

ESG Insights

Corporate Governance - Identifying the “Real Goods”



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At Coho Partners, we have always placed high value on good corporate governance. We believe that a company’s identity and culture cannot truly permeate an organization without leadership, direction, and example at the top, both from senior executives and the board of directors. We find it interesting that the Environmental, Social and Governance (ESG) nomenclature places governance last. If up to us, we would reverse the order, as without strong governance, social and environmental initiatives could not flourish.

Corporate ESG efforts are often criticized for serving up too many platitudes and too few meaningful accomplishments. They are accused of greenwashing Corporate Sustainability and Annual reports and disclosing only the information or data that is favorable while ignoring or hiding that which is not. That is why we at Coho Partners focus our ESG efforts on engagement and materiality. Participating in an active dialogue with our portfolio companies is the only way to truly understand their commitment to ESG and to track their progress and improvement over time. We sift through the “feel goods” to identify the “real goods” – the actions, commitments, and identifiable targets that materially benefit all stakeholders including employees, communities, the planet, and shareholders.

While we put a priority on financial materiality in evaluating ESG initiatives, we recognize there are times when the bottom-line should be at the bottom of mind. When the right thing to do is to do the right thing regardless of the short-term financial implications. The COVID-19 pandemic is one of those times.

We have been humbled by the response of our portfolio companies to this global health crisis. Many of these companies are leading the response to COVID-19 both at a global and community level. These actions have been grand as in the case of Johnson & Johnson committing to develop a COVID-19 vaccine and to provide more than one billion doses worldwide at cost. They have been compassionate as in the case of UnitedHealth Group opening its mental health services to the entire nation free of charge regardless of health-care coverage. They have been supportive as in the case of Kroger, CVS Health, and others increasing the pay of front-line employees providing critical services. They have been thoughtful as in the case of Dollar General becoming the first retailer to offer special safe shopping hours for seniors, our most vulnerable population. Again, these efforts could not happen without strong corporate governance, and management teams and boards that understand and appreciate the importance of the multi-stakeholder model.

The stability, predictability, and financial strength of the companies we seek to populate the portfolio allow them to engage in these efforts when so much of the economy is struggling. These examples are but a few of the ways in which these companies are answering the challenge of this unprecedented time. We share more detail in the charts below, but even those don’t capture the magnitude of the response, or all the companies in the portfolio that are contributing time, resources, and knowledge to combat the physical and economic pressures of COVID-19. We can speculate on how these actions may pay dividends down the road in terms of customer and employee retention, brand strength and reputation, and perhaps even top-

and bottom-line growth. But for now, that isn't what is important. At this unique moment in history, we are happy to simply reflect on the "feel goods", and we are proud that so many of our companies are able and willing to answer the call with the "real goods".

Companies stepping up to support employees and communities

Essential Retailers and Consumer Staples	Employees	Community
	One-time bonus (\$300 FT, \$150 PT) and \$2/hour increase in wage rate for front-line employees through April 18; Paid sick time off due to COVID-19	Hired more than 32,700 new associates during last few weeks; \$3M+ in product and food donations
	30% discount on private label for employees; Paying \$35 million in special bonuses to all store, DC, and fleet employees	First retailer to offer senior hours for elderly-only shopping; Plan to add up to 50K employees by end of April. Special 10% discounts to health-care workers and first responders
	Cash bonus (\$500 FT and \$250 PT) to employees at all production and distribution facilities	\$1.75M in cash and product donations
	Protect workforce from sudden drop in pay resulting from market disruption for up to three months	€500m in cash support to vulnerable suppliers and small and medium retailers; €100M of product donations (soap, sanitizer, bleach and food); Launched handwashing campaign to target 1 billion people in developing countries; Lowered prices of hand sanitizers by 15% in India
	12 weeks of full pay and benefits continuation for employees whose facilities are closed; One-time \$1500 bonus to ~5700 employees; 14-day paid sick leave with 100% coverage of telemedicine	\$300K in donations
	Special Bonus (\$300 FT and \$150 PT) and \$2/hour increase in wage rate through April; 14 days to 4 weeks paid sick leave with 100% access to telemedicine	Hiring 30K associates across US for short-term opportunities; \$25M in product donations including \$10M personal protection equipment
	Special bonus (\$150-\$500) for employees onsite 15 days paid sick leave for part-time workers	Operate no-cost COVID-19 test sites in MA, RI and GA Hired 50K full-time, part-time and temporary roles across U.S. Free delivery of prescriptions and everyday essentials

Companies helping in the fight against the pandemic

Health Care	Direct response to fighting the COVID-19 virus
	<p>Committed \$1 billion in partnership with U.S. Department of Health and Human Services to accelerate vaccine development available for emergency use by early 2021; Vaccine will be made available on non-profit basis. \$300M in donations for health-care workers</p>
	<p>Developing therapeutic treatment in partnership with Adaptive Biotechnologies</p>
	<p>Rolled out the fastest available molecular point-of-care test for detection of COVID-19 using ID NOW system. In process of increasing capacity to 2 million test/month by June</p>
	<p>Led the initial phase of testing; Through April 6, performed ~ 550K COVID-19 tests across 12 laboratories with continued reduction in turnaround times</p>
	<p>Doubled production of N95 respirators to 1.1 billion/year since January, and now ramping up manufacturing capacity for 2 billion/year output over next 12 months; Pledge to fight price gouging and counterfeit products</p>
	<p>Developed and received approval for at-home COVID-19 test kit; Provides free access to mental and emotional health products to all Americans regardless of coverage; Head of Optum division provided leave through yearend 2020 to lead the WHO's vaccine discovery effort</p>

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