USING GRI TO SELECT AND REPORT ON MEANINGFUL SUSTAINABILITY METRICS

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Outline

- Why report?
- What to report?
- How to report?
- Cummins sustainability reporting journey
Why report?

“You can only manage what you can measure. In God we trust; all others must bring data.” –W. Edwards Deming

- Demand from employees, stakeholders, and consumers
- Increasing push from stock exchanges and investors
- Demonstrate accountability
- Demonstrate progress
- And more…
Reasons to Report

Transparency with stakeholders
Risk management
Stakeholder pressure
Other
Competitive advantage
Brand/reputation
Company culture
I'm not sure

Percent of respondents

Publicly traded for-profit company
Private for-profit company

Why Report?
S&P 500 Companies Reporting

Why Report?

![Bar chart showing reporting trends from 2011 to 2013, with 'Reporters' in yellow and 'Non-reporters' in gray.](chart.png)

- **2011:**
  - Reporters: 20%
  - Non-reporters: 80%
- **2012:**
  - Reporters: 50%
  - Non-reporters: 50%
- **2013:**
  - Reporters: 90%
  - Non-reporters: 10%
Benefits of Sustainability Reporting

Why Report?

- Financial Performance
- Access to Capital
- Innovation, Waste Reduction, and Efficiency
- Risk Management
- Reputation and Consumer Trust
- Employee Loyalty and Recruitment
- Social Benefits
- Customers May Require
What to report?

- The answer is different for every company!
- Importance of materiality
- How to determine what is material
Materiality

What to Report

- “Topics that have direct or indirect impact on an organization’s ability to create, preserve or erode economic, environmental and social value for itself, its stakeholders and society at large” –GRI

- IN SHORT: Report on **WHAT** matters and **WHERE** it matters
Materiality Matrix

What to Report

Significance to Business

Importance to Stakeholders

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Materiality Matrix

What to Report

<table>
<thead>
<tr>
<th>Stakeholder concern</th>
<th>Major</th>
<th>Significant</th>
<th>Moderate</th>
<th>Significant</th>
<th>Moderate</th>
<th>Major</th>
</tr>
</thead>
<tbody>
<tr>
<td>Human Rights</td>
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<td>&amp; food and</td>
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<td>nutrition</td>
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<td>Water Stewardship</td>
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<tr>
<td>Responsible</td>
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<tr>
<td>Marketing</td>
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</tbody>
</table>

Impact on Nestlé

- Nutrition
- Rural development
- Water
- Environmental sustainability
- Human rights & compliance
- Our people

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Materiality Matrix

What to Report

CITIZENSHIP & SUSTAINABILITY MATERIALITY MATRIX

Transparency, Community Impact

Data Privacy, Security, and Integrity

Public Policy

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How to report?

- Sustainability reporting standards
  - Global Reporting Initiative (GRI)
  - Carbon Disclosure Project (CDP)
  - Sustainability Accounting Standards Board (SASB)
  - And more…
- Integrated vs. stand-alone reporting
- Sector-specific considerations
## Comparison of Reporting Frameworks

<table>
<thead>
<tr>
<th>Certification/Framework</th>
<th>Scope</th>
<th>Use</th>
</tr>
</thead>
<tbody>
<tr>
<td>GRI</td>
<td>Comprehensive (environmental, social, and economic). Focused on Materiality</td>
<td>Most widely used global framework. For all stakeholders.</td>
</tr>
<tr>
<td>SASB</td>
<td>Material non-financial issues integrated into financial reporting</td>
<td>Primarily for investors</td>
</tr>
<tr>
<td>DJSI</td>
<td>Comprehensive sustainability, by invite only.</td>
<td>Primarily for investors</td>
</tr>
<tr>
<td>CDP</td>
<td>Environmental only (carbon, energy, and water issues)</td>
<td>Comparable data/metrics.</td>
</tr>
</tbody>
</table>
Global Reporting Initiatives (GRI)

- Mission: to make sustainability reporting standard practice by providing guidance and support to organizations
GRI Process Overview

How to Report

What’s material?
Sustainability Accounting Standards Board (SASB)

Industry-based sustainable KPIs and Disclosure Protocols
Meant to integrate with financial reporting
Most relevant for publically traded companies
Carbon Disclosure Project (CDP)

- Well-known reporting standard
- Only related to environmental impact
What framework should you use?

It depends!

In the end, it’s your report
Cummins Sustainability Reporting Journey
Why Does It Matter?

B_Emmett
@BlakeyEmmett

Turning CSR/sustainability efforts into differentiators for internal and external stakeholders @Cummins CEO #BSR15
6:03 PM - 4 Nov 2015

ICTI CARE
@ICTICARE

CEO Tom Linebarger highlights how clear goals and robust principles have helped @Cummins meet its #sustainability commitments #BSR15
5:35 PM - 4 Nov 2015

Sawako Sono Clarin
@SawakoSono

#TomLinebarger @Cummins says the problem with the word #sustainability is that it means everything, and then it means nothing. #BSR15
6:06 PM - 4 Nov 2015
We are at a crossroads

Will we choose the GRI to guide our path?
Why GRI and Materiality for Cummins

- Greater scope than CDP and public unlike Dow Jones
- Combines existing stakeholder efforts
- Leverages expertise
- Transparency and credibility align with value of integrity
- Talent attraction and retention
- Identifies trends on the horizon
- Regions already wanting it to maintain competitiveness
Where we are now

- 2016 Six Sigma Project - Evaluated difficulty of reporting per function
  - Results -
  - Able to report to Core Disclosures in 2016 minus increased disclosures related to completed materiality assessment
    - Able to report to 20 (of 23) additional Comprehensive disclosures
## Sample deliverables and timeline

<table>
<thead>
<tr>
<th>July</th>
<th>Aug</th>
<th>Sept</th>
<th>Oct</th>
<th>Nov</th>
<th>Dec</th>
<th>Q1 2017</th>
<th>Q2 2017</th>
<th>Q3 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>MRG Meeting</td>
<td>MRG Meeting</td>
<td>Final approval of specific external disclosures</td>
</tr>
</tbody>
</table>

### Umbrella Project - Define purpose, value, buy-in and concept of Responsible Citizenship Stakeholder Model Approach into business process and reporting; Gain approval.

### Black Belt Project

- Integrate outcomes of Responsible Citizenship Stakeholder Model Approach into business processes (Priorities/Progress/Reporting)
- Use enhanced current state materiality assessment and associated expanded disclosure to produce a GRI G4 Core report
- Recommendation on targeted 2016/17 Sustainability Report content deployment
Reporting is Organizational Change

- Increased stakeholder engagement
- Risk management and Issue identification
- Increased disclosure and transparency
- Organizational capacity
- Catalyst for breaking down silos
- Requires long-term organizational commitment
- May change the way some business is conducted
“...we believe that our survival in the very long run is as dependent upon responsible citizenship in our communities and in the society, as it is in responsible technological, financial and production performance.” - J. Irwin Miller
Former Chairman and CEO, 1972
Thank you!

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