



*Architects of 21st
Century Capitalism*

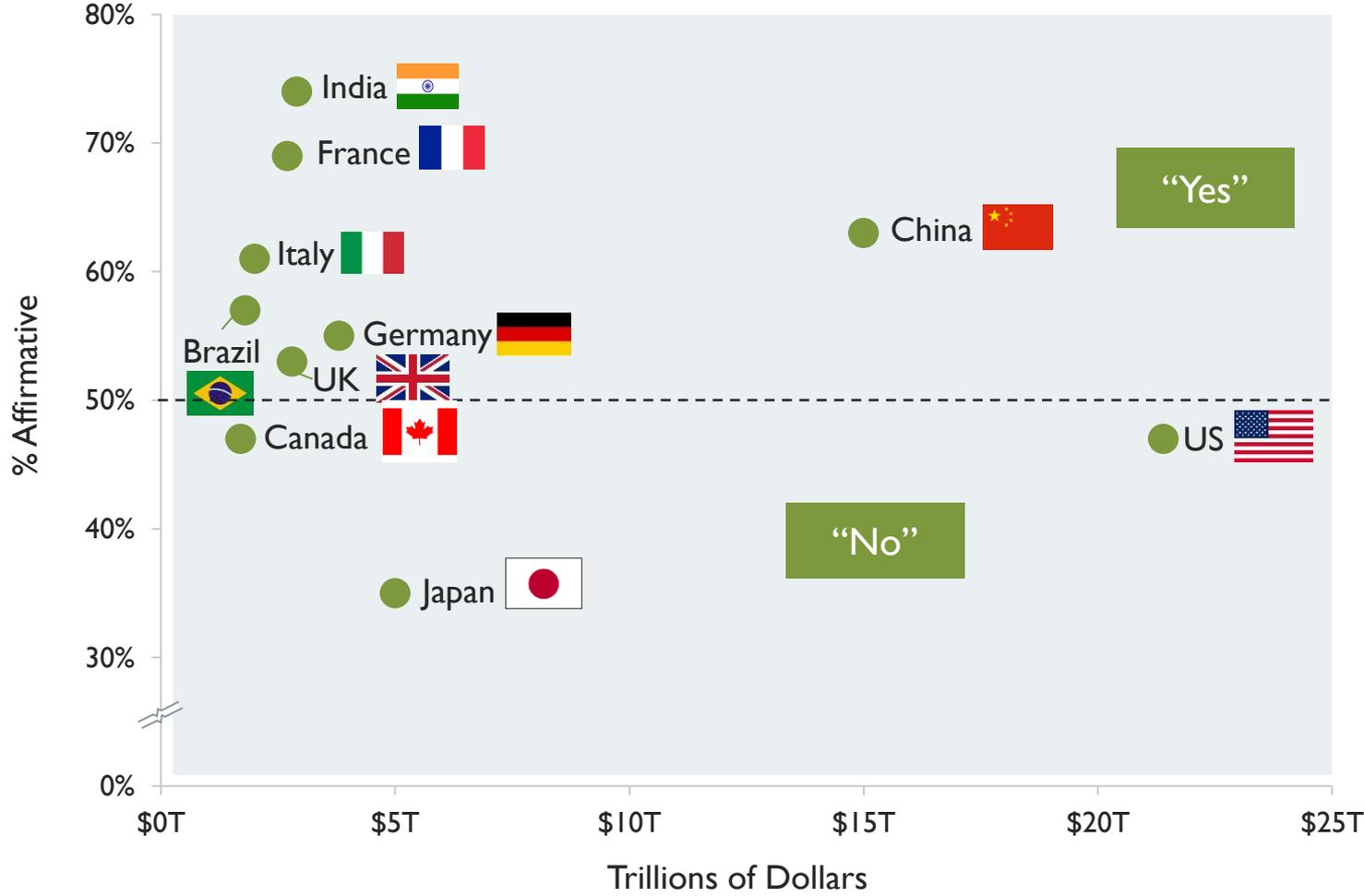
Stakeholder Primacy & ESG:

An opportunity to preserve capitalism or seeds
for its destruction?

HEC Alumni Webinar

October 25, 2021

Does Capitalism, As It Exists Today, Do More Harm Than Good?



