

BREAKOUT SESSION #4

Corporate Responsibility, ESG, DEI & Site Selection

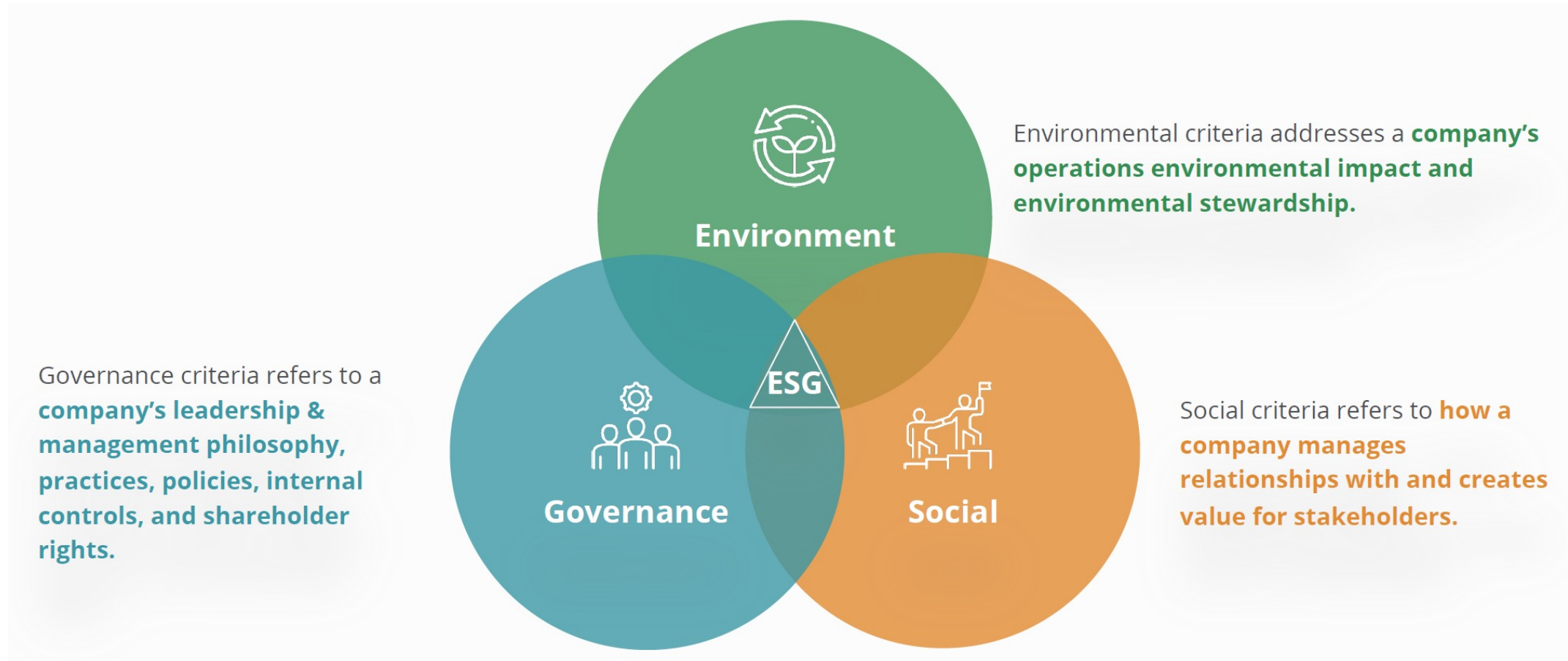
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ESG Fundamentals

