

UNDERSTANDING THE “S” IN ESG

Managing risks and creating business opportunities

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AGENDA

- 1 What are “S” topics?
- 2 What is influencing them today?
- 3 How is that impacting important topics like DEI and human rights?
- 4 What can I do about it?

UNIVERSE OF KEY ESG TOPICS

Environmental

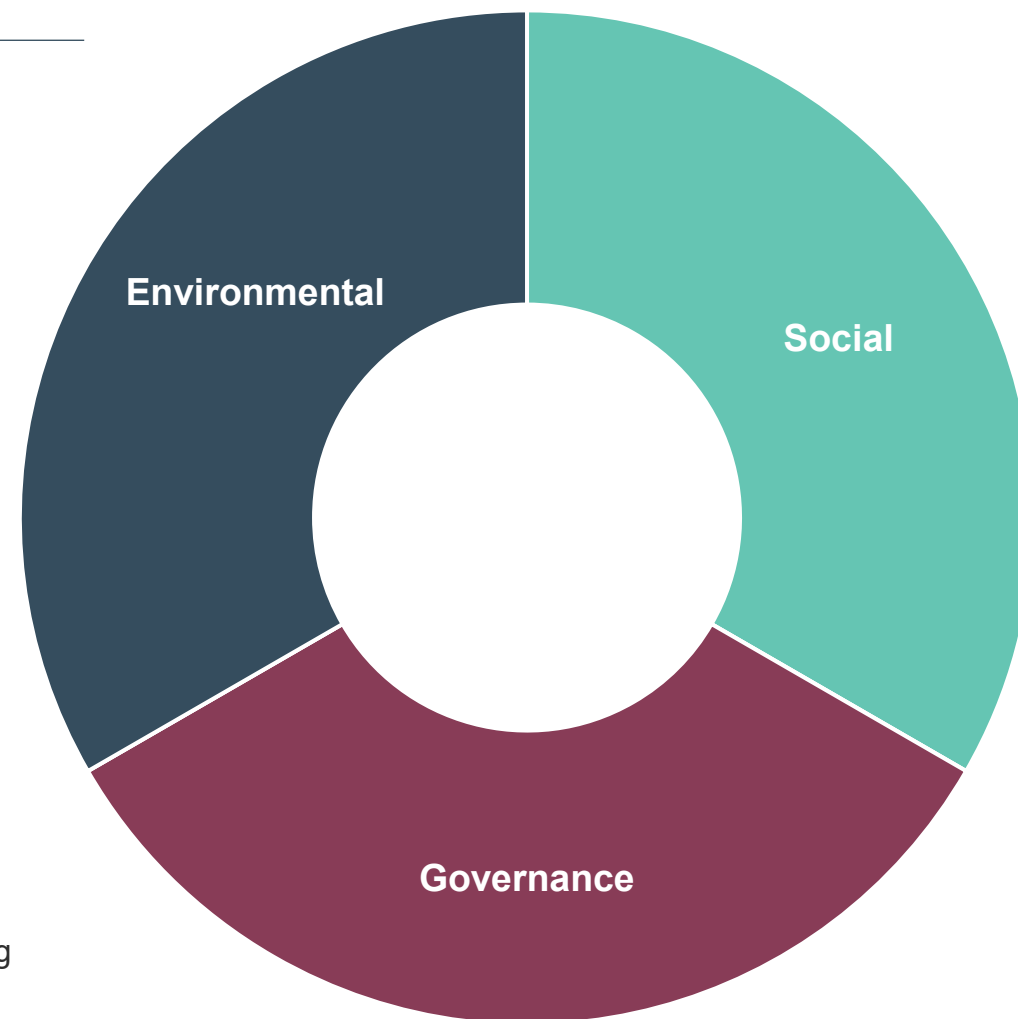
- GHG Emissions
- Air Quality
- Energy Management
- Environmental Compliance
- Water & Wastewater Management
- Waste & Hazardous Materials Management
- Climate Risk & Resilience
- Biodiversity
- Ecological Impacts

