



# Managing the ESG Ecosystem

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June 2019

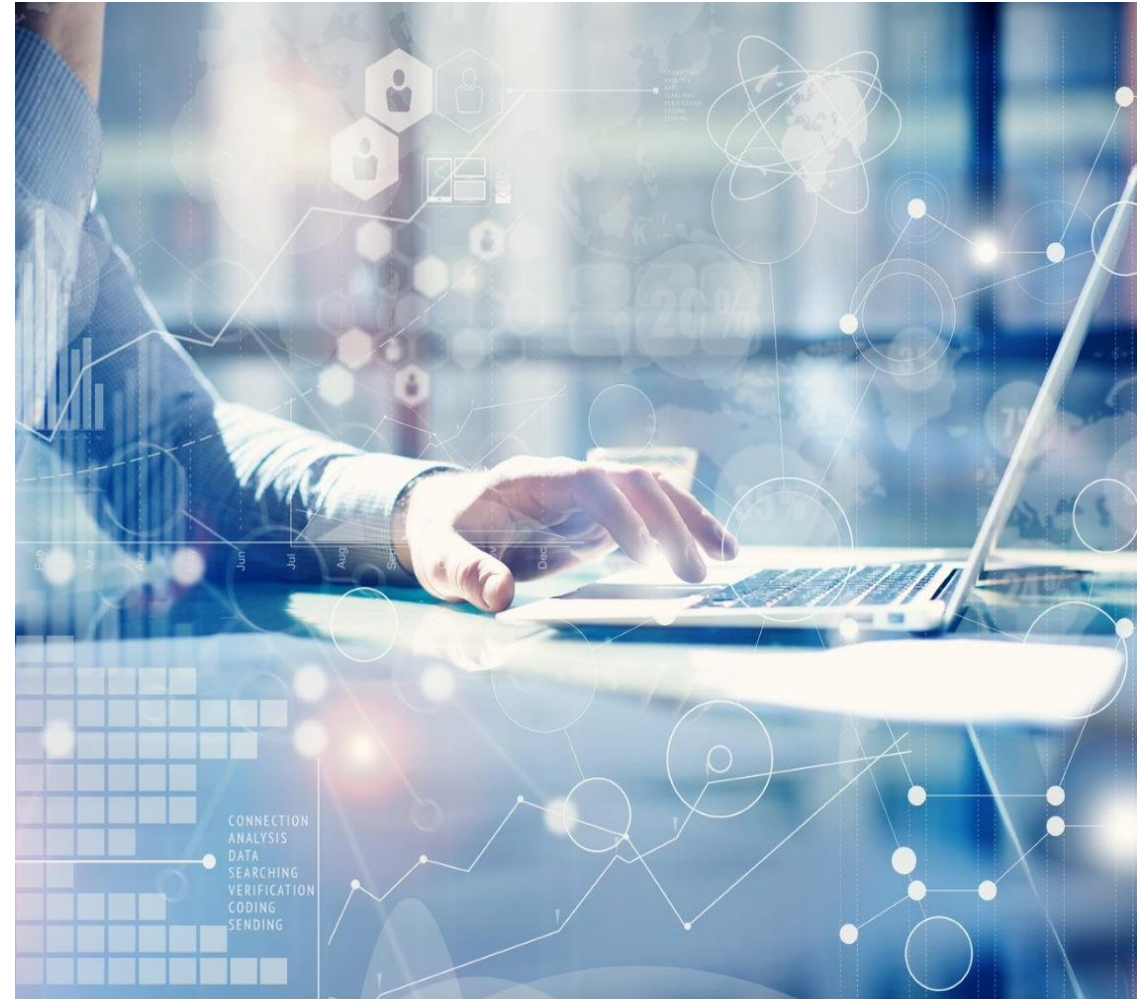
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*The business of sustainability*



# Agenda

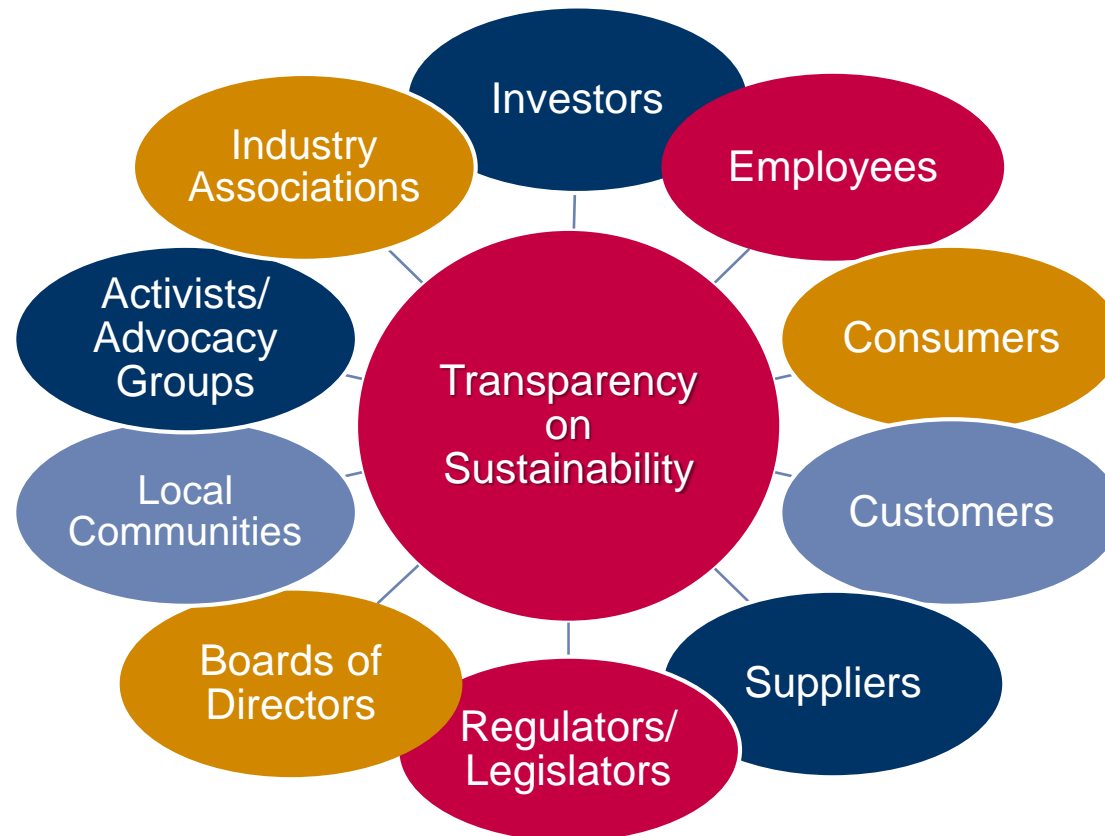
- Stakeholder Expectations
- Investor Momentum
- Evolving Interests
- ESG Ecosystem
- ESG Due Diligence: Tech Sector
- Emerging Issues:
  - Task Force on Climate Related Financial Disclosures (TCFD)
  - Human Capital
- Corporate Resources
  - Case Study
- Active ESG Management



# *Stakeholder Expectations*

# Stakeholder Interest

Stakeholder pressure that customers receive from the groups listed below drives the need for sustainability management. As pressure from these groups increases, customers enhance their management across their value chains, and the pressure transfers upstream to suppliers.



***Investor Momentum***

# Investor Interests

Investors are increasingly asking companies to disclose strategies for long-term value creation and incorporation of ESG into business strategies.

## BLACKROCK

“Unnerved by fundamental economic changes and the failure of government to provide lasting solutions, society is increasingly looking to companies, both public and private, to **address pressing social and economic issues**. These issues range from **protecting the environment to retirement to gender and racial inequality** ... Companies that fulfill their purpose and responsibilities to stakeholders reap rewards over the long-term. Companies that ignore them stumble and fail. This dynamic is becoming increasingly apparent as **the public holds companies to more exacting standards.**”

– Larry Fink, BlackRock Letter to CEOs, 2019



“Researchers have documented that in the U.S. and U.K. now, **more value is driven by intangible**, rather than tangible, **assets**. However, through engagement we have found that few directors can adequately **articulate their company’s culture** or demonstrate how they **assess, monitor and influence change** when necessary... we do believe that this is a material issue that must be addressed by companies and investors.”

– Cyrus Taraporevala, State Street Letter to Board Members, 2019



## Vanguard®

“Shareholders rely on a strong board to oversee the strategy for realizing opportunities and mitigating risks. Thorough **disclosure of relevant and material risks** enables share prices to fully reflect all significant known risks and opportunities... **Climate risk** is an example of a slowly developing and highly uncertain risk—the kind that **tests the strength of a board’s oversight and risk governance.**”

– F. William McNabb III, Vanguard Letter to Directors, 2017

Further Reading: [Why the world’s largest asset managers are pushing long-term thinking](#), Mark Tulay, Director, Strategic Investor Initiative, CCEP

# World's Largest Asset Manager Encourages Long-Term Focus on Creating Sustainable Value

In his annual letter to the CEOs of the S&P 500 on January 12, 2019, Larry Fink once again highlighted the importance of understanding the impacts that will enable long-term financial growth.

BlackRock's [Investment Stewardship](#) engagement priorities for 2019 are:

- governance, including . . . board diversity;
- corporate strategy and capital allocation;
- compensation that promotes long-termism;
- environmental risks and opportunities; and
- human capital management.

LARRY FINK'S ANNUAL LETTER TO CEOs

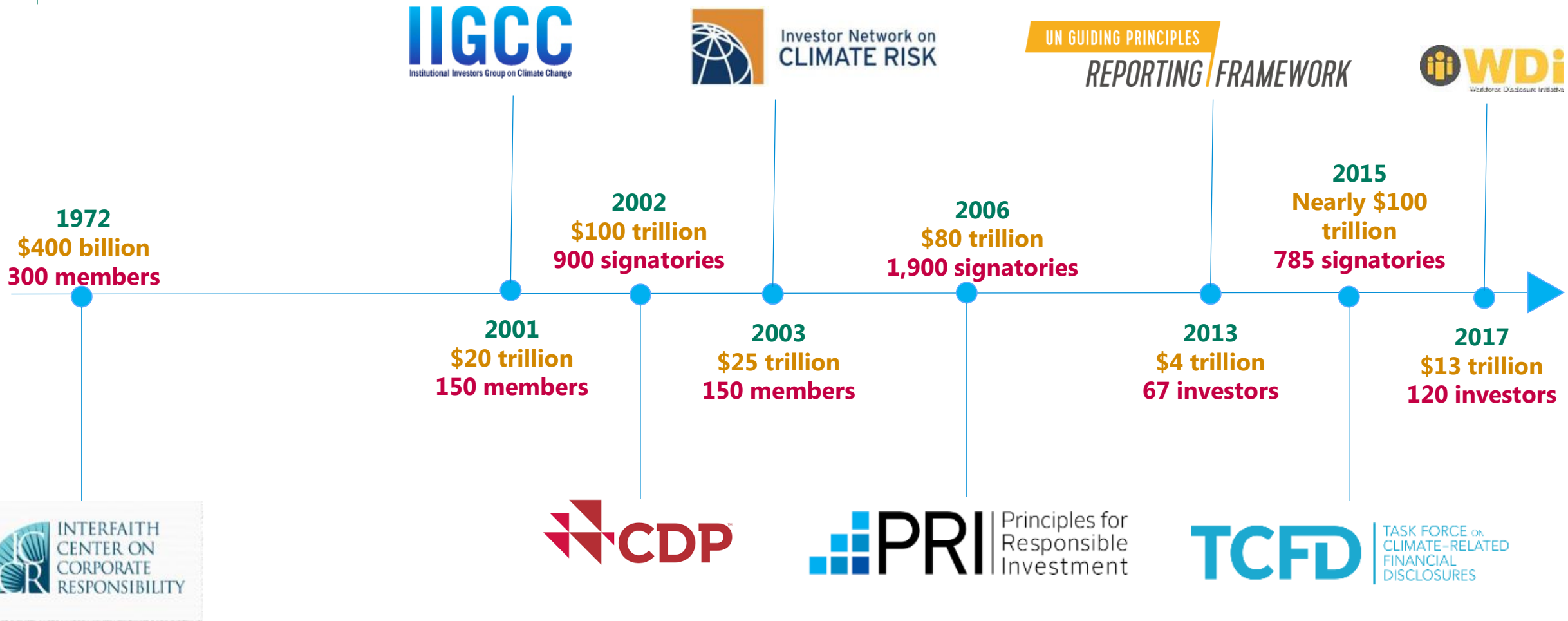
## A Sense of Purpose

Dear CEO,

As BlackRock approaches its 30th anniversary this year, I have had the opportunity to reflect on the most pressing issues facing investors today and how BlackRock must adapt to serve our clients more effectively. It is a great privilege and responsibility to manage the assets clients have entrusted to us, most of which are invested for long-term goals such as retirement. As a fiduciary, BlackRock **engages with companies** to drive the sustainable, long-term growth that our clients need to meet their goals.

In 2017, equities enjoyed an extraordinary run – with record highs across a wide range of sectors – and yet popular frustration and apprehension about the future simultaneously reached new heights. We are seeing a paradox of high returns and high anxiety. Since the financial crisis, those with capital have reaped enormous benefits. At the same time, many individuals across the world are facing a combination of low rates, low wage growth, and inadequate retirement systems. Many don't have the financial capacity, the resources, or the tools to save effectively; those who are invested are too often over-allocated to cash. For millions, the prospect of a secure retirement is slipping further and further away – especially among workers with less education, whose job security is increasingly tenuous. I believe these trends are a major source of the anxiety and polarization that we see across the world today.

