Page “Buttons”

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New Features:

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(Pushing the Envelope)
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Website Enhancements



1. Welcome Page Refresh

Welcome
Gib Hedstrom

Welcome

Our Company Scorecard

Rate

Analyze

Prioritize

Investors

Join

Log Out

Welcome

Start Navigating, Gib Hedstrom

Get Started – Learn from Peers

8-Minute Introduction

Companies Participating

How Peers Use ESG Nav

Example CEO Pitch Deck

Access Special Features and Tools

Best Practices

Excel Toolkit

Signposts

Webinars

Analyze Your Company Performance

Our Company Report

Our ESG Performance Maps

ABC Company Analytics

Join Options

Rating Criteria

Peer Companies:

- Current Activity
- Presentations
- Videos

Signposts

Monthly Webinars

My account



Welcome Page

New Welcome Page

What's the first thing you'd like to see from the Welcome Page?

Reactions? Comments?

Any key item missing?

Shout out – no need to “raise your hand”

[Add any comments in Chat]




“Signposts”

Is our company “future-ready”?

Signposts

2. Best Practices: Excel Download

 **ESG Navigator**
ENVIRONMENT • SOCIAL • GOVERNANCE

Home About Resources Our Scorecard Investors Engage

Welcome,
Gib Hedstrom

Welcome

Our Company Scorecard

Rate

Analyze

Prioritize

Investors

Join

Log Out

Articles and Books

Best Practices

Excel Toolkit

Peer Learning

Best Practices

"We like seeing concrete examples of companies that are in Stage 3 or Stage 4 on areas highly relevant to us."

Christine Martin – VP, Public Affairs and Sustainability – PPL Corporation

ESG Navigator is much more than a company rating tool. Embedded in ESG Navigator are over 600 company best practices – organized to align with the (currently 129) ESG Navigator Rating Criteria.

- **Any Registered User** can access all best practice examples while completing your company scorecard ratings.
- **Option B (Basic)** or **Option C (Advanced)** users can also access and download the best practices in additional ways:
 - View best practices in the detailed analytics (bar charts) for each KSI; and
 - Download the best practices library (available Q3-2020).


Updates will be provided in our monthly correspondence and during our monthly webinars.

Download Best Practices as Excel

Download Best Practices as CSV

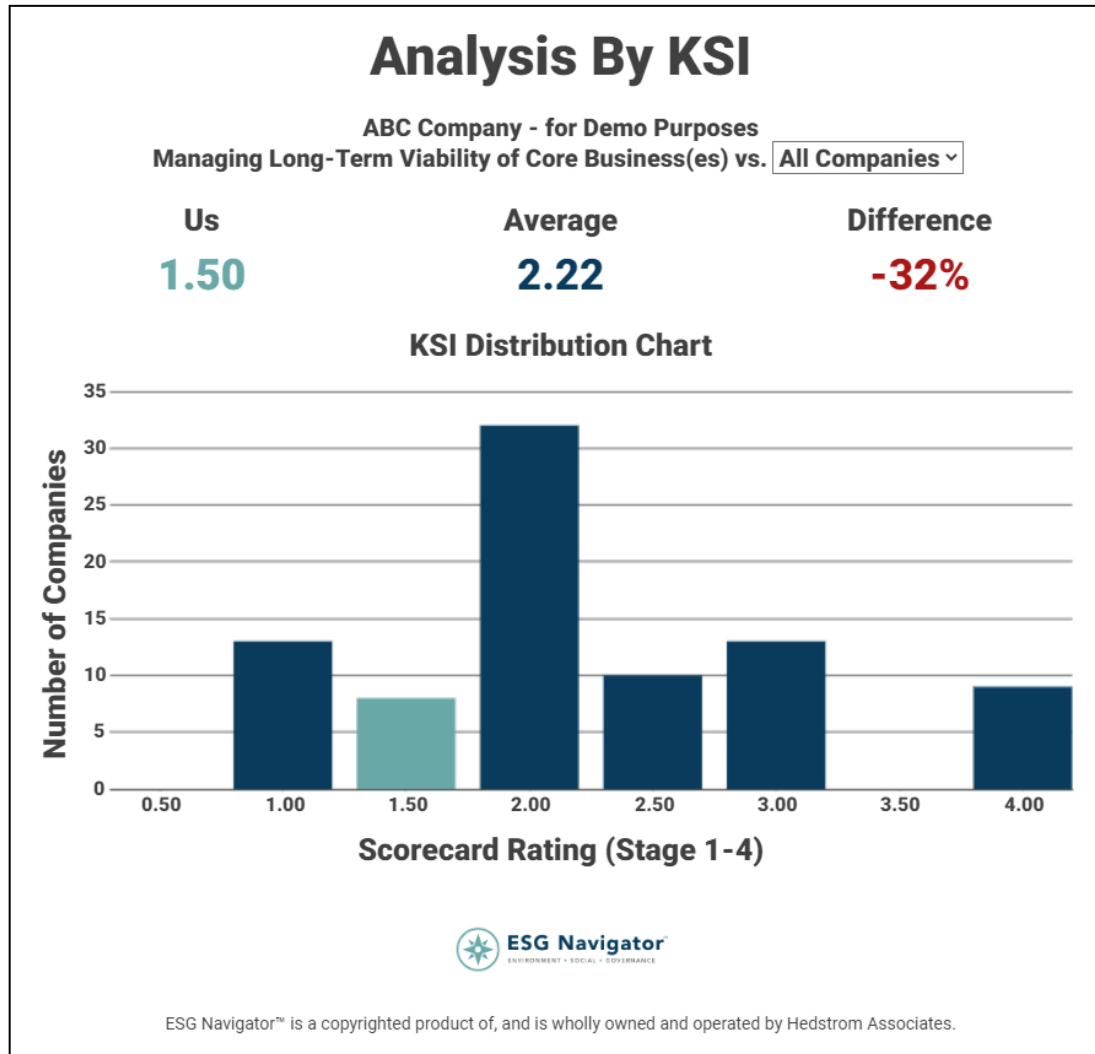
Best Practices: Excel Download

[Included in Basic and Advanced Memberships; otherwise à la carte]

