Setting the Next Generation of Sustainability Goals
October 29, 2019

Welcome to NAEM

Learning	Insights	Networking

Actionable strategies to empower corporate EHS&S leaders to make an impact

Today's Speakers

Barjouth Aguilar

*Global Manager,
Sustainability
Flex*

Rob Currie

*Director Environment
Health & Safety
Baxter Healthcare*

Craig Riley

*Associate Vice President
Director, Sustainability
Services, AECOM*

Elizabeth Ryan

*Director of
Communications
NAEM*

Today's Purpose

To share highlights from NAEM's latest report

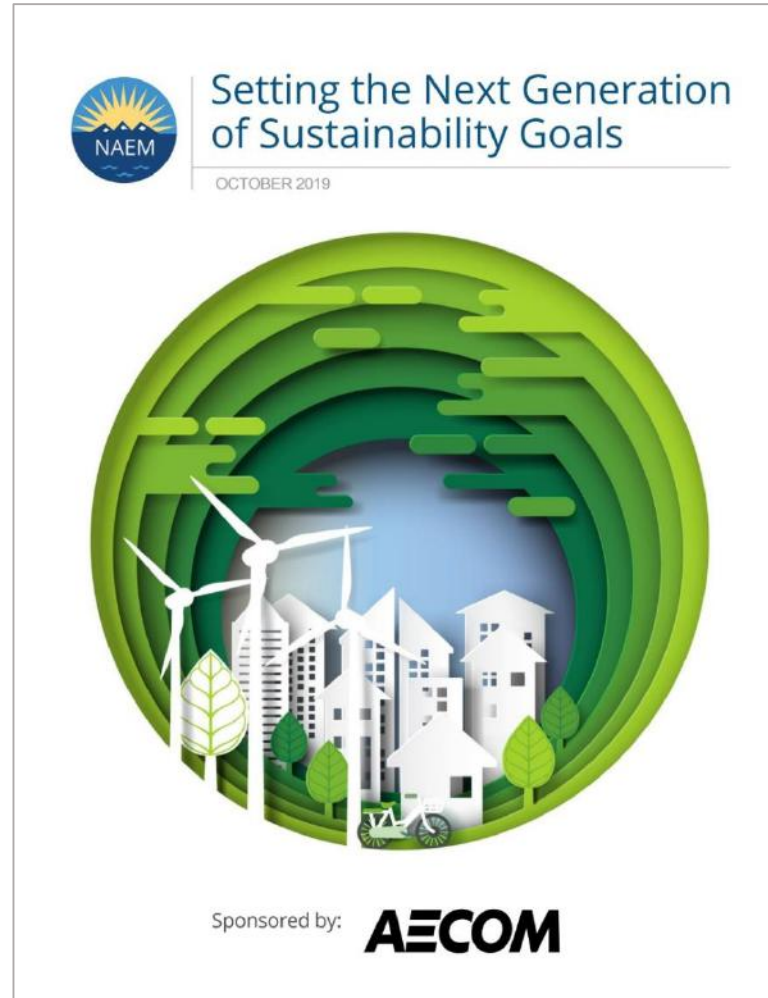To help you identify where you are on the maturity curve

