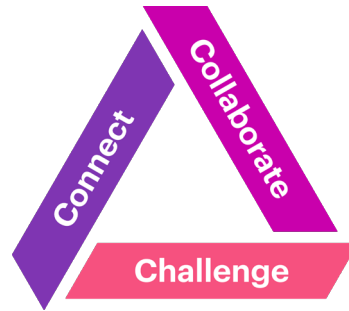
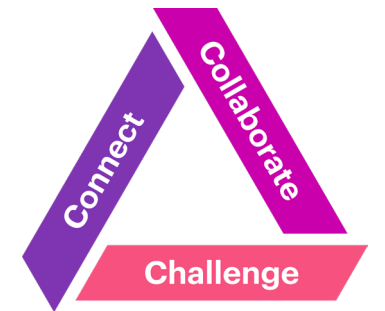


Climate Resilience and the Impact on Total Rewards

Thursday, March 2, 1:30 - 2:30



The Challenge



Climate is everyone's business



Climate impacts every company in every industry...

<p>Top 3 Risks Globally over next 10 years: failure to mitigate and to adapt to climate change, extreme weather ⁽¹⁾</p>	<p>\$9.2 trillion annual average spend (up from \$3.5T) on assets to achieve net zero – greatest capital reallocation in history ⁽²⁾</p>	<p>\$270 billion economic losses from natural catastrophes in 2021 ⁽²⁾</p>	<p>100% of U.S. public companies will likely be required to disclose: climate risk, plan for achieving commitments and board-level climate expertise</p>
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... and the *human capital implications* can't be ignored

JOBS	HEALTH	PENSION	ENGAGEMENT
<p>800 million jobs (1/4 of global workforce) have high vulnerability to climate extremes and economic transition ⁽⁴⁾</p>	<p>\$820 billion healthcare spend annually driven by climate change and air pollution ⁽⁵⁾</p>	<p>\$10.7 trillion potential portfolio value loss to institutional investors due to climate risk ⁽⁶⁾</p>	<p>81% of U.S. employers say it's important to integrate climate strategy into their employee value proposition ⁽⁷⁾</p>

(1) <https://www.weforum.org/reports/global-risks-report-2023/digest>

(2) <https://www.mckinsey.com/capabilities/sustainability/our-insights/the-net-zero-transition-what-it-would-cost-what-it-could-bring>

(3) <https://www.swissre.com/dam/jcr:326182d5-d433-46b1-af36-06f2aedd9d9a/swiss-re-institute-sigma-natcat-2022-en.pdf>

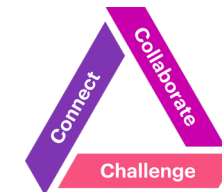
(4) <https://www.deloitte.com/global/en/about/people/social-responsibility/work-toward-net-zero.html>

(5) <https://www.nrdc.org/sites/default/files/costs-inaction-burden-health-report.pdf>

(6) <https://blogs.worldbank.org/psd/overheating-pension-pots-how-resilient-are-pension-systems-climate-change>

(7) WTW 2022 HR Climate Survey

Climate change and the energy transition may have significant impacts to your workforce



NEW JOBS/SKILLS GAP	JOB VULNERABILITY	INEQUALITY	FINANCIAL RESILIENCE
<p>300 million new jobs globally can be created by 2050, but demand is outpacing available talent ⁽¹⁾</p>	<p>43% of employment in Asia Pacific and Africa (such as India and China) is in vulnerable industries ⁽¹⁾</p>	<p>Climate change has worsened global inequality by 25% Children, women, underserved minorities and low-income earners bear the greatest burden ⁽²⁾</p>	<p>132 million people will be pushed into extreme poverty by climate change by 2030 ⁽³⁾</p>
PRODUCTIVITY	SAFETY	MENTAL HEALTH	
<p>\$100 billion average annual loss in the U.S. from heat-induced lost labor productivity, could double by 2030 and reach \$500 billion by 2050 ⁽⁴⁾</p>	<p>120,000 average annual occupational injuries caused by extreme heat, could increase nearly fourfold by 2050 ⁽⁴⁾</p>	<p>48% of Americans believe climate change is negatively impacting their mental health. Extreme weather contributes to anxiety, depression and post-traumatic stress ⁽⁵⁾</p>	

(1) <https://www.deloitte.com/global/en/about/people/social-responsibility/work-toward-net-zero.html>

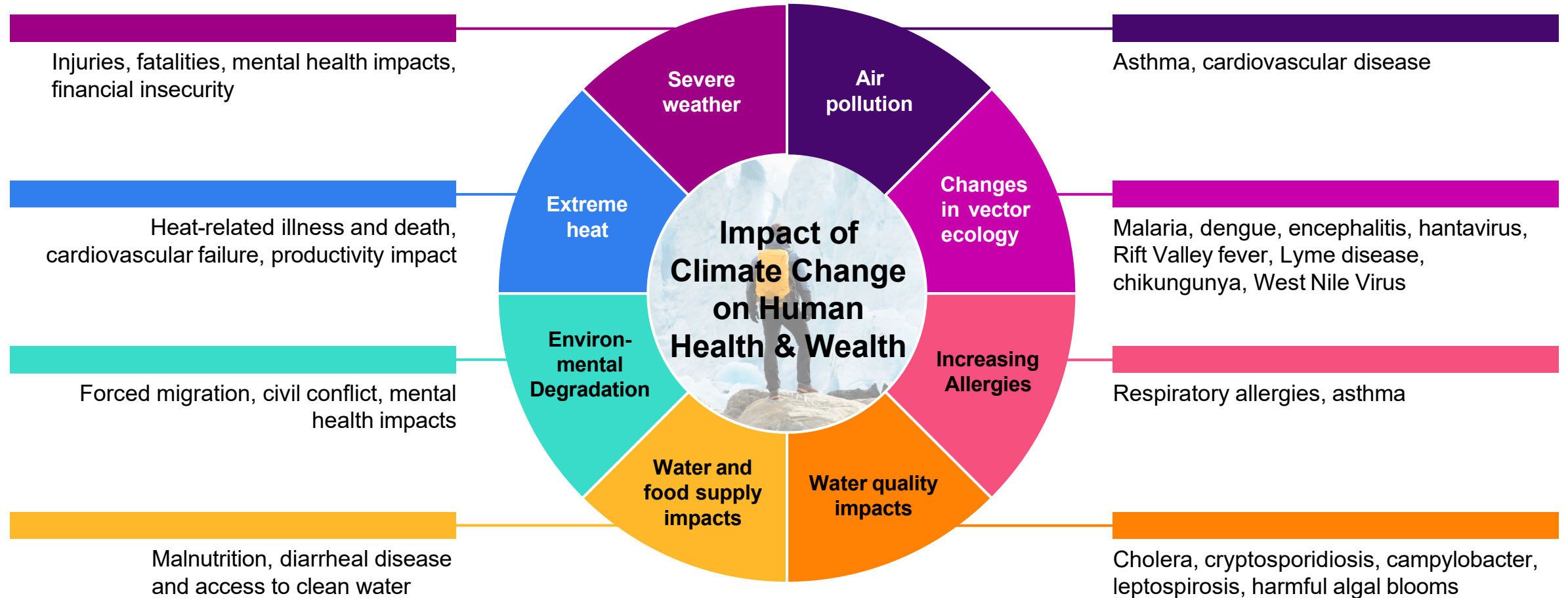
(2) <https://earth.stanford.edu/news/climate-change-has-worsened-global-economic-inequality>

(3) <https://blogs.worldbank.org/climatechange/covid-climate-change-and-poverty-avoiding-worst-impacts>

(4) <https://onebillionresilient.org/project/extreme-heat>

(5) <https://www.psychiatry.org/newsroom/news-releases/americans-report-mental-health-effects-of-climate-change>

Climate impacts human health and wealth, with direct implications to workforce stability, productivity and wellbeing



A sustainable and inclusive transition to net-zero requires a transformation in jobs and skills



New jobs

Green jobs in the workforce has increased by **more than 38%** since 2015

In the last five years, **Renewables & Environment** jobs in the US has **increased by 237%**, in contrast to a 19% increase for Oil & Gas jobs ⁽¹⁾



Evolving skills

Demand for green skills is outstripping supply, and the skills gap needs to be filled

