The New Frontier of Sustainability Reporting – Are you ready for Climate Risk Disclosure, TCFD and SASB?

March 12, 2020

DFINsolutions.com

SPEAKERS

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Director of Corporate Governance Services, DFIN

POLL 1

Does your company produce a CR, CSR or Sustainability Report?

- Yes – Non-GRI report
- Yes – GRI
- Yes – Integrated report
- No
- Don’t know

POLL 2

Does your company provide climate related information using any of the following global standards?

- SASB
- TCFD
- GRI
- CDSB
- CDP
- No
- Don't know

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POLL 3

Which of the following organizations does your company review & evaluate ESG data from?

- MSCI
- Sustainalytics
- Bloomberg ESG Data
- Thompson Reuters Eikon
- Vigo-EIRIS
- ISS E &S Quality Scores
- Other
- None
- Don’t Know

POLL 4

Does your Board of Directors have oversight of ESG Matters?

- Yes
- No
- Don’t know

POLL 5

Does your company have an ESG materiality assessment process?

- Yes
- No
- Don't know

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POLL 6

Which of the following ESG Surveys do you respond to?

- RobecoSAM (CSA / DJSI)
- CDP Climate
- Ecovadis
- Other
- None
- Don’t know

BLACKROCK INVESTMENT STEWARDSHIP'S APPROACH TO ENGAGEMENT ON THE TCFD AND THE SASB ALIGNED REPORTING

- **Why disclosure matters**
- A company's disclosure should reflect its financially-material business practices. How management articulates a company's approach to an issue can signal leading or lagging practices and performance on that issue.
- Better disclosures across industries and markets allow investors to:
  - Make assessments based on the same universe of information
  - Assess board and management performance and provide more targeted feedback
  - Monitor change over time at both the company, industry, and market levels
- And companies to:
  - Compare their own approach to those of their peers
  - Speak effectively to different stakeholders
  - Contribute to large scale data sets

BlackRock.

Commentary

BlackRock Investment Stewardship's approach to engagement on the TCFD and the SASB aligned reporting

Investors' need for more fulsome information on how companies are managing climate-related risks and opportunities and adapting their corporate strategy in line with the transition to a lower carbon economy is increasing. While more companies are disclosing information related to climate risks and opportunities, without industry alignment around a comprehensive framework to guide such disclosures, lack of consistency and comparability will persist. There are numerous reporting frameworks that companies can consult to guide their disclosures.[1] Disclosures intended for investors need to focus on financially material and business relevant metrics and include supporting narratives.

As set forth in BlackRock Investment Stewardship's approach to engagement on climate risk, BIS looks to the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and the standards put forward by the Sustainability Accounting Standards Board (SASB) as the benchmark frameworks for a company to disclose its approach to climate-related risks and the transition to a lower carbon economy. These frameworks consider the physical, liability, and transition risks associated with climate change and provide guidance to companies for disclosing material, decision-useful information that is comparable within each industry. While these frameworks are currently voluntary, they are gaining momentum and we encourage companies to be proactive in understanding and adopting them. In the absence of robust disclosures, investors often, and reasonably, conclude that companies are not adequately managing risk. We consider the incorporation of the TCFD recommendations into policy guidelines by policy makers in several markets, including the European Union and the United Kingdom,[2] to be an indication of growing support for mandatory reporting on climate risk.

The SASB released their complete and final standards for 77 industries in November 2018, which identify a baseline of financially material sustainability topics

Why disclosure matters

A company's disclosure should reflect its financially-material business practices. How management articulates a company's approach to an issue can signal leading or lagging practices and performance on that issue.

Better disclosures across industries and markets allow **investors** to:

- Make assessments based on the same universe of information
- Assess board and management performance and provide more targeted feedback
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And **companies** to:

- Compare their own approach to those of their peers
- Speak effectively to different stakeholders
- Contribute to large scale data sets

January 2020 | Investment Stewardship Group | Commentary

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TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD): ORIGINS AND OBJECTIVES

- Established at the request of G20 Finance Ministers and Central Bank Governors, led by Bank of England Governor Mark Carney; chaired by Michael Bloomberg
- Goal to develop recommendations that would create a “voluntary, consistent disclosure framework” to make climate-related financial disclosure easier to produce and use
- TCFD report, issued June 29, 2017, provided substantive and specific recommendations and guidance for developing climate-related financial disclosures in these four areas

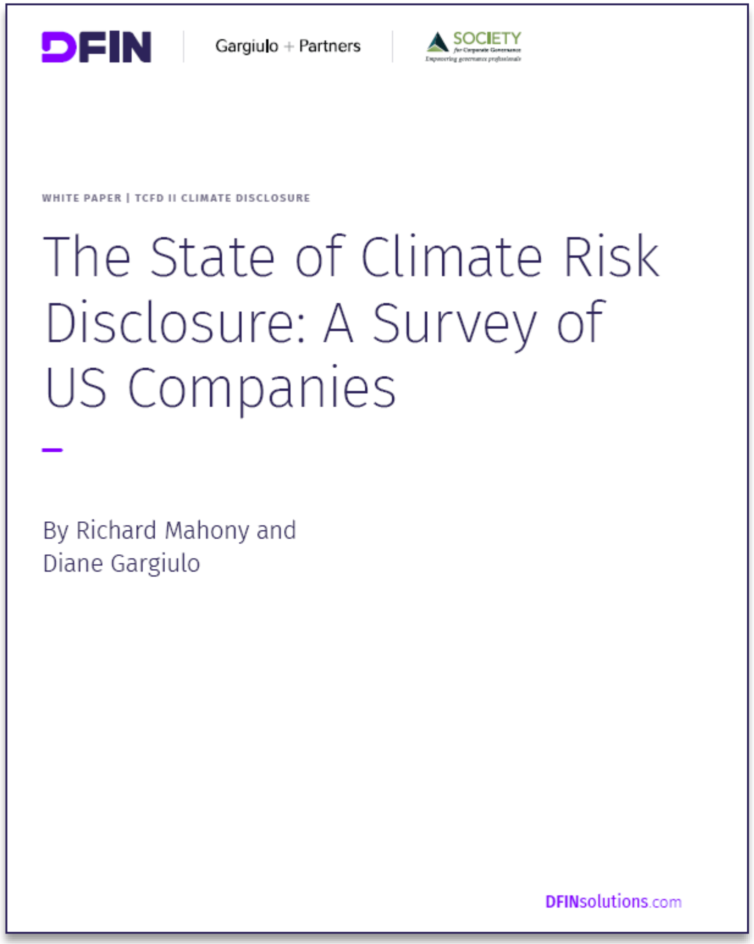
TCFD RECOMMENDATIONS: FOUR CORE AREAS

Governance	Strategy	Risk Management	Metrics and Targets
Disclose the organization's governance around climate-related risks and opportunities.	Disclose the actual and potential impacts of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning where such information is material.	Disclose how the organization identifies, assesses, and manages climate-related risks.	Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.
Recommended Disclosures	**Recommended Disclosures**	**Recommended Disclosures**	**Recommended Disclosures**
a) Describe the board's oversight of climate-related risks and opportunities.	a) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	a) Describe the organization's processes for identifying and assessing climate-related risks.	a) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.
b) Describe management's role in assessing and managing climate-related risks and opportunities.	b) Describe the impact of climate-related risks and opportunities on the organization's business, strategy, and financial planning.	b) Describe the organization's processes for managing climate-related risks.	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
	c) Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2o C lower scenario.	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	c) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.

JUNE 2019 TCFD UPDATE

- TCFD expressed concern that "not enough companies are disclosing decision-useful climate-related financial information"
  - Although disclosure has increased since 2016, it is still insufficient for investors
  - More clarity needed on potential financial impact of climate-related issues on companies
  - Of companies using scenarios, the majority do not disclose information on the resilience of their strategies
- Mainstreaming climate-related issues requires the involvement of multiple functions
- TCFD Knowledge Hub
  - Find the resources you need to understand and implement the TCFD recommendations

THE STATE OF CLIMATE RISK DISCLOSURE – A SURVEY OF US COMPANIES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WHITE PAPER | TCFD II CLIMATE DISCLOSURE

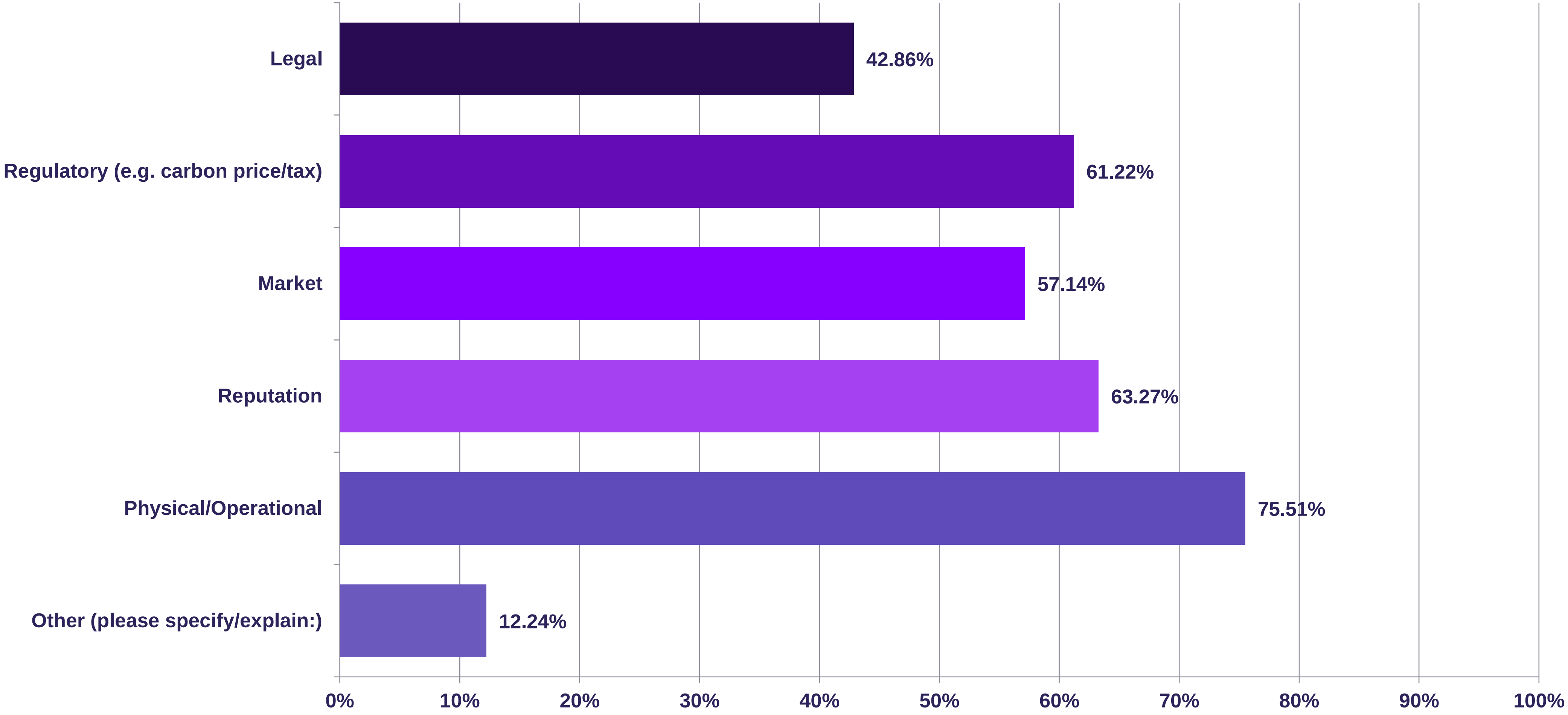
The State of Climate Risk Disclosure: A Survey of US Companies

