

Friday April 21, 2023

Our MS TEAMS Meeting will start shortly ... 9:00 AM CENTRAL



ESG: ENVIRONMENTAL, SOCIAL & GOVERNANCE

IMPACTS TO BUSINESS AND BEYOND

Companies Focus On Sustainability



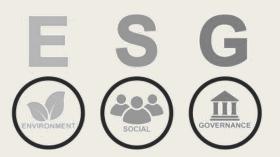
Consumers

- 50% US consumers willing to pay more for sustainable products
- 62% willing to change shopping habits to reduce their environmental impact.
- 85% changed buying habits to be more sustainable in last 5 years
- 810% increase in internet "ESG" searches in last 5 years



Retail & Manufacturing

- 80% retailers invested resources to improving sustainability believe their resulted increased customer loyalty.
- 2022 McKinsey survey found business bottom line results not be quite that promising yet.
- Only 22% reported modest or significant value from sustainability efforts in last 5 years
- 40% expecting their efforts produce modest or significant value in the next 5 years.













Environmental, social and governance (ESG) is a framework used to assess an organization's business practices and performance on various sustainability and ethical issues. It also provides a way to measure business risks and opportunities in those areas.

"INSIDE-OUT" IMPACTS







Sustainability reporting



ESG disclosures

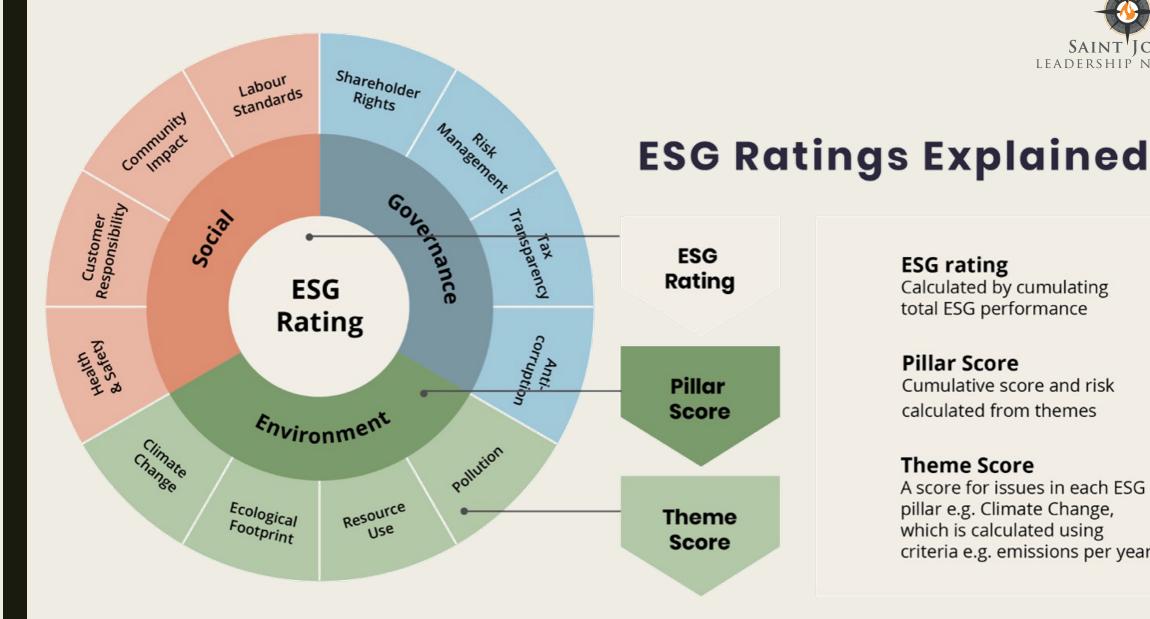
	Strong ESG proposition (examples)	Weak ESG proposition (examples)
Top-line growth	Attract B2B and B2C customers with more sustainable products Achieve better access to resources through stronger community and government relations	Lose customers through poor sustainability practices (eg, human rights, supply chain) or a perception of unsustainable/unsafe products Lose access to resources (including from operational shutdowns) as a result of poor community and labor relations
Cost reductions	Lower energy consumption Reduce water intake	Generate unnecessary waste and pay correspondingly higher waste-disposal costs Expend more in packaging costs
Regulatory and legal interventions	Achieve greater strategic freedom through deregulation Earn subsidies and government support	Suffer restrictions on advertising and point of sale Incur fines, penalties, and enforcement actions
Productivity uplift	Boost employee motivation Attract talent through greater social credibility	Deal with "social stigma," which restricts talent pool Lose talent as a result of weak purpose
Investment and asset optimization	Enhance investment returns by better allocating capital for the long term (eg, more sustainable plant and equipment) Avoid investments that may not pay off because of longer-term environmental issues	Suffer stranded assets as a result of premature write-downs Fall behind competitors that have invested to be less "energy hungry"











ESG rating

Calculated by cumulating total ESG performance

Pillar Score

Cumulative score and risk calculated from themes

Theme Score

A score for issues in each ESG pillar e.g. Climate Change, which is calculated using criteria e.g. emissions per year