 ESG Navigator ENVIRONMENT • SOCIAL • GOVERNANCE				ESG Navigator - Best Practices Library Current Best Practices on esgnavigator.com -- Comments welcome re additions, changes, deletions	
Section	Element	KSI	KSI Name	Compar	Best Practice "Blurb"
Governance	Purpose & Values	1.1	Company Purpose (CEO's View re the Role of Company in Society)	Ecovative	Core mission is to envision, develop, produce and market earth friendly materials to help rid the world of toxic, unsustainable materials.
Governance	Purpose & Values	1.1	Company Purpose (CEO's View re the Role of Company in Society)	Interface	Founder Ray Anderson's vision was to lead the way to the next industrial revolution by becoming the first sustainable corporation, and eventually a restorative enterprise. This led to "Mission Zero" promise to eliminate any negative impact the company has on the environment by 2020.
Governance	Purpose & Values	1.1	Company Purpose (CEO's View re the Role of Company in Society)	Neste (Finland)	Facing headwinds and market devaluation in oil refining, transformed the company to develop sustainable sources of energy.
Governance	Purpose & Values	1.1	Company Purpose (CEO's View re the Role of Company in Society)	NRG Energy	Former CEO David Crane wanted to "transform our company, our industry and our society...towards a distributed generation-centric, clean energy future featuring individual choice."
Governance	Purpose & Values	1.1	Company Purpose (CEO's View re the Role of Company in Society)	Ørsted	Known as Danish Oil and Natural Gas until 2017, began a bold transformation in 2009 - reinventing itself as a top-to-bottom renewable energy company.
Governance	Purpose & Values	1.1	Company Purpose (CEO's View re the Role of Company in Society)	Patagonia	Founder Yvon Chouinard aimed to create a profitable company without losing your soul. The company's mission: "Build the best product, cause no unnecessary harm, use business to inspire and implement solutions to the environmental crisis."
Governance	Purpose & Values	1.1	Company Purpose (CEO's View re the Role of Company in Society)	Tesla	"Tesla Motors was created to accelerate the advent of sustainable transport." Declared their entire patent portfolio open source to stimulate the adoption and further growth of the electric vehicle market.
Governance	Purpose & Values	1.1	Company Purpose (CEO's View re the Role of Company in Society)	Trane Technologies	Spun off from Ingersoll Rand in early 2020 as a pure-play climate company that creates "efficient and sustainable solutions for buildings, homes, and transportation," with Mike Lamach continuing as CEO.
Governance	Purpose & Values	1.1	Company Purpose (CEO's View re the Role of Company in Society)	Unilever (NL)	"We cannot close our eyes to the challenges that the world faces. Business must make an explicit and positive contribution to addressing them," says former CEO Paul Polman.
Governance	Purpose & Values	1.1	Company Purpose (CEO's View re the Role of Company in Society)	Waste Management	Former CEO David Steiner transformed the company from a disposal company wanting customers to increase waste- to a services company helping its customers reduce waste.