Governance

- Business Model Resilience
- Materials Sourcing
- Product Design & Lifecycle Management
- Supply Chain Management
- Technology Innovation
- Data Privacy & Security
- Board Diversity & Independence
- Business Ethics
- Competitive Behavior
- ESG Disclosure
- Management of the Legal & Regulatory Environment
- Public Policy

Social

- Diversity, Equity & Inclusion
- Employee Engagement
- Employee Health & Safety
- Employee Well-Being
- Compensations & Benefits
- Training & Development
- Pay Equity
- Labor Relations
- Human Rights
- Community Relations
- Philanthropy
- Stakeholder Engagement
- Social/Political Activism
- Product Quality & Safety
- Access & Affordability
- Customer Privacy
- Customer Welfare
- Selling Practices & Product Labeling
- Data Privacy
- Supply Chain Standards, Transparency & Diversity



DEEP DIVE ON “S” TOPICS



EMPLOYEES

Diversity, Equity & Inclusion

Employee Engagement

Employee Health & Safety

Employee Well-Being

Compensations & Benefits

Training & Development

Pay Equity

Labor Relations



COMMUNITIES

Human Rights

Community Relations

Philanthropy

Stakeholder Engagement

Social/Political Activism



BUSINESS

Product Quality & Safety

Access & Affordability

Customer Privacy

Customer Welfare

Selling Practices & Product
Labeling

Supply Chain Standards,
Transparency & Diversity



Pressures and Influence

VOLATILE, COMPLEX MOMENT IN TIME

- 1** Blurred line between material social topics and political and social activism
- 2** Ever-changing and differing stakeholder expectation
- 3** Lack of standard definitions
- 4** Very broad and diverse topics
- 5** Difficulty measuring impact

