USING GRI TO SELECT AND REPORT ON MEANINGFUL SUSTAINABILITY METRICS

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19th Annual Pollution Prevention Conference

Outline

- Why report?

- What to report?

- How to report?

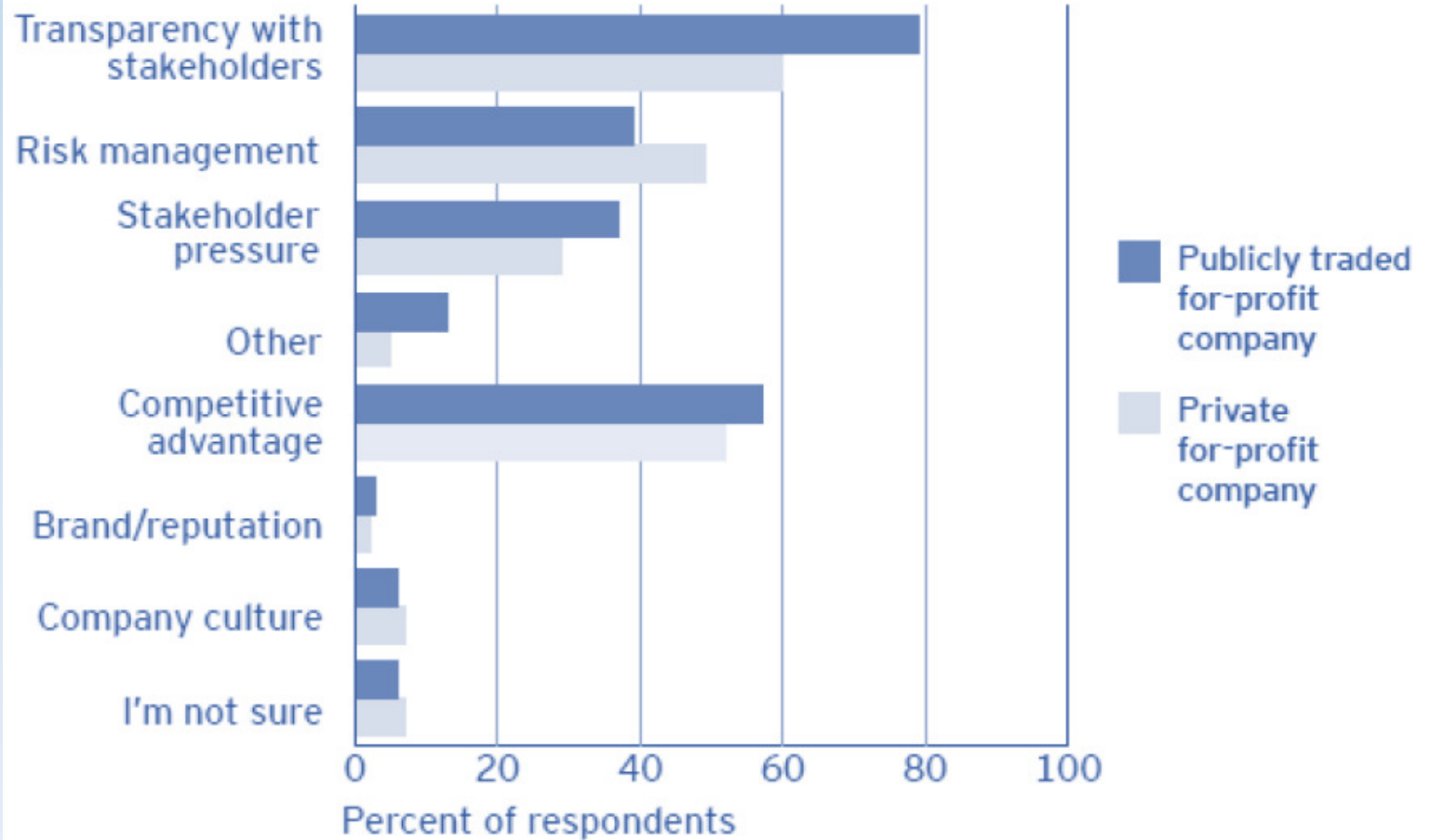- Cummins sustainability reporting journey

Why report?

