



Better Companies, Better societies

**Sustainability Reporting & other Emerging
Trends**

Karen Basiye

Head of Sustainable Business & Social Impact

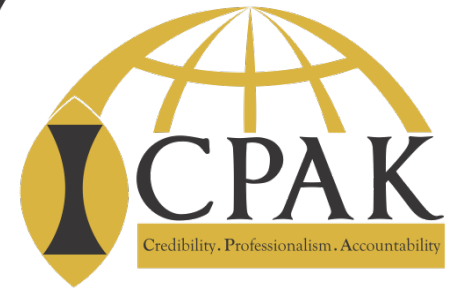
Society Expectations



“Society is demanding that companies, both public and private, **serve a social purpose**. Without a sense of purpose, no company, either public or private, can achieve its **full potential**. To prosper over time, every company must not only deliver financial performance, but also show how it makes a **positive contribution to society**”

Larry Fink, CEO BlackRock
Annual letter to CEOs, 2018

What has happened over the last 10 years?



Even before the global economic crisis of 2008, several trends signalled a need for a new form of governance..

- “Death of distance”
- “the CNN Society”
- “Globalization for the Rich”
- “The loss of Corporate Innocence”
- “Erosion of Trust”



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How the World Views Us



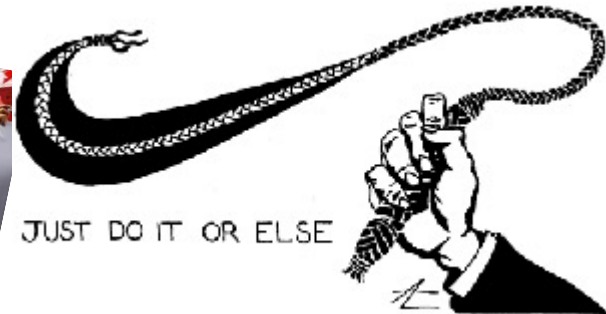
AFRICA'S NARRATIVE - AS TOLD BY THE WORLD



How we View ourselves



TRUST and Reputation Risk



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TRUST and Reputation Risk



“It takes 20 years to build a reputation, and five minutes to ruin it” -Warren Buffet, Chairman, Berkshire Hathaway

The Millennium Poll found the following factors shaping company impression:

- Corporate citizenship (56%)
- Product quality (40%)
- Business fundamentals (34%)

In today's global economy and Internet-connected world, reputation success or crisis is only a mouse click away.



Good Governance



Many expressions what are there real meanings?

- Board Performance
 - Sustainable Business
- Corporate Citizenship
 - Socially Responsible Investment
 - Social licence to operate
- Shared value
 - Social Need
 - Business Opportunity
 - Corporate Assessts and Expertise



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Good Governance



- Good governance – the rules and practices that govern the relationship between the management and shareholders of corporations, as well as stakeholders like employees, pensioners and local communities, - ensures transparency, fairness, and accountability...
- When this trust is undermined....



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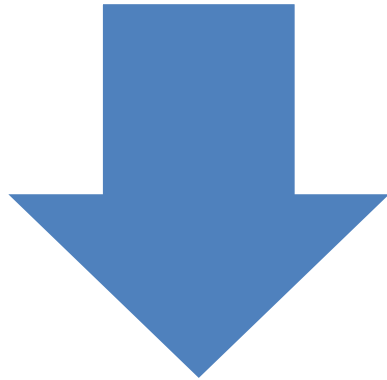
Why is Good Governance important for me as a “sustainability Practitioner”



- Good Governance extends the traditional governance view to cover a Corporate Citizenship, sustainability and Shared Value dimension
- A structured way to handle the challenges of a changing society...

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What will The Company of the Future be judged by ?