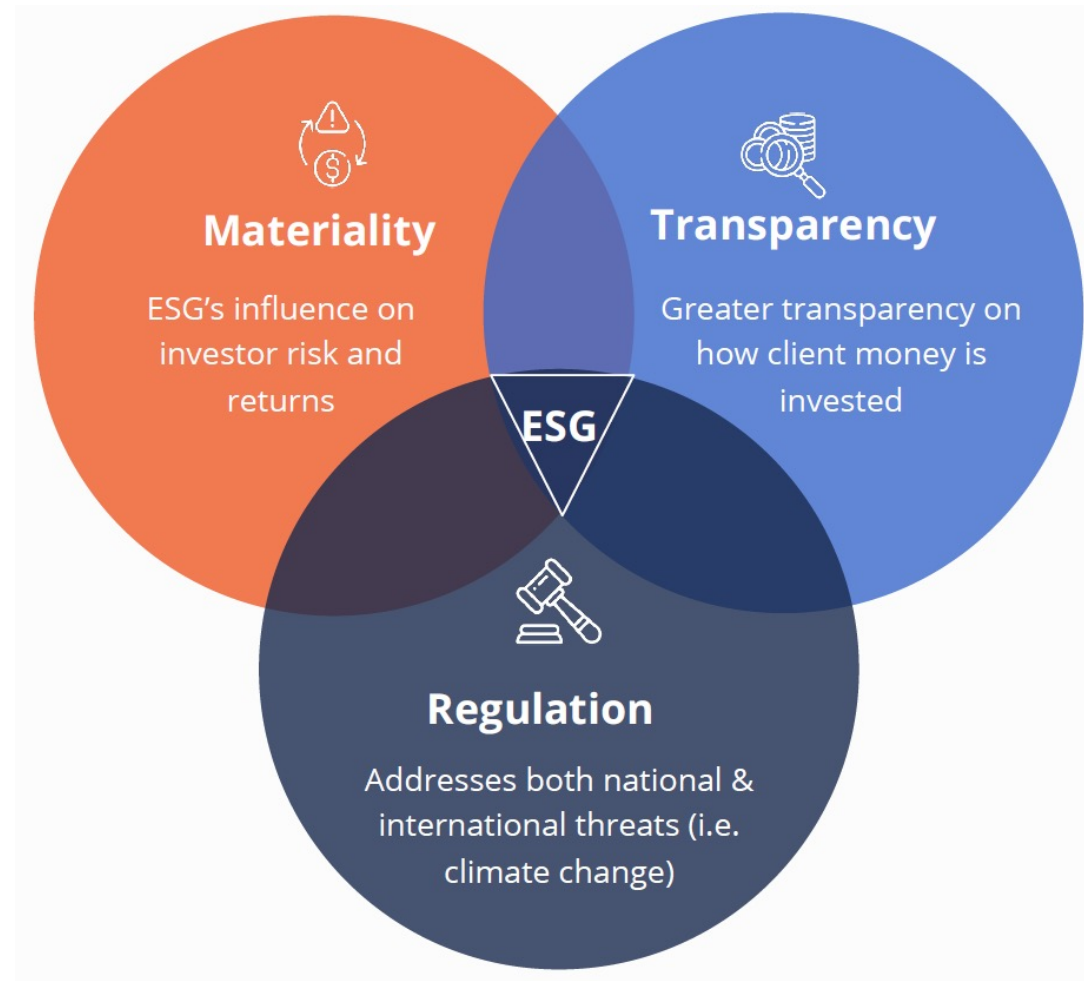
What it is and why it is so important





ESG's Growth into the Mainstream

Three main drivers influencing the corporate perspective





Macro ESG Context

Key players at all scales

1. Multilateral organizations
2. Global finance & insurance
3. Multinational corporations
4. Nations, states, regions, cities
5. NGO think tanks and activists
6. Community priority setting





Multilateral Organizations

Facilitating global responses among government & private actors



The world's largest corporate sustainability initiative.
12,000+ companies in 160+ countries supporting SDGs
through corporate investment.

unglobalcompact.org



The world's leading proponent of responsible investment.
Supporting international investor signatories incorporating
ESG factors into their investment and ownership decisions.

unpri.org



An independent international organization providing the
world's most widely used standards for sustainability
reporting – the GRI Standards – in 100+ countries.

globalreporting.org



Global finance, insurance, and trade

Regulatory and corporate leadership in ESG transformation



Established by the G20 to create and facilitate more effective climate-related disclosures to promote more informed investment, credit, and insurance underwriting decisions.



A platform of 100 exchanges can enhance performance on ESG issues and encourage sustainable investment, including the financing of the UN Sustainable Development Goals.



A network of 100-member central banks to enhance the role of the financial system to manage risks, mobilize capital, and promote low-carbon environmentally sustainable development.



A global, CEO-led organization of over 200 leading businesses working together to accelerate the transition to a sustainable world where 9 billion people can live within planetary boundaries.



