

# ESG: Exploring the “S” in ESG Building Your Company’s Social Impact Strategy

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## Presenters



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## Goals for today

Today's panelists will discuss the importance of a company's social impact strategy including:

1. The "S" in ESG: What does the "S" in ESG stand for and what does it mean?
2. Recent examples of how companies have focused on social impact as part of their overall business strategy
3. Why can't corporations just maximize profits for investors? Aren't social impact issues potentially risky?
4. What happens when companies fail to walk the talk
5. Best practices for developing your social impact strategy

## Questions & next steps

## The Evolution of ESG

- **1980s - 1990s:** Corporate Social Responsibility, Sustainable Development and Triple Bottom Line.
- **2000s:** Carbon Disclosure Project, Principles for Responsible Investment and the introduction of Environmental, Social and Governance.
- **2010s:** Sustainability Accounting Standards Board, International Integrated Reporting Council and Task Force on Climate Related Financial Disclosure.
- **2020s:** ISS adds ESG Scores, S&P ESG indices launched, World Economic Forum Sustainable Value Creation Metrics.



## What is ESG?

The issues that the stakeholders of companies (including regulators) are caring [passionately] about.



**Environmental** – This includes contributions made to climate change through emissions and carbon footprint, the impact the business has on natural resources, pollution, waste, land contamination, biodiversity, energy use, and product innovation.



**Social** – Social factors can include modern slavery, human rights, labor standards across the supply chain, adherence to workplace and industry health and safety standards, and human capital management and access.



**Governance** – Governance refers to themes surrounding corporate governance and behaviour, including ethics, corruption, transparency, anti-competitive practices, corporate sustainability and board diversity.

Stakeholders include:

- Employees
- Investors
- Sources of finance
- Consumers/clients
- Governments
- Regulators
- Suppliers
- Communities

## ESG: Why Now?

- o [BlackRock CEO letter](#)
- o [Proxy Advisory firms](#)
- o [Nasdaq Board Diversity Proposal approved by SEC 8/2021](#)
- o [Business Roundtable Restatement of Corporate Purpose](#)
- o [Social and Consumer Awareness and Pressure](#)
- o [Pandemic](#)
- o [Climate Change](#)

### Larry Fink's 2021 letter to CEOs



## BUILDING A SOCIAL IMPACT STRATEGY AS PART OF YOUR ESG/BUSINESS STRATEGY

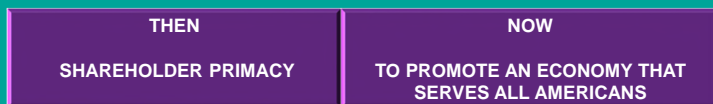
Social impact strategy is a process for planning, measuring, and attributing positive social change to an organization's work and actions.

Graph: Cemex



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## In August 2019, 181 CEOs Sign the Business Roundtable's Statement that Redefined the Purpose of a Corporation



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## SOCIAL IMPACT

May 2019: Nasdaq Inc. issues its ESG reporting guide for public and private companies

- ☐ CEO Pay Ratio
- ☐ Gender Pay Ratio
- ☐ Employee Turnover
- ☐ Gender Diversity
- ☐ Temporary Worker Ratio
- ☐ Non-Discrimination
- ☐ Injury Rate
- ☐ Global Health & Safety
- ☐ Child & Forced Labor
- ☐ Human Rights

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## SOCIAL IMPACT

November 2019: SEC Approves Human Capital Disclosure Requirements

Effective November 9, 2020, the Securities Exchange Commission (SEC) issued final rules that modernized the requirements of Regulation S-K applicable to disclosure of the description of the business, legal proceedings and risk factors. The new rules require companies to greatly expand their human capital management disclosure using a principles-based approach.

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# SOCIAL IMPACT

*"Purpose is not the sole pursuit of profits but the animating force for achieving them."*  
- Larry Fink, CEO of BlackRock Inc.

## August 2021: SEC Approves Nasdaq Diversity Rule

On August 6, 2021, the Securities and Exchange Commission ("SEC") approved Nasdaq's Board Diversity Rule ([Nasdaq Stock Market LLC Rules 5605\(f\) and 5604](#)), which requires listed companies to have at least two diverse board members or to explain their failure to meet the requirement, with some exceptions. The Board Diversity Rule also requires companies to publish statistics on the diversity of their board members.

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## ACCOUNTABILITY

- ❑ *Robert Foote, derivatively on behalf of Micron Technology, Inc. v. Micron Technology, Inc. et al.*, 1:21-cv-00169-UNA (D. Del. 2021)
- ❑ Facebook Beats Derivative Suit Over Board Diversity, For Now:  
In [\*Ocasio v. Zuckerberg\*](#), No. 20-CV-04444, 2021 WL 1056611 (N.D. Cal. Mar. 19, 2021), the United States District Court for the Northern District of California became the first court to rule on a motion to dismiss claims alleging deficiencies in a company's compliance with policies intended to promote diversity.

