Helping companies navigate the ESG journey
For companies that need to develop and communicate ESG strategies, we provide practical experience and hands-on support.
ESG for CFOs: What do you need to do now?

December 15, 2021 Agenda

Introductions

Why should you, as a finance leader, care about ESG?

Who is driving ESG?

What to do: 2-year roadmap

Quick hits

Polling questions

Questions
### Expands access to capital
- Traditional investors using ESG
- ESG funds and investors
- Green bond market

### Improves strategy and governance
- Forward-looking lens
- Robust risk management
- Strengthened supply chain
- Increasing ESG disclosure requirements

### Strengthens financial performance
- High performance employees
- Bottom line cost reductions and productivity gains
- New products, business models and business development
Are the opportunities resulting from ESG efforts compelling to you as a finance leader?
Risk: A weak ESG program signals management is not prepared

<table>
<thead>
<tr>
<th>Downside of delaying</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Not hearing from investors that pass you over</td>
</tr>
<tr>
<td>• Shareholder resolutions</td>
</tr>
<tr>
<td>• Investor churn</td>
</tr>
<tr>
<td>• Employee turnover</td>
</tr>
<tr>
<td>• Inability to compete for new talent</td>
</tr>
<tr>
<td>• Less able to innovate, adapt, and pivot</td>
</tr>
<tr>
<td>• Unprepared to comply with growing regulations</td>
</tr>
</tbody>
</table>
Trend: ESG is today’s capital markets story

Sustainable Investing in the United States 1995–2020

- ESG Incorporation
- Overlapping Strategies
- Shareholder Advocacy

2020:
$17T, or $1 in $3 AUM

**Up 42% from 2018**

Source: US SIF Foundation
BofA Issues $2B Sustainability Bond Targeting Equality, Economic Opportunity, Green Investments

Posted by Mark Segal | Dec 7, 2021 | Companies, Environment, Social, Sustainable Finance | 0 📦 | ★★★★★
Impact: ESG can fund a company’s growth plans

Public and private equity and debt is already pivoting to ESG alignment.
Respond to demand for ESG information; gain access to ESG-aligned capital.
QUICK HIT

Understand your investor / lender ESG priorities.
Trend: ESG data/raters/rankers have multiplied
ESG raters/rankers are consolidating
Impact: A company’s ESG story is already out there

ESG Score

49

Score History

Y/Y Change: 12

Last Updated: November 11, 2021. Updated annually or in response to major developments.

Sustainable Business

ESG Book aims to 'disrupt' sustainability sector with free data
QUICK HIT

Take control of your company’s data and story.

Monitor but don’t chase ratings.
Prior to this presentation, were you aware of the range and scope of third party ESG raters, rankers and data providers?
Who is driving ESG

- Investors
  - Regulators
  - Private/public Equity/debt
  - Raters/rankers/data providers

- Employees
  - Current
  - Candidates

- Customers
  - Supply chain
Trend: Labor shortages are a lasting challenge

Factors:

• Demographic shifts (global)
• Gen X+ values (Western and China’s ‘Lying Flat’)
• The Great Resignation (or Big Quit)

57% of CEOs believe attracting talent is among their company's biggest challenges
(Deloitte/Fortune, Fall 2021)
Impact: ESG attracts + retains talent

‘ESG Outperformers’

• Have highly satisfied employees – stay longer, work harder, produce better results
• Are more attractive to younger talent – filling the talent pipeline

*ESG as a Workforce Strategy*

Marsh McLennan, 2021

**40% of Millennials** have accepted job offers based on environmental performance.
QUICK HIT

Develop and communicate your company’s purpose and ESG strategy.
Who is driving ESG

Investors

Employees

Customers

Regulators

Raters/rankers/data providers

Supply chain

Candidates
Trend: Customers collaborating with supply chain

Walmart, HSBC, CDP Collaborate on Financing Program Incentivizing Climate Action in Supply Chain
Posted by Mark Segal | Dec 8, 2021 | Companies, Environment, Sustainable Finance | 0 m | ★★★★★

Mondelēz International Strengthens Commitments to Human Rights and Endorses Call to Action to Advance Living Wages

L’Oréal to Source Recycled Plastic for Cosmetic Packaging from Veolia
Posted by Mark Segal | Dec 9, 2021 | Companies, Environment | 0 m | ★★★★★
Trend: Government procurement is the ESG policy tool