Present

- Financial reporting
- Corporate Governance

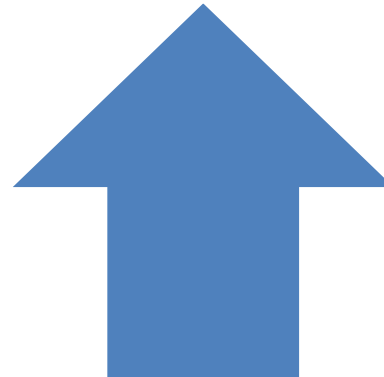
Book value

- Financial Capital
- Physical value



Future

- Reporting non financial information that impacts the bottom line

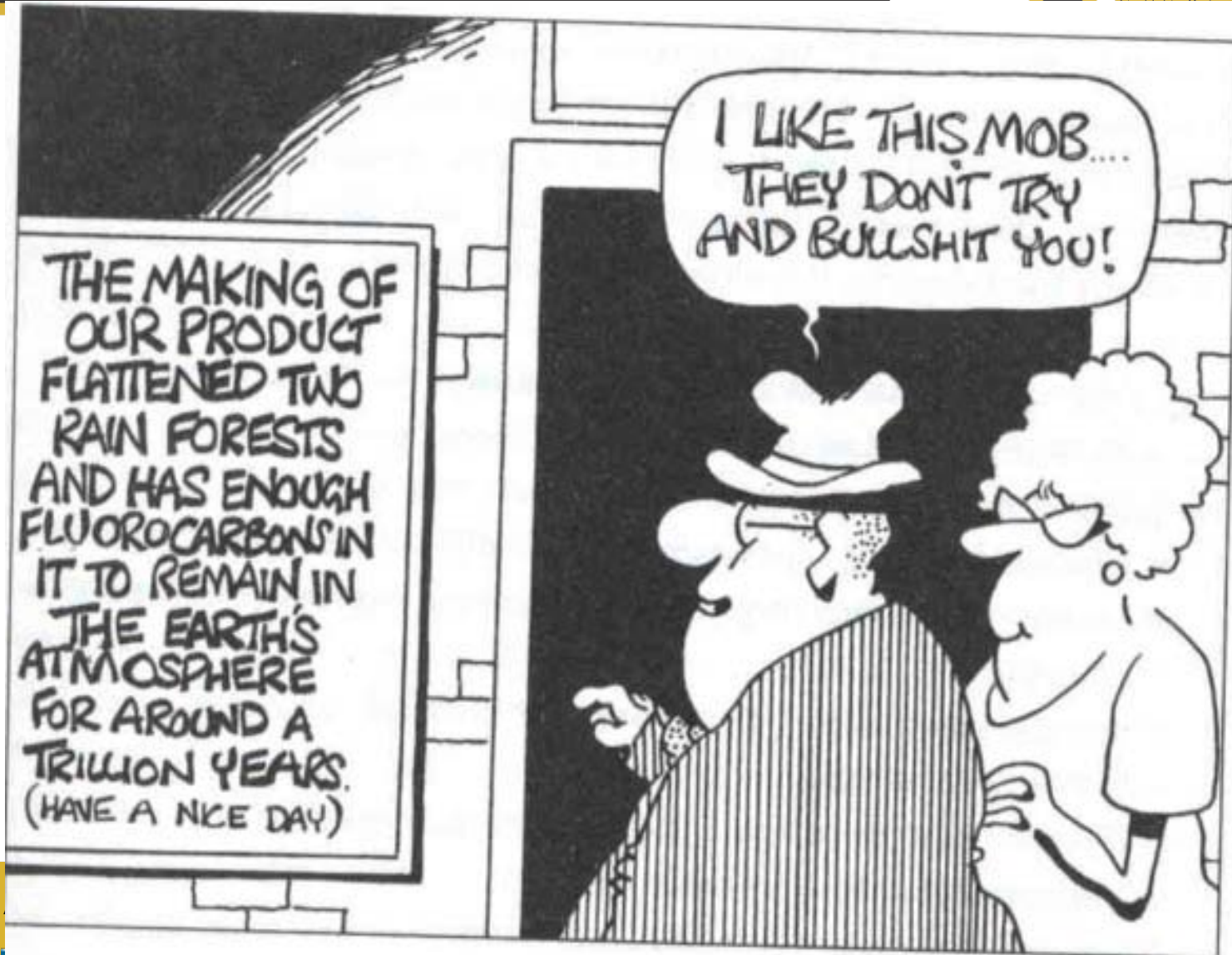


Market Value

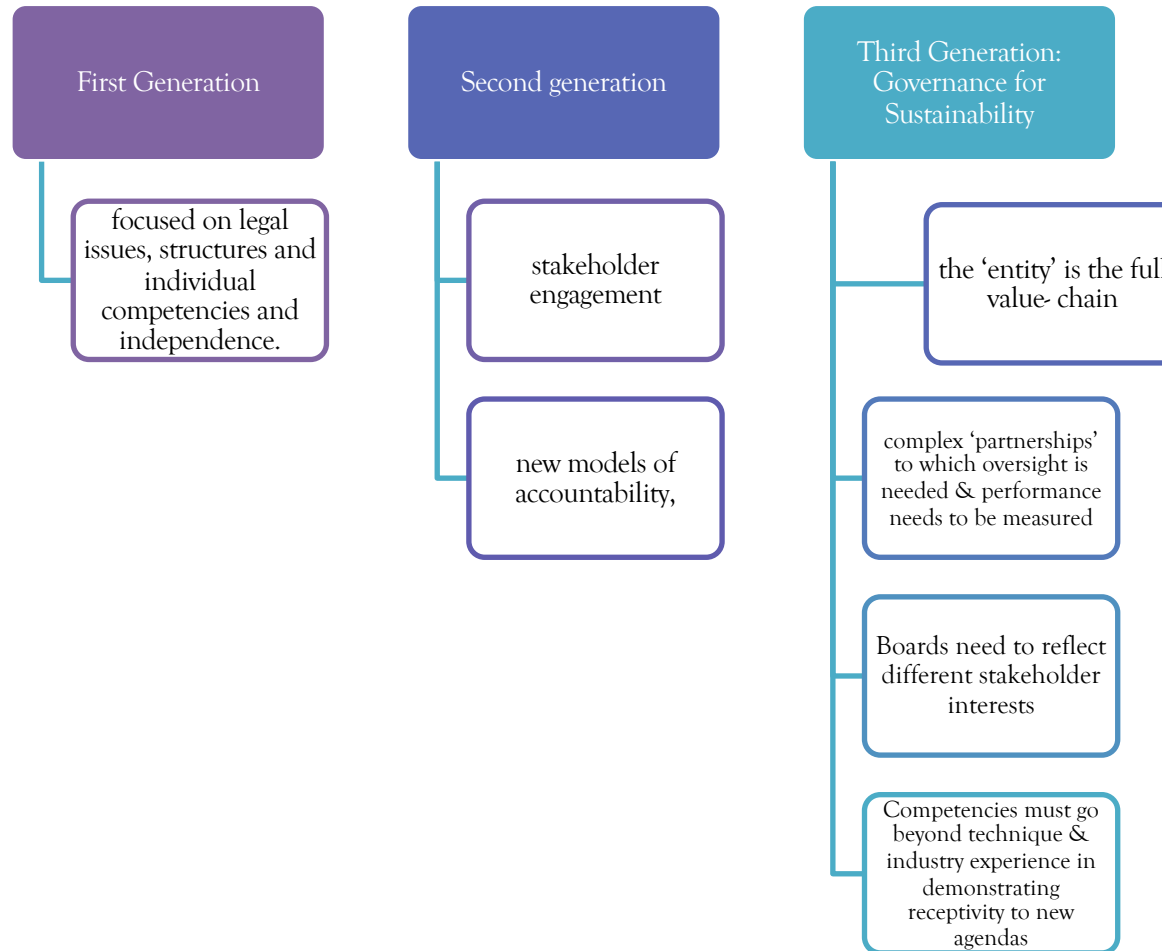
- Reputation
- Brand
- Trust
- Credibility
- Integrity
- Intellectual capital
- Customer loyalty
- Risk management
- Social & Environmental Responsibility

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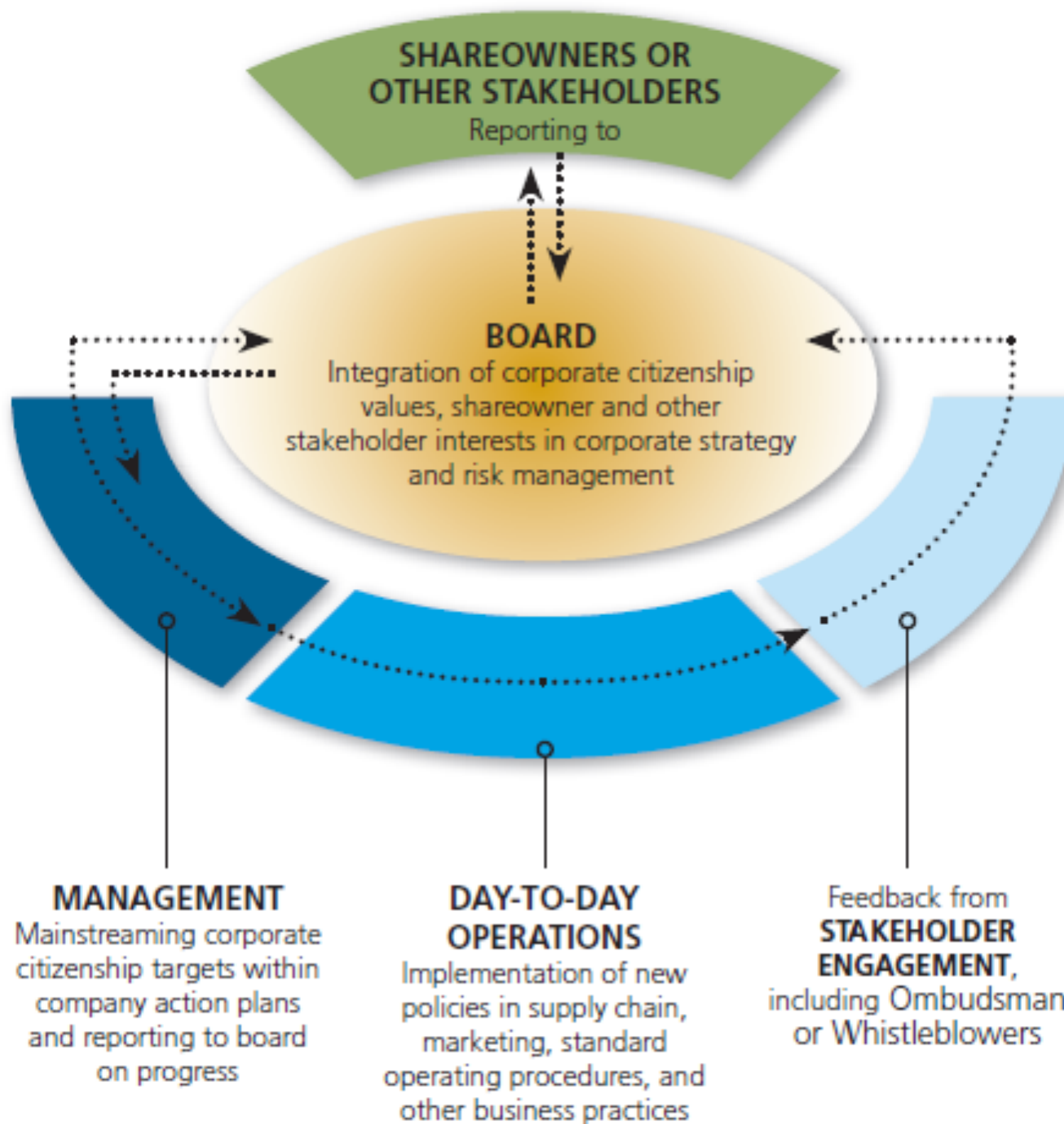
Transparency is key : Truth does matter



