FINSBURY GLOVER HERING

THE POSITIVE IMPACT OF A BEST-IN-CLASS SUSTAINABILITY INTEGRATED INVESTOR DAY

Five Steps towards Best Practice in Communicating Corporate Sustainability

A company that effectively communicates Sustainability has access to the broadest possible investor universe, as investors are increasingly influenced by ESG requirements. In fact companies are now moving beyond standard disclosures to show how Sustainability actively contributes towards top-line growth, improved risk management and return on capital employed. In this way a company can translate differentiated Sustainability positioning into an enhanced equity investment case and ultimately an improved share price performance.

Therefore a best-in-class Investor Day that fully integrates the strategic, operational and financial impacts of Sustainability into the equity story can be a highly effective opportunity for value creation. In this brochure we show you how to best achieve this.

> Sustainability actively contributes towards top-line growth, improved risk management and return on capital employed.

The value created by Sustainability

~20% share price outperformance of MSCI World Socially Responsible Investing (SRI) Index versus MSCI World Index in the three years to December 2021[1]

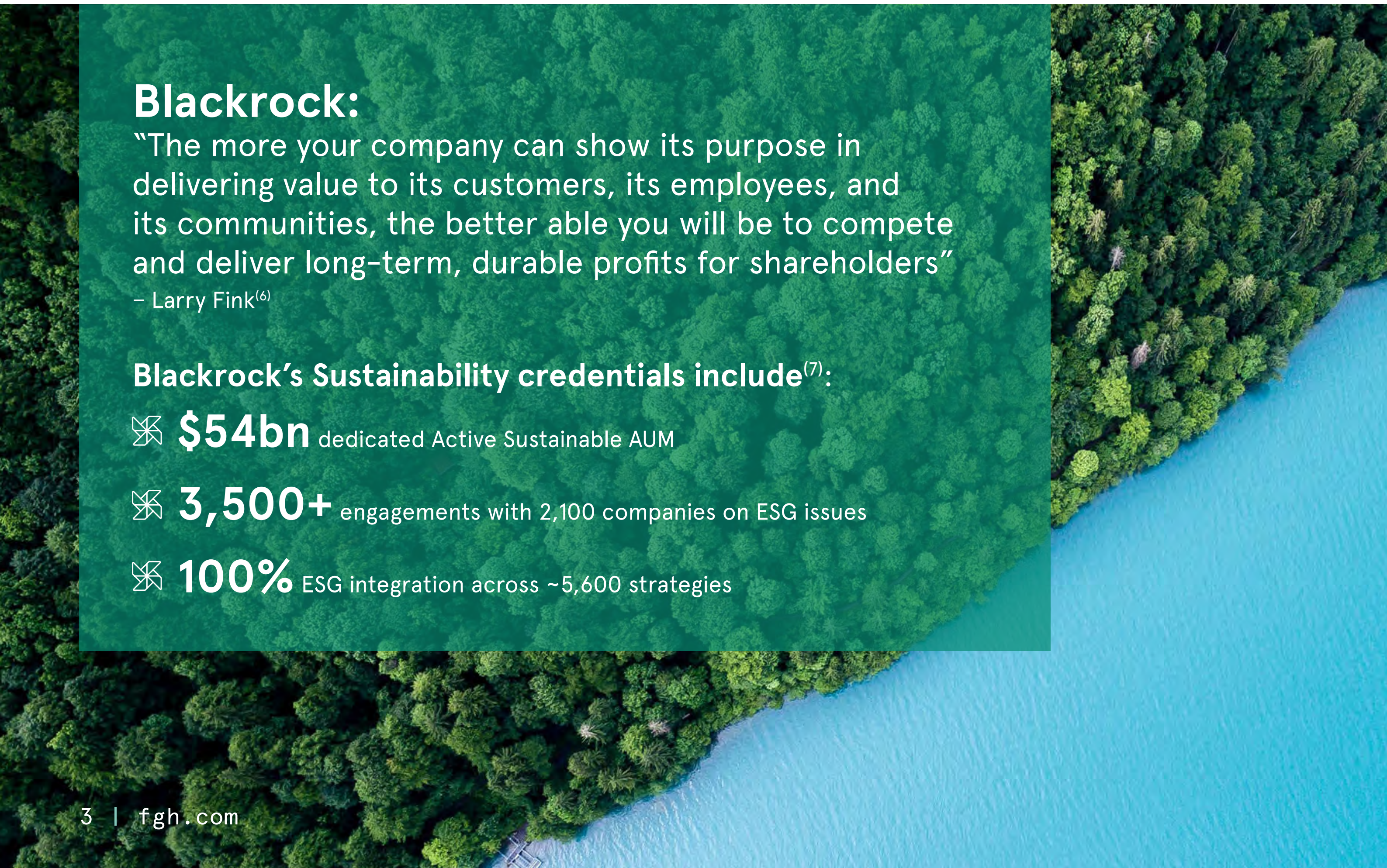
>$53 trillion ESG assets by 2025, more than one third of global AUM[2]

86% of investors surveyed said they are now more likely to hold an investment based on its strong ESG performance than prior to COVID-19[3]

90% of investors surveyed are attaching greater importance since the pandemic to companies' ESG performance, with 74% saying following the pandemic they are now more likely to divest based on poor ESG performance[3]

~$121 trillion was the collective AUM represented by PRI signatories as of 31 March 2021 (~17% increase on the previous year)[4]

$130 trillion of private finance ~40% of the world's financial assets has been pledged by >450 bank[5]



Blackrock:

"The more your company can show its purpose in delivering value to its customers, its employees, and its communities, the better able you will be to compete and deliver long-term, durable profits for shareholders"

– Larry Fink[6]

Blackrock's Sustainability credentials include[7]:

- **$54bn** dedicated Active Sustainable AUM
- **3,500+** engagements with 2,100 companies on ESG issues
- **100%** ESG integration across ~5,600 strategies

With extensive capital markets experience and deep expertise advising on corporate Sustainability, Finsbury Glover Hering provides strategic and practical advice to Board of Directors, Management and Investor Relations on how Sustainability can positively impact the equity investment case. In this brochure we set out our framework in five critical steps that will help to ensure a best-in-class event:

