

**NEW EXPECTATIONS FOR CORPORATIONS,  
THE GREATER FOCUS ON ENVIRONMENTAL, SOCIAL AND  
CORPORATE GOVERNANCE (ESG)  
AND THE OPPORTUNITY FOR HR**

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# TODAY'S AGENDA

- What is sustainability and where does HR fit in?
- How has the policymaking arena changed overtime?
- What are expectations from stakeholders today?
- How are companies measured for sustainability?
- What are companies doing today?

# WHAT IS SUSTAINABILITY?

## ENVIRONMENT (E)



- Climate change
- Energy
- Water
- Materials
- Biodiversity
- Emissions
- Waste and pollution
- Remediation
- Supply chain

## SOCIAL (S)



- Culture
- Diversity & equal opportunity
- Product / Customer health & safety
- Employee safety & well-being
- Labor / Management relations
- Human capital
- Reskilling, upskilling, education
- Community engagement
- Human rights / stakeholder rights
- Privacy & security practices
- Public policy

## GOVERNANCE (G)



- Ethical business practices
- Anti-corruption
- Anti-competitive behavior
- Management approach
- Board composition
- Executive compensation
- Economic performance
- Risk management
- Procurement practices

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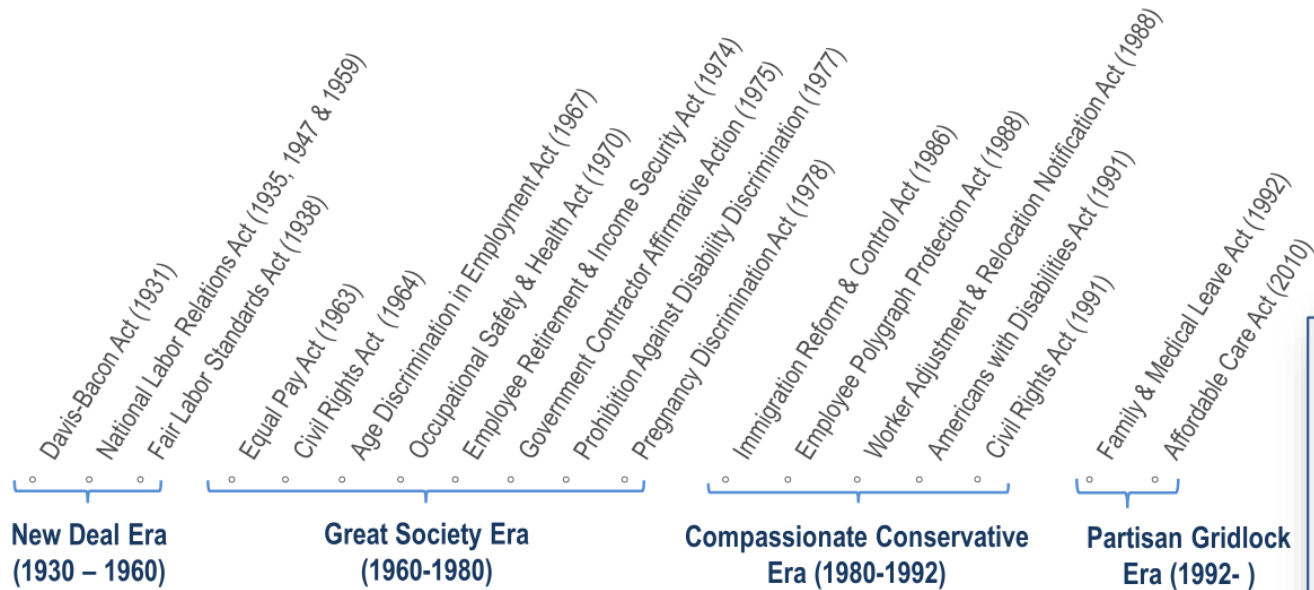