REVOLVING INFLUENCE



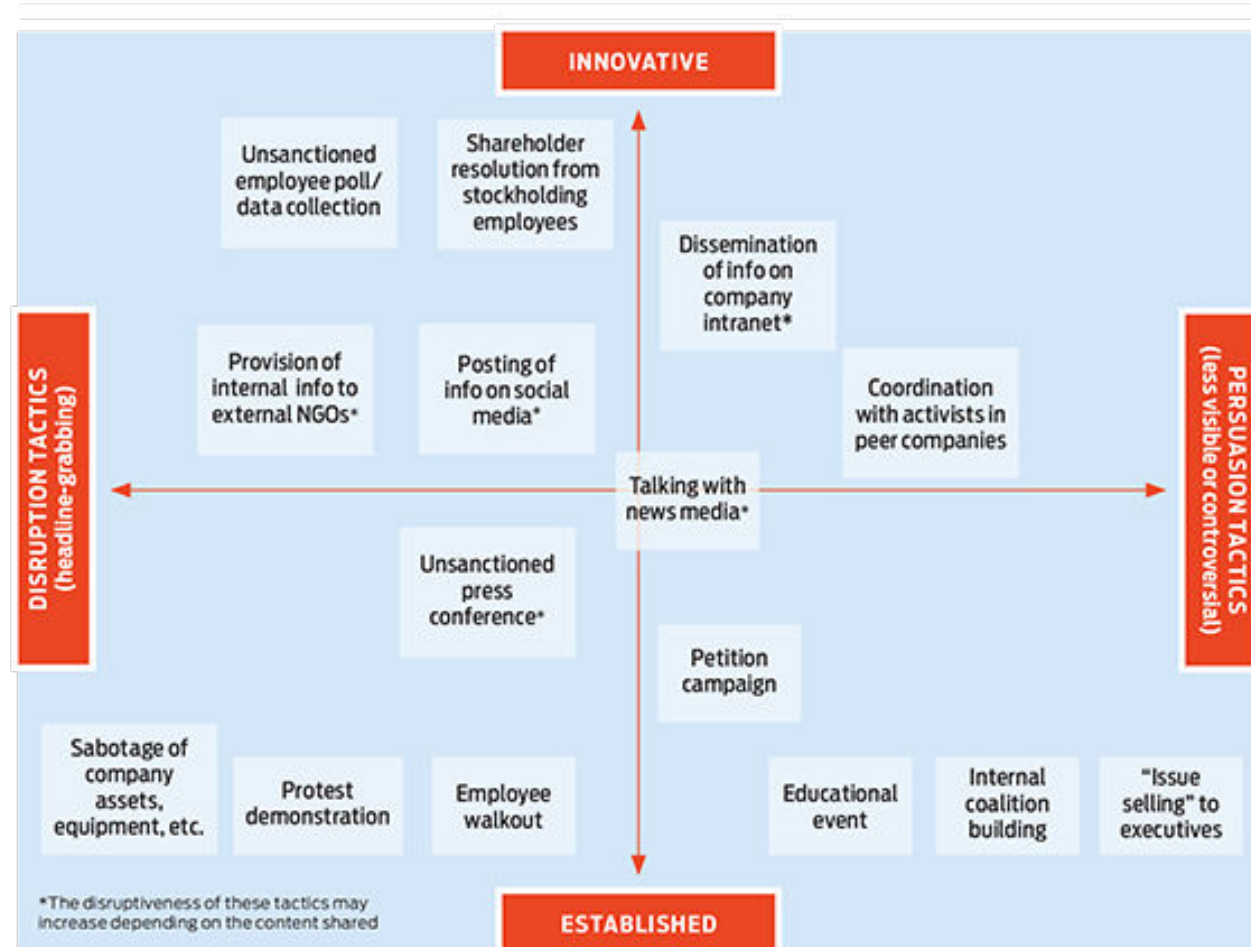
EMPLOYEE ACTIVISM

- Rise in employee voices
- Changing “back to office” landscape
- **Employees the #1 most influential determinate whether companies get involved in social issues**
(Public Affairs Council)