To identify actionable strategies to take your program to the next level

Format of Today's Webinar

Report Highlights

Case Studies

Discussion

About our Research

Setting the Next Generation of Sustainability Goals

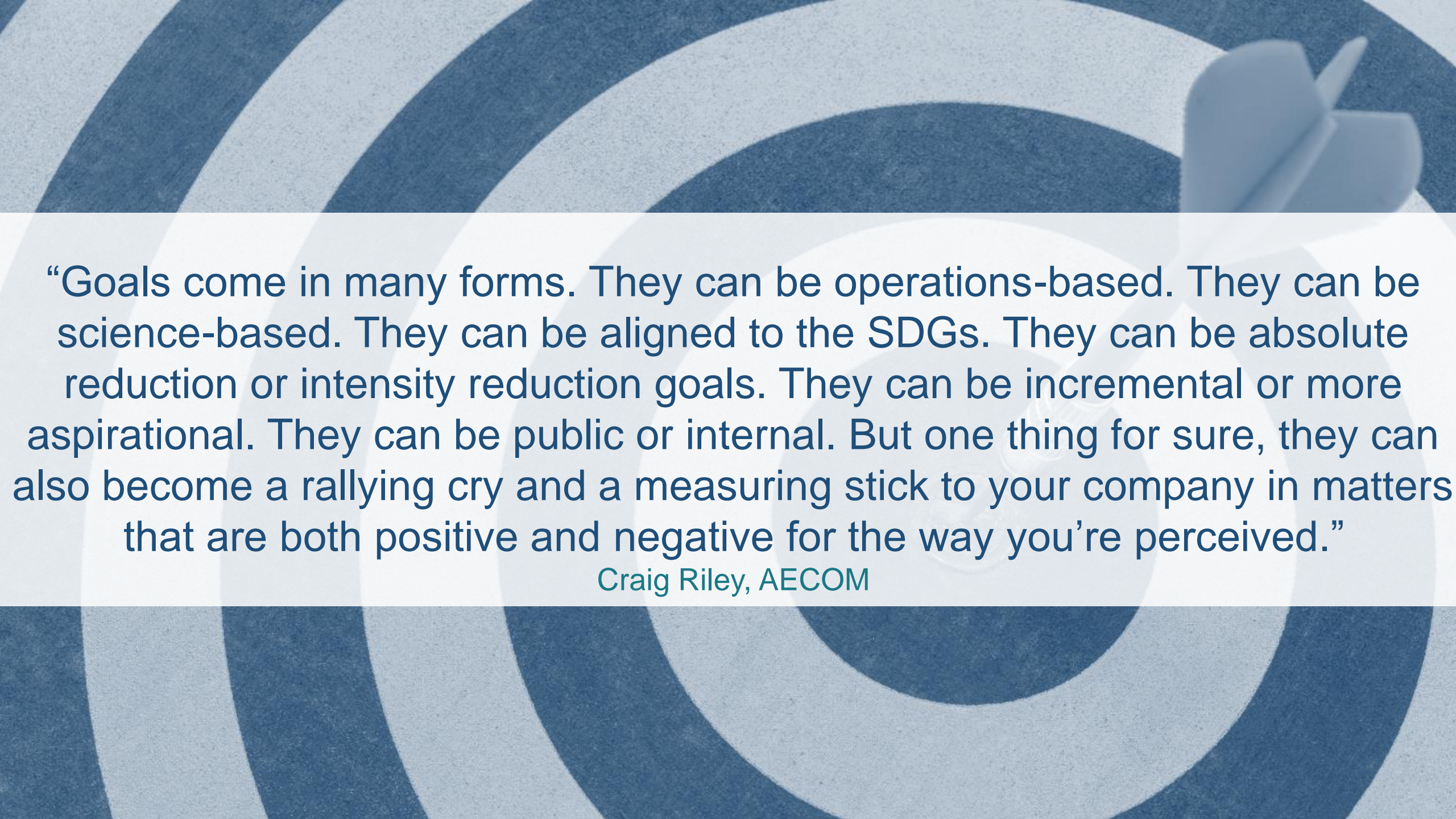OCTOBER 2019

Sponsored by: **AECOM**

Download the full report at naem.org

- Approach:
  - Panel discussion at NAEM's 2019 Sustainability Impact Conference
  - Live Poll Results
  - Data from NAEM's 2018 trends survey

- Contributors and Respondents:
  - Corporate EHS and Sustainability leaders

- Content:
  - Insights from leading companies
  - Case studies
  - Resources to help you advance your program performance

Presentation of Results

"Goals come in many forms. They can be operations-based. They can be science-based. They can be aligned to the SDGs. They can be absolute reduction or intensity reduction goals. They can be incremental or more aspirational. They can be public or internal. But one thing for sure, they can also become a rallying cry and a measuring stick to your company in matters that are both positive and negative for the way you're perceived."

Craig Riley, AECOM

Q1: Where is your company on the sustainability goal-setting journey?

A: Our company does not have any established goals

B: We have some goals for internal use only

C: We disclose our goals externally

D: We have public goals, with accountability integration across the business

E: We have science based goals or goals aligned with the UN's SDGs

Transparency Has Become a Business Norm
Companies are now commonly disclosing ESG data externally

Our company publishes a sustainability report, or is planning to:

84%

N = 78

Our company reports to third-party sustainability frameworks such as CDP, DJSI, GRI, or is planning to:

76%

N = 77

Source: NAEM's Setting the Next Generation of Sustainability Goals report. Data from NAEM's 2018 Trends research.

Goal-Setting Program Maturity

Determinants of sustainability goals

- Sustainability program maturity

- Value chain

- Company culture

- Geography

Value Chain position

Company culture

Sustainability Program maturity

Geography

Sustainability Goals

The best goals are those that are material to the business

Stakeholders are shaping sustainability strategy

More companies are using materiality assessments to set priorities

79% of companies engage external stakeholders as part of its strategic planning process, or are planning to do so.

N = 79

Source: NAEM's Setting the Next Generation of Sustainability Goals report. Data from NAEM's 2018 Trends research.

68% of companies define their EHS&S strategies based upon a formal materiality assessment, or are planning to do so.

N = 79

Source: NAEM's Setting the Next Generation of Sustainability Goals report. Data from NAEM's 2018 Trends research.

Q2: How would you rate the value of the materiality assessment process for your company?

A: Not that valuable

B: Moderately valuable

C: Neutral

D: Very valuable

E: Extremely valuable

Baxter's Sustainability Goal Setting 'Infrastructure'

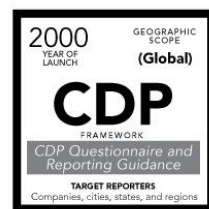| Baxter Function	Goal Setting Role
Corporate EHS&S	Sustainability SME's Chair CRC Create process & timeline Program gap analysis
Corporate Responsibility Council (CRC)	Cross-functional senior management council Oversees CR Program
Corporate Communications	Responsible for CR Report Goals are fundamental to report
Business SVP's	Approve 'interim final' goals proposed by CRC
CEO	Approves final goals

Baxter

Sustainability Program Gap Analysis

Finding the right chemistry for sustainability reporting

These frameworks help organizations report different aspects of their nonfinancial impact

