



Make Your Company More Competitive Own Your CSR Story

Midwest Environmental Compliance Conference

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bclplaw.com

Corporate Social Responsibility

Fad

Fantasy

The New Normal

Dollars

\$8.6 TRILLION

\$8.85 BILLION

\$24.1 BILLION

Uncertainty = Opportunity

- Numerous standards
- Multiple audiences
- No one template
- No single governing regulatory scheme
- **Opportunity to define what should be measured and how it should be communicated**

An Accurate CSR Story Matters

Human history becomes more and more a race between education and catastrophe.

- H.G. Wells
The Outline of History
1920

Goal Today

- If you are not already, convince you that CSR is the new normal.
- Provide tools for persuading your internal stakeholders that you need to own your CSR story.
- Discuss the inputs to developing a credible CSR narrative because, if you don't, someone else will.

The CSR Wheel – The Investor Audience

Examples of ESG Criteria
Used by Sustainable Investors



US(SIF)
FOUNDATION
The Forum for Sustainable and Responsible Investment

The New Normal – Shareholder Activism

- Occidental Petroleum Corp. shareholders passed a resolution requiring a climate stress test.
- ExxonMobil shareholders voted to require assessment of Company's preparation for a low carbon future.
- NY State lawsuit against Exxon alleging fraud as to disclosures regarding climate risk.
- Shell links long term carbon footprint targets to executive compensation.

The New Normal – Petition for SEC Rulemaking

- Signatories include: CalPERS, NY Comptroller, IL, OR and CT Treasurers and organizations representing over \$5 trillion in assets under management.
- Reasons for SEC Rulemaking on ESG:
 - ESG information is material
 - Companies struggling to provide relevant, reliable and useful ESG information
 - Current voluntary efforts are inadequate
 - Lessen the burden on public companies and level the playing field
 - Shareholder petitions and engagement signal it's time

The New Normal - Task Force on Climate Related Disclosures (TCFD)

- Financial Stability Board: Federal Reserve Board of Governors; SEC, US Treasury Dept.
- As of December 2017, estimated 237 companies from 29 countries with a combined market cap of more than for \$6.3 trillion publicly committed.
- Including 150 financial firms responsible for assets of \$81.7 trillion, e.g., Bank of America, Citigroup and Blackrock.
- Uses existing frameworks: Sustainable Accounting Standards Board (SASB) and Global Reporting Initiative (GRI).

External Tools for the Narrative - TCFD- cont'd

- Risk Management
 - How is the Company mitigating, transferring or controlling risk? For example in calculating ROI
 - How is the evaluation of climate risk weighed against other issues? For example is transactional diligence
- Metrics and Targets
 - Water, energy, land use and waste management
 - Internal carbon pricing
 - Greenhouse gas emission
 - Climate related targets – absolute v. intensity; time frames; base year; performance indicators

Framing The Narrative - Climate Related – Transition Risks

- Policy and Legal Risks – carrots, sticks and litigation
- Technology Risk – renewables, energy storage, carbon capture
- Market Risk
- Reputation Risk – customers making choices
- Physical Risks –
 - Acute – event driven
 - Chronic – long term pattern shifts

Part of your story ? - Climate Related Opportunities

- Resource Efficiency – traditional sustainability goals: reduced energy, raw material and water consumption
- Energy Source – many companies setting renewable power targets
- Products and Services – shifting consumer preferences, transparency, accuracy
- Markets (underwriting green bonds and infrastructure)
- Resilience

Convincing Stakeholders

- Growing consensus among regulators and legal experts that thoughtful consideration of ESG factors **is consistent with fiduciary duty**.
- U.S. Sustainable Investing Holdings Have Grown to \$8.6 Trillion for Institutional Investors as of early 2018.
- Beyond Operations and EHS – Finance, Marketing, Product Development, Real Estate

Framing the Narrative - Sustainable Development Goals (SDGs)

- 43% of G250 connect their CSR activities to SDGs
- GM developed an SDG-specific index
- Samsung dedicates a page in its 2017 Sustainability Report to show its SDG alignment

