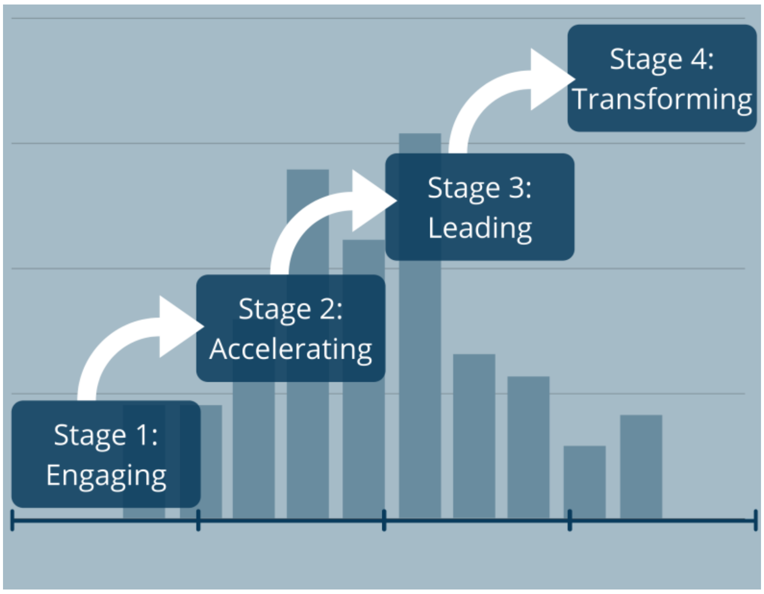
ESG Navigator Handbook

Version 6.1

September 23, 2023

Four-stage ESG Maturity Path covering E + S + G + Strategy;
***100 KPIs** (Key Sustainability Indicators or KSIs)*



Notice

This document was prepared by ESG Navigator, LLC as a companion document to the online rating system available to "Registered Users" on esgnavigator.com.

The *ESG Navigator Handbook* described in this document is intended to assist registered users of the ESG Navigator platform to create your company self-assessment, benchmark peers, analyze results, and craft your strategy. The criteria included in these templates and those on the website were updated during the period January to April 2022.

The material in the *ESG Navigator Handbook* reflects the best judgment of ESG Navigator, LLC in light of the information available to us at the time of preparation. Any use that a third party makes of this document, or any reliance on it, or decisions to be made based on it, are the responsibility of such third party. Hedstrom Associates accepts no responsibility for damages, if any, suffered by any third party as a result of decisions made, or not made, or actions taken, or not taken, based on this report.

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For questions or additional information, please contact Gib Hedstrom at gib@esgnavigator.com.

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ESG NAVIGATOR OVERVIEW

Introduction

Purpose of the ESG Navigator Handbook

This Handbook is intended only for those Registered Users of ESG Navigator who decide to join at the Bronze, Silver, or Gold membership level. The Handbook provides:

- Summary information long-time Gold members of ESG Navigator often refer to; and
- Details of the ESG Navigator Maturity Model – including the 100 KPIs – which we refer to as Key Sustainability Indicators (KSIs) and the Stage 1 ➔ Stage 4 descriptors.

The Handbook is updated periodically – aligned with the latest scoring criteria on https://esgnavigator.com/.

What is ESG Navigator?

ESG Navigator is an online corporate ESG benchmarking and strategic planning platform to help companies capture value from ESG. ESG Navigator helps executives map *where they are today and where they want their companies to be tomorrow* – given the competitive landscape, each company's ambitions, and the speed needed to win in the marketplace.

"ESG Navigator helps us understand what good, better, and best look like—and what's expected of our company as we progress."

Scott Tew, VP, Sustainability – Trane Technologies

ESG Navigator™ was developed to facilitate discussions in the boardroom. The platform has been built, tested, and refined *"by industry – for industry"* since 1997. ESG Navigator is designed to help companies answer the same questions many CEOs and board members have asked Gib Hedstrom in over 60 board of directors' meetings:

- *How should we think about sustainability?*
- *How do we stack up today vis-à-vis ESG and sustainability as compared with competitors, best practices, and where leading companies are heading?*
- *How do we capture value from sustainability?*

To access ESG Navigator, request log-in access. Corporate users of ESG Navigator that meet the minimum qualifications use the online ESG Navigator scoring system to create their company self-assessment and view 800+ benchmarking analytics.

This document contains an overview of ESG Navigator, followed by the latest scoring criteria on https://esgnavigator.com/.

The ESG Navigator™ C-suite Rating System

The ESG Navigator platform is characterized as follows:

- *Tough Rating Scale*. The ESG Navigator rating scale is a tough one; it enables executives to "peer around the corner" and see what ESG leadership looks like tomorrow. No company is fully Stage 4 today. The average overall rating of ~150 major companies using ESG Navigator is slightly below Stage 2. This confirms that most companies today are early in their sustainability transformation.

- *Robust.* ESG Navigator is a comprehensive rating system that rolls up to a set of summary analytics members share with the C-suite and board. The structure includes:
    - 4 sections: Environment + Social + Governance + Strategy
    - 17 supporting elements
    - 100 Key Sustainability Indicators (KSIs) – *[down from 114 in 2021; 129 in 2020; 147 in 2019; and 157 in 2018]*
    - Stage 1 ➔ Stage 4 descriptors for all 100 KSIs
- *C-suite Language*. ESG Navigator™ was developed to facilitate discussions in the C-suite and boardroom. As such, the 17 elements (rows in the "snake chart" figure shown in a following section) each are aligned with typical C-suite responsibilities. For example, the Environment elements are Operations, Supply Chain, and Products (not environmental impacts like GHG, water and waste).
- *Tried and Tested*. ESG Navigator has been built, refined, challenged, and vetted *"by industry – for industry"* for over 20 years. From 2000 to 2015, we used ESG Navigator with executive sustainability teams at dozens of companies across the U.S. and Europe. In 2015, 25 major companies piloted the platform. We officially launched ESG Navigator in 2018 when 60 companies completed the initial benchmark questionnaire.
- *Best-Practice Company Examples.* Over 750 examples are provided of companies that are Stage 4 (or close) for a particular attribute. Gold members can download an Excel file of the 750+ best practice examples, each aligned with one of the ESG Navigator KSIs.

The Conference Board Partnership

The Conference Board (TCB) – author of the widely respected "***Leading Economic Indicators***" – endorsed and licensed ESG Navigator and is making the ESG strategy and benchmarking tool available to TCB's 1,000 corporate members worldwide. ESG Navigator is conducting a study of "***Leading ESG Indicators***" – and will share the results with The Conference Board.

Keeping ESG Navigator Current

We conduct a major review of the ESG Navigator Maturity Model annually; it was updated in 2022, with input from ESG Navigator users, The Conference Board, and our research team. We

- Review external developments since the last update;
- Refine the KSIs and Stage 1 ➔ Stage 4 descriptors as needed; and
- Ensure the integrity of the "rowing lanes" – such that (for example) what constituted a Stage 2 activity previously still applies.

How this Document is Organized

The ESG Navigator Handbook is structured as follows:

- **ESG Navigator Overview –** Introductory sections describing the ESG Navigator platform.
- **The ESG Navigator Maturity Model** – organized around
    - Four main *sections* (Governance, Strategy, Environment, Social).
    - Within those sections, the 17 ESG Navigator *elements*.
    - Within each element, the individual *KSIs* with the *Stage 1 ➔ Stage 4 scoring criteria*.

Appendix A provides definitions of selected words and phrases (in **bold** font) used in the ESG Navigator Maturity Model.

The Underlying Premise: ESG = Transformation

The Greatest Business Opportunity in a Century

ESG issues present the greatest set of business opportunities in more than a century. Since the discovery of oil in 1859, heralding the modern petroleum industry, virtually every aspect of society has been based on hydrocarbons. Now, within the span of the next few years, humanity needs to make a 180-degree turn: find a way to continue enjoying the benefits of a modernizing society while rapidly decarbonizing the global economy.

Sustainability is fundamentally about industry transformation. Companies need to transform to win the war for talent, to engage customers by helping them rapidly decarbonize and align with the circular economy, and to earn the trust of stakeholders, including shareholders. Few companies today recognize ESG issues this way. But a growing number of leading companies do, and they are transparently reporting on it in the same way they account for and disclose their business performance.

Group A and Group B

Companies today fall into one of two buckets. Most are in what we call Group A, with a small but growing number in Group B.

Group A companies view climate change, global GHG emissions, biodiversity loss, social equity, and related ESG issues as serious problems.

- They have tracked climate disclosure requirements from the European Union and are focused on emerging US Securities and Exchange Commission (SEC) requirements.
- They read BlackRock CEO Laurence D. Fink's annual letters to shareholders and engage in dialogue with investors on ESG issues.
- They work on improving C-suite and board ESG expertise and gradually enhancing diversity, equity, and inclusion (DE&I).
- They ensure company reports align to Sustainability Accounting Standards Board (SASB) or Task Force on Climate-related Financial Disclosures (TCFD) guidelines as BlackRock and other mainstream investors suggest.
- They monitor regulatory developments, engage with investors, track competitor actions, and understand workplace trends.
- They review their core businesses and approve strategies that reduce negative ESG impacts across the full value chain.

Group A companies monitor and adjust as needed to be a *fast follower*. They often believe that, perhaps with minor adjustments, the current business model and board oversight roles and committee structure can work.

Group B companies view climate change as the defining issue of our day; they treat climate, biodiversity loss, social equity, and related ESG issues at the core of the company's distinctive role in society.

- The CEO and management team place ESG at the core of company purpose and strategy.
- They view sustainability as a *disruptive platform for innovation* that has the potential to stimulate a significant wave of growth.

- They see many other global challenges (e.g., food and freshwater insecurity, forced migrations, deforestation, supply chain disruptions, and health challenges) as tied to (and exacerbated by) climate change.
- They view the global decarbonization challenge as requiring every company to radically reduce GHG emissions, not only in their own operations but across the full value chain.
- They see that we are past the "tipping point" and the race is on to transform companies for success in a decarbonized world that is grounded in social equity.
- They invest in creating a set of products, services, and solutions that help customers radically reduce their GHG emissions.

Group B companies want to lead with ESG strategies as a key differentiator. They see corporate transformation as the imperative, knowing this can only happen if the CEO and board take the lead. They adjust board oversight after a careful look in the mirror.

ESG Navigator: A Ready-made Roadmap

Fundamentally, sustainability is about the transformation of industries and companies – positioning them to thrive in an era of rapid decarbonization. It can be messy. Transforming a company to be positioned for value creation in a rapidly decarbonizing world is incredibly challenging.

Most traditional rating scales are not appropriate. To help boards and C-suite executives navigate such change, the ESG Navigator value proposition is simple:

ESG Navigator provides a ready-made roadmap for companies to help companies capture value from ESG. It empowers C-suite executives and your teams to create a future-ready strategy:

- **Know where your company stands today on ESG (vs. peers and ESG ratings); and**
- **Build robust governance systems and strategy to create long-term value tomorrow.**

ESG Navigator is equally helpful, whether your company is early or advanced in its sustainability journey. The four-stage transformation model helps companies measure progress, regardless of the starting point. During the early stages, this involves engaging deeply with (and learning about) sustainability. Toward Stage 3 and Stage 4, it involves disruptive innovation.

Data from ~150 major companies (many of whom are among the leaders in their industry sectors), shows the average score on a one to four rating scale is slightly less than Stage 2.

The Full ESG Story – Not the ESG Ratings Half

Corporate ESG conversations today tend to be dominated by a handful of topics that only tell half of the story.

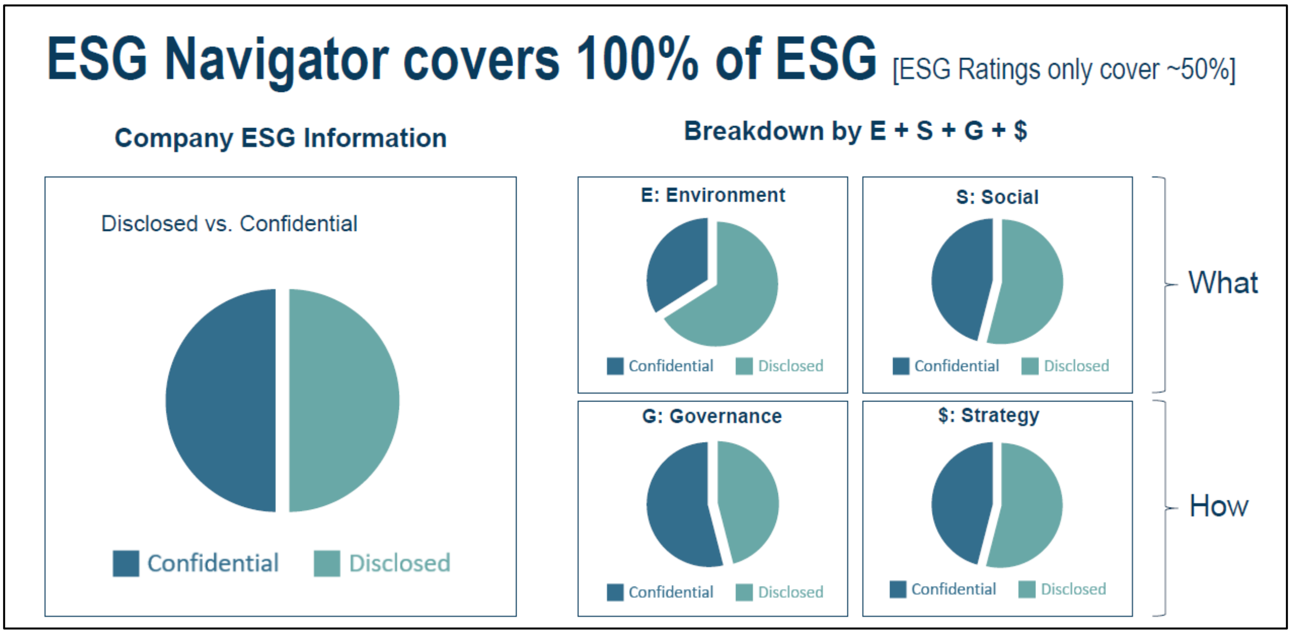
The Disclosure Half

Those topics are ones that the ESG reporting frameworks recommend; that companies disclose publicly; and that the ESG raters can access. Annually, the ESG Navigator team updates our comprehensive analysis of the reporting frameworks, including GRI, SASB, TCFD (SASB and TCFD are expected to transition into the IFRS Sustainability Disclosure Standards in 2023). We also analyze the Draft European Sustainability Reporting Standards, along with each of the major ESG ratings (ISS, MSCI, S&P, Sustainalytics, etc.).