GRI	CDP	IIRC	SASB	TCFD
1997 YEAR OF LAUNCH / GEOGRAPHIC SCOPE (Global)	2000 YEAR OF LAUNCH / GEOGRAPHIC SCOPE (Global)	2010 YEAR OF LAUNCH / GEOGRAPHIC SCOPE (Global)	2012 YEAR OF LAUNCH / GEOGRAPHIC SCOPE (US)	2017 YEAR OF LAUNCH / GEOGRAPHIC SCOPE (Global)
GRI FRAMEWORK / GRI Standards	CDP FRAMEWORK / CDP Questionnaire and Reporting Guidance	IIRC FRAMEWORK / Integrated Reporting Framework	SASB FRAMEWORK / Sustainability Accounting Standards	TCFD FRAMEWORK / Task Force on Climate-related Financial Disclosures
TARGET REPORTERS All companies	TARGET REPORTERS Companies, cities, states, and regions	TARGET REPORTERS Public companies	TARGET REPORTERS Public companies in US exchanges	TARGET REPORTERS All companies
www.globalreporting.org	www.cdp.net	www.integratedreporting.org	www.sasb.org	www.fsb-tcfd.org

H O R I Z O N T A L   A N A L Y S I S

Dow Jones Sustainability Indices 20th Anniversary — In collaboration with SAM

SUSTAINALYTICS

MSCI

ISS

SUSTAINABLE DEVELOPMENT GOALS

Benchmarking

IDENTIFY OPPORTUNITIES:
TRANSPARENCY; MANAGEMENT; CORRECTION; ENGAGEMENT

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Consider Every Material Topic as a Goal

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Materiality reflects our Stakeholder's Input

Customers

External Sustainability Rankings

Industry Information

Materiality Assessment

FLEX MATERIALITY

1. **Access** GRI topics and disclosed economic, envirionmental and social impacts

2. **Determine** topics with the greatest influence for stakeholders

3. **Analyze** feasibility of impact and influence for stakeholders

4. **Narrow** down topics by geographic scope

5. **Identify** the key functional areas of the company

6. **Validate** through functional executive approval

OUR MATERIALITY MATRIX

● People   ● Community   ● Environment   ● Integrity   ● Supply Chain   ● Economic Performance

Influence on stakeholders (vertical axis)

High-low	High - medium	High - high
	● Responsible materials sourcing	
	● Fair wages and benefits	● Occupational health and safety
		● Working hours
		● Forced or compulsory labor
		● Energy
		● Water
		● Emissions
		● Effluents and waste
		● Supplier social assessment
		● Supplier environmental assessment
		● Economic performance

Medium - low	Medium - medium	Medium - high
	● Diversity and equal opportunity	● Training and education
	● Child labor	●●● Management system
	● Freedom of association and collective bargaining	● Local communities
	● Non-discrimination	● Anticorruption
	● Environmental compliance	● Procurement practices
	● Innovation	

Low - low	Low - medium	Low - high
	● Anti-competitive behavior	
	●● Socio economic compliance	

Significance of economic, environmental and social impacts

Note: Materiality is used herein as defined by the GRI Standards. Chart shows relevance to our stakeholders, does not indicate performance. Last Update: July 2018.

Flex 20 by 2020 goals

PEOPLE

GOALS

Increase employee development

Increase the average training reach to employees by 5 percent year over year (Base year 2016).

CY2016 — ▲ 5% year over year

Base Year — Target 2020

Increase Flex Pledge audits

Audit 100 percent of all Flex manufacturing sites to ensure regulatory and Flex Pledge compliance.

100%

Target 2020

Increase Human Rights Policy Training completion

Train new employees on Flex human rights policy, with a 95 percent or higher completion rate.

95%

Target 2020

PEOPLE (CONTINUED)

GOALS

Increase Responsible Business Alliance (RBA), formerly EICC, compliance for rest day requirements

Ensure full compliance with Responsible Business Alliance (RBA), formerly EICC, rest day requirements.

95%

Annual Target

Decrease incident rate

Promote a zero injury culture and achieve a reduction in the global incident rate of at least 10 percent (Base year 2015).

CY2015 — ▼ 10%

Base Year — Target 2020

COMMUNITY

GOALS

Increase volunteer hours

Increase global volunteer hours by 15 percent (Base year 2015).

CY2015 — ▲ 15%

Base Year — Target 2020

Increase percentage of sites with community activities

Maintain percentage of sites with implemented local community engagement activities at 90 percent or higher.

90%

Annual Target

COMMUNITY (CONTINUED)

GOALS

Implement Worker Empowerment Training Program

Improve the technical and vocational skills of manufacturing employees by partnering with an NGO to develop a Worker Empowerment Training Program at 20 supplier sites.

20 Suppliers

Target 2020

Implement Flex Foundation — community grants

Partner with nonprofit organizations to provide life-long learning, technical and vocational skills and innovation and entrepreneurship at 100 percent of our sites that have an employee population of over 5,000.

100%

Target 2020

ENVIRONMENT

GOALS

Decrease CO_2 emissions

Reduce CO_2 emissions by at least 10 percent normalized to revenue (Base year 2016).

CY2016 — ▼ 10%

Base Year — Target 2020

ENVIRONMENT (CONTINUED)

GOALS

Increase use of renewable energy

Increase the utilization of renewable energy by deploying a minimum of two megawatts of solar power annually and/or procuring the same amount of power from third party renewable sources.

CY2016 — ▲ 2MW year over year

Base Year — Target 2020

Decrease water consumption

Reduce overall water consumption by at least 10 percent absolute (Base year 2015).

CY2015 — ▼ 10%

Base Year — Target 2020

Increase water recycling

Increase recycled water rate to 10 percent (Base year 2015).

CY2015 — ▲ 10%

Base Year — Target 2020

Increase waste diversion rate

Achieve and maintain a diversion rate of waste from manufacturing processes at or above 95 percent.