Corporate Concerns

CEOs and CFOs are paying attention and taking action

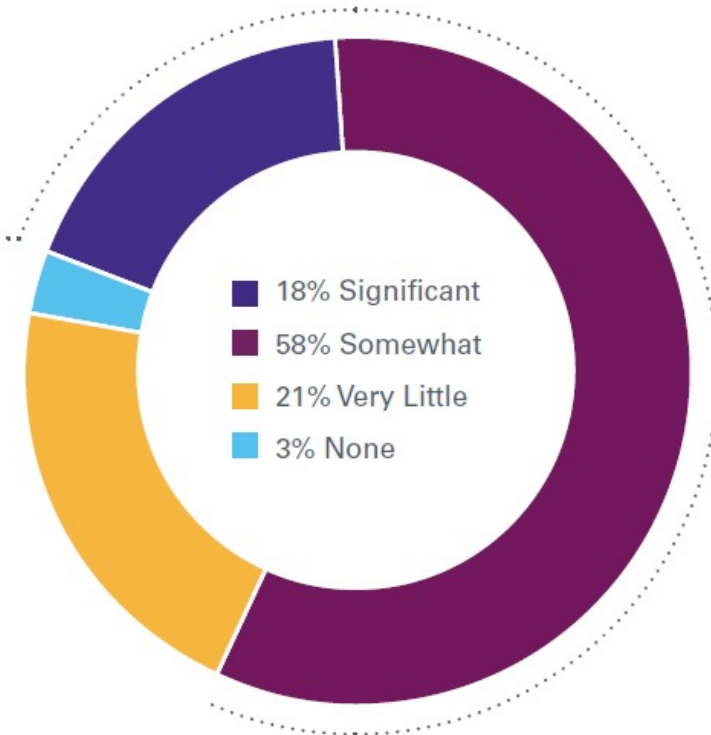
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EXPOSURE:

More than 75% of CEOs and CFOs say their companies are exposed to climate risk.

76%

To what extent is your organization exposed to climate risk?





Customers Care About Carbon

Companies are shifting behavior to adopt new strategies



57%

of consumer are willing to change their purchasing habits to help reduce negative environmental impact.



71%

of those surveyed who indicated that traceability of source materials used in products is very important are willing to pay a premium for brands that provide it.

How many S&P 500 companies have a climate action plan

33% have set ambitious targets

24% have set weak targets

43% have not set a target

Source: Institutional Shareholder Services, 2021



A “Grand Awakening” for ESG

Accounting standards have shifted to reflect broader concerns

1. Content analysis: IFRS Practice
Statement guidance on what should be included in a financial statement “Management Commentary”



2. New: SEC Filings on Human Capital:
The most commonly discussed theme in 10-Ks was diversity, equity and inclusion (DE&I)

Term	2010	2021
Environmental	-	42
Social	-	37
Governance	-	8
Climate	-	5
Reputation	-	15
Customer(s)	-	53
Supplier, supply chain	-	10
Value	5	100
Long term	2	71



Diversity, Equity & Inclusion (DEI)

Essential ESG components with growing business case support

Diverse management teams drive a

19%

increase in revenue ¹

Ethnically diverse companies are

35%

more likely to perform better ²

Diverse teams make better decisions

87%

of the time ³

Inclusive companies are

1.7x

more innovative ⁴

Inclusive companies are

120%

more likely to hit financial goals ⁵



DE&I at Technology Companies

Trends

- U.S. employment in computer and information technology projected to grow 13% from 2020 to 2030, faster than the average for all occupations. Source: U.S. BLS OEWS.
- **Diversity at high-tech companies has lagged behind other private industries.**

Diversity Comparison		
	Tech Industry	All Private Industries
White	68.5%	63.5%
Black	7.4%	14.4%
Hispanic	8.0%	13.9%
Asian American	14.0%	5.8%
Other	2.1%	2.5%
	100.0%	100.0%

Source: BLS, Occupational Employment Projections, 2022.

- Women comprise 47% of all employed adults in the U.S., but as of 2020, they hold only 25% of computing roles (CIO magazine).
- Tech companies have responded to calls for diversity in the industry by releasing annual workplace statistics. **Renewed focus on improving diversity commitment.**



DE&I at Technology Companies

Trends

- Tech companies have responded to calls for diversity in the industry.

“**Facebook** set an ambitious hiring goal of 30 percent more people of color in leadership by 2025.”

– *Janell Gale, VP of HR*

“**Amazon** outlined a set of hiring and promotion targets for 2021, including a 30% rise in the number of women in senior technical jobs and doubling the number of high-level Black employees in the U.S.”

– *Beth Galetti, SVP of HR*

“**Google** has promised to improve representation of underrepresented groups in the company's leadership by 30% by 2025.”

– *CEO Sundar Pichai*

“In 2020, **Netflix** doubled its black workforce in new inclusion and diversity report.”

– *Verna Myers, VP of Inclusion Strategy*



Case Study

Technology Company

- Objective - “We want to hire more diverse talent. More specifically, women in technical roles and in general more diverse candidates.”
- Companies measure diversity differently. At this company, diverse talents refers to Black, LatinX, Native American, and Veterans.
- Tech Hub office requirement. Focus on DE&I after shortlist of 5 cities
- **Key Insights**
 - Measurement of demographic data. Gathering nuanced data needed at the local level from community based organizations.
 - Employer of choice. DE&I is a growing element of EOC. Creating an environment where that talent can think and problem-solve and work together, and having an experience that sets them apart from the competition.
 - Cultural constructs (e.g., my culture doesn’t exist in City A).



