

**Lead.**  
**Transform.**  
**Succeed.**

# The board's **duty**

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In order for companies to stay **competitive**, **agile** and **resilient**, boards must acknowledge and respond to pressure from:



**Investors**



**Regulators**



**Customers**

In every jurisdiction, the board has a duty to ensure the longevity and survival of the corporation.



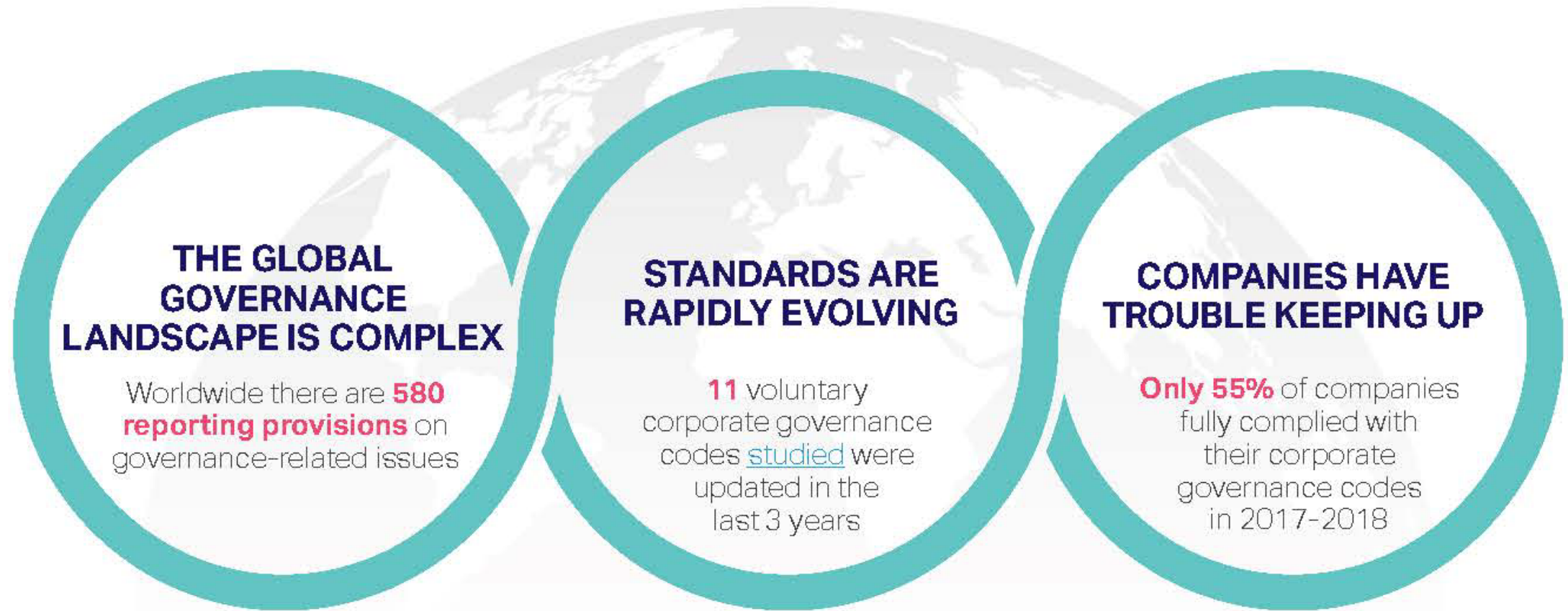
In the past, companies sought to do this by focusing solely on maximizing shareholder value.