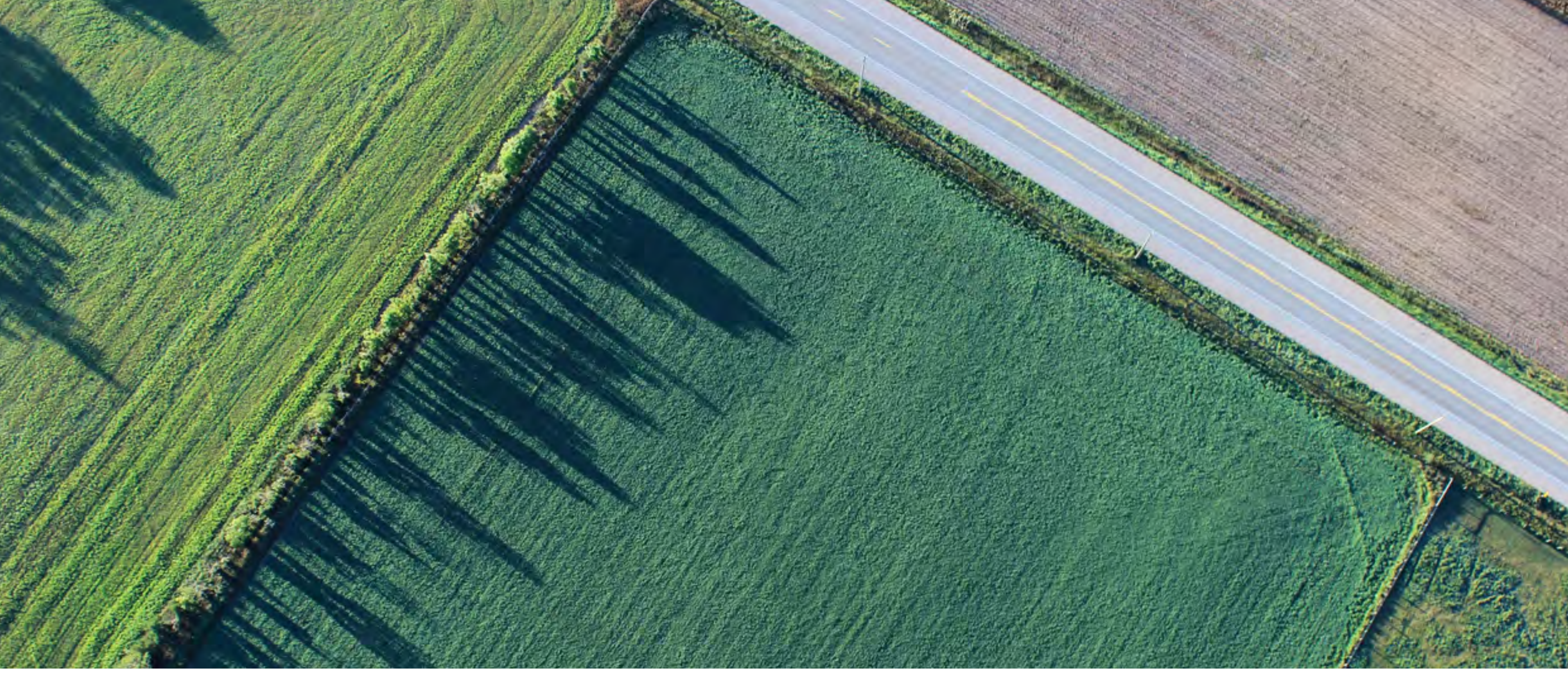
1. Undertake, refresh or upgrade your Sustainability materiality matrix: use an integrated perspective to identify the Sustainability factors most material to your business
2. Articulate your detailed Sustainability strategy: substantiate your strategic vision based on how Sustainability impacts the growth, risk management and capital allocation policy of your business
3. Benchmark your performance and establish KPIs: review your current performance versus your peer group and broader industry best practice, identify gaps to address and strengths to highlight
4. Address misperceptions and concerns: identify the Capital Markets' expectations and priorities going forward
5. Optimise and differentiate your Equity Story and execute a best-in-class Sustainability-integrated Investor Day

Orsted's 2017 and 2018 Capital Markets Days (CMD) communicated the company's successful transition towards renewable energy and were followed by strong share price outperformance, with shares up relative to the OMX Copenhagen ~34.5% one year after its 2017 CMD, and ~24.5% one year after its 2018 CMD[1].

Rolls Royce has achieved best-in-class Sustainability credentials through successfully repositioning the business and through effective communications.

- At the company Investor Presentation (September 2021) management integrated Sustainability into the Rolls Royce Strategy and Equity Story, including:
  - Sustainable power as a strategic pillar and long-term growth driver
  - Low carbon technologies as a capital allocation priority (75% of R&D spend targeted towards lower carbon and net zero technologies by 2025)
  - Product development focused on increased efficiency and Sustainability (e.g. all new products compatible with net zero by 2030)
- This has been recognised by investors with its shares outperforming close peer Airbus by ~12% since the event[1].

[1] Factset as of 22nd December 2021.
[2] Bloomberg Intelligence, 23rd February 2021.
[3] EY Sixth Global Institutional Investor Survey, November 2021.
[4] UN PRI 2021 Annual Report.
[5] Bloomberg, 2nd November 2021.
[6] Larry Fink 2021 CEO Letter | BlackRock.
[7] Blackrock Investor Day 2021.



Five Steps towards Best Practice in Communicating Corporate Sustainability

We set out the key elements of best practise below in five key steps. These steps are interlinked in practise and therefore can be undertaken in an integrated and iterative way, adapting the approach for an individual company depending upon progress on its Sustainability agenda, characteristics of relevant stakeholders, industry dynamics etc.

1. Undertake, refresh or upgrade your Sustainability materiality matrix: use an integrated perspective to identify the Sustainability factors most material to your business

A Materiality Assessment is a methodical and structured process to identify and prioritise the Sustainability factors most critical to a company. This assessment is a key step to help companies identify and prepare for relevant trends and long-term risks, while underscoring their Sustainability strategy and enabling them to meet stakeholder expectations.

This is then communicated to stakeholders as a Materiality Matrix, which provides a visual representation of the importance of each factor in relation to both its impact on the business and its importance to stakeholders.