# Investor Coalitions and Networks

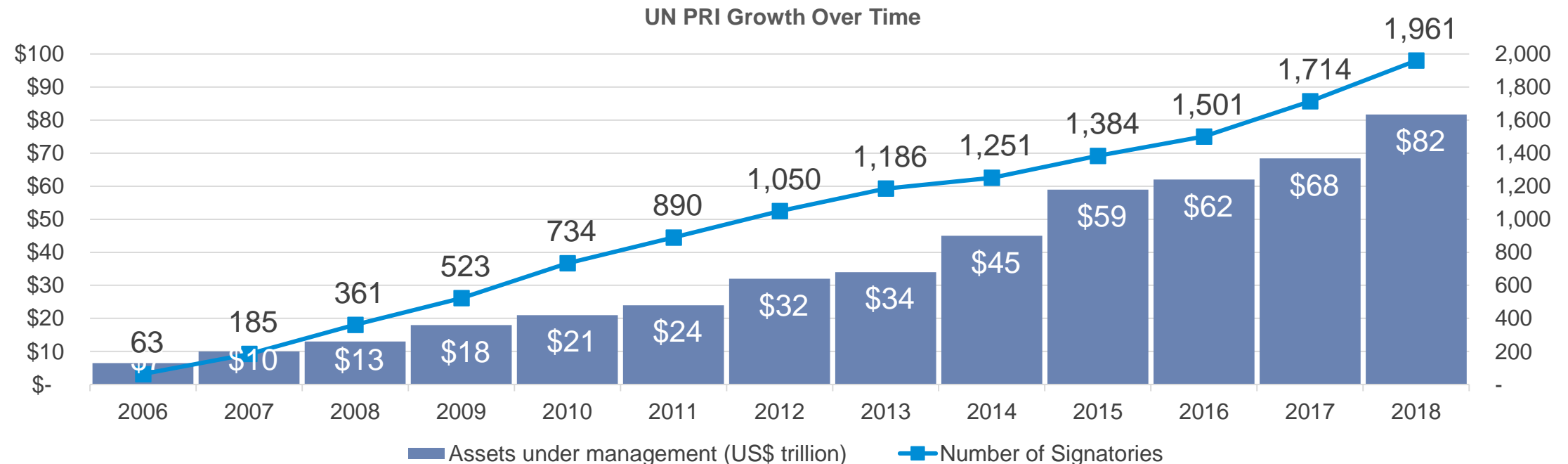




# UN Principles for Responsible Investment (PRI)

The United Nations-supported Principles for Responsible Investment is an international network of investors working together to understand the implications of sustainability for investors and support signatories to incorporate these issues into their investment decision making and ownership practices.

- 2006: 63 investment companies with \$6.5 trillion in assets under management (AUM)
- 2018: 1,961 signatories with \$81.7 trillion in AUM (21 percent increase in 12 months)



Source: <http://www.unpri.org/>

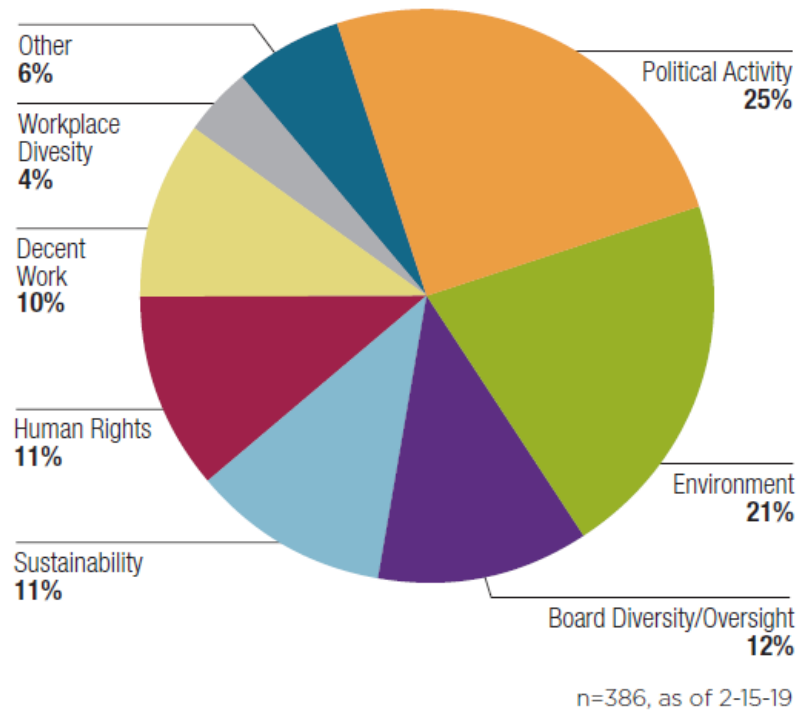
# UN PRI Signatories (sample)



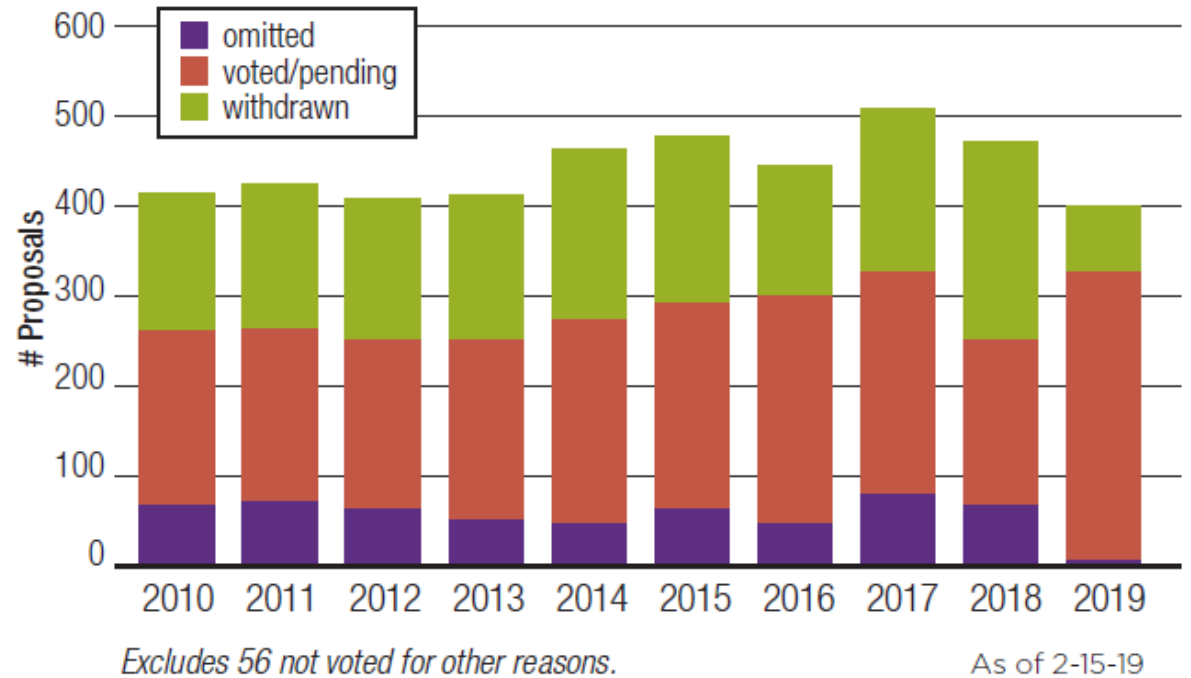
# Shareholders Voting with Values

According to the latest ISS data, 2019 E&S proposals outnumber governance proposals for the third year in a row. Climate-related and political activity account for the two largest 2019 themes.

Social, Environmental & Sustainability Shareholder Proposals in 2019



Environmental, Social & Sustainability Resolutions



Sources: ISS Early Look at 2019 Shareholder Proposals

2019 Proxy Preview. As You Sow, Ceres

***Evolving Interests***

# GRI (1997) – Globally Crowdsourced ESG Issues

## Environmental

- Materials
- Energy
- Water
- Biodiversity
- Emissions
- Effluents and Waste
- Products and Services
- Environmental Compliance
- Transport
- Supplier Environmental Assessment
- Environmental Grievance Mechanisms

## Human Rights

- Non-discrimination
- Freedom of Association & Collective Bargaining
- Child Labor
- Forced /Compulsory Labor
- Security Practices
- Indigenous Rights
- Supplier Human Rights Assessment
- Human Rights Grievance Mechanisms

## Labor Practices & Decent Work

- Training and Education
- Employment
- Labor/Management Relations
- Occupational Health & Safety
- Diversity & Equal Opportunity
- Equal Remuneration for Men and Women
- Supplier Assessment for Labor Practices
- Labor Practices Grievance Mechanisms

## Economic

- Economic Performance
- Philanthropy
- Market Presence
- Indirect Economic Impacts
- Economic Inclusion
- Procurement Practices

## Society

- Anti-Corruption
- Public Policy
- Anti-competitive Behavior
- Local Communities
- Supplier Assessment for Impacts on Society
- Grievance Mechanisms for Impacts on Society

## Product Responsibility

- Customer Health & Safety
- Product & Service Labeling
- Marketing Communications
- Customer Privacy
- Product Compliance

# GHG Protocol (1997)

The screenshot shows the GHG Protocol website homepage. At the top left is the logo with the text "GREENHOUSE GAS PROTOCOL". To the right is a navigation menu with links for "ABOUT", "STANDARDS", "GUIDANCE", "CALCULATION TOOLS", "EVENTS", and "ONLINE TRAINING". Below the navigation is a red banner with the text "Subscribe to our mailing list to receive the latest updates from GHG Protocol." and a "SIGN UP" button. The main content area is divided into two columns. The left column features social media icons for Twitter, Facebook, LinkedIn, and a plus sign. Below these icons is the section "What is GHG Protocol?" which includes a paragraph about the protocol's purpose, a paragraph about its partnership with WRI and WBCSD, and a paragraph about training and review services. Below this is the section "Who Uses GHG Protocol?" which includes a paragraph about its global use and a sub-section "Companies and Organizations" with a paragraph about Fortune 500 companies. The right column features the section "For media inquires, please contact:" followed by contact information for Yelena Akopian. Below this is a video player showing a cityscape with a play button.

**GREENHOUSE GAS PROTOCOL**

ABOUT STANDARDS GUIDANCE CALCULATION TOOLS EVENTS ONLINE TRAINING

Subscribe to our mailing list to receive the latest updates from GHG Protocol. [SIGN UP](#)

**What is GHG Protocol?**

GHG Protocol establishes comprehensive global standardized frameworks to measure and manage greenhouse gas (GHG) emissions from private and public sector operations, value chains and mitigation actions.

Building on a 20-year partnership between World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD), GHG Protocol works with governments, industry associations, NGOs, businesses and other organizations.

We offer [online training](#) on our standards and tools, as well as the “[Built on GHG Protocol](#)” review service, which recognizes sector guidance, product rules and tools that are in conformance with GHG Protocol standards.

**Who Uses GHG Protocol?**

GHG Protocol supplies the world’s most widely used greenhouse gas accounting standards. The [Corporate Accounting and Reporting Standard](#) provides the accounting platform for virtually every corporate GHG reporting program in the world.

**Companies and Organizations**

In 2016, 92% of Fortune 500 companies responding to the CDP used GHG Protocol directly or indirectly through a program based on GHG Protocol.

[Learn more about our work for companies and organizations.](#)

**For media inquires, please contact:**

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WRI/WBCSD Greenh... Watch later Share

# IIRC (2009 / 2010) – Six Capitals

- Six Capitals:
- Financial
  - Manufactured
  - Intellectual
  - Human
  - Social and relationship
  - Natural

THE IIRC NEWS NETWORKS PUBLICATIONS TRAINING CORPORATE REPORTING DIALOGUE CONTACT US

## The IIRC

The International Integrated Reporting Council (IIRC) is a global coalition of regulators, investors, companies, standard setters, the accounting profession and NGOs. The coalition is promoting communication about value creation as the next step in the evolution of corporate reporting.

**The IIRC**

- Structure of The IIRC
- Governance and funding
- IIRC Partners

**Mission**

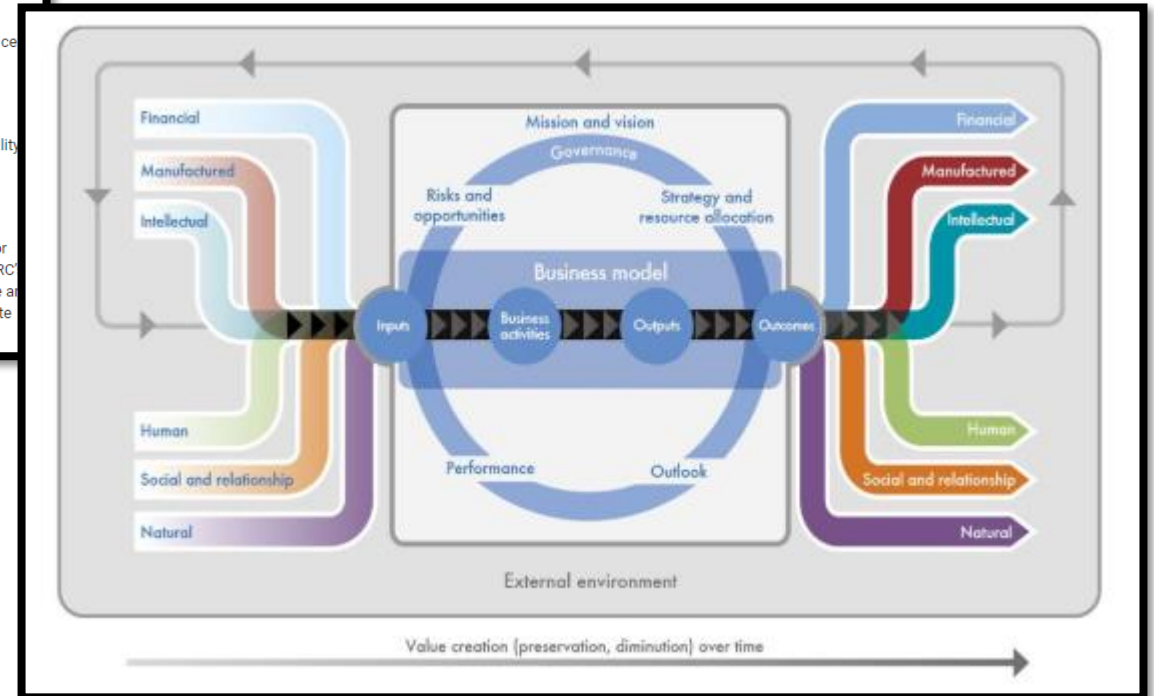
The IIRC's mission is to establish integrated reporting and thinking within mainstream business practice as the norm in the public and private sectors.

**Vision**

The IIRC's vision is to align capital allocation and corporate behaviour to wider goals of financial stability and sustainable development through the cycle of integrated reporting and thinking.

**The Momentum Phase**

The IIRC's is in the Momentum Phase of its strategy, delivering accelerated action towards our goal for integrated thinking and reporting to be the global norm and building on achievements following the IIRC breakthrough phase (2014-2018). The IIRC is leveraging the support of its partners to create the scale and pace to deliver a step change in adoption. The IIRC's objective for this phase is to change the corporate reporting system so that integrated reporting becomes the global norm.