Framing the Narrative - SDGs - cont'd

- 1 - No Poverty
- 2 - Zero Hunger
- 3 - Good Health and Well-Being
- 4 - Quality Education
- 5 - Gender Equality
- 6 - Clean Water and Sanitation
- 7 - Affordable and Clean Energy
- 8 - Decent Work and Economic Growth
- 9 - Industry, Innovation and Infrastructure
- 10 - Reduced Inequalities
- 11 - Sustainable Cities and Communities
- 12 - Responsible Consumption and Production
- 13 - Climate Action
- 14 - Life Below Water
- 15 - Life on Land
- 16 - Peace, Justice and Strong Institutions
- 17 - Partnerships for the Goals

SDG Narrative Example

Nidec's Vision

For Our Future

The Nidec Group creates and delivers to the world revolutionary solutions that contribute to the Sustainable Development Goals (SDGs), a set of initiatives that the international community addresses together.

» Achieving the SDGs

In September 2015, the "United Nations Sustainable Development Summit" was held at the UN Headquarters in New York, where 193 member nations unanimously adopted the "2030 Agenda for Sustainable Development to Transform Our World," and set 17 goals (Sustainable Development Goals, or SDGs) as important guidelines for the international community to eliminate poverty by 2030 and realize a sustainable society.

Realizing the SDGs urgently requires efforts not only of nations and local governments, but also of private businesses and civic communities. The Nidec Group is determined to evolve into a solutions company that supports people's lives and the global environment with its products that "spin and move" through the achievement of our mid-term strategic goal Vision 2020. We deliver to the world solutions that realize the SDGs, with a special focus on four of those goals that are deeply related to its businesses. (See the top portion of Page 6)

Sustainable Development Goals (definition provided by the United Nations Department of Public Information)

- "Sustainable development" is defined as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs"; and
- Realizing sustainable development essentially requires the three main elements, "economic development," "social acceptance," and "environmental protection."



Using Solar Power to Bring Water to Agricultural Land in India

India, where more than 40% of the labor population engages in agriculture, has a major issue: There is not enough water for irrigation. In this country, approximately 35 million pumps are used to draw underground water to the land surface, and approximately 27 million of those pumps are electric, consuming nearly 20% of India's electricity. The remainder, diesel pumps, require farmers to obtain fuel for them, while causing the problem of releasing CO₂ and air-polluting substances into the atmosphere. Based on Indian Prime Minister Modi's request to Nidec in 2014, Nidec has been developing and distributing high-performance, solar-powered irrigation pumps systems that use our high-efficiency motor, IoT, and other technologies and knowhow. By working to overcome such issues as fluctuation of power supply due to climatic changes, stabilizing the performance of motors that are installed as deeply as 50 – 100 meters underground, and controlling the amount of water released from the pumps to be optimal for agricultural crops, we will stay committed to developing India's agriculture.



We will contribute to achieving these SDGs by 2030.



¹¹ IoT (Internet of Things): An online network of all interconnected objects.
¹² HMI (Human Machine Interface): A general term for things such as devices and software that connect humans and machines.

Developing your CSR Narrative

- Thorough life cycle analysis to develop quality metrics and risk and opportunity analysis.
- Product Resilience
- Service Resilience (NYC and backup generators on ground floors or in basements)
- Location Risk – redundancies?
- Turn Waste into product – conveyer belts
- Waste heat capture

Who is your audience?

- Sustainability Report
- Developing responses to supply chain requests on sustainability practices
- Investors, lenders, customers
 - Do you know how finance, marketing and product development look at these issues?
 - Do you know if they are already responding to investors, lenders and customers and, if so, what they are saying?
 - Is your companies message consistent and credible to all constituencies?