The Materiality Assessment process is typically as follows:

1. Understand the company's strategic, operational and financial Sustainability-related characteristics, based on a 360 degree internal and external stakeholder perspective
2. Identify those Sustainability factors which are potentially material to your stakeholders, set thresholds and prioritise these based on these stakeholders' perspectives
3. Validate these Material Sustainability factors with the relevant governance body (usually a Board sub-committee) and communicate the results, e.g. as a Materiality Matrix

Multiple perspectives on Materiality

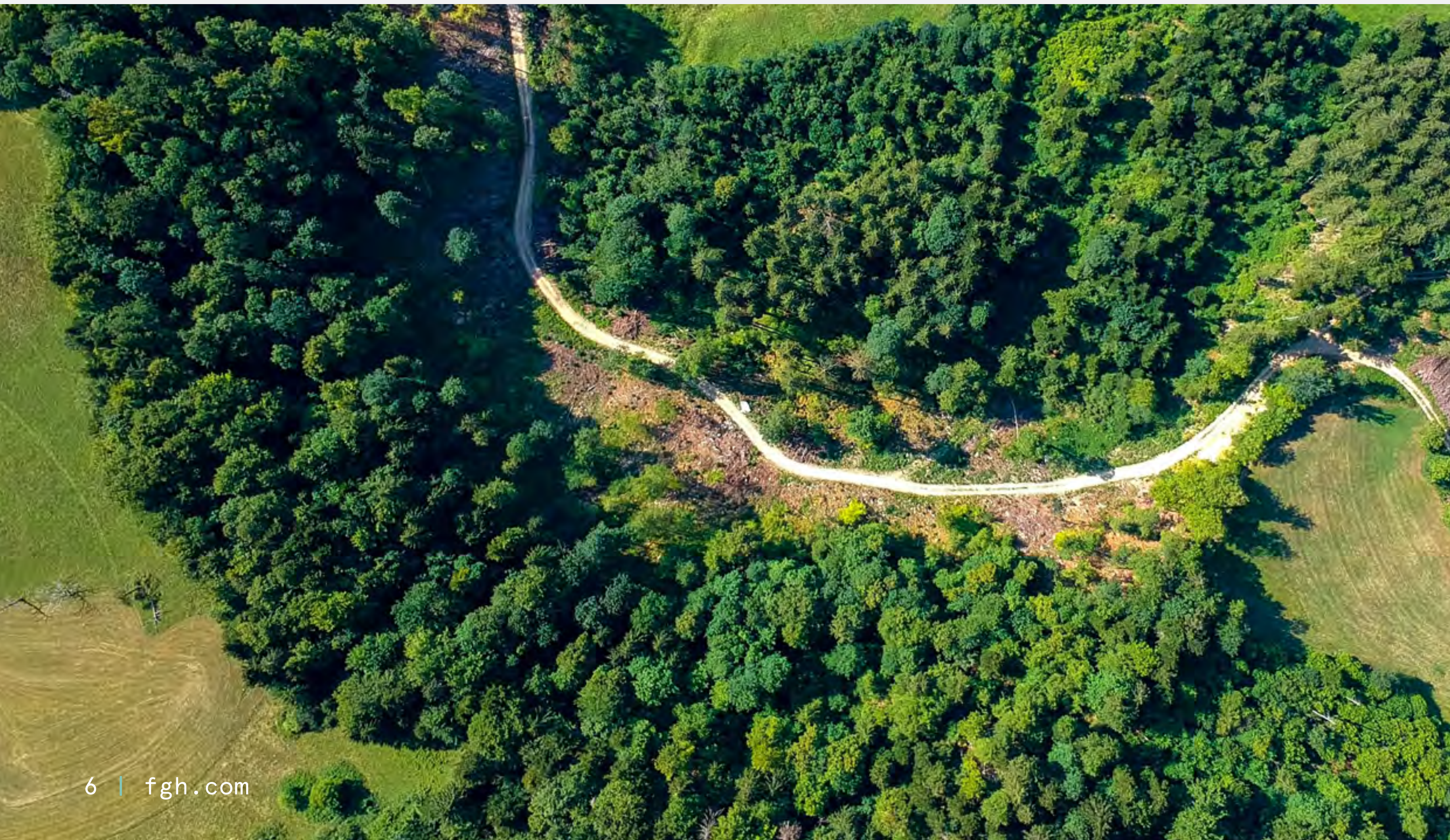
The step to prioritise material Sustainability factors can be perceived as a challenge given the various perspectives on materiality under different reporting disclosure standards. For example, GRI (Global Reporting Initiative) focuses on impacts companies have on the economy, environment and society, whereas SASB (Sustainability Accounting Standards Board) focuses on ESG topics that materially impact financial conditions or operations, and TCFD (Task Force on Climate-Related Financial Disclosures) cautions organisations against prematurely concluding that climate-related financial risks and opportunities are not material. In addition, the concept of 'Double Materiality' has gained increasing influence as a means of reflecting both companies' impact on the world and the world's impact on companies.

Given the absence of a harmonized approach, and while the International Sustainability Standards Board continues to work on this convergence, best-in-class approaches increasingly integrate multiple perspectives in the identification and prioritization of material topics[8]. Research from WBCSD shows that among materiality assessments of its members, in 61.2% of cases companies reported using multiple perspectives on materiality[9].

The Materiality Assessment process can be challenging. With its deep expertise in Sustainability topics and stakeholder engagement, Finsbury Glover Hering can provide you with the tools and the guidance you need to succeed in this process. This can include establishing a comprehensive and ongoing megatrends analysis, peer benchmarking, AI-driven data analysis and stakeholder engagement. All of this enables effective prioritization of material Sustainability issues and facilitates these being embedded into the articulation of your company's strategy and purpose. We can also use our rigorous approach to refresh or upgrade an existing Materiality Matrix to achieve best-in-class communication standards.

[8] GRI, SASB 'A Practical Guide to Sustainability Reporting using GRI and SASB Standards', April 2021.

[9] WBCSD, June 2021.



2. **Articulate your detailed Sustainability strategy:** substantiate your strategic vision based on how Sustainability impacts the growth, risk management and capital allocation policy of your business

Investors are increasingly integrating Sustainability concerns into their analysis of companies. 87% of investors surveyed use equities to gain exposure to positive ESG factors and nearly half (47%) of European investors say ESG investment integration is the most developed Sustainability capability within their organisation.[10] During our interactions with equity investors, we find that their key focus areas relating to Sustainability are typically those which directly drive valuation i.e. growth, risk management and return on capital.