The ESG reporting frameworks (and the ESG ratings) include (for example):

- *Environment*: Greenhouse gas (GHG) emissions, water and waste management, biodiversity, packaging, etc.
- *Social*: Diversity, equity, and inclusion (DEI), human rights, safety, workplace environment.
- *Governance*: Annual reporting and financial disclosures, materiality assessment, tracking footprint reduction, board structure, ESG goals, ESG disclosures, ESG ratings, ESG in compensation, assurance and verification, etc.
- *Strategy*: Strategic planning, enterprise risk management, product quality and safety, ESG product pipeline, etc.

Those ESG topics are important, but they only represent one side of the coin, as depicted in the figure below.



The Confidential Half

The other side of the coin are the ESG topics companies view as *proprietary and confidential* – tied to how they *create competitive advantage* and win in the marketplace. These relate to the details of how a company manages ESG and sustainability.

For example:

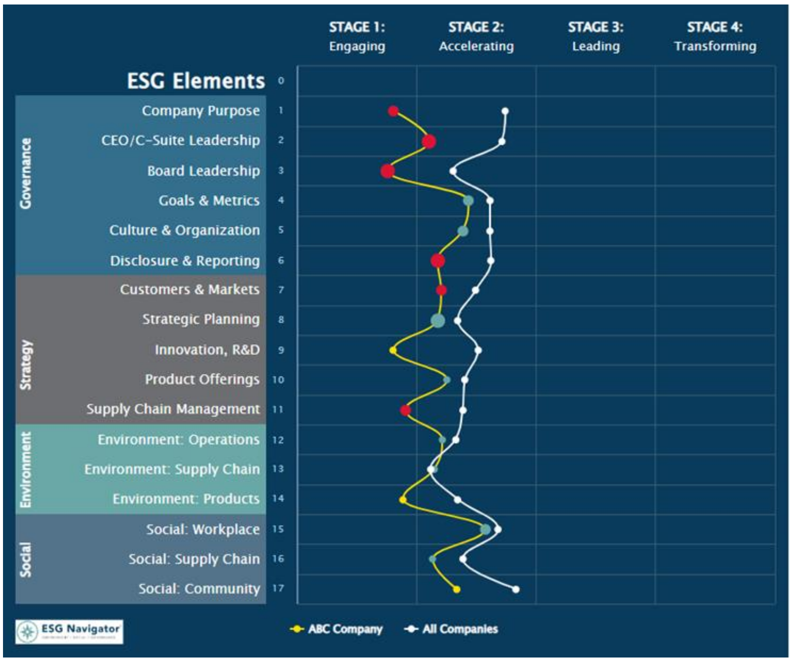
- *Governance*: Company purpose, operationalizing ESG, CEO/C-suite engagement with customers and NGOs, CEO/C-suite messages to employees and investors, board agendas, time spent in board meetings, ESG in key business decisions; ESG roadmaps and implementation plans; marketing and advertising, etc.
- *Strategy*: R&D partnerships, customer ESG engagement, product development, market expansion, use of scenario planning, etc.
- *Environment*: Biodegradability, durability, and traceability of products, material sourcing, etc.
- *Social*: Employee engagement, recruitment and retention, health, wellness and lifestyles, infrastructure development, community job creation, etc.

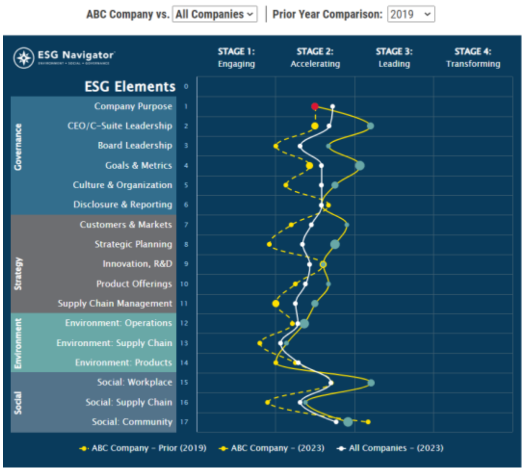
Full and robust management of ESG involves both sides of the coin: the information disclosed publicly and that not disclosed in detail for reasons of confidentiality. The unique value of ESG Navigator is that the platform measures both sides of the coin.

The ESG Building Blocks – A CEO's View

The one summary analytic ESG Navigator member companies often share with their C-suite and board of directors is depicted in the "snake chart" figure below, which summarizes how the company compares to a selected benchmark group. In the figure:

- The **white line** represents the benchmark group (could be all ~150+) companies in the ESG Navigator database, industry sector peers, sub-sector peers, or a custom peer group.
- The **yellow line** represents our company's candid self-assessment. Along this line, **dot size** is driven by the number of KSIs in that element flagged as most important and **dot color** is driven by the gap from the benchmark group.





Companies can also track their progress – as depicted in the second 'Snake Chart.'

Below we provide a detailed overview of the ESG Navigator model depicted above: first describing the 17 elements, then summarizing the Stage 1 ➔ Stage 4 maturity model.

17 Elements – A CEO's View of ESG

See Table 1 for a description of each of 17 elements of ESG Navigator depicted in the Figure above.

Table 1: ESG Navigator Elements

Governance and Leadership
1. **Company Purpose and Values**: How are ESG and the drive to deliver long-term value to society integrated into our company's core purpose – however the company expresses this (e.g., in statements of vision, mission, and values)?
2. **CEO and C-suite Leadership**: How deeply engaged is our CEO and C-suite in spreading the ESG message; stimulating robust board of directors' discussions and building accountability and leadership for ESG?
3. **Board of Directors Leadership**: What oversight structure, processes, and systems support our board of directors' commitment and engagement with ESG and sustainability?
4. **Goals and Metrics**: How does our company set ESG goals for the most material issues across our value chain that drive footprint reduction and long-term value creation?
5. **Culture and Organization**: How does our company's culture and organization promote robust integration of ESG into executive compensation and job descriptions, resulting in actions and performance from the C-suite to the shop floor?
6. **Disclosure and Reporting** : To what extent is our disclosure, reporting, and external communications of ESG risks and opportunities transparent, robust, and aligned with financial/business reporting?
Strategy and Execution
7. **Customers and Markets**: How are we working with key customers to reduce their full life-cycle impacts and create sustainable solutions?
8. **Strategic Planning**: To what extent are ESG considerations fully embedded in our company's strategic and operational planning processes?
9. **Innovation, Research and Development**: How are sustainability and ESG issues integrated into innovation research, processes, and investments – ultimately aimed at helping our customers and delivering value to society?
10. **Product Offerings**: How deeply are ESG risks and opportunities embedded in our evolving portfolio of product, service, and solution offerings?
11. **Supply Chain Management**: How deeply and robustly are we managing ESG risks associated with the company's overall approach to supply chain management? [Note: individual environmental and social supply chain issues (e.g., climate, waste, human rights, etc.,) are addressed separately below.]
Environmental Stewardship
12. **Environmental Footprint: Operations**: How deeply and robustly are we managing and reducing the environmental risks associated with our wholly owned (and >50 percent owned joint venture) operations globally?
13. **Environmental Footprint: Supply Chain**: How deeply and robustly are we managing and reducing the environmental risks associated with the company's full supply chain impacts?
14. **Environmental Footprint: Products, Services, and Solutions**: How deeply and robustly are we managing and reducing the environmental risks associated with our products, services, and solution offerings?
Social Responsibility
15. **Social Performance: Workplace**: How do our workplace environment and supporting programs, incentives, and initiatives engage our employees and others in sustainability issues?
16. **Social Performance: Supply Chain**: How deeply and robustly are we managing and reducing the social risks associated with the company's full supply chain impacts?
17. **Social Performance: Community**: What types of policies, programs, partnerships, and investments are we making to benefit the communities in which we operate and society at large?

Four Stages of Maturity: Engaging ➔ Accelerating ➔ Leading ➔ Transforming.

A brief synopsis of the characteristics of the four stages of transformation follows. *A key point to keep in mind:* It is convenient to express a company as being "in Stage 1" or "a Stage 2 company." However, most companies' ESG performance falls across several stages of maturity on this scorecard.

Stage 1 – "Engaging"

Stage 1 companies engage with sustainability issues in a variety of ways, although they do not change their company or their businesses fundamentally. Sustainability efforts are often driven by the chief environment, health, and safety (EHS) officer in collaboration with the officer(s) leading human resources, corporate citizenship, and philanthropy. Environmental stewardship and social responsibility are considered the "right thing to do." Environmental management is largely about risk management. Social responsibility is about diversity, equity, and inclusion (DEI), workplace ESG attractiveness, community responsibility, and philanthropy.

Stage 1 companies are committed to compliance – not just with laws, regulations, and internal company standards, but also increasingly with industry codes of practice and de facto requirements, including the Global Reporting Initiative (GRI) sustainability reporting guidelines and other non-governmental organization (NGO) expectations. Stage 1 companies implement programs to reduce energy use, greenhouse gas (GHG) emissions, and waste in their own operations. They respond to environmental and social pressures throughout their supply chain.

Stage 1 companies typically support positions endorsed by their major industry associations. These companies may partner with external stakeholders on selected initiatives. Many, but not all, Stage 1 companies publish external EHS and/or sustainability reports (or the equivalent on their websites).

In summary, Stage 1 companies essentially "*dabble in sustainability*" *while continuing with business as usual – making and selling the same products they have traditionally produced*. They do many good things; however, when viewed in hindsight from those who are leaders, have not yet recognized the full power and potential of ESG.

Stage 2 – "Accelerating"

Stage 2 companies explicitly recognize the potential significance of sustainability – and launch a few key initiatives to position the company as a leader on a business-critical aspect of sustainability.

The CEO of a Stage 2 company sees sustainability issues not only as a source of risk, but also as a source of potential opportunity. The company stakes out a position that addresses a *material* environmental or social issue that is business-critical to the company and its industry, such as electronic waste, human rights in the supply chain, or conflict minerals. The key here is *material* as opposed to *important* ESG issues. For example, it is not likely material for a bank to reduce its water consumption, while it is material to change its investment criteria or lending policy to better reflect the ESG risks of its customers.

In Stage 2 companies, the CEO may revise the company's vision, mission, and values to align more directly with the realities of 21st century growth. In some cases, Stage 2 companies set forth CEO-driven and bold sustainability positioning and goals. Many companies have done this with their greenhouse gas reduction goals.

The CEO and other senior executives may weave sustainability into public statements and speeches. As Stage 2 companies advance, they build a culture that values sustainability-related innovation. For example, they may roll out 'sustainability 101' training, launch green teams, hold quarterly ESG all hands meetings, etc.

Stage 2 companies have *well-defined environmental and social management systems, though those processes tend to be "bolted onto" (rather than "woven into") core business processes and business decisions*. These companies have not changed their business models fundamentally. Those in the manufacturing or process industries still largely operate in the traditional, linear, "take-make-waste" model, as contrasted with the new circular economy model. Those in the lighter footprint and service sectors tend to focus on the environmental and social impacts of their own operations, rather than the full value chain impacts.

Stage 3 – "Leading"

Stage 3 companies begin to transform their business portfolios to leverage sustainability opportunities – making strategic choices to divest or gradually phase out "old economy" businesses and to invest in cleaner, greener, and more society-friendly enterprises.

Moving beyond the few key CEO-driven sustainability initiatives of Stage 2 companies, the Stage 3 companies embody economist Joseph Schumpeter's concept of "*creative destruction*." Companies moving significantly into Stage 3 consider sustainability key to their organizations' long-term viability and value-creation. Sustainability represents one or more platforms for top-line growth. They anticipate customer needs and future differentiators, as *Toyota* did with the Prius many years ago.

Stage 3 companies take a long-term view, with a clear, focused strategy that places global environmental and social drivers at the core. They see the transition to a low-carbon economy as the biggest industrial challenge of this century. They invest heavily in renewable energy and want to be part of the clean technology revolution. They see massive growth opportunities in stabilizing atmospheric carbon concentrations, access to fresh water, clean transport, and smart cities.

In making the decision to implement such significant changes, CEOs of Stage 3 companies begin the hard work of *weaving material ESG issues into the fabric of every critical business process, key business decision, and investment.* This turns out to be a massive effort, as anyone close to the transformation of *Unilever* can attest. A Stage 3 company is viewed internally and externally as open, transparent, innovative, and critically aware of risks and opportunities.

Stage 4 – "Transforming"

Stage 4 companies are evolving rapidly as models of twenty-first century corporations – with a steadfast focus on long-term profitability and growth, while also helping to solving the world's toughest problems.

In Stage 4 companies, sustainability is integrated fully within all aspects of the business, starting with the company's vision, mission, culture, business model, and goals. The company has a clearly defined roadmap for sustainable growth and profitability, which explicitly reflects the firm's responsibility to future generations. This commitment extends far beyond the CEO.

Those in the manufacturing or process industries (historically reliant on physical resources) live in the **circular economy**, typically characterized by:

- *Circular supply chain:* sourcing 100 percent renewable energy and raw materials (where feasible).
- *Recovery and recycling:* taking full responsibility for return and recycling of its products at the end of their useful life.

- *Product life extension:* building profitable revenue streams from repairing, refurbishing, remanufacturing, reselling – doing a 180-degree flip from the widespread model of built-in obsolescence to a new model of design for durability.
- *Product as a service:* shifting from just selling products to offering products as a service to customers – and increasingly being in the solutions business.
- *Sharing platform:* reusing or repurposing assets so that they can create revenue from being shared among potential customers.

Though no major company today is solidly in Stage 4, a growing number of companies have some Stage 4 attributes. They fall into two groups: young, innovative, sharing-economy companies such as *Tesla*; and old-line companies, such as *Neste*, *Ørsted*, *Trane Technologies*, and *Unilever*.

Unilever launched its Sustainable Living Plan in 2010 to "decouple" revenue growth and value creation from environmental and social impacts. This decoupling is driven by the company's 2030 goal: to cut in half the environmental impacts/footprint associated with making and using its products – as the company continues to grow its business.