View of Capitalism by Generation



How U.S. adults view capitalism

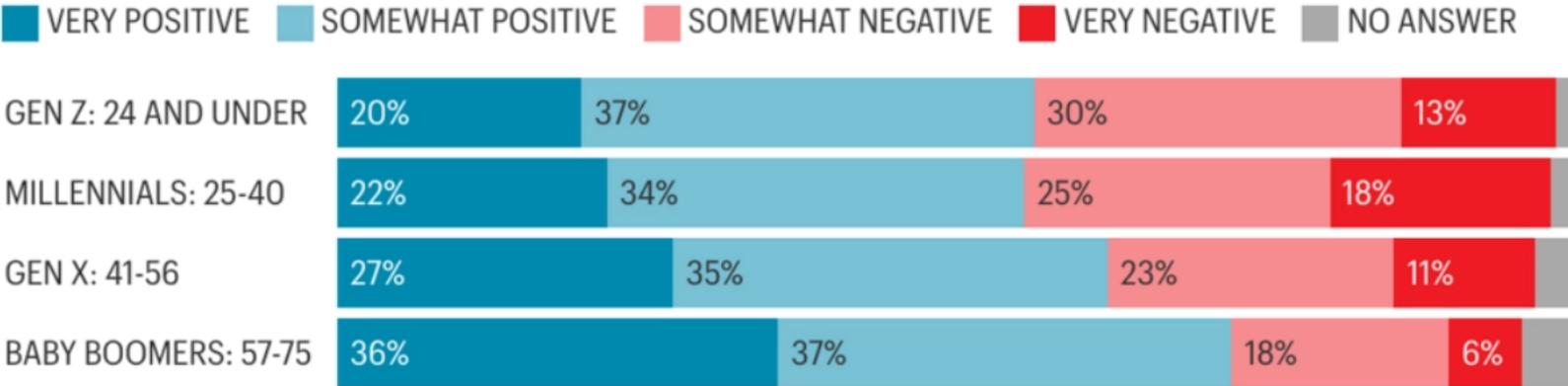
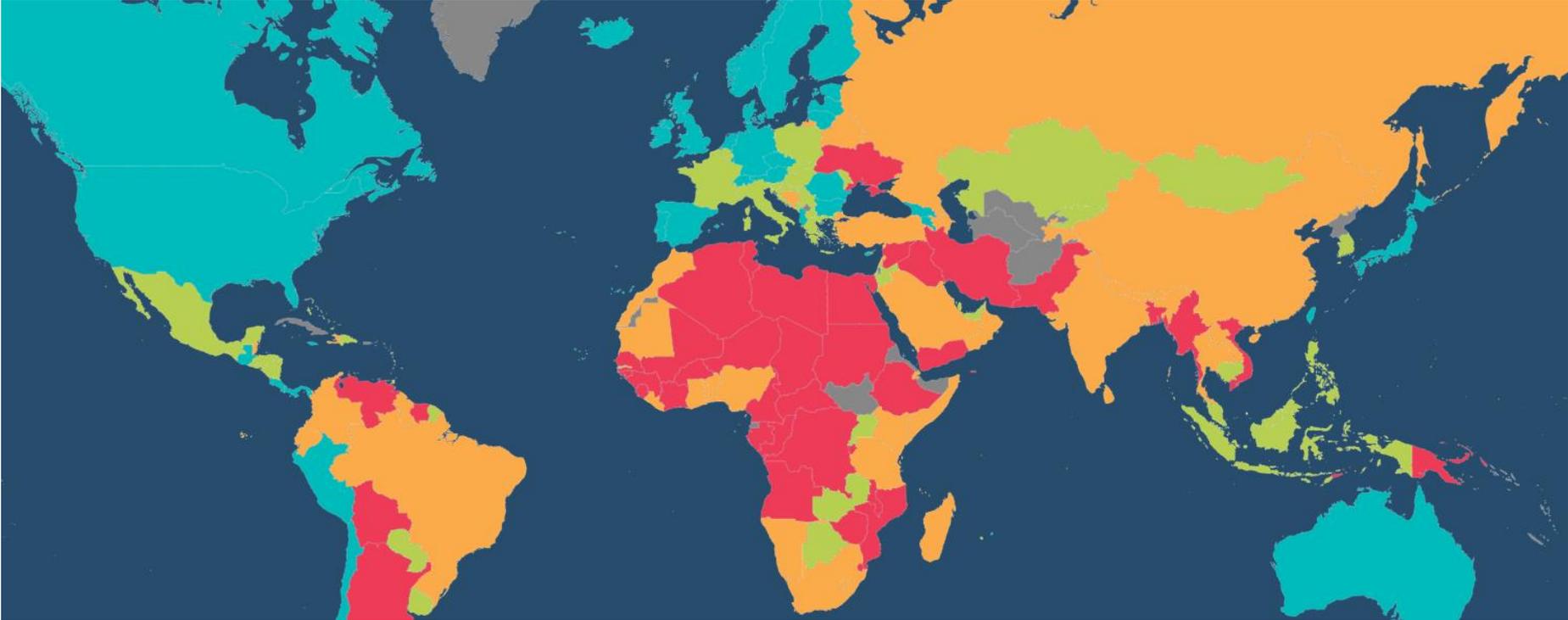