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

- Demand from employees, stakeholders, and consumers

- Increasing push from stock exchanges and investors

- Demonstrate accountability

- Demonstrate progress

- And more…

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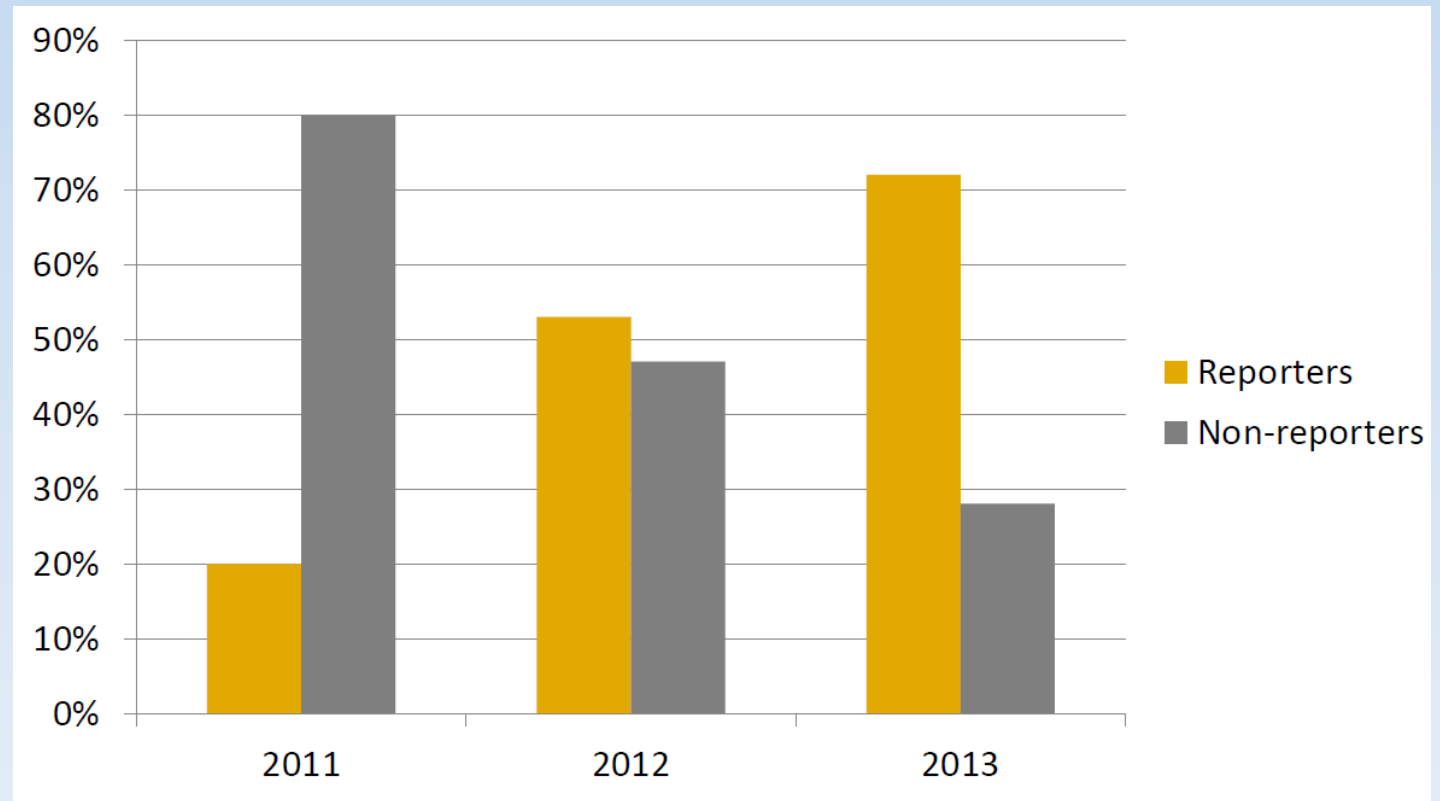ENGINEERS • SCIENTISTS • PLANNERS
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Reasons to Report

Why Report?

S&P 500 Companies Reporting

Why Report?

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Benefits of Sustainability Reporting

Why Report?

- Financial Performance

- Access to Capital

- Innovation, Waste Reduction, and Efficiency

- Risk Management

- Reputation and Consumer Trust

- Employee Loyalty and Recruitment

- Social Benefits

- Customers May Require

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What to report?

