

# Cleveland Climate Action Plan: Corporate Environmental & Social Governance Analysis

Appendix F

# Cleveland ESG Subcommittee



Corporate Environmental and Social Governance Analysis

Do Good. Do Well. **Win.**<sup>TM</sup>



# Project Overview

## Introduction

The City of Cleveland's Office of Sustainability engaged BrownFlynn to analyze publicly available environmental, social, and governance data (ESG), via Bloomberg, for the largest public companies in Northeast Ohio. The purpose of this analysis is help make the case for sustainable business practices in the region, and potentially use this data to spur conversation amongst leadership of these public companies for best practice sharing and collaboration.

## Growing ESG Awareness

Companies in the region are increasingly aware of the availability of ESG data. Investors and other key stakeholders are using this information to evaluate corporate responsibility performance of companies globally.

## Project Objectives

- Identify the largest publicly traded companies in Northeast Ohio
- Illustrate the ESG performance of these companies
- Identify and share ESG best practices with regional companies to build ESG awareness and performance over time
- Apply this research study as a benchmark for future assessments of ESG performance, and spark dialogues amongst company leadership



# Project Overview

## Methodology

- In tandem with the City of Cleveland and the Climate Action Advisory Committee, BrownFlynn identified a list of 20 key performance indicators (KPIs) covering:
  - Environmental topics (e.g., carbon emissions, etc.)
  - Social topics (e.g., diversity, etc.)
  - Governance topics (e.g., Business ethics policies, etc.)
- BrownFlynn then identified a list of 42 of the largest public companies\* in Northeast Ohio, based on the:
  - Greater Cleveland Partnership (GCP) member list
  - Crain's Top 100 Employers list
  - Crain's Top 100 Public Companies list
- BrownFlynn analyzed these companies' ESG disclosure using the Bloomberg Professional Service® terminal†
- The Bloomberg data contained in this study provides a high-level example of the ESG initiatives and activities implemented by Northeast Ohio's largest publicly traded companies.

\*Only public companies were analyzed as part of this study due to the availability of information in the Bloomberg terminal, which enables a more accurate comparison. Private company data are not included in Bloomberg.

†Bloomberg is a computer software system that provides real-time market data and analysis services.

# Project Overview

## Scope of Data

- This analysis is limited to data retrieved from the Bloomberg Terminal, which may not reflect the full breadth of each company's ESG strategy and initiatives:
  - Data is aggregated on a corporate level. All data for local subsidiaries reflect parent companies.
  - All data is global in scope, rather than specific to Northeast Ohio operations.
  - Bloomberg obtains data from public resources, such as reports and website communications.

## Metrics Used

- ESG KPIs included in this analysis were selected via the following criteria:
  - Inclusion of ESG indicators most applicable across all sectors
  - Capture of the most commonly reported indicators across the entire peer set
  - Obtain indicators relevant to the Cleveland Climate Action Plan
  - Reflect the current level of disclosure across ESG indicators for the peer set

# Finding and Observations

# ESG Reporting

The majority of reviewed companies are disclosing data, but with limited E & S disclosure.