CHART: LANCE LAMBERT •
SOURCE: FORTUNE-SURVEYMONKEY POLL OF 2,000 U.S. ADULTS BETWEEN MARCH 11 AND 15

FORTUNE

Level of Economic Freedom (2020)



Legend
Blue: Top Quartile (Most)
Green: Second Quartile
Orange: Third Quartile
Red: Fourth Quartile (Worst)

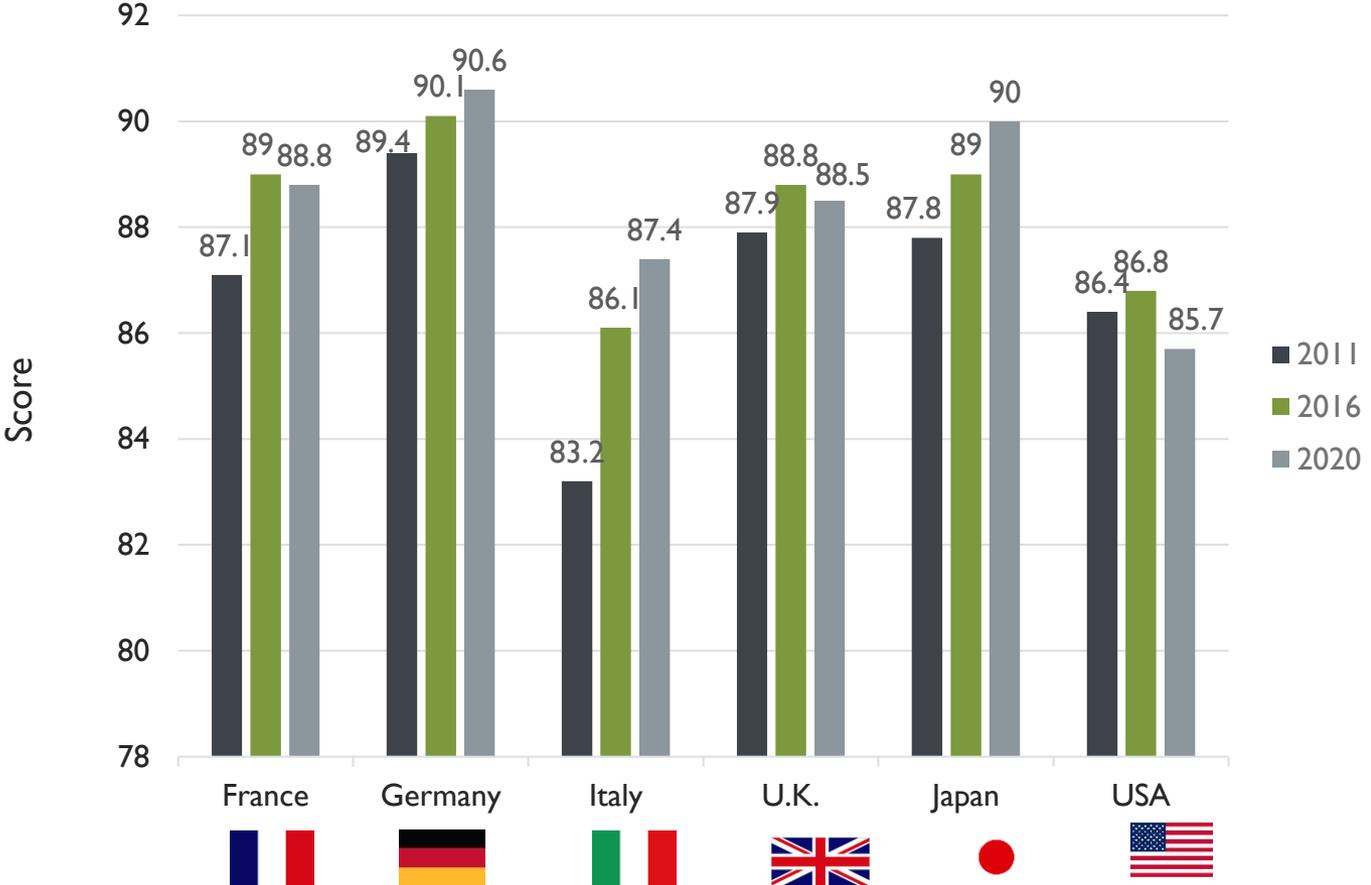
Most Cited Concerns

- Rising income inequality
- Worsening climate change
- Lack of diversity and equal opportunity
- Unsafe business practices
- Unhealthy products

Most Cited Root Causes