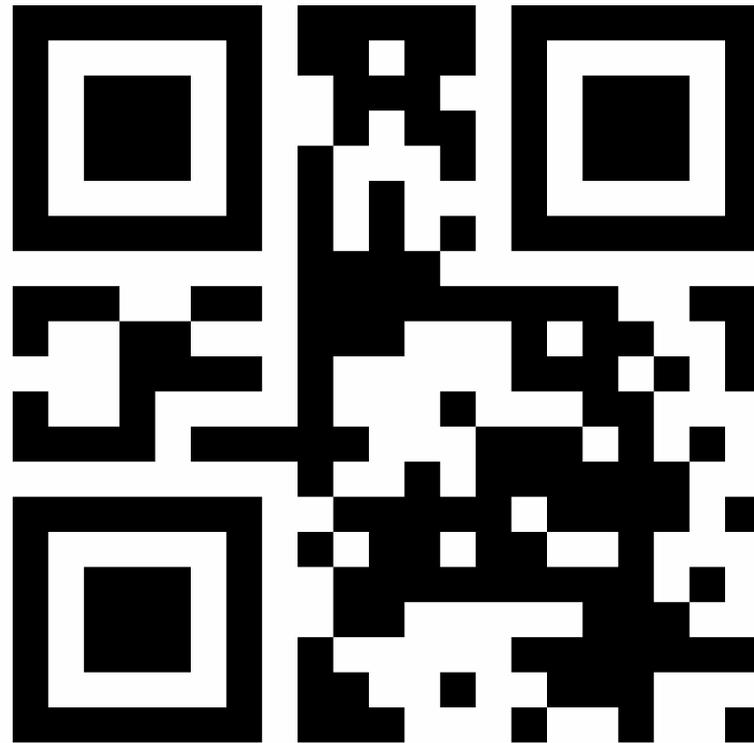
The CSR Narrative Challenge

- Which Metrics to use
- What targets to set
- Who owns setting and achieving and reporting
- Is there a “sustainability” budget? Does it come from marketing or is from as an assessment of risk reduction built into ROI?
- The role of policies and procedure – ISO anyone?
- Demonstrating progress

The CSR Narrative Challenge cont'd

- Third party verification
- Importance of industry group resources
- 1400 companies have factored an internal carbon price into business plans. How does a company make sure that sustainability is adequately addressed in ROI analysis?
- Improving quality of metrics:
 - More frequent internal reporting – you manage what you measure.

Access to your CSR narrative



The Future – Private Sector Leads

- US federal mandates not primary vehicle for addressing ESG issues for intermediate term.
- Systemic approach driven by investors and capital pools and businesses and using proxy process.
- More disclosure, evolving standards, evolving expectations.
- Potential benefit from proactive Board/management engagement with long term investors on sustainability issues.

Corporate Initiatives

- Address and Respond to climate change
- Water management
- Adopt effective health and safety policies that protect against accidents
- Adopt corporate culture that builds customer's trust and fosters innovation by employees
- Foster Diversity and Inclusion on Corporate Boards and Committees
- Green Initiatives
 - Supply chain management
 - Renewable energy sources
 - Energy efficiency
 - Constructing sustainable buildings

Private Sustainability – Public Investment

- Attracting talent
- Infrastructure - \$7 trillion in U.S. alone
- Opportunity to create a metro community of the future – Tech smart cities, mobility, shaping the Built Environment
- Inclusiveness (digital divide)



Before we Conclude

Questions?

bcplaw.com

Look forward to Your CSR Stories

- CSR is the new normal
- Information to persuade your internal stakeholders
- Better equipped and even more committed to owning and telling your CSR story

Continue the Conversation



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Resources

- *Final Report: Recommendations of the Task Force on Climate-Related Disclosures* (June 2017)
- *Better Business, Better World Business and Sustainable Development Commission Report*
<http://report.businesscommission.org/report>
- *Blueprint for Business Leadership on the SDGs: A Principles Based Approach*, UN Global Counsel
- *Request for SEC Rulemaking on ESG*
<https://www.sec.gov/rules/petitions/2018/petn4-730.pdf>

Terminology

- CSR – Corporate Social Responsibility
- ESG – Environmental, Social and Governance
- GRI – Global Reporting Initiative
- SASB – Sustainability Accounting Standards Board
- SDGs – UN Sustainability Development Goals
- SRI – Socially Responsible Investment
- TCFD – Task Force on Climate Related Financial Disclosures