According to LinkedIn data, the fastest-growing skills are **Ecosystem Management, Environmental Policy** and **Pollution Prevention** ⁽¹⁾



Inclusive transition

Gaps across income, gender and education levels need to be addressed through **developing skills equally across groups**

Leading organizations are developing career development programs to support employees in **transitioning jobs**

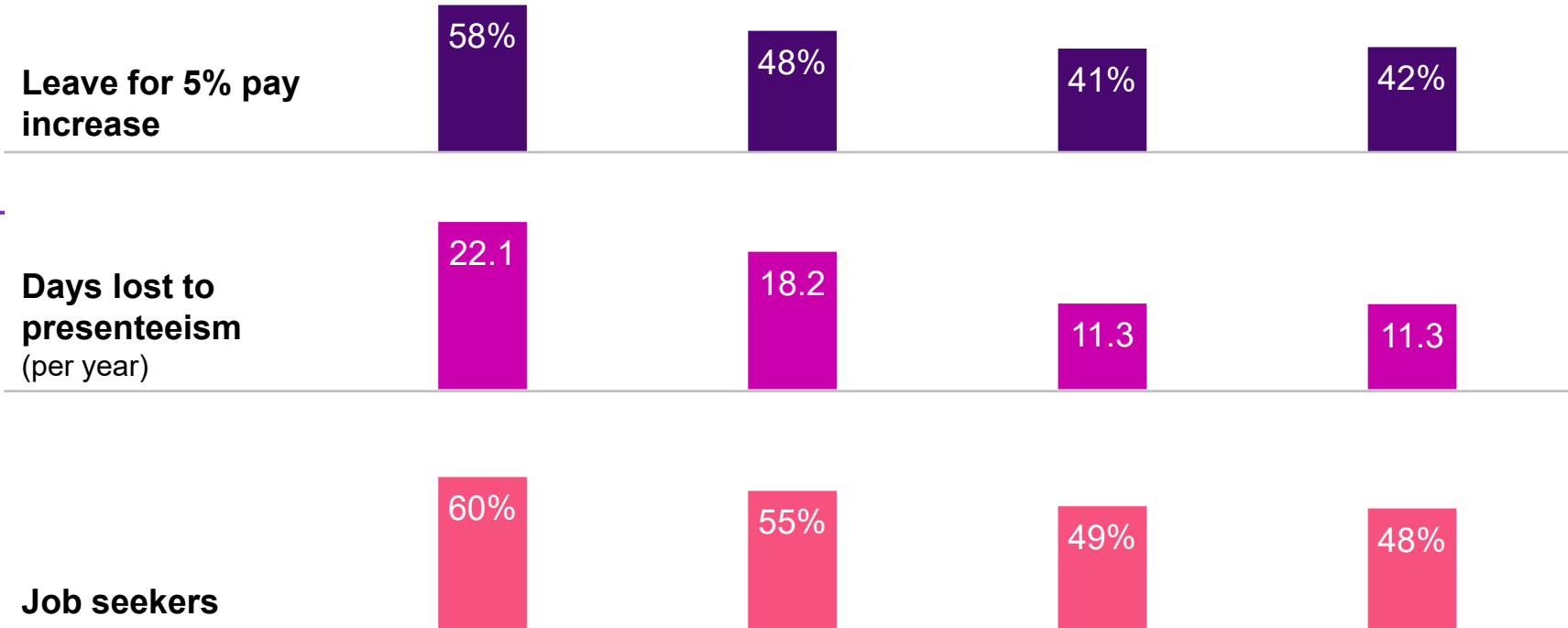
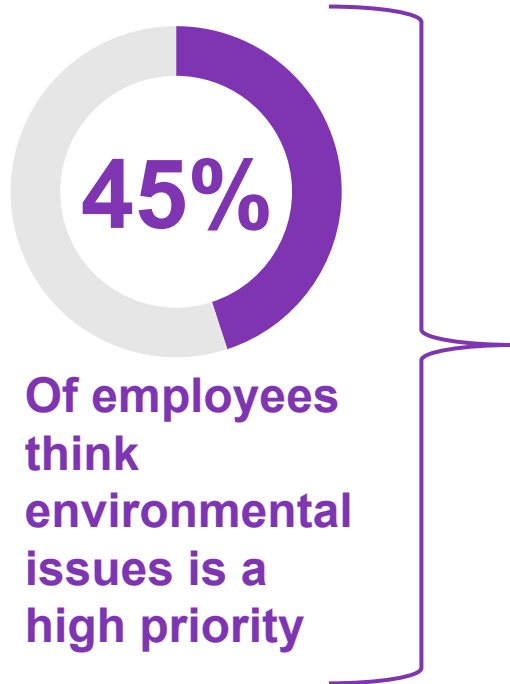
(1) <https://economicgraph.linkedin.com/content/dam/me/economicgraph/en-us/global-green-skills-report/global-green-skills-report-pdf/li-green-economy-report-2022-annex.pdf>

Employees care, and employers failing to address environmental issues could see an exit risk



How would you rate your employer's efforts to address environmental issues?

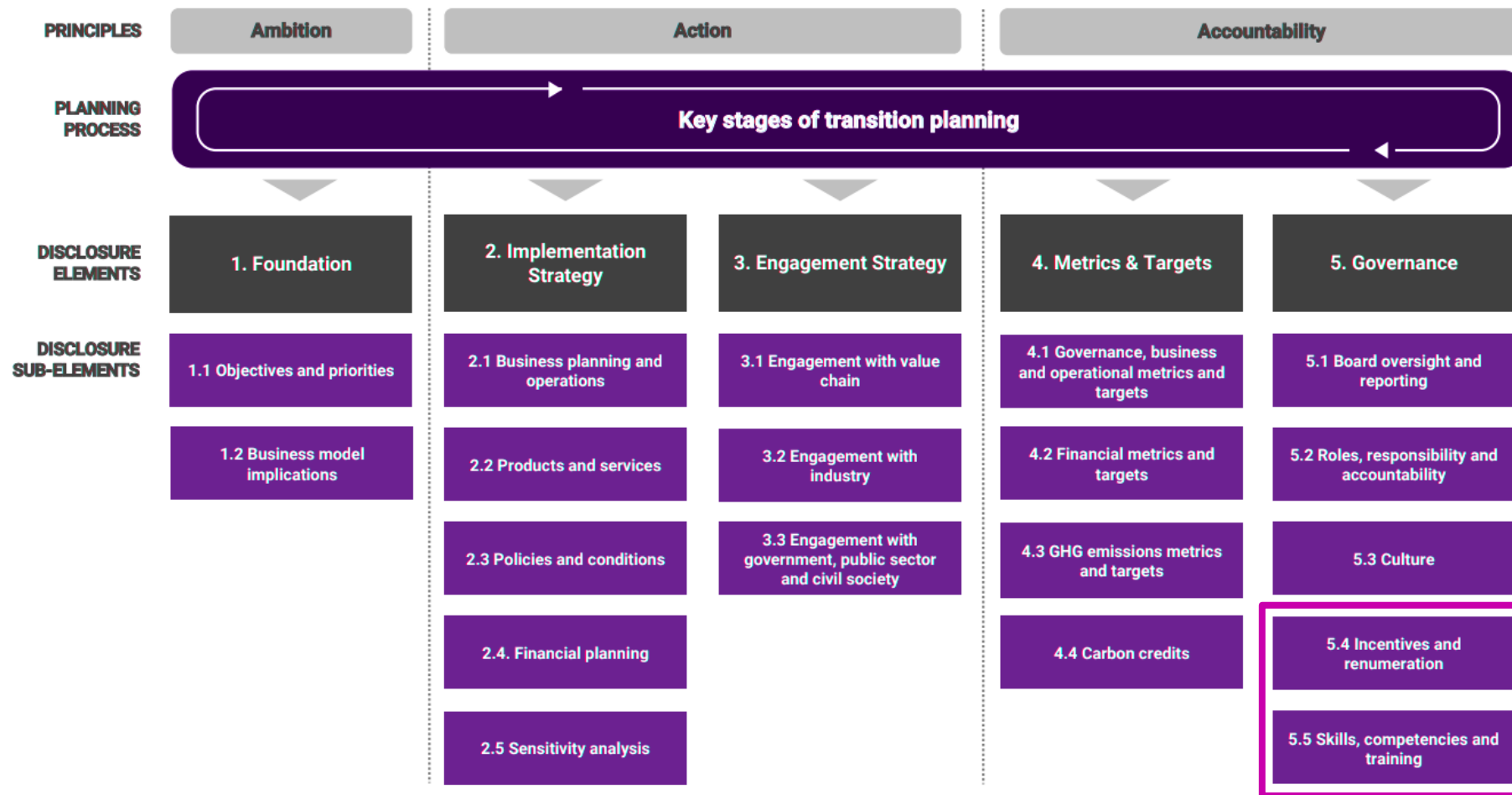
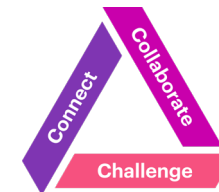
Poor 11% Average 18% Good 34% Very Good 36%