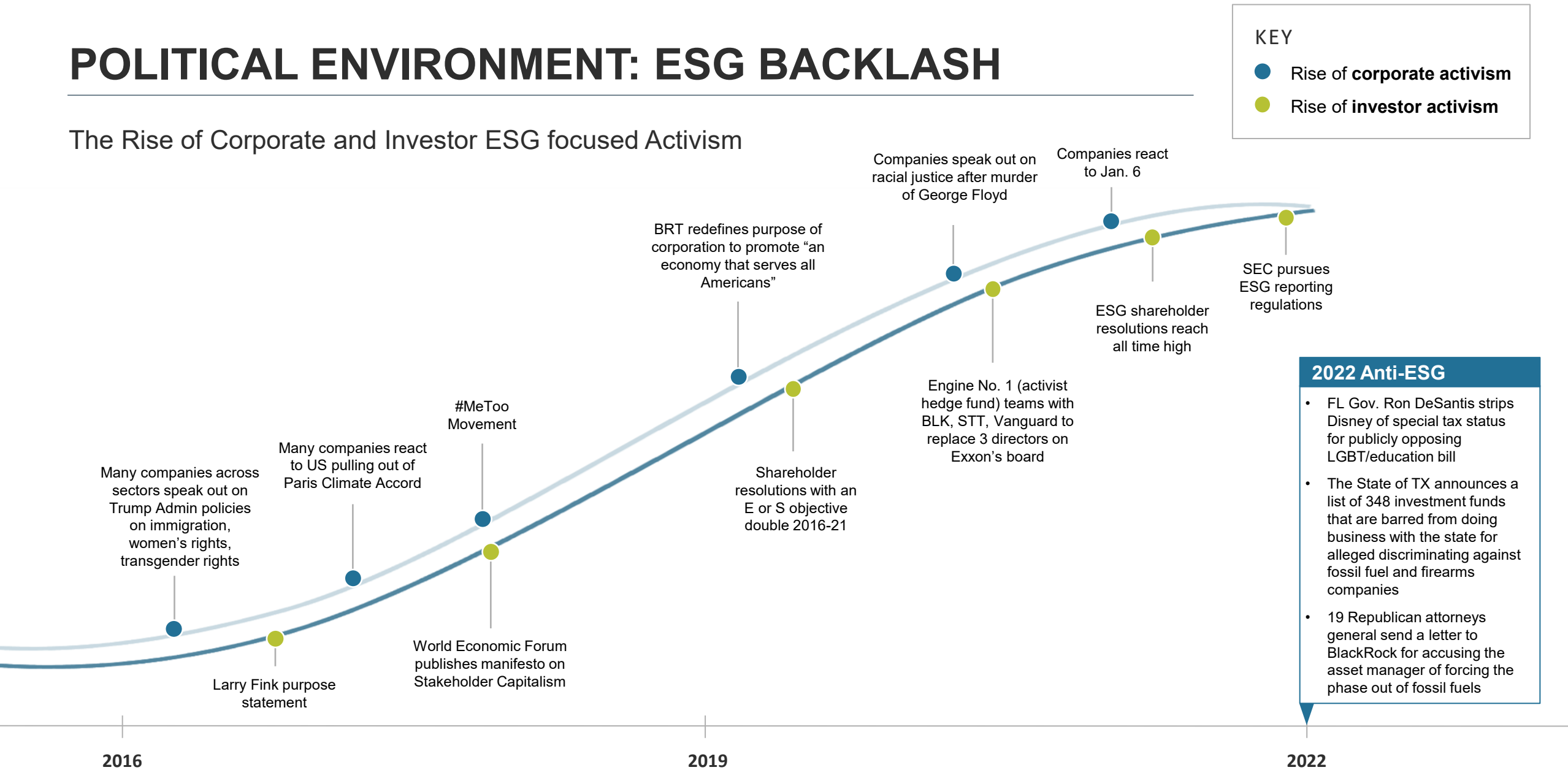
Employee Activist Tactics

Employees use a range of tactics to gain attention and influence decision makers in their organizations.



POLITICAL ENVIRONMENT: ESG BACKLASH

The Rise of Corporate and Investor ESG focused Activism



POLITICAL & STATE ACTIVITY

State-level initiatives

Throughout 2021 and 2022, 18 states have used their legislative powers to place limitations on ESG investing.

Department of Labor ESG Rule

Republicans voted to overturn rule allowing ESG considerations in retirement plans – Biden issued a veto to overturn.

SEC Climate Disclosure

SEC still finalizing, received more comments than any other rule in history. Once finalized, Republicans will likely use the Congressional Review Act and litigation to stop it – likely leaving SCOTUS as the final decision maker.

Where the candidates stand

Trump, DeSantis and Pence have all denounced ESG as a harmful liberal ideological project. Vivek Ramaswamy has made anti-ESG the centerpiece of his campaign.

Effort to tie ESG to “woke”

Candidates and interest groups are focused on tying ESG to culturally divisive issues and “woke” politics.

The Washington Post

The Conservative Battle Against ‘Woke’ Banks is Backfiring

FORTUNE

CEOs aren’t abandoning their ESG plans—but they are changing the language they use to defend them

Gartner

Gartner survey finds 87% of business leaders expect to increase sustainability investment over the next two years

THE CONFERENCE BOARD

ESG Alert: 71 Percent of US CEOs Say ESG Backlash Not Affecting Sustainability Investments and Other Findings from Annual C-Suite Outlook Report