By Richard Mahony and Diane Gargiulo

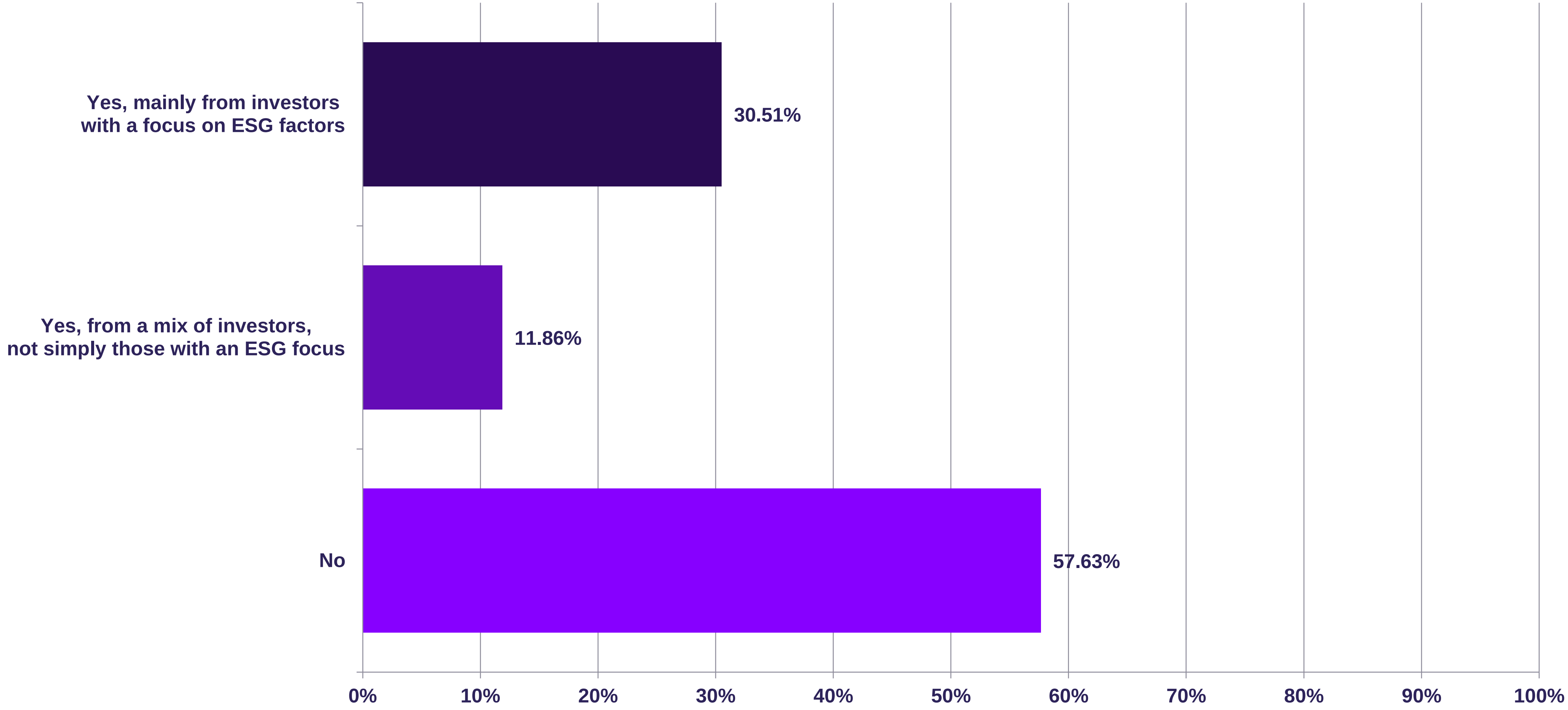
DFINsolutions.com

- Published October 2019 by Society for Corporate Governance, Gargiulo + Partners, DFIN
- Survey of SCG members on climate disclosure issues such as:
  - Use of scenario analysis to model climate risk
  - Role of the Board
  - Organizational functions involved in climate risk assessment and disclosure implementing the TCFD 2017 report
- Includes insights from early adopters of TCFD recommendations

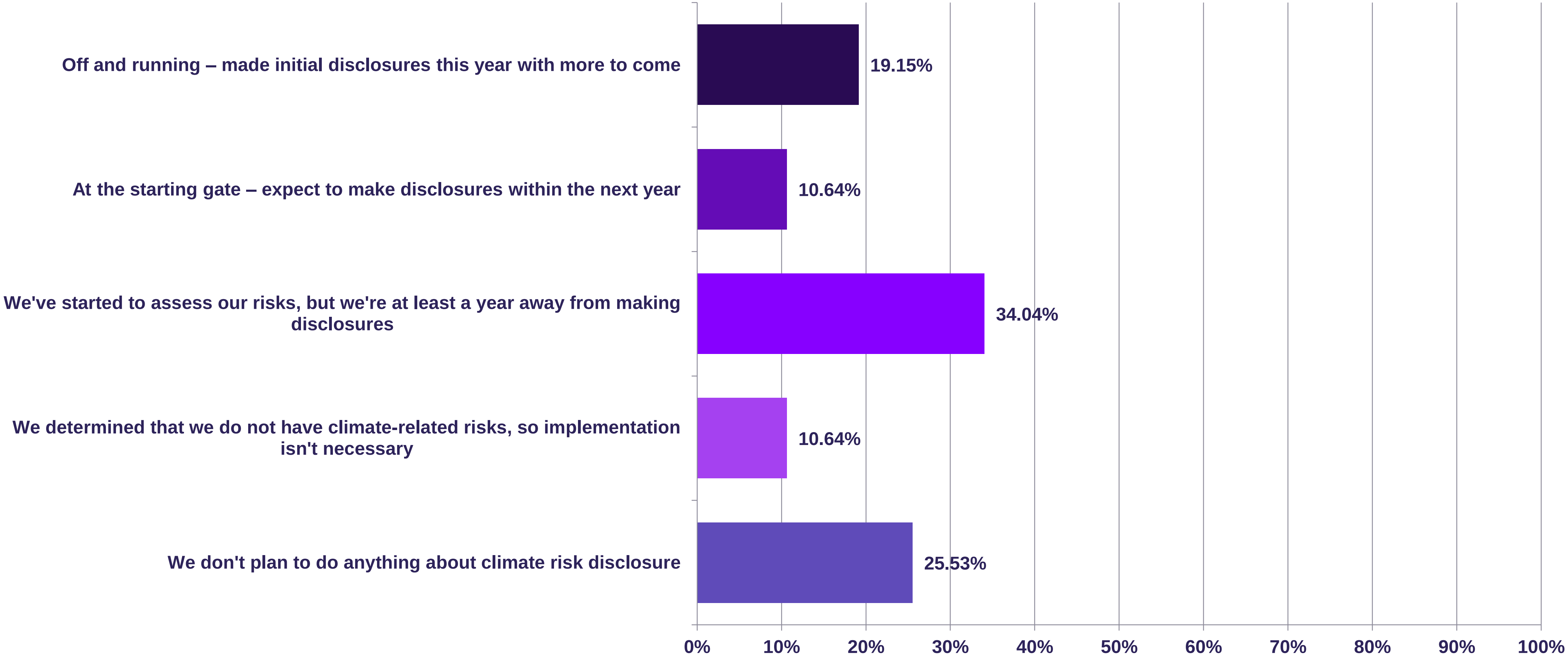
DOES YOUR COMPANY CONSIDER WHETHER CLIMATE CHANGE ISSUES PRESENT ANY RISKS FOR ITS BUSINESS? IF SO, WHAT KINDS OF RISK DO CLIMATE CHANGE ISSUES



HAVE YOU HAD INQUIRIES FROM INSTITUTIONAL INVESTORS ABOUT YOUR COMPANY'S EXPOSURE TO PHYSICAL OR TRANSITION RISKS RELATED TO CLIMATE CHANGE?