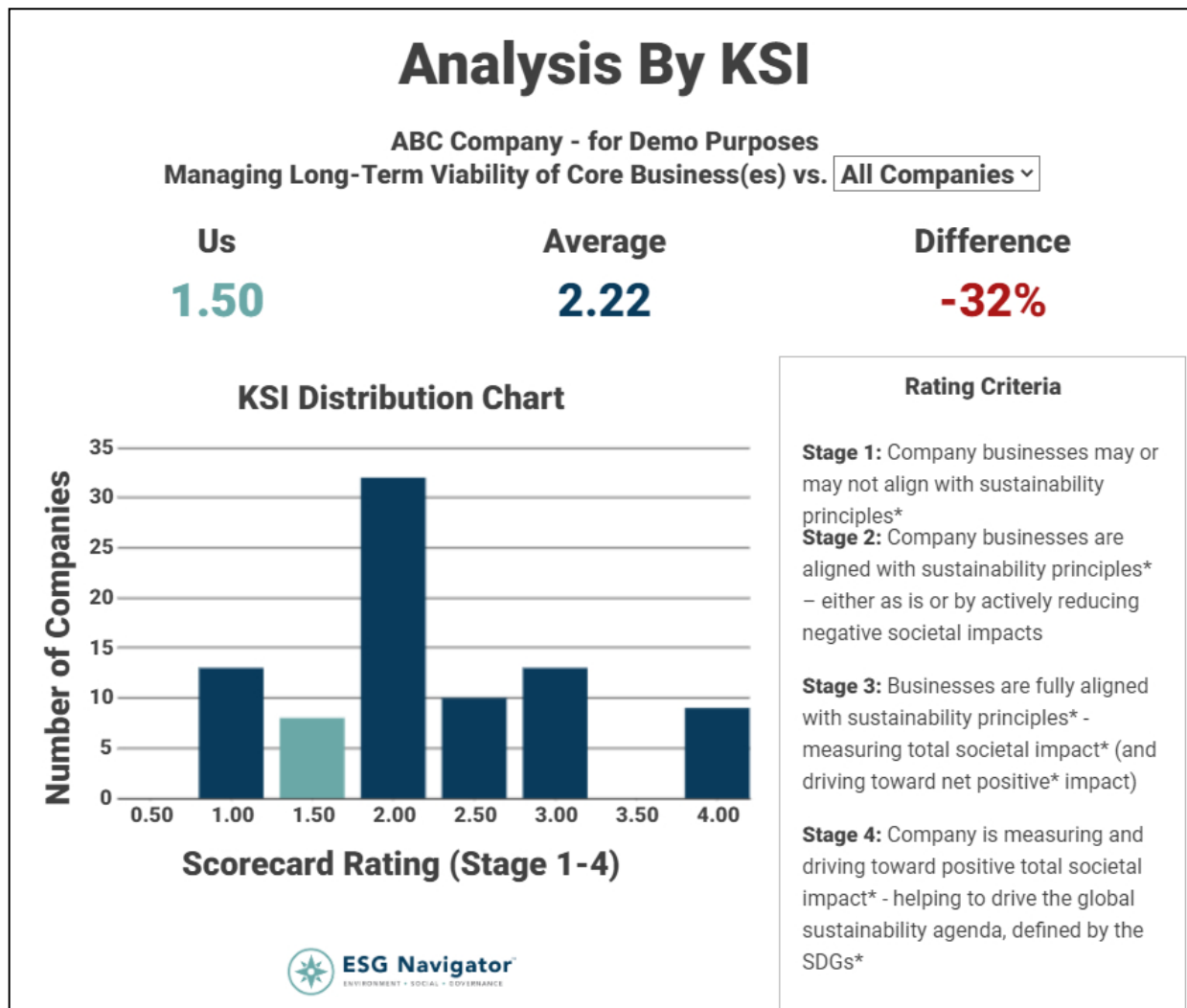
Best Practices: KSI Drill-Down



Standard KSI Drill-down

- Included in Basic and Advanced Options
- Viewable by all in “Sample Analytics”

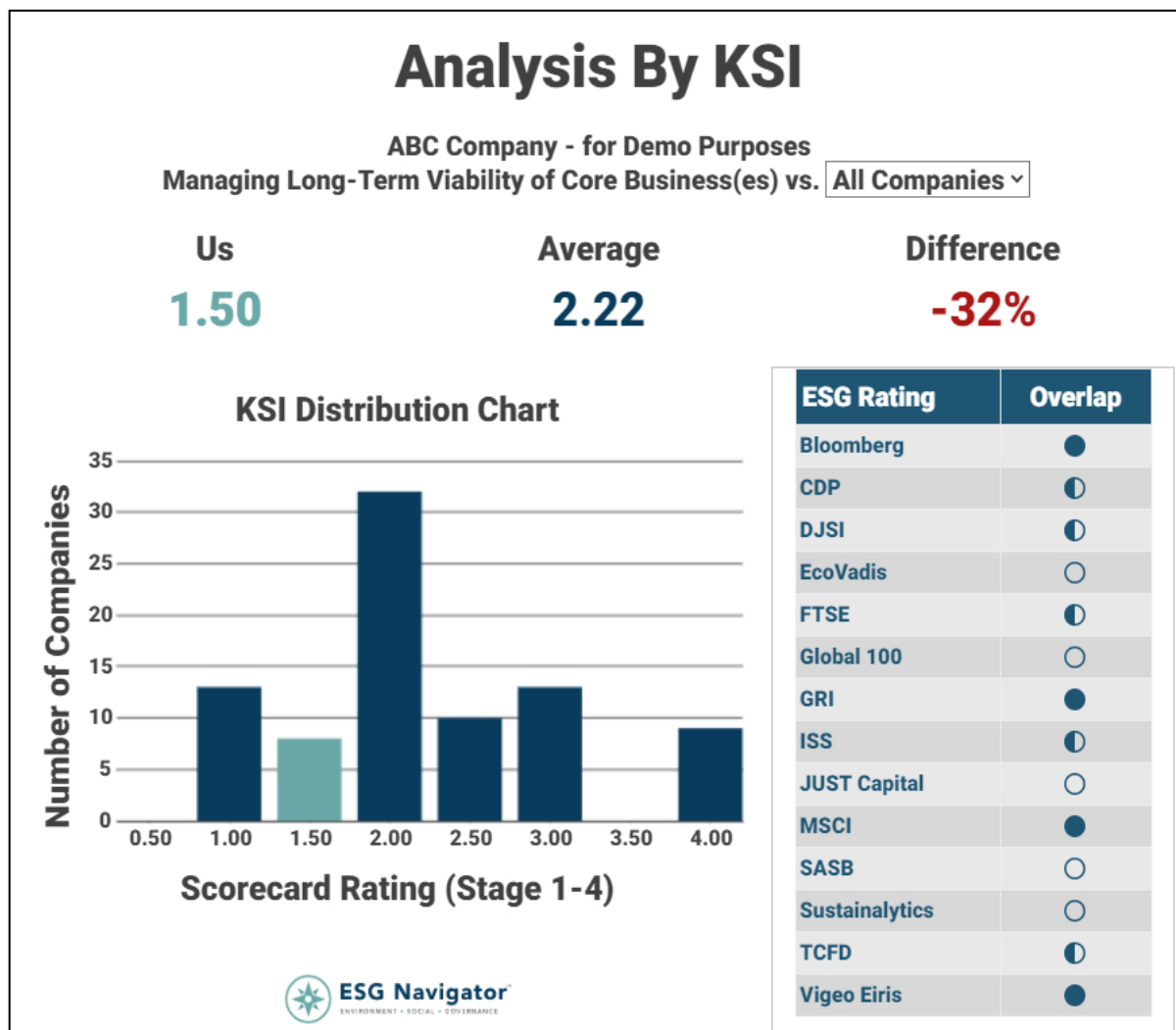
Best Practices: KSI Drill-Down



KSI + Rating Criteria

- Advanced Option C only
- Viewable by all in “Sample Analytics”

