The ABCs of ESG

2020 NIRI West – Fundamentals of IR

Tammy Perry
January 14, 2020
Agenda

- Sustainability is evolving
- ESG Landscape
- Edwards journey
- In the News and 2020 Trends
- My Journey
ESG 101

“The consideration of environmental, social and governance factors along side financial factors in the investment decision-making process” – MSCI ESG Research

- Climate change
- Pollution
- Energy
- Waste
- Water

- Human rights
- Diversity
- Philanthropy
- Product liability
- Access to healthcare

- Board composition
- Executive pay
- Lobbying activities
- Tax transparency
- Ethics and compliance

“AKA”
- SRI – socially responsible investing
- Sustainable investing
- Mission- or values-related investing
- Screening

Sustainability is a lens through which to view all issues
Sustainability is Evolving Among Stakeholders

**Customers**: “200 of the top corporations around the US are formally prioritizing the needs of all stakeholders over the singular need of shareholders.” ~ BRT

**Investors**: “You can do good and do well. ESG could boost your returns by a significant amount.” ~ BAML, ESG Matters

“We invest only where engagement allows for true ESG and strategic relevance assessment.” ~ Ownership Capital

**Regulators**: ESG Disclosure Simplification Act (HR 4329) – would require SEC to define ESG metrics and companies to disclose with audited financial statements.

“To prosper over time, every company must not only deliver financial performance, but also show how it makes a positive contribution to society. Companies must benefit all of their stakeholders.” ~ Larry Fink, BlackRock

“Without a sense of purpose, no company can achieve its full potential”
Multi-Stakeholder ESG-Related Inquiries

- **Institutional shareholder**
  - Topic: Tax, nuclear waste, geographic exposure (OFAC)

- **Institutional Investment Firm**
  - Topic: Clinical research regulations and compliance

- **Global customer**
  - Topic: ISO certifications

- **US customer**
  - Topic: Modern slavery and human trafficking

- **Global customer**
  - Topic: Supplier Sustainability Declaration compliance

- **Norwegian and UK customers**
  - Social Responsibility and Ethics self-assessment questionnaires

- **Employee**
  - Green ERG proposal

---

$33 Trillion

in assets under management shows sustainable finance has moved beyond only activism and into the mainstream – and is steadily on its way to becoming the new normal for capital markets.*

ESG Investment Fund Holdings

“The Big 3” manage more than $14 trillion and account for more than a quarter of votes cast at S&P 500 companies*

Vanguard
- Owns 8% EW shares
  - SRI FTSE Developed World Fund
  - SRI Global Stock Fund
  - Ethically Conscious Intl Shares Index Fund/ETF

BlackRock
- Owns 5% EW shares
  - iShares ESG MSCI USA ETF
  - iShares ESG MSCI USA Leaders ETF
  - iShares DJ Global Sustainability Screened ETF

State Street
- Owns 4% EW shares
  - Multi-Factor Global ESG Index Equity Fund
  - World SRI Index Equity Fund
  - Low Carbon ESG Intl Equities Index Trust

---
ESG Ratings and Rankings Landscape

FRAMEWORKS
Some organizations simply provide frameworks or metrics for disclosure and do not evaluate companies.

VOLUNTARY DISCLOSURE
Some actively request information, aggregate data, and add ratings.

RESEARCH FIRMS
Some passively pull information from sustainability reports, aggregate data, and add ratings.

AWARDS
Some organizations use raters' information to issue awards that primarily provide reputational benefits.
The UN Sustainable Development Goals

People. Planet. Prosperity.

Demonstrating alignment of corporate efforts with the United Nations’ 17 Sustainable Development Goals is a mark of best-in-class goal setting.

