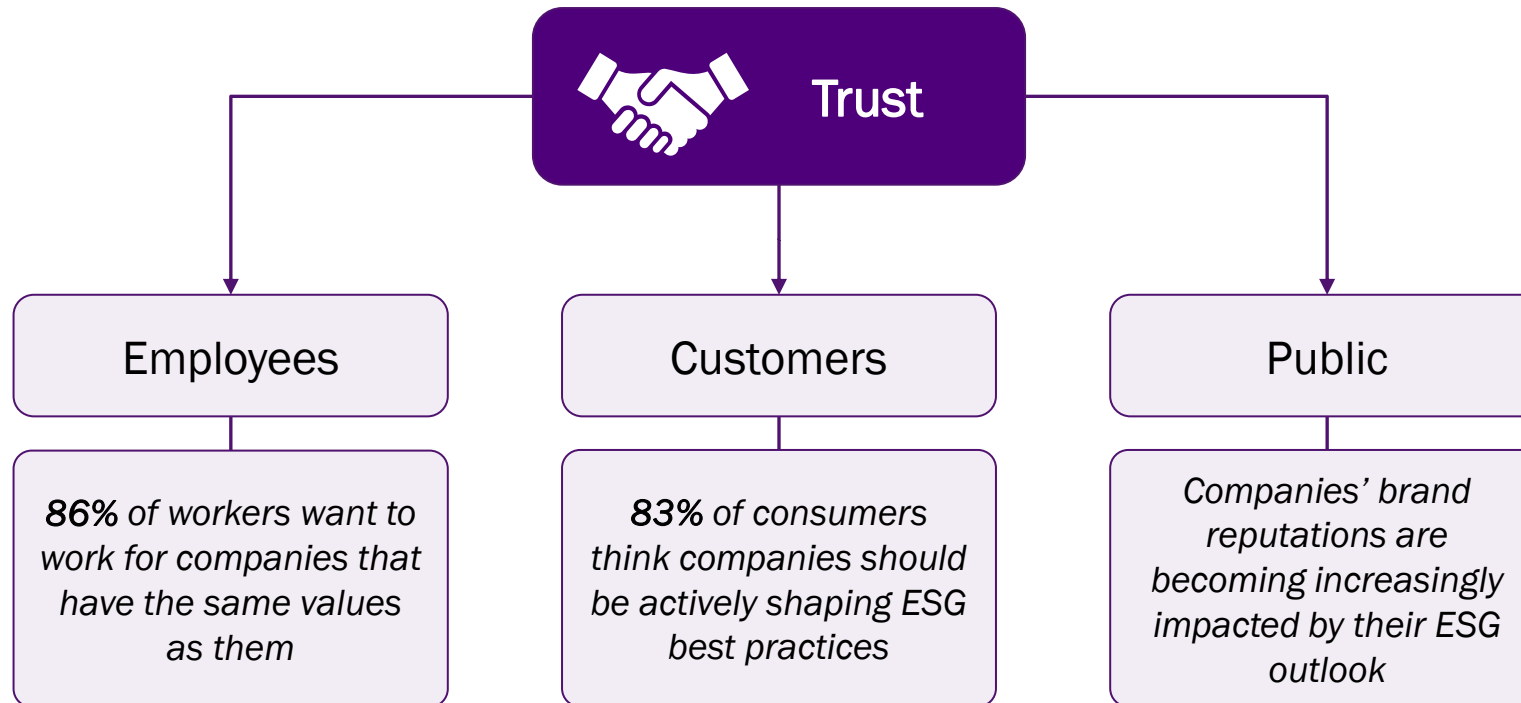


The Black Box Institute

Corporate Sustainability
Part 4: Culture for ESG
July 20th, 2023

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Why is ESG Culture becoming more important for organizations to prioritize?



Code ESG Into Your DNA

- Set a powerful, actionable and **clearly-defined ESG strategy**—and build it pervasively into your company strategy
- Embed ESG into other key organizational frameworks such as **purpose, values** and **employee value proposition**
- Enlist **leaders** in championing **ESG** from the top

Set Your Mind to ESG

- Identify the specific **skills, capabilities** and **roles** needed to **support** your **ESG priorities**
- **Align talent systems** in service of the transformation by ensuring your talent systems are designed to hire, measure, and **manage employees toward** activation of the **ESG strategy**

Build Your Body for ESG

- Determine the optimal structure for **ESG governance** and **goal-setting**
- Align incentives to drive cross-functional (*and cross-stakeholder*) work
- Build **inclusivity** into your operating model and **organization design**