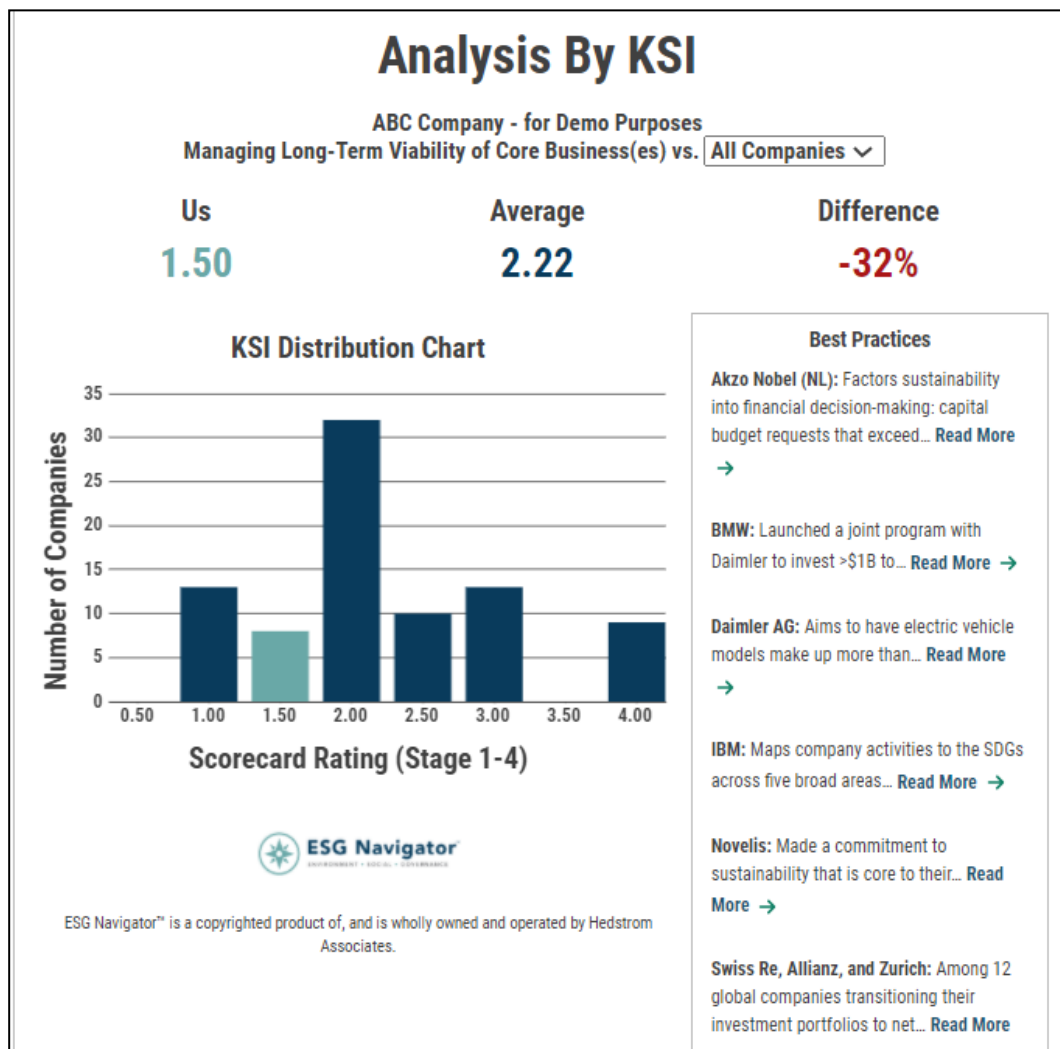
Best Practices: KSI Drill-Down



KSI + ESG Ratings

- Advanced Option C only
- Viewable by all in “Sample Analytics”

Best Practices: KSI Drill-Down



NEW

KSI + Best Practices

- Advanced Option C only
- To be cleaned-up (delete “Read More”)
- Viewable by all in “Sample Analytics”



Questions re Best Practices

Best Practices

Suggestions on how to keep current and robust?

Please comment in Chat or send Gib an email.

3. Dashboard Redesign

ESG Ratings:

Coverage by ratings org.:

Overall
Gov.
Str.
En

Your performance:

Your score breakdown:

All KSIs
HR! KSIs
Gov.
Str.
Env.
Soc.