# SASB (2010 / 2011)



## SASB Materiality Map™

SASB's Materiality Map™ identifies sustainability issues that are likely to affect the financial condition or operating performance of companies within an industry. In the left-hand column, SASB identifies 26 sustainability-related business issues, or General Issue Categories, which encompass a range of Disclosure Topics and their associated Accounting Metrics that vary by industry. For example, the General Issue Category of Customer Welfare encompasses both the Health and Nutrition topic in the Processed Foods industry and the Counterfeit Drugs topic in the Health Care Distributors industry. For commercial use terms of the Materiality Map, [please contact us](#).

## Sector Level Map

- Issue is likely to be material for more than 50% of industries in sector
- ▒ Issue is likely to be material for fewer than 50% of industries in sector
- Issue is not likely to be material for any of the industries in sector

## Industry Level Map

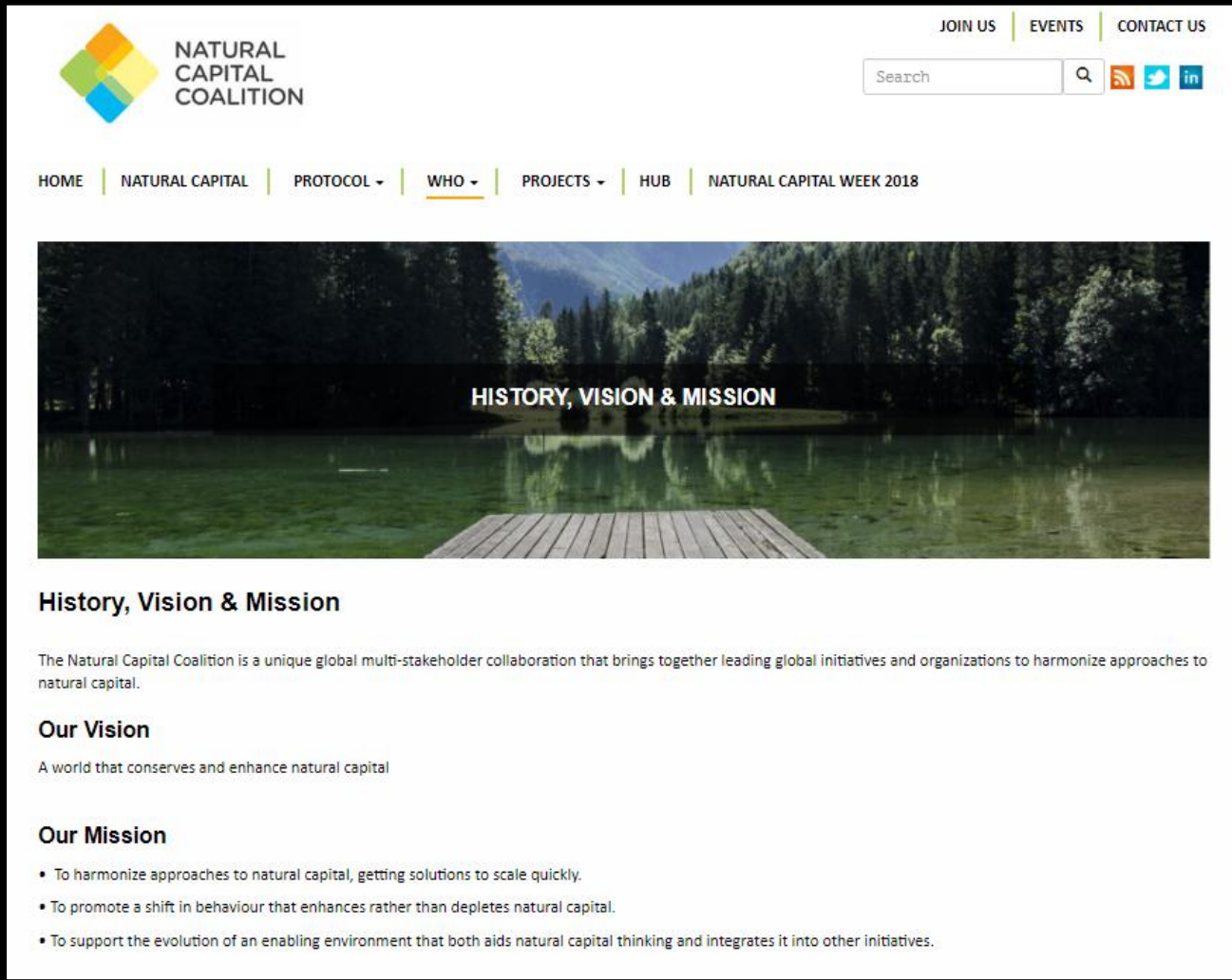
- Not likely a material issue for companies in the industry
- Likely a material issue for companies in the industry

		Consumption	Financials	Health Care	Infrastructure	Non-Renewable Resources	Renewable Resources & Alternative Energy	Resource Transformation	Services	Technology & Communications	Transportation
Dimension	General Issue Category <sup>□</sup>	Click to expand	Click to expand	Click to expand	Click to expand	Click to expand	Click to expand	Click to expand	Click to expand	Click to expand	Click to expand
Environment	GHG emissions	▒			▒	▒	▒				▒
	Air quality										
	Energy management										
	Fuel management										
	Water and wastewater management										
	Waste and hazardous materials management										
Social Capital	Biodiversity impacts										
	Human rights and community relations										
	Access and affordability										
	Customer welfare	▒	▒	▒	▒			▒	▒		▒
	Data security and customer privacy									▒	
Human Capital	Fair disclosure and labeling										
	Fair marketing and advertising		▒	▒							
	Labor relations				▒						
	Fair labor practices										
	Employee health, safety and wellbeing			▒	▒	▒					▒
Business Model and Innovation	Diversity and inclusion									▒	
	Compensation and benefits										
	Recruitment, development and retention										
	Lifecycle impacts of products and services		▒	▒	▒	▒		▒	▒		▒
	Environmental, social impacts on core assets and operations										
Leadership and Governance	Product packaging										
	Product quality and safety							▒			▒
	Systemic risk management		▒	▒	▒						
	Accident and safety management										
	Business ethics and transparency of payments					▒	▒				▒
Leadership and Governance	Competitive behavior		▒	▒						▒	
	Regulatory capture and political influence										
	Materials sourcing										
	Supply chain management	▒		▒							

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# Natural Capital Coalition & Protocol (2012 / 2014)



The screenshot displays the website for the Natural Capital Coalition. At the top left is the logo, which consists of four overlapping squares in orange, green, and blue, next to the text 'NATURAL CAPITAL COALITION'. To the right of the logo is a navigation menu with links for 'JOIN US', 'EVENTS', and 'CONTACT US'. Below this is a search bar with the word 'Search' and a magnifying glass icon, followed by social media icons for RSS, Twitter, and LinkedIn. A secondary navigation bar below the search bar includes links for 'HOME', 'NATURAL CAPITAL', 'PROTOCOL', 'WHO', 'PROJECTS', 'HUB', and 'NATURAL CAPITAL WEEK 2018'. The 'WHO' link is highlighted with a yellow underline. The main content area features a large image of a lake with a wooden dock extending into the water, surrounded by a dense forest and mountains in the background. Overlaid on this image is the text 'HISTORY, VISION & MISSION'. Below the image, the page title 'History, Vision & Mission' is repeated. The text describes the coalition as a unique global multi-stakeholder collaboration. It then lists the organization's vision and mission.

**NATURAL CAPITAL COALITION**

JOIN US | EVENTS | CONTACT US

Search     

HOME | NATURAL CAPITAL | PROTOCOL ▾ | **WHO ▾** | PROJECTS ▾ | HUB | NATURAL CAPITAL WEEK 2018

## HISTORY, VISION & MISSION

### History, Vision & Mission

The Natural Capital Coalition is a unique global multi-stakeholder collaboration that brings together leading global initiatives and organizations to harmonize approaches to natural capital.

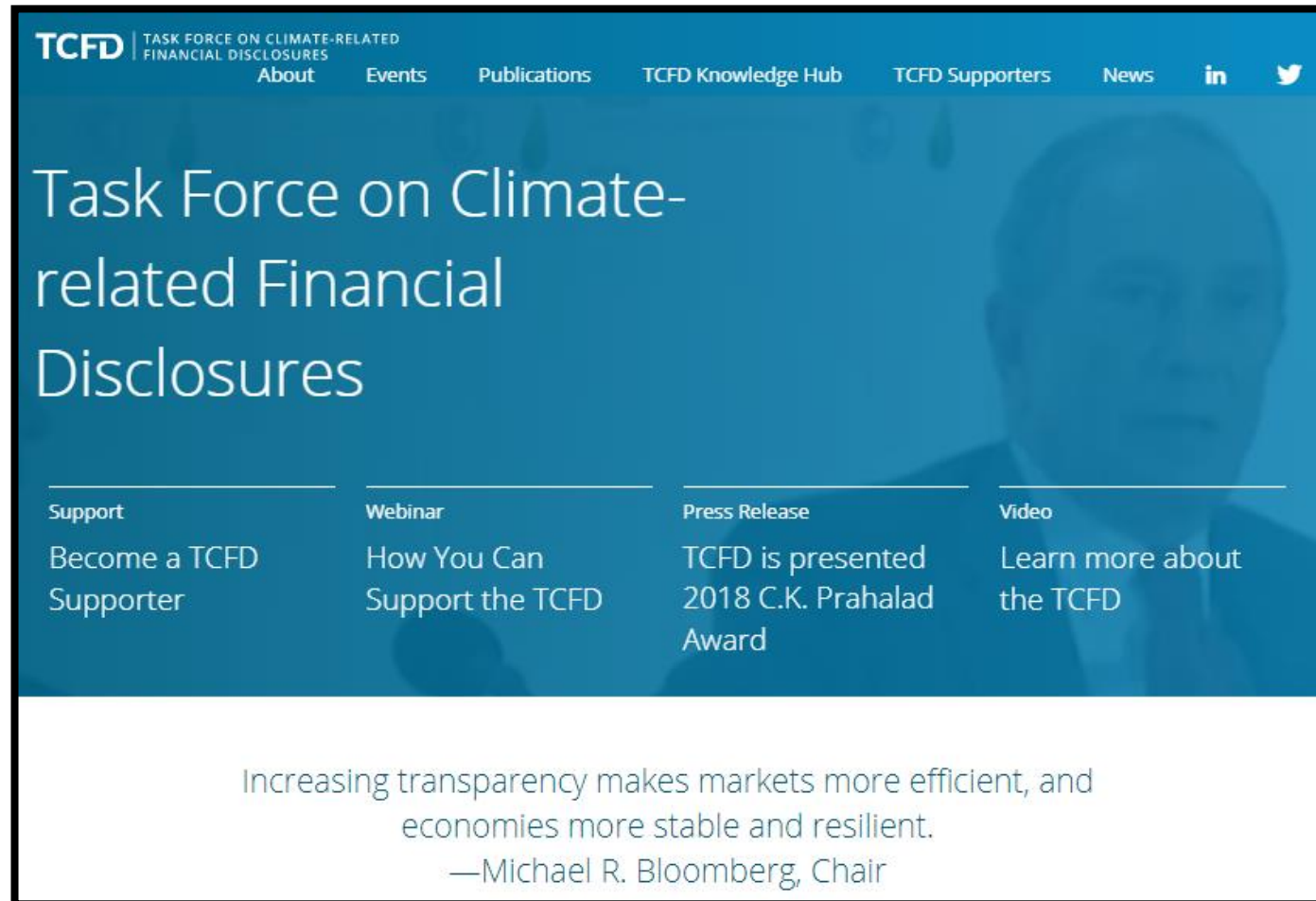
#### Our Vision

A world that conserves and enhance natural capital

#### Our Mission

- To harmonize approaches to natural capital, getting solutions to scale quickly.
- To promote a shift in behaviour that enhances rather than depletes natural capital.
- To support the evolution of an enabling environment that both aids natural capital thinking and integrates it into other initiatives.

# Task Force on Climate-Related Financial Disclosures (2015)

The image is a screenshot of the TCFD website homepage. At the top, there is a blue navigation bar with the TCFD logo and the text "TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES". To the right of the logo are links for "About", "Events", "Publications", "TCFD Knowledge Hub", "TCFD Supporters", "News", and social media icons for LinkedIn and Twitter. Below the navigation bar, the main heading "Task Force on Climate-related Financial Disclosures" is displayed in large white text against a blue background. Underneath the heading, there are four columns of content, each with a title and a link: "Support" with "Become a TCFD Supporter", "Webinar" with "How You Can Support the TCFD", "Press Release" with "TCFD is presented 2018 C.K. Prahalad Award", and "Video" with "Learn more about the TCFD". At the bottom of the page, a white box contains a quote: "Increasing transparency makes markets more efficient, and economies more stable and resilient." followed by "—Michael R. Bloomberg, Chair".

TCFD | TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

About Events Publications TCFD Knowledge Hub TCFD Supporters News in

## Task Force on Climate-related Financial Disclosures


<b>Support</b> Become a TCFD Supporter	<b>Webinar</b> How You Can Support the TCFD	<b>Press Release</b> TCFD is presented 2018 C.K. Prahalad Award	<b>Video</b> Learn more about the TCFD
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Increasing transparency makes markets more efficient, and economies more stable and resilient.  
—Michael R. Bloomberg, Chair

# SDGs (2015 / 2016)



# Social & Human Capital Coalition (2016 / 2019)

 MENU

 Social & Human Capital Coalition

## Introducing the Social & Human Capital Coalition

The Social & Human Capital Coalition is a global multi-stakeholder collaboration that brings together leading initiatives and organizations to help companies recognize, measure and value the importance of people and communities.