- Launched in 2015
- Companies and investors are asked to contribute through business activities, asset allocation and investment decisions
Edwards’ Journey
Edwards’ Sustainability Efforts…

- Align with our Aspirations and patient-focused innovation strategy for **long-term growth**
- Translate our culture and business practices into **measurable** Environmental, Social and Governance goals
- Establish a framework and roadmap of **accountability**
- Impact the sustainability of our **trusted stakeholder partnerships**
# Corporate Sustainability Council

**Sponsor:** Corporate Responsibility

<table>
<thead>
<tr>
<th>Aspiration Theme Champions</th>
<th>Council</th>
</tr>
</thead>
<tbody>
<tr>
<td>- IR, Shareholder Value</td>
<td>- Legal</td>
</tr>
<tr>
<td>- Global Communications, Breakthrough Medical Technology</td>
<td>- Communications</td>
</tr>
<tr>
<td>- EHS, Trusted Partner</td>
<td>- Global Supply Chain</td>
</tr>
<tr>
<td>- Philanthropy, Community</td>
<td>- Public Affairs</td>
</tr>
<tr>
<td>- HR, Inclusive Culture</td>
<td>- Patient Engagement</td>
</tr>
</tbody>
</table>

- Product Steward
- EU, Business Operations
- ERM
- Quality
- Strategy
Our Sustainability Journey

Reporting & ESG Milestones

2014
- Published first sustainability report
- Formed Sustainability Council

2015
- Published second sustainability report
- Published inaugural Metrics at a Glance

2016
- Published first GRI report
- Conducted materiality assessment

2017
- Published second GRI report
- First Named one of the World’s Most Ethical Companies
- Developed New Targets for 2019+
- Streamlined and advanced maturity of material topics

2018
- Published third GRI report
- Named one of America's 100 JUST companies
- Named to DJSI World

2019
- Named to DJSI North America
- Materiality assessment refresh
- Published fourth GRI report

1.6M shares
- AA rating (MSCI)
- 93rd percentile
- Top performer

MSCI  RobecoSAM (DJSI)  Sustainalytics  Bloomberg  ESG-tagged Fund Shares
Materiality Assessment Process

We conducted a materiality assessment to identify, prioritize, and validate our most significant sustainability impacts, risks, and opportunities, to drive our sustainability strategy and goals, management approach, and reporting.

Engaged 13 different internal and external stakeholder groups through more than 100 interviews:

- Investors & Potential Investors
- Regulatory & Certifying Bodies
- Patients
- Customers
- Board
- Employees
- Industry Associations
- Peers
- GPOs
- Suppliers
- Wholesale/Distributors
- Community Organizations
- Senior Management
Materiality Matrix

- Materiality assessment helps identify, prioritize and validate our most significant sustainability impacts, risks and opportunities
- Reflects the importance of topics to Edwards and our stakeholders
- Drives our sustainability strategy and goals, management approach and reporting
2019 Materiality Assessment Refresh

We integrated sustainability factors into our strategic planning process to ensure future sustainability goals continue to be closely aligned with our business strategy.

Objective:

- Ask questions that help Edwards’ employees expand their perspectives on how Edwards creates value through the lens of sustainability.
- Use interviews to help determine sustainability strategy, key indicators, and reporting practices.
- Use outputs of interviews as input into the 2019 Materiality Assessment.
- Assessment reflects changes to products, services, and strategy since 2015.
Materiality Refresh Timeline

**June 2019**
- Sustainability Council meeting: 
  - Value chain updates
  - Materiality refresh kick off

**April – May 2019**
- Integrate 6 Capitals exercise into 20 Strategy Plan meetings

**July – Aug. 2019**
- Identify inputs and begin analyzing sources

**Aug. – Oct. 2019**
- Conduct 21 internal and external stakeholder interviews
- Run employee survey

**Sept. 2019**
- Sustainability Council meeting. Share first iteration of the matrix

**Oct. 2019**
- Sustainability Council meeting. Share second iteration of the matrix

**Nov. 2019**
- Conduct targeted patient survey and additional patient interviews

**Dec. 2019**
- Sustainability Council meeting. Share third and final iteration of the matrix.
2019 Materiality Matrix
Sustainability Targets Guided by Edwards Aspirations

Our aspirations

Transforming patient lives with breakthrough medical technologies

Edwards is driven by a passion to help patients, partnering with clinicians to develop innovative technologies in the areas of structural heart disease and critical care monitoring. We put patients first, working to produce better technologies that enable better outcomes for patients.

Excelling as a trusted partner through distinguished quality and integrity

Edwards conducts business ethically and with integrity, providing the highest level of care and respect for our partners. We are committed to the quality and safety of our products, driving innovation and promoting resource efficiency.

Achieving a zero conflict material in our supply chain

Strengthen the mission to help patients requires a strong, healthy, and talented workforce. Edwards recruits top candidates, offers employee wellness and engagement programs and fosters a diverse and inclusive culture to help employees deliver their best.