Your score distribution:

by KSI
by HR! KSI
by Element

Your positioning:

Your ratings positioning:

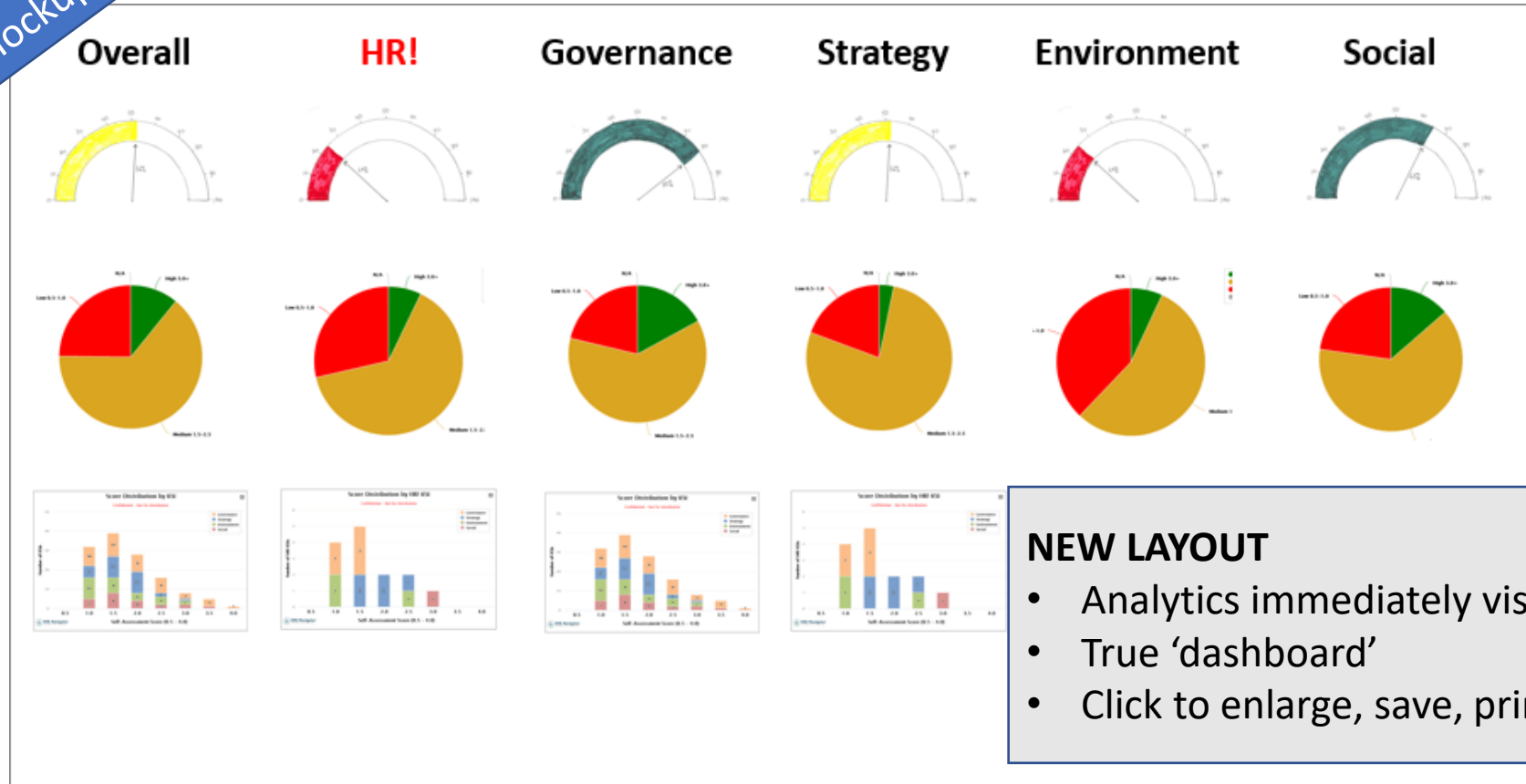
by Organization
by Section
by Element

CURRENT STATUS

- Bland
- Must click to see analytics

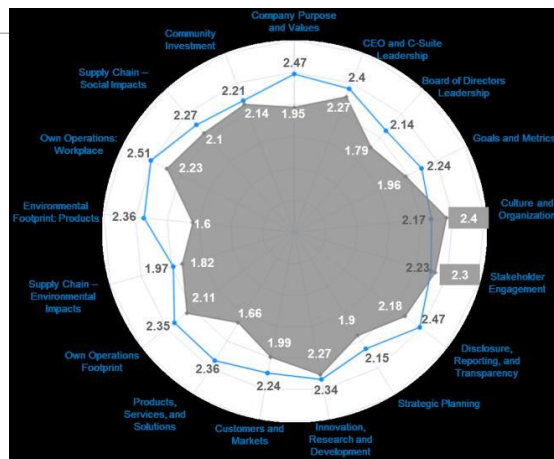
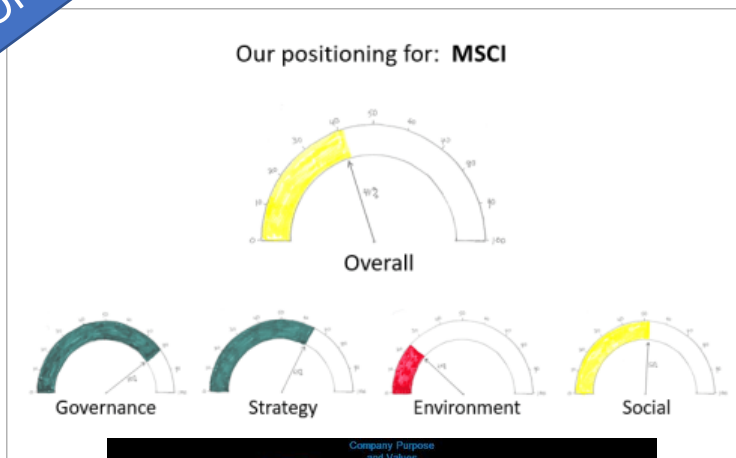
New Design Ideas

Mockup Only



New Design Ideas

Mockup Only



ADDITIONAL / NEW ANALYTICS

- Better, clearer
- Help communicate key messages quickly

New Design Ideas

Mockup Only

TPRO(s):

- ☐ <all>
- ☒ CDP
- ☐ GRI
- ☐ SASB
- ☐ TCFD
- ☐ Bloomberg
- ☐ DJSI
- etc.