A New Generations of Corporate Governance is Emerging



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Who are the Future Main Drivers of Value ?



Financial Community



- Access to capital
- cost of money
- SD /CSR issues
Measuring and bench-marking becomes key

Employees



Intellectual capital becomes a key competitive tool Only 3% of companies believe they have enough talent to reach their objectives in five years (McKinsey)

Society



Societal acceptance and brand

Recognition becomes key

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SUSTAINABILITY BUSINESS CASES

SUSTAINABILITY BUSINESS CASE in the 21st Century



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From Corporate Governance to Sustainability Governance



Measuring the
Corporate
Pulse

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Governance



- Management Oversight
- Structure
- Decision making
- Integrity in Reporting
- Timely** and balanced disclosure
- Rights of **shareholders**
- Recognise and manage **risk**
- Encourage **enhanced performance**
- Remunerate** fairly
- Recognise the legitimate **interests of stakeholders**

Sustainability



- Transparency:**
- Inclusiveness:**
- Auditability:**
- Completeness:**
- Relevance:**
- Context:**
- Accuracy:**
- Neutrality:**
- Comparability:**
- Clarity:**
- Timeliness**

Sustainable Governance



- **Management oversight**
 - Structure; Recognise and manage risk
- **Decision-making**
 - Context; Relevance; Rights of shareholders; Interests of stakeholders; Timeliness; Inclusiveness; Transparency.
- **Integrity in reporting**
 - Materiality; Timely and balanced disclosure; Clarity; Neutrality; Accuracy; Auditability
- **Encourage enhanced performance**
 - Remunerate fairly; Providing indicators of performance.

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Framework Comparisons

Self-Assessment Frameworks

[Basic Sustainability Assessment Tool](#)

[Future-Fit Business Benchmark \(FFBB\)](#)

[B Corp B Impact Assessment \(BIA\)](#)

[Sustainable Development Goals \(SDGs\)](#)

[Global Reporting Initiative \(GRI\) Standard](#)

[Task Force on Climate-Related Financial Disclosures \(TCFD\)](#)

[Integrated Reporting <IR>](#)

[Sustainability Accounting Standards Board \(SASB\)](#)

[ISO 26000](#)

[World Economic Forum \(WEF\) Common Metrics](#)

[EU Corporate Sustainability Reporting Directive \(CSRD\) - Annex 8](#)

[AASHE STARS](#)

3rd Party Assessment Frameworks

[Corporate Knights Global 100](#)

[CDP](#)

[S&P Global / Dow Jones Sustainability Index \(DJSI\)](#)

[3BL 100 Best Corporate Citizens](#)

[EcoVadis Supplier Assessment](#)

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GLOBAL 100: 24 KPIs*



Environment KPIs

- % Green revenue & investment
- Energy productivity
- GHG productivity
- Water productivity
- Waste productivity
- VOC productivity
- NOx productivity
- SOx productivity
- PM productivity

Economic KPIs

- % Taxes paid
- Pension Fund quality
- (Fines deduction)

Social KPIs

- Lost time injuries / hours worked
- Fatalities/FTE
- Employee turnover
- Paid sick leave
- CEO-to-average worker pay
- Gender pay gap

Governance KPIs

- % Board non-males
- % Sen Exec non-males
- % Board racial diversity
- % Sen Exec racial diversity
- Sustainability pay link
- Supplier sustainability score

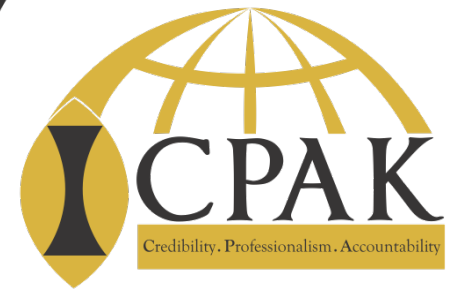


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The way to go? Maintaining the Balance