Current sustainability targets

Conduct Edwards Patient Day event once per year in Irvine and inspire additional Patient Day events in other Edwards regions around the world.

In 2018, we strive to educate 14,000 clinicians on the benefit.

By 2020, reduce our environmental footprint according to Edwards Environmental, Health and Safety plan.

Fulfilling our mission to help patients requires a strong, healthy, and talented workforce. Edwards recruits top candidates, offers employee wellness and engagement programs and fosters a diverse and inclusive culture to help employees deliver their best.

Current sustainability targets

Include sustainability targets in the CEO’s performance goals annually.

Integrate sustainability factors in the strategic planning process annually.

Edwards is committed to strengthening the health of our global communities. With patients as our top priority, we work to increase access to our innovative therapies, improve efficiency of healthcare processes, improve awareness of our treatment for life-threatening diseases and provide opportunities for our employees to give back.

Current sustainability targets

Passionate engagement that strengthens our communities

Delivering exceptional shareholder value

Concrete and measurable targets that align with Edwards’ Sustainability Report

Merits our credibility, respects our brand, and demonstrates our commitment to sustainability.

Edwards’ Sustainability Report

Our sustainability report is concrete and measurable targets that align with Edwards’ Sustainability Report.

Merits our credibility, respects our brand, and demonstrates our commitment to sustainability.

18
2018 Sustainability Report

- **GRI Report**
  - Published June 2019
  - Announcement via internal and external communications; social media campaign

- **Highlights of key changes**
  - Introduced new 2019+ goals
  - Measurement of progress to date on current goals
  - Consolidated topics, deeper look at key topics
  - Incorporated EHS by reference
  - Expanded governance maps to seven topics
  - Expanded Metrics-At-a-Glance, 4 years of data
  - Increased number of new highlight stories
  - Improved alignment with business strategy
Unique Features

Governance Maps

- Interactive graphic mapping seven of our material topics
- Governance structures and practices
- Plan to evaluate remaining material topics for potential inclusion next year

Metrics-At-a-Glance

- Disseminated to most influential ESG research firms
- Four year history, four pages of data
- Good feedback and engagement
Sample of 2019 Rating & Ranking Activity

<table>
<thead>
<tr>
<th>ESG Firm</th>
<th>Response Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>RobecoSAM – DJSI World and NA Index member</td>
<td>June 14</td>
</tr>
<tr>
<td>JUST Capital – &quot;JUST 100&quot; Forbes Magazine</td>
<td>August 27</td>
</tr>
<tr>
<td>MSCI – ESG Ratings and Governance Metrics</td>
<td>October 18</td>
</tr>
<tr>
<td>FTSE Russell – FTSE4Good Index Series</td>
<td>October 27</td>
</tr>
<tr>
<td>Corporate Knights – Global 100 Most Sustainable Corporations in the World</td>
<td>November 8</td>
</tr>
<tr>
<td>Ethisphere &quot;World's Most Ethical Companies&quot;</td>
<td>November 8</td>
</tr>
<tr>
<td>Sustainalytics – ESG Survey</td>
<td>December</td>
</tr>
</tbody>
</table>

90% of bankruptcies in the S&P 500 could have been avoided by screening out companies with below-average Environmental & Social scores.*
Our Progress
## Edwards ESG Performance Snapshot

<table>
<thead>
<tr>
<th></th>
<th>2018 Performance</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>DJSI</td>
<td>Raw Score: 74 Percentile: 93</td>
<td>Made DJSI World! (and North America)</td>
</tr>
<tr>
<td>MSCI</td>
<td>Grade: AA</td>
<td>Among top in peer benchmark</td>
</tr>
<tr>
<td>Bloomberg</td>
<td>ESG Disclosure Score: 50</td>
<td>Among top companies in industry for ESG disclosure</td>
</tr>
<tr>
<td>Sustainalytics</td>
<td>Percentile Rank: 93</td>
<td>Among top performers</td>
</tr>
<tr>
<td>JUST Capital</td>
<td>Raw Score: 66</td>
<td>#15 overall of JUST 100 #1 in Healthcare Equip &amp; Services</td>
</tr>
<tr>
<td>RepRisk</td>
<td>Risk Index score: 25</td>
<td>(0 indicates low risk; 100 high risk)</td>
</tr>
<tr>
<td>FTSE4Good</td>
<td>Score: 3.0</td>
<td>Made FTSE4Good Index 2019</td>
</tr>
</tbody>
</table>
Edwards is Committed to Good Corporate Citizenship

- Strengthening the trust of our stakeholders, partners and communities
- Sustainability goals and results aligned with our Aspirations and UN’s Sustainable Development Goals
- Our report on sustainability is available on Edwards.com

Below is a selection of awards and recognitions we have received.