Sample: Full-time employees, those who think environmental issues is a high priority only

Source: 2022 Global Benefits Attitudes Survey, United States

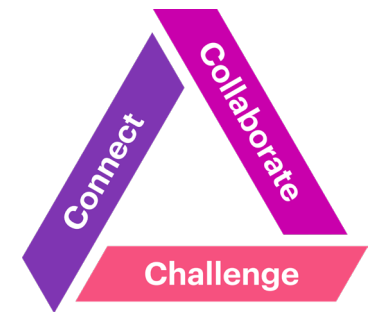
Emerging regulatory standards requires governance



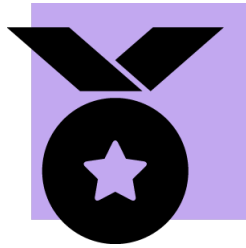
Total Rewards directly links to two components of the TPT guidance

Source: TPT Disclosure Framework, 2022

The role of Total Rewards



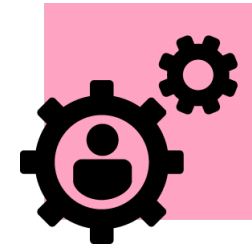
Total Rewards has a critical role in addressing these three challenges



Implement rewards programs to deliver on climate strategy



Align rewards, benefit and other programs with changing employee values and needs



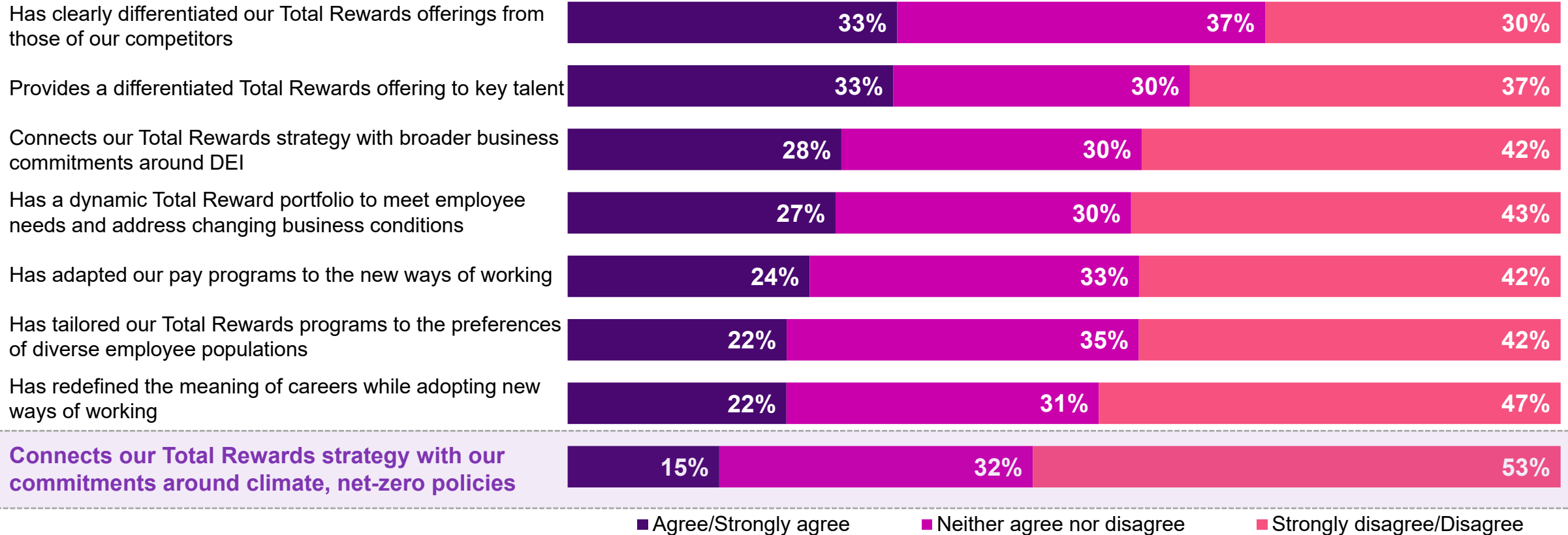
Prepare your workforce for the energy transition

Organizations have been slow to connect Total Rewards strategy to climate commitments



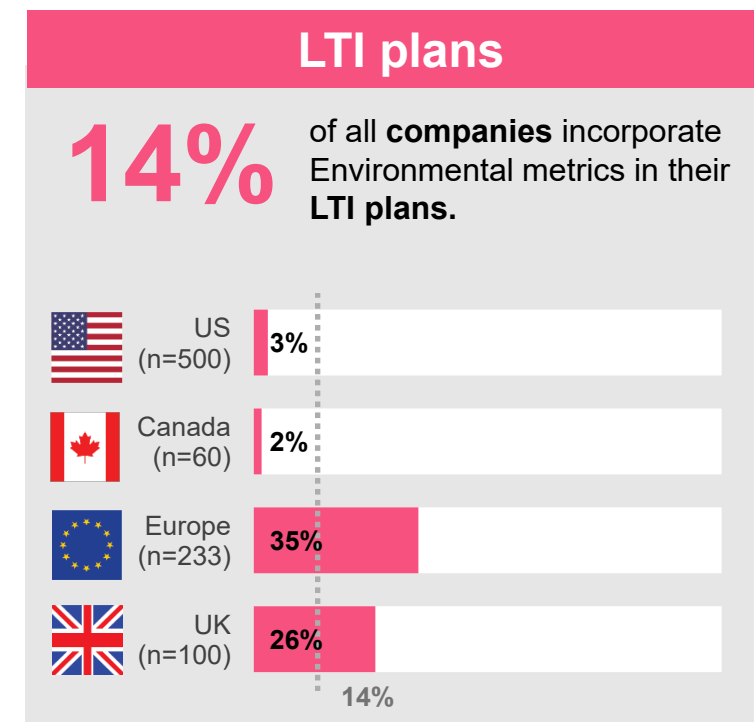
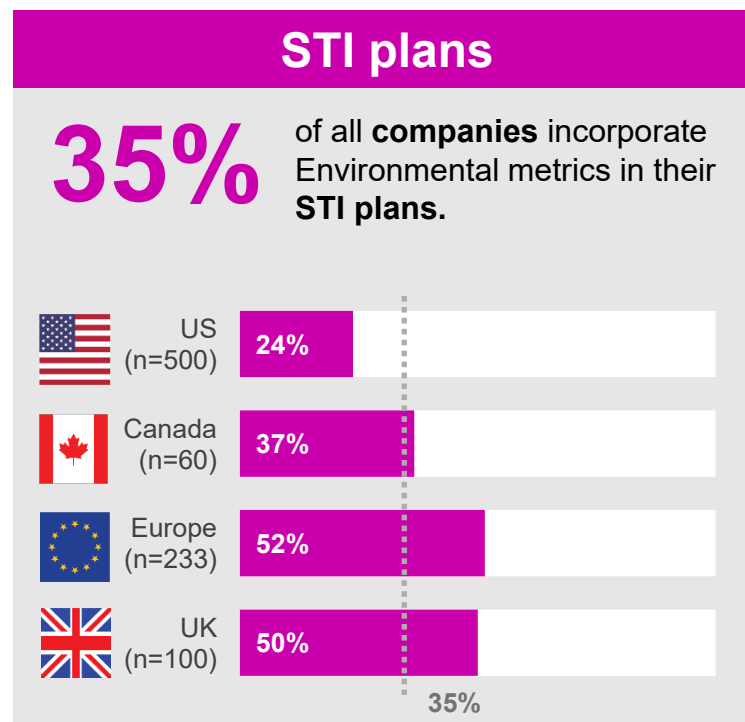
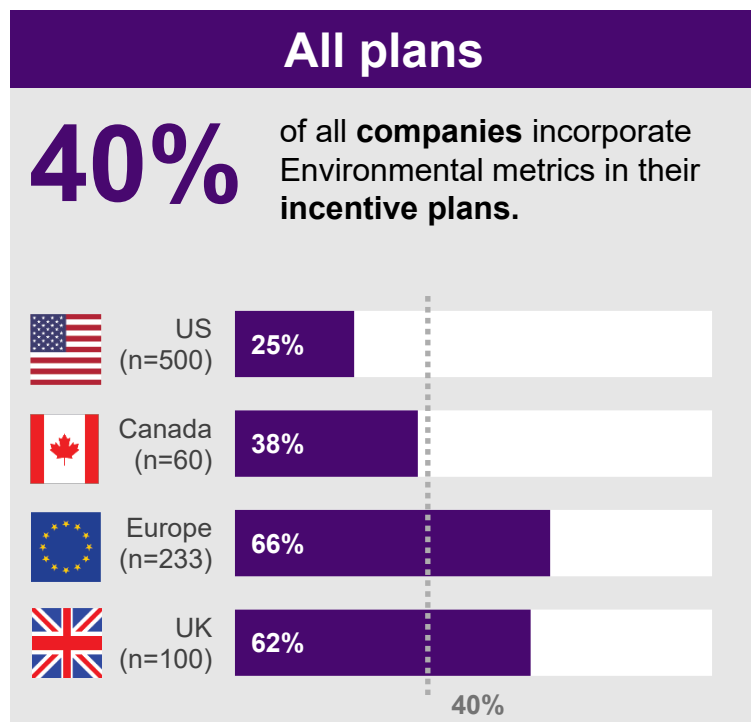
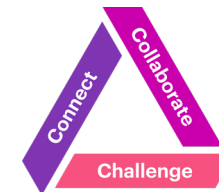
To what extent do you agree with the following statements?