- “Profit seeking behavior”
- “Shareholder primacy”
- “Quarterly earnings mindset”

Social Progress Index Performance



Social Progress Index (SPI) & U.N. Sustainable Development Goals (SDGs)



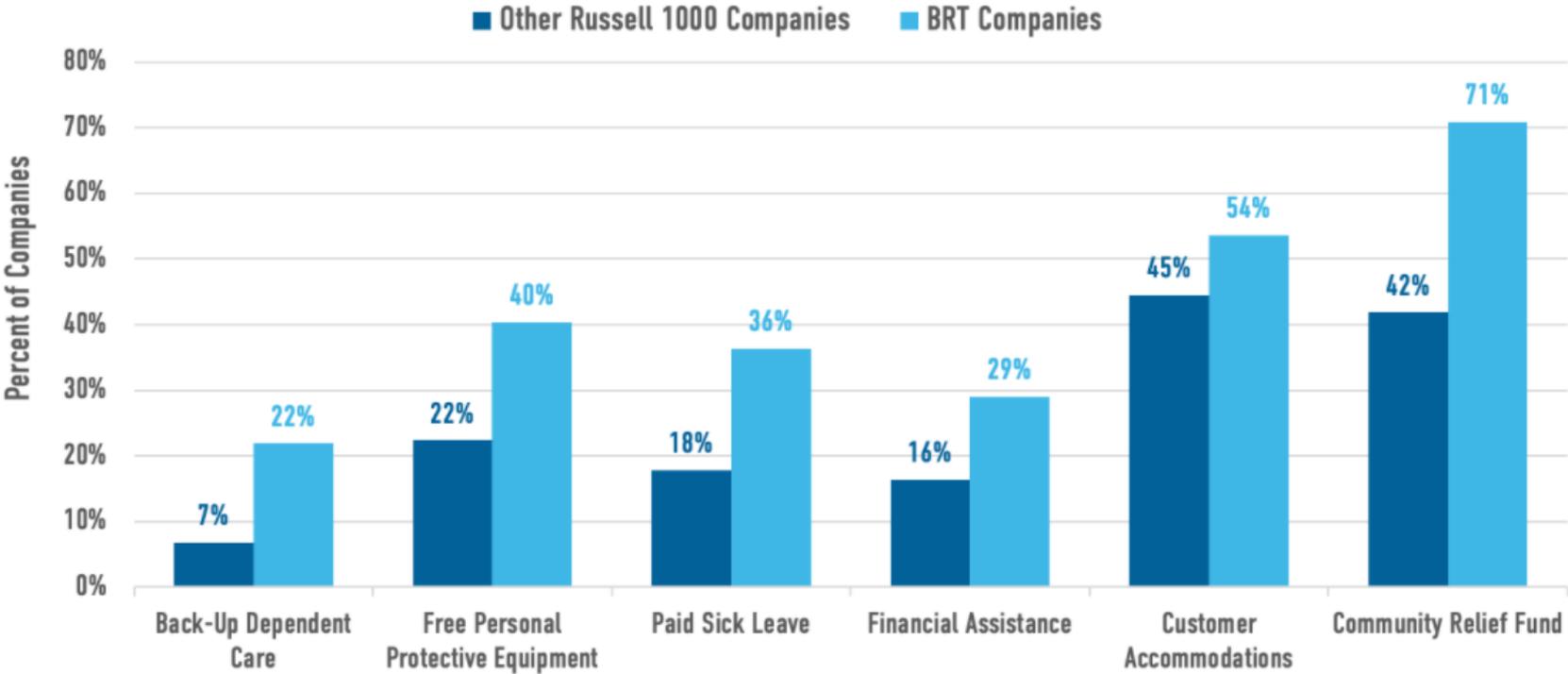
SPI	Environmental Quality	Water & Sanitation	Health & Wellness	Inclusiveness	Personal Freedom & Choice	Access to Advanced Education
SDG	Climate Action	Clean Water & Sanitation	Good Health & Well-being	Gender Equality	Peace, Justice & Strong Institutions	Quality Education