Growth is impacted by Sustainability initiatives through both:

- Improved top-line growth, for example by retaining customer trust and loyalty and improving the product portfolio leading to greater pricing power and brand strength and;
- Cost reductions, for example through creation of a more robust and sustainable supply chain and increased resource efficiency as well as ability to retain and grow margins through competitive pricing

The evidence supports this; >70% of customers surveyed said they would pay an additional 5% for a green product if it met the same performance standards as a non-green alternative, and nearly half (44%) of companies surveyed identified business and growth opportunities as the impetus for starting their Sustainability programs[11].

Schneider 2021 Investor Day

To present Sustainability as a growth driver, Schneider:

- Highlighted relevant Sustainability megatrends
  - Electrification → Sustainability, Digitisation → Efficiency
- Outlined its end-markets, quantified growth drivers and alignment with megatrends
  - e.g. Data centres: presented IP traffic CAGR, cited "increased focus on need for energy efficiency" as a growth driver
- Quantified how alignment with megatrends and end markets has improved over time e.g.:
  - Change in proportion of revenues that is sustainable (~5% → 70% 2003-21)
- Demonstrated portfolio exposure is translating into growth outperformance by comparing organic growth CAGR 2017-2021 against peers and stating expectations for the future
- Presented clear Sustainability-linked growth targets for 2025, e.g.:
  - 80% Green Revenue representing double-digit growth
  - 4x Sustainability Consulting Revenue

Risk management is impacted by Sustainability initiatives through both:

- Regulatory and legal interventions, for example through increased ability to impact and lobby for a better regulatory environment and avoidance of fines, penalties and enforcement actions, and;
- Future-proofing, for example by encouraging investment ahead of peers to disrupt and/or enable differentiation

Research indicates that the value at stake from Sustainability challenges is substantial, with the potential impact (as a % EBITDA) estimated at 70% for regulation/reputation factors, 60% due to rising operating costs and 25% due to supply chain disruption.[11]

The Hershey Company

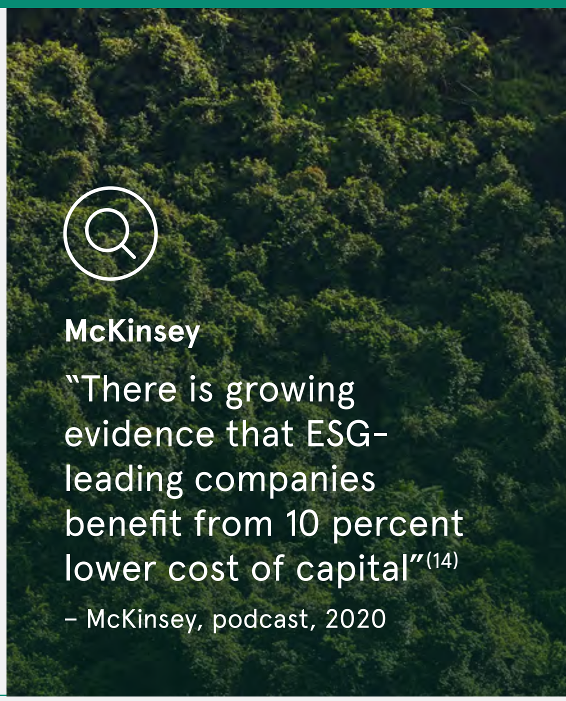
As part of its holistic sustainability strategy 'The Shared Goodness Promise', Hershey has set out targets and KPIs intended to meaningfully improve the lives of people in its supply chain, thereby improving its long-term supply chain resilience. This includes targets such as 85% of in-scope supplier sites meeting Hershey's Responsible Sourcing Supplier Program requirements by 2025. These requirements also include supplier audits to ensure alignment with their Supplier Code of Conduct covering topics such as Child Labour, Worker Health & Safety, and Business Ethics.

The company's performance has been resilient, including through the COVID-19 pandemic, with 2020 EBITDA up 6.4% relative to 2019, and its share price outperforming the S&P 500 by ~7% over the course of 2020.

Return on Capital is impacted by Sustainability initiatives through both:

- Investment and asset optimisation, for example by increasing opportunities for access to capital through green and transition bonds and;
- Productivity uplift, for example by boosting employee motivation, increasing innovation and talent attraction

The links between ESG performance and return on capital are evident. In the MSCI World Index, the average cost of capital of the highest-ESG-scored quintile was 6.16% compared to 6.55% for the lowest-ESG-scored quintile; the differential was even higher for MSCI Emerging Markets[12]. And research by the London Business School's Alex Edmans found that companies that made Fortune's "100 Best Companies to Work For" list generated 2.3% to 3.8% higher stock returns per year than their peers over a greater than 25 year horizon[13].



McKinsey

"There is growing evidence that ESG-leading companies benefit from 10 percent lower cost of capital"[14]

– McKinsey, podcast, 2020

Enel

Communicating Sustainability-linked financing as a driver of reduced cost of capital

Integrating Sustainability can help reduce financing costs. In its November 2021 CMD Enel presented its ambitions for increasing its share of Sustainable Finance (>50% 2021E to ~65% 2024 and >70% 2030) and the resulting expected reduction in cost of debt (3.5% '21E to 2.9% '24E).

Other companies are also actively disclosing credit facilities that offer discounts if Sustainability targets are achieved. For example:

- Unite Students has a £450m Sustainability-linked revolving credit facility. There is a 2.5bps premium/reduction to the base margin dependent on its Sustainability performance.
- Ørsted and Volution have disclosed sustainability linked RCFs.

Salesforce

Communicating Sustainability as a driver of increased Returns on Capital

Salesforce's management effectively communicates the link between the company's sustainability credentials and its ability to attract top talent and issue Sustainability Bonds.

- In its Investor Presentations the company frequently highlights that its "Values Attract Top Talent", making explicit the link between its Sustainability Credentials (e.g. Great Place to Work certification, named in Fortune's 100 best companies to work for in 2021 for the 13th consecutive year) and its headcount growth[15]. This serves to highlight its Sustainability credentials as drivers of increased productivity and returns.
- In its Investor Presentations and Press Release Salesforce highlight its $1 billion in Sustainability Bonds (issued in June 2021 to finance projects relating to nine green and social eligible project categories) as evidence for its ESG credentials expanding access to capital.