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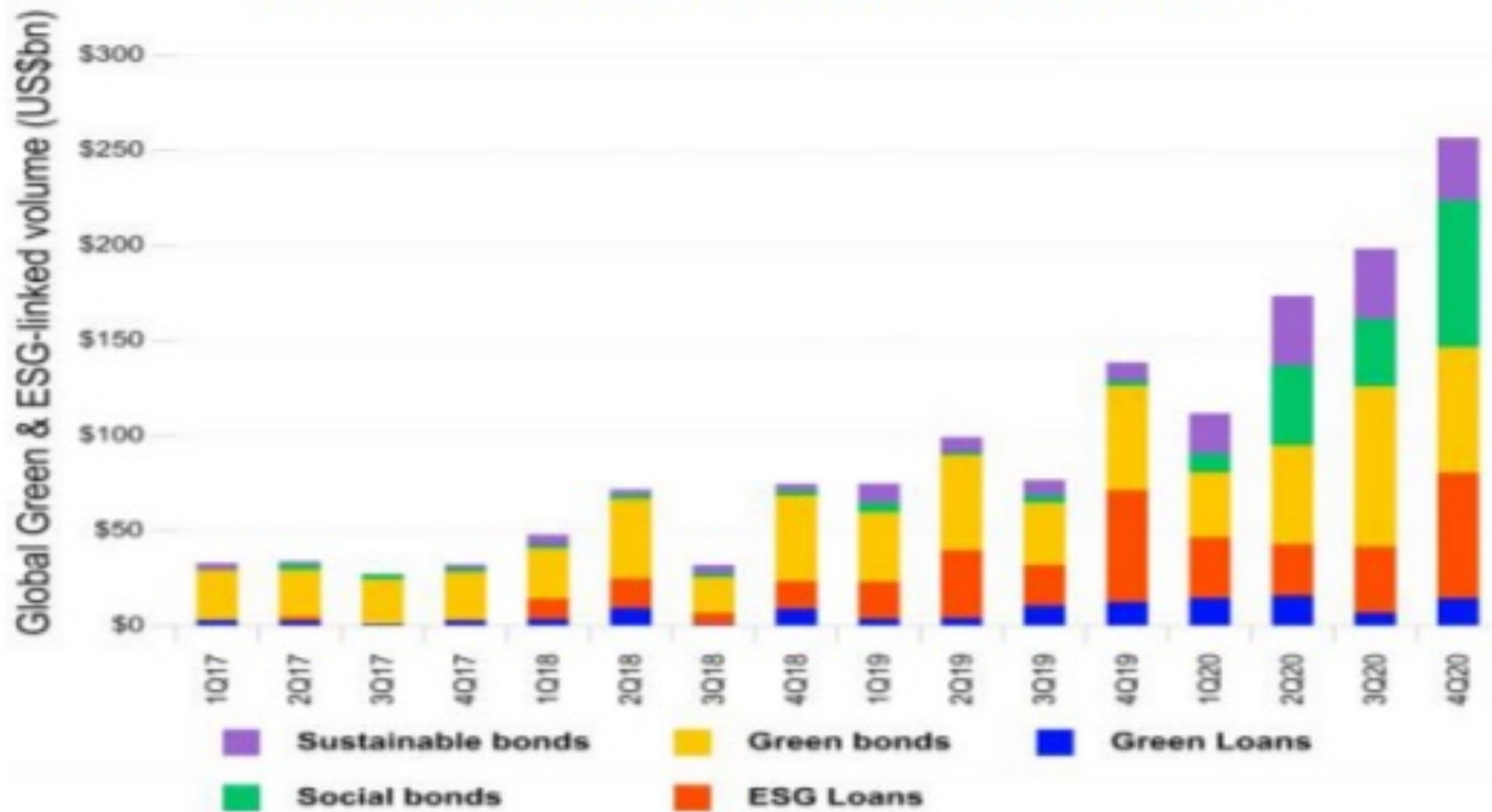


Whats happening Globally? 2021 NEWS

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ESG-LINKED LOANS AND BONDS

Over US\$270bn of global ESG loan and bond issuance hits market in 1Q21



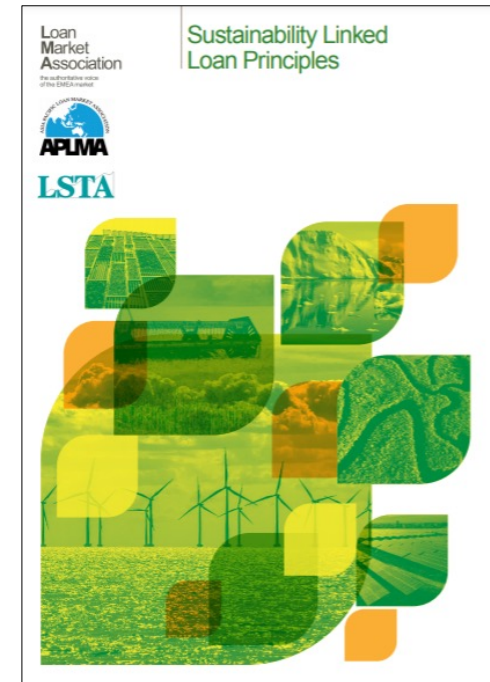
*Includes Schuldschein

*Includes completed and deals in process or announced

SLL PRINCIPLES

A four-component framework for the characteristics of a sustainability-linked loan (SLL):

1. The borrower already has *overarching CSR/ESG strategies, objectives, and policies*.
2. The borrower commits to ambitious, *sustainability performance targets (SPTs)*, relative to a baseline assessment.
3. The borrower periodically *reports* on progress toward the SPTs, preferably publicly.
4. Independent external *review* of progress toward the SPTs is encouraged.



Loan terms are aligned to the borrower's performance against the pre-determined SPT benchmarks.

VIRGIN MONEY UK

Virgin Money launches sustainability-linked loans

March 23, 2021

- **Virgin Money is the first bank in Europe to offer sustainability-linked loans in commercial banking; available for businesses of all sizes**
- **Access to the loans will be based on a digital tool created in partnership with Future-Fit Foundation which generates an ESG score for a business**
- **By waiving arrangement fees for companies who are credibly driving progress toward a truly sustainable future, Virgin Money aims to incentivise businesses to address their environmental and social impacts, which most SMEs (85%¹) say is important to them**

“Virgin Money launches sustainability-linked loans,” Virgin Money press release, March 2021.

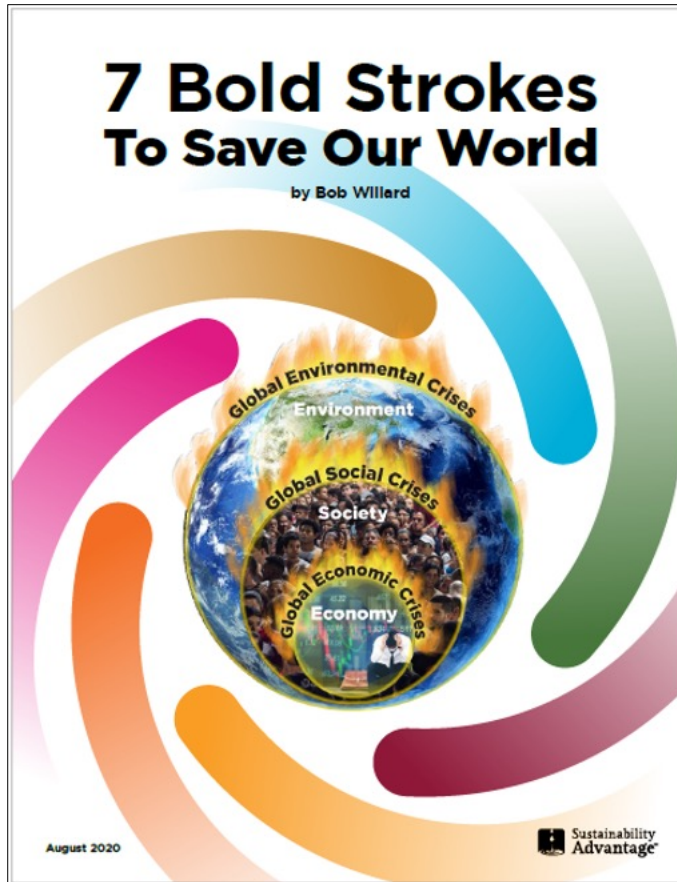


16 June 2021

HSBC USA expands sustainable finance offering with Sustainability-Linked Loans for Commercial Banking clients