GOLD	France	U.K.	Japan	Germany	Germany	USA
SILVER	U.K.	Germany	France	Italy	France & U.K.	Germany
BRONZE	Italy	France	Italy	France	∅	Japan

Business Response to the Pandemic



HOW DID BRT COMPANIES RESPOND TO THE COVID-19 PANDEMIC IN COMPARISONS TO THEIR RUSSELL 1000 PEERS?



Note: BRT signatories is shorthand for companies that signed the Business Roundtable's "Statement on the Purpose of a Corporation." Out of the 206 companies whose executive(s) signed the statement as of August 2020, 151 are part of JUST Capital's 2021 Rankings universe.

Source: Forthcoming data from America's Most JUST Companies, 2021 Rankings. Data as of August 16, 2020.

Shared Value and Social Opportunity



- The common view is that there is a **tradeoff between business success and social success**, but this view is increasingly seen as false.

- Social needs represent the **largest unserved market opportunities**
- Societal problems and environmental impacts create **economic costs for companies**
- Weaknesses in the local business environment reduce **company productivity and profitability**

Fortune's Change the World List



	2020	2019	2018	2017
1	The Vaccine Makers	Qualcomm	Reliance Jio	JP Morgan Chase
2	Alibaba	MasterCard	Merck	DSM
3	PayPal	BYD	Bank of America	Apple
4	Nvidia	TE Connectivity	Inditex	Novartis
5	BlackRock	Walmart	Alibaba	Leap Frog Investments
6	Zoom	Santander Brasil	Kroger	Ant Financial
7	Safaricom	Centene	Xylem	Walmart
8	Regeneron	Bank of America	ABB	Toyota
9	Walmart	Schneider Electric	Weight Watchers Int'l	Johnson & Johnson
10	Serum Institute of India	Terracycle	Hughes Network Systems	Yara

Companies in green type are multiple year winners

Changing Role of Business in Social Advancement



Walmart's purpose is to **save people money** (e.g., "Everyday Low Prices") and **help them live better**. Sam Walton's folksy persona and focus on associate morale endear him to Walmart's workforce.

1970s-1990s



Walmart continues to dedicate resources across stakeholder groups and is holding its own in the face of powerful and dynamic, competitive landscape. Zero waste by 2025 & Zero emissions by 2040

2010-2020+



The Pariah: 1990s-2005ish

Walmart comes under pressure for questionable labor practices, gouging suppliers, and corporate greed.



2005-2010

A turning point came in the wake of Walmart's 2005 sustainability goals and its response to the Hurricane Katrina disaster.