After identifying the links between Sustainability and business value drivers, a set of actions that will address any gaps and highlight strengths in the strategy can be identified. Finsbury Glover Hering can help you understand these links and support you in addressing them through our comprehensive suite of ESG services.

(10) Capital Group ESG Global Study, June 2021.

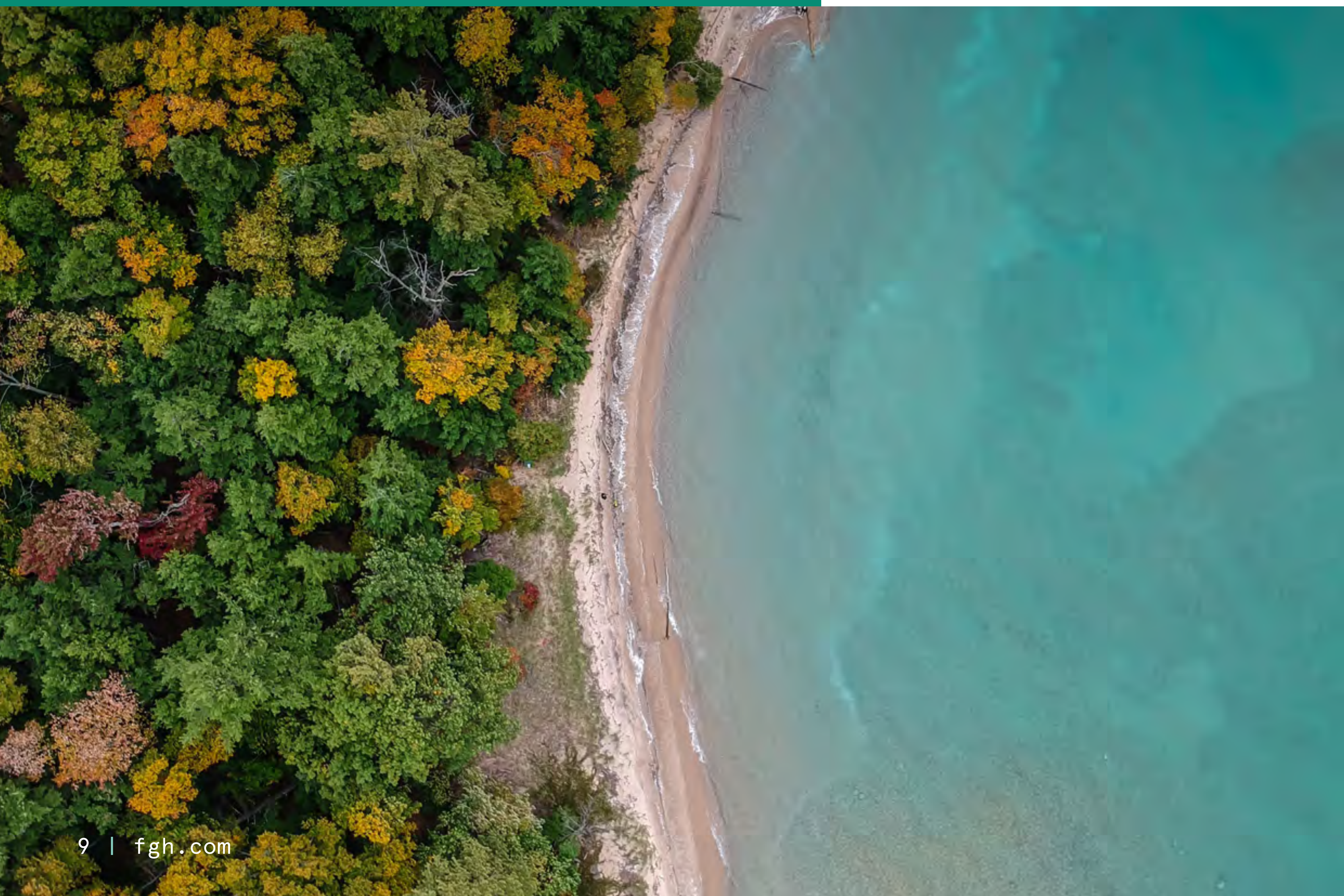
(11) McKinsey 'Five ways that ESG creates value', November 14th 2019.

(12) MSCI: ESG and the cost of capital, 25th February 2020.

(13) Alex Edmans 'The link between job satisfaction and firm value, with implications for corporate social responsibility', Academy of Management Perspectives, November 2012, Volume 26, Number 4, pp. 1-9, journals.aom.org.

(14) Finsbury Glover Hering (fgh.com).

(15) Salesforce Q3, Q2 FY22 Results Presentations.



3. **Benchmark your performance and establish KPIs:** review your current performance versus your peer group and broader industry best practice, identify gaps to address and strengths to highlight

To effectively articulate your strategy it is essential to have a comprehensive understanding of your current Sustainability performance, relative to your peer group and industry best practice. This analysis should be based upon a comprehensive benchmarking exercise to provide a fact based and objective framework, including the following factors:

- Review of Sustainability strategy and messaging relative to peers
- Assessment of ESG disclosure, operational and financial performance, plus KPIs and targets
- Consideration of potential material future developments

The review and benchmarking should provide actionable outcomes by highlighting any gaps relative to peers and best practice and outlining steps to resolve them. It should also identify points of positive differentiation that can be highlighted as key strengths of the business.

For example, our work with a global gold producer resulted in enhanced disclosure in key areas including water and climate risk to TCFD standards, as well as a commitment by the company to set climate targets. The exercise also led to enhanced communications on indigenous relations that helped manage elevated scrutiny of human rights risk following high profile negative events elsewhere in the industry.