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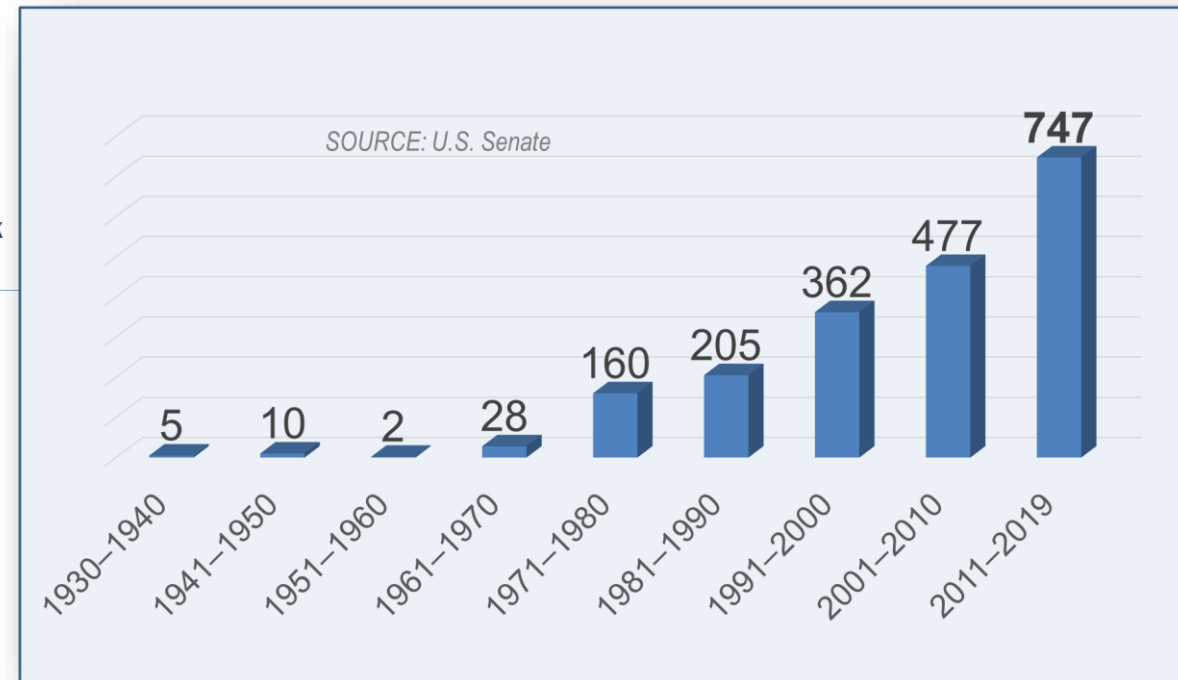
Reference: GRI Reporting Standards <https://www.globalreporting.org>