FACT SHEET: President Biden Signs Executive Order Catalyzing America’s Clean Energy Economy Through Federal Sustainability

U.S. Government Will Lead by Example to Leverage Scale and Procurement Power to Drive Clean, Healthy, and Resilient Operations
Customers are pre-screening before RFQs and RFPs

Supplier ESG questionnaires
Trend: Imminent SEC regulation and global reporting standards

**Regulation:**
- SEC’s Human Capital Data Disclosure Rule 2020
- Climate Risk Disclosure Act, May 2021
- SEC’s ‘Sample Letter to Companies re Climate Change Disclosures’ 2021

**Standards:** International Sustainability Standards Board (ISSB)–International Financial Reporting Standards (IFRS) at COP 26
Impact: Companies need to act now

The corporate climate migration has begun

Companies large and small, some with longtime roots in their neighborhoods, are on the hunt for new real estate that is less prone to weather and climate extremes.
QUICK HIT

Assume 2 years to become ESG hardened.
Has your company implemented an ESG strategy to guide ESG activities (planning or communications)?
A two-year roadmap to SEC readiness

Going from a blank sheet to ESG integration into reporting takes 2+ years

<table>
<thead>
<tr>
<th>Phase 1: First 6 months</th>
<th>Phase 2: Next 12-18 months</th>
<th>Phase 3: 24+ months from start</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Benchmarking &amp; direction setting</strong></td>
<td><strong>ESG strategy implementation</strong></td>
<td><strong>Financial reporting integration</strong></td>
</tr>
<tr>
<td>• Compile ESG topics</td>
<td>• Develop strategy</td>
<td>• Evolve strategy</td>
</tr>
<tr>
<td>• Compare peers</td>
<td>• Gather data</td>
<td>• Commit to targets</td>
</tr>
<tr>
<td>• Set direction</td>
<td>• Set goals</td>
<td>• Disclose per regulations</td>
</tr>
<tr>
<td>• Communicate intent</td>
<td>• Communicate progress</td>
<td>• Communicate performance improvements</td>
</tr>
</tbody>
</table>

Establish and build team and budget
Phase 1: Benchmark & set direction

Compile ESG topics

Compare peers

Set direction

Communicate intent
### Phase 1: Sample work product – ESG topics compilation

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>1. GHG Emissions (SASB)</td>
<td>8. Policies Designed to Incentivize Responsible Behavior (SASB)</td>
<td>14. Human Rights</td>
</tr>
<tr>
<td>2. Climate Change Vulnerability (SASB)</td>
<td>9. Incorporation of ESG Factors in Investment Management (SASB)</td>
<td>15. Minority Groups</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Human Capital Development (SASB: Human Capital)</th>
<th>Corporate Governance (SASB: Leadership &amp; Governance)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>25. ESG Integration</td>
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<tr>
<td></td>
<td>26. Ownership &amp; Control</td>
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<td>27. Board Composition</td>
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<td>28. Board Compensation</td>
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<td>29. ESG &amp; Executive Compensation</td>
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<tr>
<td></td>
<td>30. Accounting Practices</td>
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<td></td>
<td>31. Business Ethics / Anti-Corruption</td>
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<td>32. Taxation &amp; Transparency</td>
</tr>
</tbody>
</table>
### Phase 1: Sample work product – ESG disclosure peer assessment