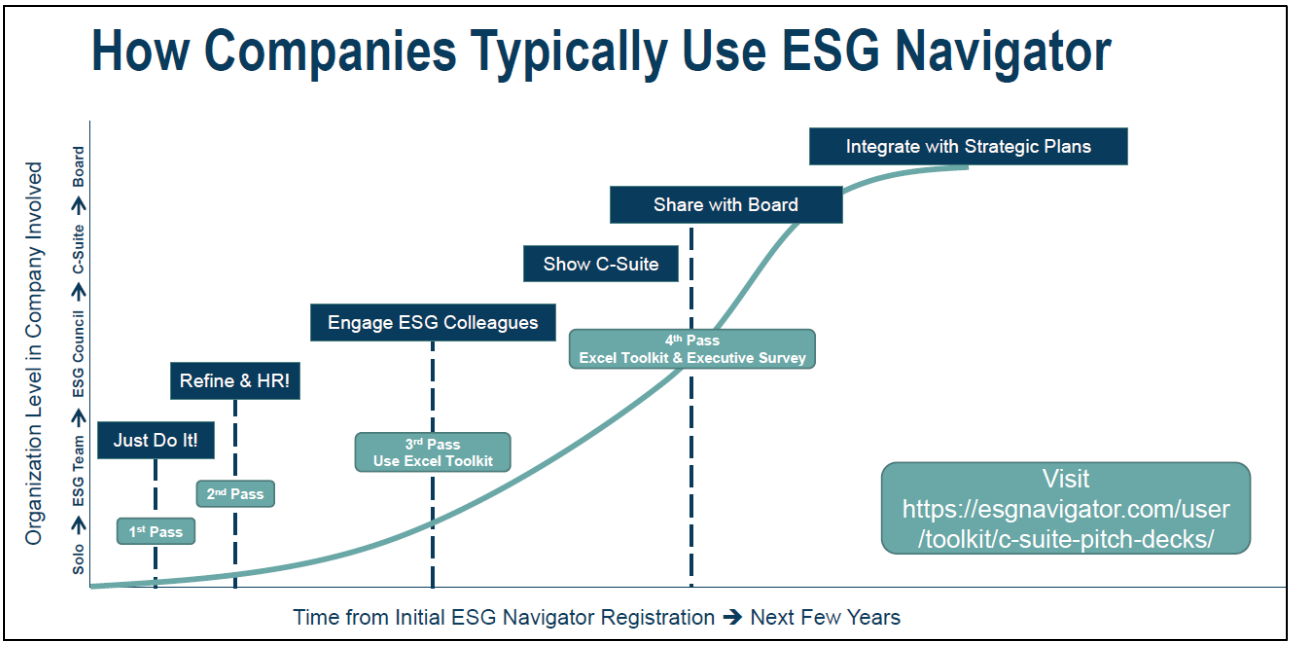
Trane Technologies began to integrate ESG performance into its business in 2010, seeing ESG as a platform for growth (not just a set of risks). The company issued its first major sustainability commitments in 2014 and had its emission reduction goals validated by the Science Based Targets initiative (SBTi). The CEO and senior business leaders each had personal goals tied to the company's 2020 Climate Commitment targets. In 2019, as it prepared to separate from its industrial business (Ingersoll Rand) and become Trane Technologies, a pure-play climate company, it set even bolder new 2030 Sustainability Commitments, including the Gigaton Challenge – a first-of-its kind, business-to-business commitment to reduce customers' carbon emissions by 1 billion metric tons —which was also validated by the SBTi. In 2022, the company's Net-Zero by 2050 targets were among the first in the world to receive SBTi confirmation.

Getting Started

How Companies Use ESG Navigator

Just do it! The most important way to capture immediate value from ESG Navigator is to just do it. Create your first-pass company self-assessment in an hour or two. Then go back and refine your scores and your importance flags. Some companies gather their ESG team in a room (physical or virtual) to complete or refine their assessment scores.

Everything is confidential. Nobody sees your data except those inside your company who have access to your company ESG Navigator account. Learn more about the ESG Navigator confidentiality provisions on the website.



After the initial set of company data is in ESG Navigator, companies use the ESG Navigator Excel Toolkit – available to Silver and Gold members.

Creating Your Company Self-Assessment ("Scorecard")

Upon requesting log-in access, companies that meet the minimum qualifications use the online ESG Navigator scoring system to create their company self-assessment. An Excel Toolkit is also available.

Complete your company self-assessment following these simple steps:

- *KSI Importance Survey*: Evaluate the 100 Key Sustainability Indicators on importance to your company – to create long-term value. Survey takes ~20 minutes.
- *Quick Start*: Take 10-15 minutes and answer 17 questions (assess your company on 17 KSIs).
- *Full ESG Navigator Scorecard*: Score your company on each KSI from Stage 0.5 to Stage 4.0.

- *Most Important (also referred to as Highly Relevant) KSIs*: Select roughly 10-20% of the KSIs that are especially critical to your company over the next 12-24 months to: *reduce ESG risk*; *grow new revenue streams* from more sustainable offerings; and *enhance reputation* and brand. Use the following criteria to rate importance of ESG topics/KSIs:
    - Governance Section: Which ~5-8 of the 33 Governance KSIs are *most critical to how we run the company - and to fully integrate ESG into our core business operations?*
    - Strategy Section: Which ~4-6 of the 27 Strategy KSIs are *most important to driving tomorrow's revenue growth from more sustainable products, services, and solutions?*
    - Environment Section: What ~3-4 of the 22 Environment KSIs are *the most material environmental issues, representing greatest risk to your company and industry sector(s)?*
    - Social Section: What ~3-4 of the 18 Social KSIs are *the most material social issues, representing greatest risk to your company and industry sector(s)?*

Once company data is in the system, you can benchmark peers (viewing up to 800+ analytics); map your company's performance across 15 major reporting frameworks and ESG ratings; and build your C-suite pitch.

- Benchmark Peers: Depending on your company's membership status, you can view up to 800+ benchmark analytics.
    - Starter: Overall summary bar chart comparing your company on ESG vs. 150+ companies; Rainbow Charts (Environment, Social, Governance, Strategy) depicting your self-assessment scores and importance flags.
    - Bronze: View the powerful "Snake Chart," level two bar charts (comparing your company to all companies broken down by Environment, Social, Governance, and Strategy) and the Most Relevant Analysis.
    - Silver: Access the full set of benchmarking analytics - but not the ESG Ratings Maps.
    - Gold: Full access to all 800+ benchmark analytics and all ESG Ratings Maps – plus other features.
- Map ESG Ratings: Once your company assessment data is in ESG Navigator, you can map your performance across 15 major ESG reporting frameworks and ratings.
- Build Your C-suite Pitch: Starter (Free) members can access an example C-suite Pitch Deck. Advanced levels of membership can download a PowerPoint deck with your company's latest scores and analytics directly from your Company Dashboard page.

The ESG Navigator Maturity Model

Section 1: Governance and Leadership

This section contains 33 Key Sustainability Indicators (KSIs) across 6 Elements (1-6); details are found on the pages that follow:

Element#	Element	# KSIs
1	Company Purpose and Values: How are ESG and the drive to deliver long-term value to society integrated into our company's core purpose – however the company expresses this (e.g., in statements of vision, mission, and values)?	5
2	CEO and C-suite Leadership: How deeply engaged is our CEO and C-suite in spreading the ESG message; stimulating robust board of directors' discussions and building accountability and leadership for ESG?	5
3	Board of Directors Leadership: What oversight structure, processes, and systems support our board of directors' commitment and engagement with ESG and sustainability?	6
4	Goals and Metrics: How does our company set ESG goals for the most material issues across our value chain that drive footprint reduction and long-term value creation?	7
5	Culture and Organization: How does our company's culture and organization promote robust integration of ESG into executive compensation and job descriptions, resulting in actions and performance from the C-suite to the shop floor?	4
6	Disclosure and Reporting : To what extent is our disclosure, reporting, and external communications of ESG risks and opportunities transparent, robust, and aligned with financial/business reporting?	6

NOTE:

- For all KSIs, *stages are additive*: e.g., to be Stage 3 requires meeting metrics in Stages 1, 2, and 3.
- Bold words or phrases found within the stage definitions are terms defined in Appendix A.
- *Most Important KSIs*: Using ESG Navigator, companies select roughly 10-20% of the KSIs that are especially critical to your company over the next 12-24 months to: *reduce ESG risk*; *grow new revenue streams* from more sustainable offerings; and *enhance reputation* and brand. Use the following criteria to rate importance of ESG topics/KSIs:
    - Governance Section: Which ~5-8 of the 33 Governance KSIs are *most critical to how we run the company - and to fully integrate ESG into our core business operations?*

Element 1: *Governance*: Company Purpose and Values

Key Question: How are ESG/S and the drive to deliver long-term value to society integrated into our company's core purpose – however a company expresses this (e.g., in statements of vision, mission and values)?

KSI #	Key Sustainability Indicators (KSIs)	Stage 1 *"Engaging"*	Stage 2 *"Accelerating"*	Stage 3 *"Leading"*	Stage 4 *"Transforming"*
1.1	**Company Purpose (Vision, Mission)**	ESG/S is viewed as **CSR** and/or an extension of **EHS** and philanthropy. Company purpose, vision, and mission can enable ESG/S, but the extent of ESG/S ambition is not explicit.	ESG/S is *part of* how the company sees its role in society and is explicitly highlighted. Employees, customers, and investors view company as committed to ESG/S. Corporate values are like peers.	ESG/S is integral to vision and mission and *near the core of* how the company sees its role in society – creating value for all stakeholders. Actively pursues road to **net zero**. ESG/S statements and company values stand out among peers.	ESG/S is the North Star *at the core* of the company's distinctive role in society. Every strategic and key operational decision is guided by purpose, with ESG/S driving a goal of **net positive** impact.
1.2	**Operationalizing ESG/S** .	The C-suite broadly communicates traditional ESG/S positions (e.g., ethics, **EHS**, corporate responsibility, etc.). Business systems and controls are in place to implement those policies.	The C-suite identifies and aligns on top few **material** ESG/S risks and opportunities. ESG/S goals and roadmap are tied to business plans, marketing, and product strategies.	The C-suite drives integration of a robust ESG/S posture into business initiatives and processes. Corporate strategy and capital allocation are guided by ESG/S factors.	The C-suite is driving deep integration of ESG/S into core business processes, cascading (via individual performance goals) throughout the company's regions, businesses, and organization.
1.3	**Commitments (by Board and/or C-suite)**	Company commitments conform to common industry practices and standards for all companies and for their own sector(s) (e.g., **Responsible Care**). Commitments remain general rather than calling out **material** issues.	Company CEO endorses leading ESG/S initiatives (e.g., **UNGC**, **Davos Manifesto**, **green chemistry**, etc.); and signals initiatives to address the company's **material** issues.	Company CEO aligns goals and metrics related to **material** ESG/S issues with leading industry commitments (e.g., **Science-Based Targets initiative – SBTi**).	Company CEO and full board of directors publicly commit to bold ESG/S action (e.g., rapid decarbonization, investment in natural capital, enhancing social equity, etc.
1.4	**Long-Term Viability of Core Business(es)**	Core businesses do not align particularly well with even some *basic* **sustainability principles** (e.g., using renewable energy, fully recycling, minimizing waste throughout the value chain, enhancing social equity).	Core businesses are reducing some negative societal impacts. Company is aligned with some *basic* **sustainability principles** (e.g., renewables, recycling, waste, social equity) but not aligned with others (e.g., **closed-loop**, **circular economy,** enhancing biodiversity).	Core businesses are fully aligned with *advanced* **sustainability principles** (e.g., accounting for externalities, advancing a service and solution model for managing durable goods). Company strives to measure and deliver a **net positive** environmental and social impact.	Core businesses engage with customers and **value chain** partners to measure and drive toward decarbonization, social equity, and **net positive** impact.
1.5	**ESG/S in Key Business Decisions** *(These are decisions made by the C-suite and board.)*	ESG/S elements are typically not major factors in **key business decisions** (e.g., major investment, new product launch, acquisition, etc.).	ESG/S elements are openly discussed and debated and are major factors in some **key business decisions**. ESG/S factors (e.g., product safety) are prioritized during crises.	**Material** ESG/S issues are considered in all **key business decisions** as "screens" (e.g., internal **carbon price**). ESG/S goals are clear, guiding managers as they make trade-offs in daily decisions.	**Material** ESG/S issues guide strategic planning and capital allocation. Company demonstrates a track record of factoring **material** ESG/S risks into **key business decisions** made by the C-suite and board.

Element 2: *Governance:* CEO and C-suite Leadership

Key Question: How deeply engaged is our CEO and C-suite in spreading the ESG/S message; stimulating robust board of directors' discussions; and building accountability and leadership for ESG/S?

KSI #	Key Sustainability Indicators (KSIs)	Stage 1 *"Engaging"*	Stage 2 *"Accelerating"*	Stage 3 *"Leading"*	Stage 4 *"Transforming"*
2.1	**CEO/C-suite Public Posture Regarding ESG/S**	CEO/C-suite rarely speaks publicly about ESG/S issues or the **material** environmental or social impacts of the company or overall industry.	CEO/C-suite mentions **material** ESG/S issues to stakeholders when discussing ESG/S goals and plans to reduce risks.	CEO/C-suite frequently makes ESG/S goals and policy stance clear, publicly addressing issues that are **material** to company and its industry sector(s). CEO ensures ESG/S is integral to growth strategy.	CEO often speaks publicly about **material** ESG/S risks and opportunities, highlighting the company's purpose, role, and responsibility in addressing global ESG/S challenges.
2.2	**CEO/C-suite Messages to Investors/Owners**	CEO/C-suite responds to ESG/S questions from investors (or owners if a private company) but shares relatively little insight regarding ESG/S risks or opportunities.	CEO/C-suite mentions **material** ESG/S risks, but ESG/S content is limited in investor presentations. **CSO** (or someone in a similar position) is called on to answer questions as needed.	CEO/C-suite discloses **material** ESG/S risks and opportunities to investors and engages regarding how the company is addressing **climate risk** and social equity issues.	CEO/C-suite actively engages with key investors regarding societal impact topics. Leads on addressing **climate change** and connecting climate-related issues to long-term resilience.
2.3	**CEO/C- suite Interaction with Customers**	CEO/C-suite responds to customer requests regarding ESG/S.	CEO/C-suite invites a dialogue with major customers and welcomes feedback regarding ESG/S issues and strategy.	CEO/C-suite tracks the ESG/S goals and activity across customer base; collaborates with customers to invest in ESG/S innovation and growth.	CEO/C-suite collaborates with key customers to create ESG/S-advantaged **products, services, and solutions (PSS)** that are core to the company's growth strategy.
2.4	**CEO/C-suite Messages to Employees**	CEO/C-suite encourages compliance and efforts on selected ESG/S topics beyond **EHS**, **CSR**, and philanthropy (e.g., recycling).	CEO/C-suite endorses (or launches) ESG/S teams to drive initiatives on **material** ESG/S issues. CEO/C-suite issues regular updates about ESG/S goals and progress.	CEO/C-suite sponsors initiatives to address **material** ESG/S issues across the **value chain**. C-suite member(s) personally lead key initiatives.	CEO/C-suite actively ties ESG/S to company strategy. Messages cascade down and encourage deep integration of ESG/S with daily operations and business processes.
2.5	**Engagement by CEO/C-suite with NGOs**	CEO/C-suite discusses relevant global ESG/S issues mostly among colleagues with similar worldview (e.g., other members of the same industry).	CEO/C-suite engages on **material** ESG/S issues with a range of ESG/S sources, including CEOs of advanced ESG/S companies and community stakeholders. CEO/C-suite engages with "business-friendly" **NGO**s perhaps 5-10 hours/year.	CEO/C-suite actively seeks insight and education from diverse range of sources, including from an **External Sustainability Advisory Board** or equivalent. CEO/C-suite spends about 10-20 hours/year engaging with **NGOs** on key ESG/S issues.	CEO/C-suite frequently engages with global ESG/S leaders and challenging **stakeholders**. CEO/C-suite provides leadership across industry and spends considerable time (e.g., >20 hours/year) engaging with **NGOs** and educating others.