- The answer is different for every company!

- Importance of materiality

- How to determine what is material

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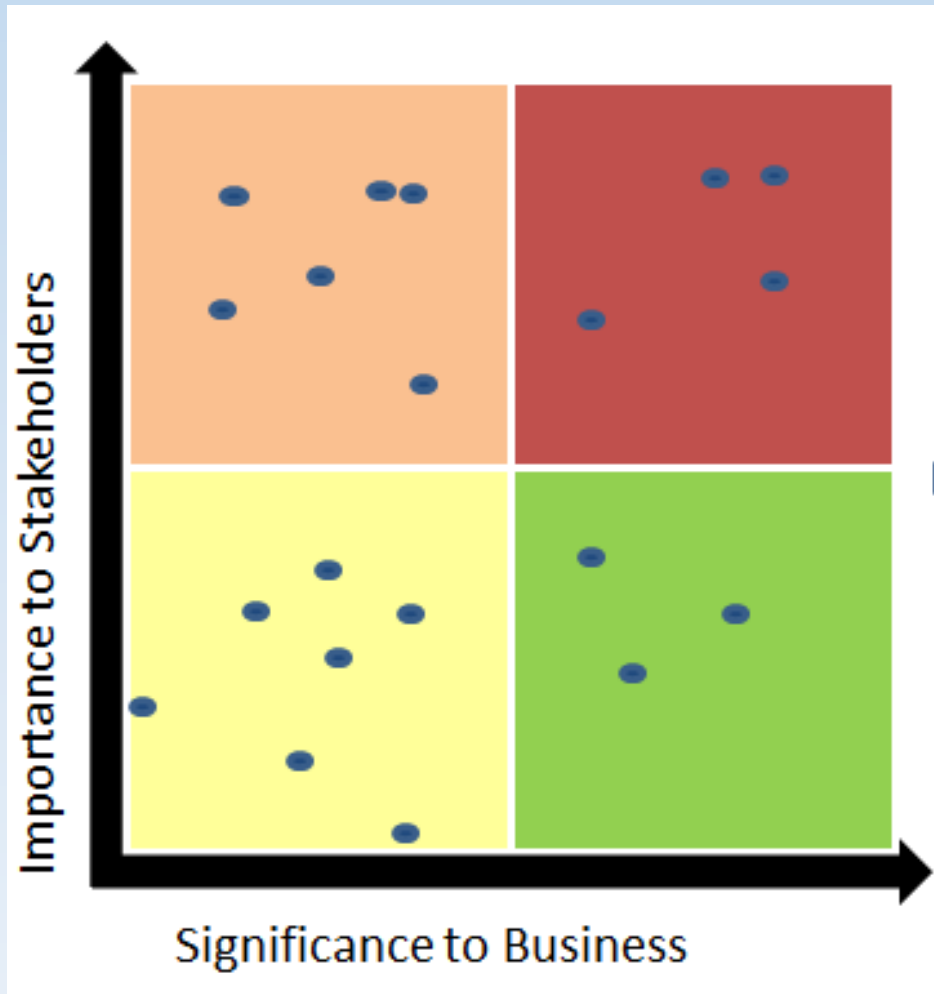GLOBAL EHS & SUSTAINABILITY SERVICES