# HOW HAS THE POLICY MAKING ARENA CHANGED OVER TIME?

## U.S. EMPLOYMENT LAW ARCHITECTURE

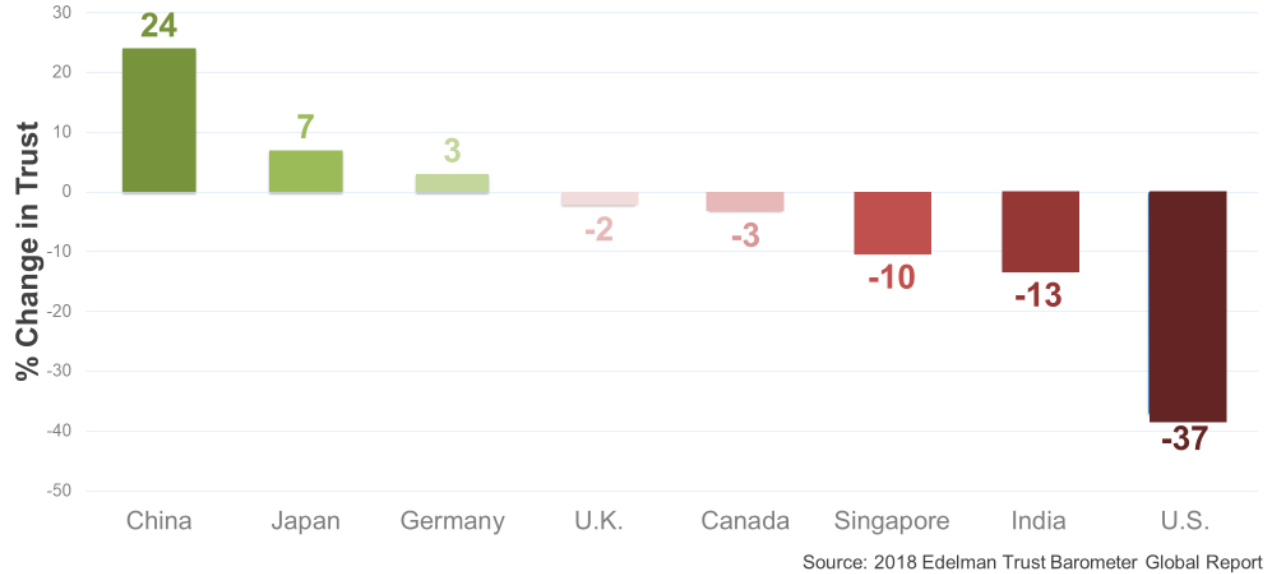


## FILIBUSTER THREATS

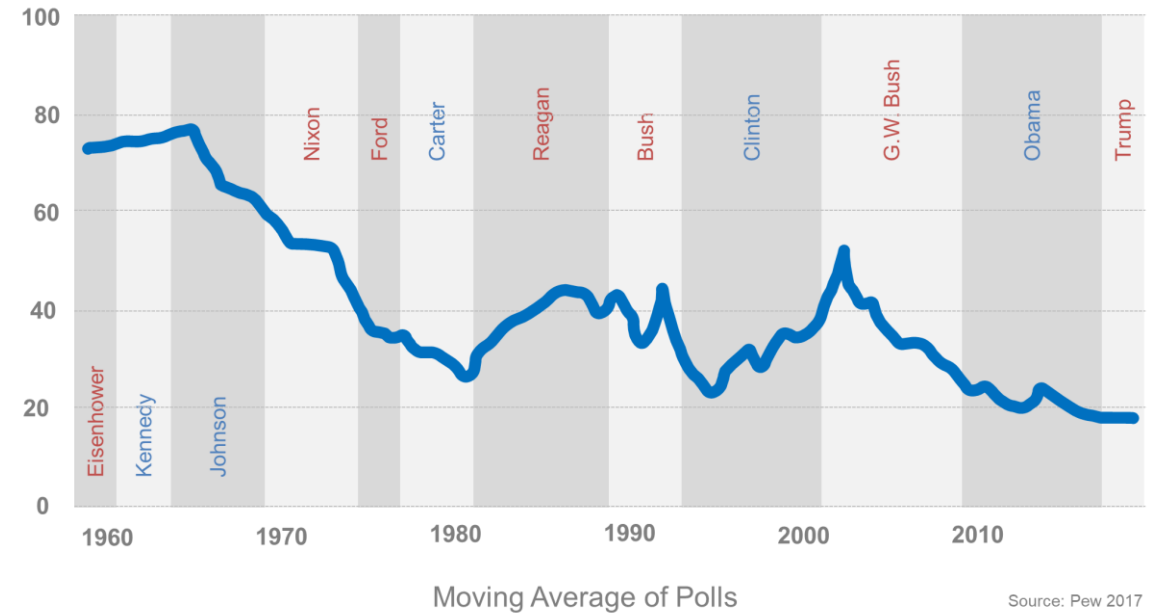


# HOW HAS TRUST CHANGED?

## CHANGE IN TRUST IN GOVERNMENT, BUSINESS, MEDIA AND NGOS FROM 2017 TO 2018



## PERCENT WHO "TRUST GOVERNMENT MOST OF THE TIME"



# WHAT ARE EXPECTATIONS FROM STAKEHOLDERS TODAY?



## EMPLOYEES

- Safety, diversity, equity expectations
- Data security and privacy
- Connection with company purpose
- Culture of Care
  - Employee Well-being
  - Learning and development
  - Flexible work
  - Inclusion



## REGULATORY & GOVERNMENT

- Net zero expectations, carbon prices
- BoD governance
- Executive pay
- Lobbying
- Renewable energy R&D focus
- Government vaccine mandate compliance