My organization:



Source: 2022 Willis Towers Watson Reimagining Work and Rewards Survey. 1,650 participating organizations in 50+ countries, representing close 12 million employees.

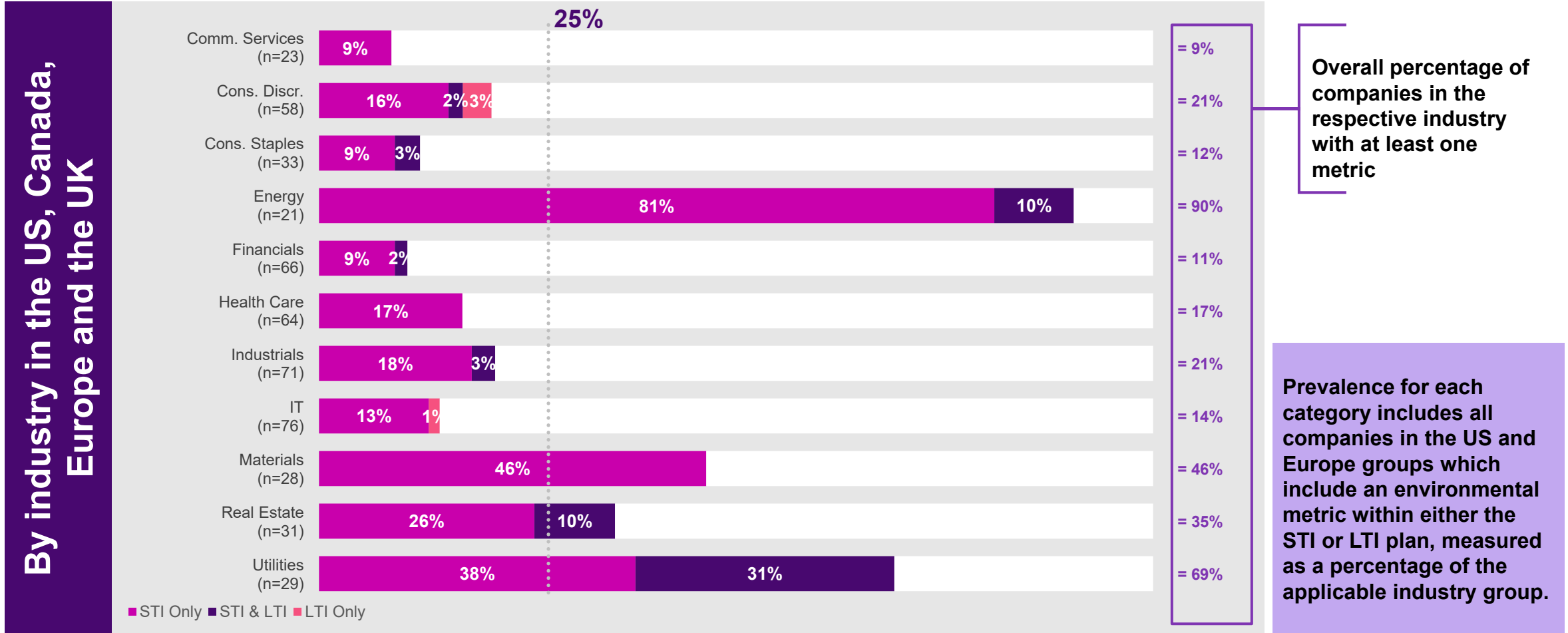
There is an increasing prevalence of environmental metrics in executive incentive plans



- ESG metrics are incorporated into incentive systems in diverse ways, including weighted KPIs, bundles, underpins or modifiers.
- US is based on companies in the S&P 500; Europe is based on companies in the following indices: IBEX 35 (Spain), BEL 20 (Belgium), DAX 30 (Germany), AEX 25 (Netherlands), CAC 40 (France), SMI 20 (Switzerland), ISEQ 20 (Ireland) and MIB 40 (Italy). Canada is based on companies in the TSX 60.
- All analyses are based on FYE between June 2021 – May 2022 (except where latest proxies have not yet been published)

n = number of companies.

Prevalence of environmental metrics in executive incentive plans

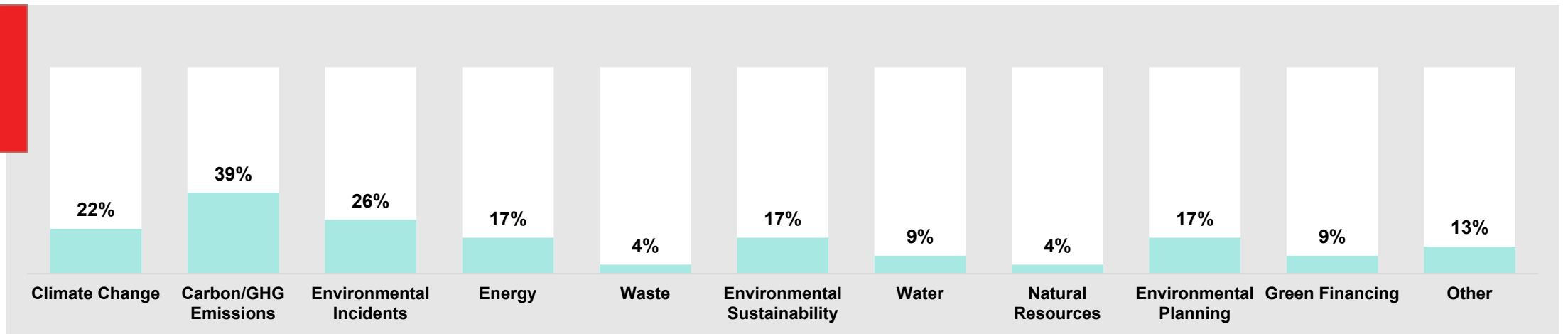
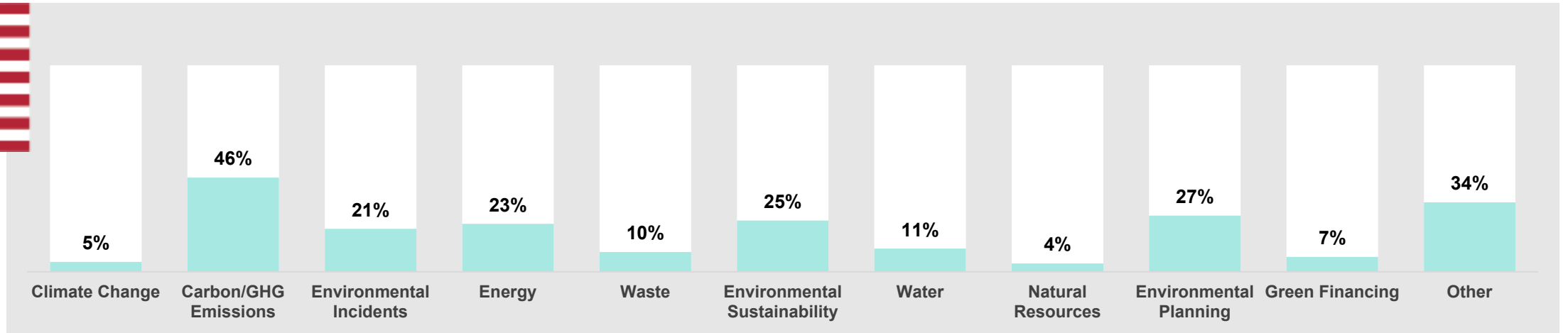