95%

Annual Target

ENVIRONMENT (CONTINUED)

GOALS

Increase the number of powered homes equivalent

Flex Energy Solutions will have manufactured enough solar PV modules and solar trackers to power 3.5 million homes.

▲ 3.5 million of homes

Target 2020

Decrease cost of electricity to the grid vs fossil fuels

Flex Energy Solutions' renewable energy systems will provide electricity to the grid at a cost which is 5 percent less expensive than the average cost from fossil fuel sources.

5%

Target 2020

INTEGRITY

GOALS

Implement in-person training on CoBCE

Conduct in-person Code of Business Conduct and Ethics (CoBCE) training at 100 percent of Flex sites with direct labor employees.

100%

Target 2020

Increase CoBCE training completion

New Code of Business Conduct and Ethics online training to be completed annually by 100 percent of eligible employees.

100%

Annual Target

SUPPLY CHAIN

GOALS

Increase social and environmental supplier training

Increase percentage of suppliers (Flex Tier 1 and Flex-controlled) who completed social and environmental training by 10 percent annually (Base year 2015).

CY2015 — ▲ 10% year over year

Base Year — Target 2020

Increase supplier screening on social and environmental criteria

Keep percentage of all new Flex-controlled suppliers screened on social and environmental criteria at 85 percent or higher.

▲ 85%

Annual Target

FLEX 20 BY 2020 PROGRESS REPORT

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Introduce materiality to your organization
Goal setting begins with materiality

Identify
- Benchmark and identify potential focus areas

Prioritize
- Through stakeholder engagement, prioritize focus areas

Validate
- Review, refine, and validate focus areas

GRI
Empowering Sustainable Decisions
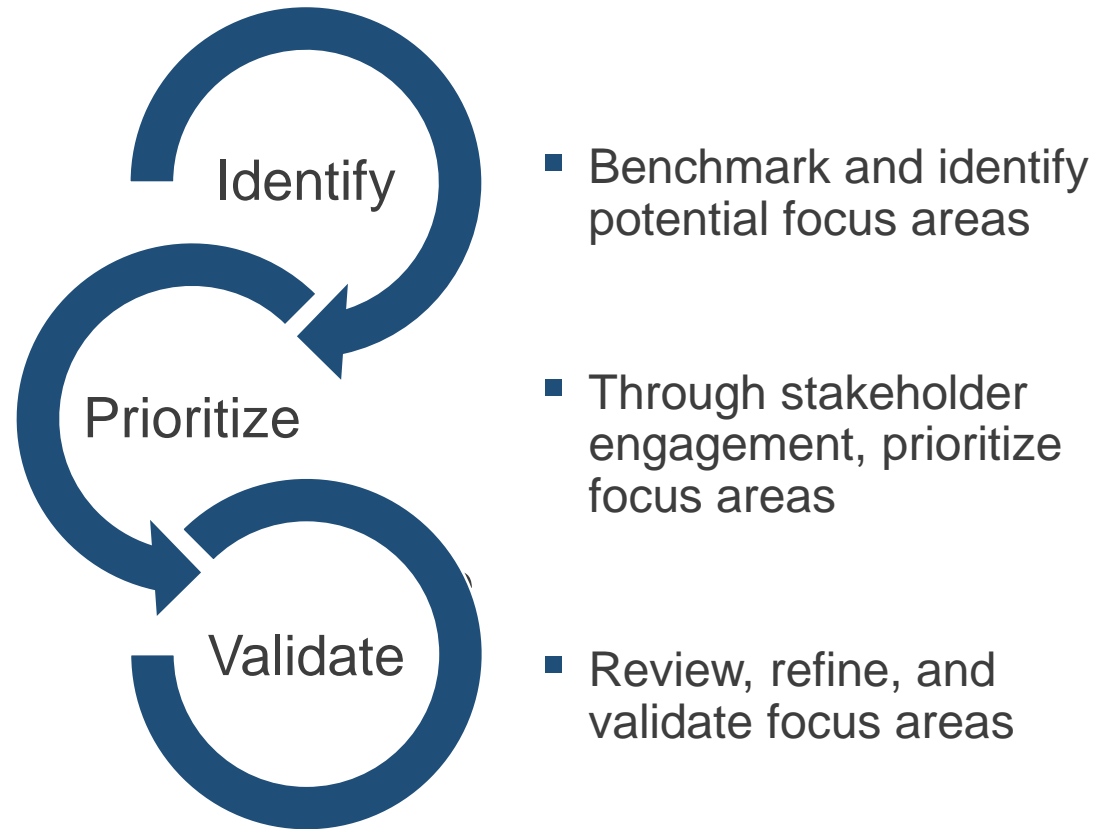
Material issues are those topics that reflect the organization's significant *economic, environmental, and social impacts*

Introduce materiality to your organization

Goal setting begins with materiality

- Disconnect in risks disclosed on legal filings and those in sustainability reports

- Best integration and resulting management of these risks tended to be heavier industry

