Update as of: *12/22/2022*

Rockwell Automation (ROK) ESG Report

Profile:

Rockwell Automation manufactures automation equipment that helps machines operate with minimal or no human intervention. Rockwell does not make robots, but its offerings control the robotics made by other companies. Rockwell generates 46% of sales from their intelligent devices used in manufacturing lines, 30% from software that helps control machines, and 25% from implementation, maintenance, and cybersecurity monitoring of their devices.

Our firm believes the main ESG considerations for Rockwell are displacement of human labor and the environmental impacts from manufacturing.

What Rockwell Does Well:

In 2022, Rockwell was named one of the world's most ethical companies by Ethisphere Institute for the 14th time. Rockwell was one of two diversified machinery companies on the list. Rockwell has also been included in the FTSE4Good index 20 times and the Dow Jones Sustainability Index 11 times.

Rockwell's products are known for increasing manufacturing productivity, but the company's offerings increasingly facilitate emissions, energy, and water usage tracking and reduction. The company notes that 20% of greenhouse gas emissions and 54% of global energy usage comes from manufacturing facilities. As management said, "Rockwell Automation is uniquely positioned to have a positive impact on the world because we help our customers to achieve their own sustainability goals." Rockwell increasingly supports companies working on solar, wind, geothermal, and hydrogen as alternatives to fossil fuels as well.

The company closely monitors internal footprint too; in 2010, the company set out a goal to reduce emissions 30% by 2022. The company met this goal in 2018, four years ahead of schedule. In 2020, Rockwell extended their goal to be carbon neutral on a scope 1 and 2 basis by 2030. Management is working towards a quantifiable goal for scope 3 emissions by the end of 2023.

Rockwell also adheres to reporting standards of the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), and Task Force on Climate-related Financial Disclosures (TCFD) on top of the annual sustainability report.

Concerns:

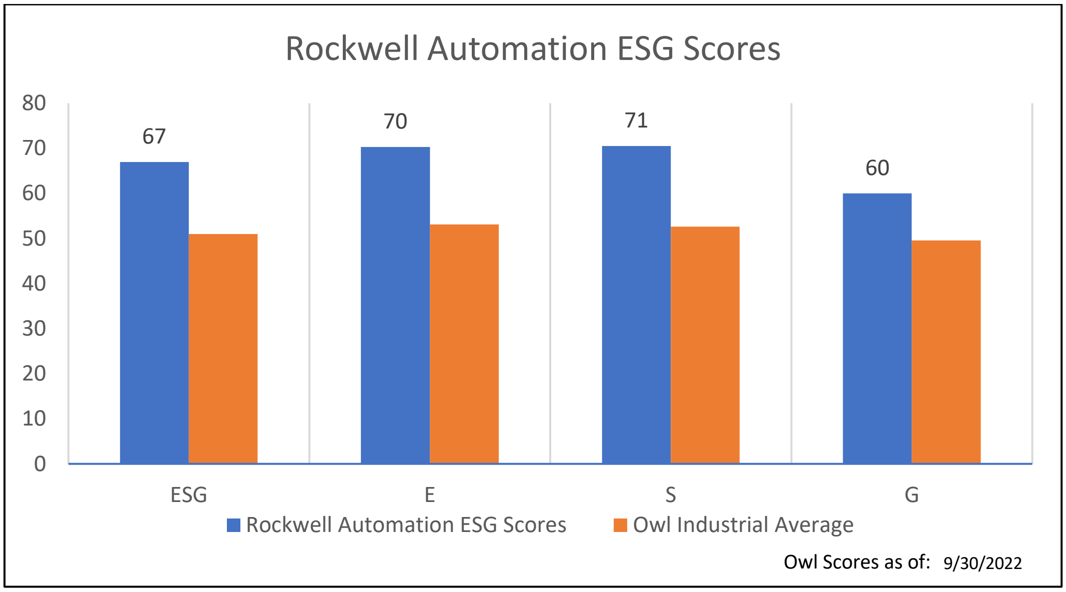
The commonly sighted downside to Rockwell's business is that automation eliminated human jobs. Empirical evidence, however, proves otherwise. A 2021 Wharton study found that automation adopters actually hire more people compared to non-adopters. Robots enable higher productivity while non-adopters lose productivity ground, which creates the need to cut costs often via layoffs. In November, Amazon stated their robotics and technology programs have "created over 700 new categories of jobs" at the company and employ "tens of thousands of people" across the company.

The other main concern is Rockwell's involvement in the oil and gas industry, notably through the company's joint venture with Schlumberger, Sensia. 10% of the company's revenues are generated from fossil fuels. Our firm would encourage the company to spin off Sensia and prioritize the growing renewable energy business in the years to come.

Shareholder Engagement:

Our firm does not believe there have been any material shareholder engagements in the past three years.

ESG Scores:



Conclusion:

Rockwell is a fantastic company in the automation industry. Although automation displaces jobs, it also creates new jobs and upward mobility for laborers. The company is positively impacting their customers' footprints globally, which our firm believes heavily skews towards a net societal benefit. Therefore, our firm considers Rockwell Automation a premier industrial ESG investment.

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