WHITE PAPER | BOARD OVERSIGHT OF ESG

Board Oversight of ESG – NOW!

Board Oversight of ESG – NOW!

Covid-19 is proving to be a game changer for corporate executives, directors, and others responsible for overseeing ESG risks. This pandemic is underscoring the significance of issues as diverse as how companies treat their employees (human capital management), the impact of climate change and efforts to promote sustainability, supply chains, and executive compensation. On the investor side, the pandemic is reinforcing the need for accurate data about corporate performance, as well as governance oversight, around these diverse issues.

Climate change has been at the forefront of ESG issues for the past few years. Climate change remains a high priority amid Covid-19, and as companies continue to navigate an uncertain economic landscape and plan to resume operations, they must bear in mind that scrutiny of board oversight of ESG and the overall handling of the risk function are more challenging and critical today than ever before. In addition, this heightened scrutiny has important implications both for company and board practices, as well as for company disclosures about these practices.

When considering board oversight of ESG, it's worth remembering that while interest in oversight was gaining momentum before the pandemic, the rate of change recently accelerated. As one example, over 1,000 global organizations had declared themselves supporters of the Task Force on Climate-related Financial Disclosures (TCFD) as of February 2020, up from just 101 in June 2017.

Now that the world seems to grasp how deeply individuals and institutions are interconnected, recognition for the significance of ESG is expected to accelerate. As companies make changes to both strategies and operations to adjust to "the new normal," they are focused on employee health and safety, business continuity, crisis management, capital liquidity, and supply chain challenges, to name just a few areas of intense concern. Companies may also find they are being held to some new and more stringent expectations. Not only are investors and other stakeholders examining business and operational risk management typically within the purview of executive management, but they are also focusing on board oversight and the governance of an expanding array of issues.

This article traces the increased attention given to ESG that began before Covid-19 and provides a disclosure-based review of the growth in board oversight of ESG. It also provides innovative examples from the 2020 proxy season for ways companies are strengthening their own ESG governance practices and disclosures to meet the challenges of a post- Covid-19 world.

Heightened Investor Expectations for ESG

One reason for greater attention to board oversight of ESG issues is that institutional investors increasingly recognize that ESG issues warrant serious consideration. This recognition is conveyed, for example, through letters to corporate boards and/or management, white papers and other publications related to engagement priorities or voting policies, and shareholder proposals. As of Q1, 2020, proponents had submitted at least 429 ESG-related shareholder resolutions, up from 366 submitted at the same time in 2019, according to As You Sow, a non-profit, shareholder advocacy group.

Even with a brighter spotlight trained on ESG, some investors have expressed concerns that progress has not moved swiftly enough. In his **January 28th letter to CEOs** about his firm's 2020 proxy voting agenda, State Street Global Advisors' (SSGA's) CEO Cyrus Taraporevala said, **"while many companies have made**

noise about enhancing ESG, few companies evaluated by SSGA have made genuine or measurable changes. Fewer than 25% of the companies we've evaluated have meaningfully identified, incorporated and disclosed material ESG issues into their strategies."

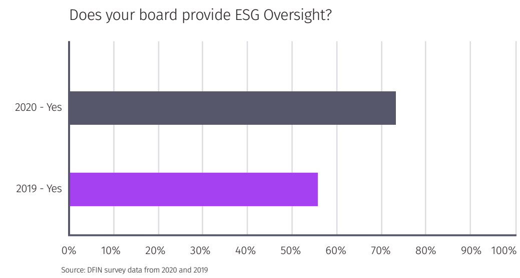
Similarly, in January 2020, BlackRock CEO Larry Fink put companies on notice that ESG disclosures will matter more than ever at the companies in which his firm invests. Specifically, the world's largest asset manager said: **"…. We will be increasingly disposed to vote against management and board directors when companies are not making sufficient progress on sustainability-related disclosures and the business practices and plans underlying them."**

Large institutional investors, writing in their annual shareholder letters, have also expressed the view that ESG should be a board priority. SSGA, Vanguard, and Norway's sovereign wealth fund (the "Oil Fund") have all emphasized the importance of boards' addressing relevant ESG issues and using a consistent reporting framework for marking progress.

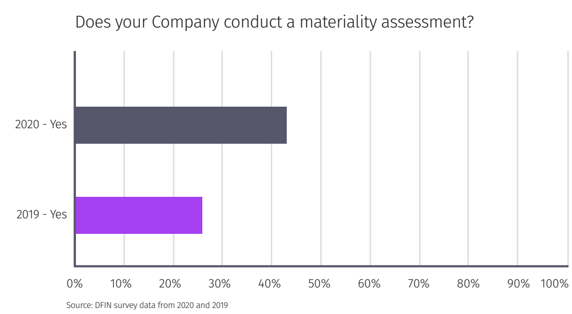
Signs of Greater Board Oversight of ESG Issues

The evidence indicates that boards are taking ESG oversight more seriously than ever.

When DFIN surveyed public companies in 2019 and again in 2020 across a variety of industries and market capitalizations, one striking finding was that in just one year's time a dramatically higher number of companies had begun reporting on board oversight of ESG. In fact, when asked whether their boards provided ESG oversight, 73 percent of companies responded "yes" in 2020, relative to only 56 percent that said the same in 2019.



Increased board oversight of ESG issues is aligned with greater attention awarded to ESG issues by corporate management. When asked whether their companies conducted a materiality assessment for understanding the companies ESG risks, 17 percent more said "yes" in 2020 than in 2019 (43 percent versus 26 percent). Materiality can be subject to debate. That said, a company's management is generally in the best position to determine which ESG risks are financially material and thus necessitate disclosure in the company's SEC filings, and more generally, which ESG issues are relevant to the company's business and its stakeholders and should be discussed in a sustainability report.