[ABOUT THE COALITION →](#)

[THE NEED FOR ACTION →](#)

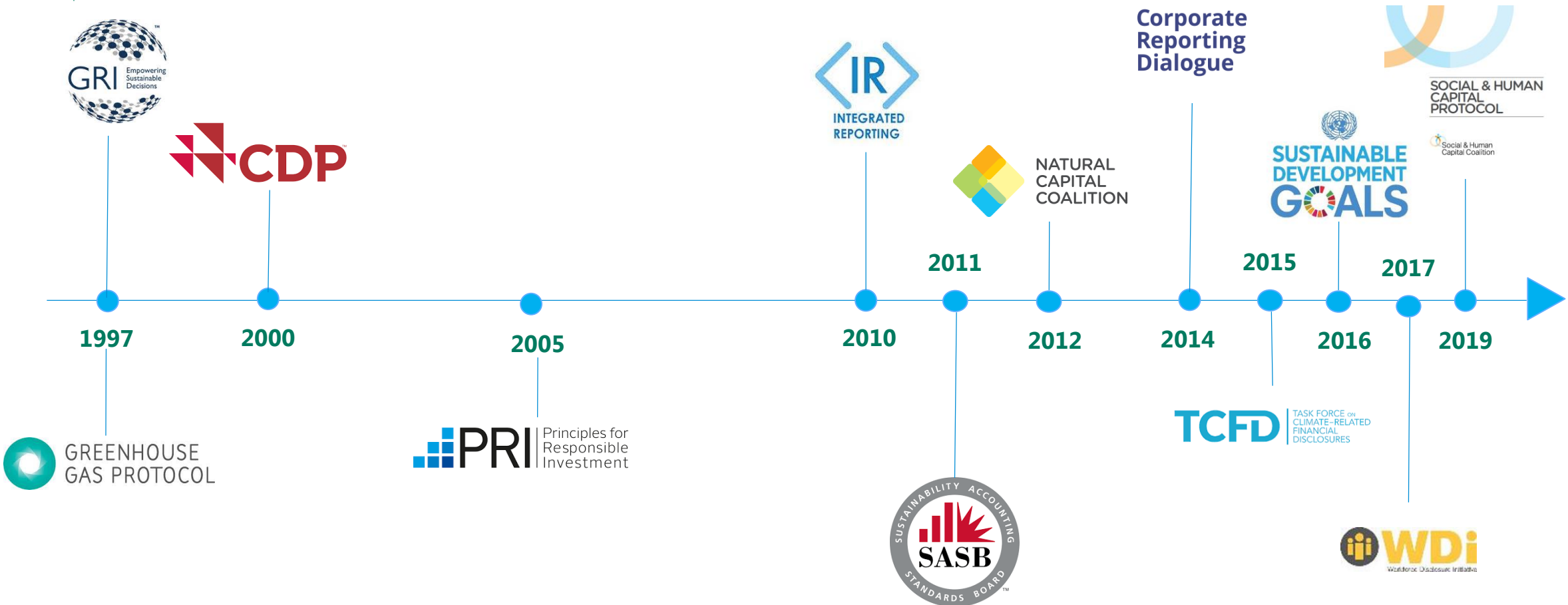
[NEWS & EVENTS →](#)

[OUR BOARD →](#)

[OUR TEAM →](#)

[JOIN OUR MAILING LIST →](#)

# 20+ Years of Compounding Interest



# ***ESG Ecosystem***

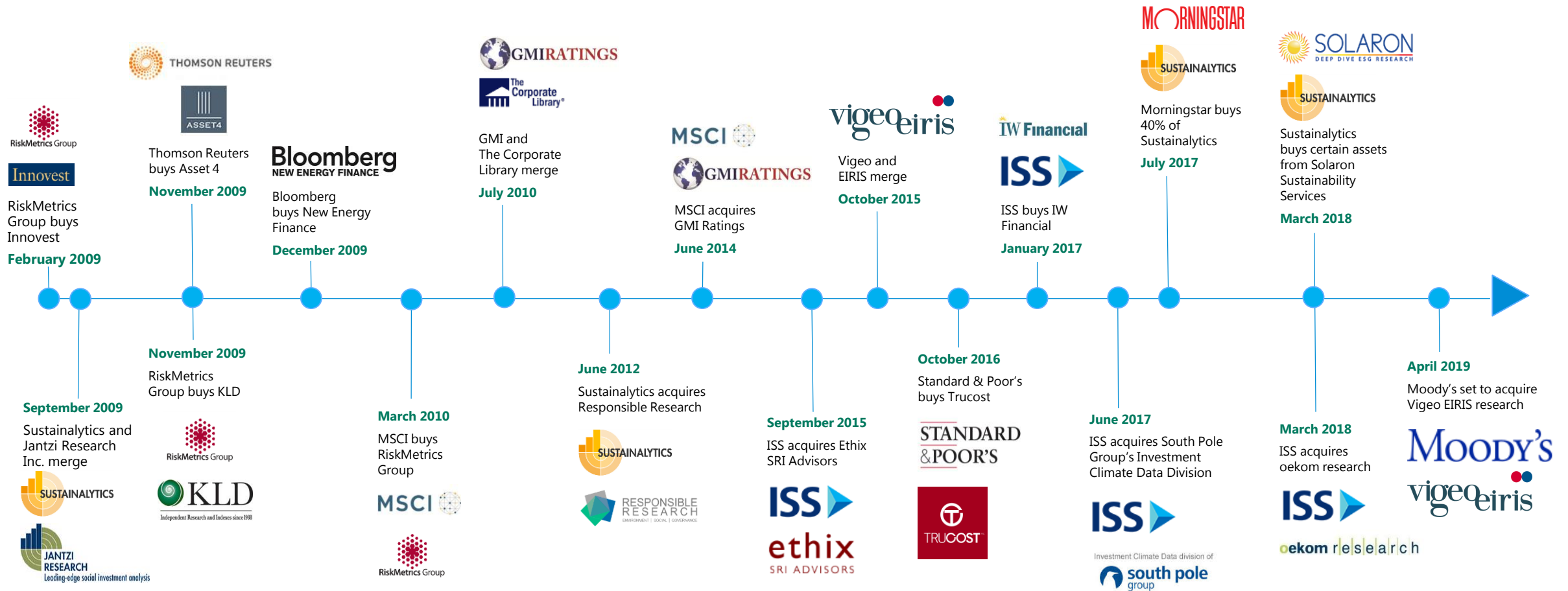
# Who makes up the ESG Ecosystem?

Based on sustainability reporting standards and frameworks, there are 100+ organizations producing lists, rankings, ratings, and scorecards of the “top companies” and “most sustainable” companies.



# ESG Merger & Acquisition Activity

Significant interest among traditional investment research firms and ESG specialty shops.





***ESG Due Diligence:  
Tech Sector***

# ESG Scores & Comparisons (sample)

<span>Overview</span>   <span>Comp Sheets</span>   <span>Markets</span>   <span>EPS Preview</span>   <span>Ownership</span>   <span>Credit</span>   <span>Custom</span>   <span>⚙️</span>											
<span>Equity Valuation</span>   <span>CDS Spreads</span>   <span>Profitability</span>   <span>Balance Sheet</span>   <span>ESG</span>											
Name	↑ RobecoSAM Total Sustainability Rank	Sustainalytics ESG Rank	ISS Governance Quickscore	CDP Performance Score	ESG Disclosure Score	% Independent Directors on Board	% Women on Board	CEO Tenure as of FYE	Total Compensation Awarded to CEO	% Women in Workforce	Energy Intensity per Sales
<b>Median</b>	70	91.10	3.50	7.00	53.11	88.19	24.04%	4.54	11.88M	30.90	68.65
100) ALIBABA GROUP HOLDI...	11	--	--	--	--	--	--	--	--	--	--
101) ALPHABET INC-CL A	57	83.73	10.00	8.00	--	54.55	18.18%	3.25	1.00	30.90	--
102) AMAZON.COM INC	45	17.20	6.00	--	--	88.89	33.33%	22.67	1.68M	--	--
103) APPLE INC	18	77.32	1.00	8.00	53.11	87.50	25.00%	7.17	15.68M	33.00	9.78
104) FLEX LTD	64	87.63	4.00	4.00	--	--	--	13.00	16.17M	--	--
105) HITACHI LTD	70	68.04	1.00	6.00	57.85	66.67	16.67%	2.00	5.18M	--	300.14
106) HUAWEI TECHNOLOGIES...	--	--	--	--	--	--	--	--	--	--	--
107) INTEL CORP	70	98.25	3.00	7.00	--	88.89	22.22%	0.58	34.76M	--	--
108) INTL BUSINESS MACHI...	66	94.58	7.00	6.00	--	92.31	23.08%	7.00	17.55M	--	--
109) LG ELECTRONICS INC	100	--	4.00	8.00	--	--	--	2.08	2.84M	--	--
110) MICROSOFT CORP	91	95.78	1.00	8.00	--	85.71	28.57%	4.42	25.84M	--	--
111) NOKIA OYJ	86	96.91	1.00	7.00	--	100.00	40.00%	4.67	5.49M	--	--
112) ROBERT BOSCH GMBH	--	--	--	--	--	--	--	--	--	--	88.48
113) SAMSUNG ELECTRONICS...	78	--	2.00	8.00	--	54.55	9.09%	0.83	35.81M	--	--
114) SIEMENS AG-REG	100	97.78	6.00	7.00	50.83	90.00	35.00%	5.17	8.08M	24.00	48.82

(Accounting Adjustments: Adjusted for Abnormal Items When Applicable)

10) Analyze List

Source: Bloomberg data accessed 06/10/19

# Environmental Metrics (sample)

<span>Overview</span>   <span>Comp Sheets</span>   <span>Markets</span>   <span>EPS Preview</span>   <span>Ownership</span>   <span>Credit</span>   <span>Custom</span>										
<span>Create Template</span>   <span>Social</span>   <span>ESG</span>   <span>Com Spe...</span>   <span>H&amp;S Met...</span>   <span>Environ...</span>   <span>Governa...</span>   <span>More...</span>										
Name	RobecoSAM Environ Dim Rnk	Sustainalytics Environ Pctl:D-1	GHG Emissions:Y	GHG Scope 1:Y	GHG Scope 2:Y	GHG Scope 3:Y	Renew Energy:Y	Env Supply Pol:Y	Climate Chg Pol:Y	
Median	82	94.77	2.78M	821.00k	1.69M	15.49M	1.20M	1	1	
100) ALIBABA GROUP HOLDI...	21	--	--	--	--	--	--	--	--	--
101) ALPHABET INC-CL A	75	90.36	--	--	--	--	--	1	--	--
102) AMAZON.COM INC	46	35.48	--	--	--	--	--	1	--	--
103) APPLE INC	27	95.88	831.09k	54.59k	776.50k	520.50k	2.39M	1	1	1
104) FLEX LTD	42	81.44	--	--	--	--	--	--	--	--
105) HITACHI LTD	82	75.26	4.72M	2.12M	2.60M	117.11M	7.37k	1	1	1
106) HUAWEI TECHNOLOGIES...	--	--	--	--	--	--	--	--	--	--
107) INTEL CORP	62	98.25	--	--	--	--	--	--	--	--
108) INTL BUSINESS MACHI...	82	98.19	--	--	--	--	--	1	--	--
109) LG ELECTRONICS INC	100	--	--	--	--	--	--	--	--	--
110) MICROSOFT CORP	88	93.98	--	--	--	--	--	1	--	--
111) NOKIA OYJ	86	96.91	--	--	--	--	--	--	--	--
112) ROBERT BOSCH GMBH	--	--	--	--	--	--	--	--	--	--
113) SAMSUNG ELECTRONICS...	96	--	--	--	--	--	--	--	--	--
114) SIEMENS AG-REG	100	95.56	--	821.00k	--	15.49M	--	1	1	1

(Accounting Adjustments: Adjusted for Abnormal Items When Applicable)

10) Analyze List

Source: Bloomberg data accessed 06/10/19

# Social Metrics (sample)

<span>Overview</span>   <span>Comp Sheets</span>   <span>Markets</span>   <span>EPS Preview</span>   <span>Ownership</span>   <span>Credit</span>   <span>Custom</span>   <span>⚙️</span>												
<span>Create Template</span>   <span>Social</span>   <span>ESG</span>   <span>Com Spe...</span>   <span>H&amp;S Met...</span>   <span>Environ...</span>   <span>Governa...</span>   <span>More...</span>												
Name	↑ RobecoSAM Soc Dim Rnk	Sustainalytics Soc Pctl:D-1	Health/Safte... Pol:Y	LTIR:Y	Tot Rcrdble Incdnt Rt:Y	Emp CSR Trng:Y	Fatalities Total:Y	Soc Supp Chn Mgmt	Human Rights Pol:Y			
Median	67	90.11	1	0.46	0.00	0	5	1.00	1			
100) ALIBABA GROUP HOLDI...	25	--	--	--	--	--	--	0.00	--			
101) ALPHABET INC-CL A	48	91.57	1	--	--	--	--	1.00	1			
102) AMAZON.COM INC	30	43.01	1	--	--	--	--	1.00	1			
103) APPLE INC	5	44.33	1	--	--	0	--	1.00	1			
104) FLEX LTD	73	87.63	--	--	--	--	--	--	--			
105) HITACHI LTD	67	56.70	1	--	--	1	--	1.00	1			
106) HUAWEI TECHNOLOGIES...	--	--	--	--	--	--	--	--	--			
107) INTEL CORP	78	98.25	1	--	--	--	--	--	1			
108) INTL BUSINESS MACHI...	55	96.39	1	--	--	--	--	1.00	1			
109) LG ELECTRONICS INC	100	--	--	--	--	--	--	--	--			
110) MICROSOFT CORP	88	95.18	1	--	--	0	--	1.00	1			
111) NOKIA OYJ	86	88.66	--	--	--	--	--	--	--			
112) ROBERT BOSCH GMBH	--	--	--	--	--	--	--	0.00	--			
113) SAMSUNG ELECTRONICS...	61	--	--	--	--	--	--	--	--			
114) SIEMENS AG-REG	92	97.78	1	0.46	--	0	5	1.00	1			

(Accounting Adjustments: Adjusted for Abnormal Items When Applicable)

10) Analyze List

Source: Bloomberg data accessed 06/10/19

# Governance Metrics (sample)

<span>Overview</span>   <span>Comp Sheets</span>   <span>Markets</span>   <span>EPS Preview</span>   <span>Ownership</span>   <span>Credit</span>   <span>Custom</span>   <span>⚙️</span>										
<span>Create Template</span>   <span>Governa...</span>   <span>Social</span>   <span>ESG</span>   <span>Com Spe...</span>   <span>H&amp;S Met...</span>   <span>Environ...</span>   <span>More...</span>										
Name	RobecoSAM Econ Dim Rnk	Sustainalytics Gov Pctl:D-1	% Women Mgt:Y	% Women on Bd:Y	% Women Emp:Y	# Feml Execs	Indep Chrprsn	% Indep Directors:Y		
Median	68	76.45	27.25	24.04%	30.90	2.00	0.00	88.19		
100) ALIBABA GROUP HOLDI...	18	--	--	--	--	6.00	0.00	--		
101) ALPHABET INC-CL A	32	1.20	25.50	18.18%	30.90	2.00	1.00	54.55		
102) AMAZON.COM INC	46	8.60	--	33.33%	--	1.00	0.00	88.89		
103) APPLE INC	14	49.48	29.00	25.00%	33.00	2.00	1.00	87.50		
104) FLEX LTD	76	86.60	--	--	--	0.00	1.00	--		
105) HITACHI LTD	61	53.61	--	16.67%	--	0.00	0.00	66.67		
106) HUAWEI TECHNOLOGIES...	--	--	--	--	--	--	--	--		
107) INTEL CORP	68	92.98	--	22.22%	--	0.00	0.00	88.89		
108) INTL BUSINESS MACHI...	63	72.89	--	23.08%	--	3.00	0.00	92.31		
109) LG ELECTRONICS INC	100	--	--	--	--	6.00	0.00	--		
110) MICROSOFT CORP	97	91.57	--	28.57%	--	3.00	1.00	85.71		
111) NOKIA OYJ	86	98.97	--	40.00%	--	2.00	1.00	100.00		
112) ROBERT BOSCH GMBH	--	--	--	--	--	0.00	--	--		
113) SAMSUNG ELECTRONICS...	83	--	--	9.09%	--	59.00	0.00	54.55		
114) SIEMENS AG-REG	96	80.00	--	35.00%	24.00	2.00	1.00	90.00		

(Accounting Adjustments: Adjusted for Abnormal Items When Applicable)

10) Analyze List

Source: Bloomberg data accessed 06/10/19

***Emerging Issues:  
Task Force on Climate  
Related Financial  
Disclosures (TCFD)***

# What is the TCFD?

The Task Force on Climate-Related Financial Disclosures (TCFD) is an industry-led task force produced recommendations designed to bridge the gap between how companies currently disclose information and how investors would prefer that information be presented.