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Materiality

What to Report

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

☐ IN SHORT: Report on **WHAT** matters and **WHERE** it matters

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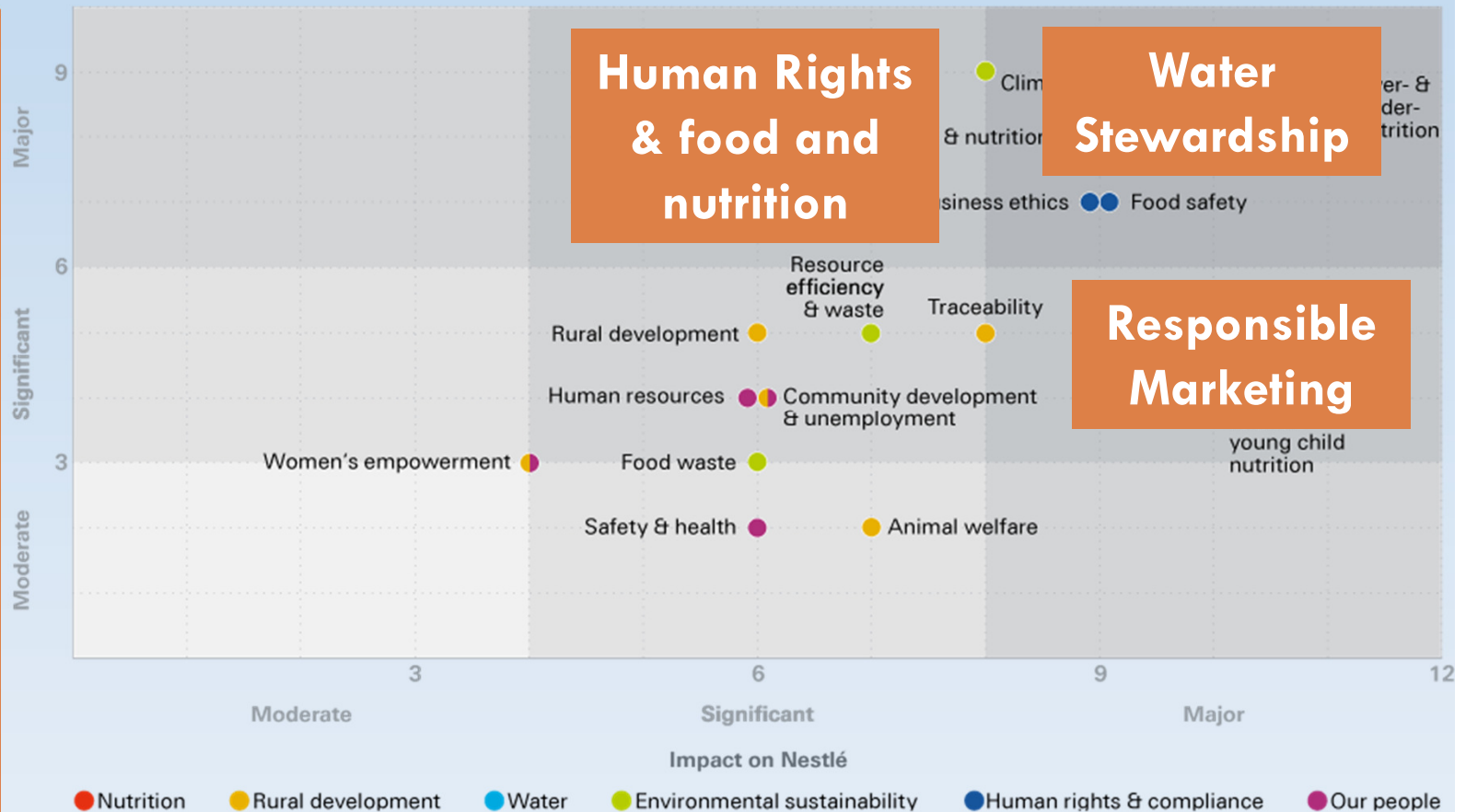GLOBAL EHS & SUSTAINABILITY SERVICES

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Materiality Matrix

What to Report

Materiality Matrix

What to Report

Human Rights & food and nutrition

Water Stewardship

Responsible Marketing

Materiality Matrix

What to Report

CITIZENSHIP & SUSTAINABILITY MATERIALITY MATRIX

HIGH

Transparency, Community Impact

Data Privacy, Security, and Integrity

Emplo
Relati

Market Responsiveness and Proactivity

IMPORTANCE TO STAKEHOLDERS

Data Use*

Responsible Growth and Supplier Accountability

Public Policy

Energy, Travel and Waste

Public Policy

MEDIUM   IMPACT ON NIELSEN   HIGH

* Rising in prominenc

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How to report?

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

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Comparison of Reporting Frameworks

Certification/ Framework	Scope	Use
GRI	Comprehensive (environmental, social, and economic). Focused on Materiality	Most widely used global framework. For all stakehoders.
SASB	Material non-financial issues integrated into financial reporting	Primarily for investors
DJSI	Comprehensive sustainability, by invite only.	Primarily for investors
CDP	Environmental only (carbon, energy, and water issues)	Comparable data/metrics.