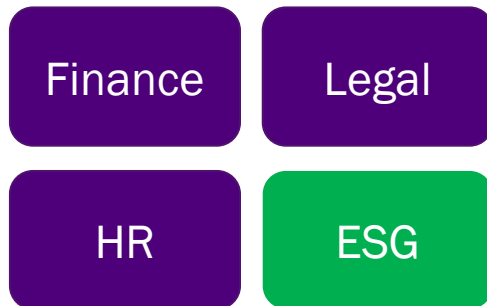
Inspire Socially Responsible Souls

- Consider how you're engaging your employees in ESG
- **Create rituals, symbols and awards** that authentically showcase commitment to ESG
- **Share success stories** and **celebrate progress** along the way (*not just outcomes*)

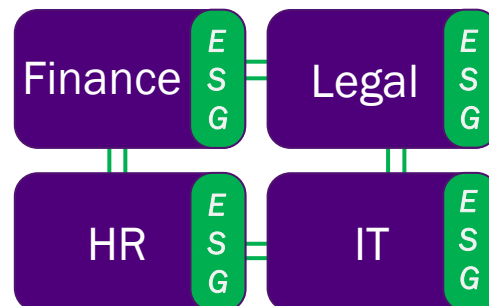
Integrating ESG

ESG should not be seen as primarily a PR or communications issue. ESG should involve all different departments and increase individual's ESG participation. This should be reflected by the ESG committee, rather than a secular committee that produces reports, the committee should take on a matrix structure with members from all different departments within the company.

Traditional ESG



Integrated ESG



Within a company, ESG should not be viewed as something that is handled somewhere else; rather, it should be understood across departments as being addressed “right here”.

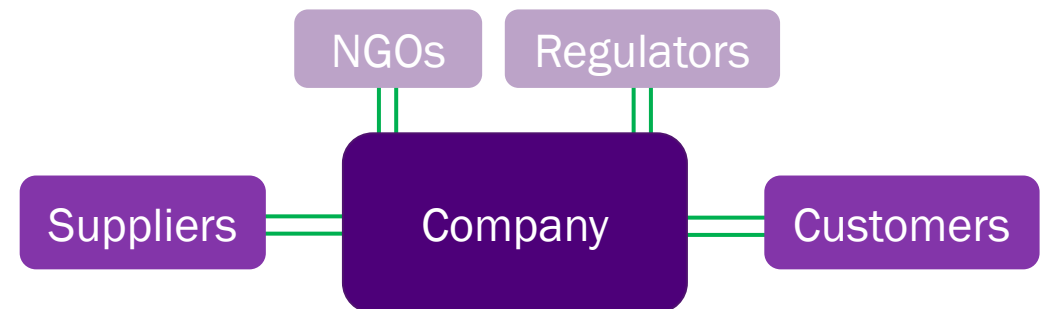
Collaboration through ESG

Collaborating with stakeholders both internally and externally over ESG matters can significantly boost a company's ESG culture.