Case Study

Financial Services Company

- Objective – To increase representation of African-American professionals in the company.
- Challenge – Main office location does not have diverse population, and is not attractive to African-Americans a region to live; “we can hire these diverse professionals, but they don’t stay with the company and move away.”

- **Key Insights**

- Chief DE&I Officer was key member of location strategy Steering Committee.
- Of eight location criteria identified by the company, Diversity was one of four criteria categories as “Must Have” in evaluating candidate market.

Education: 25+ with Bachelor's Degree or higher

	Location	White	Hispanic	Asian	Af. Am.
Volume	Exist'g Mkt	1,271,150	65,210	158,028	64,613
	Market A	1,689,486	209,176	285,786	228,782
	Market B	519,740	20,748	66,741	135,989
	Market C	419,975	23,408	34,782	90,626
Percentage	Exist'g Mkt	80%	4%	10%	4%
	Market A	70%	9%	12%	10%
	Market B	68%	3%	9%	18%
	Market C	73%	4%	6%	16%
	US	73%	9%	10%	8%



ESG in the Heavy Industrial Sector

Trends in the Chemical, Petrochemical, and Energy Sectors

- **Forces Driving Change** – Like other sectors of the economy, Chemical and Petrochemical manufacturers are under similar pressures from consumers and investors to improve ESG across their value chain.
- **(E) Environment** – Heavy Industrial Sector perceived as “smokestack industry” and pressures are around the environment are of highest concern. Sustainable sourcing of raw materials, cleaning up of emissions (CCUS), and recyclability of products and waste (circular economy).
- **(S) Social**- Consumer awareness and behavior changes drive demand for products. Today’s consumer is much more aware of the impacts a manufacturer’s product has on the environment.
- **(G) Governance** – Transparency in reporting ESG Goals. Executive Compensation tied to Corporate ESG Goals.



ESG in the Heavy Industrial Sector

Data Reporting

- **(E) Environment** – Easiest to quantify and report
 - Difficulty with standardized reporting across the industry as a whole and subsectors (plastics, LPG/LNG, specialty chemicals, etc.)
 - Absent a national reporting standard, companies are leading with best practices. Example: TCFD Task Force for Climate Related Financial Disclosure-(BASF, AkzoNobel, DSM, Solvay, Sumitomo). CFD Carbon Disclosure Project -Third party private non-profit with members (BASF, AirLiquide, Formosa, GM, etc.) American Gas Association-Edison Electric Institute creating ESG reporting template for the Natural Gas Industry (LPG, LNG)
- **(S) Social**- Harder to measure, easier to change perception by leading
 - Plastic Producers are much more aware of consumers demanding they address plastic waste. Major players in the plastic space have announced aggressive initiatives to expand plastic recycling infrastructure to “close the loop” and decrease plastic waste. (Shell, DOW)
- **(G) Governance** – Investors pressuring Corporate Leadership
 - Increased pressure on quantifying, measuring and reporting ESG goals
 - Executive Compensation tied to ESG goals
 - Investors demand action. Example: Exxon and Engine No. 1



ESG in the Heavy Industrial Sector

What does ESG look like in the site selection process?

- **(E) Environment**

- Renewable Feedstocks - Example Low Carbon Fuel Standards driving renewable diesel demand.
- Renewable Energy – “Green Hydrogen” requires 100% renewable electricity (solar, wind) for electrolysis.
- Recycling products and waste – Plastics to fuel, increased recycling to “close the loop”
- Carbon Capture and Sequestration (CCUS) – Bridge solution to a “net –zero” economy. Requires certain geology.

- **(S) Social**

- Increased pressure to improve the community. Job creation is simply not enough.
- Focus on preservation of local resources (groundwater, air, landscape, etc.).

- **(G) Governance**

- Investor pressures are forcing companies to build or retrofit facilities to meet ESG goals.
- Decarbonizing processes “pre” or “post” combustion. Renewable feedstocks or CCUS?



ESG Data Reporting

Seeking and presenting “unstructured” information on ESG factors

- **Data Availability** - Limited data availability across all metro areas and/or states to provide comparative statistics
- **Grouping / Categorization of Marginalized Groups** - Data issues associated with individuals who fall into multiple categories (multi-racial, bi-racial, etc.)
- **Non-Binary Categories Typically Not Readily Available** - Limited non-binary data to track transgender issues/changes across states/metro areas
- **Constant Change** – Data are constantly changing with new legislation, policies, etc., analyses will always be rear-looking and “on the ground” intelligence becomes more important
- **Forced Ranking** – Models that rank/weight variables against each other.