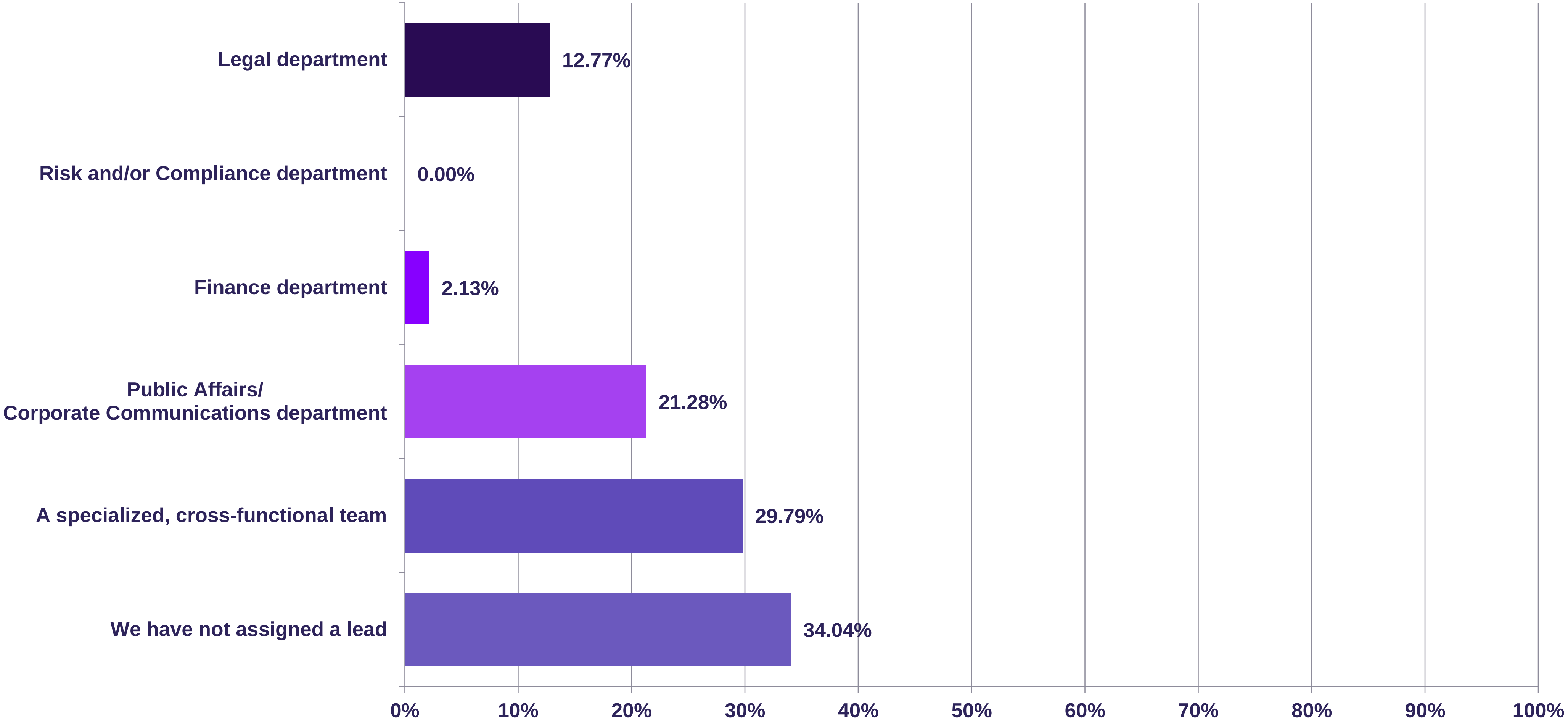


HOW WOULD YOU CHARACTERIZE YOUR COMPANY'S IMPLEMENTATION OF THE TCFD RECOMMENDATIONS SO FAR?



WHAT ARE THE MAIN IMPEDIMENTS TO IMPLEMENTING THE TCFD RECOMMENDATIONS AT YOUR COMPANY?

WHICH GROUP IS LEADING EFFORTS TO IMPLEMENT THE TCFD RECOMMENDATIONS AT YOUR COMPANY?



PRACTICAL STEPS FOR COMPANIES TO MOVE AHEAD ON CLIMATE RISK DISCLOSURE

What should companies do to move ahead on climate risk disclosure?

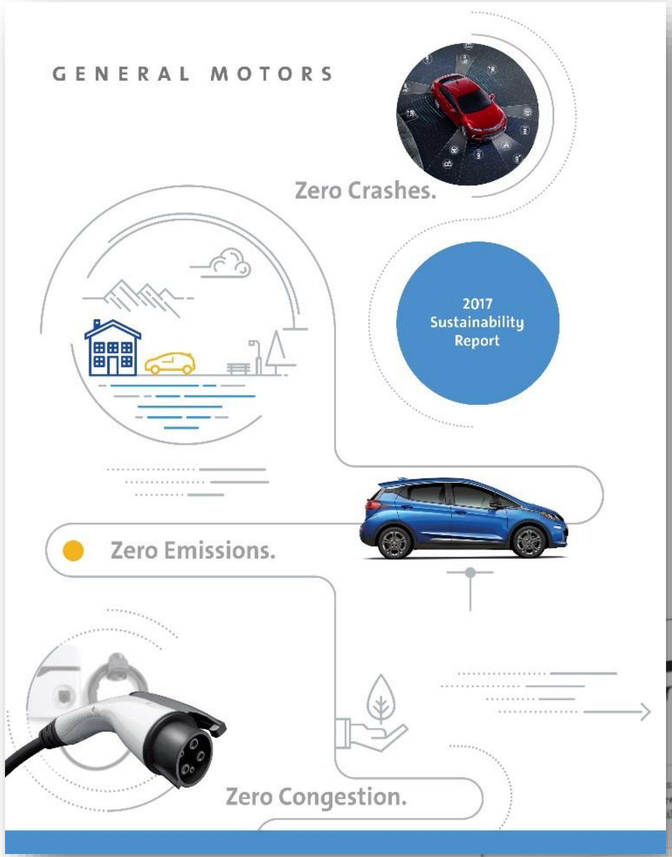
- Assemble the right internal team: Gathering information and assessing its materiality likely will involve a cross-section of professionals from finance, legal, operations, and communications
- Get expertise where needed: The internal team can benefit from outside advisors with knowledge of climate impacts, best industry practices, investor communication and related areas. The TCFD Knowledge Hub has useful resources, too
- Engage with investors: Speak to them to explain your approach to climate risk and to understand what information they find most useful
- Make a start: Climate risk disclosure is an iterative process that companies will refine over time. Start where you are and build from there

SUSTAINABILITY ACCOUNTING STANDARDS BOARD (SASB)

SASB's Mission

- To help public corporations disclose material, decision-useful information to investors
- Chaired by Michael Bloomberg – Bloomberg LP; Former SEC Vice Chair Mary Schapiro
- Guided by the U.S. Supreme Court's definition of materiality
- Provisional standards released in 2016
- Codified standards final version Fall 2018
  - SASB has developed a complete set of 77 industry standards
  - These standards are explained graphically through SASB's Materiality Map
- SASB reports 100 issuers using the standards in 2019

GM SUSTAINABILITY REPORTING AND DISCLOSURE STRATEGY



Internationally recognized frameworks and standards that we use

GRI Empowering Sustainable Decisions

UN GLOBAL COMPACT

SUSTAINABILITY ACCOUNTING STANDARDS BOARD SASB

TCFD TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

SUSTAINABLE DEVELOPMENT GOALS

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Investors Demand More Sustainability Disclosures From Companies

2 COMMENTS

By TATYANA SHUMSKY

Sep 26, 2016 6:09 pm ET

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Deloitte.

CFO insight and analysis written and compiled by Deloitte

PROACTIVE DISCLOSURE AND ENGAGEMENT

Strategy for more proactive outreach and engagement on ESG issues and greater transparency and disclosure on key issues raised by investors and key stakeholders.