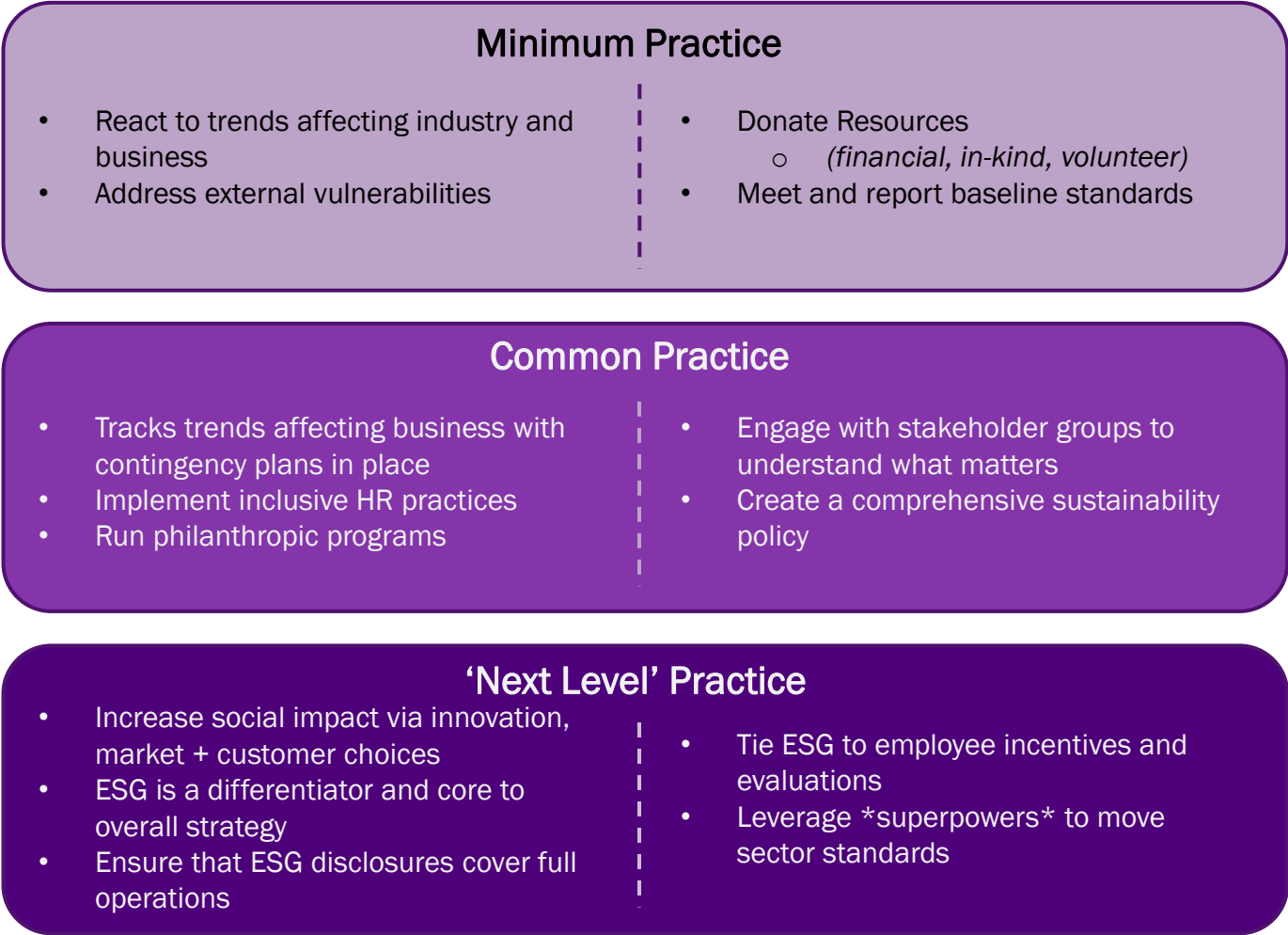
Internal collaboration between employees, managers and executives sends a strong message that ESG considerations are a priority for the company.



External collaboration with suppliers, customers, NGOs, regulators, and companies permits a deeper understanding of ESG issues and hence allows the development of more targeted and efficient ESG strategies.