Companies are not alone when it comes to assessing materiality. These decisions can be aided by looking to the **Sustainability Accounting Standards Board's** (SASB's) industry-specific standards and its materiality map, which is an interactive tool for identifying and comparing relevant disclosure topics across different industries and sectors. Finally, the same DFIN survey found a clear evolution toward reporting both SEC and non-SEC data in sustainability reports, using leading standards such as those of the **Global Reporting Initiative** (GRI), the **TCFD**, and SASB.

Considerations for Effective Board Oversight of ESG

While board oversight of ESG issues is moving into the mainstream, we are seeing more of an evolution than a revolution.

One threshold challenge to enhancing board oversight of ESG issues is identifying the specific issues that a board should oversee. This is particularly challenging because there are no one-size-fits-all answers. Most experts agree that shareholder engagement is a key element of identifying perceived risks and oversight challenges. Once the company has identified the ESG risks and opportunities relevant to its business, there are a number of concrete steps it can take to strengthen its board oversight of those issues.

DFIN's annual update to its Guide to Effective Proxies, the **Emerging Topics Disclosures Human Capital Management** and **ESG** edition, identified several areas in which companies are closing the gap and providing strong board oversight and disclosure. Below are some recommendations, with sample proxy statement disclosures related to each recommendation provided for reference. Note, however, that the disclosures recommended can also be placed in corporate sustainability reports and on websites.

Companies should update board charters and governance documents as necessary to reflect oversight practices.

Codifying the board's role in overseeing ESG-related risks is an important step in ensuring that oversight activities do occur and occur regularly.

Essential Utilities: p. 26

Oversight Responsibility

The Board of Directors receives reports at regularly scheduled meetings on ESG matters including safety, sustainability, and environmental stewardship matters. These programs are overseen and managed by the Company's senior leadership. A significant portion of the performance-based goals for our executives focus on these important issues.

Our corporate responsibility and sustainability programs include the following:

- conservation and stewardship of water, including compliance with federal and state regulations, delivering safe water, implementing programs to manage water resources and reducing water loss, and consistently assessing and updating our water treatment technology;
- focusing on proper treatment of wastewater;
- reducing solid waste production;
- aiming for efficient and responsible energy usage in the Company's facilities, its fleet of vehicles, and its construction equipment, including a commitment to the use of renewable energy;
- reducing greenhouse gas emissions and energy consumption;
- responding to natural disasters, such as hurricanes and floods; and
- rebuilding water and wastewater infrastructure from our position as a national leader in infrastructure investment.

Nasdaq: p. 42

ESG Program and Policies

Our ESG mission is to serve our clients, shareholders, employees and the communities we impact through effective and sustainable practices.

The Nominating & ESG Committee has formal responsibility and oversight for environmental and social policies and programs and receives regular reporting on key environmental and social matters and initiatives.

Our internal ESG Working Group is co-chaired by executive leaders and comprised of geographically diverse representatives from multiple business units. The ESG Working Group serves as the central oversight body for our environmental and social strategy.

Nasdaq's environmental and social policies, programs and practice statements include the following.

ESG Documents
Anti-Discrimination and Anti-Harassment Policy
Employee Handbooks
The Nasdaq Environmental Practices Statement
The Nasdaq Human Rights Practices Statement
The Nasdaq Information Protection and Privacy Practices Statement
Supplier Code of Ethics

Baxter International p. 27

Management and Board Oversight

Baxter's Corporate Responsibility Council, composed of executives and subject matter experts from across the company, helps lead and oversee Baxter's corporate responsibility strategies and integration throughout the business. The full Board is regularly updated on corporate responsibility matters (including a discussion of related goals and industry trends). Topics included in these discussions in 2019 included environmental, health and safety matters and a review of Baxter's philanthropic contributions (consistent with the company's mission and strategic goals), as well as updates on the company's Best Place to Work initiatives and Baxter's diversity and inclusion efforts.

Pursuant to Baxter's enhanced stockholder engagement program, Baxter directors and management have engaged in corporate responsibility discussions with certain investors. Outputs from these discussions are shared with the entire Board during Board-wide corporate responsibility updates and to the Corporate Governance Committee as part of its oversight of corporate governance matters generally. See "Executive Compensation—Compensation Discussion and Analysis—Summary—Stockholder Engagement" for additional Information.

Companies should disclose how ESG risks and opportunities factor into a company's long-term vision, strategy, and objectives.

It's important to note that using ESG reporting frameworks is not solely a compliance exercise. Using these frameworks requires deep thinking about how ESG factors feed into strategy development to account for both risks and opportunities for executing on business goals.

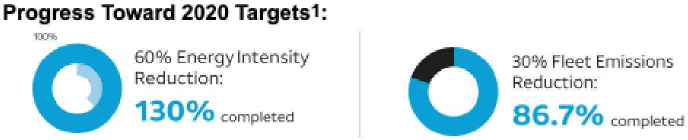
Speaking about ESG oversight is not enough. Directors should be clear that the ESG issues the board oversees are integrated into a company's long-term strategy. Directors should also confirm that, when possible and practicable, measurable ESG goals are established and disclosed, and progress in meeting those goals is tracked.

AT&T p. 31

Environment

AT&T demonstrates corporate leadership on climate change by setting strong goals and taking purposeful action in and outside our company. Our climate change strategy is based on mitigation, resilience and enablement.

Progress Toward 2020 Targets1:



12019 data is still being compiled. Represents progress through end of year 2018.

MITIGATING IMPACTS

In 2019, AT&T announced that our renewable energy purchases will surpass 1.5 gigawatts of clean energy capacity, solidifying our position as one of the largest corporate purchasers of renewable energy in the U.S. The total annual energy produced through these purchases is enough to power New York City for approximately 1 month, every year.2 In addition to investing in renewable energy, we also work to make our company more efficient through energy and emissions reductions projects and by incorporating environmentally sustainable practices into our daily operations. We realized $51.1 million in annual energy savings from more than 28,000 energy efficiency projects completed in 2018.