n = number of companies

Prevalence of environmental metrics in executive incentive plans



Prevalence of subcategories (in % of companies with environmental metrics)

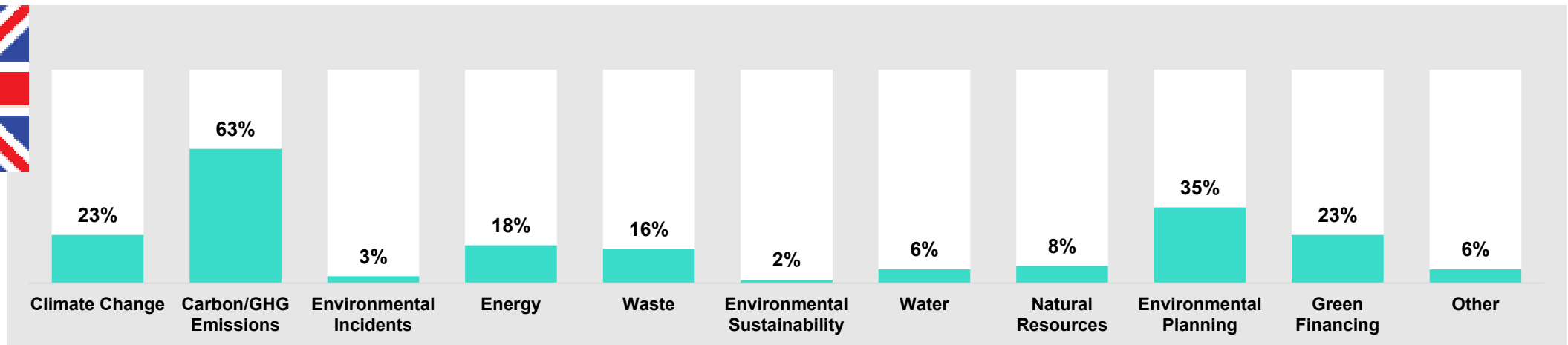
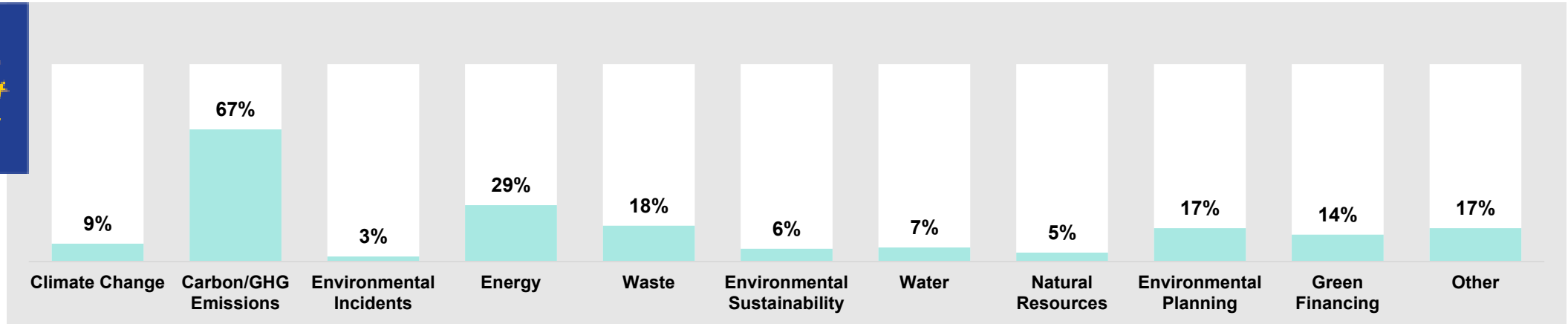
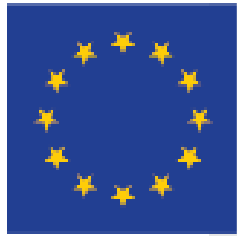


% of companies with environmental metrics

Prevalence of environmental metrics in executive incentive plans



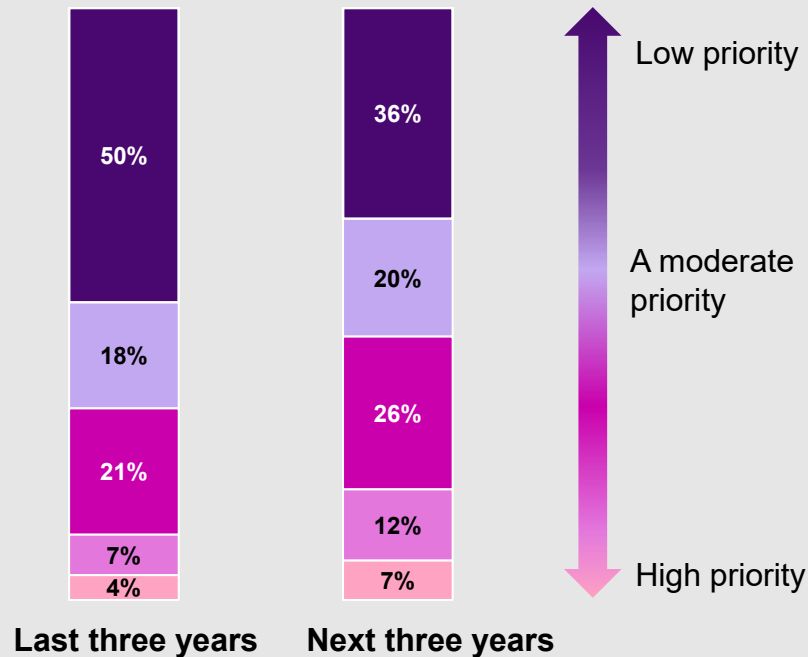
Prevalence of subcategories (in % of companies with environmental metrics)