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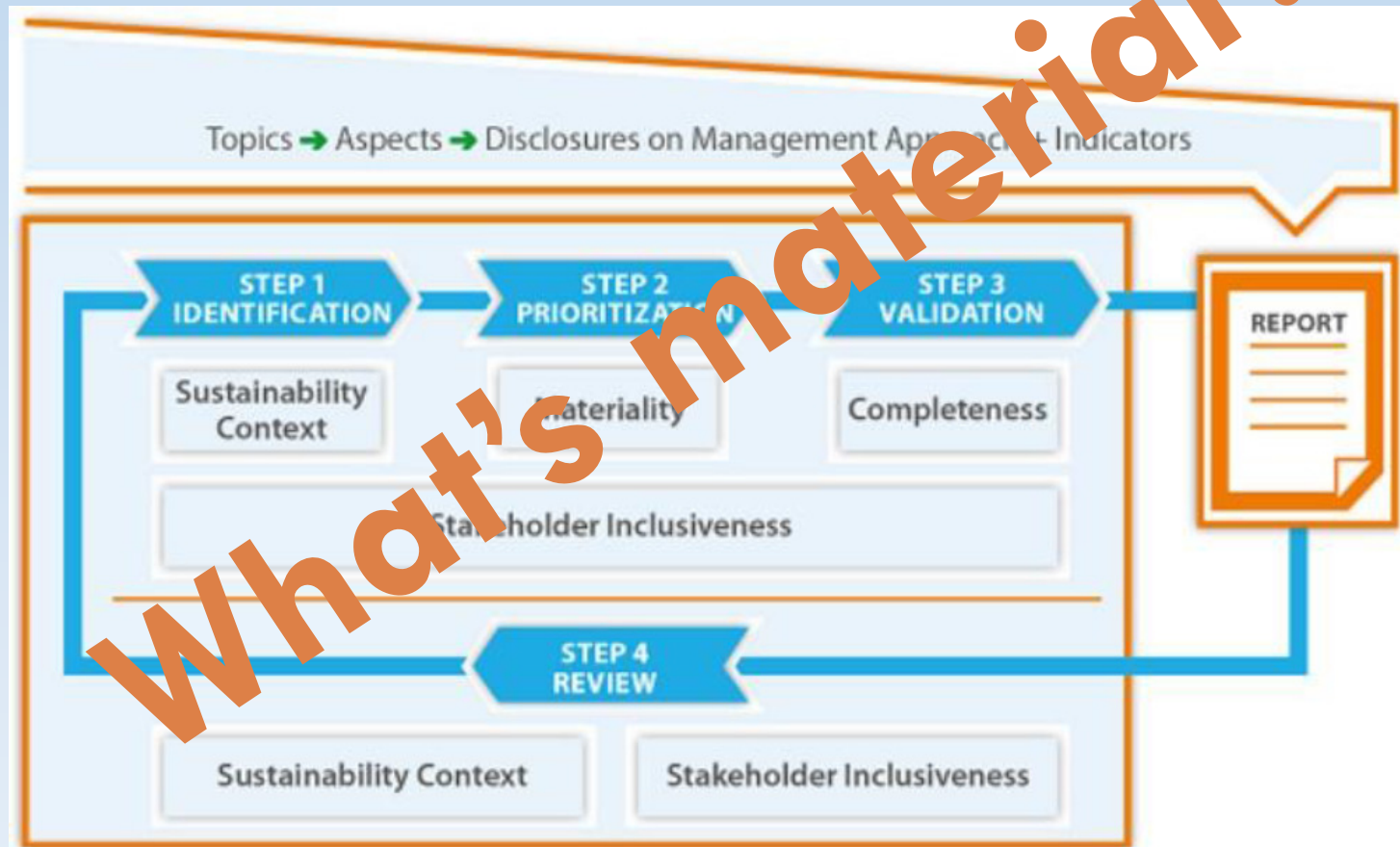GLOBAL EHS & SUSTAINABILITY SERVICES

Global Reporting Initiatives (GRI)

How to Report

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

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GRI Process Overview

How to Report

Topics → Aspects → Disclosures on Management Approach + Indicators

What's material?

STEP 1 IDENTIFICATION

STEP 2 PRIORITIZATION

STEP 3 VALIDATION

REPORT

Sustainability Context

Materiality

Completeness

Stakeholder Inclusiveness

STEP 4 REVIEW

Sustainability Context

Stakeholder Inclusiveness

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Sustainability Accounting Standards Board (SASB)

How to Report

- Industry-based sustainable KPIs and Disclosure Protocols

- Meant to integrate with financial reporting

- Most relevant for publically traded companies

Carbon Disclosure Project (CDP)

How to Report

- Well-known reporting standard
- Only related to environmental impact

What framework should you use?