We achieved our 2020 goal to reduce Scope 1 greenhouse gas (GHG) emissions 20% from a 2008 baseline—3 years ahead of schedule—reaching a 24.7% reduction by the end of 2018.

BUILDING RESILIENCE

AT&T is working to assess the risks of climate change so that we that can make smarter, climate-informed decisions for the future. We engaged the U.S. Department of Energy's Argonne National Laboratory on an industry-leading climate resiliency project to better anticipate, prepare for and adapt to the impacts of climate change. This engagement led AT&T to develop our Climate Change Analysis Tool, which will help us visualize climate change risk on our infrastructure and operations. Instead of relying on 10-day weather forecasts and historic events, we can now model climate-related phenomena such as projected sea-level rise and the potential impact on surrounding cables, cell sites or data centers—up to 30 years into the future. These insights can help us better plan for maintenance, construction and disaster recovery efforts as we serve our customers and communities.

ENABLING REDUCTIONS

Our technology can play a role in reducing emissions beyond our walls. We are a founding member of the Net Positive Project, a collaborative effort to create positive impacts on society and the environment. That is why we committed to demonstrate how we enable carbon savings to our customers that are 10 times the footprint of our operations by 2025. We refer to this as our 10x Carbon Reduction Goal. In our progress report released in May 2019, we use customer-specific case studies to detail how we have enabled customer GHG reductions approximately 2x the footprint of our operations, well on our way to 10x.

Honeywell p. 3

COMMITMENT TO SUSTAINABILITY

OUR COMMITMENT

- We **PROTECT** our people and the environment
- We **ACHIEVE** sustainable growth and accelerated productivity
- We **DEVELOP** technologies that expand the sustainable capacity of our world

ACHIEVEMENTS

- Over 90% improvement in Scope 1 and 2 greenhouse gas intensity since 2004
- ~70% improvement in energy efficiency since 2004
- ~3,000 acres remediated and restored as valuable community assets
- 128M gallons of water saved in water-stressed areas since 2013
- Safety record over 4x better than the average of the industries in which we operate
- Honeywell's Solstice® and biofuel products are helping customers avoid discharging >160 MMT of CO_2e

10-10-10 GOALS FOR 2024

- Reduce global Scope 1 and Scope 2 greenhouse gas emissions by an additional **10%** per dollar of sales from 2018 levels
- Deploy at least **10** renewable energy opportunities
- Achieve certification to ISO 50001 Energy Management Standard at **10** facilities

Prologis p. 40

Advancing Our ESG Leadership

- We are focused on making progress on ESG metrics that are tightly connected to our business strategies and reporting our progress to foster accountability and transparency. We have demonstrated our global commitment by aligning with the United Nations Sustainable Development Goals (UNSDGs) and being the first logistics REIT to set approved Science Based Targets—third-party authenticated goals to reduce greenhouse gas emissions.

METRIC	PROGRESS	GOALS
Sustainable Building Certifications(1)	144%(2) Growth between 2015 and 2019	100% Designed to sustainable building standards(1)
Efficient lighting(3)	39% growth(4) Between 2015 and 2019	100% of portfolio
Solar	46% growth(5) Between 2015 and 2019	400 MW By 2025
Cool roofs(6)	39% growth(7) Between 2015 and 2019	100% of portfolio Where appropriate given climate factors
Hours benefiting local communities(8)	24% growth Between 2018 and 2019	75,000 hours By 2025
Ethics training participation	100% In 2019	100% Every year

Board members should be conversant with how a company's ESG priorities, risks, and opportunities impact the business strategy.

Companies should ensure that their boards are well equipped to oversee material ESG risks and opportunities. To the extent directors' skills are aligned with those risks/opportunities, such skills should be disclosed in the proxy statement, possibly in a board skills matrix.

In its January 2020 report titled "*BlackRock Investment Stewardship's (BIS) approach to engagement on the TCFD and the SASB aligned reporting*," BlackRock stated, "When assessing a board's oversight of climate risks, BIS does not expect to see a specific climate expert on the board. Rather, we expect all board members to be able to speak to the subject of business relevant climate risk…"

Dominion Energy: p. 18

DIRECTOR ATTRIBUTES AND EXPERIENCE

The Board seeks a mix of directors with qualities that result in a well-rounded, diverse Board that thinks critically and also functions effectively by reaching informed decisions. Our directors have a diversity of experience and a variety of skills, education, qualifications and viewpoints that strengthen the Board's ability to carry out its oversight role of the company.

The table below is a summary of the range of attributes and experiences that each director brings to our Board. Because it is a summary, it is not intended to be a complete description of all of the skills and attributes that each of our Board members possesses.

Additional information about each director's background, business experience and other matters, as well as a description of how each individual's experience qualifies him or her to serve as a director of the company is provided under the heading *Item 1 – Election of Directors* beginning on page 9.

	Bennett	Dragas	Ellis	Farrell	Hagood	Harris	Jibson	Kington	Rigby	Royal	Spilman	Story	Szymanczyk
Age	59	58	72	65	58	72	66	60	63	57	63	60	71
Tenure (years)	1	9	6	15	1	20	3	14	3	7	10	3	7
Gender	M	F	M	M	M	M	M	M	M	F	M	F	M
Leadership	•	•	•	•	•	•	•	•	•	•	•	•	•
Industry	•		•	•	•	•	•		•			•	
Financial or Accounting	•	•	•	•	•	•	•	•	•	•	•	•	•
Corporate Governance	•	•	•	•	•	•	•	•	•	•	•	•	•
Risk Oversight and Management	•	•	•	•	•	•	•	•	•	•	•	•	•
Government, Public Policy or Legal	•	•	•	•		•	•	•	•			•	•
Human Capital/Talent Management	•	•	•	•	•	•	•	•	•	•	•	•	•
Innovation and Technology			•	•			•	•		•		•	•
Environmental		•	•	•			•		•		•	•	•
Customer Satisfaction and/or Service	•	•		•	•		•		•	•	•	•	•

13

Leadership experience is valuable in overseeing management's performance. Directors with leadership experience also tend to demonstrate a practical understanding of organizations, strategy, risk management and corporate governance.