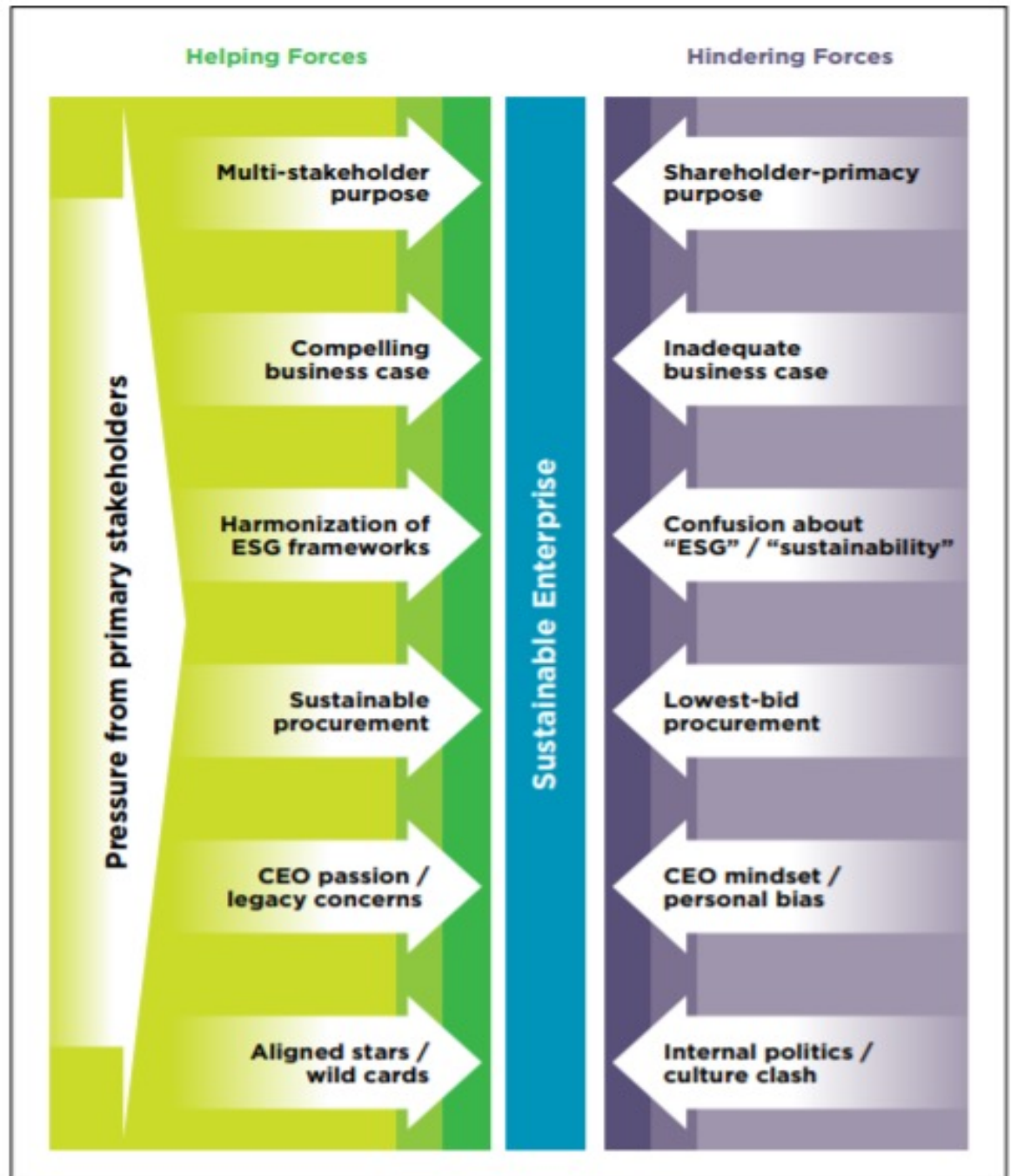
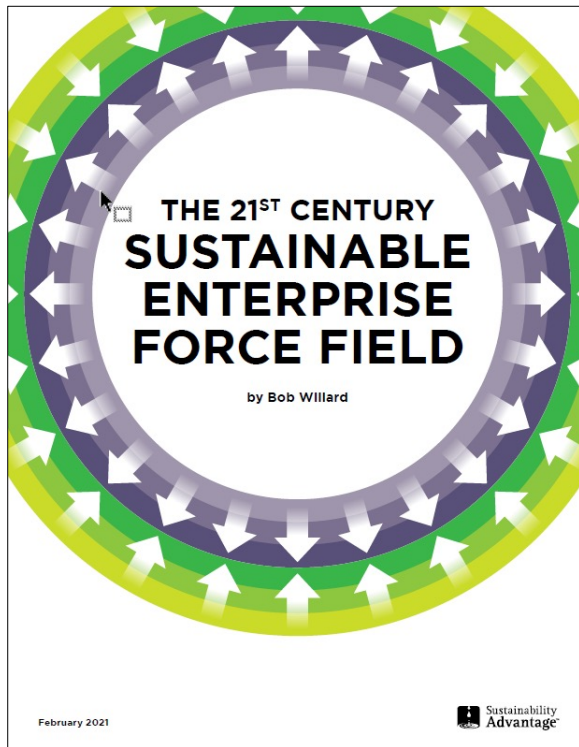
NEW YORK – HSBC Bank USA, N.A., (HSBC), part of the HSBC Group, today announced that it is offering Sustainability-Linked Loans (SLL) that will enable U.S businesses to tie their borrowing to activities that support a more sustainable, resilient and prosperous world.