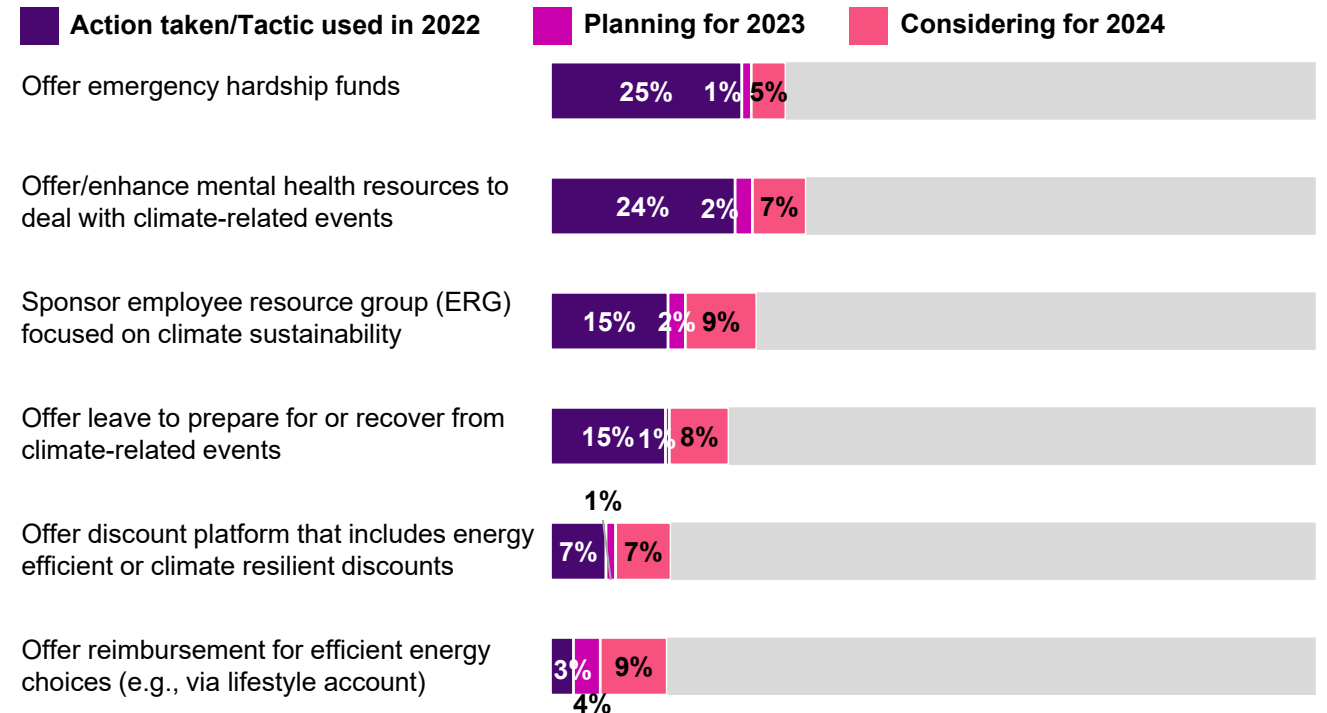
Climate is emerging as a future health and wellbeing priority



How important a priority has climate change been to your organization's health and wellbeing strategy over the last three years and how important will it be over the next three years?

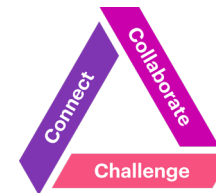


Has your organization taken any of the following actions to address climate change?

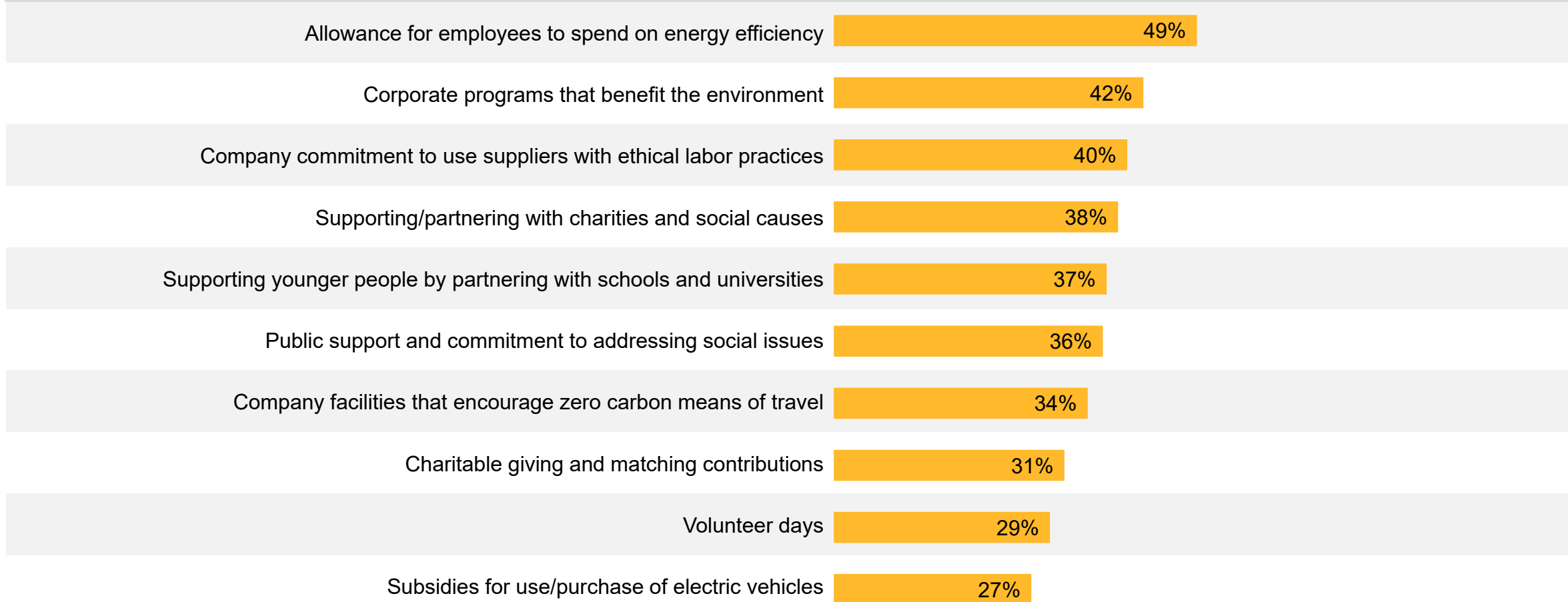


Note: Percentages may not sum up to 100% due to rounding. Source: WTW 2022 Best Practices in Healthcare Survey.

What benefits options would most help employees?



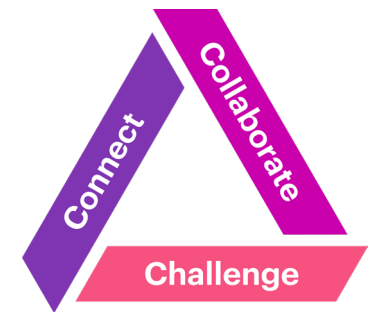
Which of the following would most improve ties to the community and social responsibility at your employer? *Ranked in top 4.*



Sample: Full-time employees only focused on social responsibility.

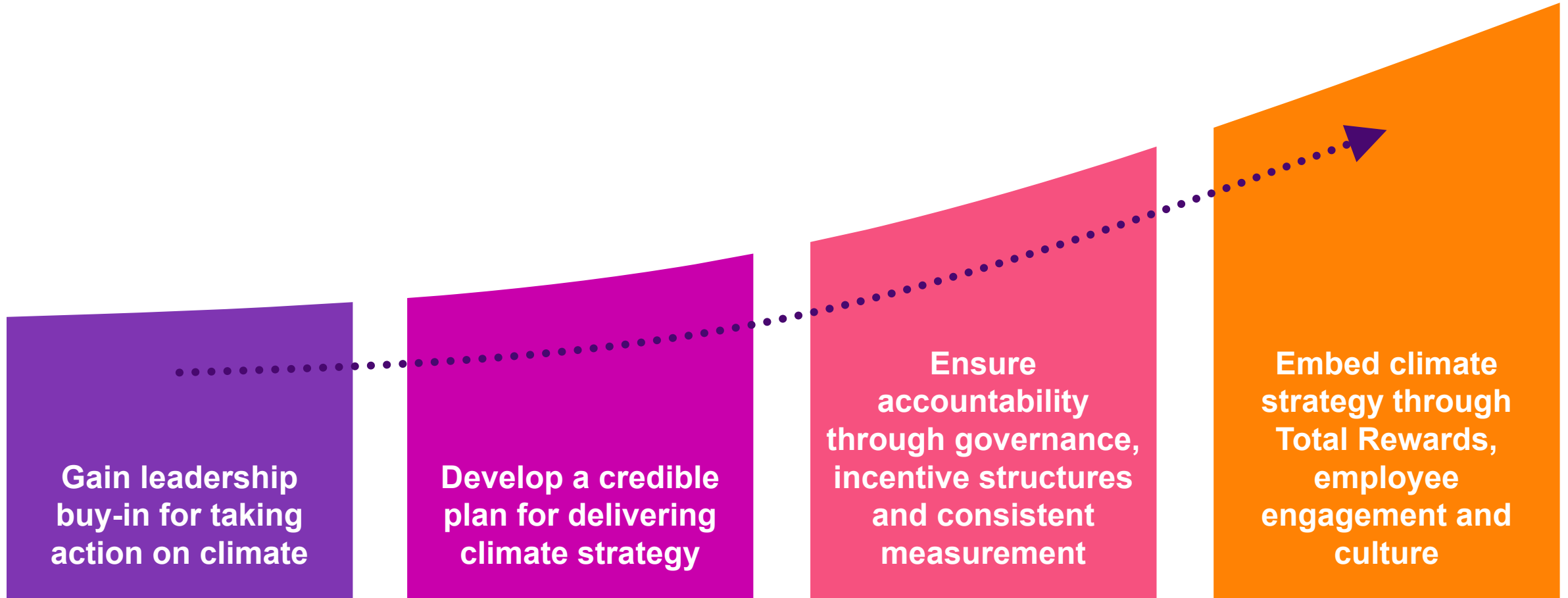
Source: 2022 Global Benefits Attitudes Survey, United States