- Lack of standard or practice integrating sustainability in risk management
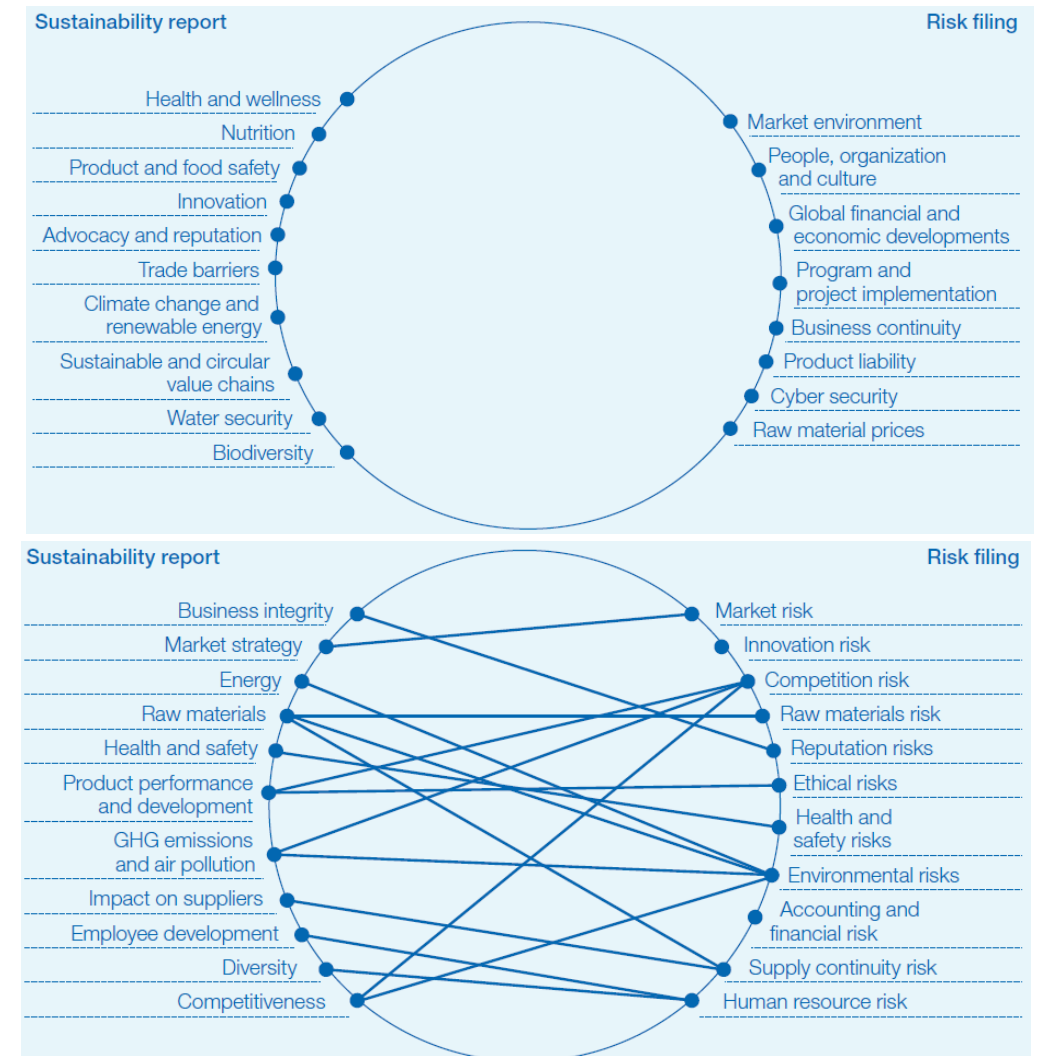
Source: WBCSD, 2017. Sustainability and Enterprise Risk Management

Impact goals and science-based targets are becoming more common

Companies are leveraging common standards to achieve scale

63%

Our company is aligning, or is planning to align, its goals around the U.N.'s Sustainable Development Goals

N = 79

Source: NAEM's Setting the Next Generation of Sustainability Goals report. Data from NAEM's 2018 Trends research.

65% have adopted science-based targets for GHG emission goals, or are planning to do so.

Case study of Flex Goals aligned with UN SDGs
UN SDGs provides guide to the goals definition

While our global sustainability efforts contribute to most of the SDGs, we drive progress by prioritizing on four UN SDGs: quality education, affordable and clean energy, decent work and economic growth and responsible consumption and production.

The UN SDG alignment was carried out based on the GRI, WBCSD and UN Global Compact: SDG Compass- Linking the SDGs and GRI.

SDG	ALIGNMENT
Strategic area of focus	
4 QUALITY EDUCATION	» Key performance indicators: people
7 AFFORDABLE AND CLEAN ENERGY	» FY19 annual report » Flex investor website and 10K report » Flex CDP climate change response » Key performance indicators: environment » Environment
8 DECENT WORK AND ECONOMIC GROWTH	» Key performance indicators: people, environment and supply chain » FY19 annual report » Flex investor website and 10K report » People: talent development » Flex CDP climate change response » Environment » People: labor and human rights
12 RESPONSIBLE CONSUMPTION AND PRODUCTION	» Procurement practices » Key performance indicators: supply chain and environment » Flex CDP climate change response » Environment

OUR INTERRELATION TO OTHER SDGS

1 NO POVERTY	» People: talent development
2 ZERO HUNGER	» FY19 annual report » Flex investor website and 10K report

OUR INTERRELATION TO OTHER SDGS (CONTINUED)