Deep Dive on Key “S” Issues

DIVERSITY, EQUITY & INCLUSION

DEI now an integrated, core tenant of business operations and success

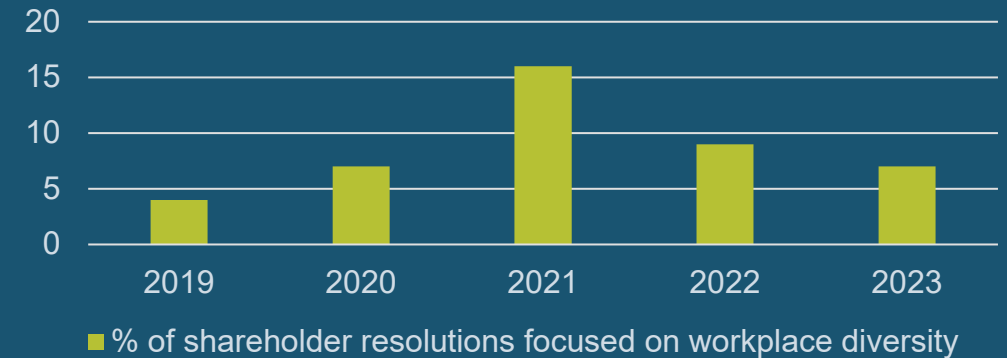
- DEI resources are on the rise at 82% of companies*
- In 2022, companies that followed best practice disclosures for DEI outperformed those that didn't**
- Draft SEC Human Capital Management Disclosure rule: Enhances disclosures including worker retention; makes EEO-1 data public