Most Common ESG Issues in Focus

Corporate Culture

Climate Change

ESG Rankings

Human Capital Management

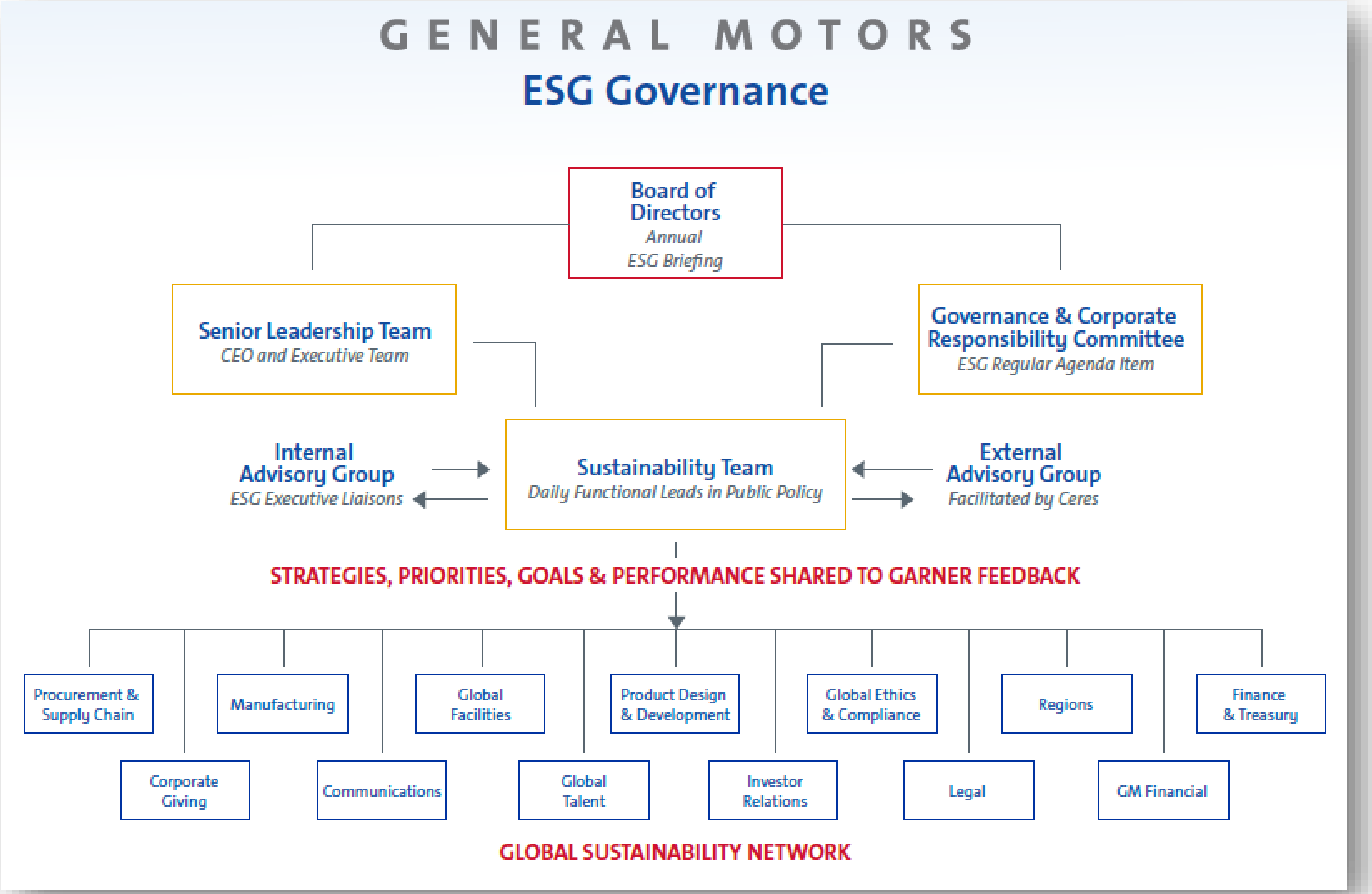
Lobbying Disclosure

Safety Performance

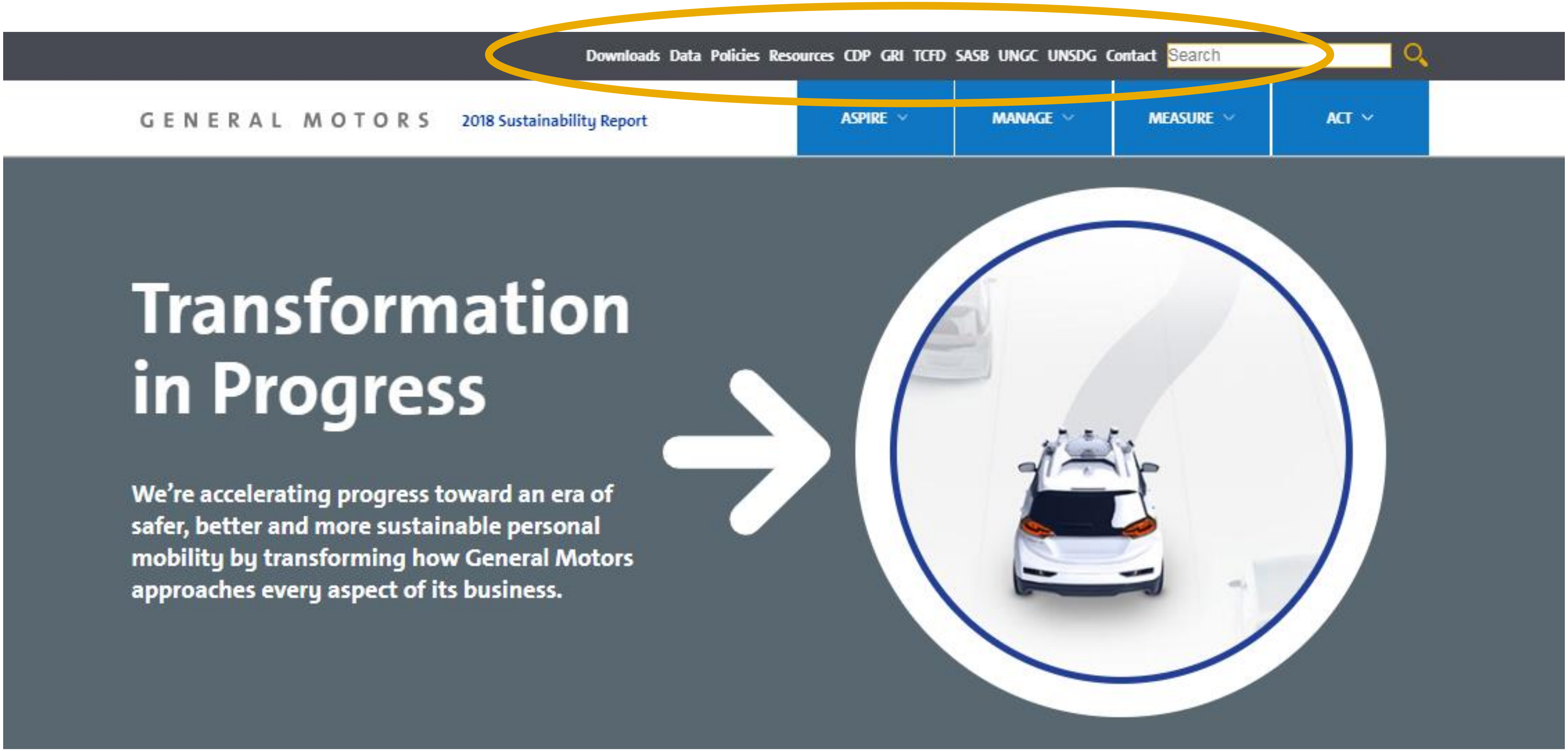
SUSTAINABILITY INTEGRATION & GOVERNANCE

A strong ESG governance structure helps to ensure integration and alignment with business priorities

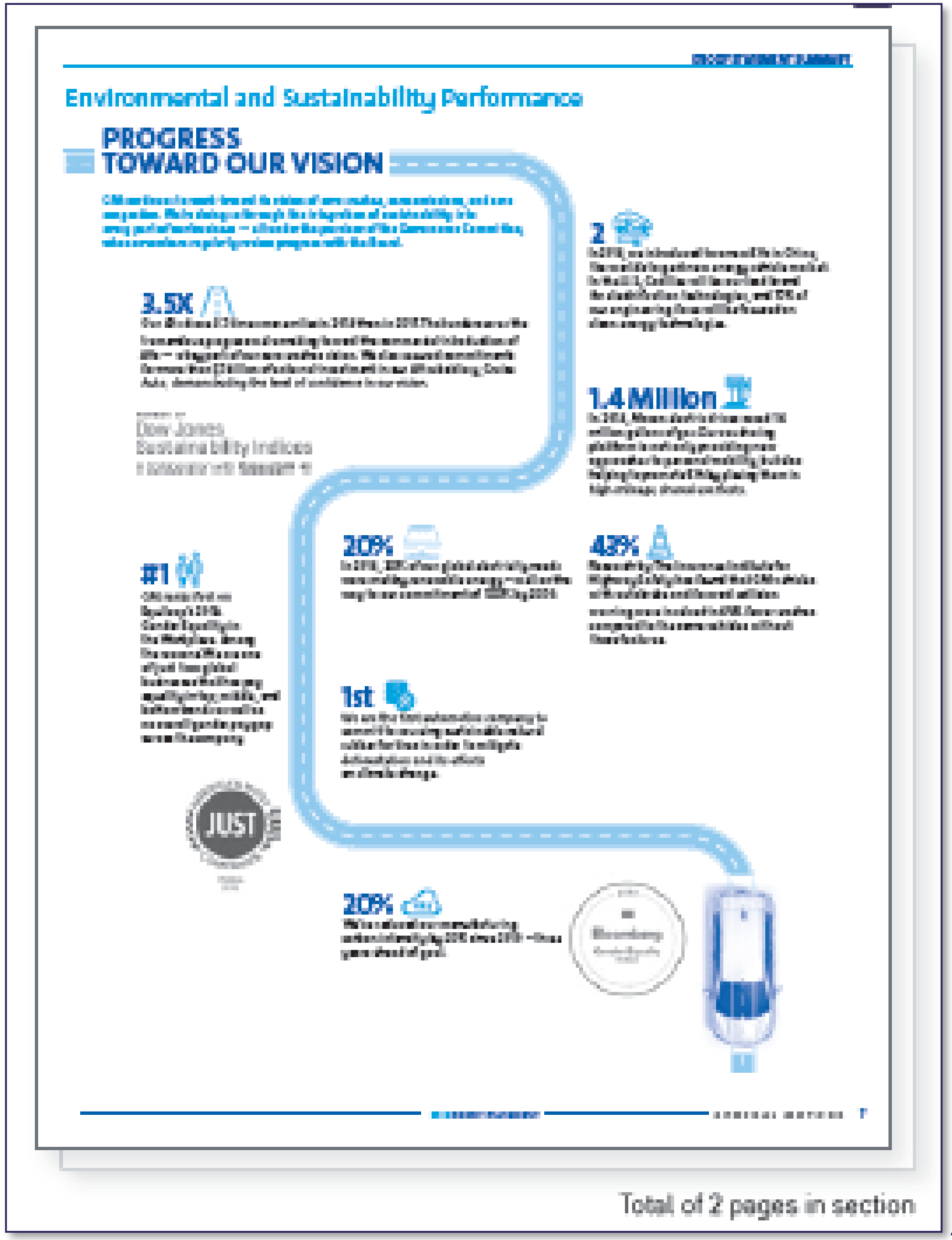
- Annual review of priorities at the Board of Directors level
- Standing agenda discussion item at the Governance and Corporate Responsibility Committee
- Senior leadership reviews
- Internal executive leadership advisory group



GM SUSTAINABILITY REPORTING AND DISCLOSURE STRATEGY



GENERAL MOTORS
2018 HIGHLIGHTS
PROGRESS TOWARD OUR VISION


Environmental and Sustainability Performance

PROGRESS
TOWARD OUR VISION

3.5X

Dow Jones
Sustainability Indices

2

1.4 Million

20%

43%

#1

1st

JUST

20%

Total of 2 pages in section

G&A Institute

Navigating the Sustainability Journey For More Then A Decade

Presenting The Institute’s Take On:

The New Frontier of Sustainability Reporting

- The State of Climate Risk Disclosure

Presented By:

Louis Coppola, *Co-Founder & EVP*

Hank Boerner, *Co-Founder & Chairman*

14 Wall Street, 20th Floor, NY, NY 10005

Corporate Reporting Dialogue (CRD)

Purpose: *to explore how framework and standards setters can work together more to better support organizations in preparing environmental, social and governance (ESG) disclosures. The two-year project seeks to improve the coherence, consistency and comparability of the Participants' frameworks and standards.*

CDP

Financial Accounting Standards Board (FASB)
Observer

International Accounting Standards Board (IASB)

International Organisation for Standardisation (ISO)

Climate Disclosure Standards Board (CDSB)

Global Reporting Initiative (GRI)

International Integrated Reporting Council (IIRC)

The Sustainability Accounting Standards Board (SASB)

The mapping showed strong alignment between the Participants' frameworks and standards and the TCFD, and also between each other:

- The TCFD's seven principles for effective disclosure are harmonious and complementary with those of the Participants' frameworks and standards, with the mapping showing no sources of conflict;
- The Participants are well aligned with the TCFD's 11 recommended disclosures, which are comprehensively covered by the frameworks and standards;
- There are high levels of alignment between CDP, GRI and SASB for the TCFD's illustrative example metrics, with 70% of the TCFD's 50 metrics showing no substantive difference between the three participants' indicators; and
- Overall, 80% of the TCFD's 50 metrics are fully or reasonably covered by the three participants' indicators.

[1] CDP, the Climate Disclosure Standards Board (CDSB); the Global Reporting Initiative (GRI); the International Integrated Reporting Council (IIRC); and the Sustainability Accounting Standards Board (SASB).