The Sustainability Landscape

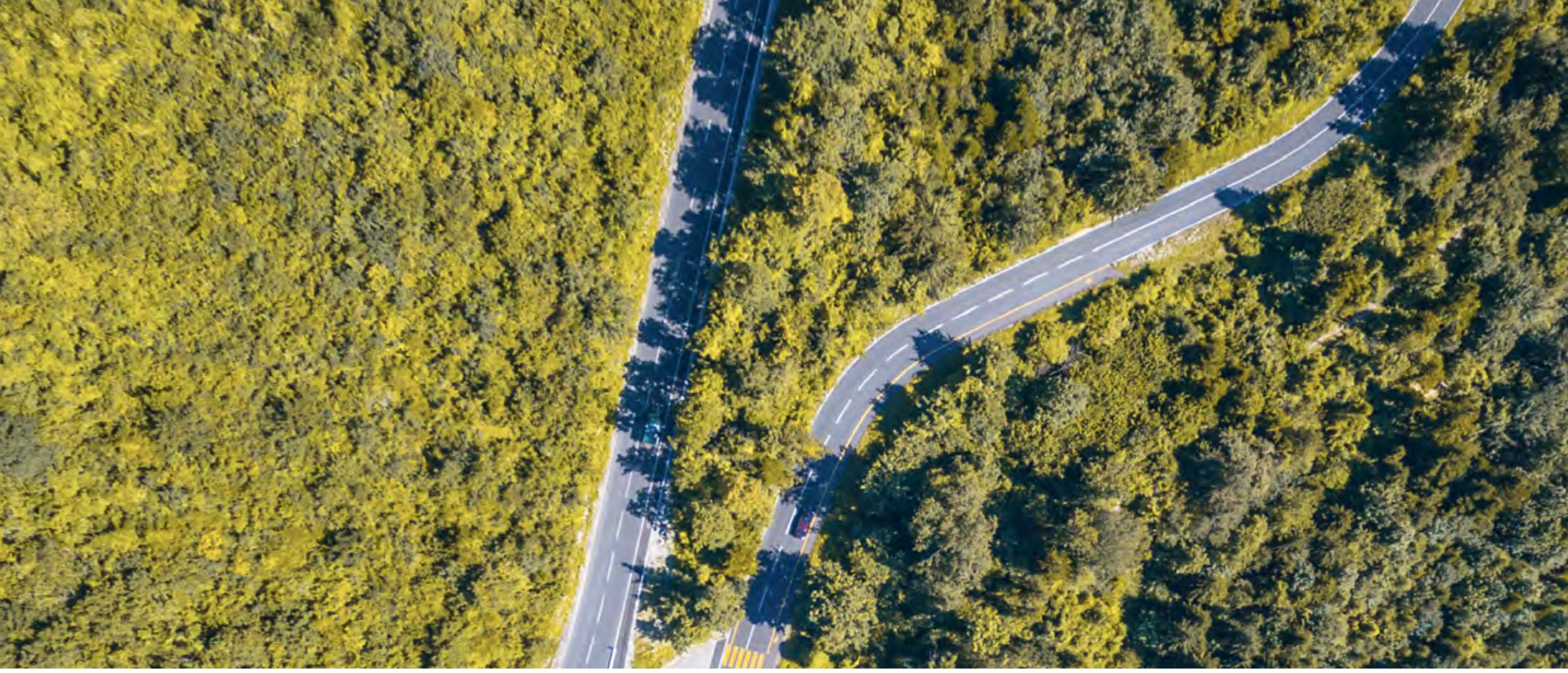
The importance of established Sustainability initiatives – and the implications for companies' Sustainability strategy and disclosure – is increasing.

Asset managers are increasingly making their demands explicit and setting defined expectations for companies through coordinated initiatives including 'The Three Asks' of Climate Action 100+, an investor-led ($60trn AUM) initiative to ensure the world's largest emitters take necessary action on climate change. These Three Asks include implementing a strong governance framework, reducing emissions consistent with the Paris Agreement Goal, and providing enhanced disclosure in line with TCFD and GIC (Global Investor Coalition) guidelines.

In response to investor concerns around a lack of robust ESG data (most commonly cited as the biggest barrier to ESG adoption by 49% respondents in a recent Global Study[16]) new initiatives are setting higher standards for the quality and quantity of Sustainability related disclosures by companies. This includes Europe's existing legal framework; the EU Non-Financial Reporting Directive (NFRD) that sets the rules on non-financial reporting for large listed corporations; the recent EU Sustainable Finance Disclosure Regulation legislation that increases the disclosures requirements for Financial Markets Participants and therefore, indirectly, for companies; and the recent EU Taxonomy Regulation which sets a common standard for what represents environmentally 'sustainable' performance.

These disclosure standards are continuously evolving and are becoming increasingly aligned. The EU Corporate Sustainability Reporting Directive proposal extends the scope of the NFRD requirements and increases reporting requirements, and the International Sustainability Standards Board (ISSB, announced at COP26) will consolidate existing global standards (such as CDSB, VRF and SASB).

[16] Capital Group ESG Global Study, June 2021.



4. **Address misperceptions and concerns:** identify the Capital Markets' expectations and priorities going forward

Following a comprehensive benchmarking exercise, an in-depth equity-related perception study offers the opportunity to substantiate and improve a company's understanding of investor and analyst perspectives. This enables comprehensive insights in terms of issues and opportunities to address through an equity investor-targeted event.

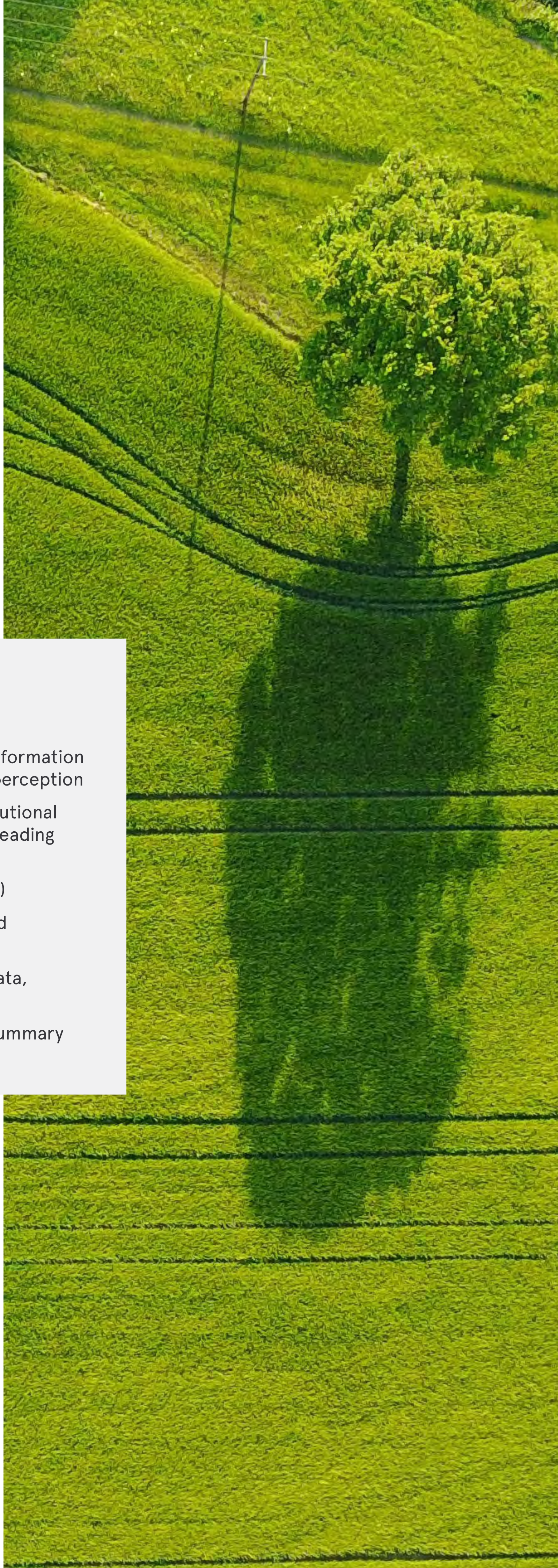
The perception study is based on structured interviews with top institutional investors and sell-side analysts. The analysis of these provides companies with a substantiated overview of the clarity and visibility of their Sustainability approach, including strengths and weakness and impact on valuation, as well as expectations for what will make a future Sustainability-integrated Investor Day effective.