## CUSTOMERS & COMMUNITIES

- Safe travel confidence
- Rising environmental justice focus
- Public – private partnerships
- Inequality concerns
- Community outreach and volunteering



## INVESTORS

- Climate change risk focus
- SEC increasing attention; consistency
- Carbon offset markets maturing
- Company resilience and crisis management
- Employee retention
- Supply chain ethics

# WHAT IS THE BOARD'S ROLE?

## Provides Oversight:

- Full board vs Committee
- Reporting & Metrics
- Stakeholder Communication
- Disclosure of ES/Frameworks

## Identifies and Mitigates Risks:

- Governances
- Emerging Risks
- Business/Enterprise Risks
  - Reputation
  - Talent Shortage
  - Corporate Performance

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# HOW ARE COMPANIES MEASURED FOR SUSTAINABILITY?

## METRICS USED TO MEASURE CORPORATE SUSTAINABILITY

- Product Safety & Reliability
- Employee Health & Safety
- Ethical Business Practices
- Economic Performance
- Diversity & Inclusion
- Labor & Employment Relations
- Education & Training
- Greenhouse Gas Emissions
- Community Impact
- Materials Management
- Water Use
- Energy Management
- Waste Reduction
- Supply Chain Practices

## PRINCIPLES & RATINGS

Global Reporting Initiative



Sustainability Accounting Standards Board



Task Force on Climate-Related Financial Disclosures



ISO Human Capital Reporting Standard



## LEADING ASSESSMENT PROVIDERS



Corporate Knights



# POTENTIAL SEC ACTION

Prescriptive approach to ESG disclosures expected to be proposed Fall 2021

- Climate (which could have a comp connection), human capital metrics, and diversity and inclusion
- Potential human capital metrics
  - Workforce turnover
  - Skills and development training
  - Compensation/benefits
  - Workforce demographics including diversity
  - Health and safety

# WHAT ARE COMPANIES DOING TODAY?



- **ESG-related priorities for sustainability in aerospace landscape**

- Fleet renewal
- Operational efficiency
- Renewable energy
- Advanced technology

- **Focus on people and communities**

- Diversity, Equity and Inclusion, employee safety and well-being, retention and development, volunteering

- **Transparency in reporting**

- 2021 Sustainability Report – Sustainable Aerospace Together
- 2021 Global Equity, Diversity and Inclusion Report



- **ESG-related priorities and projects evaluated through the lens of business strategy and purpose**

- Materiality assessment, importance to shareholders “where key decisionmaking begins and ends”
- Engagement on non-material ESG issues to mitigate risks

- **Structural approaches to ESG**

- CEO engages on link between business strategy and ESG efforts
- CHRO oversees ESG, corporate social responsibility and philanthropy
  - Works closely with ESG/CSR functions and business leaders to coordinate efforts
- Annually engages with key NGOs, certain suppliers
- Tailored reports using Global Reporting Initiative standards

# WHAT ARE COMPANIES DOING TODAY?



## Hewlett Packard

- **ESG activities partially driven by consumer demand, employee preferences, and government regulations**
- **ESG management housed in supply chain organization, and HR plays a key role in diversity, labor standards, pay equity**
- **Key stakeholders**
  - Global conference call for investors on ESG/CSR, which drove engagement with individual investors, especially on company culture
  - Time dedicated to reinforcing ESG as part of culture in employee meetings
  - Adopted shareholder suggestion (Board oversight of ESG)
  - led to nominating process changes and substantial increases in long-term shareholder investment



## The Procter & Gamble Company

- **Founder-instilled culture of community involvement**
- **Recent effort to prioritize ESG efforts among brands in five areas through a “citizenship board” composed of officers and chaired by CEO**
  - Ethics and Corporate Responsibility (Chief Legal Officer)
  - Community Impact (Chief Marketing Officer)
  - Diversity & Inclusion (Chief Human Resources Officer/ Chief Diversity Officer)
  - Gender Equality (Selling & Market Operations President)
  - Environmental Sustainability (Global Business Unit President)



# QUESTION & ANSWER

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