<table>
<thead>
<tr>
<th>ESG Integration</th>
<th>Company</th>
<th>Peer 1</th>
<th>Peer 2</th>
<th>Peer 3</th>
<th>Peer 4</th>
<th>Peer 5</th>
<th>Peer 6</th>
<th>Peer 7</th>
<th>Peer 8</th>
</tr>
</thead>
<tbody>
<tr>
<td>ESG framework</td>
<td>Proposed: TCFD, SASB</td>
<td>TCFD, CDP</td>
<td>TCFD, GRI, CDP</td>
<td>SASB, TCFD, GRI, IIRC, CDP</td>
<td>N/A</td>
<td>IIRC, GRI, CDP</td>
<td>TCFD</td>
<td>TCFD, CDP</td>
<td>GRI, TCFD, CDP</td>
</tr>
<tr>
<td>UNEPFI signatory</td>
<td>×</td>
<td>✔</td>
<td>✔</td>
<td>×</td>
<td>×</td>
<td>×</td>
<td>✔</td>
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<tr>
<td>PRI signatory for responsible investing</td>
<td>×</td>
<td>×</td>
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<td>×</td>
<td>×</td>
<td>×</td>
<td>×</td>
<td>✔</td>
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<tr>
<td>Sustainability reports</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>×</td>
<td>✔</td>
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<tr>
<td>Governance</td>
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<tr>
<td>Board composition &amp; diversity</td>
<td>✔</td>
<td>✔</td>
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<td>✔</td>
<td>✔</td>
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<td>Remuneration policies</td>
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<tr>
<td>Ethics and anti-corruption</td>
<td>✔</td>
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<td>Risk management process</td>
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<td>✔</td>
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<tr>
<td>Board oversight of ESG issues</td>
<td>×</td>
<td>✔</td>
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<td>Social</td>
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<tr>
<td>Customer data security and privacy</td>
<td>✔</td>
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<tr>
<td>Workforce diversity and inclusion</td>
<td>✔</td>
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<tr>
<td>Talent development</td>
<td>✔</td>
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<td>✔</td>
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<tr>
<td>Employment metrics</td>
<td>×</td>
<td>✔</td>
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<tr>
<td>Community engagement</td>
<td>✔</td>
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<td>Environmental</td>
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<tr>
<td>Detailed carbon emissions</td>
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<td>✔</td>
<td>✔</td>
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<tr>
<td>Catastrophe losses disclosure</td>
<td>✔</td>
<td>✔</td>
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<tr>
<td>Climate plan</td>
<td>×</td>
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<tr>
<td>Energy management and reduction</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
<td>✔</td>
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</tbody>
</table>
Phase 1: Sample work product – ESG overview investor slide

Our ESG Platform: Powered by Purpose

Environment
- Using residual biomass from renewable sources
- Displacing coal for energy production
- Investing in clean production technologies

Social
- Industry leading health & safety performance
- COVID: hourly worker paid sick time; remote work
- Investing in HR information systems and best practices, such as bi-annual engagement surveys

Governance
- Leadership diversity: female Board member, CFO, HR Director and Mill Manager
- New internal audit role
- Cyber-security audit/hardening
Phase 1: Sample work product – Sustainability and ESG fact sheet

Sustainability and ESG at JetBlue

Our planet is physically changing around us, and so are the expectations of our customers, crewmembers, investors, and society. We are preparing our business for a changing climate and world through industry-changing moves including being the first US airline to commit to and achieve carbon neutral domestic flying.

JetBlue’s Approach to Reducing Carbon

1. Reduce carbon emissions wherever we can.
2. Offset emissions where we cannot.
3. Build sustainable aviation fuel that offers up to an 80% lower carbon footprint.
4. Support industry-changing and near-term eVTOL technologies such as electric aircraft for short hauls.

Reducing Where We Can: Our Young, Fit Fleet

Our 11-year-old fleet burns far less fuel than an average modern fleet, which starts around 20 years old. This translates to:

- Increased 56% on our Airbus A320NEO fleet.
- 10% fuel burn reduction, or an industry first, since 2019.
- 2.3% lower per ASM from 2018 to 2019.
- A diverse fleet that includes 270 Airbus A320s to replace older aircraft, reducing emissions by about 30% per seat.

To address unavoidable emissions, we are working to voluntarily offset our carbon footprint on all of our domestic flights, making us the first US airline to do so. Every year, we emit more than 15-17 million pounds of CO2 emissions per year. That in equivalent of removing 1.2 million cars from the road a year.

Sustainable Aviation Fuel (SAF)

Given current technologies, commercial air travel will require fossil-based fuels for at least the next 20 years. SAF is made from various renewable resources such as sugar and vegetable oils. These efforts are key since, if used, SAF could drop into existing aircraft engines with no modifications required, and introduce no changes in safety or performance.

In July 2020, we started operating with a mixture of traditional and sustainable aviation fuels out of JFK/JFK in a 15% blend. This will reduce CO2 emissions by up to 80% per gallon in that mix, relative to our traditional jet fuel.

JetBlue Technology Ventures (JTV) partners with early-stage startups improving energy and hospitality. JTV focuses on these areas, including startups in the sustainable energy and ESG space. The team explores advanced materials, air travel, and electrification, technologies that improve environmental protection and encourage sustainable tourism, and ground-changing transportation powered by alternative propulsion systems, like small electric planes.