Chart(s) / Table(s):

- ☒ speedometers
- ☐ by topic (bars)
- ☐ by element (bars)
- ☐ heat distrib. (pie)
- ☒ heat map (table)
- etc.

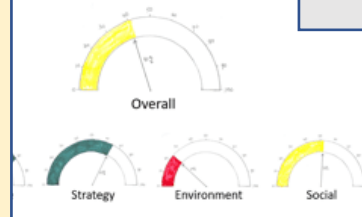
Settings:

- ☐ Our HR! only
- ☐ Gov. only
- ☐ Strategy
- ☐ Environment
- ☐ Social
- etc.

Build My Charts

KSI	Section	KSI Name	Score	HR!	CDP
1.1	Gov	Co. Purpose (CEO's View re Role of Co. in Society)	1.5		

Our positioning for: CDP



CRAFT-YOUR-OWN

- Select data
- Select analytic type
- Multi-select capability
- Get just the analytics you want

Have Ideas?

If you're interested in contributing to the redesign, please email Gib.

Draft Only - Confidential

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Third-Party ESG Ratings Organizations

Category	Third-Party ESG Rating Organization (TPRO)
Frameworks	<ul style="list-style-type: none"> CDP GRI SASB TCFD <p>Bold font = ESG Performance Maps</p>
ESG Ratings & Rankings (Primarily for <u>Investors</u>)	<ul style="list-style-type: none"> Bloomberg (Terminal) Bloomberg GEI (Gender Equality Index) DJSI FTSE Russell ESG Ratings ISS Moody's (Vigeo Eiris) Morningstar (Sustainalytics) MSCI ESG Research S&P Global (Trucost) Thomson Reuters ESG Research (Refinitiv)
ESG Ratings & Rankings (Primarily for <u>Customers</u>)	<ul style="list-style-type: none"> EcoVadis
ESG Ratings & Rankings (Primarily for the <u>Public</u>)	<ul style="list-style-type: none"> Corporate Knights (Global 100) JUST Capital
Others?	Any key TPRO's missing?



Survey Questions – DRAFT

[Third Party Rating Organization = “TPRO”]

1. **Stature**: Whether or not your company participates, rank the overall stature of each TPRO: *[Very High → Very Low]*
2. **Importance**: How important are each of the following to your company (CEO, board, IR, etc.)? *[Very High → Very Low]*
3. **Resource Intensity**: How much time does your company invest (person-days) to respond to each? *[Very High → Very Low]*
4. **ROI**: In relation to the resources (time & money) invested, the value we receive from each (compared with others) is: *[Very High → Very Low]*
5. **Trend**: Compared with others, from 12/18 months ago to 12-18 months ahead, TPRO relative to peers appears to be: *[Rising Rapidly → Falling Rapidly]*
6. **Benefits**: What benefits does your company receive from [TPRO #1-14]? *[Options on Next Slide]*

Any comments on Questions #1 - #5?

Survey Questions - DRAFT

Benefits: What benefits does your company receive from [TPRO #1-14]?

- Make our company stronger (vis-à-vis ESG)
- Understand our performance vs. competitors/peers
- Gain positive attention from our investors
- Enhance our reputation
- Provide visibility (e.g., on Bloomberg terminal)
- Demonstrate our ESG credentials to external stakeholders
- Engage our employees
- Other: _____
- Provides little or no use

Other/different benefits for Question #6?



Breakout Groups – Session A

Key Question(s)

What would you like to learn from a survey about third-party ESG ratings organizations?

- 1. What topics?***
- 2. What are the 2-3 key benefits of participating with TPROs?***
 - a) What has changed in the past 12 months?***
 - b) What do you anticipate changing the next 12 months?***

Breakout Group Feedback

Agenda

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Annual KSI Review and Refresh

Goals

- **Feedback during the year**
- **Simplify and Sharpen**
 - Eliminate redundancy
 - Clarify wording of Stage 1
→ Stage 4 descriptors
- **Update**
 - Investor ESG priorities
 - Company actions
- **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 → ~122 KSIs
 - Final number TBD