3 GOOD HEALTH AND WELL-BEING	» Key performance indicators: people and environment » Environment
5 GENDER EQUALITY	» FY19 annual report » Flex investor website and 10K report » People: talent development » Key performance indicators: people and supply chain
6 CLEAN WATER AND SANITATION	» Key performance indicators: environment » Environment
9 INDUSTRY INNOVATION AND INFRASTRUCTURE	» FY19 annual report » Flex investor website and 10K report
13 CLIMATE ACTION	» Flex CDP climate change response » Key performance indicators: environment » Environment
14 LIFE BELOW WATER	» Key performance indicators: environment » Environment
15 LIFE ON LAND	» Key performance indicators: environment » Environment
16 PEACE, JUSTICE AND STRONG INSTITUTIONS	» Values at Flex » Integrity » Key performance indicators: integrity and supply chain

Goals are Aligned with Risks

Based on our materiality assessment, we identified:

- Our **biggest risks** to **people** and the **environment** were located:
  - Entry point A – SDG 8 and 12

- **Our biggest contribution** through our products, services or investments:
  - Entry point B – SDGs 4 and 7

SUSTAINABILITY REPORT 2019

OUR CONTRIBUTIONS TO QUALITY EDUCATION

Equal Access to Quality Education

Target 4.3 — By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university.

CORNERSTONES	ACTIONS	MORE INFORMATION
People	We support vocational education and training programs.	» Flex 20 by 2020: Increase hours of training
People	We provide funding for educational programs to employees.	» Our Employee Scholarship Program Opens Doors to Quality Education
Community & Supply Chain	We encourage suppliers to provide the same resources. (We go beyond this and provide skills training to our suppliers.)	» Worker Empowerment Training Program (WETP) » Flex 20 by 2020: WETP

Relevant Skills for Employment

Target 4.4 — By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.

CORNERSTONES	ACTIONS	MORE INFORMATION
People	We offer technical and vocational guidance and training programs, and ensure that company-supported education and vocational training programs are equally available and accessible to all groups. We engage with educational institutions to develop or support programs dedicated to vocational training, educational and employment skills development, and improving the teaching of technical skills by providing innovative solutions – complementing rather than substituting government and public sector action.	» Our Employee Scholarship Program Opens Doors to Quality Education » A Global Commitment: Recognizing Our Sustainability Initiatives (Mexico)
Community and Supply Chain	We encourage suppliers to provide the same resources. (We go beyond this and provide skills training to our suppliers.)	» Worker Empowerment Training Program (WETP) » Flex 20 by 2020: WETP
Community	We engage with educational institutions to develop or support programs for vocational training, employment skills and educational development, and improve teaching technical skills by providing innovative solutions – complementing rather than substituting government and public sector action.	» Women with Technology Education Program » A Global Commitment: Recognizing Our Sustainability Initiatives (Poland)

(Continue

Climate Change

Goal Owner: Art Gibson; Team: Rob Currie

Reducing energy consumption and expanding use of renewable energy in Baxter's operations and reducing greenhouse gas (GHG) emissions across our value chain; incorporating climate change strategy, including adaptation and resilience planning, into relevant business decisions. Learn more.

Industry-leading performance

2020 goal

- 2020 Goal: Reduce absolute greenhouse gas (GHG) emissions by 10% from a 2015 baseline. (Priority: Operations - Reduce environmental footprint through increased efficiency and resource conservation)
- 2018 Progress: Baxter reduced absolute GHG emissions by 14% during 2018 compared with 2015, exceeding our goal.
- History: Our previous goal was to reduce GHG emissions by 45% indexed to revenue by 2015 from a 2005 baseline; we reduced by 40% indexed to revenue, an absolute decrease of 19%. We began reporting our GHG emissions in 1997.

Key inputs

- UN SDG: 13 Climate Action - Take urgent action to combat climate change and its impacts
- 2019 Gap Analysis: Verified science based target; increase # of locations certified to ISO 50001; enhance scenario analysis to include qualitative analysis aligned to TCFD
- 2019 Benchmarking: BD – Reduce Scope 1 & 2 GHG emissions by 50%, focuses on climate resilience planning at facilities; Abbot - reduce Scope 1 and 2 emissions by 40%, identify and mitigate risks, ERM process will identify potential events that could impact the company
- 2019 Ceres Stakeholder Panel: Science-based target to 2030 (including Scope 3) with review in 2025; 100% of energy from renewable sources.
- Customer Expectations: Environmentally Preferable Purchasing Policies & requests in RFP/tenders e.g., NHS Scotland requests carbon footprint of products

Status

- Stretch goal:
- Working goal:
- Reviewed: Name, date
- Checkpoint Nov. X, 2019: To be approved by Operations SVP

Notes

Action items

Appendices

Baxter Confidential — Do not distribute without prior approval

Baxter

How you can get started
Getting sustainability 'under management'

- To get to goals, you have to have a program to report on

- Got the basics covered?

✓ Governance/organizational structure

✓ Aligned vision and/or guiding principles

✓ Stakeholder engagement

✓ Materiality

✓ Established programmatic areas

Program Visioning & Strategy

Ongoing Sustainability Planning & Management

How you can get started
Getting sustainability 'under management'

- Once your ready for data/goals

✓ Current/baseline conditions

✓ Context for the goals

✓ Initial goal structure and potential targets

✓ Corporate and facility level actions

✓ Refine goals, develop implementation plan (be SMART!)

✓ Commit to reporting and disclosure metrics

✓ Monitor performance and evaluate program

✓ Communicate

The future will be about integration, alignment with business risk, value creation

Integration is Coming

42%

Our company includes sustainability data in its 10K filing, or is planning to do so.

N = 74

49%

Our company publishes an integrated sustainability report, or is planning to do so.

N = 77

Source: NAEM's Setting the Next Generation of Sustainability Goals report. Data from NAEM's 2018 Trends research.