## The role of the board is changing

It's important for the board to **consider all stakeholders**



# Sustainability can no longer be considered in **isolation**.



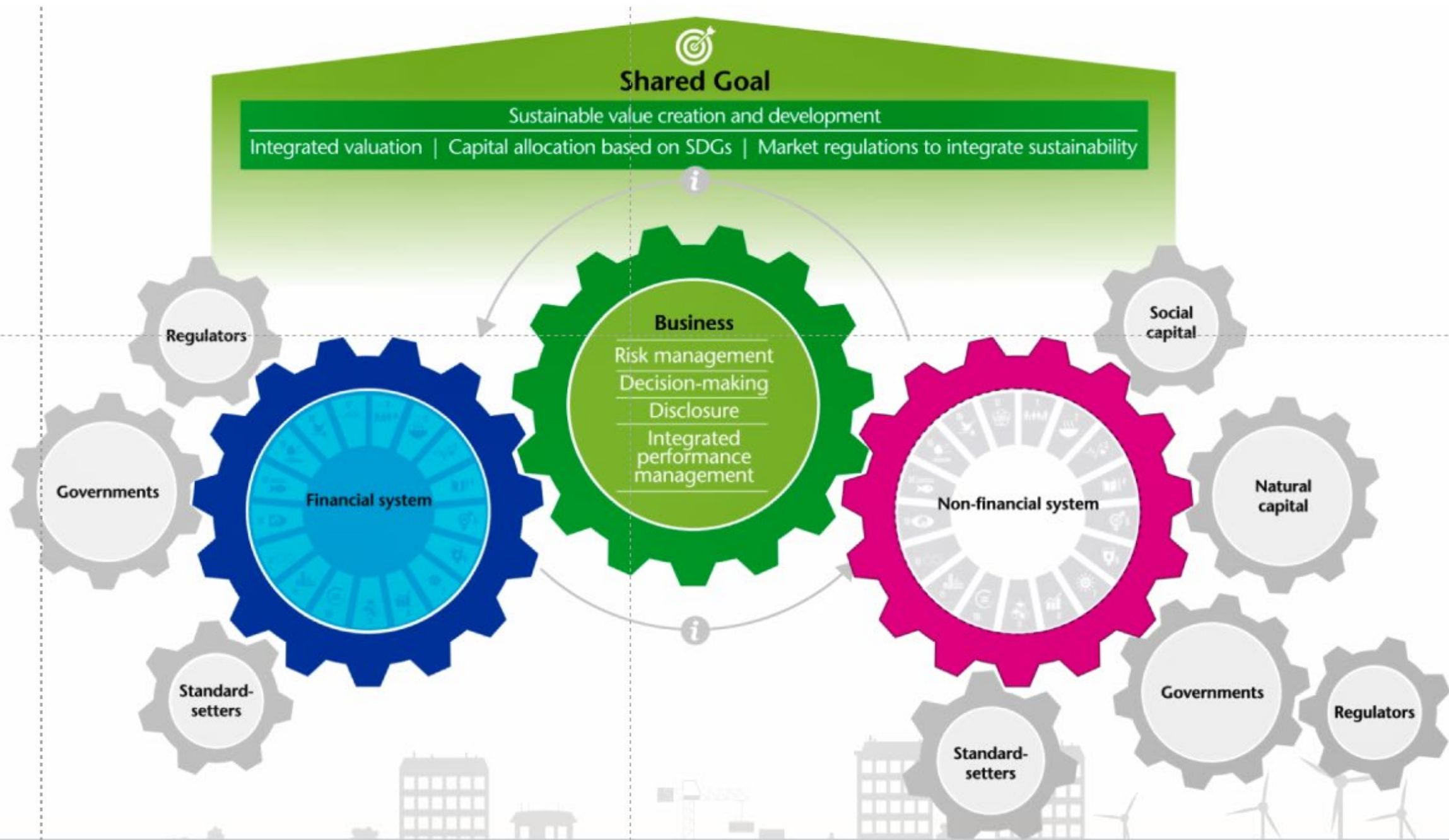
Whilst each country specific governance paradigm is different from the next, there are common themes and practices that support effective and responsible governance & oversight

# Recently launched **WBCSD** governance report

<https://www.wbcd.org/Programs/Redefining-Value/Business-Decision-Making/Governance-and-Internal-Oversight/Resources/The-state-of-corporate-governance-in-the-era-of-sustainability-risks-and-opportunities>