Electric Airport Ground Service Vehicles

To reduce the impact of our airport operations on-ground vehicles, we are converting our conventionally gasoline and diesel vehicles to plug-in electric across our network, thereby reducing emissions and improving local air quality.

- Pooled out the largest electric fleet of any carrier at JFK with 114 new electric vehicles, which is projected to save four million pounds of greenhouse gas emissions annually.
- Converting on a large scale basis to electric ground vehicles in Boston, our second largest city.
- Exceeding additional conversion targets with a 40% of our new common ground service vehicle types evaluate by 2020 and 50% by 2030.

It is our policy to recycle all boxes, cans, and plastic cups on all domestic flights and all domestic airports. JetBlue Directs an estimated 500 million recycled boxes and cans annually.

Onboard Recycling
PHASE 1 HIGHLIGHTS

Start by gaining an understanding of your priorities.
Rely on investor-focused frameworks, stakeholder input and peers for best practices and gaps.
Communicate your intentions with investors and influencers.
Polling question 4

Do you think your company has a good sense of its ESG priorities?
Phase 2: Implement ESG strategy

- Develop strategy
- Gather data
- Set goals
- Communicate progress
## Phase 2: Sample work product – Target setting recommendations

<table>
<thead>
<tr>
<th>Set Target</th>
<th>Report KPIs</th>
<th>Develop capacity to measure</th>
<th>Establish qualitative policy/actions</th>
<th>No action required – disclose policy and adherence in reporting</th>
</tr>
</thead>
</table>
| Diversity & inclusion (excluding Board)  
  - Gender  
  - Equity seeking groups  
  Board composition (diversity & inclusion)  
  - Gender  
  - Equity seeking groups  
  Workforce management  
  Customer practices | Waste management & recycling  
  Community investments & engagement  
  Systemic risk management | Critical incident risk management | Sustainable infrastructure  
  Biodiversity & land use  
  Access & affordability  
  Suppliers & vendors  
  Innovation & technology  
  Incorporation of ESG factors in investment management  
  ESG integration  
  ESG & executive compensation  
  Board compensation  
  Ownership & control | Data security & privacy  
  Business ethics / Anti-corruption  
  Accounting practices  
  Taxation & transparency |
Phase 2: Give investors what they want

Sustainability Accounting Standards Board (SASB) Index

Building Products and Furnishings Standard

Trex is the world’s largest manufacturer of composite decking and railing products, and a leading provider of custom-engineered railing systems for the commercial and multi-family market, including sports stadiums and performing arts venues. Our SASB Index is aligned with the Building Products and Furnishings standard.

<table>
<thead>
<tr>
<th>SASB Code</th>
<th>Metric</th>
<th>Response for FY20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy Management in Manufacturing</td>
<td>(1) Total energy consumed</td>
<td>See page 31 of our 2020 ESG Report.</td>
</tr>
<tr>
<td>CG-BF-130a1</td>
<td>(2) Percentage grid electricity</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(3) Percentage renewable</td>
<td></td>
</tr>
<tr>
<td>Management of Chemicals in Products</td>
<td>Discussion of processes to assess and manage risks and/or hazards</td>
<td>See page 35 of our 2020 ESG Report.</td>
</tr>
<tr>
<td>CG-BF-250a1</td>
<td>associated with chemicals in products</td>
<td></td>
</tr>
<tr>
<td>CG-BF-250a2.2</td>
<td>Percentage of eligible products meeting volatile organic compound (VOC)</td>
<td>Not applicable. Trex end user products do not emit any appreciable VOCs.</td>
</tr>
</tbody>
</table>
PHASE 2 HIGHLIGHTS

Develop your strategy leveraging benchmarking work.

Set targets and goals.

Gather high-quality data.

Provide easily accessible information to investors.
Phase 3: Integrate financial reporting

Evolve strategy
Commit to targets
Disclose per regulations
Communicate performance improvements
Expands access to capital
- Traditional investors using ESG
- ESG funds and investors
- Green bond market

Improves strategy and governance
- Forward-looking lens
- Robust risk management
- Strengthened supply chain
- Increasing ESG disclosure requirements

Strengthens financial performance
- High performance employees
- Bottom line cost reductions and productivity gains
- New products, business models and business development

Wait and see no longer an option for finance leaders
Given what you learned in today’s session, do you think there is a business case to advance ESG in your company?
Let’s get started!

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