How to Report

It depends!

In the end, it's your report

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19 Cummins Sustainability Reporting Journey

Why Does It Matter?

B_Emmett
@BlakeyEmmett

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Turning CSR/sustainability efforts into differentiators for internal and external stakeholders @Cummins CEO #BSR15

6:03 PM - 4 Nov 2015

ICTI CARE
@ICTICARE

Follow

CEO Tom Linebarger highlights how clear goals and robust principles have helped @Cummins meet its #sustainability commitments #BSR15

5:35 PM - 4 Nov 2015

1

Sawako Sono Clarin
@SawakoSono

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#TomLinebarger @Cummins says the problem with the word #sustainability is that it means everything, and then it means nothing. #BSR15

6:06 PM - 4 Nov 2015

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2003　　2006　　2008　　2014　　2015

We are at a crossroads

Will we choose the GRI to guide our path?

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Why GRI and Materiality for Cummins
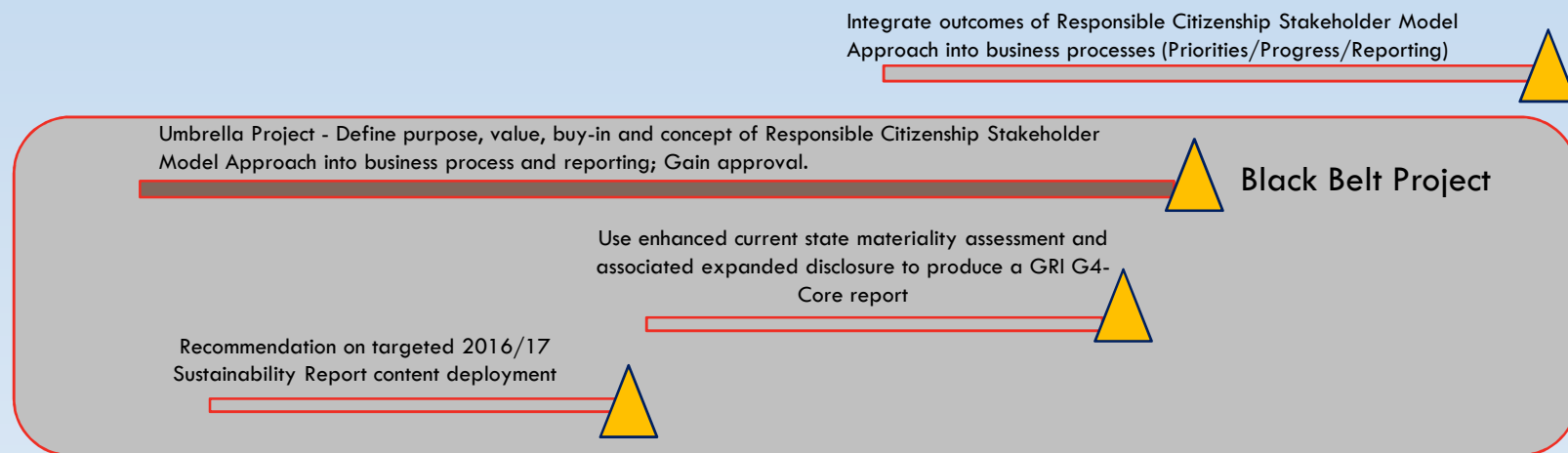
- Greater scope than CDP and public unlike Dow Jones

- Combines existing stakeholder efforts

- Leverages expertise

- Transparency and credibility align with value of integrity

- Talent attraction and retention

- Identifies trends on the horizon

- Regions already wanting it to maintain competitiveness

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Where we are now

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

PARTNERS	PEOPLE	PRODUCTS	POLICY
Customer satisfaction and promise	Talent management	Innovation	Energy management
Procurement practices	Occupational health, safety and wellness	Fuel economy and in-use emissions	Public policy
Partner management	Community engagement	Material sourcing	Emissions regulations and enforcement
		Remanufacturing	

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Sample deliverables and timeline