Approaches to SASB and TCFD in Practice

- **Sustainability Reporting Content Indexes / Navigation Tools**
  - GRI, SASB, TCFD, CDP, SDGs, integrated into one report with content indexes integrated or individually listed at back of the report
- **Integration Into Overall Materiality Assessments**
  - Included as Multi-Stakeholder input into a wider materiality assessment for decision making on overall reporting, and strategy setting.
- **Multi-Industry (SASB)**
  - Companies operate across industries and are assessing multiple SASB Industries into their disclosures and assessments
- **Separate Individual Reports**
  - Publishing Multiple Independent Reports for Each Framework
- **Inclusion in 10Ks**
  - SASB or TCFD disclosures integrated into the 10K
- **CDP Reports Publicly Posted and Referenced For TCFD Metrics**
  - A Thorough CDP Response Is Aligned With ~80% of TCFD Disclosures

Credit Rating Agencies

- **All Three Major Credit Rating Agencies Are Continuing To Make Big Moves Into ESG**
  - **S&P Global**
    - Nov 2019 - Purchased Sustainable Asset Management (SAM) Group (their partners for 20 years on DJSI index) in
    - "Examines 100-plus ESG factors across 40 sectors in the "Key Credit Factors" analysis; financial stability is the foundation and ESG impact on corporate finances is at the heart of the analysis."
  - **Moody's**
    - April 2019 - Moody's Acquires Majority Stake in Vigeo Eiris
    - "Select ESG factors are considered in the credit analysis (such as product demand, reputation, cost of production, financial strength factors, corruption, Rule of Law, political risk.);
  - **Fitch**
    - Jan 2019 - Created ESG Relevance Scores – Follows Industry Classification Standard of the Sustainability Accounting Standards Board (SASB)
    - "22,000 entities have been assigned E, S and G scores with scores of "1-5" assigned. Scores: "1-2" indicates no impact on credit rating; "3" indicates minimal impact; "4-5" indicates an ESG risk is emerging or is a contributing factor to the credit decision and "5" is a risk that **drives a rating change**."

G&A Institute

G&A GOVERNANCE & ACCOUNTABILITY INSTITUTE, INC.

Resources Available

- **Climate-Related Corporate Risk Disclosures Resource Guide**
  https://www.ga-institute.com/research-reports/resource-papers/gas-climate-related-corporate-risk-disclosures-resource-guide.html

- **SASB Reporting Assistance**
  https://www.ga-institute.com/services/sustainability-esg-consulting/sasb-reporting.html

- **Sustainability Highlights Weekly Newsletter**
  https://www.ga-institute.com/newsletter.html

- **Sustainability Update Blog**
  http://ga-institute.com/Sustainability-Update/

GOVERNANCE & ACCOUNTABILITY INSTITUTE *Navigating the way to sustainability …*
14 Wall Street, 20th Floor, NY, NY 10005

REGULATORY LANDSCAPE IN THE U.S. REGARDING ESG DISCLOSURES

No Prescriptive Rules

- The SEC has so far declined to adopt prescriptive rules
- SEC Chair Clayton: "Each company, and each sector, has its own circumstances, which may or may not fit within a standard framework"

Current SEC Guidance

- Focus of SEC guidance/statements has been on bedrock disclosure principles of materiality and providing information that facilitates well-informed decision making by investors

Liability Considerations

- Companies are still liable for misstatements
- Information on a company's website or in its sustainability report must be accurate and not conflict with filed information – the SEC may check!

Two Different Considerations

Reporting Frameworks

- **Task Force for Climate-Related Disclosure (TCDF):** flexible framework for disclosure
- **SASB:** industry-specific approach with a focus on material financial issues

ESG Research/Ratings Firms

- MSCI
- Sustainalytics
- Bloomberg
- CDP (focuses solely on climate change)
- RobecoSam (extremely onerous requirements)
- ISS E&S QualityScore (new)

SEC STATEMENTS ON ESG IN 2020

SEC Chairman *Jay Clayton*, supporting a principles-based approach to climate change disclosure within existing framework:	"The issue of environmental and climate-related securities law disclosures has received increasing attention …. The landscape around these issues is, and I expect will continue to be, **complex, uncertain, multi-national/jurisdictional and dynamic.** I am, and must remain, mindful that as a standard setter, I should not be substituting my operational and capital allocation judgments for those of issuers and investors. More generally, I believe all standard setters should take care to stay within the bounds of their regulatory mandate."
Commissioner *Pierce*, supporting materiality standard:	"The **concept of materiality has worked well over time because it considers disclosure through the prism of the reasonable investor,** who is occupied with the long-term financial value of the enterprises in which she invests. The reasonable investor standard ensures that the analysis focuses on whether the information at issue is broadly useful to investors in the context of seeking a return on their investment."
Commissioner *Lee*, calling for more prescriptive disclosure rules:	"MD&A is uniquely suited to disclosures related to climate risk; it provides a lens through which investors can assess the perspective of the stewards of their investment capital on this complex and critical issue…It is clear that **the broad, principles-based "materiality" standard has not produced sufficient disclosure to ensure that investors are getting the information they need**—that is, disclosures that are consistent, reliable, and comparable."

SEC STAFF ON SUSTAINABILITY DISCLOSURE

March 2019, *Bill Hinman* (Director, Division of Corporation Finance):

"We **actively compare** information that companies voluntarily provide – typically outside of their SEC filings – with the disclosure we see filed with us"

"I encourage companies to **consider their disclosure** on all emerging issues, including risks that may effect their **long-term sustainability"**

"I would suggest that companies ask themselves whether their disclosure is sufficiently detailed to provide insight as to how management plans to mitigate **material risks** and how their decisions in the area of risk could be **material to the business and their investors"**

"To the extent a matter presents a **material risk to a company's business**, the company's disclosure should discuss the nature of the board's role in overseeing the management of that risk"

SEC’S 2010 GUIDANCE REGARDING DISCLOSURE RELATED TO CLIMATE CHANGE

Clarified that existing SEC disclosure rules may require public companies to describe climate change matters, including Reg S-K’s **Item 101** (Description of Business); **Item 103** (Legal Proceedings); **Item 303** (MD&A); and **Item 503(c)** (Risk Factors). Four topics that may trigger climate change disclosure under these rules:

1) **The impact of both existing and pending climate change legislation and regulation**: including costs and effects of compliance; specific risks arising from legislation or regulation; and MD&A disclosure if legislation or regulation is reasonably likely to have a material effect on the company’s financial condition or results of operation

2) **The impact of international climate change accords**

3) **Indirect consequences of climate change regulation or business trends**: such as any actual or expected changes in demand for goods based on their GHG emissions and increased demand for energy from alternative energy sources, etc.

4) **Physical impacts of climate change**: such as the impact of changes in weather patterns, sea-level rise, etc., on employees, physical assets, supply chain and distribution chain; changes in availability of resources, etc.

BOARD OVERSIGHT OF ESG

- In one survey, **49% of institutional investors said the top board focus should be business-related environmental and social factors**, including the risks most likely to impact the company's strategy, risk profile and brand
- SEC Corp Fin Director Hinman: "I encourage companies to consider their disclosure on…risks that may affect their long-term sustainability…[a]nd whether their disclosure is sufficiently detailed to provide insight as to how management plans to mitigate material risks and how their decisions in the area of risk could be material to the business and their investors…[I]t is helpful to think about how management engages with board members on the topic"
- Fortune 50 companies: 20% disclosed that they gave oversight of E&S issues to the Nominating & Governance committee, 48% to a special sustainability or similar committee

Board Oversight of ESG Should Include:

1. **Identifying Key Issues for the Company**
2. **Receiving regular updates on relevant ESG matters from management**
3. **Overseeing implementation of policies and processes to evaluate and manage ESG risks and opportunities**

PROPOSED RULES TO MODERNIZE REG S-K – SHIFT TOWARDS PRINCIPLES-BASED DISCLOSURE

Proposed changes continue a shift towards a more principles-based disclosure framework, placing the onus on companies to exercise judgment in evaluating what disclosures to provide, reducing duplicative disclosures and leading to disclosure more appropriately tailored to companies' specific facts and circumstances.

- **Item 101(a) (Description of Business) –** proposed changes would add "material changes" to business strategy as a potential disclosure topic
- **Item 101(c) (Human Capital Disclosure) –** proposed changes would include human capital resources as a separate disclosure topic, including any human capital measures or objectives that management focuses on, to the extent material to an understanding of the company's business

Chairman Jay Clayton: *"Turning to human capital, I believe that the strength of our economy and many of our public companies is due, in significant and increasing part, to human capital, and* ***for some of those companies human capital is a mission-critical asset****. Disclosure should focus on the material information that a reasonable investor needs to make informed investment and voting decisions."*

PROPOSED AMENDMENTS: RESTATEMENT OF THE OBJECTIVE AND COMPONENTS OF MD&A

- **Proposed New Item 303(a) (The Objective of MD&A) –** would provide both a historical and prospective analysis of the registrant's financial condition and results of operations, with particular emphasis on the registrant's prospects for the future
  - Would also codify the seminal concept of MD&A being a **view of the registrant through the eyes of management**

- **Key MD&A Modifications –**
  - Certain Disclosure Elements Will Change
  - Critical Accounting Estimates ("CAEs") Will Have a Rule-Based Standing

- **Item 303(c) (Interim Reports) –** would permit registrants to compare their most recently completed quarter to either the corresponding quarter of the prior year or to the immediately preceding quarter, to give companies greater flexibility in tailoring MD&A disclosure to their specific situation

INCREASES IN E&S DISCLOSURE IN SEC FILINGS

White & Case's Public Company Advisory Group surveyed E&S disclosures in the SEC filings of the **top 50 companies by revenue in the Fortune 100.** The survey focused on 15 categories of E&S disclosure in Annual Reports on Form 10-K and annual meeting proxy statements filed with the SEC in 2018 and 2019. **47 of the companies surveyed (94%) increased their E&S disclosures in Form 10-Ks and proxy statements between 2018 and 2019.** Seven categories in particular showed the most significant increases in E&S disclosure.

E&S Categories with the Largest Increases in Disclosure

ESG DISCLOSURE IN 2020 10-KS

753 10-Ks filed between January 1 and March 10, 2020 mentioned “ESG” or Sustainability.
(vs. 555 in the same period in 2019 and 495 in the same period 2018)

Business section disclosures (389 companies)

“The Companies’ environmental strategy is a component of the overall long-term strategic planning overseen by the CEO and Board…including oversight by the sustainability and corporate responsibility board committee which was formed in 2018. The Companies are committed to ongoing industry leadership, delivering safe, reliable, clean and affordable energy while fully complying with all applicable environmental laws and regulations…It is the Companies’ belief that sustainable solutions should strive to balance the interdependent goals of environmental stewardship and economic effects.”

“Guided by our 2025 sustainability and social impact goals, as well as the [UN] Sustainable Development Goals, we believe we have an opportunity to create a positive and sustainable impact wherever we do business. …In 2019, we continued to implement programs designed to help reduce our carbon, water, and waste footprints...[to] help us to address the growing expectations of our stakeholders, increase our operational efficiency and excellence, and enhance our reputation while mitigating risk and supporting the continued growth and resiliency of our business.”