8

Industry experience is important given the complexity of the utility industry and nuclear power operations. Directors with industry experience also assist the Board with effective oversight of the company's business and long-term strategy.

13

Financial or Accounting experience is important in understanding and overseeing the financial reporting and internal controls of the company.

13

Corporate Governance experience is important in assuring transparency, accountability and Board effectiveness.

13

Risk Oversight and Management experience is important in overseeing the challenges and potential disruptors facing the company. Risk management experience can be acquired in many ways, including through formal risk management training as well as through years of first-hand experience gained from service in a variety of leadership roles.

10

Government, Public Policy or Legal experience is relevant as the company's operations are subject to regulation by multiple states and federal regulatory authorities. Directors with experience in law, government and public policy can provide insight and understanding of effective strategies in these areas.

13

Human Capital/Talent Management experience is important in order to attract, develop, motivate and retain high-quality personnel.

7

Innovation and Technology experience is valuable in developing the best tools to advance operations, addressing physical and cybersecurity concerns, and identifying new business opportunities.

8

Environmental experience is important in understanding and assessing complex regulatory requirements and the company's environmental compliance obligations.

10

Customer Satisfaction and/or Service experience is relevant as the company seeks to provide customers reliable service at reasonable rates.

Prudential Financial p. 17

SUMMARY OF DIRECTOR QUALIFICATIONS AND EXPERIENCE

	Baltimore, Thomas J., Jr.	Casellas, Gilbert F.	Falzon, Robert M.	Hund-Mejean, Martina	Krapek, Karl J.	Lighte, Peter R.	Lowrey, Charles F.	Paz, George	Pianalto, Sandra	Poon, Christine A.	Scovanner, Douglas A.	Todman, Michael A.
ACADEMIA/EDUCATION Brings perspective regarding organizational management and academic research relevant to our business and strategy						•			•	•		
BUSINESS ETHICS Ethics play a critical role in the success of our businesses		•	•				•			•		
BUSINESS HEAD/ADMINISTRATION Directors with administration experience typically possess strong leadership qualities and the ability to identify and develop those qualities in others	•	•	•	•	•	•	•	•	•	•	•	•
BUSINESS OPERATIONS A practical understanding of developing, implementing and assessing our operating plan and business strategy	•	•	•	•	•	•	•	•	•	•	•	•
CORPORATE GOVERNANCE Supports our goals of strong Board and management accountability, transparency and protection of shareholder interests	•	•	•	•	•	•	•	•	•	•	•	•
ENVIRONMENTAL/SUSTAINABILITY/CORPORATE RESPONSIBILITY Strengthens the Board's oversight and assures that strategic business imperatives and long term value creation are achieved within a responsible, sustainable business model		•	•		•		•					
FINANCE/CAPITAL ALLOCATION For evaluating our financial statements and capital structure			•	•	•	•	•	•	•	•	•	•
FINANCIAL EXPERTISE/LITERACY Assists our directors in understanding and overseeing our financial reporting and internal controls	•	•	•	•	•	•	•	•	•	•	•	•
FINANCIAL SERVICES INDUSTRY For understanding and reviewing our business and strategy			•	•		•	•	•	•	•	•	
GOVERNMENT/PUBLIC POLICY The Company operates in a heavily regulated industry that is directly affected by governmental actions		•	•			•		•	•			•
INSURANCE INDUSTRY For understanding and reviewing our business and strategy			•			•	•	•				
INTERNATIONAL For understanding and reviewing our business and strategy			•	•	•	•	•			•		•
INVESTMENTS For evaluating our financial statements and investment strategy	•	•	•	•		•	•			•	•	
MARKETING/SALES Relevant to the Company as it seeks to identify and develop new markets for its financial products and services										•		•
REAL ESTATE For understanding and reviewing our business and strategy	•		•		•		•				•	
RISK MANAGEMENT Critical to the Board's role in overseeing the risks facing the Company	•	•	•	•	•	•	•	•	•	•	•	•
TALENT MANAGEMENT For helping us attract, motivate and retain top candidates for positions at the Company	•	•	•	•	•	•	•	•	•	•	•	•
TECHNOLOGY/SYSTEMS Relevant to the Company as it looks for ways to enhance the customer experience and internal operations			•	•	•			•				

Companies should disclose their approach to ESG risk oversight.

Ideally, ESG risk oversight disclosures would include the process that the board uses to review management's enterprise risk management (ERM) assumptions, as well as a company's materiality assessments and/or prioritization of the various risks a company faces.

Paypal Holdings, Inc: p. 38

ESG Governance Structure

The oversight, executive management, and program implementation of the Company's ESG efforts are structured to ensure these topics are integrated into the foundation of its strong governance framework. The Company established quarterly briefings for Board Committees and Senior Leadership on ESG topics and recently began at least annual discussions with a subcommittee of the Company's ERMC to discuss current and emerging ESG-related risk topics.

* In collaboration with members of PayPal's senior leadership team including the Chief Financial Officer, Chief Risk Officer, and Chief Technology Officer.

Concho Resources: pp. 4-5

Environmental, Social and Governance ("ESG") Highlights

Corporate Responsibility at Concho

The Company believes its approach to ESG, interchangeably known as corporate responsibility or sustainability, is fundamental to its business and good for the Company's stockholders. The Company further believes that consistently executing its strategy and integrating its focus on corporate responsibility will contribute to sustainable performance over the long term.

The Board maintains overall oversight of the Company's business strategy, risk management, governance and compensation practices, while the Health, Safety, Environment and Reserves Committee has oversight responsibility for sustainability-related activities and reports to the full Board on these topics. Concho also established a Sustainability Working Group consisting of select individuals from across the organization, which meets regularly throughout the year and briefs the Chief Operating Officer on sustainability and specific HSE-related topics, including HSE organization, planning, safety and emissions performance.