White Paper

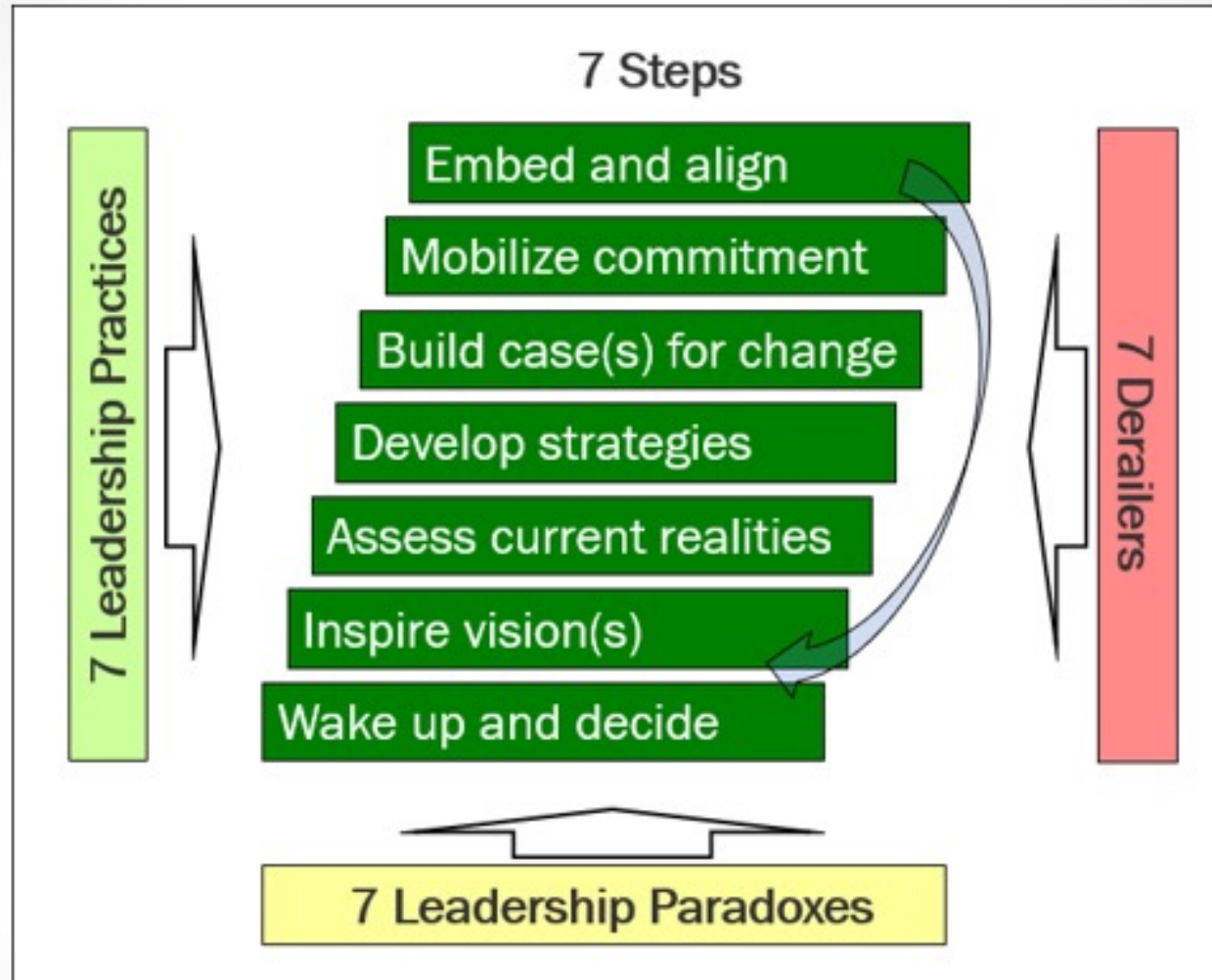


1. Replace the GDP with an SDG-based **GPI** for governments.
2. Mandate a multi-stakeholder wellbeing **purpose** for all corporations
3. Implement SDG-based **sustainable procurement**
4. Implement a fair and consistent global **tax system**
5. Ensure **gender equality** in public and private sector leadership positions
6. Implement a **Green New Deal**
7. Reform the **banking and securities systems**

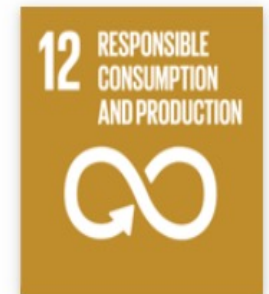
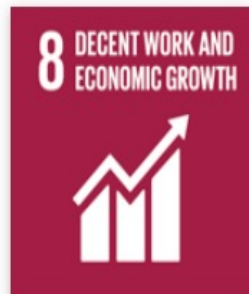
White Paper



LEADING CHANGE



SUSTAINABLE DEVELOPMENT GOALS (SDGs)