Integrate outcomes of Responsible Citizenship Stakeholder Model Approach into business processes (Priorities/Progress/Reporting)

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

Black Belt Project

Use enhanced current state materiality assessment and associated expanded disclosure to produce a GRI G4-Core report

Recommendation on targeted 2016/17 Sustainability Report content deployment

July	Aug	Sept	Oct	Nov	Dec	Q1 2017	Q2 2017	Q3 2017

MRG Meeting

MRG Meeting

Final approval of specific external disclosures

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Reporting is Organizational Change

- Increased stakeholder engagement
- Risk management and Issue identification
- Increased disclosure and transparency
- Organizational capacity
- Catalyst for breaking down silos
- Requires long-term organizational commitment
- May change the way some business is conducted

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"…we believe that our survival in the very long run is as dependent upon responsible citizenship in our communities and in the society, as it is in responsible technological, financial and production performance."

- - J. Irwin Miller
Former Chairman and CEO, 1972
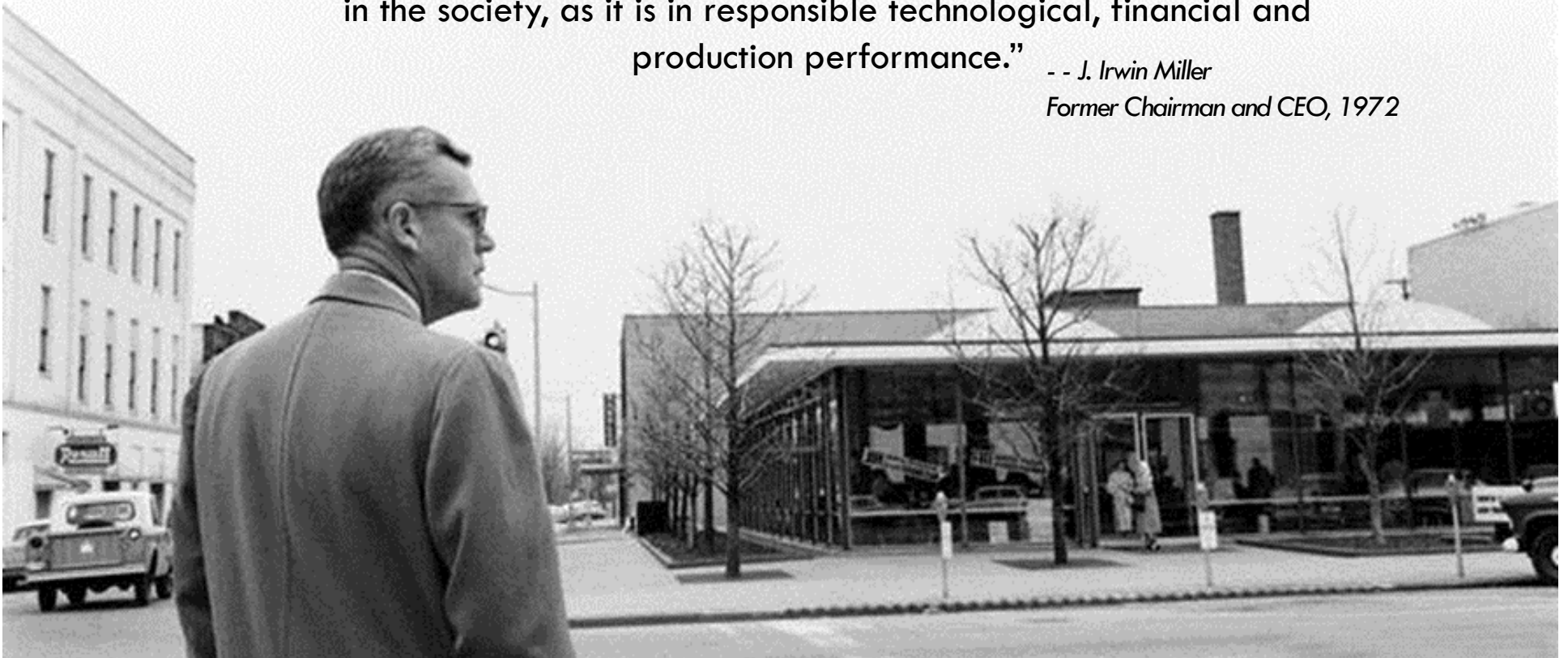
Thank you!

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