## BEST PRACTICES FOR DEVELOPING YOUR SOCIAL IMPACT STRATEGY

1. Identify attainable and specific goals
2. Communicate clearly how the company will attain the goals
3. Measure achievement against goals
4. ESG is not exclusively a public or investor relations issue; it should be integrated into the legal and compliance functions, among other departments and should be part of the overall corporate strategy
5. Board of Directors should understand their fiduciary duties related to ESG strategies



# Unilever Compass

Win with our brands as a force for good, powered by purpose and innovation

Improve the health of the planet			Improve people's health, confidence and wellbeing		Contribute to a fairer, more socially inclusive world		
Climate action	Protect and regenerate nature	Waste free world	Positive nutrition	Health and wellbeing	Equity, diversity and inclusion	Raise living standards	Future of work
<p>Net zero emissions from all our products by 2039, reducing emissions by 2025</p> <p>Reduce greenhouse gas impact of our products, reducing the carbon footprint by 2025</p> <p>Save water in our operations by 2025</p> <p>Re-use food: Add direct carbon with renewable or recycled carbon in all our packaging and laundry product formulations by 2030</p> <p>Close the natural resource loop of our products by 2030</p>	<p>Replenish the supply chain from soil, water and forests by 2030</p> <p>Help protect and regenerate 12.5 million hectares of land, freshwater and forests by 2030</p> <p>100% sustainable sourcing of our key reproductive crops by 2030</p> <p>Engage farmers and smallholders to increase productivity and regenerate farmland by 2030</p> <p>Implement water stewardship programmes in 100 locations by 2030</p> <p>Protect 1 million hectares of land by 2030</p>	<p>Reduce plastic waste by 2025</p> <p>20% recycled plastic by 2025</p> <p>100% reusable, recyclable or compostable waste by 2030</p> <p>100% reusable, recyclable or compostable waste by 2030</p> <p>Reduce food waste in our factories by 2030</p> <p>100% of our products to be made from recycled materials by 2030</p>	<p>10 billion annual sales from plant-based meat and dairy alternatives by 2025-2030</p> <p>Double the number of products sold that deliver positive nutrition by 2025</p> <p>70% of our products to meet pre-registered nutritional standards by 2030</p> <p>10% of packaged ice cream to contain no more than 10g added sugar per serving by 2025</p> <p>10% of packaged ice cream to contain no more than 20g total fat per serving by 2025</p> <p>80% of our Knorr portfolio to help customers reduce their salt intake by no more than 1g per day by 2030</p>	<p>Net zero emissions from our supply chain by 2030</p> <p>100% of our products to be made from recycled materials by 2030</p> <p>100% of our products to be made from recycled materials by 2030</p> <p>100% of our products to be made from recycled materials by 2030</p> <p>100% of our products to be made from recycled materials by 2030</p> <p>100% of our products to be made from recycled materials by 2030</p>	<p>Ensure that everyone who works for us is paid a living wage or more by 2025</p> <p>Help 5 million small and medium-sized enterprises grow their business by 2025</p> <p>Provide new models to provide our employees with flexible employment options by 2030</p> <p>Help to upskill our employees with future skills by 2030</p>	<p>Help equip 10 million young people with essential skills by 2030</p> <p>Provide new models to provide our employees with flexible employment options by 2030</p> <p>Help to upskill our employees with future skills by 2030</p>	<p>Help equip 10 million young people with essential skills by 2030</p> <p>Provide new models to provide our employees with flexible employment options by 2030</p> <p>Help to upskill our employees with future skills by 2030</p>

Supported by 41 billion Climate & Nature Fund

Respect human rights

Respect and promote human rights and the effective implementation of the UN Guiding Principles, and ensure compliance with our Responsible Sourcing Policy

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## 2020 Highlights



### Our People



### Our Planet



### Our Products



### Our Governance










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TENNECO



## 2021 Goals

Tenneco's Sustainability Goals		
Material Topic	Goal	
 Inclusion, Diversity and Equity	<ul style="list-style-type: none"> <li>• Increase gender diversity to One Third females globally at manager level and above by 2030.</li> <li>• Increase U.S. minority group representation to One Third at manager level and above by 2030.</li> </ul>	
 Greenhouse Gas Emissions	Reduce Scope 1 and Scope 2 GHG emissions intensity by 30% by 2030 from a 2019 baseline.	
 Energy Use	<ul style="list-style-type: none"> <li>• Decrease operational energy demand by 10% by 2030 from a 2019 baseline.</li> <li>• Source 15% more renewable energy by 2030.</li> </ul>	
 Operational Waste	Reduce waste to landfill by 20% by 2030 from a 2021 baseline.	
 Product Safety and Quality	Achieve 100% certification with IATF 16949, ISO 9001 or other applicable quality management standards for manufacturing sites by end of 2025 to standardize quality governance.	
 Supplier Management	<ul style="list-style-type: none"> <li>• 100% of strategic partners reaffirm their commitment to the Tenneco Code of Conduct by end of 2022.</li> <li>• 100% of Tenneco's top sustainability "high-risk" and/or "high-impact" suppliers complete a self-assessment questionnaire by end of 2022.</li> </ul>	
 Conflict Minerals	Develop a strategy by 2024 to phase out, where possible, 3TG smelters and refiners nonconformant with RMI in the supply chain.	

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# Questions?

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**Thank you**