- The TCFD seeks to improve market understanding and analysis of climate-related risks and opportunities by establishing a set of recommendations to “provide a common set of principles” and “guide disclosure to help financial markets assess and price climate-related risks and opportunities.”
- The TCFD recommendations established a method for standardizing climate-related financial disclosures in a way that would be useful for investors, lenders, and insurance underwriters in understanding material risks posed by climate change.
- TCFD’s recommendations “will help companies understand what financial markets want from disclosure in order to measure and respond to climate change risks, and encourage firms to align their disclosures with investors’ needs.”



# Who Sits on the Task Force?



The Task Force is made up of 32 member organizations from around the world, including:

- Large banks
- Insurance companies
- Asset managers
- Pension funds
- Large non-financial companies
- Accounting and consulting firms
- Credit ratings agencies



**Support for the TCFD has grown to 785 organizations as of June 2019.**





# Notable Signatories as of June 2017



Morgan Stanley

**S&P Global**



BNP PARIBAS



MOODY'S



CALSTRS



CPP INVESTMENT BOARD



PHILIPS



PEPSICO

# Notable Signatories as of December 2017



# Notable Signatories as of September 2018



# Notable Signatories as of June 2019

Support for the TCFD has grown to 785 organizations as of June 2019



***Emerging Issues:  
Human Capital***

# Human Capital Investor Perspective

## Evolution of concepts



Sources: Corporate Disclosure of Human Capital Metrics. October 2017. Retrieved from: [https://lwp.law.harvard.edu/files/lwp/files/pension\\_paper\\_corporate\\_disclosure\\_of\\_human\\_capital\\_metrics\\_102317.pdf](https://lwp.law.harvard.edu/files/lwp/files/pension_paper_corporate_disclosure_of_human_capital_metrics_102317.pdf)  
 CSHS Human Capital Project. <http://www.centershhs.org/human-capital.php>



# BlackRock: Human Capital Management

January 2019

Research has consistently shown the importance of human capital to company performance. Companies included in Fortune magazine's "100 Best Companies to Work For" lists earned, over the long-term, excess risk-adjusted returns of 3.5%.

## When engaging boards on HCM we are likely to discuss:

- Oversight of **policies meant to protect employees** (e.g., whistleblowing, codes of conduct, EEO policies) and the level of reporting the board receives from management to assess their implementation
- Process to oversee that the many components of a company's HCM strategy align themselves to **create a healthy culture** and prevent unwanted behaviors
- Reporting to the board on the integration of HCM risks into risk management processes
- Current board and employee composition as it relates to diversity
- Consideration of linking HCM performance to executive compensation to promote board accountability
- Board member visits to establishments or factories to independently assess the **culture** and operations of the company

## When engaging management teams, the topics covered may include:

- Policies to encourage employee engagement outcomes and key drivers (e.g., **wellness programs**, support of employee networks, training and development programs, and stock participation programs)
- **Process for ensuring employee health and safety and complying with occupational health and safety policies**
- Voluntary and involuntary turnover on various dimensions (e.g., seniority of roles, tenure, gender, and ethnicity)
- Statistics on gender and other diversity characteristics as well as promotion rates for and compensation gaps across different employee demographics
- Programs to engage organized labor and their representatives, where relevant
- Systems to oversee matters related to the **supply chain** (including contingent workers, contractors and subcontractors)

BLACKROCK



### BlackRock Investment Stewardship's approach to engagement on human capital management

BlackRock has an extensive program to promote leading corporate governance practices at the companies in which we invest, as part of fulfilling our fiduciary duty to protect and enhance the value of our clients' assets. We consider human capital management an important investment issue. As Larry Fink wrote in his 2018 annual letter to CEOs:

Companies must ask themselves: What role do we play in the community? Are we working to create a diverse workforce? Are we adapting to technological change? Are we providing the retraining and opportunities that our employees and our business will need to adjust to an increasingly automated world?

The BlackRock Investment Stewardship (BIS) team has engaged with companies in which we invest on behalf of our clients regarding their management of employees for several years. Starting in 2018, we identified human capital management as one of our engagement priorities. This note sets out in some detail our thinking on human capital management (HCM) and explains how we approach engagement on the topic.

#### Why human capital management is an investment issue

Most companies BlackRock invests in on behalf of clients have, to varying degrees, articulated in their public disclosures that they are operating in a talent constrained environment, or put differently, are in a war for talent. It is therefore important to investors that companies explain as part of their corporate strategy how they establish themselves as the employer of choice for the workers on whom they depend. A company's approach to HCM – employee development, diversity, and a commitment to equal employment opportunity, health and safety, labor relations, and supply chain labor-standards, amongst other things – will vary across sectors but is a factor in business continuity and success. In light of evolving market trends like shortages of skilled labor, uneven wage growth, and technology that is transforming the labor market, many companies and investors consider robust HCM a competitive advantage.

Research has consistently shown the importance of human capital to company performance. Companies included in Fortune magazine's "100 Best Companies to Work For" lists earned, over the long-term, excess risk-adjusted returns of 3.5%. Another report surveyed a multitude of studies on human capital and found that there is a positive correlation between human resource initiatives and investment outcomes such as total shareholder return, return on assets, return on earnings, return on investment, and return on capital employed<sup>1</sup>. A survey concluded that companies that had a workforce that was not engaged had an average one-year operating margin below 10%; however, those that consistently promoted workers' well-being had an average one-year operating margin of 27%.

#### BlackRock's engagement on human capital management

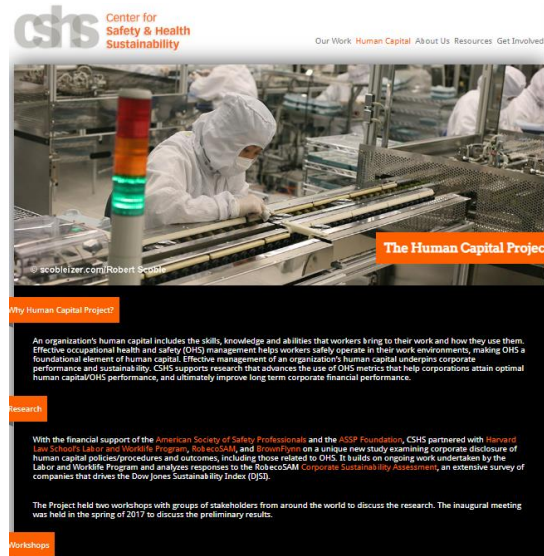
HCM is both a board and a management issue. We would expect a company's board to be deeply engaged in the oversight of a company's strategy and the defining of a company's purpose – to help ensure the effective strategic implementation of HCM throughout their organization. Companies that can better articulate their purpose are more likely to build strong relationships with their employees (and customers), and have a clear sense of their strategic objectives. These are essential components of long-term growth. Employees who do not feel valued by their organization are generally less productive or more likely to leave. Product quality and reputation can suffer when employees are not fully engaged and supportive of the company, its business and goals. When present, these dynamics make it much more difficult for a company to meet its strategic objectives. For management, it is an issue that is central to their everyday duties. We also expect boards,

INVESTMENT STEWARDSHIP COMMENTARY | 4

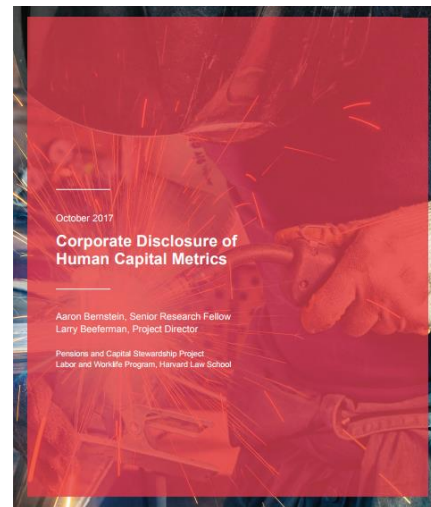


# Center for Safety & Health Sustainability – Human Capital Project

The Harvard research study looked at disclosure on twelve topics selected from the Human Capital section of RobecoSAM's Corporate Sustainability Assessment (CSA).



Link: [CSHS Website](#)



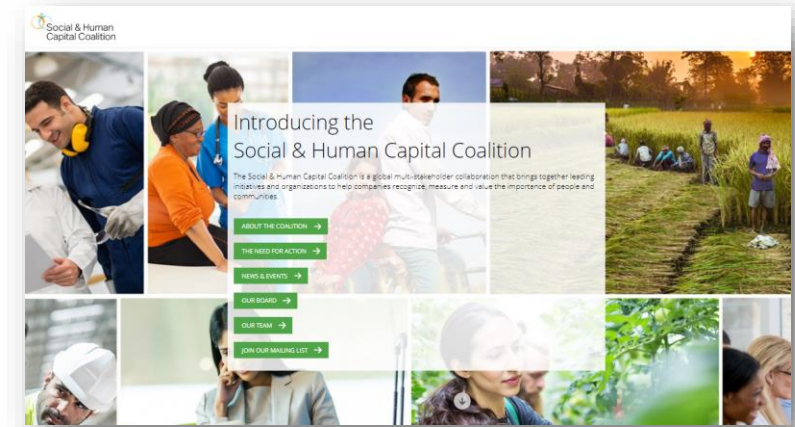
Link to [Harvard Research Report](#)

- Training Hours
- Training Cost
- Return on Training
- Employee Development
- Employee Development Business Benefits
- Employee Development Qualitative
- Operating Profit per Employee
- OHS Framework
- OHS Oversight
- OHS Work Environment
- Lost-Time Injuries
- Fatalities



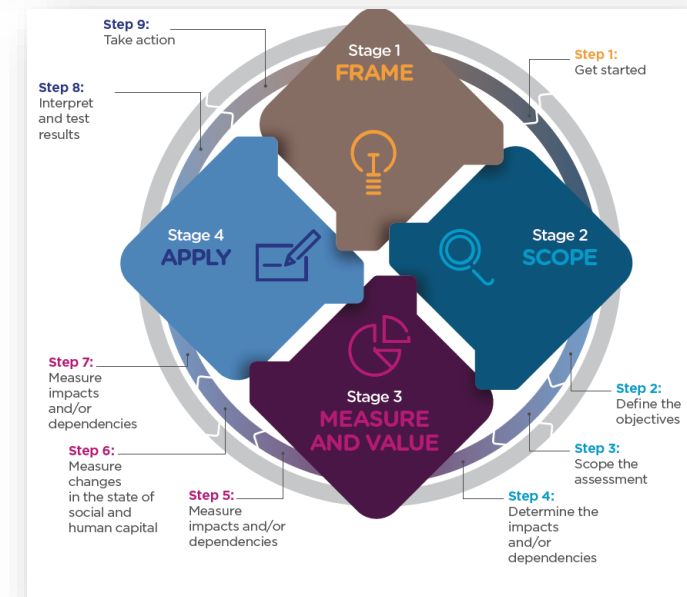
# WBCSD's Social & Human Capital Coalition and Protocol

- WBCSD is a global CEO-led organization of over 200 leading businesses working together to accelerate the transition to a sustainable world.
- The Social & Human Capital Coalition is an initiative which aims to mainstream the measurement of social & human impacts for business – shifting the improvement of social & human performance from an optional extra to a core part of business decision making.



## The Protocol serves two purposes:

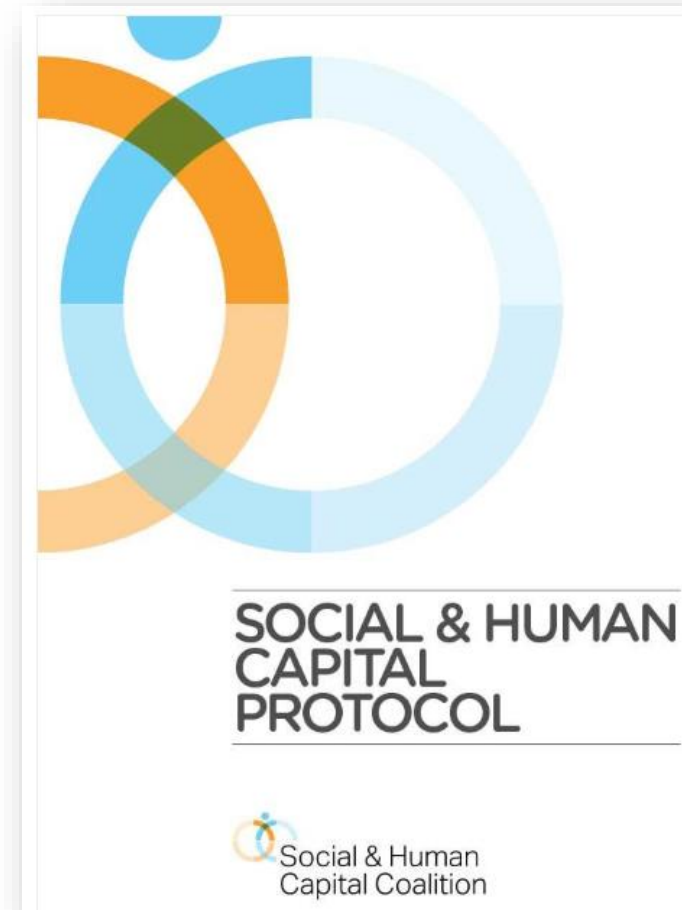
- It provides a consistent process to guide companies through the journey of measuring, valuing and better managing social and human capital.
- It provides a framework for collaboration to harmonize the currently fragmented landscape of social & human impact measurement and valuation, and to move towards standardized approaches for business.