Element 3: *Governance:* Board of Directors Leadership

Key Question: What oversight structure, processes, and systems support our board of directors' commitment to and engagement with ESG/S?

[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	**Full Board Oversight of ESG/S**	Full **board**[1] oversight of ESG/S is not explicit or extensive. Responsibility for ESG/S is folded under a standing **board** committee (e.g., audit, nominating and governance).	Full **board** oversight of ESG/S is explicit, commensurate with business growth and trends.	Full **board** oversight of ESG/S is significant in terms of time spent and effectiveness. **Board** self-assessment includes relevant ESG/S metrics and ESG/S learning cadence.	Full **board** is actively and frequently involved (during and between meetings) in discussing ESG/S issues, risks, and opportunities. It invests time (e.g., half-day) in special session(s) (e.g., strategy workshop) directed at its **material** ESG/S issues.
3.2	**Board Committees, Charters, and Roles**	**Board** committee charters and roles focus on conventional **EHS** and public policy issues, with only summary reference to ESG/S.	**Board** committee or a board member oversees ESG/S. **Board** committee charters explicitly discuss ESG/S oversight, noting where ESG/S issues are **material** in own operations.	**Board** committee charters explicitly define ESG/S responsibilities and address **material** ESG/S issues across the **value chain**.	Every **board** committee incorporates relevant ESG/S topics, explicit in charters (updated frequently).
3.3	**Board ESG/S Expertise**	**Board** ESG/S expertise (especially "E" and "S") is little to moderate. The **board** relies mostly on internal ESG/S experts and external industry associations.	**Board** ESG/S expertise (especially "E" and "S") is modest but growing – often with a lead independent director focused on ESG/S. The **board** receives periodic presentations by external ESG/S experts.	**Board** ESG/S expertise (especially "E" and "S") is strong and growing. **Board** receives input and insight from external advisors who serve as sounding board regarding ESG/S and strategy.	**Board** engages with respected ESG/S leaders. Directors have strong climate and ESG/S baseline expertise, carefully calibrated. Directors understand, assess, and mitigate major ESG/S risks and opportunities.
3.4	**Board Agendas Regarding ESG/S**	**Board** meetings typically cover **EHS**, philanthropy, ESG/S benchmarking, trends, and emerging issues. **CSO** reports goals and metrics related to own operations. **Board** pre-reading is often limited, with few ESG/S thought leadership articles.	**Board** meetings discuss **material** ESG/S issues, benchmark data, trends, and performance vs. goals. **CSO** reports ESG/S risks in own operations and **value chain**. **Board** members request and encourage ESG/S learning.	**Board** meetings engage deeply with **material** (full **value chain**) ESG/S risks. Board considers climate **scenarios** and actively engages in ESG/S dialog between meetings. **Board** receives comprehensive ESG/S pre-reads.	**Board** meetings involve ESG/S learning (e.g., scenario planning on ESG/S risks). **Board** discusses full **value chain** ESG/S risks and opportunities. **Board** members engage in systematic cadence of learning between board meetings.
3.5	**Time Spent on ESG/S in Board Meetings**	Time spent on ESG/S (full board or committee) is 2-4 hours a year. ESG/S is a key agenda item at least one meeting per year.	Time spent on ESG/S in board meetings is about 4-8 hours per year (average among sector peers) and growing.	Time spent on ESG/S is significant and growing (about 8-12 hours per year in full board and/or board committee meetings).	Time spent on ESG/S at every meeting is very significant (>12 hours per year in full board or board committee meetings).
3.6	**Board Diversity, Equity, and Inclusion**	**Board** diversity representation (gender, ethnicity, religion, etc.) is cumulatively less than 20%. May or may not have a **board** diversity policy.	**Board** diversity is 20-30% (female and other underrepresented groups). **Board** nomination and diversity policy is public.	**Board** diversity is at least 30% female and other underrepresented groups. Diverse life experiences are prioritized. Nomination policy aims for robust diversity.	**Board** reflects diversity of the workforce and market, with 40% female plus underrepresented groups. Directors have highly diverse life experiences.

[1] **Bold words or phrases: this term is defined in Appendix A**.

Element 4: *Governance:* Goals and Metrics

Key Question: How does our company set ESG/S goals for the most material issues across our value chain that drive **footprint** reduction and long-term value creation.

[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"*
4.1	**ESG/S Goals and Roadmap: Near-Term**	Near-term (e.g., 2-5 year) goals focus on own operations and are likely achievable (though may be a stretch). Mindset is staying within comfort zone, with interim steps to achieve goals.	Near-term goals are a challenge to achieve and aligned to most **material**[1] issues in own operations. Sustainability-related goals are supported by general roadmap.	Near-term goals address **material** ESG/S issues across full **value chain**, using **science-based targets** where applicable. Goals include milestones and targets for innovation and growth from ESG/S **products, services, and solutions** (**PSS**).	Near-term goals are highly rigorous (e.g., **net zero** or **net positive** impact, with third-party validation such as **science-based targets**), and supported by a detailed roadmap (short-term; mid-term; longer-term).
4.2	**ESG/S Goals and Roadmap: Long-Term**	Company does not have long-term (e.g., 5+ year) ESG/S goals. Company ESG/S goals align with typical industry practices.	Company has long-term goals for ESG/S impacts across own operations. ESG/S ambitions are often included in the CEO's public speeches.	Company has long-term goals tied to **material** impacts across the **value chain**.	Company has goals and metrics driving to **net positive** across its full **value chain.** Addresses **circular economy** where appropriate.
4.3	**Materiality Assessment**	**Materiality assessment** mostly covers impacts from own operations.	**Materiality assessment** covers full **value chain** and considers **NGO** input but lacks focus on identifying issues critical to corporate value creation.	**Materiality assessment** leads to sharp focus on integrating ESG/S issues into corporate value creation strategy, and reduction of external impacts.	**Materiality assessment** drives outperformance, with C-suite executives personally owning **material** ESG/S issues.
4.4	**Tracking Reduction of ESG/S Footprint**	Assess ESG/S impacts informally. Report **footprint** (own operations) vs. baseline year (or when **footprint** reduction efforts began).	Estimate full **value chain** ESG/S impacts formally. Achieve significant cuts in major ESG/S impacts from baseline year. Assess carbon reductions against 2°C global goal, perhaps with a **net zero** goal.	Measure full **value chain footprint** formally. Cuts in CO_2 align with latest international agreement on climate change. Cuts in other material ESG/S impacts are of a similar magnitude and use **science-based targets** where applicable.	Measure cuts in ESG/S footprint, aligning with **circular economy** principles. Carbon reductions are on track to align with 1.5°C or well-below 2°C goals.
4.5	**Revenue From ESG-Advantaged Products (PSS)**	Informally assess ESG/S attributes of **products, services, & solutions (PSS).**	Track revenue by product categories and product (PSS) ESG/S attributes. Communicate defined ESG/S attributes of **PSS.**	Derive a major portion of revenue (e.g., 50% or more) from ESG/S portfolio (or equivalent).	Derive most revenue (80% +) from ESG/S **PSS**, or equivalent.
4.6	**Accounting for Material ESG/S Risks, Externalities**	View (financial) accounting for **material** ESG/S risks and **externalities** as a compliance requirement.	Assess magnitude and scale of **material** ESG/S risks & liabilities across **value chain** and factor into **key business decisions**. May assign **carbon price.**	Account (financially) for **externalities.** Assign **carbon price** equal to or greater than industry average.	Account (financially) for **externalities** across full **value chain**, consistent with financial controls.
4.7	**ESG/S Ratings and Rankings**	Engage with external **ESG raters** to gain recognition (if applicable) and enhance credibility of external reporting.	Engage with a range of **ESG raters** to improve ESG/S ratings and build transparency. Work to fill gaps where **ESG ratings** are weak (e.g., governance).	Engage with selected **ESG raters** that value company's focus on strong governance, strategy, footprint reduction, and growth from ESG/S offerings.	Earn recognition as a model ESG/S performer by key ESG raters, peers, and **NGOs**, who value company's track record of investing in best-in-class ESG/S governance and strategy.

[1] Bold words or phrases: this term is defined in Appendix A.

Element 5: *Governance:* Culture and Organization

Key Question: How does our company's culture and organization promote robust integration of ESG/S into executive compensation and job descriptions, resulting in 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	**Driving ESG/S Culture: Compensation and Goals**	CEO and C-suite **KPIs**[1] (tied to compensation) may include a few "traditional" ESG/S topics (e.g., compliance, safety, **EHS**). Annual employee ESG/S goals are largely limited to these ESG/S topics.	CEO and C-suite compensation (<15%) is tied to performance against **material** ESG/S issues in own operations. Several C-suite members have annual ESG/S performance goals.	CEO and C-suite compensation (about 15-20%) is based on performance on **material** ESG/S issues across **value chain** (including **GHG**). CEO/C-suite ESG/S annual goals cascade down the chain of command.	CEO and C-suite compensation (20% +) is based on performance against **material** ESG/S issues (full **value chain**). Cascade down to all staff and relevant contractors, reinforcing sustainability as a core value and the company's (North Star) core purpose.
5.2	**ESG/S Organization**	A C-suite member has ESG/S oversight and addresses sustainability risks during crises and risk reviews. One or more cross-functional ESG/S teams may have a C-suite sponsor.	A C-suite executive is accountable for ESG/S oversight. C-suite meetings are dedicated to ESG/S about quarterly, supported by a formal ESG/S council that meets at least two times per year.	Many C-suite executives are accountable for ESG/S programs, processes & performance. ESG/S is a core part of planning and operations meetings. A C-suite executive leads an ESG/S council (linked to day-to-day operations) that meets quarterly.	The CEO and C-suite personally drive ESG/S during CEO meetings and as a core part of strategic plans and performance reviews. ESG/S Council has several C-suite members and meets at least quarterly.
5.3	**ESG/S Leadership Role/Position**	The most senior, full-time corporate ESG/S leader reports below the C-suite and runs cross-functional ESG/S team(s).	The most senior, full-time corporate ESG/S leader(s) reports to a C-suite executive and may provide periodic reports to the **board**.	The most senior, full-time corporate ESG/S leader(s) has frequent access to CEO/C-suite, with frequent reporting to the board of directors.	A C-suite member leads ESG/S. Every C-suite member and senior leader has explicit ESG/S responsibilities.
5.4	**ESG/S Reward and Recognition**	Company executives recognize ESG/S excellence, though limited to traditional sustainability topics only (e.g., compliance, safety, **EHS**).	Company executives recognize ESG/S excellence (beyond traditional topics of **EHS**, etc.) informally. C-suite sponsorship of ESG/S initiatives is growing.	CEO and C-suite formally recognize excellent progress addressing material ESG/S issues (full **value chain**), with a visible reward system.	CEO and C-suite recognize ESG/S excellence (tied to bold company ESG/S goals) in a high-profile way, perhaps awarded annually by CEO and/or **board** member(s).

[1] **Bold words or phrases: this term is defined in Appendix A**.

Element 6: *Governance:* Disclosure and Reporting

Key Question: To what extent is our disclosure, reporting, and external communications of ESG risks and opportunities transparent, robust, and aligned with financial/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"*
6.1	**Annual Reporting and Financial Disclosures**	Mention **material**[1] ESG/S issues briefly (if at all) in CEO letter. Financial disclosures are mostly conventional. May issue a sustainability report. Discuss ESG/S as corporate responsibility or **CSR**.	Mention **material** ESG/S issues (own operations) in CEO letter and provide information on **material** ESG/S risks in financial disclosures. Discuss ESG/S issues as mostly separate from core business activities. Issue a sustainability report.	Annual Report includes strong messages about **material** ESG/S issues (full **value chain**). ESG/S KPIs are reported along with key business metrics in financial disclosures. Sustainability is woven into business messages and communications.	Annual Report has ESG/S information fully integrated, such that. ESG/S issues are not easily distinguished from core business issues. Strategic messaging is aligned with **net positive** impact.
6.2	**Disclosure of ESG/S Impacts and Strategy**	Disclose required information. Follow ESG/S disclosure and reporting frameworks and tools that are generally accepted among industry peers.	Disclose detailed information about **material** ESG/S impacts in own operations (and risks to the company). Provide annual progress review, typically reporting successes.	Disclose detailed information about **material** ESG/S impacts across full **value chain**. Disclose strategy and detailed roadmap to achieving ESG/S goals (often including **net zero**). Publicly report successes and challenges.	Reporting includes comprehensive qualitative information on positive and negative impacts across the **value chain**, with efforts to quantify impacts, where possible.
6.3	**Assurance and Verification of ESG/S**	Company does not solicit formal verification of ESG/S business processes or data.	Company's internal audit staff (or third party) reviews process and verifies selected data.	Company retains a credible, independent third party to review and provide assurance over the report process, including ESG/S data (e.g., *'limited' assurance*).	Company's third-party review is consistent with its review of financial controls (e.g., *'reasonable' assurance'* of data) and addresses alignment with key ESG reporting frameworks.
6.4	**Transparency**	Adopt a cautious approach, remaining consistent with industry sector peers. Communicate ESG/S impacts when necessary.	Align with some commonly accepted ESG/S principles (e.g., balance, comparability, verifiability). Earn respect from **NGOs**, perhaps via lack of negative attention.	Align with all commonly accepted ESG/S principles (e.g., all "qualitative characteristics of useful information" in the **ESRS** or **IFRS** standards, or **GRI reporting principles**). Earn strong respect from key **NGOs**.	Earn recognition as leading on transparency – addressing each of the **GRI reporting principles** or equivalent. Drive increased transparency across **value chain** and among industry peers.
6.5	**Public Policy (e.g., Lobbying) Alignment**	Company's public policy positions on ESG/S issues and risks (e.g., lobbying, political contributions, etc.) are aligned with industry association positions.	Company engages with associations whose positioning and lobbying are consistent with company ESG/S positions and objectives.	Company engages with associations that have taken a leading position on major ESG/S issues (e.g., supporting goal of **net zero** GHG emissions by 2050).	Company's lobbying and ESG/S policy positions and actions are robust (e.g., **net zero** or net positive impact), transparent, and consistent with ESG/S goals.
6.6	**Corporate Marketing and Advertising**	Commit to protecting consumer data and privacy. Address customer concerns (though perhaps not addressing **material** ESG/S risks).	Convey clear, balanced messages – not exaggerating, not making unverified claims or false comparisons when stressing ESG/S benefits. Solicit feedback from **stakeholders**.	Demonstrate responsible advertising and marketing through clear, truthful, complete, relevant, and transparent messaging. Promote responsible consumption.	Earn ethical marketing credentials and reputation from external stakeholders that critically analyze industry sector peer companies.