A plan of action for Total Rewards



Understanding where your organization is with climate is a critical first step

An organization's success requires Total Rewards alignment



Four ways to embed climate strategy – Total Rewards has a critical role



ALIGN

Aligning your governance, accountability mechanisms and policies to develop and deliver the climate strategy

ENGAGE

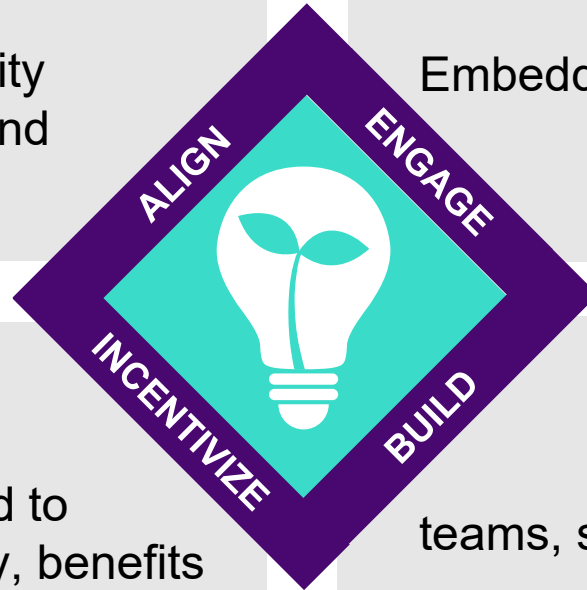
Embedding your climate strategy into your culture, purpose and communications with your people and value chain

INCENTIVIZE

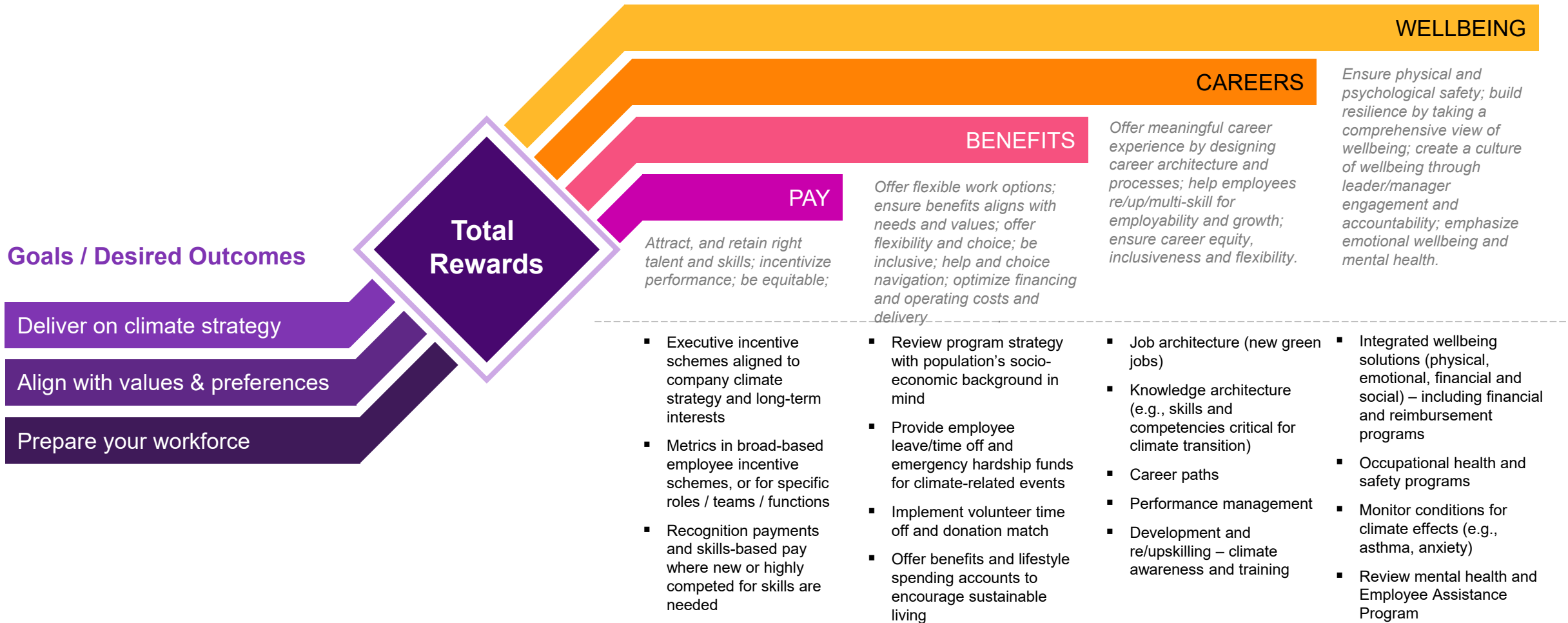
Ensuring your workforce is incentivized to deliver on climate strategy through pay, benefits and performance management

BUILD

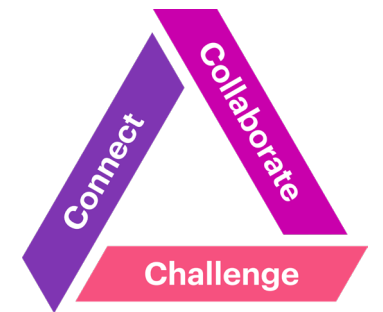
Building capacity and developing the teams, skills and development programs to deliver on climate commitments



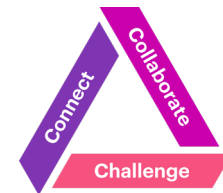
Review Total Rewards through a climate lens to identify high impact areas



Case studies



Aligning climate goals with executive pay to drive change from the top – an increasingly common governance mechanism



Progressing Ambition Zero Carbon through collaboration

The steps we took...



- ‘Ambition Zero Carbon’
- 98% reduction in Scope 1&2 emissions by 2026 from 2016
- 50% reduction in Scope 3 emissions by 2030 and 90% by 2045 from 2019 baseline
- In 2019, introduced Scope 1&2 emissions reduction metric and targets in LTIP, weighted at 10% - with quantifiable targets and assessment in line GHG Protocol methodology
- Feedback: CEO said it provided focus and a ‘north star’ for executives on the climate strategy throughout the COVID-19 pandemic and significant M&A

Not just for executives... Tie employee rewards to goals



MICHAEL MIEBACH, CEO

SUSTAINABILITY

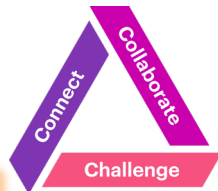
Sharing accountability and success: Why we're linking employee compensation to ESG goals

APRIL 19, 2022 | BY MICHAEL MIEBACH

- Mastercard's Mission: build a more inclusive and sustainable digital economy.
- Focus on 2025 Science Based Targets on path to 2040 Net-Zero
- In 2021, introduced ESG metrics to compensation for EVP level and above, focusing on carbon neutrality, financial inclusion and gender pay parity
- Decided to take ESG commitment to the next level, extending the model to annual corporate scorecard and all employees globally
- Beginning in 2022, achieving the company's ESG goals will factor into bonus calculations for all employees

Source: <https://www.mastercard.com/news/perspectives/2022/esg-goals-and-employee-compensation/>

Boeing's Sustainability Initiative: Battle of the Buildings



'WATT'a Competition!