**2019 America’s Most JUST Companies**
- Forbes | JUST Capital
- #1 in our industry; #15 overall out of 922
- High marks in workplace culture and leadership

**2019 Best Performing CEOs in the World**
- Michael Mussallem honoree as #12 out of 883 CEOs in 29 countries
- Top healthcare CEO

**2019 America’s Most Responsible Companies**
- 26 of 2,000 screened for ESG performance
- Surveyed perceptions of 6,500 US citizens

**2019 100 Best Corporate Citizens**
- Overall rank of #85 for standout environmental, social and governance (ESG) performance

**50 Best ESG Companies in 2019**
- Investor’s Business Daily
- Overall rank #1 of top 50 US stocks for ESG and stock performance
- Top healthcare company
- “Those doing well and doing right”

**2019 World’s Most Ethical Companies**
- For the third consecutive year
- Only medical device honoree in the U.S.

**2019 America’s Best Large Employers**
- America’s Best Large Employers 2019
- Employer of choice as ranked by employees
- Also Best-In-State Employer for California and Utah

**2020 America’s Most Innovative Leaders**
- Forbes
- America’s Best Innovative Leaders
- Overall rank of #23

**Future 50 in 2019**
- FORTUNE FUTURE 50
- Ranked #29 out of the top 50
- Identifies companies with the strongest long-term growth potential

**2020 America’s Best Large Employers 2019**
- Wall Street Journal
- Top 250
- Highlighted as one of 8 “all stars” for across-the-board rankings
- Ranked #25 of 820 companies

**America’s Best Large Employers 2019**
- In Collaboration with RobecoSAM
- DJSI World
- DJSI North America

**MSCI**
- 2019 Constituent MSCI ESG Leaders Indexes

**FTSE4Good**
- FTSE4Good Index Series Constituent
- Demonstrating strong environmental, social and governance practices

**ISS E&S Disclosure QualityScore**
- Pillar Score of 1 in Environmental and Social Disclosure
New Sustainability Platform in Development

Two pilot programs:

1. Environment dashboard
   - Customized data collection platform in progress
   - Streamline workflow for data entry, invoice verification, conversions, reporting
   - More efficient integrated data collection and external reporting submissions

2. Resource Center
   - Collection of inquiries, bids and tenders
   - Global Query Response Team - user group to provide content, validate usability and define reporting

Next Up:
- Talent Management and Global Supply Chain dashboards
- Data Collection dashboards for eternal reporting (DJSI, JUST, MSCI, FTSE and others)
Increase global engagement by establishing key partners in regional locations to provide information and share stories on sustainability projects and programs globally.
Recent Developments and Trends for 2020

- 86% of S&P 1200 companies publish a sustainability report
- GRI 207: newly introduced reporting standard for tax disclosure
- Trucost reports increase in corporate engagement with suppliers
- TCFD reports support from 930 organizations, representing $11 trillion market cap
- ESG Disclosure Simplification Act
- SSGA predicting that SASB will emerge as lead ESG disclosure framework
- Consideration of ESG will be seen as a fiduciary responsibility
- Schroders to integrate ESG into all funds by end of 2020
- ESG becoming a mainstream boardroom issue, resulting in better infrastructure and ESG disclosure by companies
My Journey

- 20+ years in public and investor relations
- Communications background, degree in public relations
- Mostly public companies from beginning: Micro-cap to Mega-cap
- Private equity, Pre-IPO, OTC, Nasdaq and NYSE listed firms
- Two-three years ago began evolving my IR role to focus on ESG
- Last year became a newly created, full-time position
  - Reports to Corporate Responsibility Officer
Q&A

Thank you!
Edwards

Helping Patients is Our Life’s Work, and

life is now