Board of Directors		Senior Management
Full Board	**Health, Safety, Environment and Reserves Committee**	Sustainability Working Group and members of the senior management team assist the Board with oversight of strategy and risk management; responsible for the development, implementation and monitoring of Concho's corporate responsibility and sustainability initiatives
Reviews Concho's risk framework, governance and compensation practices and provides oversight of business strategy and practices	Oversees Concho's health, safety and environmental policies, programs and practices	

Corporate Responsibility Framework

The Company prioritizes the safety and health of our employees, managing our environmental impact, empowering our workforce and serving the communities where the Company operates. Our corporate responsibility activities are organized under five primary pillars:

- prioritizing safety and health;
- protecting the land, water and air through sustainable development;
- investing in the Company's future through its people;
- upholding good governance practices; and
- supporting projects that contribute to the long-term growth of the Company's communities.

The Company also maintains a section of its website for corporate responsibility which is available at **www.concho.com/corporate-responsibility** (web links throughout this document are provided for convenience only, and the content on the referenced website does not constitute a part of this Proxy Statement). This section of the website describes (i) how the Company strives to operate responsibly, safely and sustainably, (ii) how those elements are part of the Company's long-term strategy and (iii) how the Company manages ESG-related risks and opportunities.

Implementing the TCFD Recommendations

The Company recognizes that the risks presented by climate change are a growing area of interest for our stockholders and other stakeholders. In 2019, the Company published an inaugural Climate Risk Report, which demonstrates responsiveness to the interests of our stakeholders and aligns with our goals to increase the transparency of Concho's sustainability performance.

The Company developed the Climate Risk Report using the recommendations issued by the Financial Stability Board's Task Force on Climate-related Financial Disclosures ("TCFD"), which promotes greater understanding of climate-related risks and opportunities through better disclosures. In preparing the Climate Risk Report, the Company's management team reviewed the impact to our business of various commodity price assumptions based on the low-carbon scenarios put forth by the International Energy Association's 2018 World Energy Outlook. The Climate Risk Report describes how the Company addresses climate-related risks and highlights the resiliency of our portfolio in a low-carbon economy. By adopting the TCFD's framework, the Company is working to better understand how climate-related risks may impact our business while navigating a dynamic energy environment.

Corporate Responsibility Progress Highlights

Safety	Emissions	Water Recycling
Maintaining low lost time & total recordable incident rates for employees and contractors.	Reduced flared volumes by nearly 50% between 2016 and 2018.	Scaling water recycling program through strategic agreements with midstream partners.
Team Development	**Good Governance**	**Community Investment**
Investing in our team through our corporate Leadership Development Program to support internal advancement.	Three new directors in last three years.	Supporting higher education in the Permian Basin with the creation of an engineering academy at Midland College.

Companies should disclose which board committees and functions engage in executing ESG initiatives and monitoring ESG risks and opportunities.

Outstanding disclosures include information on how often specific committees and functions discuss ESG issues. In addition, companies should have a mechanism in place to ensure that the board continues to be kept abreast of ever-changing risks. A strong risk oversight program is one that looks at whether the board is appropriately informed about the types and magnitude of risk within the company's principal, "mission-critical" areas.

Fortive Corp p. 32

Oversight Structure

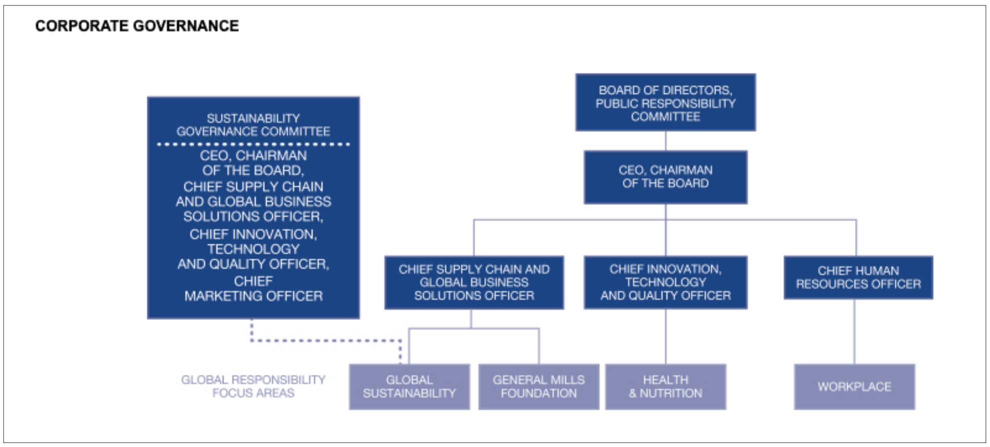
Our Nominating and Governance Committee is charged with overseeing our CSR reporting and making recommendations to the full Board of Directors regarding the process. At the management level, our CSR process is overseen by a CSR Steering Committee made up of several senior company leaders and led by our VP of CSR. Furthermore, our CSR Steering Committee is chaired by our SVP and General Counsel, who reports directly to the CEO and provides periodic updates to the Nominating and Governance Committee and the full Board of Directors regarding many of our ongoing CSR-related activities, including our progress on safety initiatives, environmental compliance, and compliance. We also maintain an EHS Leadership Council, which drives our EHS strategies and participates on the CSR Steering Committee.

General Mills (maybe) p. 21-22

Sustainability Leadership Structure

The board has made it a priority to ensure sustainability is taken seriously at all levels of the company. The company has worked to create a robust sustainability culture and has built the oversight parameters set forth below to ensure it remains a priority.