# Social & Human Capital Protocol

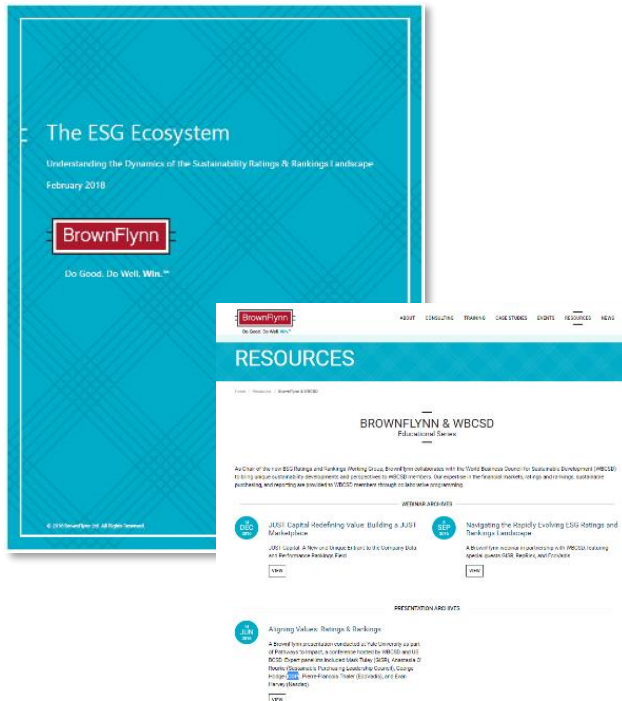
**The Protocol**, published in February 2019, is a framework for businesses to measure and value their impacts and dependencies on people and society.

- It supports effective business decision-making and communication of the full value business generates for society.
- It includes more than 20 company case studies, feedback from an extensive 2018 public consultation and is streamlined for use alongside the Natural Capital Protocol.

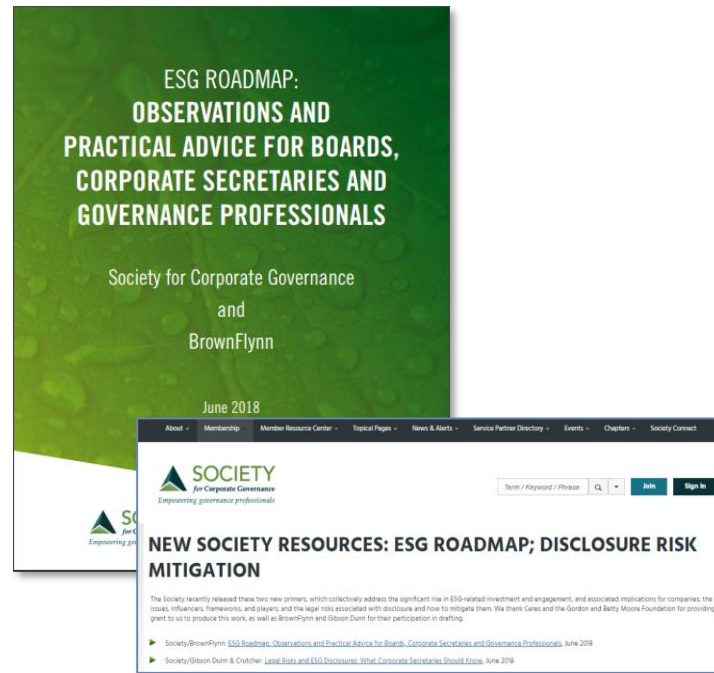


***Corporate Resources***

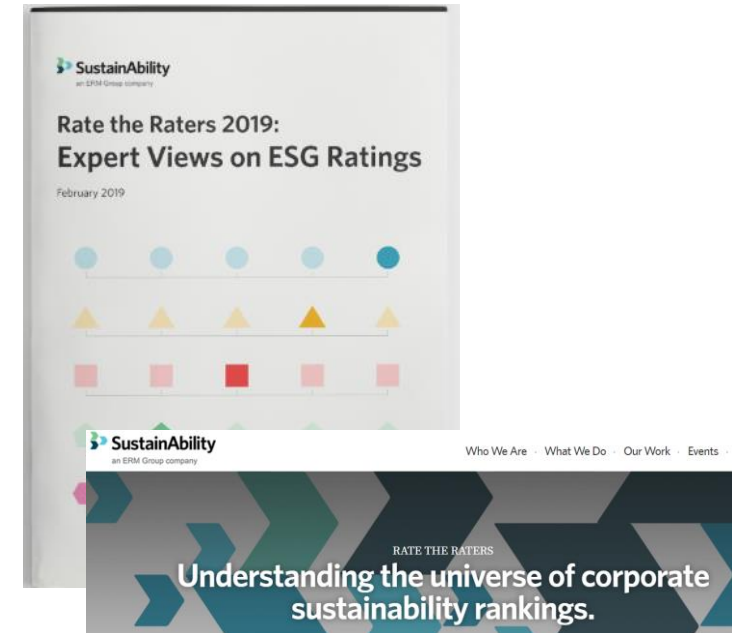
# What can companies do to manage ESG?



<https://brownflynn.com/resources/brownflynn-wbcسد/>



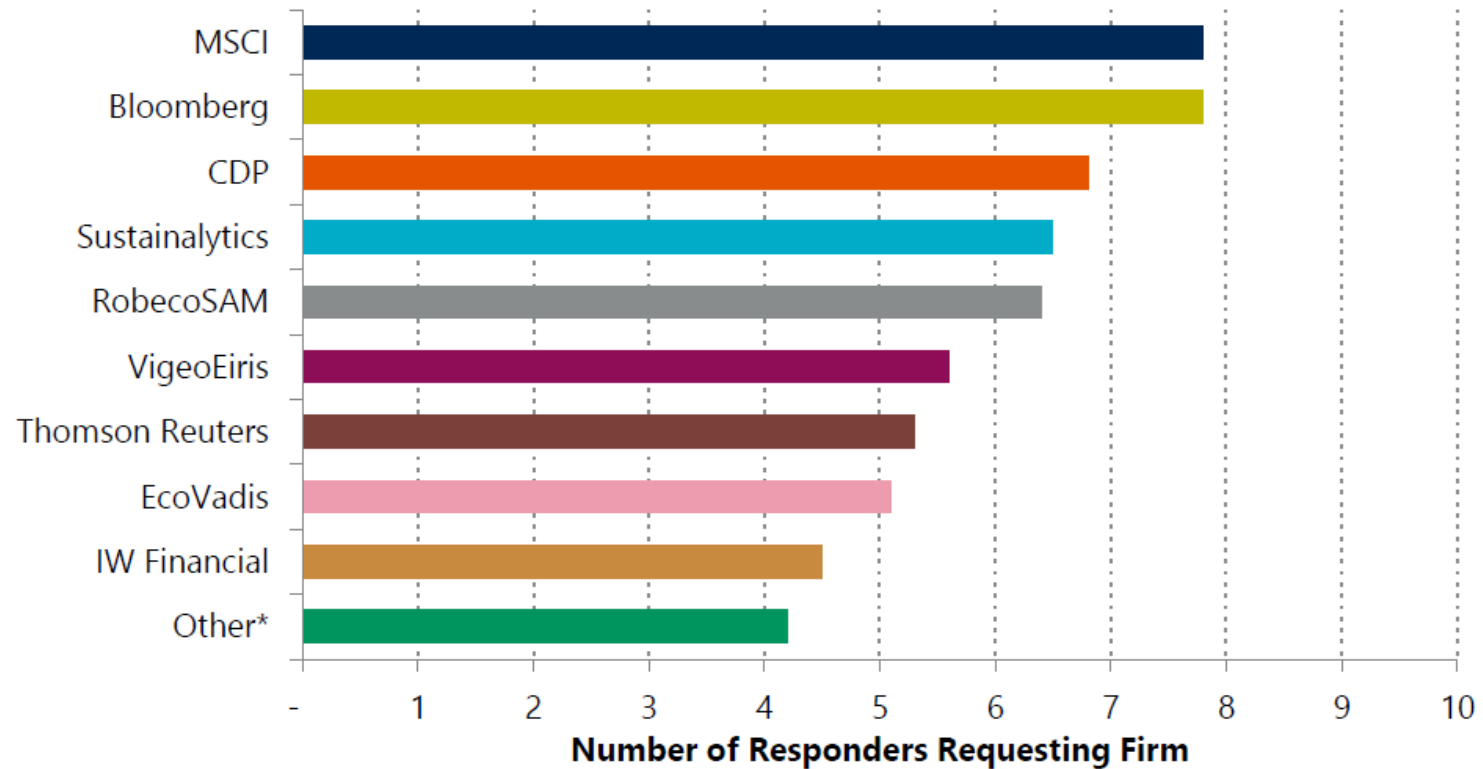
<http://www.societycorp.gov/governanceprofessionals/currenttopiclandingpages/sustainability/esg-briefs>



<http://sustainability.com/rate-the-raters/>

# ESG Ratings & Rankings Survey

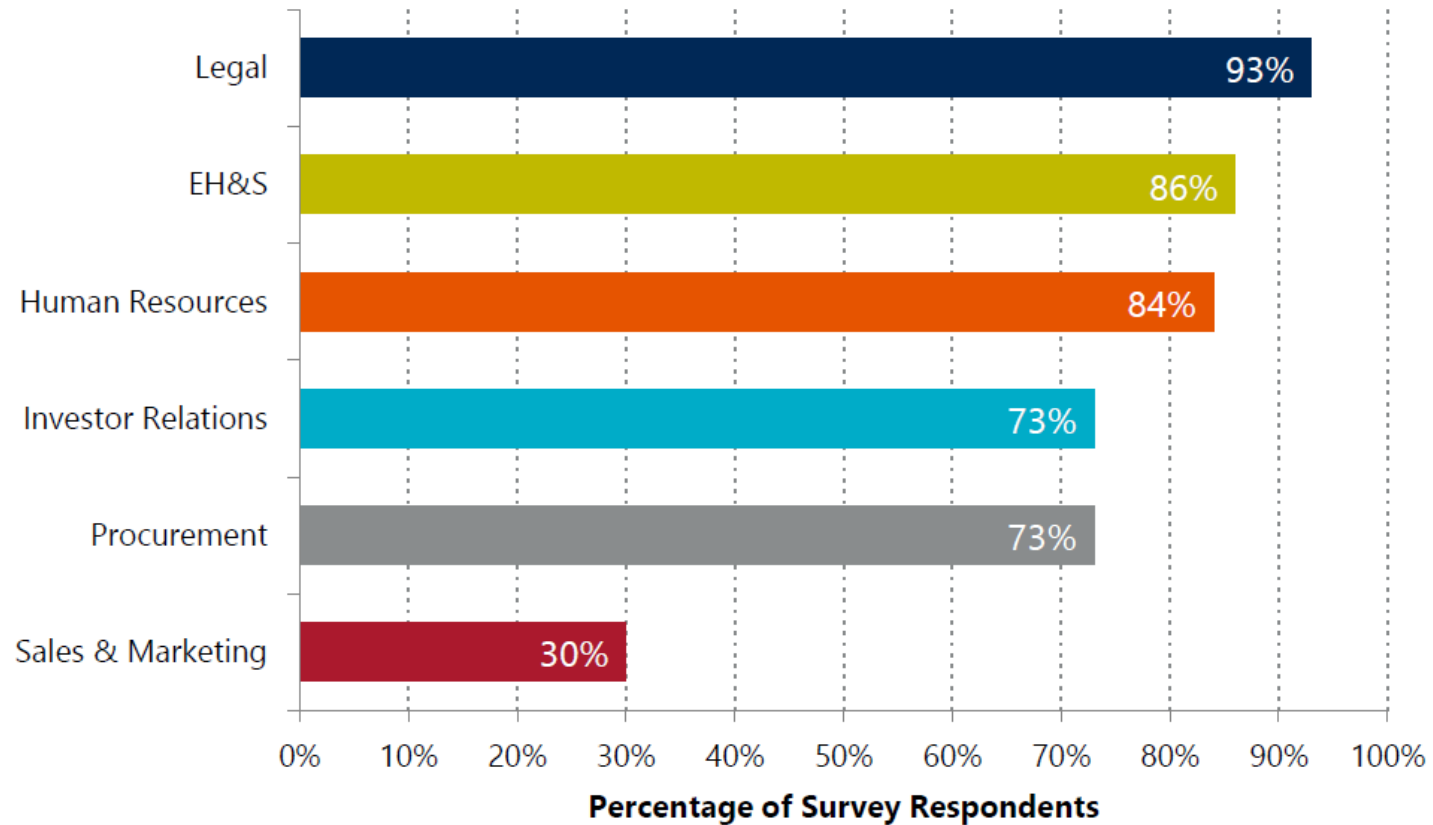
Which organizations would you be most interested in hearing from during a private forum?



\*Other: BlackRock, Calvert, Trucost (S&P), GRI, Investor Groups, Wellington, Vanguard, etc.