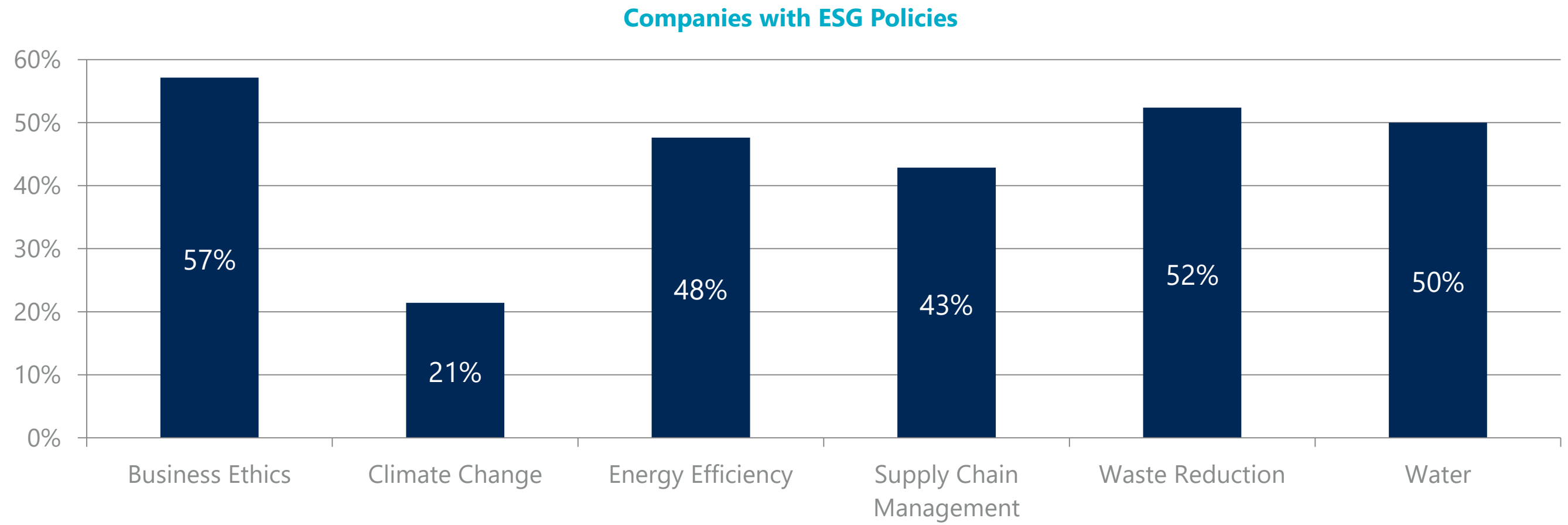
- In total, 40 out of 42 companies (95 percent) reported on at least one of the selected KPIs.
- Corporate transparency in Cleveland is skewed toward governance indicators, such as board and executive data.
- The dotted line represents a 'good' score according to Bloomberg (40)

**Average Bloomberg Disclosure Scores**



# Corporate Policies

The research indicates how the 42 reviewed companies are at various stages in the process of implementing corporate responsibility policies and strategies.