- **Public Responsibility Committee:** In 1971, General Mills was one of the first large public companies to form a public responsibility committee of the board. Today, among other things, the committee reviews and monitors strategy, policy and key investments related to sustainability and other social responsibility initiatives.
- **Leadership Team:** The General Mills leadership team has ultimate accountability for the company's global responsibility and sustainability programs. The Chairman and Chief Executive Officer convenes the sustainability governance committee, which consists of officers of the company, at least three times per year. Sustainability goals are included in our Chairman and Chief Executive Officer's annual performance objectives.
- **Chief Sustainability & Social Impact Officer:** The company's Chief Sustainability & Social Impact Officer stewards the company's sustainability work, reporting to the Chief Supply Chain Officer, and working closely with the Vice President of Sourcing and other key business leaders to develop, coordinate and execute programs to achieve company-wide sustainability targets.
- **Enterprise Risk Management:** Given the significant impact sustainability issues can have on the company, certain sustainability issues are also covered by the company's enterprise risk management processes.



Lear Corporation p. 17 p.18

Executive Steering Committee

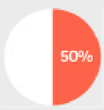
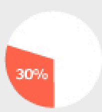
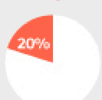
Our top EHS executive directly oversees Lear's multi-faceted approach to our sustainability efforts, including policies and procedures, communications, data management and reporting, projects and initiatives.

Boards should evaluate whether to incorporate ESG metrics into compensation plans.

Many investors appreciate when a board's approach to measuring and rewarding performance is pre-determined and transparent, using company-specific performance metrics, or KPIs, that are aligned with the overall business strategy. Increasingly, companies are incorporating ESG metrics into their compensation plans. This approach can still leave room for the appropriate exercise of discretion in determining actual payouts.

Blackrock p. 7

How We Determine Total Incentive Amounts for NEOs

BlackRock Performance % of Award Opportunity	Measures	Indicative BlackRock Performance Metrics	
		2018	2019
Financial Performance 	Net New Business ($ billion)	$124	$429
	Net New Base Fee Growth	2%	5%
	Operating Income, as adjusted(1) ($ million)	$5,531	$5,551
	Year-over-year change	+5%	+0%
	Operating Margin, as adjusted(1)	44.3%	43.7%
	Year-over-year change	+ 20bps	- 60bps
	Diluted Earnings Per Share, as adjusted(1)	$26.93	$28.48
	Year-over-year change	+ 20%	+ 6%
	Share Price Data	**BLK**	**Traditional LC Peers(2)**
	NTM P/E Multiple(3)	16.5x	10.0x
	Annual appreciation/depreciation	+ 28%	+ 14%
Business Strength 	Solve for clients' evolving needs	Achieved 7% annual organic asset growth, exceeding 5% target, with $429 billion of net inflows. Inflows demonstrate a record for BlackRock and significant differentiation relative to peers. Drove strong long-term investment performance across active strategies, with 86%, 76% and 84% of Taxable Fixed Income, Fundamental Equity and Systematic Equity assets, respectively, above benchmark or peer median for the trailing three-year period. Performance, combined with the breadth of BlackRock's active platform, attracted $110 billion of active net inflows, while the overall industry experienced outflows. Provided clients with comprehensive whole portfolio solutions, including illiquid alternatives and *iShares*, both areas of highest demand. Generated $974 million in annual technology services revenue, through strategic acquisition of eFront and continued momentum in *Aladdin*, representing 24% overall growth in technology services revenue.	
	Sharpen execution and accountability	Simplified BlackRock's operating model through a firm re- organization and the regionalization of institutional client businesses.	
	Lead in a changing world	Continued investments in key growth areas, including *iShares* and illiquid alternatives, generating $226 billion and $14 billion in net inflows, respectively. Aligned leaders cross-functionally to accelerate the firm's focus on sustainable investing at the core of risk management, portfolio construction, product design and company engagement. Generated $12 billion in inflows across the *iShares* Sustainable ETF lineup, ending the year with $22 billion of assets under management.	
Organizational Strength 	Attract and inspire talent	Took key steps to prepare the next generation of leaders through a firmwide reorganization that provided expanded opportunities for multiple leaders across the firm. Enhanced succession planning through Talent Bench Reviews, which enables more diverse and complete succession plans, provides deeper insights into potential successors and builds accountability for leadership planning.	
	Develop a more diverse and inclusive culture	Continued to focus on Inclusion & Diversity progress, achieving growth in female representation at senior levels. Increased the firm's focus on culture and enablement following leadership challenges in 2019.	

Intel p. 77 and bottom of p. 78

The table below details each component, describes the factors affecting 2019 payouts, illustrates the calculation of the Executive Incentive Cash Plan payout for 2019, and compares against 2018 performance.

COMPONENT	MEASURES	PURPOSE	2019 CALCULATION	2019 RESULTS	COMPARISON TO 2018
Absolute Net Income (25% Weighting)	Reflects year-over-year growth of Intel's net income or adjusted net income	Rewards executive officers for sustained performance	2019 net income (in millions) divided by 2018 adjusted net income (in millions) $21,048/$20,759	101.4%	2019 net income was 1.4% higher than in 2018, resulting in a score of 101.4% for this component, whereas Intel's 2018 adjusted net income was 38% higher than the prior year.
Relative Net Income (25% Weighting)	Reflects Intel's year-over-year net income or adjusted net income growth compared with the net income or adjusted net income growth of 15 technology peer companies	Rewards executive officers for how well Intel's year-over-year net income performs compared with the broader technology market	2019 net income growth divided by the average net income growth of our 15 company technology peer group 101%/98%	103%	2019 net income growth was down compared with the 2018 relative score of 108%
Operational Performance (50% Weighting)	Reflects specific operational goals that the committee approves for each business group	Rewards executive officers for achieving meaningful measures of operational performance in key areas that support our long-term strategy. Drives focus and accountability at the 10 business group levels	Each of our listed officers, other than Messrs. Shenoy and Bryant, are paid based on average of 10 business groups' scores, including our CEO Payouts for Messrs. Shenoy and Bryant are based on results of the Data Platforms Group and the Client Computing Group, respectively, since they are the general managers of those groups	Operational Performance with adjustment for ESG goals achievement Corporate Average: 106.4% Data Platforms Group: 105% Client Computing Group: 126.7%	2019 average corporate score on operational goals was higher than the 2018 average corporate score of 91%
ESG Metrics	Reflects corporate wide ESG goals that can impact the operational performance results: - Promoting parity in representation of women in leadership - Driving an inclusive culture - Customer obsession in Intel culture - Product quality enhancements	Rewards executive officers for advancing our commitment and leadership in ESG issues	Achieved performance against ESG goals including: - Promoting parity in representation of women in leadership - Driving an inclusive culture	Additional 13.3% added to the Operational Performance Score	Did not achieve performance against ESG goals in 2018 while we achieved 2 out of 4 ESG goals in 2019
Final Payout Results	Corporate Average Payout: 101.4% (25%) + 103% (25%) + 106.4% (50%) = **104.3%** Data Platforms Group Payout: 101.4% (25%) + 103% (25%) + 105% (50%) = **103.6%** Client Computing Group Payout: 101.4% (25%) + 103% (25%) + 126.7% (50%) = **114.4%**				