ESG Investing

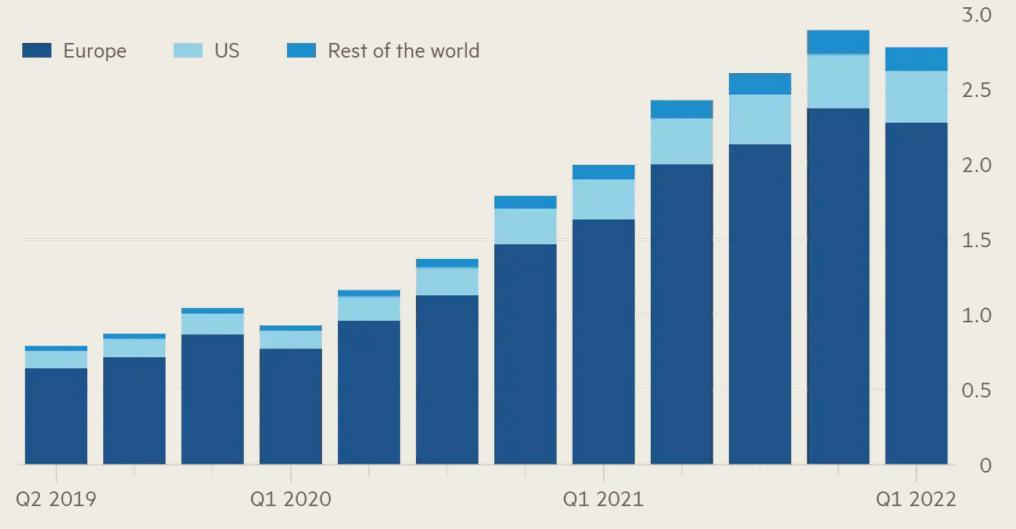
- defined as the consideration of environmental, social and governance factors alongside financial factors in the investment decision-making process.



ESG Investment Fund Growth



Assets (\$tn)



Does Your ESG Score Matter?

Rank	Company	Symbol	Industry	ESG Score
1	Worthington Industries	WOR	Metal- Processes/Fabrication	75.82
2	J.B. Hunt Transport Services	JBHT	Transportation- Trucking	73.09
3	Verisk Analytics	VRSK	Commercial Services- Market Research	72.79
4	Texas Instruments	TXN	Electronics- Semiconductor Mfg	72.63
5	Apple	AAPL	Telecom-Consumer Products	72.36







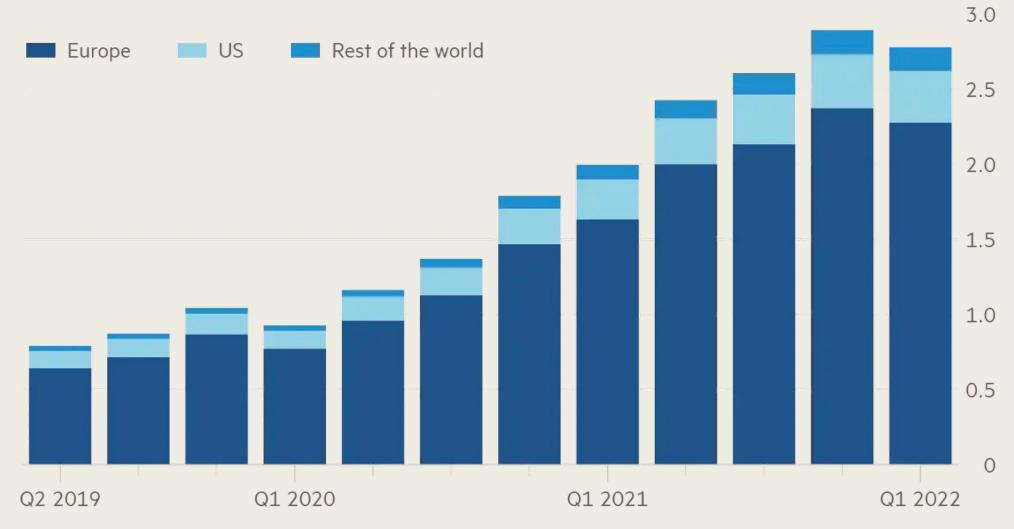
ESG: PART II ENVIRONMENTAL, SOCIAL & GOVERNANCE

IMPACTS TO BUSINESS AND BEYOND

ESG Investment Fund Growth



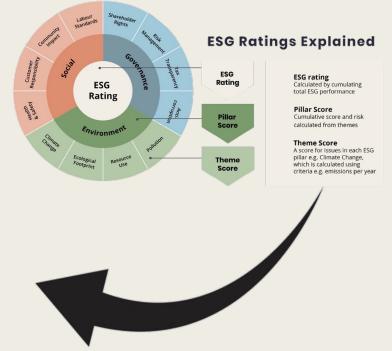
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ECONOMIC