[1] **Bold words or phrases: this term is defined in Appendix A**.

Section 2: Strategy and Execution

This section contains 27 Key Sustainability Indicators (KSIs) across 5 Elements (7-11); details are found on the pages that follow:

Element#	Element	# KSIs
7	**Customers and Markets**: How are we working with key customers to reduce their full life cycle impacts and create sustainable solutions?	5
8	**Strategic Planning**: To what extent are ESG considerations fully embedded in our company's strategic and operational planning processes?	6
9	**Innovation, Research and Development**: How are sustainability and ESG issues integrated into innovation research, processes, and investments – ultimately aimed at helping our customers and delivering value to society?	5
10	**Product Offerings**: How deeply are ESG risks and opportunities embedded in our evolving portfolio of product, service, and solution offerings?	6
11	**Supply Chain Management**: How deeply and robustly are we managing ESG risks associated with the company's overall approach to supply chain management? [Note: individual environmental and social supply chain issues (e.g., climate, waste, human rights, etc.,) are addressed separately below.]	5

NOTE:

- For all KSIs, *stages are additive*: e.g., to be Stage 3 requires meeting metrics in Stages 1, 2, and 3.
- Bold words or phrases found within the stage definitions are terms defined in Appendix A.
- *Most Important KSIs*: Using ESG Navigator, companies select roughly 10-20% of the KSIs that are especially critical to your company over the next 12-24 months to: *reduce ESG risk*; *grow new revenue streams* from more sustainable offerings; and *enhance reputation* and brand. Use the following criteria to rate importance of ESG topics/KSIs:
    - Strategy Section: Which ~4-6 of the 27 Strategy KSIs are *most important to driving tomorrow's revenue growth from more sustainable products, services, and solutions?*

Element 7: *Strategy:* Customers and Markets

Key Question: How are we working with key customers to reduce their full life-cycle impacts and create sustainable solutions?

[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	**Customer ESG/S Engagement**	Engage with customers to instruct on safe product use. Respond to customer ESG/S requests. Solicit feedback about ESG/S features and impacts of existing products and services.	Engage with customers to reduce collective **footprint**. Understand ESG/S goals of key customers and discuss ESG/S attributes. Cut negative ESG/S impacts of **products, services, and solutions (PSS)**.[1] Share ESG/S attributes of existing and new **PSS**.	Engage with customers by investing significantly to cut collective **footprint** across full **value chain** and to create sustainable **PSS**. Work with customers to meet ESG/S goals.	Engage with customers to jointly create or expand market for sustainable **PSS** that meet rigorous criteria for ESG/S attributes. Pioneer innovative business models (e.g., **closed loop**).
7.2	**Market Strategy: Existing Products, Services, & Solutions**	Sell existing portfolio of products, services, and solutions (**PSS**) into traditional markets and market segments. Expand into new markets motivated by traditional business factors (e.g., regulations, economics).	Develop or expand **PSS** offerings with enhanced ESG/S features in existing markets or market segments (e.g., by geography, customer base, demographic).	Grow sales of ESG/S attributes and products systematically. Implement exit strategy for selling **PSS** with negative ESG/S impacts.	Launch industry **PSS** breakthroughs with new ESG/S features. Differentiate from competitors based (in part) on ESG/S features.
7.3	**Market Strategy: New Products, Services, & Solutions**	Expand product offerings motivated by traditional business factors (e.g., regulations, economics, etc.).	Expand product offerings by working with customers, repositioning existing **PSS** taking advantage of enhanced ESG/S features.	Expand product offerings by working with customers to rapidly grow ESG/S product portfolio. Launch industry breakthroughs. May also selectively adopt **green financing**, aligning with company purpose.	Reimagine the market to advance ESG/S agenda. Map ESG/S investments to most **material** issues across the **value chain**. Adopt green financing (e.g., **GSS bonds**) to directly connect ESG/S to the firm's cost of borrowing.
7.4	**Product Portfolio Transformation**	Consider sustainable attributes when extending existing product lines.	Make pilot investments in ESG/S features to add or extend current products, services, and solutions (**PSS**). Set criteria for phasing out less-sustainable PSS.	Incorporate ESG/S in all business decisions as company invests in and rolls out new **PSS** lines. Systematically phase out less ESG-advantaged **PSS**.	Transform company's **PSS** portfolio to fully embrace ESG/S attributes. Lead as the market grows, while rapidly exiting less-sustainable **PSS**.
7.5	**ESG/S Impacts on Brand**	Company brand does not focus predominantly on ESG/S. Company publicizes activities in favorable ESG/S light.	Company brand focuses increasingly on ESG/S issues. Seeks brand recognition via **ESG ratings** (e.g., ISS, MSCI, Sustainalytics, CDP, etc.).	Company brand demonstrates ESG/S excellence – not only in own operations but across **value chain**.	Company brand is tied directly to driving **total societal value** – and often to one or more of the **SDGs.**

[1] **Bold words or phrases: this term is defined in Appendix A**.

Element 8: Strategy: Strategic Planning

Key Question: 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	**Strategic Planning Process**	Strategic planning process(es) incorporate conventional social responsibility and **EHS**[1] topics. ESG/S is not a key driver of business strategy.	Strategic planning process(es) formally incorporate **material** ESG/S issues in own operations. ESG/S is becoming a driver of business strategy. Company has a separate sustainability strategy.	Strategic planning process(es) formally incorporate **material** ESG/S issues across full **value chain**. ESG/S is a major driver of business strategy, resulting in new offerings and business models.	ESG/S issues drive strategic planning, resulting in a bold roadmap to decarbonization, footprint reduction, and social equity enhancement.
8.2	**Use of Scenario Analysis**	Use informal processes to identify potential future ESG/S impacts on the business.	Use a formal **scenario** analysis process to systematically identify and assess major ESG/S drivers (in terms of impact and uncertainty).	Use best-in-class **scenario** analysis process to address most **material** ESG/S issues (full **value chain**) – including decarbonization scenario(s) aligned with latest international agreement on climate change, reviewed with C-suite.	Use scenario analysis to identify key determinants of resilience and integrate actions and monitoring into strategic planning and risk management. Engage with **board** to explore scenarios and results.
8.3	**ESG/S Cost Reduction**	Employ traditional costing. Focus on reducing **footprint** (emissions, packaging, waste, etc.).	Cut waste aggressively, perhaps linked to **Six-Sigma**. Early stages of ESG/S **impact valuation**.	Cut waste relentlessly, viewing waste and impacts as cost. Use tools (e.g., **impact-weighted accounting** or **full-cost accounting**) across full **value chain**.	Achieve full **value chain** reduction of key **material externalities**, resulting in full life-cycle cost savings.
8.4	**Enterprise Risk Management**	**Material** ESG/S risks are not fully integrated into the company's (formal or informal) risk management process(es).	**Material** ESG/S issues (own operations) are considered as part of the company's **enterprise risk management** process.	**Material** ESG/S issues (full **value chain**) are considered as part of the company's **enterprise risk management** process. Ownership of ESG/S risks is distributed across the organization.	**Material** ESG/S issues are considered as drivers as existing risks, before being integrated into **enterprise risk management** as standalone risks. C-suite member(s) personally own **material** ESG/S risks**.**
8.5	**Revenue Pipeline from ESG/S Products, Services and Solutions (PSS)**	Sustainability attributes of **products, services, and solutions (PSS)** are not widely viewed as a revenue driver (unless customer asks).	Sustainability-advantaged **PSS** sales are reported. Work with customers to shape ESG/S investments. Track pipeline of new ESG/S-advantaged PSS.	Sustainable **PSS** portfolio (or equivalent) is growing (approaching 50% of revenue) with formal, robust criteria. Significant investments in ESG/S.	Sustainability drivers dominate growth options. Company is on track to generate most sales from sustainability-advantaged **PSS**.
8.6	**Capital Allocation to Address ESG/S Impacts**	**CapEx** (e.g., about 25% for many sectors) is driven by ESG/S risks, using traditional metrics.	**CapEx** (about 25-50% for certain sectors) addresses **material** ESG/S risks (and perhaps opportunities) in own operations.	**CapEx** (>50% for certain sectors) aligns with company transforming to address **material** ESG/S risks & opportunities across the **value chain**. Invest selectively in **natural capital**.	**CapEx** (often >75% for certain sectors) aligns with company rapidly transforming to achieve **net positive** ESG/S impact. Invest considerably in **natural capital**.

[1] **Bold words or phrases: this term is defined in Appendix A.**

Element 9: Strategy: Innovation, Research & Development

Key Question: How are sustainability and ESG issues integrated into innovation research, processes, and investments – ultimately aimed at helping our customers and delivering value to society?

[NOTE: 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"*
9.1	**Linkage Between ESG/S and Innovation**	No formal linkage between ESG/S and the company's innovation processes.	ESG/S issues are formally embedded in innovation processes. Employees are encouraged to pursue ESG/S-related initiatives.	ESG/S is fully integrated with innovation as a vital part of business processes and culture.	ESG/S is driver of long-term growth. Goal is to decouple sales growth from full **value chain footprint**.[1]
9.2	**ESG/S in Materials and Labor Inputs**	Regulations are the main ESG/S driver in evaluating materials and labor inputs into new **products, services, and solutions (PSS)**.	Processes are in place to systematically reduce higher-hazard materials and labor inputs for **PSS**. May use some **life cycle assessment (LCA)** tools.	Processes are in place to eliminate all higher-hazard materials and labor inputs into consumer products, with a growing use of **LCA**. Rapidly growing use of natural and recycled or recyclable materials.	Processes are in place to eliminate high-hazard materials and labor inputs and to maximize use of natural and highly recycled or recyclable materials.
9.3	**ESG/S in Product Design and Development**	Use basic **stage gate process** for product development with ESG/S issues considered, if indirectly. Limited or no use of eco-design tools.	Formally consider life cycle ESG/S risks and impacts, essentially "bolted-on" to the product development process. Create **PSS** offerings that help customers cut their **footprint**/impacts.	Assess ESG/S issues, risks, and opportunities formally and at an early stage, "woven-in" at each key step. Use eco-design tools in a formal, fully integrated process. Tie ESG/S waste to **Lean Six Sigma** (zero defects).	Determine "go/no-go" decision early in the process based on product ESG/S risk assessment and related metrics. Use innovative eco-design tools aimed at **closed loop** processes.
9.4	**R&D Partnerships - Driving ESG/S Benefits**	Engage in some ESG/S-related R&D partnerships (e.g., with universities, incubator start-ups, etc.) to collaborate on ESG/S issues.	Actively engage in ESG/S-related R&D partnerships to collaborate on ESG/S issues, challenges, and opportunities.	Frequently engage with current and potential R&D partners to collaborate on ESG/S issues, challenges, and opportunities.	Aggressively seek ESG/S-related R&D partnerships that could have a significant business and societal impact. Work with ESG/S thought leaders.
9.5	**R&D Investment in ESG/S Products (PSS) and Technology**	Rarely invest in R&D or new technologies targeted at sustainable **products, services, and solutions (PSS)**. Work with customers to refine and upgrade **PSS** with incrementally better ESG/S benefits.	Pilot new ESG/S **PSS**, but typically less than 25% of total R&D investment. Partner with customers, using technologies such as advanced analytics, process efficiencies, etc. to reduce **PSS footprint**.	Invest early to create demand for ESG/S **PSS**. Build a pipeline of new **PSS** to address customer needs (often about 50% of total R&D investment). Invest in advanced technologies to help suppliers and customers reduce their **footprint**.	Make major investments in disruptive technologies, aligned with corporate purpose, to reduce full **value chain footprint** – driving to **net zero**. Partner with customers to systematically reduce **material** ESG/S impacts across the **value chain**.

[1] **Bold words or phrases: this term is defined in Appendix A.**

Element 10: *Strategy*: Product Offerings

Key Question: How deeply are ESG risks and opportunities embedded in our evolving portfolio of product, service, and solution (PSS) 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"*
10.1	**Product Value Proposition**	Focus is selling products and providing value (e.g., price and quality) to customers and shareholders, while ensuring **products, services, and solutions** (**PSS**)[1] do not harm human health or environment.	Focus is shifting toward sustainability; the value of **PSS** is both to customers/shareholders and to society at large. Company maps **PSS** strategies to material ESG/S impacts and the **SDGs**.	Focus is growing ESG/S services and solutions, while shifting away from products that do not align with ESG/S. Societal value of offerings is highly visible (e.g., disclose **PSS** that decarbonize, enhance biodiversity, can be reused or recycled, etc.).	Focus is moving increasingly to products supporting **net zero** and to services and solutions. Societal value of offerings and driving toward a **closed loop supply chain** are core.
10.2	**Product (PSS) Stewardship**	Working to reduce or phase out hazardous substances from **PSS**. Build/enhance positive ESG/S features. Do not conduct formal product audits.	Review and address negative ESG/S aspects systematically. Implement basic **design for environment (DfE)** criteria. Pilot ESG/S-focused **PSS**. Implement product stewardship review program.	Review product portfolio vs. societal needs and benefits. Publicly accept full life cycle responsibility and accountability. C-suite-led greening of product portfolio. Audit against robust ESG/S criteria.	Quantify ESG/S and financial benefits for existing and new **PSS.** Purposefully grow green and/or healthy **PSS.** Demonstrate track record of positive ESG/S performance.
10.3	**Product (PSS) ESG/S Risk Assessment**	Use product ESG/S risk assessment selectively - for products that are high-risk and/or high business impact. Do not use formal **life cycle assessment (LCA)** or equivalent.	Use product ESG/S risk assessment (e.g., **LCA** for environment and equivalent for social impacts) for key product lines/families to identify major ESG/S risks.	Use formal ESG/S risk mapping to drive portfolio changes within and across product lines. Product ESG/S risk assessment is core to new **PSS** growth.	Use **cradle-to-cradle** metrics (or equivalent) for existing and all new products, services, and solutions.
10.4	**Product (PSS) ESG/S Labeling and Rating**	Use standard industry codes, certifications, and labels. Disclose hazardous substances.	Use simple labeling methods for rating product ESG/S impacts. Use ESG/S labeling (e.g., eco, health, etc.).	Use sector-leading product labeling and rating to convey ESG/S impacts and drive transparency.	Use industry-leading product labeling and rating supporting portfolio changes across businesses.
10.5	**Product (PSS) Quality and Safety**	Product quality and safety standards are driven predominantly by laws and regulations.	Product quality and safety standards incorporate ESG/S impacts beyond compliance.	Product quality and safety standards include full range of ESG/S impacts (e.g., durability vs. disposable products).	Product quality and safety standards across portfolio are fully aligned with **sustainability principles**, e.g., **circular economy**.
10.6	**Product (PSS) Marketing and Advertising**	Encourage safe and responsible use. Company is "selectively quiet" about potential product ESG/S risks.	Communicate ESG/S challenges and opportunities in advertising, sharing critical information on full **supply-chain** ESG/S impacts.	Communicate full **life-cycle** impacts, challenges, and successes in product advertising, labelling, and marketing. Goal is full transparency.	Communicate (often **LCA**-based) **cradle-to-cradle** impacts. Actively promote responsible consumption, 100% recycling, etc.