Financial Performance

The financial performance component was based on net income, both as an absolute financial component (25% weighting) and a relative financial component (25% weighting). Net Income was chosen as the financial performance metric under the Executive Incentive Cash Plan because it demonstrates our management's ability to grow the business profitably. We operate in a highly capital-intensive industry, and it is important to our stockholders that we pursue our growth strategy in a way that emphasizes the bottom line. Net income is a primary driver of stockholder value that provides clear line of sight that can be directly impacted by all our employees, managers, and senior leadership. In applying the net income tests for both the absolute and relative financial components, the Compensation Committee may adjust Intel's net income based on criteria determined by the committee, as described in the plan. No adjustments were made for 2019 results.

Operational Performance

Process for Setting Goals. At the beginning of 2019, the Compensation Committee approved operational goals and their respective success criteria for measuring operational performance within 10 business groups:

- Data Platforms Group
- Technology Systems & Client Group Engineering
- Sales & Marketing Group
- Programmable Solutions Group
- Communications & Devices Group
- Client Computing Group
- Internet of Things Group
- Technology Manufacturing Group
- Artificial Intelligence Products Group
- Non-Volatile Memory Solutions Group

The business group operational goals are intended to focus employees, including the listed officers, on execution of the company's strategic priorities. The operational goals were set at the beginning of the fiscal year and selected for each business group to reflect key technical, financial, or other milestones for the 10 business groups that support our long-term strategy and set us up for the successful execution of the strategic plan approved by the Board. Each operational goal is assigned a success criteria. Results are determined after the end of the year based on an objective process for tracking and evaluating performance against the success criteria; however, some goals have non-quantitative measures that require a degree of subjective evaluation. The 2019 operational goals for each business group generally relate to key areas including financial objectives, such as group revenue and operating profit, and product or operational objectives, such as design wins, product delivery goals, and specific technology achievements.

Process for Determining Results. Following the end of the year, the Compensation Committee reviews business group performance relative to the operational goals and approves a performance score for each business group. For each of the listed officers other than Messrs. Bryant and Shenoy, the operational performance component is based upon the average performance score for the 10 business groups, subject to upward adjustment for performance against corporate-level ESG goals as explained below. For Messrs. Shenoy and Bryant, operational performance is based on the performance of the Data Platforms Group and the Client Computing Group, respectively, subject to upward adjustment for performance against corporate-level ESG goals.

For 2019, the corporate average performance on operational goals with adjustment for the ESG-goal achievements was 106.4%, compared with 91% for 2018. This reflected strong goal achievements particularly within the Client Computing Group, Internet of Things Group and the Artificial Intelligence Products Group, offset by performance at lower levels for other business groups. Final operational performance among the business groups with adjustment for the ESG-goal achievements ranged between 93.3% and 126.7%. As a result, the following summarizes the final operational performance results of our listed officers with adjustment for the ESG-goal achievements:

- For each of the listed officers other than Messrs. Shenoy and Bryant, the operational performance component of the Executive Incentive Cash Plan was 106.4%, based upon the average performance of the 10 business groups.
- For Mr. Shenoy, who leads the Data Platforms Group, his business group achieved 105% based on its performance against goals related to key customer wins and milestones, AI deep learning acceleration, driving 5G network transformations, and revenue and operating profit.
- For Mr. Bryant, who leads the Client Computing Group, his business group achieved 126.7% based on its performance against goals related to a 1st generation design, 10nm platform readiness, and revenue and operating profit.

Impact of ESG Metrics
Corporate-level ESG goals were included in the Executive Incentive Cash Plan for 2019 that impact the results of the operational performance component when achieved by up to approximately 26.7%. Intel is recognized as a leader in ESG issues, and since 2008, we have integrated our commitment to corporate responsibility and sustainability leadership into our compensation program in addition to our business operations. The Executive Incentive Cash Plan for 2019 included specific goals around promoting parity in the number of women in leadership positions, promoting an inclusive work culture, customer obsession in Intel's culture, and product quality enhancements. We achieved performance against two of the ESG goals: women in leadership and inclusive culture , which increased the operational performance results by approximately 13.3%.