*Giving in Numbers 2022, CECF

**Just Capital

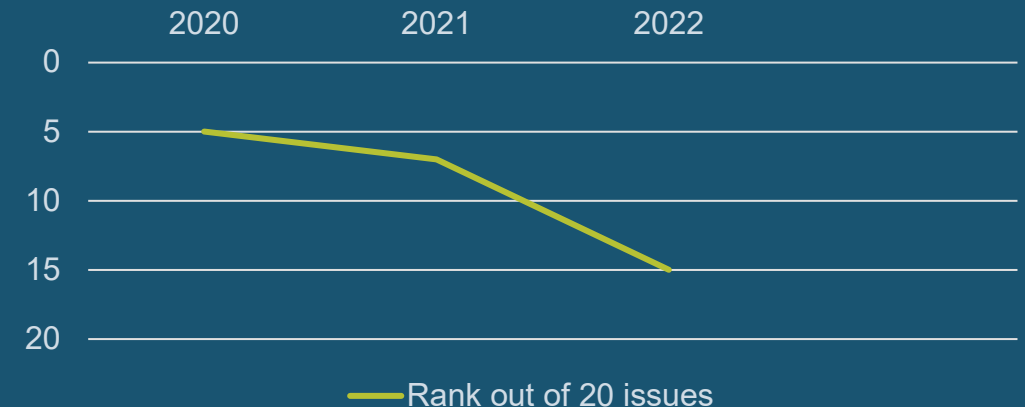
DEI-RELATED SHAREHOLDER RESOLUTIONS

% of shareholder resolutions focused on workplace diversity



JUST CAPITAL: ISSUES IMPORTANT TO AMERICANS

Cultivates a diverse, inclusive workplace

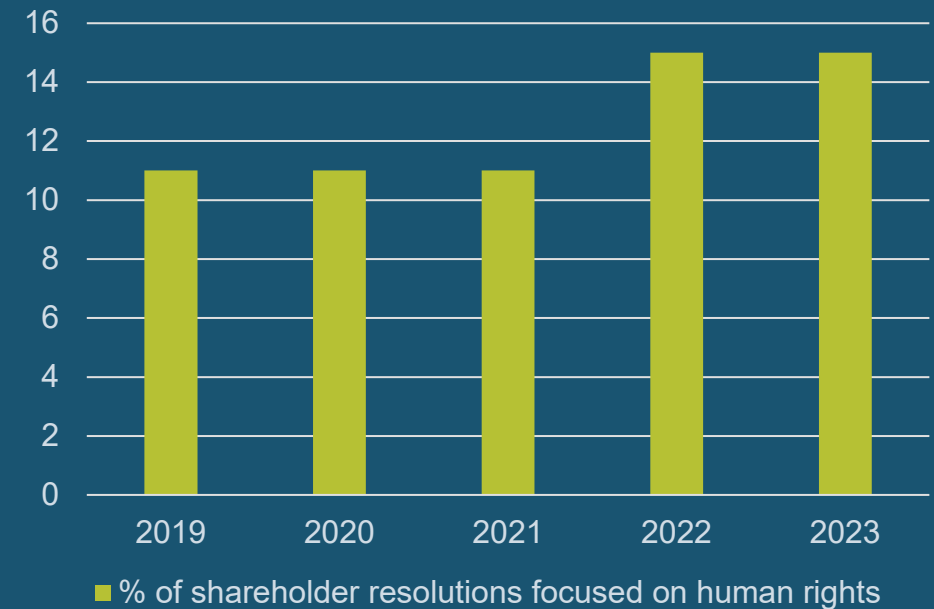


HUMAN RIGHTS

Pressure from Disclosures

- **GRI:** 2021 update integrating the UN Guiding Principles on Business and Human Rights
- **EU Corporate Sustainability Reporting Directive:** Update requiring more transparency reporting in human rights

% of shareholder resolutions focused on human rights



Over 300 minors found working at 3 McDonald's franchisees: Department of Labor

Two 10-year-olds were among hundreds working in violation of federal labor law.

CORPORATE PHILANTHROPY

Trends in Community Investing:

INCREASING

Investment in human rights
and social justice

Support of disaster relief

STEM education support

Investment in
environmental causes

Focus on measurement

Total amount of
community investments

Investing in K-12 and
post-secondary education

International giving

Employee participation

DECREASING

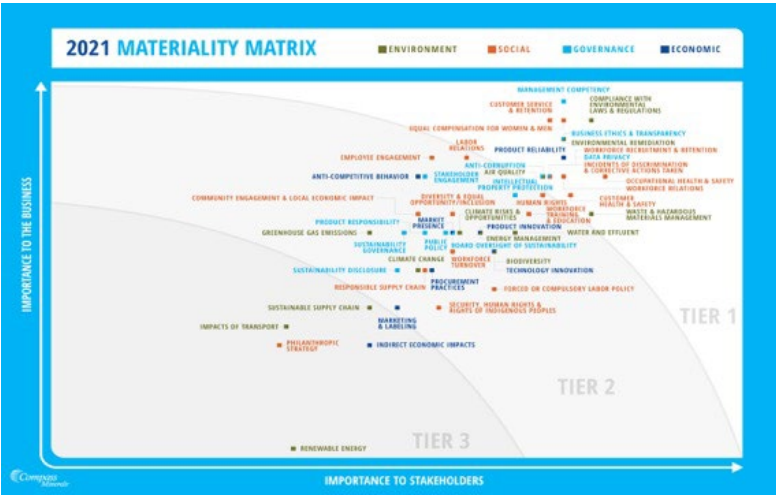
CECP – Chief Executives for Corporate Purpose



Methods for Determining Your Most Critical “S” Topics

MATERIALITY ASSESSMENT PROCESS

Whether you're just starting out or looking to better understand where your company should direct resources, a materiality assessment is a best practice for helping a company determine ESG priority topics.



Survey Deployment

Interactive survey to gauge stakeholder prioritization of topics

Stakeholder Identification

Stakeholder mapping and prioritization

Landscape Assessment

Benchmarking against peers, frameworks (GRI, SASB and TCFD) develop topics list

Follow-up Interviews

One-on-one interviews with key stakeholders and business leadership

Final Report

Designed matrix with material topics, analysis and recommendations for how to leverage results



OTHER ACTIONS

- 1** Peer Benchmarking
- 2** Industry ESG Framework Analysis
- 3** Internal and/or External Stakeholder Interviews

QUESTIONS

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