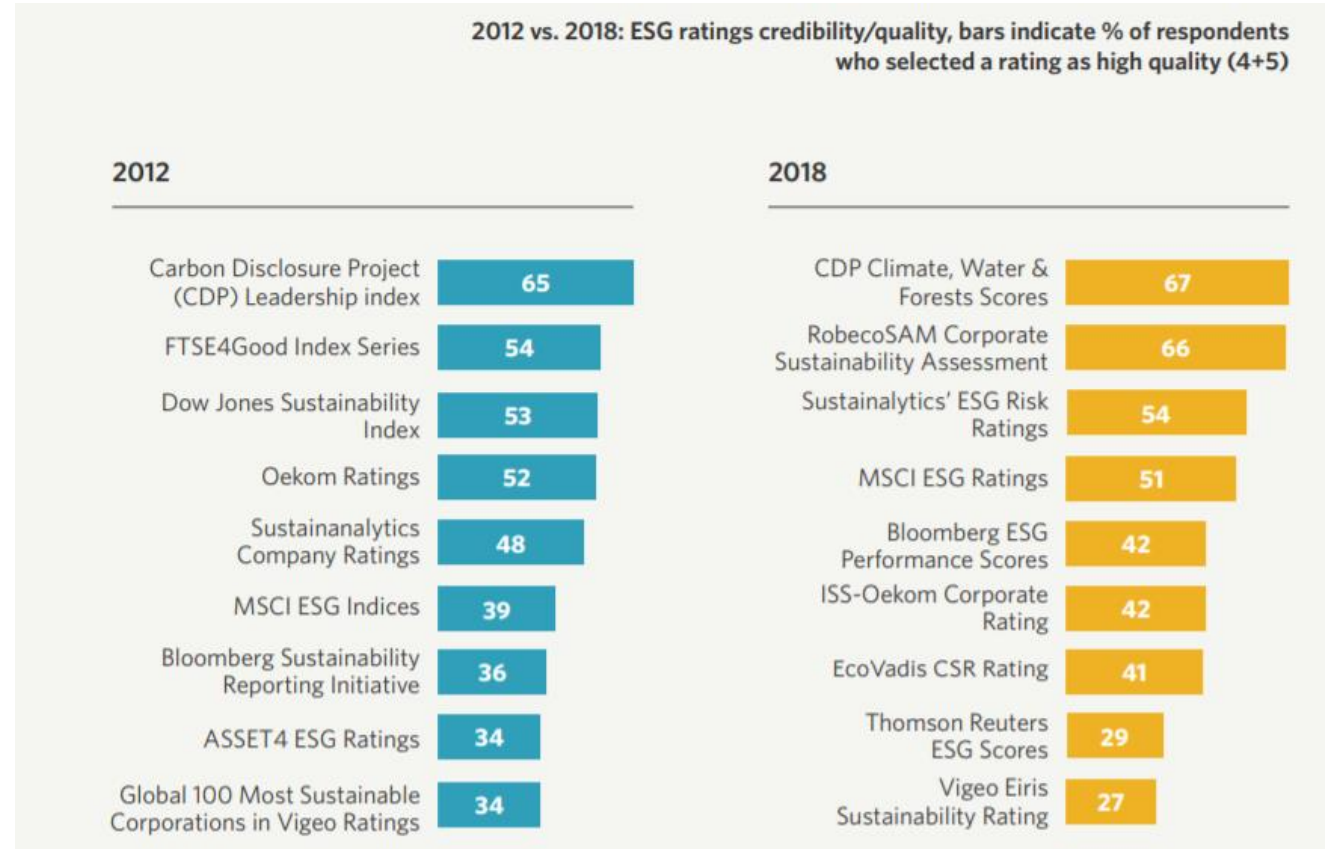
# ESG Ratings & Rankings Survey

Who do you usually partner with to respond to external inquiries?



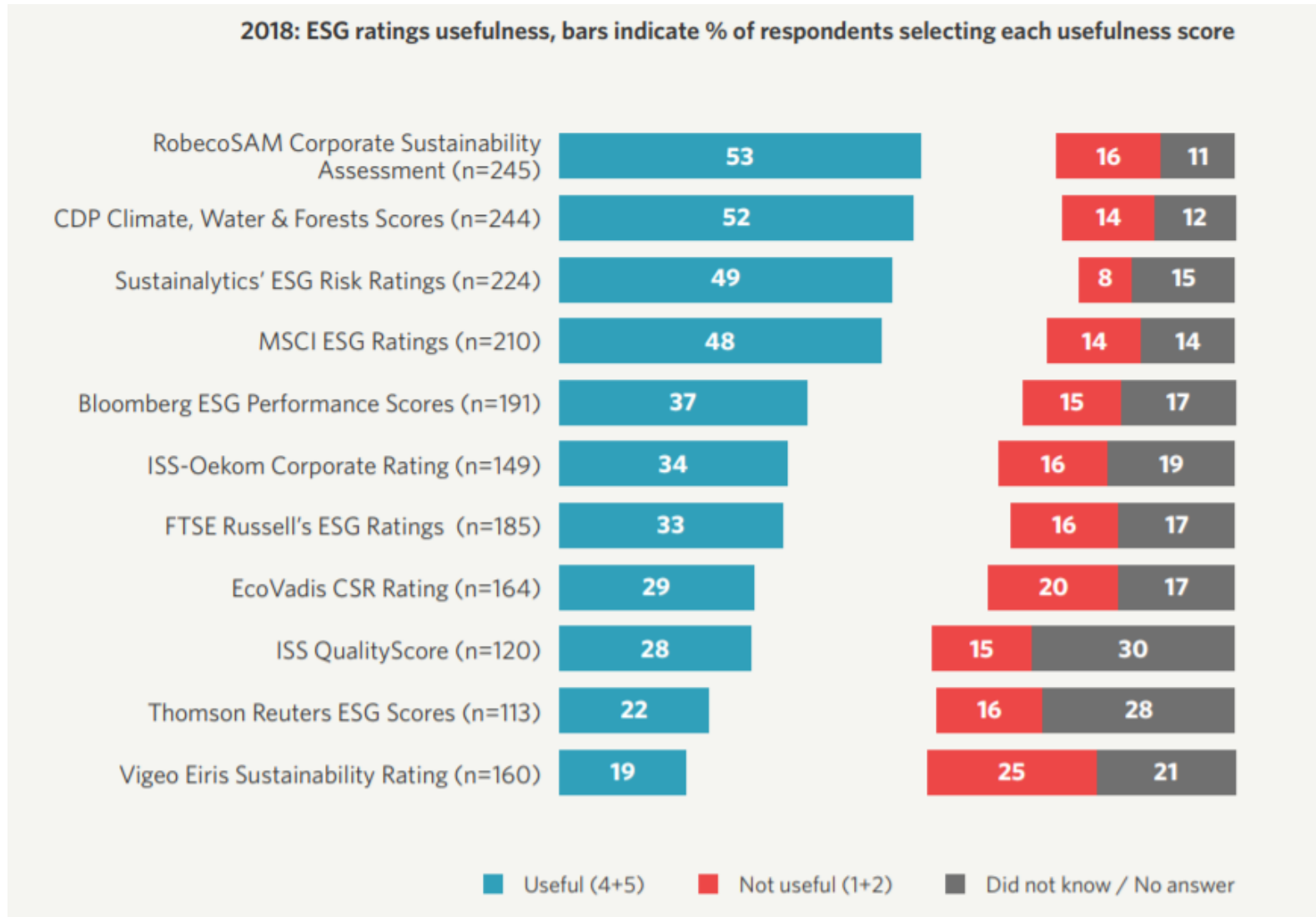
# ESG Rate the Raters Results - Quality

- Survey of 319 sustainability professionals in the fall of 2018
- Second report forthcoming in 2019 focused on investor perspectives on ratings
- 2018 Top 5
  - CDP
  - RobecoSAM / DJSI
  - Sustainalytics
  - MSCI
  - Bloomberg





# ESG Rate the Raters Results - Usefulness



# ***Case Study: Strategic ESG Disclosure***

Edwards Lifesciences

# Edwards Lifesciences Case Study: Strategic ESG Disclosure

Edwards Lifesciences

## Corporate Sustainability Council

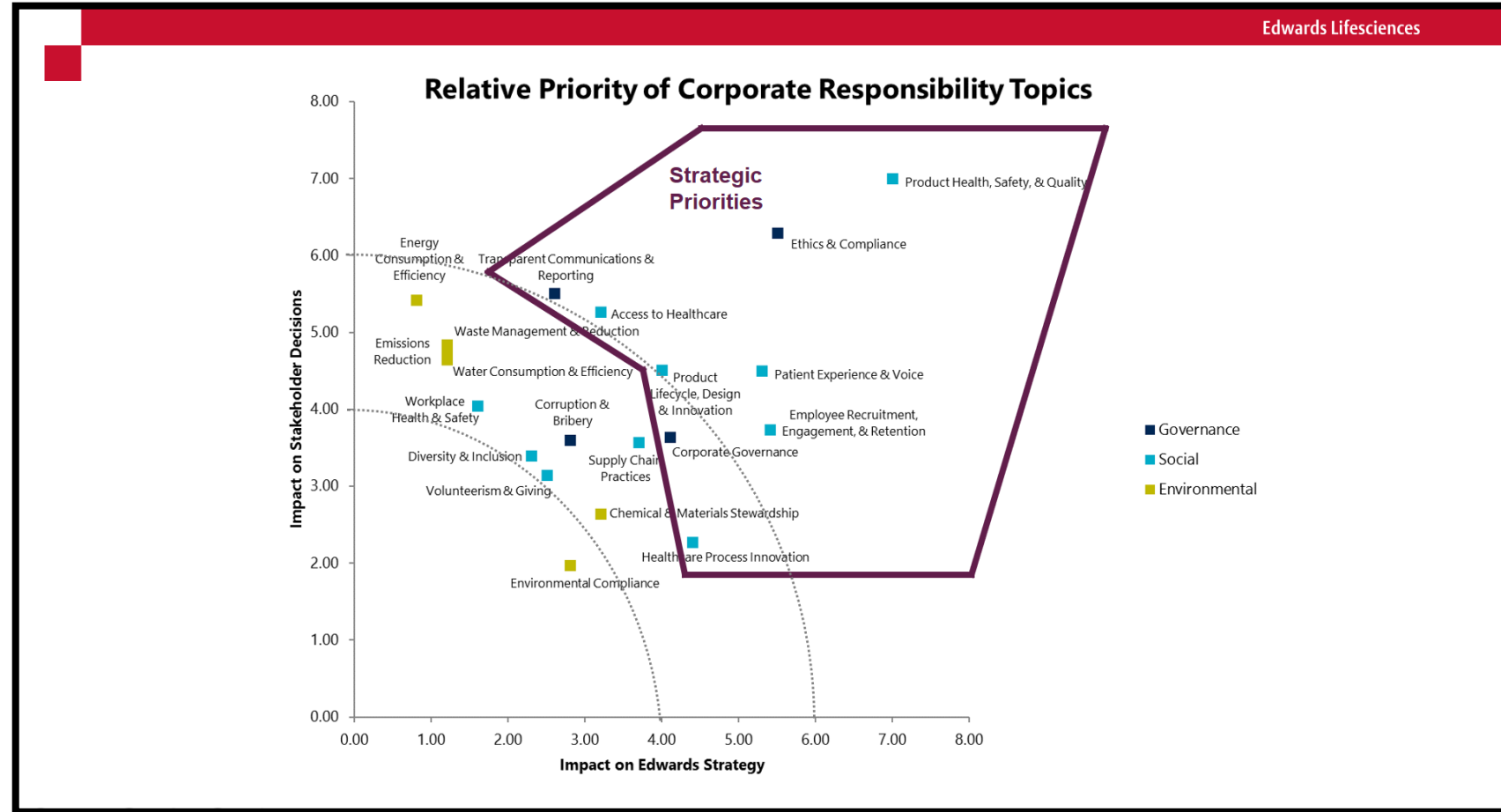
### Aspiration Theme Champions

- IR, *Shareholder Value*
- Global Communications, *Innovative Technology*
- EHS, *Trusted Partner*
- Philanthropy, *Community*
- HR, *Talented Employees*

### Council

- Legal
- Communications
- Global Supply Management
- Government Affairs
- Product Steward
- EU, Business Operations
- ERM
- EU, International Quality
- Strategy

# Edwards Lifesciences Case Study: Strategic ESG Disclosure



# Edwards Lifesciences Case Study: Strategic ESG Disclosure

Edwards Lifesciences

## Sustainability Metrics at a Glance

- Published on Edwards.com
- Disseminated to most influential ESG research firms
- Good feedback and engagement

### Edwards Lifesciences Our Sustainability Metrics At a Glance

Topic	Metric	2016	2015
<b>Social</b>			
<b>Products</b>	Number of regulatory approvals for new devices	3	2
	Number of global patient safety-related class 1 product removals	0	0
<b>Ethics</b>	Applicable employees certified to ethics code of conduct (%)	97	98
	See <a href="#">Corporate Responsibility</a> site and <a href="#">Sustainability Report</a> .		
<b>Access to Healthcare</b>	Number of underserved patients impacted through our philanthropic partners who provide education, screening and treatment	400,000	200,000
	Community Spending (Foundation, Corporate Grants and Product Donations)	\$6.6 million	\$8.2 million
	Every Heartbeat Matters Grants Awarded (USD)	\$4.4 million	\$3.9 million
	Facilities engaged in local charitable activity (%)	100%	100%
	See <a href="#">Political Disclosure and Accountability</a> .		
<b>Employee Health and Safety</b>	Lost Time Incident Rate (Total incidents per 200,000 hours worked or 100 FTE)	0.34	0.36
	Total Recordable Incident Rate (Total recordable incidents per 200,000 hours worked or 100 FTE)	1.22	1.16
	Fatalities – Contractors	0	0
	Fatalities – Employees	0	0
	Health and Safety Policy (y/n)	Yes	Yes
	Health and safety policy is group-wide (y/n)	Yes	Yes
	Target to improve H&S performance (y/n)	Yes	Yes
See <a href="#">Environmental Health &amp; Safety</a> report for more information.			

# Single Security Data

Company-reported ESG data is available at a single security level. Ratios and third-party scores are also available, offering complete transparency.