Chevron p. 42

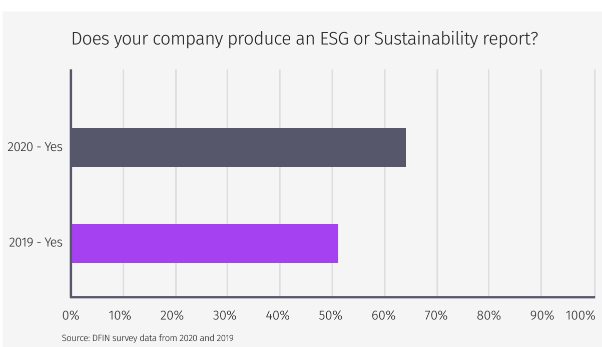
Category	Weight	Performance measures		Year-end results vs. Plan highlights "Plan" refers to Board-approved Business Plan	Results[1]	Raw score (0.00 - 2.00)	Weighted score
Financials	40%	Earnings[2]		$2.9 B, significantly below Plan primarily due to impairments. Normalized earnings below Plan. 5-yr EPS performance versus peers negatively impacted by Upstream weighting amid lower oil prices.	●	**0.85 - 0.95**	**0.34 - 0.38**
		Cash flow[3]		$27.3 B, in line with Plan. Normalized for price, better than Plan.	●		
		Divestiture proceeds		$2.8 B, below Plan. On track to deliver proceeds within $5-$10 B program guidance range (2018-20).	●		
Capital management	30%	Return on capital employed [4][5] ("ROCE")		2.0%, significantly below Plan primarily due to impairments. Rolling five-year performance vs. peers continues to be adversely impacted by trailing periods—larger Upstream weighting during price decline.	●	**0.80 - 0.90**	**0.24 - 0.27**
		Organic capital and exploratory expenditures (C&E), including equity in affiliates		$20.2 B; in line with Plan.	●		
		Major milestones	Gorgon	First CO_2 injection achieved in 3Q19.	●		
			FGP/WPMP	Core Substation milestone completed in 3Q19. High Pressure Early Oil milestone completed in 4Q19. FGP site productivity improved significantly since 2018, but did not meet objective. Project cost and schedule are likely to exceed original estimates.			
			Permian	Met average unit development cost objective.			
			Asia Petrochemicals	Achieved final investment decision in 1Q19.			

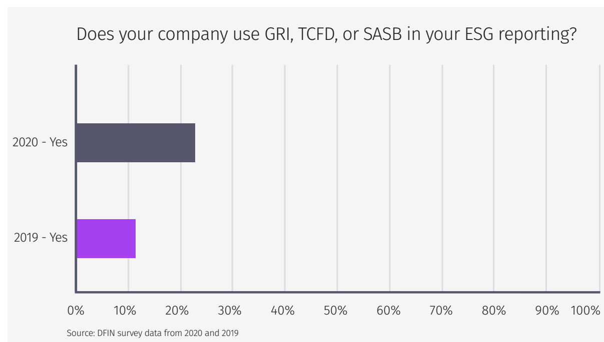
Operating performance	15%	Net production, excluding impact of divestments	Annual growth in middle of 4-7% targeted range.		0.95 - 1.05	0.14 - 0.16
		Operating expense(6)	$25.9 B, above Plan. Unit costs higher than plan.			
		Refining utilization, including joint ventures and affiliates	Short of Plan by 3.7 percentage points.			
Health, environmental and safety	15%	Personal safety(4)	Days Away from Work rate led industry and matched record low. Serious Injury count better than Plan and set new record low. Gaps in fatality prevention.		1.10 - 1.20	0.17 - 0.18
		Process safety and environmental	Loss of containment and spill volumes better than Plan. Some gaps in preventing high-severity incidents.			
		Greenhouse gas management	On track to achieve flaring and methane intensity reductions.			
			Corporate Performance Rating Range			**0.89 - 0.99**
			Final Corporate Performance Rating			**0.95**

A Glimpse at the Future

Publication of corporate ESG and sustainability reports is clearly on the rise. In 2020, DFIN found that nearly two-thirds (or 64 percent) of issuers responding to our survey are producing ESG reports, a significant increase over the 51 percent that reported publishing ESG reports in 2019.

In addition, DFIN found that a higher percentage of companies reporting on their own ESG activities are turning to recognized reporting standards. In 2020, 23 percent of companies told DFIN they were producing ESG reports that conformed to GRI, up from just 11 percent that said the same in 2019.





Another finding confirms an uptick in companies producing a single integrated report, which includes both financial and ESG information. Although integrated reports are still relatively rare in the US, five percent of DFIN respondents in 2020 said that they had produced an integrated report, relative to just one percent in 2019.

While ratings agencies, disclosure frameworks, and influential institutional investors are shaping the debate today, ESG risk oversight—and a determination of what is material for a given company and should therefore be reported—is still largely decided by management and boards.

This might change, however, if regulators mandate certain ESG disclosures for companies. On May 14, 2020, the Securities and Exchange Commission's Investor Advisory Committee submitted recommendations from the Investor as Owner Subcommittee, advocating that ESG disclosures are material and should be incorporated into the integrated disclosures for SEC-registered issuers. The recommendations assert that the time has come for the SEC to address this issue.

When engaging with stakeholders, employees, customers, communities, and investors today, a few common themes emerge. One increasingly hears that climate risk is material and important, while the various stresses brought about by Covid-19, social unrest, racial inequities, and economic injustice have quickly moved to the forefront of stakeholders' attention.

Although the challenges are many, a board's ability to be proactive when anticipating future risks is a key element for avoiding or mitigating any of those risks before they escalate into crises. In reviewing risk management, the board or relevant committees would ideally ask a company's executives to discuss the most likely sources of material future risks and how a company is addressing these. It's also important to remember to investigate opportunities that might arise alongside new and emerging risks.

If the events of 2020 and the Covid-19 pandemic are any indication, enormous changes can come swiftly. Simply consider how only a year ago, global pandemics were considered powerful risks but risks that were highly unlikely to occur any time soon.

In the final analysis, company executives and boards need to make sure that they understand and monitor ESG risks—even those that may appear to be only remote possibilities. Boards may face a number of new hurdles, but those that regularly update their charters, cultivate a mix of backgrounds and skills, clearly articulate their ESG oversight activities, and actively monitor progress on ESG goals will be best positioned to handle whatever challenges lie ahead.