The future of goal-setting
From siloed to strategic

- Managing sustainability at the material level

- Increasing expectation for transparency

- Not just your sustainability department thinking about goals

- SDGs and context/science-based goals will continue to be adopted

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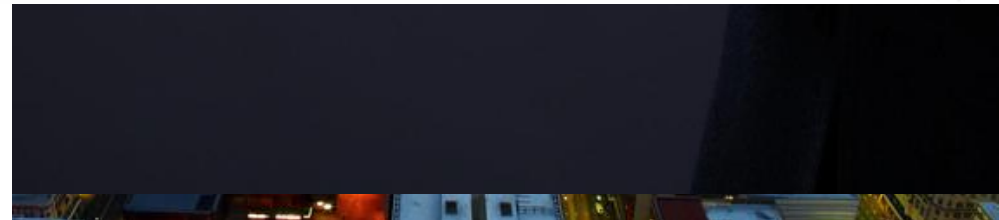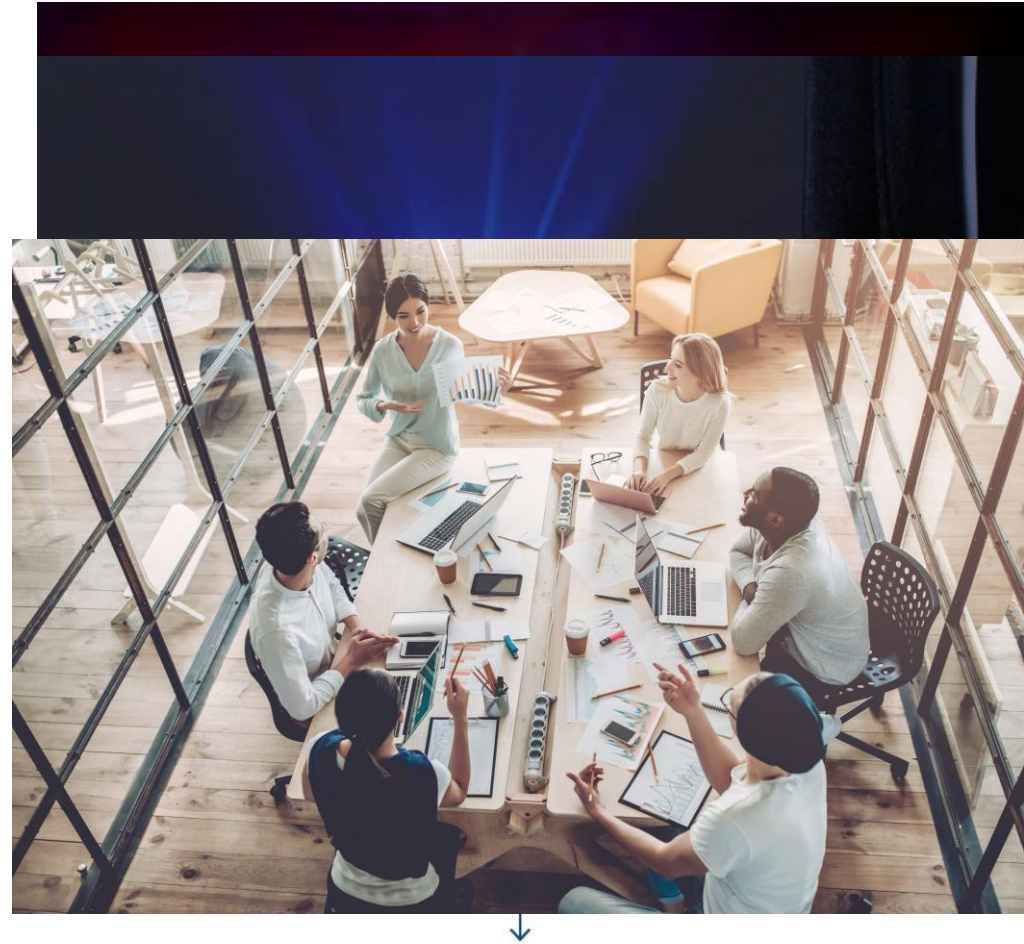
A letter from our CEO

We operate at scale across a great number of industries and geographies, delivering value to our customers through comprehensive design, supply chain, manufacturing and logistics capability. The value and capability we bring are enabled by our 200,000 dedicated employees who are committed to making a positive impact on our customers, company and communities. Our effort to maintain a sustainable business is embedded in the value we provide.

To support our commitments, we align our sustainability efforts and reporting to the Responsible Business Alliance (RBA) and the Global Reporting Initiative (GRI). In addition, we have been accepted into the United Nations Global Compact (UNGC) and are committed to the 10 UNGC Principles on human rights, labor, environment and anti-corruption.

We are also ensuring our activities align with the UN's Sustainable Development Goals (SDGs). We are focused on four of the SDG goals: quality education, affordable and clean energy, decent work and economic growth, and responsible consumption and production.

We drive progress on our sustainability agenda by implementing global programs that cover our five cornerstones: people, community, environment, innovation, integrity.

We are pleased with our progress from this past year. Listed below are a few highlights:

» 14% decrease in our safety incident rate

» 90% of our sites implemented community activities this year

» 13% increase in our installed renewable energy capacity (34MW)

» 17GW of smart solar trackers and ~32,000 EV chargers produced

» 97% of new suppliers screened using RBA social and environmental criteria

For the past two years in a row these efforts have been recognized by sustainability rankings including the FTSE4GOOD, CDP Climate Change, and the Sustainability Manufacturing Leadership Awards.

