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Why ESG and D&I should be on your radar

A strategic perspective.

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Agenda



- Introductions
- Understanding ESG and D&I
 - What is ESG Investing
- Review of the Business Case
- Investor's Perspective
- Regulatory Considerations
- Recent Developments

- Q & A

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Understanding ESG

- No exact definition of ESG
- Environmental
 - Focuses on the environmental performance of a company
 - Greenhouse gas emissions, climate change, scarcity of natural resources, water and waste management.
- Social
 - Focuses on a businesses' impact on its customers, community and employees
 - Human rights, data security, supply chain management, labor practices, diversity & inclusion, and talent management
- Governance
 - Focuses on a businesses leadership structure
 - Operations and accountability, executive pay, bribery and corruption, tax strategies, transparency, and independence of the board as well as its oversight functions
- ESG risks and opportunities vary by industry and sector. While some risks are common to all companies, each company will have its own mix of ESG issues.

What is ESG Investing?

- Focus on ESG outcomes
 - Investments are based on overall ESG performance (e.g. third-party ratings or internal criteria), which includes financial material ESG factors (risks and opportunities) that guide investment research in addition to standard analysis.
- No Screens
 - Investments are generally not excluded because of undesirable activity. Instead, rankings are typically assigned to ESG factors for a company in any industry. The ESG rankings are used as part of the overall investment research process.

Understanding D&I

- Dimensions of diversity
 - The variety of abilities, experiences, cultural backgrounds, and skills in all stakeholders
- Dimensions of inclusion
 - The opportunity to add value and leverage these differences to achieve superior results and functionality

A Business Case Review



- What we know:
 - Sustainable assets are more valuable
 - Engaged employees are more productive
 - Diverse teams make empirically better decisions
 - Beyond the investment narrative

An Investor's Perspective

- Private money
- Institutional investors
- Glass Lewis/ISS
- Board oversight
 - Investors are continuing to expect more and more transparency from boards in how they oversee particular topics. ESG oversight is no exception.
 - You must be prepared to provide shareholders with the information they seek

U.S. Regulatory Considerations

- Principles-based approach to reporting for public companies
- CA diversity requirements
- NASDAQ listing requirements
- Case law
- Risk mitigation
- SEC guidance
 - Description of the business
 - Legal proceedings
 - Risk factors
 - Discussion & Analysis from Management
- Recent developments

Why are these initiatives important and awareness of them critical to your company's success?

It inspires your employees

It matters to your consumer

It's measured by your investors



What you can do



- Reevaluate process and procedure
 - Governance documents
 - Contracting process
 - Employment process
- Redefine corporate structure
 - Board committees
 - C-suite responsibilities
- Establish the culture
 - Adaptability as an asset
 - Dynamic materiality

Questions?

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