Mukesh D. Ambani Chairman and Managing Director, Reliance Industries



Marc Benioff
Chair and Chief Executive Officer, Salesforce



Peter Brabeck-Letmathe
Vice-Chairman of the Board of Trustees, World
Economic Forum



Thomas Buberl Chief Executive Officer, AXA



Laurence D. Fink
Chairman and Chief Executive Officer, BlackRock



Chrystia Freeland
Deputy Prime Minister and Minister of Finance of
Canada, Office of the Deputy Prime Minister of
Canada



Orit Gadiesh Chairman, Bain & Company



Kristalina Georgieva
Managing Director, International Monetary Fund
(IMF)



Fabiola Gianotti Director-General, European Organization for Nuclear Research (CERN)



Al Gore
Vice-President of the United States (1993-2001);
Chairman and Co-Founder, Generation
Investment Management LLP



Andre Hoffmann Chairman, Massellaz



Paula Ingabire
Minister of Information Communication
Technology and Innovation, Ministry of
Information Communication Technology and
Innovation of Rwanda



Joe Kaeser Chairman of the Supervisory Board, Siemens Energy



<u>Christine Lagarde</u> <u>President, European Central Bank</u>



Yo-Yo Ma Cellist,



Patrice Motsepe
Founder and Executive Chairman, African
Rainbow Minerals





Ngozi Okonjo-Iweala Director-General, World Trade Organization (WTO)



Lubna S. Olayan Chair of the Executive Committee, Olayan Financing Company



H.M. Queen Rania Al Abdullah of the Hashemite Kingdom of Jordan Queen of the Hashemite Kingdom of Jordan, Office of Her Majesty Queen Rania Al Abdullah



L. Rafael Reif
President Emeritus, Massachusetts Institute of
Technology (MIT)



David M. RubensteinCo-Founder and Co-Chairman, Carlyle



Mark Schneider Chief Executive Officer, Nestlé



Klaus Schwab
Founder, Executive Chairman, World Economic
Forum



Tharman ShanmugaratnamSenior Minister, Government of Singapore



Jim Hagemann Snabe Chairman, Siemens



Julie Sweet
Chair and Chief Executive Officer, Accenture



Feike Sybesma Chairman of the Supervisory Board, Royal Philips



Heizo Takenaka Professor Emeritus, Keio University





4 Pillars Stakeholder Capitalism





Principles of Governance

The definition of governance is evolving as organizations are increasingly expected to define and embed their purpose at the centre of their business. But the principles of agency, accountability and stewardship continue to be vital for truly "good governance".



Planet

An ambition to protect the planet from degradation, including through sustainable consumption and production, sustainably managing its natural resources and taking urgent action on climate change, so that it can support the needs of the present and future generations.



People

An ambition to end poverty and hunger, in all their forms and dimensions, and to ensure that all human beings can fulfil their potential in dignity and equality and in a healthy environment.



Prosperity

An ambition to ensure that all human beings can enjoy prosperous and fulfilling lives and that economic, social and technological progress occurs in harmony with nature.





H.E. Xi JinpingPresident of People's Republic of China

Klaus Schwab

Founder and Executive Chairman, World Economic Forum



Annual Meeting Davos 2023

16 - 20 January









Opportunity

- Sustainable Environment
- Service to Community
- Enhance Dignity of Worker
- Increase Global Equity
- Virtuous Leadership
- Attract Investors
- Marketing
- Competitive Differentiator

Threat

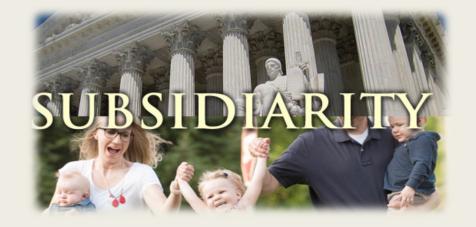
- Limits to Leadership
- Loss of Liberty / Democracy
- Mandates / Control Metrics
- Financial Risk
- Loss of Subsidiarity
- Diversity Mandates
- Board Membership
- Revamp Society



Subsidiarity & Catholic Social Teaching

Subsidiarity is a teaching according to which a community of a higher order should not interfere in the internal life of a community of a lower order, depriving the latter of its functions, but rather should support it in case of need.'

Catechism of the Catholic Church #1919



- Life and Dignity of the Human Person.
- Call to Family, Community, and Participation.
- Rights and Responsibilities.
- Option for the Poor and Vulnerable.
- The Dignity of Work and the Rights of Workers.
- Solidarity.
- Care for God's Creation.

Virtuous Leadership



- Magnanimity
- Humility
- Prudence,
- Courage,
- Self-control
- Justice.

Virtuous Leadership satisfies the demands of serving:

- The Social Common Good
- The Environment
- Worker Dignity
- Inclusion and Diversity
- Equity

Los Angeles Dodgers cancel plans to honor 'queer and trans nuns' after





Peter Drucker

"An enterprise's purpose begins on the outside with the customer..."

"The purpose of business is to create and keep a customer"