We have a unique opportunity to make a significant impact in many areas of sustainability. The diversity of our customers, locations and employees give us a unique vantage point to bring creative solutions to our customers and communities with respect to sustainability efforts. We believe operating as a responsible

Revathi Advaithi
Chief Executive Officer

corporate citizen is the right thing to do. It leads to increased value and trust with our customers and shareholders, improved pride and engagement with our employees, and strengthened partnerships and commitments with our communities. Moving forward, we will continue our sustainability journey with disciplined focus and increased rigor to apply science-based targets and goals that align with our capabilities.

I would like to take this opportunity to thank our employees and suppliers for their contributions to our sustainability results and look forward to another year of progress.

Thank you for your interest in Flex.

Sincerely,

Revathi Advaithi
Chief Executive Officer

Moving forward, we will continue our sustainability journey with disciplined focus and increased rigor to apply science-based targets and goals that align with our capabilities.

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Discussion

Q3: What are your current limitations or challenges in setting your next set of goals?

A: Lack of interest from top management

B: Lack of ambition

C: Lack of external demand for transparency from investors or customers

D: Reluctance to be transparent

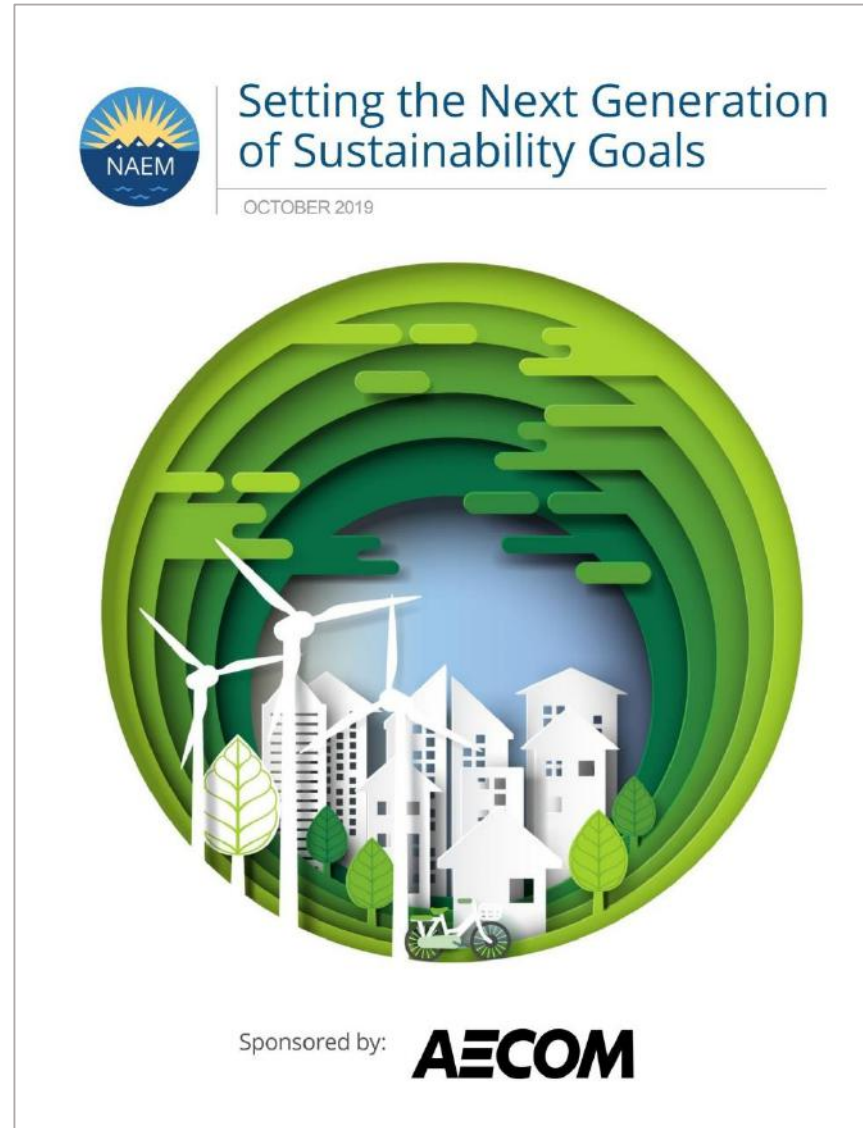E: Other (Please type your answer into the chat box)

Wrap Up

Thank you to our Report Sponsor

Access the Full Results

Visit www.naem.org

Mark your calendar

Nov 13

Insights from
Successful Supply
Chain Sustainability
Practices

Nov 21

*Improve Enterprise Risk
Management With
Systems* Thinking *and
New Technology*

Dec 5

How Agile Leads to a
Win-Win Software
Implementation

For more information or to register, visit
www.naem.org

Save the Date for NAEM's 2020 Conferences

EHS Software, Innovation & Technology Showcase	EHS Operational Excellence	Sustainability Impact From Aspiration to Operation	EHS&S Management Forum
March 3-5	May 5-7	Aug. 3-5	Oct. 20-23
New Orleans, LA	Columbus, OH	Denver, CO	Fort Worth, TX

To learn more or to register, visit
www.naem.org

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Thank you for Attending!

A recording will be available in 1-2 days. You will receive an email once it's posted to our site.

Have a safe & great day!