[1] **Bold words or phrases: this term is defined in Appendix A**.

Element 11: *Strategy:* Supply Chain Management

Key Question: How deeply and robustly are we managing ESG/S risks associated with the company's overall approach to supply chain management? [Note: individual environmental and social supply chain issues (e.g., climate, waste, human rights) are addressed in separate sections.]

[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"*
11.1	**Responsible Sourcing Approach**	Sourcing and supplier vetting process includes ESG/S criteria limited to basic compliance with regulations and common industry practices.	Build responsible sourcing (ESG/S) criteria in at all stages of the **supply chain**[1] (i.e., segmentation, onboarding, establishing KPIs). Treat **supply chain** partners in a fair and inclusive way – without bias or discrimination.	Incorporate ESG/S into buyer performance goals and incentives. Include logistics and indirect materials. Demonstrate reliability and ability to continue operating amidst disruptions.	Embed responsible sourcing policies, standards, and processes throughout the company (regions, businesses, functions) – setting a high standard for industry peers.
11.2	**Engaging on Material (Supply Chain) Issues**	Assess ESG/S issues in own operations to gain baseline awareness. Engage in dialogue across supply chain about ESG/S issues.	Conduct **supply chain** ESG/S risk assessment to identify "hot spots." Engage in ongoing dialogue on most **material** ESG/S issue(s). Offer basic ESG/S training to tier 1 suppliers.	Engage to jointly conduct robust mapping of ESG/S risks throughout **supply chain** – by supplier tiers, ESG/S issues, and risks.	Engage in ongoing dialogue on all **material** ESG/S issue(s) across full **supply chain**, with a focus on growth and opportunity. Foster peer learning on addressing material ESG/S issues.
11.3	**Standards for Supply Chain ESG/S Impacts**	Impose conventional contract requirements, focusing primarily on compliance. Share industry-wide standards with key suppliers.	Impose basic ESG/S contractual requirements; include ESG/S questions in formal supplier quality assessments. Require Tier 1 suppliers to set their own ESG/S goals. Adopt formal ESG/S procurement policy.	Establish robust ESG/S controls and systems across full **supply chain**. Demonstrate that supplier selection (or dismissal) can be based on ESG/S performance. Require Tier 1 suppliers to cascade key ESG/S requirements down to lower tiers.	Impose non-negotiable ESG/S requirements for demonstrated impact reduction. Apply **root cause analysis** to actively reduce ESG/S footprint in the entire **supply chain**.
11.4	**Measuring Supply Chain ESG/S Impacts**	Measure **supply chain** ESG/S impacts by relying primarily on suppliers' reports. Protect privacy through secure information storage and privacy policies.	Measure **supply chain** ESG/S impacts by requiring major suppliers to report KPIs related to ESG/S.	Measure results from supplier engagement to drive ESG/S performance improvement. Engage with 2nd tier suppliers on ESG/S issues. **Supply chain** investigations extend broadly. Results are reported publicly.	Measure, track, and report material ESG/S impacts throughout the **supply chain** with a goal of **net positive** impacts. Investigations analyze root causes and implement revisions to procurement processes.
11.5	**Verifying Supply Chain ESG/S Impacts**	Conduct basic due diligence and rely on suppliers to conduct compliance assurance (self-audits).	Conduct supplier risk analysis and/or specialist impact assessments regarding ESG/S impacts of business operations for internal analysis.	Conduct third-party audits of **material** ESG/S issues at tier 1+ suppliers and report audit results publicly.	Conduct third party audits of suppliers in higher-risk countries (as defined by Human Rights Watch or similar list). Publish audit results.

[1] **Bold words or phrases: this term is defined in Appendix A**.

Section 3: Environmental Stewardship

This section contains 22 Key Sustainability Indicators (KSIs) across 3 Elements (12-14); details are found on the pages that follow:

Element#	Element	# KSIs
12	**Environmental Footprint: Operations**: How deeply and robustly are we managing and reducing the environmental risks associated with our wholly owned (and >50 percent owned joint venture) operations globally?	7
13	**Environmental Footprint: Supply Chain**: How deeply and robustly are we managing and reducing the environmental risks associated with the company's full supply chain impacts?	7
14	**Environmental Footprint: Products, Services, and Solutions:** How deeply and robustly are we managing and reducing the environmental risks associated with our products, services, and solution offerings?	8

NOTE:

- For all KSIs, *stages are additive*: e.g., to be Stage 3 requires meeting metrics in Stages 1, 2, and 3.
- Bold words or phrases found within the stage definitions are terms defined in Appendix A.
- *Most Important KSIs*: Using ESG Navigator, companies select roughly 10-20% of the KSIs that are especially critical to your company over the next 12-24 months to: *reduce ESG risk*; *grow new revenue streams* from more sustainable offerings; and *enhance reputation* and brand. Use the following criteria to rate importance of ESG topics/KSIs:
    - Environment Section: What ~3-4 of the 22 Environment KSIs are *the most material environmental issues, representing greatest risk to your company and industry sector(s)?*

Element 12: Environmental Footprint: Operations

Key Question: How deeply and robustly are we managing and reducing the environmental risks associated with our wholly owned (and >50% owned joint venture) operations globally?

[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"*
12.1	**GHG Emissions: Owned/Controlled Sources (Scope 1)**	Company is on target for about 10-20% reduction in **Scope 1 GHG emissions**[1] from baseline year.	Company is on target for about 20-50% reduction in **Scope 1 GHG emissions** from baseline year.	Company is on target for about 50-80% reduction in **Scope 1 GHG emissions** from baseline year.	Company is on target for being **carbon neutral** or better (use of unbundled RECs or low-quality offsets is not permitted).
12.2	**GHG Emissions: Energy Purchased (Scope 2)**	Source most energy (e.g., fuel, electricity, transport, etc.) from conventional sources (oil, gas, coal) with <10% renewables.	Source growing portion (about 10-30%) of total energy used from renewables. Strong energy efficiency programs.	Source about 30-60% of total energy used from renewables. Moving towards goal of sourcing 100% renewables.	Source 100% renewable energy. Company is on target for being **carbon neutral** or better (use of unbundled RECs or low-quality offsets is not permitted).
12.3	**Non-Carbon Emissions**	Manage emissions (e.g., SOx, NOx, particulates, VOCs, TRI compounds, etc.), spills, and releases for compliance.	Manage all facilities and emissions to the toughest regulatory standards globally.	Manage for zero discharge of hazardous substances.	Achieve zero discharge of hazardous substances and 100% fully benign emissions.
12.4	**Buildings and Equipment**	Launch targeted efforts to reduce energy use in owned buildings and equipment.	Launch major initiative (e.g., **carbon neutral** on-site goal), and achieve **LEED** standards on selected new buildings.	Achieve LEED standards on all new buildings. Ensure they are not sited in sensitive habitats. Do aggressive retrofits.	Drive all owned or leased buildings to **net zero** energy within five years. Working towards LEED certification for all buildings.
12.5	**Water Management**	Achieve incremental reduction of water consumed. Focus on compliance in own operations.	Achieve significant reduction of water use, with focus on high-risk sources. Focus on compliance in own operations and >50% joint ventures.	Achieve **water neutrality** in selected operations. Discharged water is cleaner than water sourced. Manage to toughest standards globally.	Achieve **water neutrality** in all operations. Manage for net **water positive** impact on stressed aquifer supply.
12.6	**Biodiversity and Land Management**	Focus on compliance and protection. Remediate (clean up) or restore land as required.	Establish a biodiversity policy, going beyond minimum regulatory requirements. Promote and invest in cleaning up owned land (e.g., **brownfield redevelopment**).	Actively protect biodiversity and natural capital, reducing **physical risk**. Restore habitats of strategic importance to company.	Reduce nature-related impacts as much as possible. Restore and protect habitat aggressively. Invest in (and promote the value of) **natural capital** as part of an integrated approach to addressing both habitat loss and climate change.
12.7	**Waste Management**	Implement goals to reduce hazardous waste and report progress on waste reduction (e.g., per unit of production).	Reduce, reuse, and recycle (about 25-50%) hazardous and non-hazardous wastes with demonstrated success.	Reduce, reuse, and/or recycle about 50-75% of generated waste materials used. Achieve significant examples of **zero waste to landfill** and 100% recycling.	Achieve **zero waste to landfill**, 100% recycling, & zero hazardous waste to the extent economically feasible.

[1] **Bold words or phrases: this term is defined in Appendix A**.

Element 13: Environmental Footprint: **Supply Chain**

Key Question: How deeply and robustly are we managing and reducing the environmental risks associated with the company's 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"*
13.1	**Approach to Supply Chain Environmental Impacts**	Comply with industry standards regarding environmental **footprint**.[1] Focus on quality, cost, and dependability (more than environmental impacts).	Engage with key suppliers to assess and actively reduce their environmental impacts. Provide ESG/S training to suppliers.	Engage upstream supply tiers to aggressively cut **material** environmental impacts. Set joint impact reduction goals.	Partner with suppliers to drive **supply chain** environmental **footprint** toward zero. Monitor performance vs. joint customer-supplier goals. Collaborate around growth opportunities.
13.2	**Materials Sourced: Human Made** *(e.g., chemicals, metals, plastics, etc.)*	Adopt some resource efficiency efforts with a focus on compliance. Source about 10-20% recycled content.	Eliminate prioritized list of toxics and "de-select" hazardous materials. Source 20-50% recycled content.	Apply **green chemistry** principles aggressively, eliminating toxics and high ESG/S risk product inputs. Source 50-75% recycled content.	Approach **closed loop** with 75-100% recycled content. Align with **green chemistry** principles.
13.3	**Materials Sourced: Biological-based** *(e.g., forest products, etc.)*	Source in conventional ways, with a compliance focus, incremental reductions, and aligned with industry codes.	Source 25-50% (growing) from responsible and/or certified **ESG/S** sources with goals for growing bio-based inputs.	Source >50% bio-based plastics and materials. Conduct analyses (e.g., **LCA**) to demonstrate that bio-based are preferred.	Source 100% from responsible and/or certified **ESG/S** sources: 100% bio-based materials if proven (e.g., through **LCA**) to be ESG positive.
13.4	**Scope 3 GHG Emissions**	Engage across **supply chain** on major ESG/S issues/risks – but with limited focus on **supply chain GHG** emissions.	Engage across **supply chain** to quantify and reduce **Scope 3 GHG** emissions.	Engage across **supply chain** with strong goals in place to cut **Scope 3 GHG** emissions.	Engage actively with suppliers, customers, and others, successfully meeting a **science-based target** to cut **Scope 3 GHG** emissions.
13.5	**Supply Chain Impact: Biodiversity**	Manage biodiversity to maintain compliance and minimize risks. Focus on the company's own operations.	Assess and reduce negative **biodiversity** impacts within own operations and key **supply chain** "hot spots" - but don't invest in biodiversity.	Achieve a high level of restoration in own operations and invest in enhanced **biodiversity** across the **supply chain**.	Source 100% sustainably to restore, preserve, and enhance **biodiversity**, independently verified. Leader on biodiversity protection and restoration efforts.
13.6	**Supply Chain Impact: Water**	Manage supply chain water issues to maintain compliance.	Work with suppliers to better understand systems and reduce water use (e.g., by 10-25%).	Lead industry efforts. Replenish water with strong focus on water quality preservation.	Achieve **water neutral** status across **supply chain** with leading position on water quality preservation.
13.7	**Supply Chain Impact: Waste**	Manage supply chain waste issues to maintain compliance.	Work with suppliers to slash hazardous (and non-hazardous) waste (e.g., by 10-25%).	Work with suppliers to adopt "zero waste to landfill" (or equivalent) programs.	Collaborate with suppliers to report success in demonstrating "zero waste to landfill" (or equivalent) and heighten industry standards.

[1] **Bold words or phrases: this term is defined in Appendix A**.