ESG / SUSTAINABILITY DISCLOSURE IN 2020 10-KS

Risk Factors disclosures *(279 companies)*

“Consumers are also increasingly focused on sustainability, with particular attention to the recyclability of product packaging, reducing consumption of single-use plastics and non-recyclable materials, and the environmental impact of manufacturing operations. If we do not meet consumer demands by providing recyclable packaging options and focusing on sustainability throughout our manufacturing operations, our sales could suffer”

MD&A disclosures *(164 companies)*

“We believe the business of business is to make the world a better place for all of our stakeholders, including our stockholders, customers, employees, partners, the planet and the communities in which we work and live. Delivering innovative solutions to our customers is core to our mission and, as a technology company, we have developed solutions on the Salesforce Platform that enable our customers and stakeholders to manage and affect [ESG] matters that are meaningful to them. We also believe that transparently disclosing the goals and relevant metrics related to our ESG programs will allow our stakeholders to be informed on our progress. To this end, we are working to align with the recommendations of the Financial Stability Board’s (“FSB”) [TCFD] and of the [SASB] by the end of fiscal 2021.”

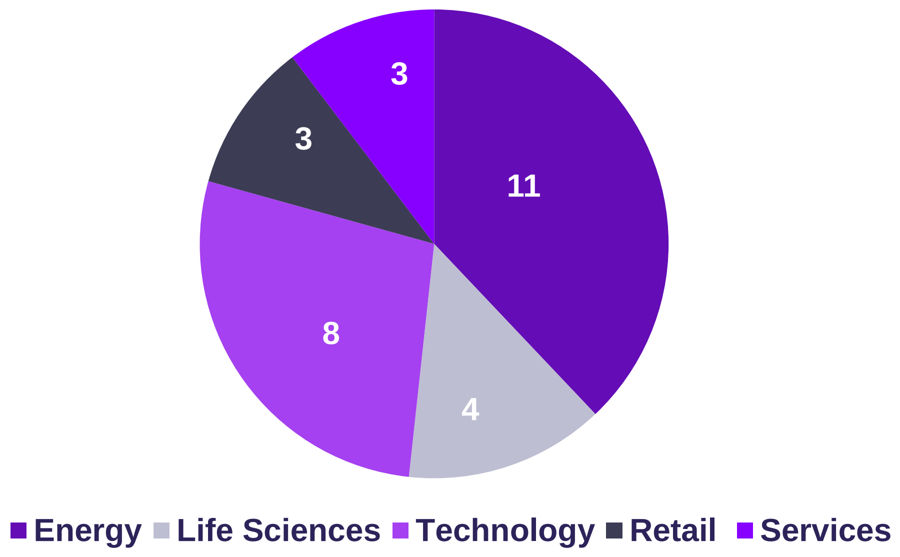
Market cap of companies with disclosure:

- $25B-$500B – 85; $1B-$25B – 422; $500M-$1B – 59

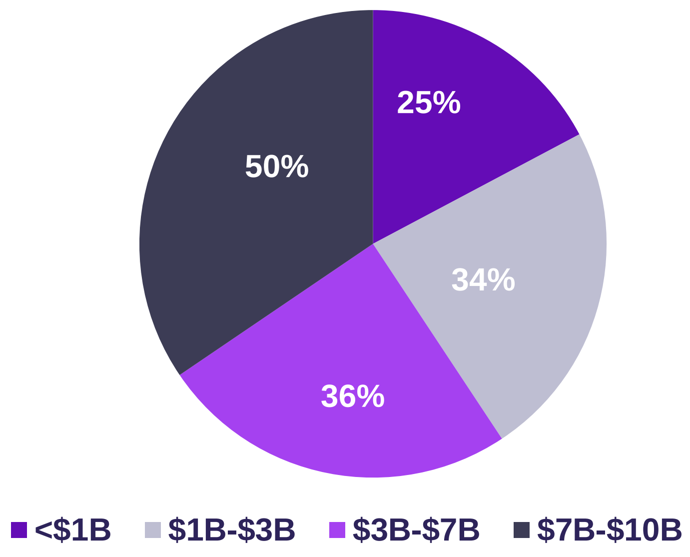
E&S DISCLOSURES AT SMALL AND MID-CAP COMPANIES, BY INDUSTRY AND MARKET CAP

In an October 2019 survey of 84 small and mid-cap companies; 34 percent had some kind of sustainability disclosure.

Number of Surveyed Companies with Sustainability Disclosure, by Industry



Percentage of Surveyed Companies with Sustainability Disclosure, by Market Cap



E&S REPORTING TRENDS AT SMALL AND MID-CAP COMPANIES

Industry Practices

- Energy companies were most likely to have some form of sustainability reporting (out of 14 companies, **70%** had sustainability pages on their website, **50%** had a sustainability report)
- Disclosures were less frequent in other industries:
- One of 24 Life Sciences companies **(4%)**, had sustainability disclosures on their websites; none had sustainability reports
- Two of 27 Technology companies **(7%)**, had website disclosure; one (4%) had a sustainability report

Length of Time Since IPO

- For the 21 companies that were public for over 10 years, **8 (38%)** had website sustainability disclosures. Of 28 companies that had been public between **4** and 10 years, **7 (25%)** had sustainability disclosures. Of 36 companies that had been public between 0 and 4 years, **3 (8%)** had sustainability disclosures

Dual Class and Controlled Companies vs. Institutional Investor Held

- Out of 15 controlled or dual class companies, 2 **(13%)** had website disclosures and **1 (7%)** had a sustainability report
- At every non-controlled / single share class company that included sustainability disclosure, institutional investors such as Vanguard and Blackrock hold a significant percentage of the company's shares (generally 7-10%)

E&S REPORTING TRENDS AT SMALL AND MID-CAP COMPANIES (CONT'D)

Types of Reporting

- Sustainability disclosures more common **in website presentation** (17, or 20%) vs. standalone report **posted on website** (10, or 11%)

Types of Disclosure

- Environmental disclosure was most common type included

Reporting Standards

- All 10 companies with sustainability reports disclosed what reporting standards they followed: GRI (7), SASB (3). Most did not follow any one standard completely, but looked at several different standards in their report
- Companies also used industry-specific guidelines, such as the Oil and Gas Voluntary Industry Guidance on Voluntary Sustainability Reporting and American Gas Association Voluntary sustainability metrics

PRINCIPLES OF STRONG ESG REPORTING

Focus on the Investor Audience

Build Strong Governance and Controls Around the E&S

Convey clear and meaningful information to tell your Company's story

Articulate Link Between ESG and your company's Business/Strategy

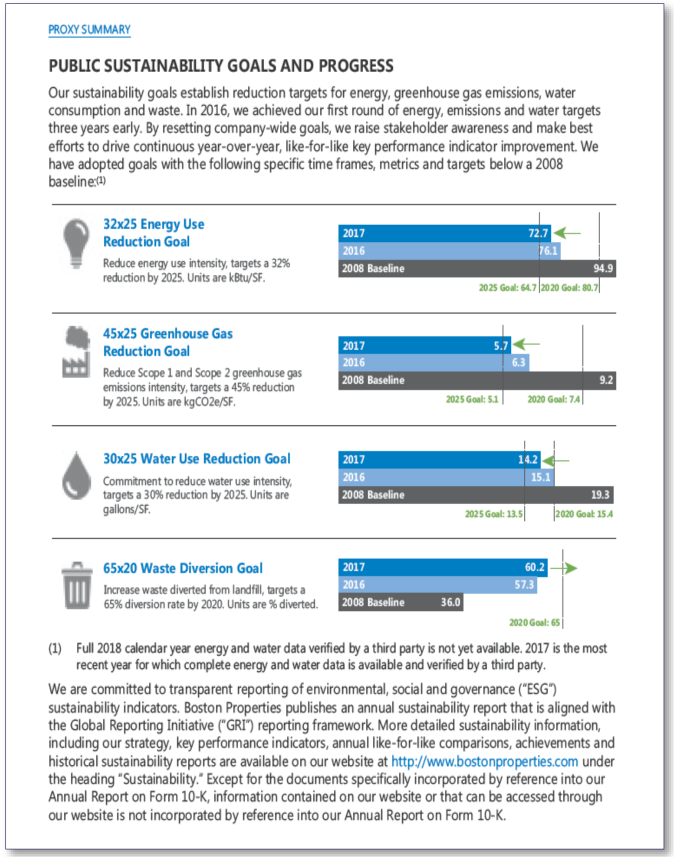
Ensure accuracy and consistency of ESG Disclosures

DRAFTING SASB REPORT

Determine where to disclose SASB items

- SEC filings (should focus on “material” information” in 10-K)
- Standalone SASB report posted on website, alongside additional sustainability reporting
- Weave SASB items into broader sustainability report

ESG / CSR / SUSTAINABILITY AND HCM DISCLOSURES



PROXY SUMMARY

PUBLIC SUSTAINABILITY GOALS AND PROGRESS

Our sustainability goals establish reduction targets for energy, greenhouse gas emissions, water consumption and waste. In 2016, we achieved our first round of energy, emissions and water targets three years early. By resetting company-wide goals, we raise stakeholder awareness and make best efforts to drive continuous year-over-year, like-for-like key performance indicator improvement. We have adopted goals with the following specific time frames, metrics and targets below a 2008 baseline:(1)

32x25 Energy Use Reduction Goal

Reduce energy use intensity, targets a 32% reduction by 2025. Units are kBtu/SF.

2017 72.7
2016 76.1
2008 Baseline 94.9
2025 Goal: 64.7
2020 Goal: 80.7

45x25 Greenhouse Gas Reduction Goal

Reduce Scope 1 and Scope 2 greenhouse gas emissions intensity, targets a 45% reduction by 2025. Units are kgCO2e/SF.

2017 5.7
2016 6.3
2008 Baseline 9.2
2025 Goal: 5.1
2020 Goal: 7.4

30x25 Water Use Reduction Goal

Commitment to reduce water use intensity, targets a 30% reduction by 2025. Units are gallons/SF.