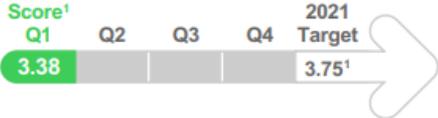


Walmart's Shared Value Journey



	Reconceiving Needs, Products, and Customers	Redefining Productivity in the Value Chain	Improving the Local Business Environment/Ecosystem
Pillars	<ul style="list-style-type: none"> The leader in organic, fresh, and healthy foods at lower prices Sited 240 smaller “neighborhood markets” sited in food deserts Low-cost financial services for unbanked and underbanked families Low cost in-store health clinics, generic drugs, and other diagnostics and health services for lower income and uninsured families 	<ul style="list-style-type: none"> Resource use: Comprehensive programs to reduce energy usage, expand renewables, reduce water, packaging, and waste. Resulted in billions in savings per year Employees: Raised starting wages. Created a career path to more responsible jobs for lower income associates, with higher wages and benefits. Retention improved substantially. The leader in employee health and wellness programs, which enhances the health of employees and their families and reducing the cost of poor health 	<ul style="list-style-type: none"> Prioritize local sourcing, including from women-owned businesses improving local economies Created Sustainable Value Networks with suppliers to collaborate on sourcing to improve efficiency, product quality, and sustainability Lead retail sector collaboration to foster workforce development, provide access to skilled employees, and increase employee retention
Examples	<ul style="list-style-type: none"> Today, nearly 100% of seafood sold at Walmart US and Sam’s Clubs are sustainably sourced 97% of private label plastic packaging is PVC free 100% of private label coffee is certified sustainable 	<ul style="list-style-type: none"> 29% of operations currently powered by renewable sources saving \$2 billion Average hourly wage >\$14.00 per hour 55% of private label packaging is recyclable, reusable, or compostable (goal is 100% by 2025) Supplier fertilizer optimization plan for 6 million acres 	<ul style="list-style-type: none"> Underserved employees: hired >250,000 and promoted >42,000 veterans in last 7 years Education: Since 2016 > 1.8 million US store associates attended Walmart Academy Diversity: U.S. officers who are women; people of color – 31%; 24%

Schneider Sustainability Impact



6 long-term commitments 11+1 targets for 2021-2025

CLIMATE



- 1 Grow our green revenues²
- 2 Help our customers save and avoid millions of tons of CO₂ emissions³
- 3 Reduce CO₂ emissions from top 1,000 suppliers' operations⁴



RESOURCES



- 4 Increase green material content in our products⁴
- 5 Primary and secondary packaging free from single-use plastic and using recycled cardboard⁴



TRUST



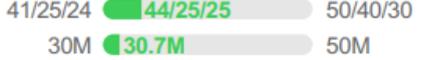
- 6 Strategic suppliers who provide decent work to their employees⁴
- 7 Level of confidence of our employees to report unethical conduct⁴



EQUAL



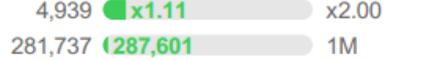
- 8 Increase gender diversity in hiring (50%), front-line management (40%) and leadership teams (30%)
- 9 Provide access to green electricity to 50M people



GENERATIONS



- 10 Double hiring opportunities for interns, apprentices and fresh graduates
- 11 Train underprivileged people in energy management⁵