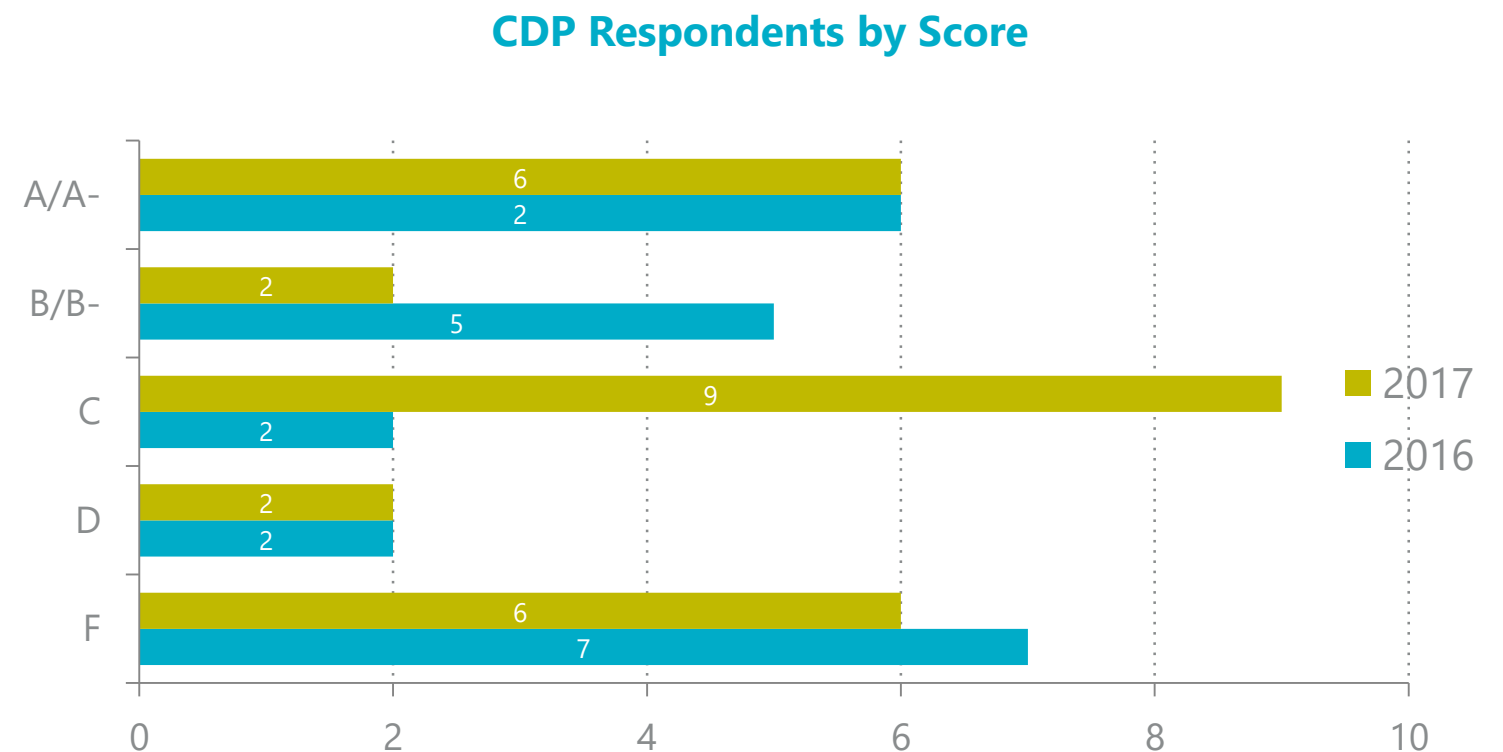




# Energy & Emissions

- 19% of companies report total energy consumption.
  - Lowest consumption: 161.98 MWh (financial services)
  - Highest consumption: 544,444 MWh (manufacturing)
- 31% of companies report their total GHG emissions
  - Lowest total emissions: 60.62 Th Tonnes (financial services)
  - Highest total emissions: 190,000 Th Tonnes (manufacturing company)
- CDP disclosure increased between 2016 and 2017\* from 22 to 25

\*An 'F' grade means that either the company was asked to respond and declined, or responded but failed to provide sufficient information to be evaluated.



# GHG Goals

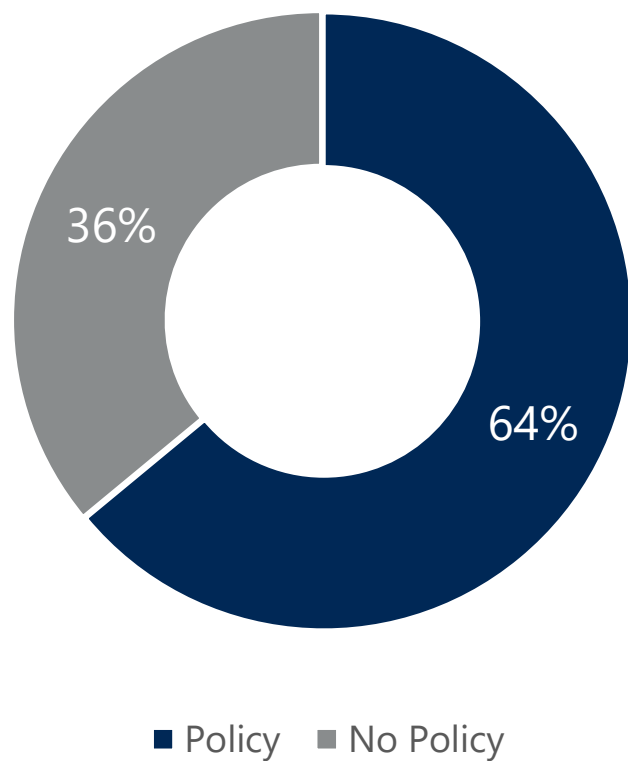
The following serve as examples of greenhouse gas (GHG) emission reduction goals in Northeast Ohio.

Organization	Reduction Goal
Case Western Reserve University	Carbon neutral by 2050
Cleveland Clinic	Reduce energy use by 20% by 2020
Cleveland Public Power	Reduce dependence on fossil fuels, purchase power from renewable energy sources (15% by 2015, 20% by 2020, 25% by 2025)
Cuyahoga Community College	Carbon neutral by 2050
Eaton Corporation	Reduce energy use 25% by 2015 (global goal)
Greater Cleveland Regional Transit Authority	Reduce GHG emissions by 30% by 2016
KeyBank	Reduce energy use 20% by 2016, 2009 baseline
Parker Hannifin	Reduce energy intensity by 3% per year
Tremco	Reduce energy use 50% by 2020