Element 14: *Environmental Footprint:* Products, Services, and 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	**Responsibility for Product (PSS) Use and End-of-life**	Focus on compliance, with typically informal systems for product take-back, recycling or reuse of **products, services, and solutions (PSS)**[1] sold.	Assume responsibility for the company's **PSS** following useful life (e.g., via take-back, etc.). Follow industry codes of conduct (e.g., **WEEE**).	Measure and report portion of **PSS** portfolio that achieves **closed loop**. Ensure responsibility for the company's **PSS** following useful life.	Implement robust systems ensuring end-of-life responsibility that approaches **closed loop** and preserves or restores **ecosystem services.**
14.2	**Traceability Related to Products (PSS)**	Focus on compliance when monitoring inputs through life-cycle stages, with little focus on traceability of source materials.	Ensure that some key source materials (e.g., ones that **NGO**s focus on or ones that are key to sales) come from **traceable** sources.	Establish and implement processes to ensure that the majority of source materials come from **traceable** sources.	Ensure that all high-risk ESG/S source materials inputs are **traceable** (e.g., from raw material extraction to product end-of-life).
14.3	**Carbon (GHG) Impact of Products (PSS)**	Focus on low cost. Carbon (GHG) impact associated with customer and consumer use of **PSS** is not a major priority.	Decrease carbon (GHG) impact associated with customer and consumer use of **PSS** by about 10-25% from baseline year.	Decrease carbon (GHG) impact associated with customer and consumer use of **PSS** by about 25-50% from baseline year.	Design all **PSS** for minimum carbon (GHG) impact and maximum energy efficiency.
14.4	**Durability of Products (PSS)**	Focus **PSS** portfolio on traditional elements (product quality and low cost), with most products being single-use and disposable.	Transition from low-cost, single-use (often disposable) products to more durable, longer-lasting products in a public, transparent way.	Change the revenue model (as appropriate) by building products to last. Systematically increase the lifecycle of the company's **PSS**.	Build a robust product life-extension business. Sell highly durable products; shift from selling products to selling products as a service where possible.
14.5	**Biodegradability of Products (PSS)**	Pursue **biodegradability** associated with **PSS** as beneficial, though not a major consideration.	Some product offerings are **biodegradable** (as applicable). Internal biodegradability calculations not subject to external validation.	Most product offerings are **biodegradable** (as applicable). Internal biodegradability calculations are externally validated.	All product offerings are **biodegradable** (as applicable). Internal biodegradability calculations are externally validated by highly respected rating agencies.
14.6	**Recyclability and Reusability of Products (PSS)**	Achieve product or **PSS** recyclability and reusability when economically beneficial.	Achieve **PSS** recyclability and reusability for some offerings, driven by customer pressure.	Achieve **PSS** recyclability and reusability for most **PSS** portfolio offerings as a key strategic priority.	Achieve **PSS** recyclability and reusability for entire **PSS** portfolio (as applicable).
14.7	**Water-Use Efficiency of Products (PSS)**	Increase water use efficiency when driven by customer requests and goals, or when required by regulatory standards.	Improve water use efficiency (e.g., about 10-20%) during customer use of **PSS** across major water-consuming **PSS**.	Improve water use efficiency (e.g., >25%) during customer **PSS** use across water-consuming **PSS**. Design new **PSS** for minimum water use.	Improve water use efficiency (e.g., >50%) during customer use of **PSS** (for water consuming **PSS**). Design all **PSS** for minimum water use.
14.8	**Product Packaging**	Reduce product packaging when economical. Provide some renewable, recyclable, or reusable packaging.	Reduce product packaging. Provide about 25-50% of total packaging that is renewable, recyclable, and/or reusable.	Significantly reduce product packaging. Provide about 50-75% of total packaging that is renewable, recyclable, and/or reusable.	Provide renewable, recyclable, and/or reusable options approaching 100% of total packaging.

[1] **Bold words or phrases: this term is defined in Appendix A**.

Section 4: Social Responsibility

This section contains 18 Key Sustainability Indicators (KSIs) across 3 Elements (15-17); details are found on the pages that follow:

Element#	Element	# KSIs
15	**Social Performance: Workplace**: How do~~es~~ our workplace environment and supporting programs, incentives, and initiatives engage our employees and others in sustainability issues?	7
16	**Social Performance: Supply Chain**: How deeply and robustly are we managing and reducing the social risks associated with the company's full supply chain impacts?	5
17	**Social Performance: Community**: What types of policies, programs, partnerships, and investments are we making to benefit the communities in which we operate and society at large?	6

NOTE:

- For all KSIs, *stages are additive*: e.g., to be Stage 3 requires meeting metrics in Stages 1, 2, and 3.
- Bold words or phrases found within the stage definitions are terms defined in Appendix A.
- *Most Important KSIs*: Using ESG Navigator, companies select roughly 10-20% of the KSIs that are especially critical to your company over the next 12-24 months to: *reduce ESG risk*; *grow new revenue streams* from more sustainable offerings; and *enhance reputation* and brand. Use the following criteria to rate importance of ESG topics/KSIs:
    - Social Section: What ~3-4 of the 18 Social KSIs are *the most material social issues, representing greatest risk to your company and industry sector(s)?*

Element 15: Social Performance: Workplace

Key Question: How do 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**	Company meets basic needs, honors individual privacy, and fosters pay equity - including a **living wage.**[1] Focus is mostly "inside the fence line" (company operations).	Company provides a supportive work environment and a transparent workplace. Focus is work, home and family, supported by pay equity analysis and **living wage** audit.	Company stands for something meaningful and is among best to work for in sector. Focus is work, home, family, and community. Achieve 100% gender and race pay equity globally. Employees value the high transparency culture.	Company highly values **human capital** and "*walks the talk*." Employees are truly living the company purpose – driving achievement of robust ESG/S goals.
15.2	**Diversity, Equity, and Inclusion (DEI)**	Provide a workplace with equal opportunity without discrimination. Make public commitments (e.g., equal opportunity). Outline DEI-focused programs and training.	Provide a diverse and inclusive workplace. Commit to strong DEI programs including 100% gender pay equity globally. Company processes explicitly consider diverse candidates.	Actively create inclusive environment. Incorporate diversity goals and metrics, achieving 25% ethnic diversity in corporate leadership.	Push the boundaries of industry sector with a highly diverse C-suite and staff. DEI policies extend to business partners, vendors, and suppliers (e.g., >30% spending with minority businesses).
15.3	**ESG/S in Recruitment and Retention**	Emphasize traditional benefits in hiring and managing workforce (e.g., childcare, telecommuting, etc.).	Appeal to worker ESG/S expertise and passion. Provide some opportunities for ESG/S learning. Solicit basic employee feedback.	Invest in and reward ESG/S initiatives. Assess if benefits are meeting employee needs. Provide many opportunities for ESG/S learning.	Reward ESG/S success and expertise with high profile (e.g., C-suite/board) recognition. ESG/S impacts are among the best in industry.
15.4	**Safety Programs and Performance**	Company promotes safety performance generally consistent with peers.	Company provides strong leadership, driving safety performance (e.g., conform to ISO 45001 standard).	Company invests in building a robust safety culture – with proven results. Top quartile across all industry.	CEO/C-suite drive safety culture that is pervasive across the company and constantly reinforced. A leader across all industry.
15.5	**Health, Wellness, and Sustainable Lifestyles**	Provide a comfortable work environment with insurance coverage, exercise benefits, voluntary programs, etc.	Provide formal health and wellness programs, encouraging broad employee participation. Offer health risk appraisals.	Provide formal health and wellness programs to employees– fully aligned with **SDGs**. Emphasize physical and mental health.	Provide formal health and wellness programs to all employees and business partners. Provide robust mental health programs.
15.6	**ESG/S Training and Staff Development**	Provide basic safety, ethics, diversity etc. training for all employees. Provide ESG/S skills training and career development.	Provide ESG/S short course for all staff. Promote career mobility (e.g., rotating jobs) and ESG/S learning. Provide, measure, and report ESG/S skills development.	Provide ESG/S employee training to help reduce **footprint**. C-suite engages in sustained ESG/S learning and skills development. Include ESG/S training in leadership development.	Invest in robust ESG/S training tools and infrastructure so that all staff are aligned with company ambitions. Provide high profile ESG/S learning for high potential employees.
15.7	**Employee Engagement with ESG/S**	Provide opportunities for employee ESG/S engagement - largely based on individual initiative.	Encourage a core set of ESG/S teams and networks, endorsed by the C-suite, and supported by awards & recognition.	Sponsor a broad ESG/S network and teams with C-suite oversight. Encourage volunteering on ESG/S initiatives.	Monitor, track, and support employees actively working on high-impact projects with major ESG/S value contribution.

[1] **Bold words or phrases: this term is defined in Appendix A.**

***Element 16*: *Social Performance:* Supply Chain**

Key Question: 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	**Approach to Supply Chain Social Impacts**	Comply with social responsibility standards and requirements. Focus on quality, cost, and dependability (over social impacts).	Implement formal responsible sourcing program and criteria to actively reduce negative social impacts. Provide ESG/S training to suppliers.	Engage upstream supply tiers to aggressively cut **material**[1] social impacts. Set joint impact reduction goals.	Partner with most suppliers to drive down negative social impacts across **supply chain**. Actively monitor performance vs. joint customer-supplier goals.
16.2	**Human Rights**	No formal human rights policy (other than perhaps protecting human rights of direct employees). Comply with laws, regulations, and global conventions. Conduct basic risk assessments to identify issues related to forced labor, child labor, abusive treatment, etc.	Publish a human rights policy. Endorse relevant global charters, including UN Conventions regarding child/forced labor.	Formal membership in UN Global Compact. Implement due diligence processes to ensure policies are carried out throughout the **supply chain**.	Publish results of human rights impact assessments across **supply chain**. Address sourcing from countries that exploit their people, with a strong drive to eradicate child/forced labor.
16.3	**Labor Relations**	Ensure that suppliers support minimum standards of worker health and safety, work hours, and wages. Support basic, structured relations with trade unions by key suppliers.	Require suppliers to establish and manage grievance mechanisms, systematically address discrimination, and have structured relations with employee representatives.	Require suppliers to respect freedom of association and commitment to strong labor relations.	Demonstrate leadership as a very strong promoter of labor relations throughout **supply chain**. Eliminate abuse of temporary contracts. Commit to independent whistleblower mechanism/protections.
16.4	**Supply Chain Diversity**	Define **supply chain** diversity baseline (e.g., based on current spend data). Include diverse businesses in **supply chain** where required by law or industry expectation. Engage in dialogue with local or regional diversity organizations.	Define targets/goals for diverse **supply chain** share. Ensure that the **supply chain** diversity program is integrated with corporate business processes. Track supplier diversity data.	Dedicate resources to ensure workplace diversity throughout the **supply chain**. Engage with suppliers, develop strategy, implement action plans, monitor data.	Publish progress against **supply chain** diversity goals. Publicly advocate for diversity across **supply chain**. Achieve external recognition for program and results.
16.5	**Supply Chain Capacity Building**	Work with key **supply chain** partners to ensure quality, dependability, and compliance.	Work with **supply chain** partners and some Tier 1 suppliers, industry groups, and peer companies to address major industry wide ESG/S issues.	Work with all Tier 1 suppliers (and, through them, with lower-tier suppliers) to eliminate negative ESG/S impacts across the **supply chain**.	Systematically partner with **supply chain** partners at multiple levels to eliminate negative impacts and improve supplier ESG/S performance overall.

[1] **Bold words or phrases: this term is defined in Appendix A**.

Element 17: Social Performance: Community

Key Question: 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	**Philosophy Regarding "Community"**	Focus on community initiatives (often locally or regionally) where it fits business goals and doesn't significantly affect bottom line.	Align community initiatives with company's **material**[1] ESG/S issues ("*think globally, act locally*"). Invest in community relations.	Engage with communities where company has **material** ESG/S impacts across the **supply chain**. Inspire employees to drive positive **total societal impact** aligned with company strategy.	Embed company in communities, driven by shared value (value to shareholders and to society). Actively measure and track **total societal impact.**
17.2	**Engagement with Communities and NGOs**	Approach communities and **NGOs** with the intent to win approval. Defend company positions. Respond to concerns to protect brand and reputation.	Approach communities and **NGOs** to anticipate future expectations and demonstrate corporate citizenship. Engage with "business-friendly" **NGOs.**	Engage communities and **NGOs** to listen, learn, and respond to needs and concerns. Factor input into strategic planning.	Engage deeply with communities and **NGOs**, focusing on key societal challenges. Use a formal, structured process (from C-suite to site managers) to engage **stakeholders**.
17.3	**Social Investment**	Invest resources (money and time) devoted to social action (often philanthropy in USA) consistent with industry peers in the same markets.	Invest resources to enhance societal value, growing transparency about the company's impacts and investments (e.g., financial contributions, pro-bono service, etc.).	Demonstrate significant positive impact of social investment, aligned with top few **material** ESG/S issues and/or **SDGs.** C-suite leadership is highly visible and consistent.	Earn high recognition and trust from communities globally that are impacted by the company's (full **value chain**) activities.
17.4	**Community and Stakeholder Partnerships**	Partner with local industry groups and selected **NGOs** to address community priorities.	Partner with industry peers, **value chain** partners, and **NGOs** to address key ESG/S issues in own sector(s), often with regional impact. Identify key sources of value (e.g., health; bio-based; locally produced; etc.).	Launch high-impact partnerships that address community needs. Lead efforts addressing most **material** ESG/S issues in own industry sector(s). Communicate transparently.	CEO joins other leaders in high-impact partnerships with **NGOs**, value chain partners, and a range of stakeholders to tackle a major societal challenge and material value chain impact.
17.5	**Infrastructure Development**	Invest in physical structures or systems that enhance societal value at a local level near company operations or offices (e.g., parks; schools).	Invest in needed infrastructure at a local or regional level, using local products and resources.	Invest in leading an infrastructure initiative with major, positive ESG/S impacts. Partner to achieve scale impacts (at a national level), with a focus on underserved communities.	Invest at scale globally. Partner with others to drive the **circular economy** and enhance societal value (e.g., eco-parks, smart cities, etc.) in relevant locations.
17.6	**Community Job Creation**	Company emphasizes local talent in purchasing and hiring decisions.	Company builds a local employment pipeline, targeting job opportunities in communities where it operates.	Company invests in broad-based (e.g., national) programs to enhance job creation (e.g., by supporting **STEM** internships).	Company drives business development programs to enhance job-creation nationally and in underprivileged communities.

[1] **Bold words or phrases: this term is defined in Appendix A**.

Appendix A: : Definitions

Definitions
Biodegradable (also **biodegradability):** The capacity for biological degradation of organic materials by living organisms down to the base substances such as water, carbon dioxide, basic elements and biomass.
Biodiversity: The enormous variety of life on Earth including every living thing - plants, bacteria, animals, and humans. It can be used more specifically to refer to all species in one region or ecosystem.
Board: Refers to the external Board of Directors (as with all U.S.-based public corporations); the governing body with oversight fiduciary responsibility for the corporation – or equivalent for privately-held companies. *[Note: the 'Supervisory Board' referred to often in Europe, consisting of the CEO and his/her direct reports, is not part of this section. That is covered under CEO Leadership and Culture and Organization.]*
Brownfield Redevelopment: The expansion, redevelopment or reuse of land and property which may be complicated by the presence or potential presence of hazardous substances or contaminants.
CapEx (Capital Expenditure): Funds used by a company to acquire, upgrade, and maintain physical assets such as property, plants, buildings, technology, or equipment. CapEx is often used to undertake new projects or investments by a company.
Carbon-neutral: Achieve a **net zero** carbon **footprint** by balancing a measured amount of carbon released (by a company, product, or activity) with an equal amount sequestered or offset - or buying enough carbon credits to make up the difference.
Carbon Price: an instrument that captures the external costs of greenhouse gas (**GHG**) emissions, tied to their sources through a price, usually in the form of a price on carbon dioxide (CO_2) emitted; pricing can be set internally or through regulations.
Circular Economy: An alternative to the traditional linear economy (make, use, dispose) in which resources remain in use for as long as possible, extracting the maximum value from them while in use, then recover and regenerate products and materials at the end of each product or service life.
Climate Change: Significant changes in global temperature, precipitation, wind patterns and other measures of climate that occur over several decades or longer.
Climate Risk: Includes both physical risks and transition risks: **Physical Risk:** Risk to assets due to variables in the climate/weather system that reach values that affect human life adversely. Risks typically include fire, drought, flooding, water scarcity, etc. **Transition Risk:** Risks from the transition of the economy/society to a clean, low-carbon economy. Risks typically include legislative, reputation and market risks.
Closed Loop: Also referred to as the **circular economy**, where materials, at the end of their useful life, are consistently repurposed, recycled, reused, reclaimed, restored, or otherwise converted to some use rather than discharged as waste.
Cradle-to-Cradle: A holistic framework for design of industry, products, buildings, or urban environments that seeks to create systems that are efficient and essentially waste free.
CSO (Chief Sustainability Officer): The most senior person responsible for overseeing ESG policy, positioning, and activities. *Note*: the person may or may not be officially designated as the CSO; ESG Navigator does not presume an official CSO is necessary.
CSR (Corporate Social Responsibility): Corporate practices designed to have a positive influence on the world. Often mis-used interchangeably with **sustainability**. **CSR** typically focuses on the 'social' dimension of sustainability only – it prioritizes communities, employees, and other stakeholders over effects on the environment, governance, and strategy dimensions.
Davos Manifesto: A set of ethical principles to guide companies in the age of the Fourth Industrial Revolution launched by the World Economic Forum – emphasizing ESG/S stewardship for future generations.
Design for Environment (DfE): A design approach to reduce the overall human health and environmental impact of a product, process, or service, where impacts are considered across its life cycle.
Ecosystem Services: Humankind benefits in a multitude of ways from ecosystems (e.g., cleaning drinking water, decomposing wastes, etc.). Collectively, these benefits are known as **ecosystem services**.
ESRS: European Sustainability Reporting Standards - Corporate sustainability reporting requirements for entities subject to the European Corporate Sustainability Reporting Directive (CSRD). Non-EU companies may be subject to the CSRD if their European turnover or operations exceed specified thresholds.
EHS (Environment, Health, and Safety): The term commonly used in large corporations for this function.