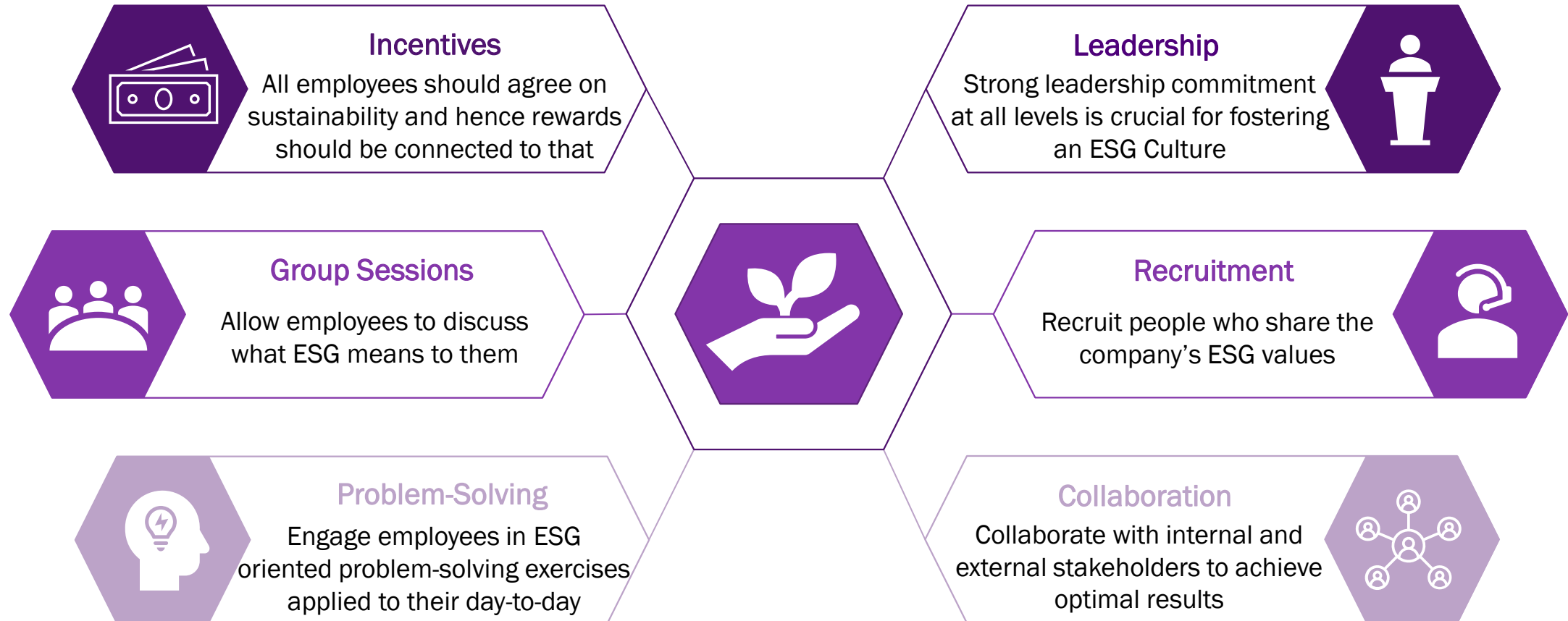


The 3 Levels of Ambition in ESG



Risk Management

Impact





Johnson & Johnson is a healthy example of a company with a strong ESG culture and coordination model, with a clear top-down direction, and a well-defined operating model for execution. It has clearly prioritized ESG topic areas, revisited annually, that provide a unifying framework for ESG incentives, teams and initiatives across the company.

Strategic & Measurable ESG Strategies

J&J breaks down its “health for humanity” strategy into four key strategic pillars, with metrics and initiatives mapped to each with executive compensation linked to goal achievement.

ESG Governance

J&J has practical and relevant ESG leadership roles such as the chief sustainability officer, chief diversity, equity and inclusion (“DEI”) officer, etc., but also a dedicated project management office (“PMO”) for coordination across the entire enterprise to ensure a high degree of collaboration.

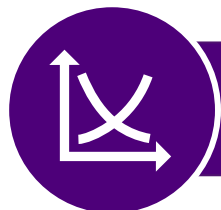
J&J’s “Our Purpose”
We blend heart, science and ingenuity to profoundly change the trajectory of health for humanity



What is “Greenwashing”?

The process of conveying a false impression or misleading information about how a company’s products are environmentally sound.

Why and How do Companies “Greenwash”?



To capitalise on increasing demand for environmentally sound products



To give the impression of supporting ESG to gain from potential ESG investments

These Greenwashing messages are spread via press releases and commercials touting their clean energy or pollution reduction efforts when they are not making meaningful commitment to green initiatives.

How to Spot “Greenwashing”

When assessing if something is “Greenwashing”, it is helpful to ask yourself the following questions:

Are they transparent?

Are their goals direct and quantified?

Do they understand their role in battling the specific social cause and are they willing to choose the cause over profits?

When uncertain, conduct your own further research to be sure that the brands you support are in line with your values.



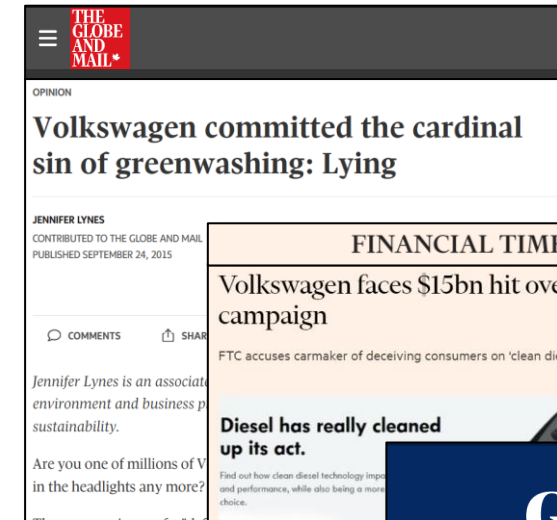
What Did Volkswagen Do?



- In September 2015, the Environmental Protection Agency (EPA) discovered that many of the cars sold by VW were equipped with a “defeat device”.
- This device was a highly technical software that could detect when the cars were being tested and change the performance accordingly to give improved results.
- VW later admitted that 11 million cars worldwide are fitted with the “defeat device”. The affected cars were the Jetta, Beetle, Golf and Passant.



- While they were fitting these “defeat devices” in their cars, VW were also running a marketing campaign boasting their cars’ low emissions.
- Once the EPA discovered this there was a huge scandal which was covered by media outlets globally, VW saw large social backlash on social media with 100,000 tweets from angry customers and appalled members of the public and their profits were down 20% from the year prior as well as a 23% drop in share price, removing €14B (20.3B CAD) from its market cap.





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