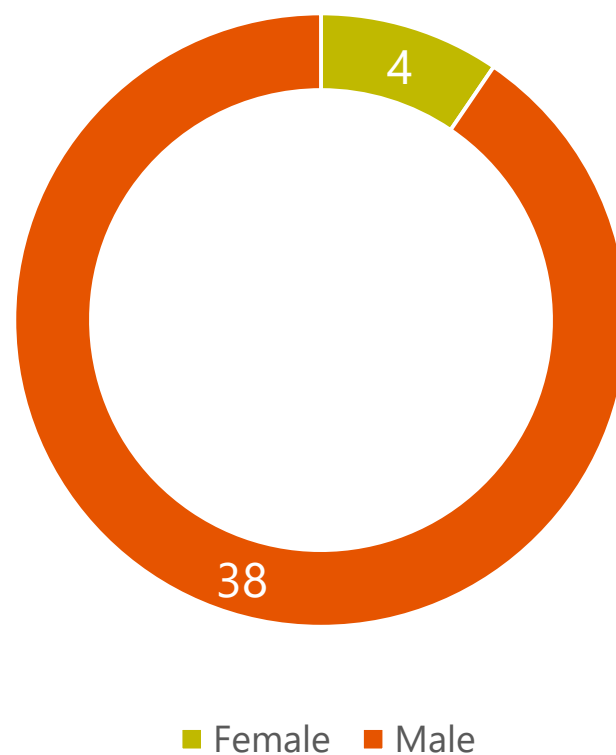
# Diversity

While several studies have shown that business with a high percentage of women in management are more profitable, NEO has low female representation on Boards and Executive Teams.

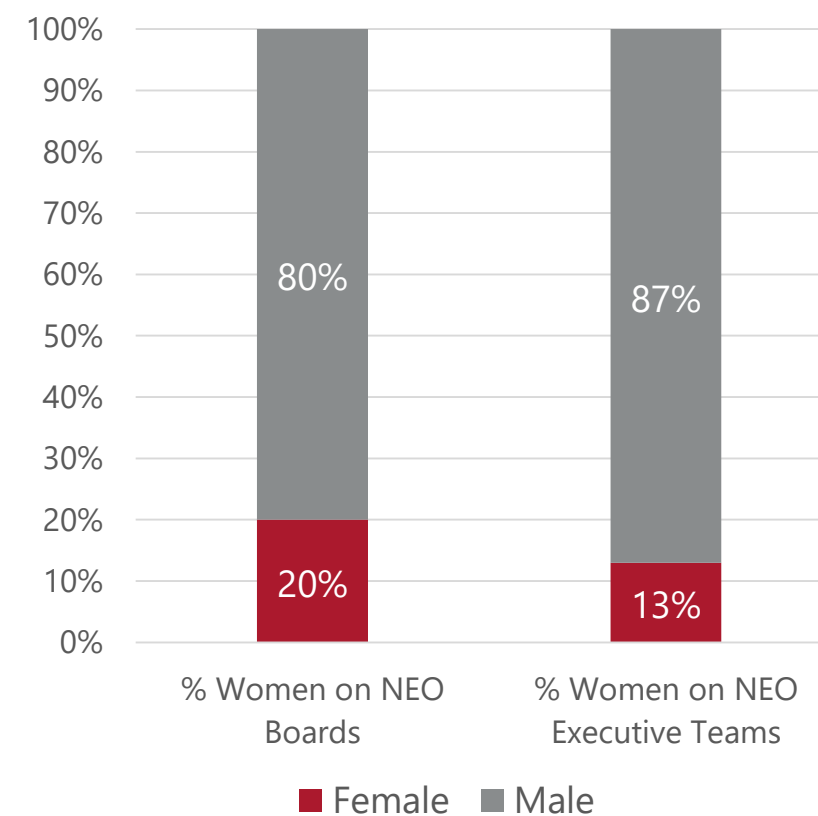
Equal Opportunity Policy



Female CEOs in NEO



Women in Management



# Equity – Best Practice Indicators

We need your help. We don't have the racial equity data that we need—can your organizations provide the following?

- Breakdown of workforce based on minority group(s), e.g. race, gender, age, nationality, disability, etc.
- Equity share in management positions (as % of total management workforce)
- Equity share in junior management positions\*, i.e. first level of management (as % of total junior management positions)
- Equity share in top management positions\*\*, i.e. maximum two levels away from the CEO or comparable positions (as a % of total top management positions)
- Equity share in management positions in revenue-generating functions\*\*\* (e.g. sales) as a % of all such managers (i.e. excluding support functions such as HR, IT, Legal, etc.)