2018 Battle of the Buildings

- 47 sites competed; 23 reduced electricity use and several saw double-digit reductions
- 1.6% reduction overall

When the reductions are sustained for a year, the electricity saved could power 3,516 average homes.

Thank you!

Winning Sites

- Platinum: North Boeing Field, WA
- Gold: Long Bridge, VA
- Silver: Salt Lake City, UT
- Bronze: Everett, WA

- 47 sites, 5 Countries
- Earth Day; (4/1-4/30)
- 1.6% reduction = ~3,500 homes for a month!

2018 | Energy

Make it Count

50 seconds at a time

2020 Battle of the Buildings
April 22 – May 31
Help your site win! Choose actions here: environment.web.boeing.com



2020 | Canceled

Winners!

Battle of the Buildings 2022

Winners:

- Very large site: Everett
- Large site: San Antonio
- Mid-size site: Winnipeg
- Small site: Spares Distribution
- Very small site: Germany-Other (Berlin)
- Business unit category: BGS

- 231,342 completed actions
- Earth Day recognition
- Competition: 4/22-5/31
- Equivalent to 7.8 million miles not driven



2022 | 60 Seconds for the Environment

2016 Pilot | Energy

Top in Category: Office

BOEING-RENTON 10-18/20 BUILDING
Boeing

We WON!

Energy Savings:
26% energy savings
220,000 reduced CO2e savings
436.2 MCO2e greenhouse gas emissions prevented

Key Actions Taken:
Adjusted run times for HVAC
Adjusted ventilation system outputs
Tuned variable frequency drive (VFD)

- Four office buildings
- 90 day competition (Oct – Dec)
- 26% reduction in energy use
- Won, beating out 800 other buildings!

2019 | Solid Waste

2019 Battle of the Buildings

Reducing solid waste at 52 sites, 6 countries!

Waste diverted: 175 tons!

Yea, we did it!

- 52 sites, 6 countries
- Earth Day recognition
- Competition: 4/22-5/31
- Diverted 175 tons = weekly trash from 10,000 homes!

2021 | 60 Seconds for the Environment

Munich, Germany wins 2021 Battle of the Buildings!

- 168 sites, 39 countries
- Earth Day recognition
- Competition: 4/22-5/31
- 72,204 completed actions

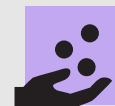


Many companies are providing “green benefits” to align with values



**Paid
volunteer
time off (VTO)**

Patagonia employees are allowed up to **two months** away from their regular roles to work for the environmental group of their choice while continuing to earn pay and benefits.



**Sustainable
flex
allowances**

Vermont Energy Investment Corporation offers a **flex Sustainability Benefits Package**, with options such as energy-efficient appliance rebates, EV transportation incentives, home energy assessment subsidies, sustainable food management discounts and compost products.



**EV salary
sacrifice
schemes**

Allows employees to **pay for an electric vehicle** from their gross pay. “This is a fantastic benefit that our employees love and aligns with our internal goals to become a more sustainable business.” Director People Experience, McLaren Racing



**Locally
sourced food
programs**

Timberland Victory Garden is a 1,200 sq ft fruit and vegetable garden on the front lawn of the company’s HQ. Voluntarily maintained by Timberland employees, the garden produce is sold to staff and local residents, with all proceeds going to charity.



**Energy
efficient home
discounts**

Goldman Sachs partnered with **Arcadia**, a monthly subscription service that connects renters and homeowners to wind and solar energy, giving employees the opportunity to run their homes on **100% renewable energy**.



**Donation
matching**

Apple and Google match a maximum of **\$10,000 at a ratio of 1:1** for full-time and part-time employees. Google also offers multiple matching gift programs, including **general donations to nonprofits and disaster relief**.

Leading organizations are committed to building the global workforce for the transition internally and externally



We've committed to building and growing the pool of people with the skills to push the global green energy transition forward. We're building our global talent pool by tapping into different talent communities around the world.



Internal

Implemented a global job architecture, career, and competency framework to create greater transparency with regards to role requirements.

Ran a Global Learning Week to help employees develop their knowledge and skill sets.



External

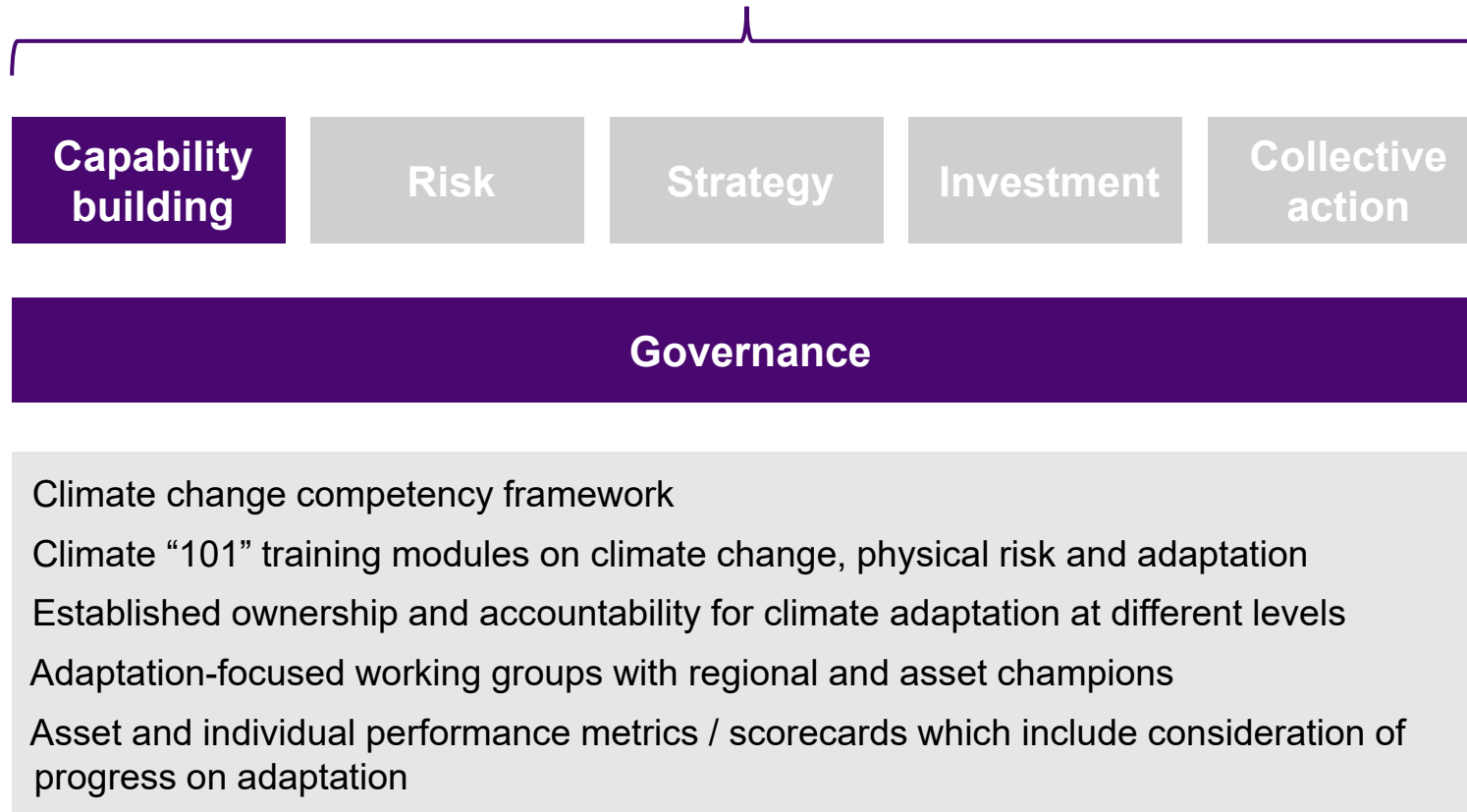
Collaboration with youth organization Student Energy to identify skills gaps in the global energy transition.

Completed Prosperity Partnership, a five-year R&D collaboration with UK universities and Siemens Gamesa to support PhD students.

Human capital is central in a leading mining company's climate adaptation strategy



Climate change adaptation strategy





- What is the role of Total Rewards in driving climate commitments within your organization?
- How are you aligning human capital programs with changing employee values and needs?
- Is your organization preparing your workforce for the energy transition?
- What challenges are you facing?