Corporate ESG Ratings

While the Corporate ESG Ratings produced by the key recognised ESG Ratings agencies (such as MSCI and Sustainalytics) have historically been recognised as some of the most useful sources of information for Investors (cited by 55% of investors as the most useful source in a Global Survey[19]), companies have faced challenges understanding how they can improve performance in this regard. This is not helped by the fact that the methodologies can be opaque and there is often little correlation between the scores assigned by different ratings agencies. A 2020 study by MIT Sloan's School of Management found correlations between established ratings average 0.54[17], and this lack of consistency was most frequently cited, by 53% investors in a recent Global Study[18], as the greatest challenge when incorporating ESG data, ratings and research.

However, despite the apparent challenge this presents it is important to recognise that both the ESG Ratings Agencies and capital markets participants share the same starting point – they consistently base their assessments on the factors most material to stakeholders. Research suggests most investors value the data underlying ESG Ratings as opposed to the high-level scores assigned so they can conduct their own analysis based on the factors most material to them[19], and the ESG Rating agencies have been found to consistently base their assessment on the degree of compliance with the expectations and needs of different stakeholders[20]. Therefore, although this lack of clarity appears to present a challenge, the evidence suggests that an approach that first prioritises achieving an in-depth understanding of the factors most material to stakeholders is likely to achieve the best results overall.

Finsbury Glover Hering has extensive experience in providing in-depth perception studies to gauge external sentiment through rigorous interviews and analysis. Through our structured interviews and online surveys, we help you understand the market perception of your company and deliver actionable recommendations to improve your company's perception. To complement a Perception Study, we can also conduct an ESG investor peer benchmarking exercise to map the existing Sustainability-focused investment in your company and identify potential for further investment.



Example: Key components of a perception study

- Initial onboarding, review of all relevant ESG information and extensive comparison of current market perception
- In-depth, structured interviews with top institutional investors (15-20), ideally extending to several leading sell-side analysts (3-4)
- Online survey to extend reach (send to 70-100)
- Extensive evaluation and analysis of results and identification of core messages
- Quantitative and qualitative presentation of data, key findings and representative quotes
- Actionable recommendations and executive summary

(17) MIT Sloan School of Management Working Paper 5822-19, 'Aggregate Confusion: The Divergence of ESG Ratings', 15th August 2019, page 2.

(18) Capital Group ESG Global Study, June 2021.

(19) 2020 Rate the Raters Report.

(20) MDPI Sustainability Rate the Raters Study 2019, pages 12, 13

5. **Optimise and differentiate your Equity Story and execute** a best-in-class Sustainability-integrated Investor Day

Once the foundational work has been undertaken and the Sustainability communication strategy developed, you will be best positioned to substantiate your Equity Story, finalise your narrative and deliver a best-in-class Investor Day.

Content for the Investor Day will be key but it is also critical to consider who and how that content is delivered. A company can gain enhanced credibility, for example, by demonstrating a high-level of C-Suite engagement with Sustainability topics at investor events. Our support therefore also includes analysis and advice for the broader management team as well as rehearsals and Q&A practise prior to the event.

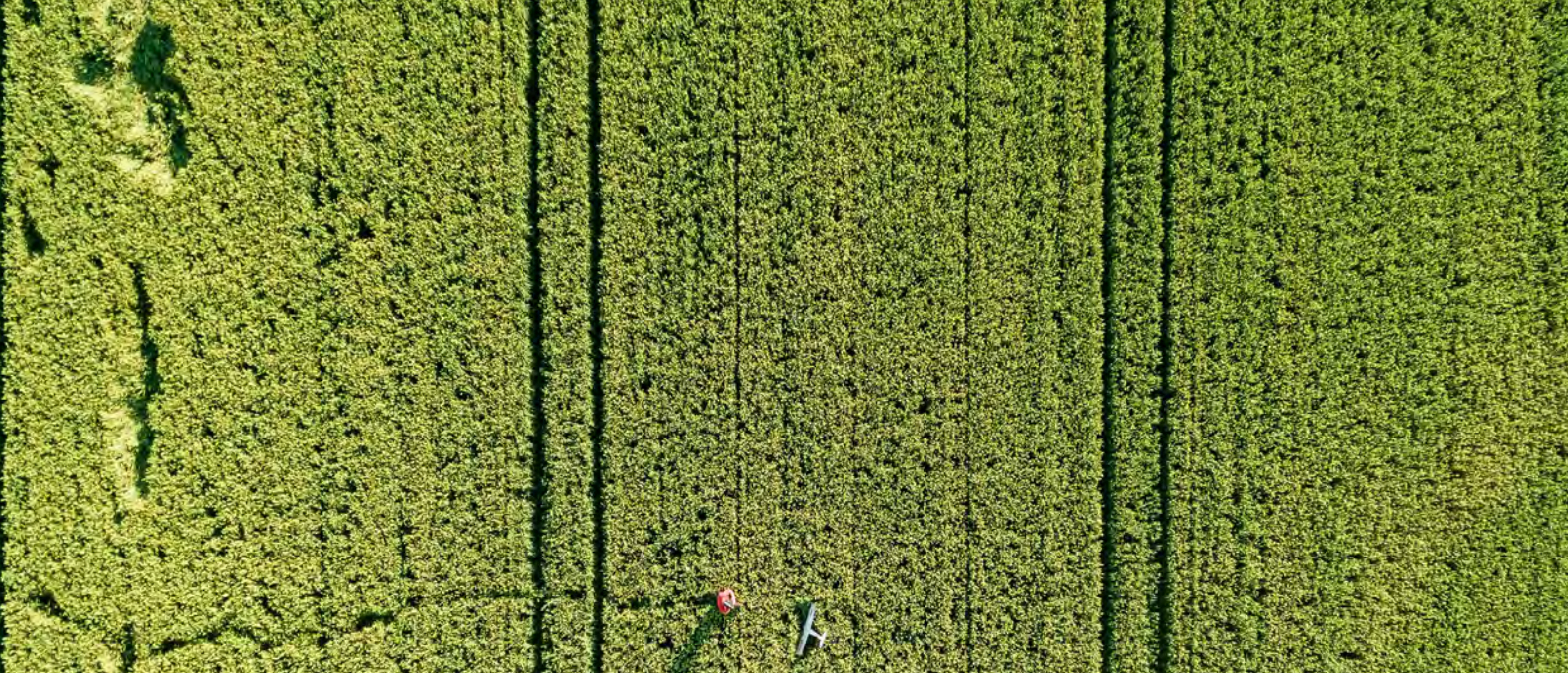
Your checklist towards a successful event – how Finsbury Glover Hering can support you in the lead-up to the event:

- Access to Equity Advisory, Sustainability and Strategic Communications experts throughout
- Comprehensive Benchmarking, Perception Study and Materiality assessment
- Definition of content and agenda
- Further substantiation and optimisation of strategic vision, positioning of equity story and Sustainability integration
- Working sessions with IR, Management and Board, as required
- Drafting of presentation materials and script
- Rehearsals with management including Q&A
- Feedback post event

In conclusion...

While the steps outlined in this document are key to ensuring you are best prepared to deliver effective and differentiated integration of Sustainability into your equity investment case, every company faces unique challenges. Our approach is therefore always highly bespoke to a company’s specific dynamics.

With extensive experience in capital markets and Sustainability and a multidisciplinary team, Finsbury Glover Hering can provide support at every stage in the delivery of your Sustainability-integrated Investor Event.



Biographies

Caroline Learmonth, Partner, London

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Caroline joined Finsbury in January 2021 to continue to build the Equity Advisory & IR practice in London. She brings extensive experience and understanding of investor and market behaviour into a private side and confidential environment to advise company management and Boards on all matters related to their valuation, market impact and communication.

Before joining Finsbury Glover Hering, Caroline had 25 years of investment banking experience at Deutsche, BAML and Barclays. This included Equity Advisory, M&A and Capital Markets. Caroline also spent eight years on the public side of the Chinese wall, as a lead equity research analyst and head of Barclays Africa equity research business. In the corporate world she also led the M&A and treasury function for chemicals company Sasol, ran its US listing project and sat on its Southern African exco. Caroline holds the CFA certificate in ESG investing.

Justin Shinebourne, Partner, London

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Justin joined Finsbury Glover Hering in September 2020 to lead the Equity Advisory & IR practice in London. He brings extensive experience and understanding of investor and market behaviour into a private side and confidential environment to advise company management and Boards on all matters related to their valuation, market impact and communication.

Before joining Finsbury Glover Hering, Justin had 17 years Equity Sales experience at Morgan Stanley, HSBC and Barclays, the last seven as Head of European Equity Sales, followed by eight years in Banking as Head of Equity Advisory Europe in 2012 and Chairman of Equity Advisory Europe in 2018 also at Barclays.

Justin is on the Board of Trustees at The Centre for Literacy in Primary Education, a national charity which aims to raise the achievement of children's reading and writing skills through teacher professional development and The Battersea Arts Centre, a community based creative hub for the arts and social enterprises.

Biographies CONT'D

Dr. Robert Vollrath, Partner, Frankfurt

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Robert joined Finsbury Glover Hering in 2019 to build the German Equity Advisory & IR practice. Today, from the Frankfurt office, Robert mainly advises companies on questions of financial communication and investor relations, including corporate governance.

Before joining Finsbury Glover Hering, he was Deputy Head of Investor Relations at Deutsche Bank and issuer representative on the Executive Board of the German Investor Relations Association (DIRK). From 2001 to 2009, Robert worked as a management consultant for McKinsey & Company in Germany and New York. Subsequently, he was responsible for setting up the OTC Clearing business at Deutsche Börse Group. Robert holds a PhD from the European Business School in Oestrich-Winkel and a degree in Business Administration from WHU Otto Beisheim School of Management.

Adrian Rimmer, Partner, London

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Adrian joined Finsbury Glover Hering in 2020 as a Partner to lead the global Sustainable Business and ESG practice. He has spent the last decade at the forefront of sustainable finance, driving commercial innovation in the private sector and within international NGOs.

Over the last three years Adrian led a strategic, cross-asset class initiative within London Stock Exchange Group's Capital Markets business, to scale-up sustainable finance across its markets & platforms. As CEO of international certification body Gold Standard, Adrian led the development of impact finance models for deploying clean technologies, sustainable land-use, water access and the delivery of Sustainable Development Goals. Adrian established ABN AMRO's Environmental Markets business and later supported renewable energy and cleantech clients as a Director in The Royal Bank of Scotland's corporate finance team.

Irene Colaboni, Associate Director, London

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Irene recently joined Finsbury Glover Hering's Sustainability & ESG team to support clients' sustainability strategy development, ESG reporting and disclosure. She joined from Bureau Veritas, where she worked across sectors, providing ESG data verification and third-party assurance of corporate ESG disclosures against multiple sustainability reporting frameworks and standards. Irene also led independent verifications of green and sustainable bond frameworks.

Irene was previously at EY Climate Change and Sustainability Team, where she advised financial institutions across banking, insurance and investments in the strategic integration of ESG and climate change impact and resilience considerations in their reporting, planning, capital allocation and risk processes. She also supported companies in performing materiality assessments, benchmarking, ESG regulatory scanning and due diligences.

THANK YOU