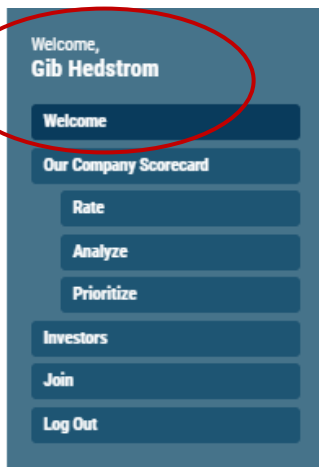
Annual KSI Review – Status

Launched Jan. 11; >100 comments

Element #	Issue/ ESGN Element	Summary of proposed change and rationale
2	CEO and C-Suite	Deleted KSI 2.6 (Annual ESG/S Risk Review by Business Leaders (overlaps with content of Strategic Planning: KSI 8.1 (Strategy) and KSI 8.3 (Risk) – <i>[Net reduction of 1 KSI]</i>
3	Board of Directors	Folded 3.4 (reporting material issues) into 3.5 (Board Agendas) – <i>[Net reduction of 1 KSI]</i> Added new KSIs 3.8 re Board Diversity – <i>[Net addition of 1 KSI]</i>
4	Goals and Metrics	Question: Combine Long-term goals (KSI 4.4) with Ultimate (e.g., 2050) goals (KSI 4.5)?
5	Culture	Proposal: Folded ESG/S in C-Suite and Employee Goals (KSI 5.6) into ESG/S in Executive Compensation (KSI 5.2)? – <i>[Net reduction of 1 KSI]</i>
7	Disclosure & Reporting	Proposal: Folded Sustainability Report (KSI 7.3) into Annual Report (KSI 7.2), renamed “Annual Reporting” – <i>[Net reduction of 1 KSI]</i>
8	Strategic Planning	Combined the two Risk KSIs (folded 8.6 into 8.3) – <i>[Net reduction of 1 KSI]</i>
12	Env Footprint - Ops	Question: Fold KSI 12.1 (chemicals sourced) into 12.4 (human made materials sourced)?
13	Env Footprint – Supply Chain	Folded old KSI #13.8 (Source Toxics) into KSI 13.7 (Materials sourced) – <i>[Net reduction of 1 KSI]</i>
14	Env Footprint - Product	Folded 14.3 (materials used) into 13.7 (supply chain materials) – <i>[Net reduction of 1 KSI]</i>
17	Social - Community	Discussion: Please review of what belongs in this element (Community) – all things social minus Workplace and Supply Chain... Need post-2020 and global perspective.

Target Completion: March 1; Comments by Feb 20

Annual KSI Review - Status



Rating Criteria
Peer Companies:
• Current Activity
• Presentations
• Videos
Signposts
Monthly Webinars
My account

"ESG Navigator is not another one-size-fit-all rating scheme. The Navigator organizes current and emerging ESG topics in one place. It assists practitioners in assessing the relevance of these topics to their business and, with context, examines the organization's maturity in each area and identifies improvement opportunities."

Edan Dionne – Vice President – IBM

We refer to the ESG Navigator scoring methodology as Key Sustainability Indicators (KSIs). The ESG Navigator KSIs define actions, processes, structures and programs companies have created or aim to create to capture *business value* from ESG.

The ESG Navigator methodology stands in stark contrast to criteria from external ESG raters. ESG raters' criteria focus almost entirely on *data* and (to date) almost entirely on *risk* (not opportunity). As a result, ESG raters focus to a very limited degree on corporate governance and strategy – and are especially weak on the "G" in ESG.

Background and History

The **ESG Navigator methodology** has been fine-tuned over 20+ years. Since 1997, we have "cast a wide net" to **capture leading industry ESG practices and ambitions** globally. ~~The criteria are shaped not only by where leading companies are today – but also by where leaders aim to be in the future~~

2021 KSI Edits

Every 12-18 months, we update the ESG Navigator rating criteria. We aim to continually sharpen and simplify – yet retain the integrity for year-over-year comparisons. We invite 20-30 active ESG Navigator practitioners to provide input.

- In Q4-2020, we began a comprehensive review of the KSIs .
- We are currently soliciting input; [you can view the proposed changes here \(pdf format\)](#).
- If you would like a Word version of the proposed edits to add your comments, please email gib@hedstromassociates.com

PDF Download – Current KSI Listing

- Some ESG Navigator users like to have a single document with all of the rating criteria in one place.
- Click here for a [downloadable file \(Benchmarking Templates – October 2020\)](#).

Breakout Groups → Social: Community

***What constitutes true ESG leadership -- ESG Navigator Stages 3-4...
... in the area of Social: Community***

*[not including Workplace]
[not including Supply Chain]*

KSI* #	Key Sustainability Indicators (KSIs)*	Stage 1 "Engaging"	Stage 2 "Accelerating"	Stage 3 "Leading"	Stage 4 "Transforming"
17.1	<i>Company's Philosophy Regarding "Community"</i>	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 supply chain* impacts – and supports the notion of "think globally; act locally"	Focus (and desired impact) of community initiatives involves inspiring employees to help drive positive total societal impact*	Focus (and desired impact) of community initiatives is driven by shared value with communities and other stakeholders. Actively measure and track the company's total societal impact*
17.2	<i>Social Investment</i>	Invest (typically as philanthropy) in a way generally consistent with peer companies	Top quartile among peers; pro-bono service	Align with top few material* ESG/S issues and SDGs	Align with the SDGs; a leader in helping to solve the world's toughest challenges
17.3	<i>Community Partnerships</i>	Partner with local industry groups and selected "safe" NGOs; sponsor events	Identify the company's key sources of value to society – post-COVID, especially considering "new" sources of value (e.g., health; bio-based; locally-produced; recyclability; etc.). Partner with a broad range of NGOs	Match the company's sources of value to society – with community needs post-COVID. Develop high-impact partnerships at this intersection. Actively tackle a major societal challenge	Select high-impact partnership projects by ones communities need. CEO joins other leaders in driving global ESG/S agenda; lead efforts to tackle a major societal challenge
17.4	<i>Employee Volunteerism in Communities</i>	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., ~40 hours per year paid per employee)
17.5	<i>Community Infrastructure Development and Revitalization</i>	Invest in enhancing societal value – mostly at a local level near company operations or offices (e.g., parks; schools)	Use local products and resources; invest in needed infrastructure, mostly at a local or regional level (e.g., water treatment); build a local employment pipeline	Invest in leading a major "S" initiative (e.g., STEM); partner to achieve scale impacts (e.g., at a national level)	Tackle community needs first. Invest at scale globally; partner with others to enhance societal value (e.g., a lead investor in eco-parks, smart cities, etc.)
17.6	<i>Community Education and Sustainability Learning</i>	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	<i>Community Job Creation</i>	Emphasize local talent in purchasing and hiring decisions	Build educational and employment opportunities in communities where we operate	Build communities' skill needs. Promote local content. Among leaders in national efforts in key regions of the world	Drive small-medium business development programs to enhance affected communities. A leader across the full value chain*



Breakout Groups – Session B

Key Question(s)

***What constitutes true ESG leadership –
ESG Navigator Stages 3-4...***

in Social: Community

- *[not including Workplace]*
- *[not including Supply Chain]*

Breakout Group Feedback

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Next Steps

1. **KSI Review:** *Please send comments!*
2. **ESG Performance Maps Dashboard:** *Design Group*
3. **Future Webinars**
 - Company Examples: How are you using ESG Navigator?
 - Other ideas?