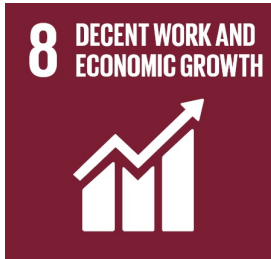
SUSTAINABILITY CLUSTERS OF SDGs

Environmental Goals

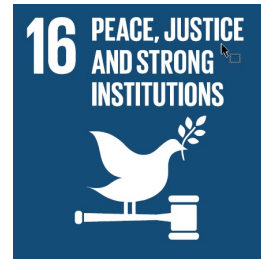


Social Goals

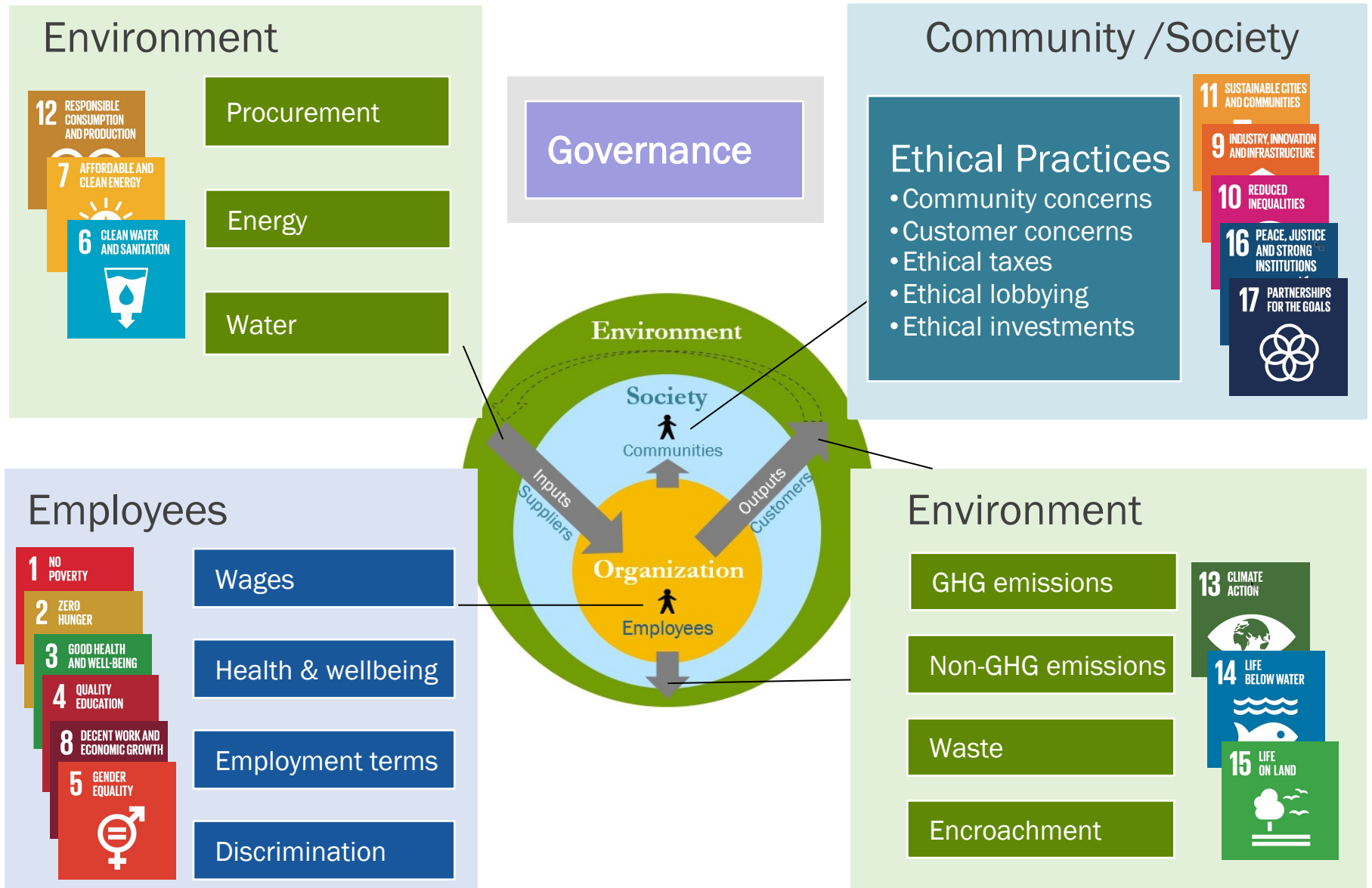
Employee Goals



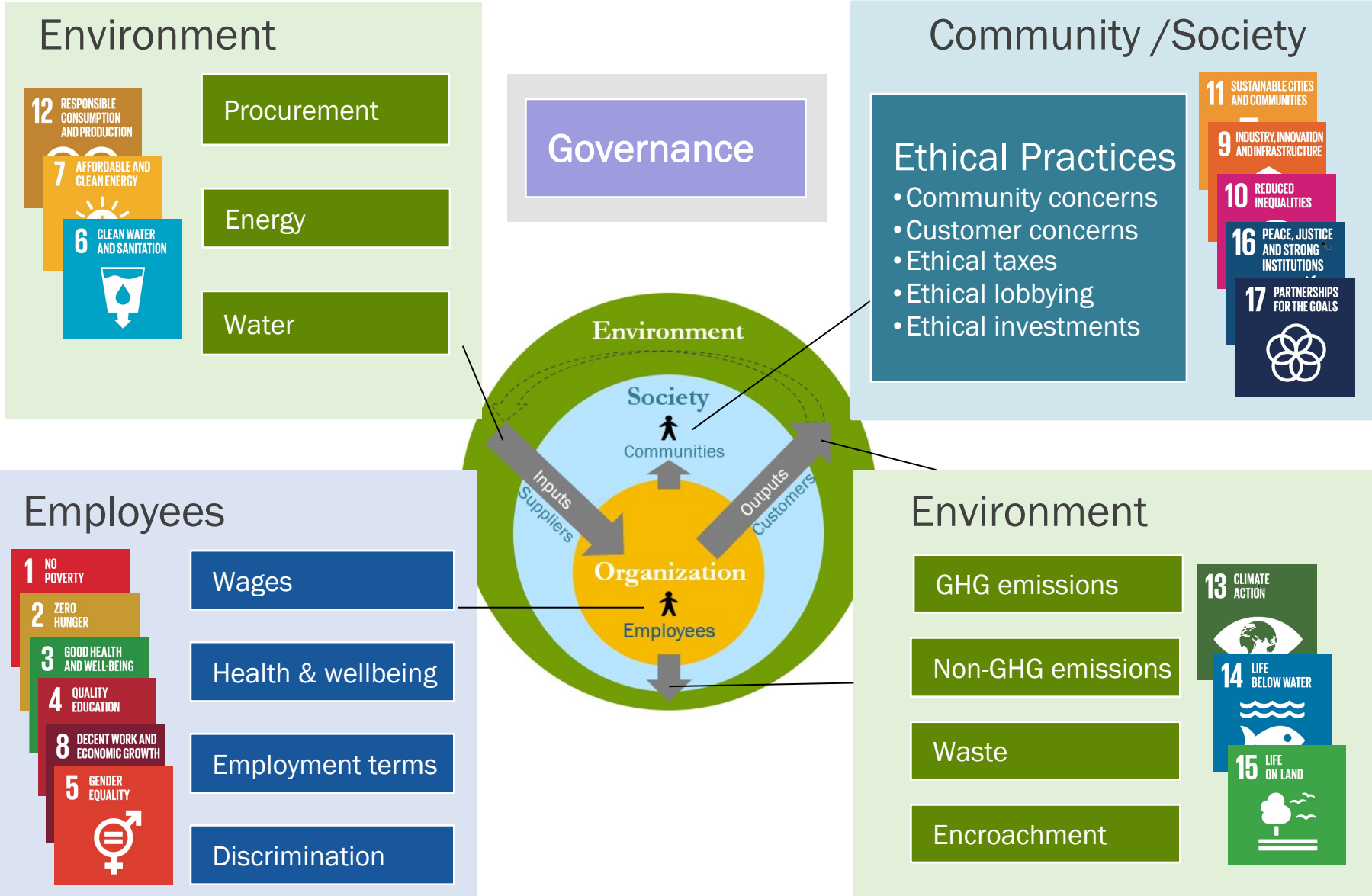
Community Goals



CORE ESG ISSUES → PRIMARY SDGs



CORE ESG ISSUES → PRIMARY SDGs



CLIMATE CRISIS

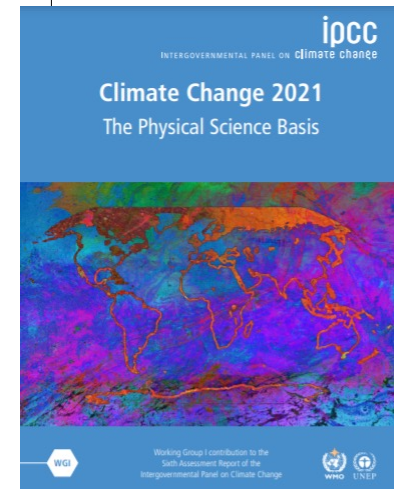
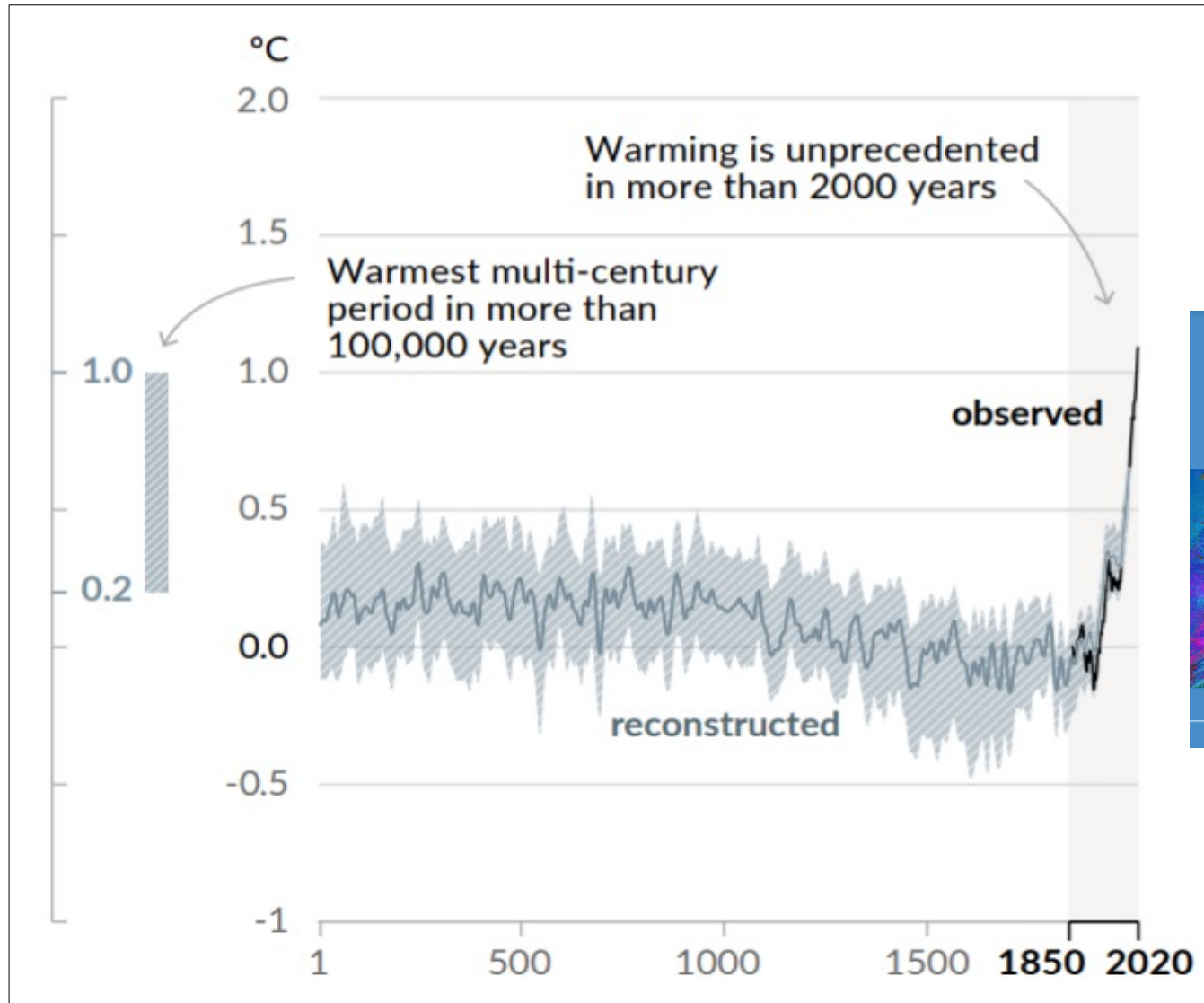


IPCC - 2021



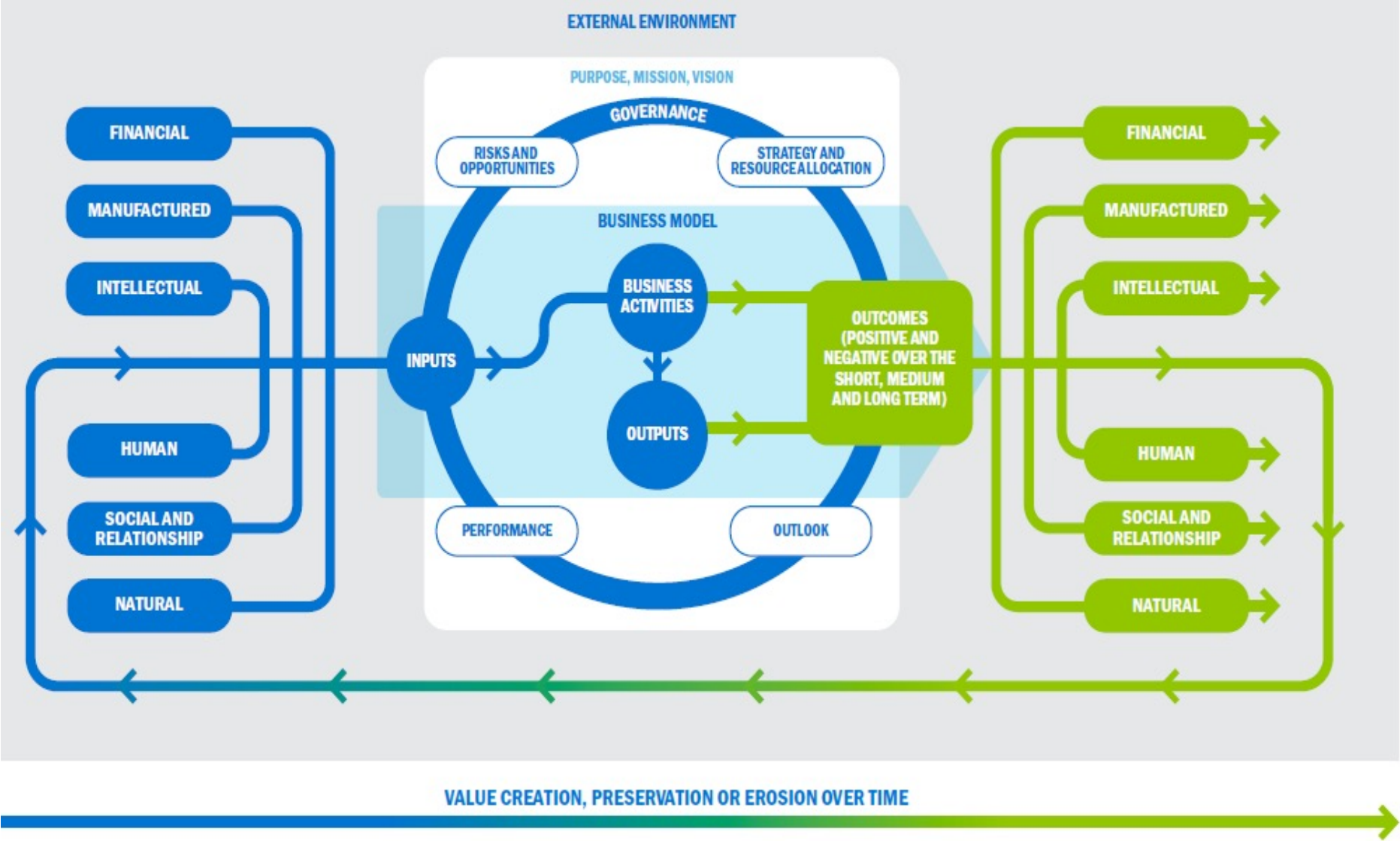
- ***Unequivocal:*** We are at 1.1 °C above pre-industrial levels now; will be at 1.5 °C by 2030 and 3+ °C by 2100; to stay under 1.5 °C, we must ***reduce GHGs by 50% by 2030 and 100% by 2050.***
- ***It's a crisis and will get worse:*** The recent horrific heat waves, droughts, fires and floods are directly caused by climate change.
- ***It's caused by humanity's use of fossil fuels.***
- ***Sea level will rise*** by 2-2.5 feet by 2100 and is *irreversible*.

UNPRECEDENTED WARMING



“Climate Change 2021: The Physical Science Basis,” IPCC, August 2021.

<IR> BUSINESS MODEL



Thank You!



OUR PURPOSE

Transforming Lives



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