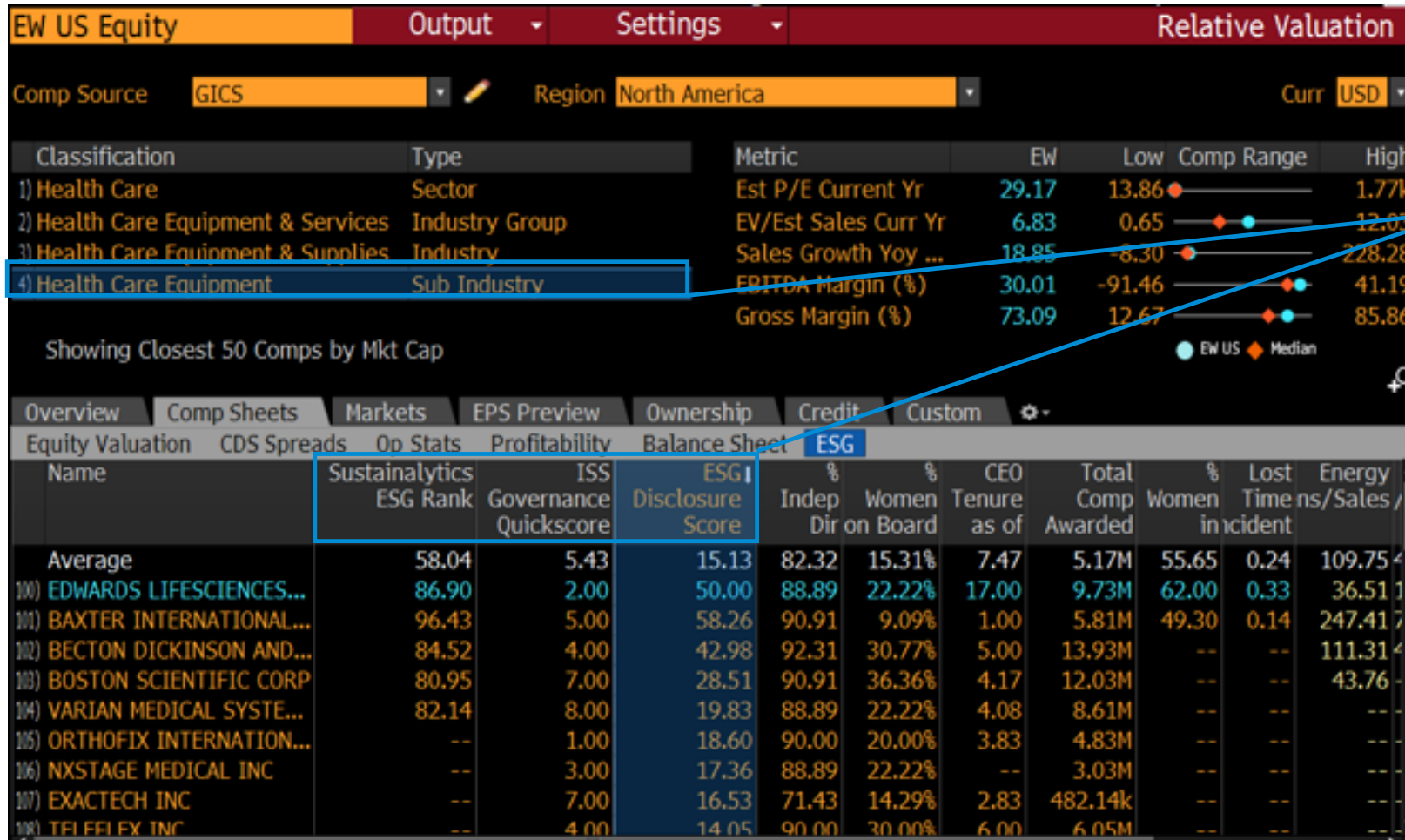
ESG Company data, disclosure scores, ratios and third party data

EW US Equity										
96) Actions ▾ 97) Output ▾ 98) Settings										
Financial Analysis										
ADJ Edwards Lifesciences Corp										
Periods 11 Annuals Currency USD										
1) Key Stats 2) I/S 3) B/S 4) C/F 5) Ratios 6) Segments 7) Addl 8) ESG 9) Custom 10) Shared										
11) Overview 12) Environmental 13) Social 14) Governance 15) Exec & Dir Comp 16) ESG Ratios 17) CDP										
In Millions of USD except Per Share										
	FY 2016	FY 2015	FY 2014	FY 2013	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008	FY 2007
12 Months Ending	12/31/2016	12/31/2015	12/31/2014	12/31/2013	12/31/2012	12/31/2011	12/31/2010	12/31/2009	12/31/2008	12/31/2007
ESG Disclosure Score	50.00	49.59	36.36	27.27	16.53	15.29	15.29	15.29	15.29	15.29
Environmental										
Environmental Disclosure Score	50.39	47.29	35.66	20.16	2.33					
Total GHG Emissions	46.4	31.6	30.9	31.3						
NOx Emissions	0.0									
Total Energy Consumption	108.2	81.9	102.6							
Total Water Use	432.5	358.0	310.0	345.0						
Hazardous Waste	0.9	0.8	0.8	0.7						
Total Waste	3.3	3.7	3.6	1.8						
Social										
Social Disclosure Score	33.33	38.60	19.30	19.30	14.04	14.04	14.04			
Number of Employees	11,084	10,116	9,100	8,600	8,200	7,800	7,000			
% Women in Workforce	62.00	62.00								
% Women in Mgt		24.00								
Fatalities - Contractors	0	0	0	0						
Fatalities - Employees	0	0	0	0						
Fatalities - Total	0	0	0	0						
Governance										
Governance Disclosure Score	66.07	66.07	55.36	51.79	51.79	51.79	51.79			
Size of the Board	9	8	8	8	8	8	8			
Indep Directors	8	7	7	7	7	7	7			

Financial Analysis: Source Document			
Edwards Lifesciences Corp			
FY 2016			
Topic	Metric	2016	2015
Environmental			
ISO 14001	Manufacturing operations maintaining ISO 14001 certification	67%	67%
Air Emissions	Scope 1 Emissions (Th Tonnes)	7.41	6.81
	Scope 2 Emissions (Th Tonnes)	39.02	33.77
	Scope 3 Emissions (Th Tonnes)	41.38	td
	Emissions Reduction Initiatives (y/n)	Yes	Yes
	Workforce participating in alternate transportation (%)	40%	40%
	Volatile Organic Compounds ROG/VOC emissions (kgs)	799	-
	Nitrogen Oxide Emissions (kgs)	3,001	-
	Sulfur Oxide Emissions (kgs)	86	-
Climate	Climate Change Opportunities Discussed (y/n)	Yes	Yes
	Risks of Climate Change Discussed (y/n)	Yes	Yes
	Climate Change Policy (y/n)	Yes	Yes
	CDP Carbon Disclosure (y/n)	Yes	Yes
	See <a href="#">CDP Response</a> for more information.		
Energy	Total Energy Consumption (MWh)	108,206	94,306
	Energy Efficiency Policy (y/n)	Yes	Yes
Water	Water Consumption in Manufacturing (Thousands of cubic meters)	432.46	357.88
	See <a href="#">CDP Response</a> for more information.		
Waste	Hazardous Waste (Th Tonnes)	.906	.799
	Total Waste Discarded (Th Tonnes)	1.499	1.268
	Total Waste Recycled (Th Tonnes)	.925	.874
	Waste Reduction Policy (y/n)	Yes	Yes
	See <a href="#">Environmental Health &amp; Safety</a> report for more information.		

# ESG Peer Analysis

Analyze a company's ESG performance to assess current and historical risks and opportunities



ESG Performance and peer comparisons including ESG scores

# Edwards Lifesciences Case Study: Strategic ESG Disclosure

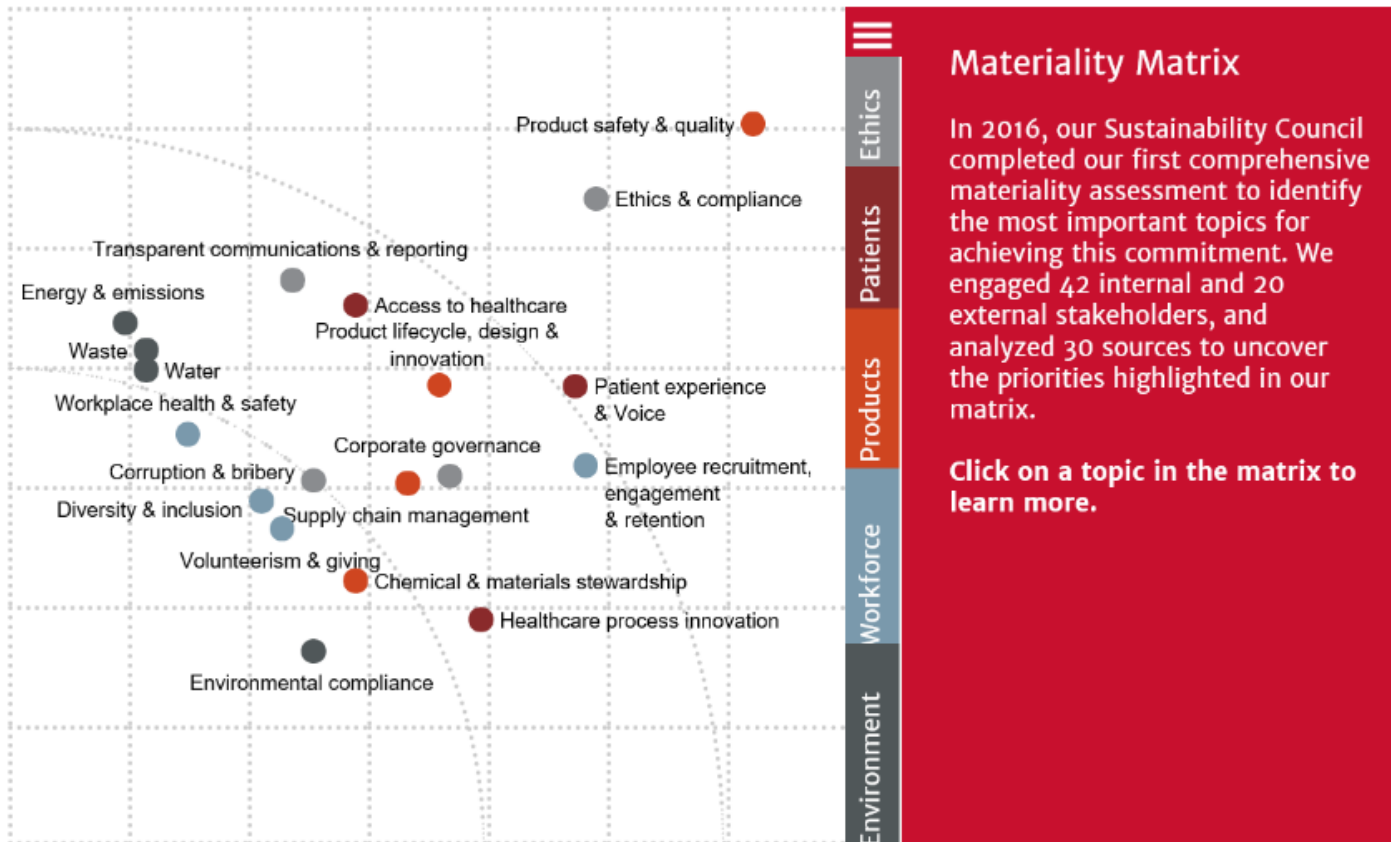
Sustainability report

## Materiality & stakeholder engagement

GRI 102-45, GRI 102-46, GRI 102-47, GRI 103-1, GRI 102-40, GRI 102-42, GRI 102-43, GRI 102-44



Edwards



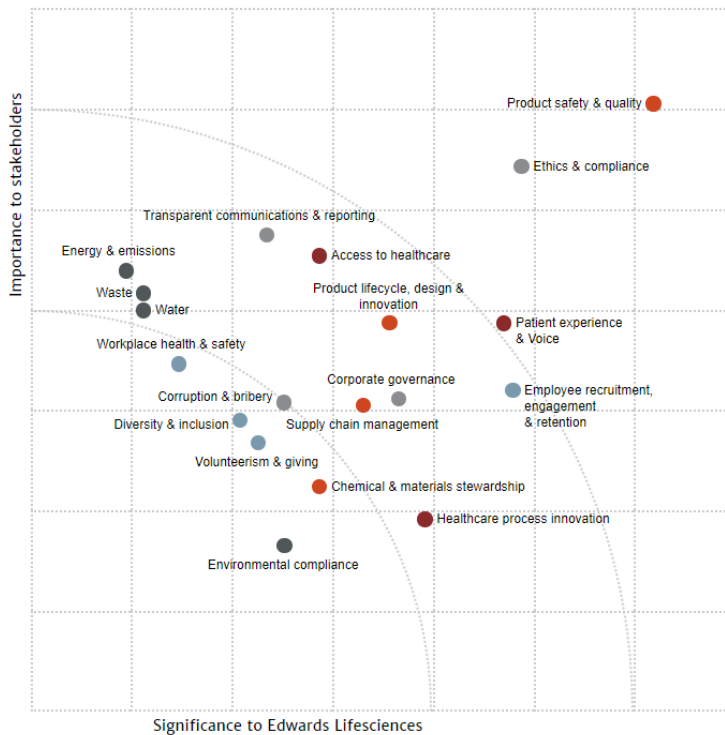
## Edwards Lifesciences Materiality Assessment

- Engaged more than 60 stakeholders to identify, prioritize and validate the Company's most significant sustainability impacts, risks, and opportunities, driving the Company's strategy and goals, management approach, and reporting.
- Interactive matrix published on [Edwards.com](https://www.edwards.com).



# Edwards Lifesciences Case Study: Strategic ESG Disclosure

Materiality matrix




## Environment

**Energy & Emissions**

**Definition**  
Reducing energy usage and greenhouse gas emissions generated throughout Edwards' value chain, reducing the release of fine particulate matter into the air and toxic air emissions, improving energy efficiency and sourcing renewable energy

**Why It's Material**  
Edwards Lifesciences is committed to reducing our environmental footprint. Although we are a relatively low-energy manufacturer, we continually strive to decrease our consumption of energy and fossil fuels. We promote conservation practices that help build a future where all patients can live healthier and more productive lives.

**Primary Stakeholders Impacted**  
Operations, Communities

**Our Aspirations**  
 Passionate engagement that strengthens our communities

## Social

**Employee Recruitment, Engagement & Retention**

**Definition**  
Developing strategies for attracting, developing and retaining employees

**Why It's Material**  
We unite our employees around a common passion for improving patients' lives. We must execute our work with the utmost precision and care, knowing our therapies have the power to affect patients in a real and lasting way. As a growing company, our culture must attract and retain top talent that will continue to move us forward.

**Primary Stakeholders Impacted**  
Employees

**Our Aspirations**  
 Fostering an inclusive culture where all employees grow and thrive

## Governance

**Corporate Governance**

**Definition**  
Implementing mechanisms and processes that promote ethical governance at Edwards, including board diversity, proxy access, executive compensation and accountability, and developing a culture where leaders are engaged in support of sustainability performance

**Why It's Material**  
Edwards Lifesciences' Board of Directors drives our unique, patient-focused culture. Through our corporate governance practices, we create a powerful and responsible organization from the top down. Our governance practices guide us as we grow, ensuring our leaders' values align with those of our company.

**Primary Stakeholders Impacted**  
Investors

**Our Aspirations**  
 Delivering exceptional shareholder value

# *Active ESG Management*

# Is it time to create your own ESG narrative?

...Or are you going to let others do that for you?

## Step 1: Understand the ESG Ecosystem

- What do the ESG ratings and rankings ecosystem look like today?
- Are your competitors disclosing things you are not?
- Can you disclose these things?
- Do we want to connect the internal dots and do a report, or fill the immediate gaps?

## Step 2: ESG Research Firm, Shareholder Mapping & Assessment

- Who is already looking at you and contacting you?
- Which of your largest owners have an interest in ESG?
- How important are those ESG research firms and owners to you? (Prioritize)

## Step 3: Strategic and Integrated Disclosure

- What do we already have in-house that we're not disclosing?
- What are our most important (material) ESG issues?
- Who are the internal SMEs that can help measure, manage and disclose ESG information?



# Thank you

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