**\*Junior management positions:** refer to first-line managers, junior managers and the lowest level of management within a company's management hierarchy. These individuals are typically responsible for directing and executing the day-to-day operational objectives of organizations, conveying the directions of higher level officials and managers to subordinate personnel.

**\*\*Top management positions:** refer to management positions with a reporting line at most two levels away from the CEO. They include individuals who plan, direct, and formulate policies, set strategy, and provide the overall direction of enterprises/organizations for the development and delivery of products or services, within the parameters approved by boards of directors or other governing bodies.

**\*\*\*Revenue-generating functions:** refer to line management roles in departments such as sales, or that contribute directly to the output of products or services. It excludes support functions such as HR, IT, Legal. May also be referred to as roles that have P&L responsibility.

*Based on RobecoSAM Corporate Sustainability Assessment*



# Discussion & Next Steps

- Discussion:
  - Gaps
    - In indicators?
    - In companies?
    - In data?
  - Private Company Analysis Sources of data: Current and Potential
    - Who can help support data collection and mapping for private companies
- Next Steps
  - Meeting monthly?
  - Action items before the next meeting

# Appendix: Reviewed Companies

# Reviewed Companies

Alcoa/Arconic

Applied Industrial Technologies

ArcelorMittal

Avery Dennison

Berkshire Hathaway (Lubrizol)

BWX Technologies

Charles River Laboratories

Citizens Financial Group  
(Citizens Bank)

Cleveland-Cliffs

DDR Corp

Diebold Nixdorf

Dominion Energy

Eaton Corporation

Fairmount Santrol

FirstEnergy

Ford

Forest City Realty Trust

General Electric

General Motors

Goodyear

Invacare

KeyCorp

Lincoln Electric

Materion Corporation

NACCO Industries

Nestle

Nordson

Parker-Hannifin

PNC

PolyOne Corporation

PPG Industries

Progressive

Rockwell Automation

RPM International

Sherwin-Williams

Signet Jewelers

Smucker's

Steris

TFS Financial Corp

Timken

TimkenSteel

TransDigm Group Inc

# Appendix: Bloomberg Data



# Selected ESG Data for Largest Public Companies

Company Name	Company Notes	Energy Efficiency Policy	Total Energy Consumption (MWh)	Waste Reduction Policy	Water Policy	Climate Change Policy	Business Ethics Policy	ENV Supply Chain Mgmt	Health & Safety Policy	Equal Opportunity Policy	Human Rights Policy	Social Supply Chain Mgmt	% Women in Workforce	% Women on Board	% Female Executives
# of Companies Reporting (out of 42)		20	8	22	21	9	24	18	26	27	18	18	9	36	27
Alcoa Inc.		Y	94,308.8	Y	Y	Y	Y	Y	Y	Y	Y	Y	13.63	33.33	33.33
Applied Industrial Technologies														22.22	0
ArcelorMittal		Y	599,444	Y	Y	Y	Y	Y	Y	Y	Y	Y		25	0
Avery Dennison														20	44.44
Lubrizol	Data for Berkshire Hathaway													25	0
BWX Technologies		N		N	N	N		N	Y	Y	N			20	0
Charles River Laboratories														11.10	0
Citizens Financial Group	Citizens Bank													25	12.50
Cleveland-Cliffs														10	0
DDR Corp		Y		Y	Y	N	Y	N	Y	Y	N	N	56		25

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# of Companies Reporting (out of 42)		20	8	22	21	9	24	18	26	27	18	18	9	36	27
Diebold Nixdorf														8.33	0
Dominion Energy														18.18	25
Eaton Corporation		Y	2,409	Y	Y	Y	Y	Y	Y	Y	Y	Y	31	28.57	12.50
Fairmount Santrol		Y	977	Y	Y	Y	Y	Y	Y	Y	Y	Y	18	10	11.11
FirstEnergy		Y	Y	Y	Y	Y	Y	Y	Y	Y	N	Y		15.38	14.29
Ford Motor Company							Y		Y	Y				13.33	11.11
Forest City Realty Trust							Y	Y	Y	Y	Y	Y			
General Electric	GE Lighting	Y	11,907	Y	Y	Y	Y	Y	Y	Y	Y	Y		25	37.50
General Motors		Y	20,636.7	Y	Y	Y	Y	Y	Y	Y	Y	Y	18.20	45.45	14.3
Goodyear		Y		Y	Y	N	Y	Y	Y	Y	Y	Y		15.38	7.69

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# Thank You

For more information on BrownFlynn's services,  
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