Future Webinars:

March 19, 2021 (Friday) **10:00 AM (EST)**

April 23, 2021 (Friday) **11:00 AM (EST)**

May 20, 2021 (Thursday) **12:00 Noon (EST)**

June 17, 2021 (**Thursday**) **12:00 Noon (EST)**

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

Example Survey Output: Share with CEO

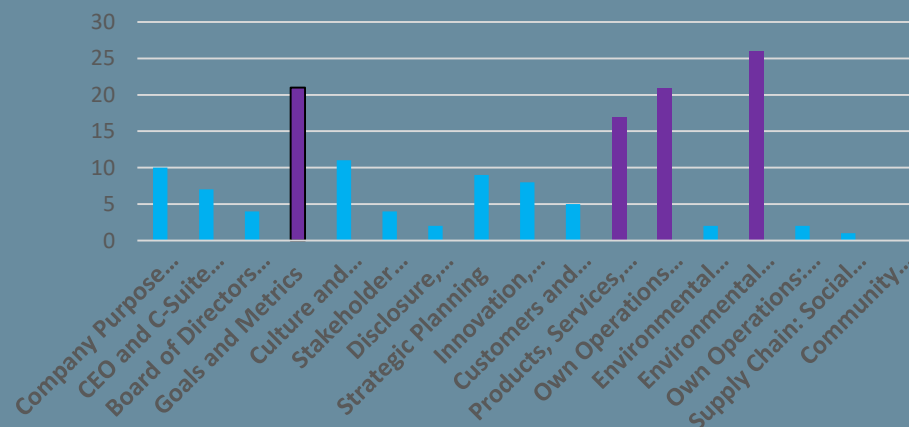
17. What is the linkage Between Sustainability and Innovation?

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

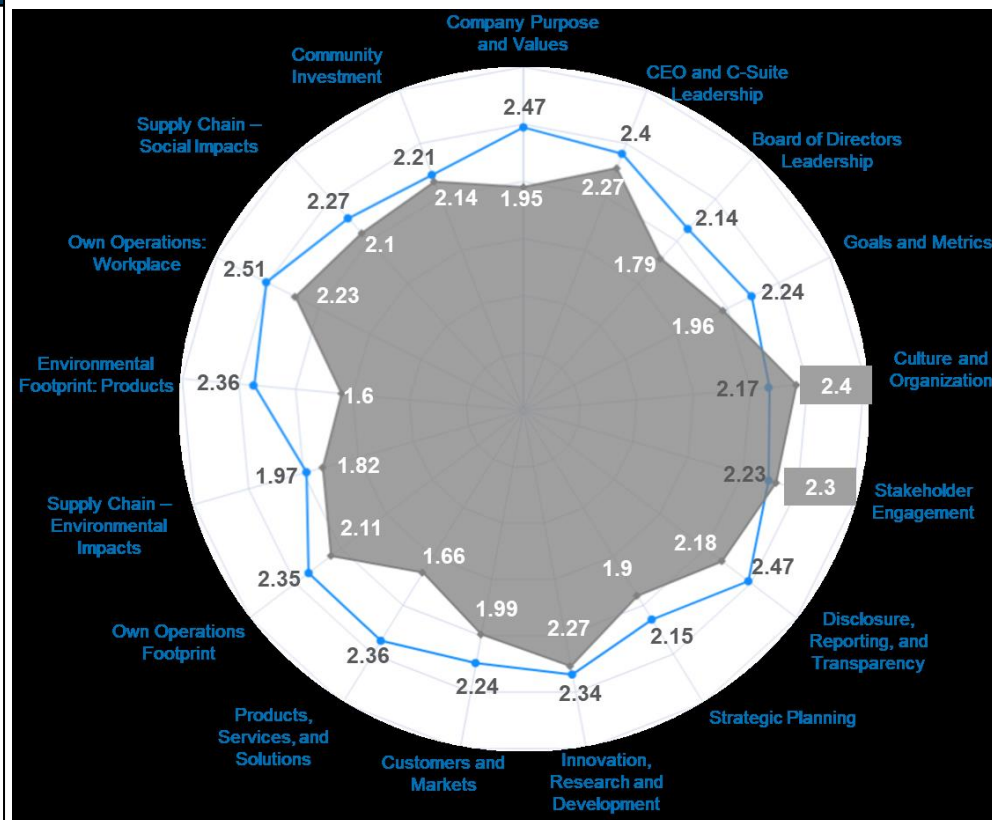
- Broaden internal engagement
- Compare Biz Units
- Compare Corp, ESG, BU, etc.

• Excel Toolkit 2.0

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

• Examples

- Fluor
- TCB Europe company



Agenda

- Update

- ROI

- D

- C

- *B*

- S

- Ann

- S

- W

- Next Steps *(5 Minutes)*

Thank You!

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