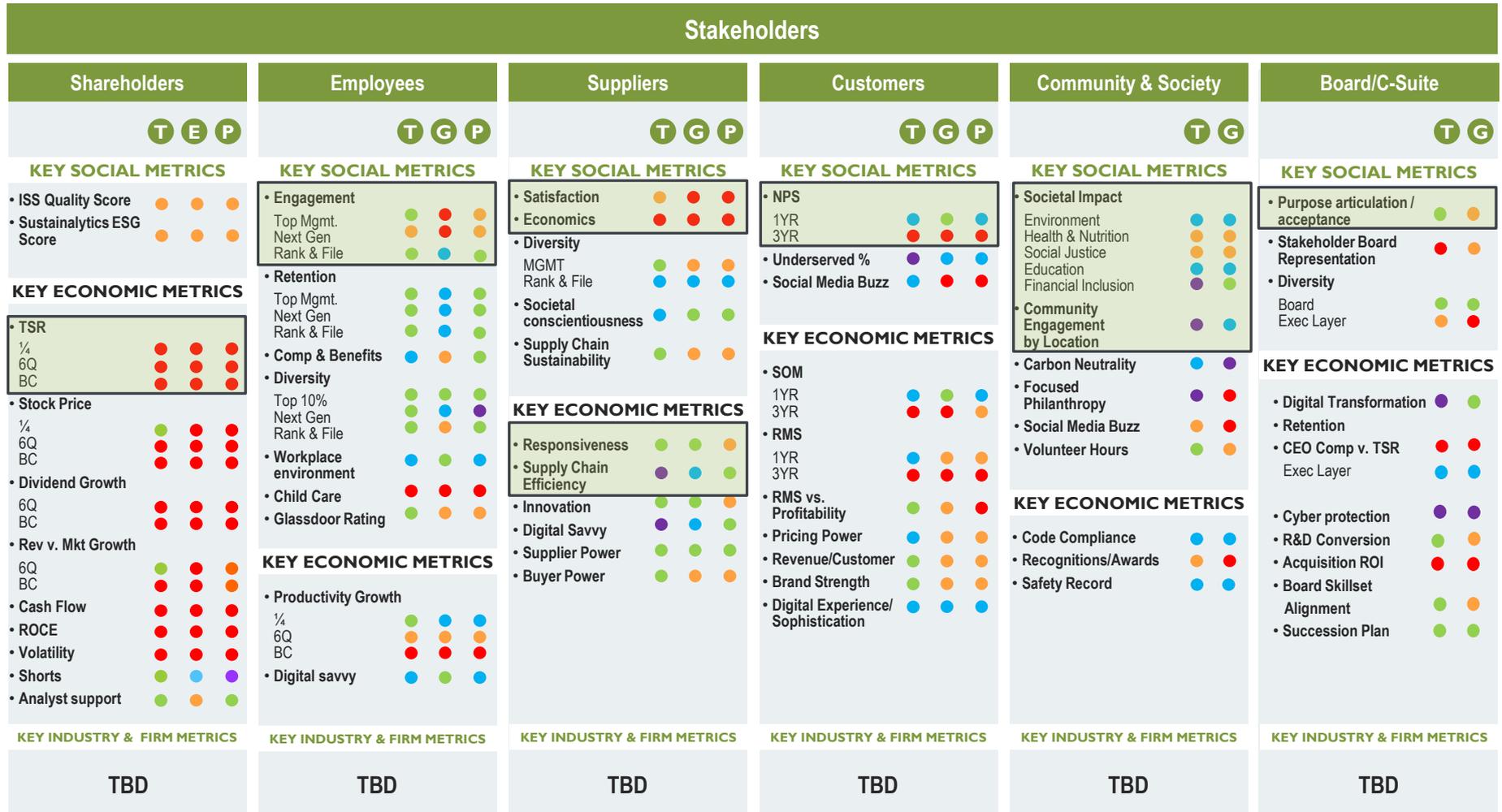
LOCAL



- +1 Country and Zone Presidents with local commitments that impact their communities



Illustrative & Preliminary 21st Century Capitalism Dashboard



Abbreviations

T = Trend	G = v. Goal
E = v. Expectation	P = v. Peers

Legend

TSR = Total Shareholder Return	Shorts = Short Position Change	Ø Past = Stopping Past Practices/Divestitures
¼ = Quarter Change	NPS = Net Promoter Score	ROCE = Return on Capital Employed
6Q = 6 Quarter Change	SOM = Share of Market	
BC = Business Cycle	RMS = Relative Market Share	

Performance Ratings

Superior (Top 10%)	Weak (25%-50%)
Strong (Top 25%)	Inferior (<25%)
Good (Top 50%)	

SHAREOWNERS **B**

- 5 Year Total Shareowner Return

Corning	116%	}	█
S&P 500	122%		
Asahi	49%	}	█
Nippon Glass	-25%		
Saint-Gobain	75%		
- EBITDA Margin

Corning	27%	█
Asahi	15%	
- Economic Value Added

ROCE	9.2%	}	█
WACC	7.7%		
Net VA	+1.5%		
- Analysts: **BULLISH** █
- Revenue Growth Expectations

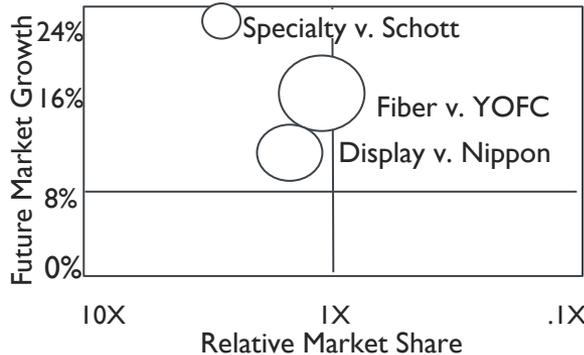
Analysts - (3 Yr. CAGR):	8.6%	}	█
End Markets - (2021-26)			
Fiber	14.5%		
Ultra-Thin Glass	10.1%		
- Sustainable Growth Rate: **4%** █
(payout ratio is considered too high)

CUSTOMERS **A+**

- Net Promoter Score:

By Customer Guru:		
Corning	8	█
Basic Industries / Telecom Equip	0	
By Comparably:		
Corning:	50	█
Apple	54	█
Merck	46	
Amazon	54	
IBM	28	

Company Leadership



EMPLOYEES **A-**

- Glassdoor:

	Corning	Schott	
Recommend to friend	80%	88%	█
CEO Respect	82%	90%	

Pros: "Solid, well established, highly professional"
Cons: "Corporate compartmentalization leading to slow decision making"

ESG PERCEPTION **C**

- Sustainalytics: 20 "Medium/Low Risk" on the bubble █
- Refinitiv: 56/100 3rd Quartile (Bottom) █
- MSCI: BBB (average)

INNOVATION **A+**

- 10% of revenue goes to R&D which is on par with HealthCare & Info Tech firms █

BOTTOM LINE

Corning is an innovation machine with many products having a profound positive impact on society for which it receives minimal credit. Given China exposure, Corning can ill afford to be passive on pressing its case as a best demonstrated practice "Shared Value" global business.



Achieve sustainable competitive advantage

- Manage Relative Market Share in well-defined businesses
- Perform fact-based assessment of performance vs. peers
- Employ Porter's *Five Forces* and *Value Chain* Constructs



Provide superior economic returns to stakeholders

- Set strategic goals and track performance and progress on key metrics by stakeholder
- Assess returns to shareholders vs. full potential opportunity



Provide superior societal returns to all stakeholders

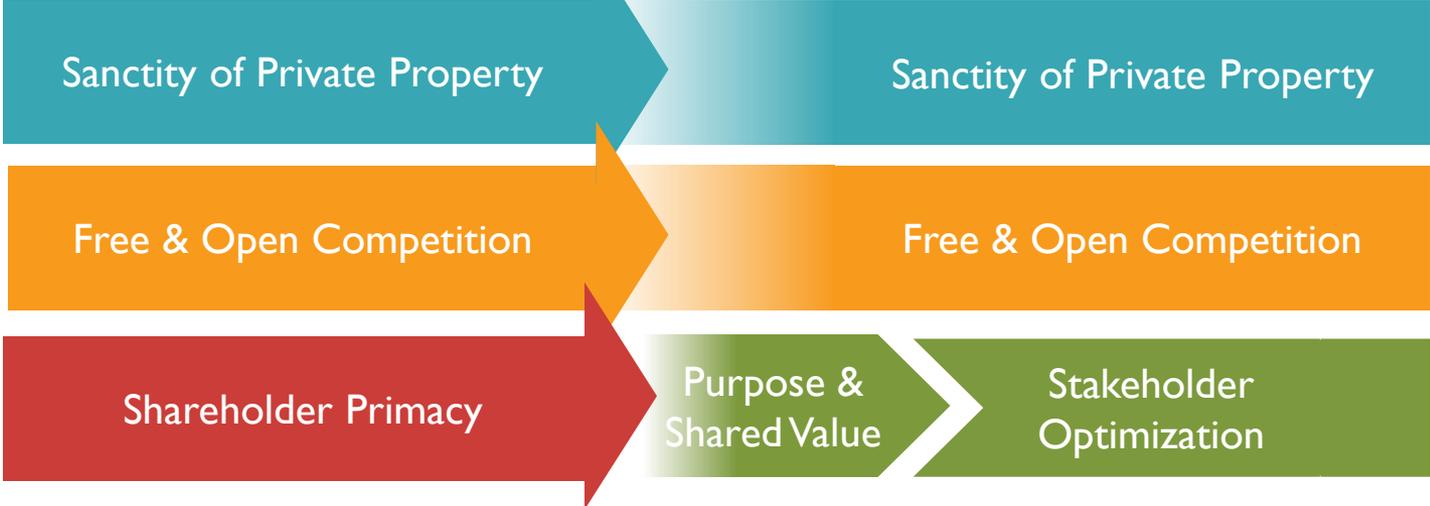
- Employ Porter's *Shared Value* construct
- Set strategic goals and track performance and progress on key metrics by stakeholder
- Focus attention on a select number of the 17 UN Sustainable Development Goals

Capitalism: 21st Century v 20th Century



20th Century

21st Century



Profit	\$\$	\$\$\$\$
Social Impact	Uneven	Consistently Positive
Time Horizon	Shorter Term	Longer Term