2017 14.2
2016 15.1
2008 Baseline 19.3
2025 Goal: 13.5
2020 Goal: 15.4

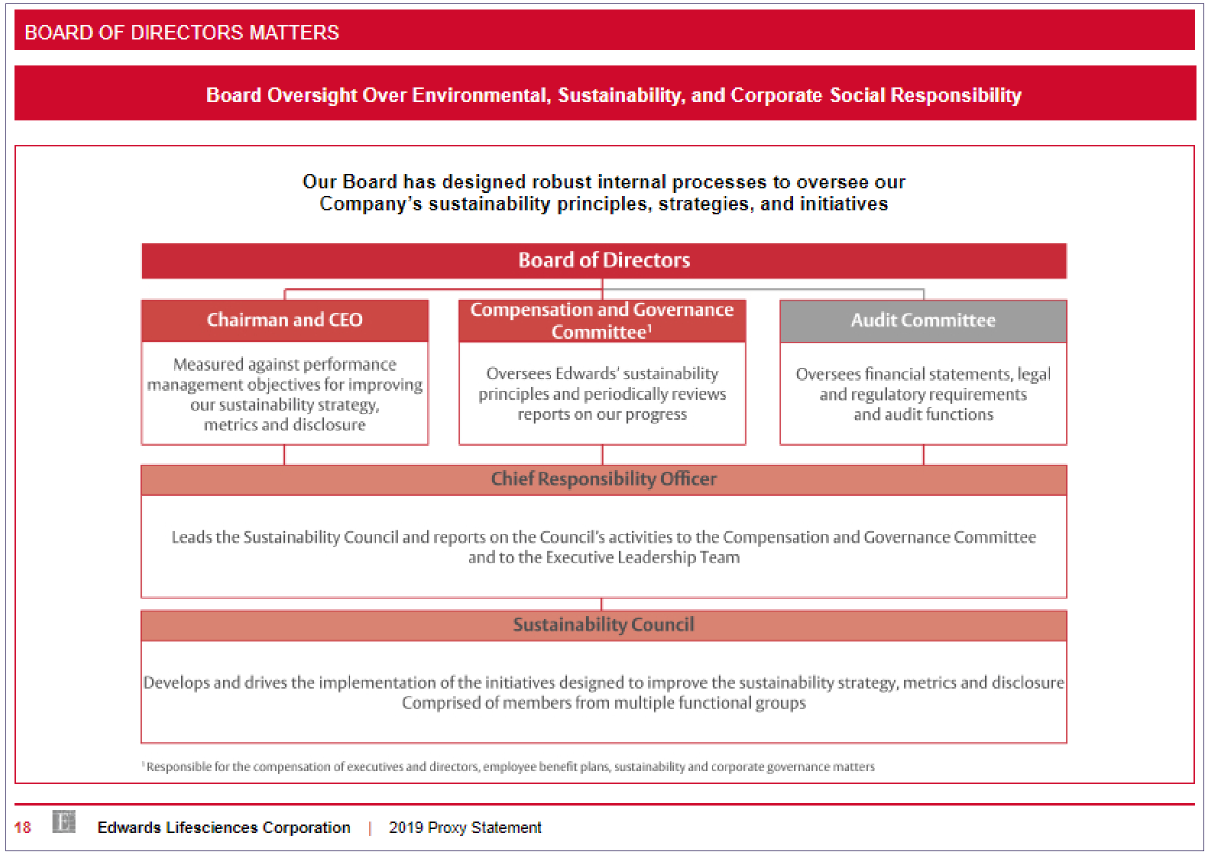
65x20 Waste Diversion Goal

Increase waste diverted from landfill, targets a 65% diversion rate by 2020. Units are % diverted.

2017 60.2
2016 57.3
2008 Baseline 36.0
2020 Goal: 65

(1) Full 2018 calendar year energy and water data verified by a third party is not yet available. 2017 is the most recent year for which complete energy and water data is available and verified by a third party.

We are committed to transparent reporting of environmental, social and governance ("ESG") sustainability indicators. Boston Properties publishes an annual sustainability report that is aligned with the Global Reporting Initiative ("GRI") reporting framework. More detailed sustainability information, including our strategy, key performance indicators, annual like-for-like comparisons, achievements and historical sustainability reports are available on our website at http://www.bostonproperties.com under the heading "Sustainability." Except for the documents specifically incorporated by reference into our Annual Report on Form 10-K, information contained on our website or that can be accessed through our website is not incorporated by reference into our Annual Report on Form 10-K.



BOARD OF DIRECTORS MATTERS

Board Oversight Over Environmental, Sustainability, and Corporate Social Responsibility

Our Board has designed robust internal processes to oversee our Company's sustainability principles, strategies, and initiatives

Board of Directors

Chairman and CEO

Measured against performance management objectives for improving our sustainability strategy, metrics and disclosure

Compensation and Governance Committee[1]

Oversees Edwards' sustainability principles and periodically reviews reports on our progress

Audit Committee

Oversees financial statements, legal and regulatory requirements and audit functions

Chief Responsibility Officer

Leads the Sustainability Council and reports on the Council's activities to the Compensation and Governance Committee and to the Executive Leadership Team

Sustainability Council

Develops and drives the implementation of the initiatives designed to improve the sustainability strategy, metrics and disclosure
Comprised of members from multiple functional groups

[1] Responsible for the compensation of executives and directors, employee benefit plans, sustainability and corporate governance matters

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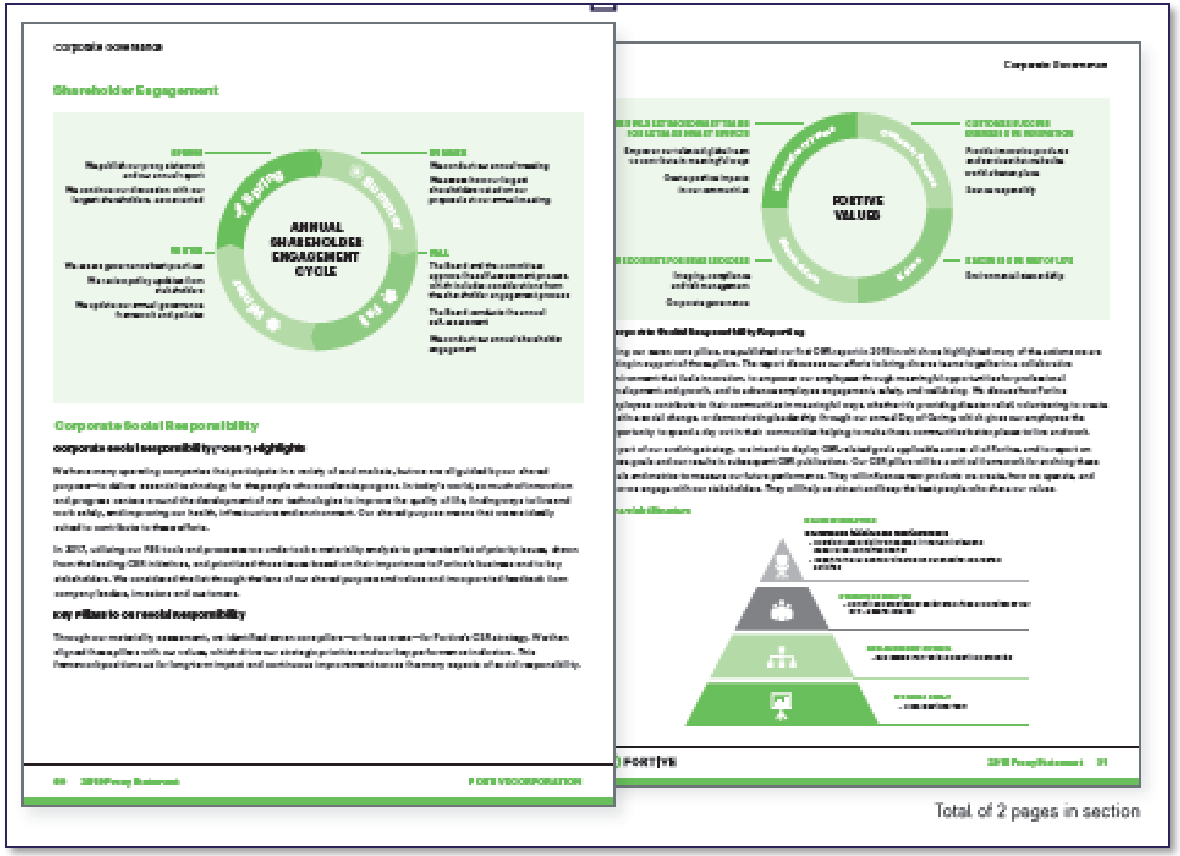
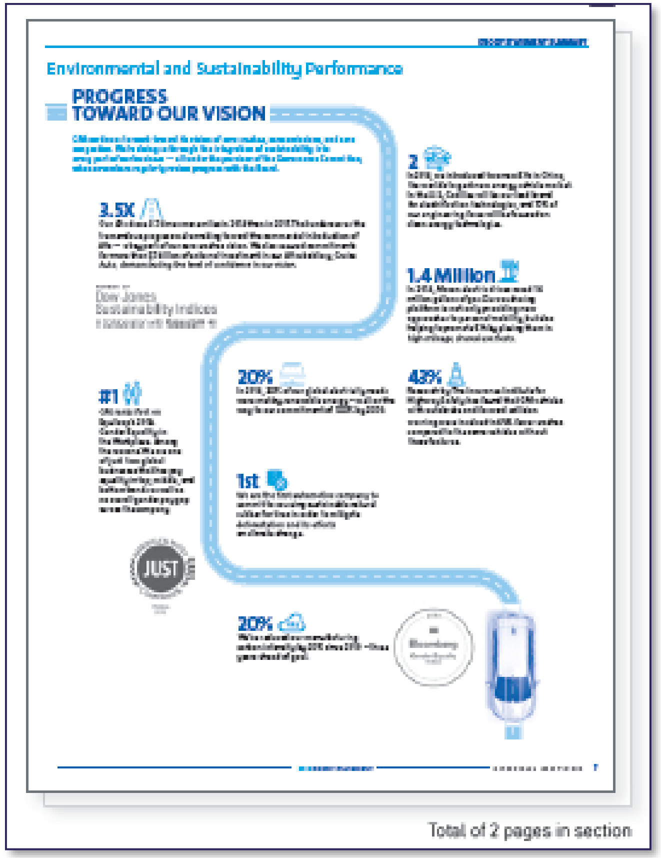
Boston Properties, Inc. **Edwards Lifesciences Corporation**

ESG / CSR / SUSTAINABILITY AND HCM DISCLOSURES (CONT'D)