Definitions
Enterprise Risk Management: Often a company's formal risk management process, identifying events or circumstances relevant to the organization's objectives (risks and opportunities), assessing them in terms of likelihood and magnitude of impact, determining a response strategy, and monitoring process.
ESG (Environment, Social, Governance): The term often used by the investment community to refer to three central factors in measuring the sustainability of an investment. In ESG Navigator, the term ESG is used interchangeably with sustainability.
ESG Raters: Independent sustainability frameworks, ratings and rankings that major companies globally view as particularly influential or worthy. Common frameworks are *CDP*, *GRI, SASB, and TCFD.* ESG ratings targeted at investors include (for example*)*: *Bloomberg; CDP; Dow Jones Sustainability Index (DJSI); FTSE4Good; MSCI; Morningstar/Sustainalytics.* Other highly regarded ratings include *EcoVadis* and *Global 100 Most Sustainable Companies.*
External Sustainability Advisory Board: A group of sustainability experts or thought leaders from various external **stakeholder** groups, assembled to periodically advise the CEO and CSO of a company.
Externalities: The cost or benefit that affects a party who did not choose to incur that cost or benefit. For example, manufacturing activities that cause air pollution or carbon emissions may impose health, cleanup, or other costs on society.
Footprint: A measure of an organization's (or human's) demand on the Earth's ecosystems. Used as a measure of the full impact across the **supply chain** of an organization's operations, including, for example, consumption, use and emissions of energy, materials, resources, water, etc.
Full-Cost Accounting: A method of cost accounting that traces both direct and indirect costs by collecting information on all possible environmental, social, and economic costs/benefits for each proposed alternative. For example, full cost would assign a "cost of carbon" to address carbon risk associated with use of hydrocarbons.
Global Risks: refers to the major risks facing society globally. See the World Economic Forum Global Risk Report.
Green Chemistry: The design of chemical products and processes that reduce or eliminate the use or generation of hazardous substances across the full life cycle of chemical production, from design and manufacture to product use and disposal.
Green Financing: Financial flows (from banking, micro-credit, insurance, and investment) that are directed towards companies, investments, or projects aligned with sustainable development priorities.
Greenhouse Gas (GHG): GHGs cause climate change by trapping heat in the atmosphere, and their cumulative total make up a company's **carbon footprint.** The main GHGs are water vapor (H2O), carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), and sulphur hexafluoride (SF6).
GRI (Global Reporting Initiative): The Global Reporting Initiative (known as GRI) is an international independent standards organization that helps businesses, governments and other organizations understand and communicate their impacts on issues such as climate change, human rights, and corruption.
GRI Reporting Principles: Global Reporting Initiative (GRI) lists principles that help ensure high-quality sustainability reporting. Includes: accuracy, balance, clarity, comparability, completeness, sustainability context, timeliness, verifiability.
GSS Bonds: Green, Social, and Sustainability Bonds provide investors with the ability to finance environmental and socially impactful projects while securing about the same risk/return profile to conventional bonds.
Human Capital: Refers to the economic value of a worker's experience and skills, including assets like education, training, intelligence, skills, health, loyalty, work ethic, etc.
Impact Valuation: A tool to systematically collect and evaluate data to help identify, measure and value the impact of companies (including **externalities**) beyond products and profits.
Impact-Weighted Accounting: Analogous to **full cost accounting**, adjusting traditional accounting measures to consider the various types of impacts ESG might have – including product, environmental, and employment impacts.
Integrated Report to Society: An integrated report conveys how an organization will create value over the short, medium, and long term. Typically, it combines of a company's (financial) annual report with its sustainability report in a single document.
IFRS: refers to sustainability disclosure standards set by the International Financial Reporting Standards (IFRS) Foundation - including general requirements (IFRS S1) and a climate-related disclosures standard (IFRS S2). IFRS focuses on sustainability-related risks and opportunities reasonably expected to affect a business's prospects over the short, medium, and long term.
Key Business Decisions: The handful of major decisions the CEO and Board make each year – typically involving merger, acquisition, or divestiture; large capital expenditure; new product launch; major research and development expenditure, etc.

Definitions
KPI (Key Performance Indicator): A performance indicator or KPI is a type of performance measurement. KPIs evaluate the success of an organization or of a particular activity in which it engages.
KSI (Key Sustainability Indicator): Characterize the specific Key Performance Indicators (KPIs) in the ESG Navigator rating system.
Lean Six Sigma: Lean focuses on analysing workflow to reduce cycle time and eliminate waste. The Lean Six Sigma certification validates professionals skilled in identifying risks, errors or defects in a business process and removing them.
LEED: Leadership in Energy and Environmental Design (LEED) is one of the most popular green building certification programs worldwide. It was developed by the non-profit U.S. Green Building Council.
LCA (Life Cycle Assessment): A technique to assess environmental impacts associated with all stages of a product's life (i.e., from raw material extraction through materials processing, manufacture, distribution, use, repair and maintenance, and disposal or recycling). Also known as life-cycle analysis.
Living Wage (also **Living Wage Audit):** An independent review to assess what percentage of a company's workforce (full-time employees, contractors, etc.) is earning a living wage or better. (See Living Wage Calculator from MIT.)
Material: Information is material if its omission or misstatement could influence the economic decision of users taken on the basis of the financial statements. (See **Materiality.**)
Materiality (also **Materiality Assessment):** A concept or convention within the financial community relating to the importance/significance of something relevant to the corporation. Materiality in relation to information in an integrated (financial and sustainability) report refers to matters that "could substantively affect the organization's ability to create value over the short, medium and long term."
Materiality Assessment: A process to identify, refine and assess important ESG issues that should inform corporate sustainability strategy and reporting. GRI uses the term "materiality" in this context in a very broad way – any ESG issue that is *important* to stakeholders – whether or not it might have a *(financially) material* impact.
Natural Capital: The world's stock of natural assets, providing critical services and resilience (e.g., supporting water cycles and soil formation; protecting communities from major storms, floods, fires, and desertification; absorbing carbon dioxide (CO_2) to limit the pace of climate change).
Net Neutral (Environmental Impact): A situation where the sum of the full environmental impacts of an organization – across the full **supply chain** – is offset by the net reduction in environmental impact caused by use of the company's products, services or solutions. (See also: **carbon neutral**.)
Net Positive (Environmental Impact): A situation where the sum of the full environmental impacts of an organization – across the full **supply chain** – is less than the net reduction in environmental impact caused by use of the company's products, services, or solutions. [Note: MIT has a "net positive" initiative as part of SHINE (Sustainability and Health Initiative for Net Positive Enterprise), - which aims to improve the scientific basis by which **Net Positive** is assessed (products, activities, companies, economic sectors, individuals, and groups).]
Net Zero: Can be set as a target for all greenhouse gases or for CO_2 only. Defined by the Paris Agreement as a balance between anthropogenic emissions by sources and removals by sinks of GHG. Note that Carbon Neutral means having a **net zero** carbon **footprint**; achieving **net zero** carbon emissions by balancing a measured amount of carbon released (by a company, product, or activity) with an equivalent amount sequestered or offset or buying enough carbon credits to make up the difference.
NGO (Non-Governmental Organization): An organization that is neither a part of a government nor a conventional for-profit business; seen to represent "civil society."
Physical Risk: Typically defined as risks which arise from the physical effects of climate change and environmental degradation.
PSS (Products, Services, and Solutions): Items or services sold by companies to satisfy a market need. Shifting from selling products to leasing products or selling services is consistent with moving from a linear ("take – make – waste") system to a **closed loop** one.
RE100: A corporate leadership initiative led by The Climate Group and CDP (formerly the Carbon Disclosure Project) launched in 2014. RE100 refers to targets for companies to move towards 100% renewable power.
REACH: A European regulation promulgated in 2006 that addresses the production and use of chemical substances and their potential impacts on both human health and the environment.
Responsible Care®: A global, voluntary initiative developed autonomously by the chemical industry to demonstrate chemical industry's desire to improve health, safety, and environmental performance. Most large chemical producers in the world have adopted Responsible Care.
Root Cause Analysis: A term that describes a range of approaches, tools, and techniques to uncover the causes of problems.

Definitions
Scenario Analysis: A structured way for organizations to think about the future and make flexible long-term plans. Executives develop a small number of **scenarios**—how the future might unfold and how this might affect an issue that confronts them.
Scenario (climate-related): a future anticipated mean temperature rise based on an assumption of action or inaction by society on limiting carbon emissions.
Science-Based Targets: Refers to science-based emission reduction targets that are independently verified against a set of criteria developed by the **Science Based Targets initiative (SBTi).** These typically refer to energy and greenhouse gas reduction goals aligned with the 1.5°C or well-below 2°C criteria.
Scope 1 GHG Emissions: Direct emissions from owned or controlled sources.
Scope 2 GHG Emissions: Indirect emissions from the generation of purchased energy.
Scope 3 GHG Emissions: All indirect emissions (not included in Scope 2) that occur in the **value chain** of the reporting company, including both upstream and downstream emissions.
Six Sigma: A set of techniques and tools for process improvement. Seek to improve the quality of the output of a process by identifying and removing the causes of defects and minimizing impact variability in manufacturing and business processes.
Stage Gate Process: A technique used in product development to manage the work from one phase to the next. Each phase, or "stage" of the project is separated by a figurative "gate" that prevents progressing onto the next stage without certain milestones, check, and decisions.
Stakeholder: Individuals or groups who can be significantly affected by an organization's business activities or whose actions can reasonably be expected to significantly affect the ability of the organization to create value over time. "Internal stakeholders" = the board (or equivalent), management, employees, and owners. "External stakeholders" = communities, government, NGOs, suppliers, customers, and consumers.
STEM: Science, Technology, Engineering, and Math
Supply Chain: Includes all the raw materials and parts that are made into a product and distributed for manufacture and sale. The system of organizations, people, activities, information, and resources involved in moving a product or service from point of origin to point of consumption. Supply chains underlie **value chains**; without supply chains, no producer can provide customers what they want, when they want it, and at a fair price.
SDGs (Sustainable Development Goals): A set of 17 "Global Goals" with 169 targets, adopted by 193 United Nations member countries, to galvanize and guide the world's efforts to eradicate poverty, end hunger and address climate change by 2030.
Sustainability (see also **ESG/Sustainability):** The pursuit of a business growth strategy that creates long-term shareholder value by seizing opportunities and managing risks related to the company's environmental and social impacts. Sustainability includes conventional environment, health, and safety (EHS) management; community involvement and philanthropy; labor and workplace conditions as well as elements of corporate citizenship, corporate governance, **supply chain** and procurement.
Sustainability Principles: Various ways of characterizing the concept of sustainability, including meaningfully progress on the Sustainable Development Goals (**SDGs**). Example sustainability principles include: using regenerative energy sources; continuously recycling non-regenerative resources; affect a closed-loop flow of materials and energy; minimize waste throughout the value chain; advance a service, solution-orientation for managing durable goods; conserve and enhance biodiversity; accounting for externalities; and enhancing social equity.
TCFD (Task Force on Climate-related Financial Disclosures): Established by the Financial Stability Board, issued its final report in June 2017: recommendations to industry for disclosure to investors, following a simple structure (almost identical to ESG Navigator): Governance; Strategy; Risk; Metrics. (ESG Navigator separates risk into E and S; puts Metrics in Governance).
Tier 1 Supplier: A manufacturer who provides products (or services) directly to a company.
Total Societal Impact: The full economic, social, and environmental impact (both positive and negative) of a company's products, services, and solutions (PSS); operations; core capabilities; and activities.
Total Societal Value: The value to society, measured by an analysis of the full economic, social, and environmental cost, impacts, and benefits – across the full **value chain**. (Connected to **Total Societal Impact**)
Traceability (also **Traceable):** The ability to identify and trace (e.g., from raw material extraction to product end-of-life) the history, distribution, location and use of products, parts, and materials, to ensure the reliability of sustainability claims, in the areas of environment, human rights, anti-corruption, etc.
UNGC: The **United Nations Global Compact** is a non-binding United Nations pact to encourage businesses worldwide to adopt sustainable and socially responsible policies, and to report on their implementation.

Definitions
Value Chain: Includes all the individual steps that are taken to create a marketable product. The process by which a company transforms an idea to a finished product or service, adding value at each step: production, transportation, marketing, and after-sales service. Includes both the physical components and the value-adding activities (design, marketing, etc.).
Waste Electrical & Electrical Equipment (WEEE): Waste generated from electrical devices and household appliances (e.g., refrigerators, televisions, mobile phones, etc.). To address the issues, the WEEE Directive and the Restriction of the use of Hazardous Substances in electrical and electronic equipment Directive (RoHS Directive) were established.
Water Positive: Refers to the quantity (vs. quality) of water; water positive refers to replenishing more water than we use, and (especially) to putting back more water in stressed water basins.
Water neutral: Refers to a situation where an organization is returning to surface water or ground water the volume of water it uses – across the full **supply chain** – at a level of purity that is of the same or higher quality of the receiving body or aquifer.