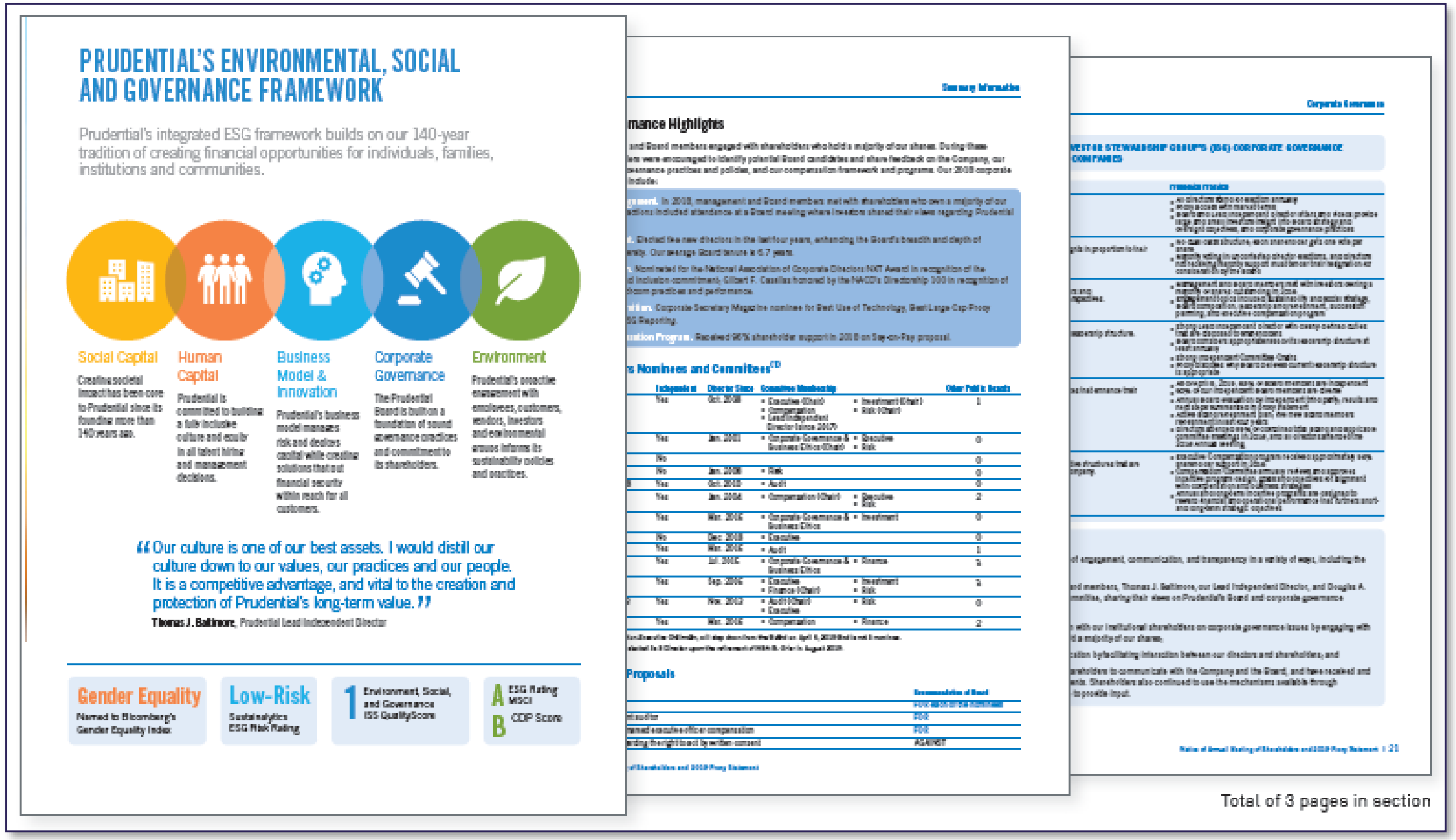


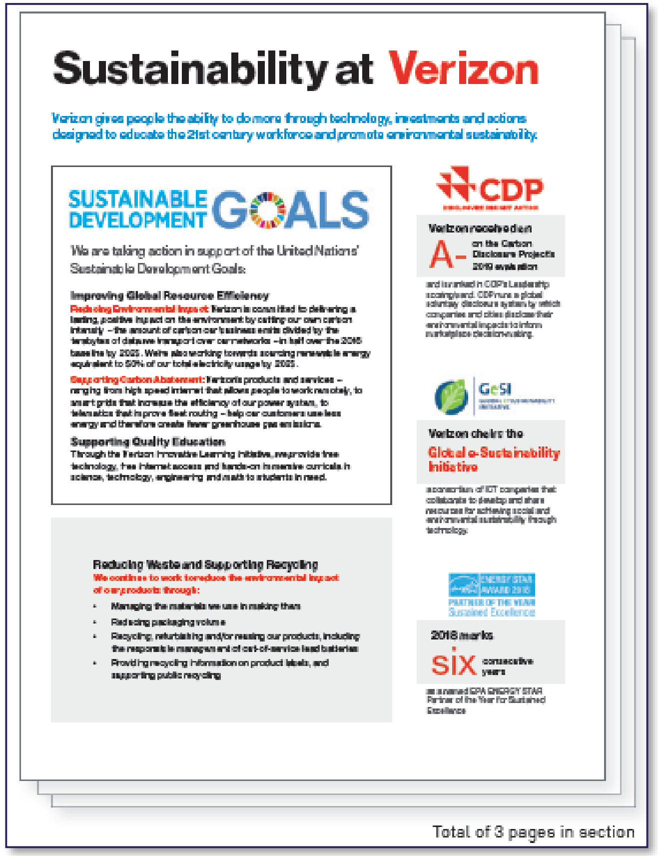


Fortive Corp

General Motors

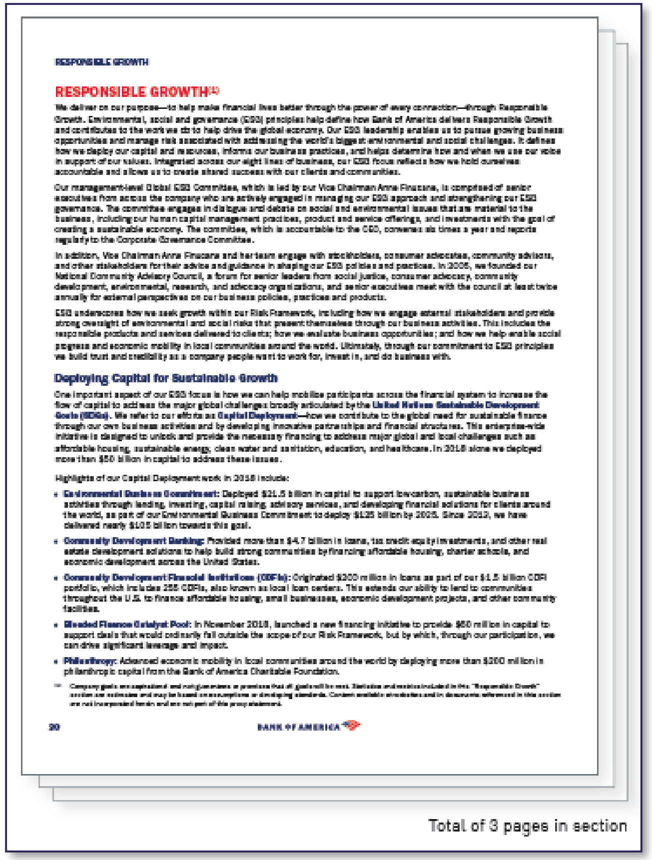
ESG / CSR / SUSTAINABILITY AND HCM DISCLOSURES (CONT'D)





Prudential Financial, Inc. **Verizon Communications, Inc.**

ESG / CSR / SUSTAINABILITY AND HCM DISCLOSURES (CONT'D)



RESPONSIBLE GROWTH

RESPONSIBLE GROWTH[1]

We deliver on our purpose—to help make financial lives better through the power of every connection—through Responsible Growth. Environmental, social and governance (ESG) principles help define how Bank of America delivers Responsible Growth and contributes to the work we do to help drive the global economy. Our ESG leadership enables us to pursue growing business opportunities and manage risk associated with addressing the world's biggest environmental and social challenges. It defines how we deploy our capital and resources, informs our business practices, and helps determine how and when we use our voice in support of our values. Integrated across our eight lines of business, our ESG focus reflects how we hold ourselves accountable and allows us to create shared success with our clients and communities.

Our management-level Global ESG Committee, which is led by our Vice Chairman Anne Finucane, is comprised of senior executives from across the company who are actively engaged in managing our ESG approach and strengthening our ESG governance. The committee engages in dialogue and debate on social and environmental issues that are material to the business, including our human capital management practices, product and service offerings, and investments with the goal of creating a sustainable economy. The committee, which is accountable to the CEO, convenes six times a year and reports regularly to the Corporate Governance Committee.

In addition, Vice Chairman Anne Finucane and her team engage with stockholders, consumer advocates, community advisors, and other stakeholders for their advice and guidance in shaping our ESG policies and practices. In 2005, we founded our National Community Advisory Council, a forum for senior leaders from social justice, consumer advocacy, community development, environmental, research, and advocacy organizations, and senior executives meet with the council at least twice annually for external perspectives on our business policies, practices and products.

ESG underscores how we seek growth within our Risk Framework, including how we engage external stakeholders and provide strong oversight of environmental and social risks that present themselves through our business activities. This includes the responsible products and services delivered to clients; how we evaluate business opportunities; and how we help enable social progress and economic mobility in local communities around the world. Ultimately, through our commitment to ESG principles we build trust and credibility as a company people want to work for, invest in, and do business with.

Deploying Capital for Sustainable Growth

One important aspect of our ESG focus is how we can help mobilize participants across the financial system to increase the flow of capital to address the major global challenges broadly articulated by the **United Nations Sustainable Development Goals (SDGs)**. We refer to our efforts as **Capital Deployment**—how we contribute to the global need for sustainable finance through our own business activities and by developing innovative partnerships and financial structures. This enterprise-wide initiative is designed to unlock and provide the necessary financing to address major global and local challenges such as affordable housing, sustainable energy, clean water and sanitation, education, and healthcare. In 2018 alone we deployed more than $50 billion in capital to address these issues.

Highlights of our Capital Deployment work in 2018 include:

- **Environmental Business Commitment:** Deployed $21.5 billion in capital to support low-carbon, sustainable business activities through lending, investing, capital raising, advisory services, and developing financial solutions for clients around the world, as part of our Environmental Business Commitment to deploy $125 billion by 2025. Since 2012, we have delivered nearly $105 billion towards this goal.
- **Community Development Banking:** Provided more than $4.7 billion in loans, tax credit equity investments, and other real estate development solutions to help build strong communities by financing affordable housing, charter schools, and economic development across the United States.
- **Community Development Financial Institutions (CDFIs):** Originated $200 million in loans as part of our $1.5 billion CDFI portfolio, which includes 255 CDFIs, also known as local loan centers. This extends our ability to lend to communities throughout the U.S. to finance affordable housing, small businesses, economic development projects, and other community facilities.
- **Blended Finance Catalyst Pool:** In November 2018, launched a new financing initiative to provide $50 million in capital to support deals that would ordinarily fall outside the scope of our Risk Framework, but by which, through our participation, we can drive significant leverage and impact.
- **Philanthropy:** Advanced economic mobility in local communities around the world by deploying more than $200 million in philanthropic capital from the Bank of America Charitable Foundation.

20 BANK OF AMERICA

Total of 3 pages in section

Bank of America Corporation

2019 PROXY GUIDE

Guide to Effective Proxies: 7th Edition

MODERATOR

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DFIN

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