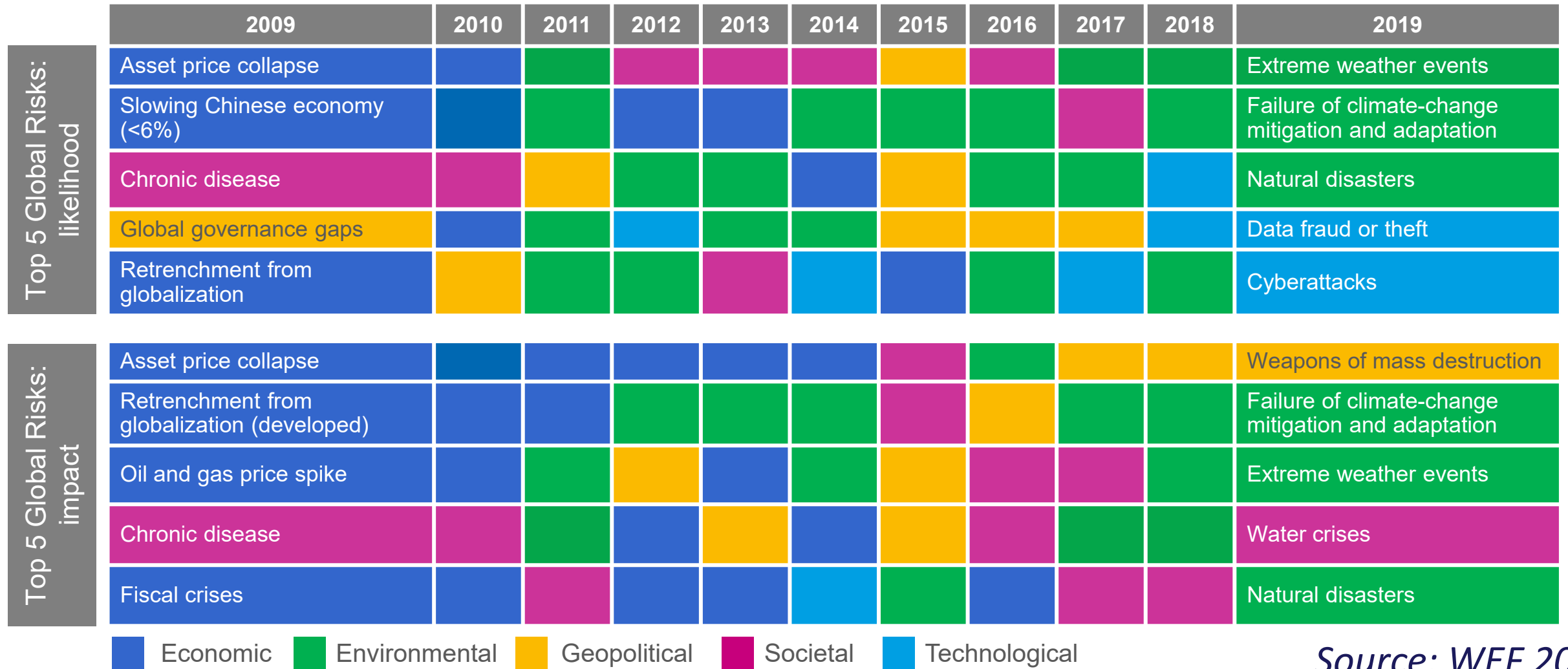






# Applying enterprise risk management with ESG-related risks

# The global landscape continues to shift



Source: WEF 2019



Business | Nation & World

## Low Rhine forces BASF to limit production at German plant

Originally published November 26, 2018 at 7:31 am

By The Associated Press

The Associated Press

### Share story

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BERLIN (AP) — Chemical giant BASF says it will have to stop production of a component of polyurethanes at its main plant in Germany because low water levels in the Rhine river are impeding its ability to transport raw materials to the site.

BASF said Monday that “not all raw materials can be supplied” to the riverside Ludwigshafen site even though it is making more use of pipelines, trucks and railways.

## Shell adjusts German refineries' output because of low Rhine level

REUTERS Reuters November 20, 2018

Clim  
change is  
no

22 August 2018 UPDATED 22/8/2018

## Solvay polyamides production impacted by low Rhine levels

By SHAHRZAD POURRIABI | 🐦



WORLD NEWS FEBRUARY 22, 2019 / 9:34 AM / UPDATED 40 MINUTES AGO

## Brazil prosecutors seek arrest of senior Vale exec after deadly disaster

Marta Nogueira

2 MIN READ

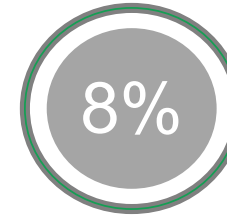


RIO DE JANEIRO (Reuters) - Brazilian federal prosecutors are seeking the arrest of a Vale SA senior executive, authorities said on Friday, following the collapse of a dam holding mining byproducts that is believed to have killed over 300 people.

# The case for change - 2016



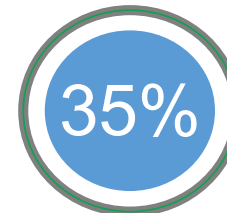
Average  
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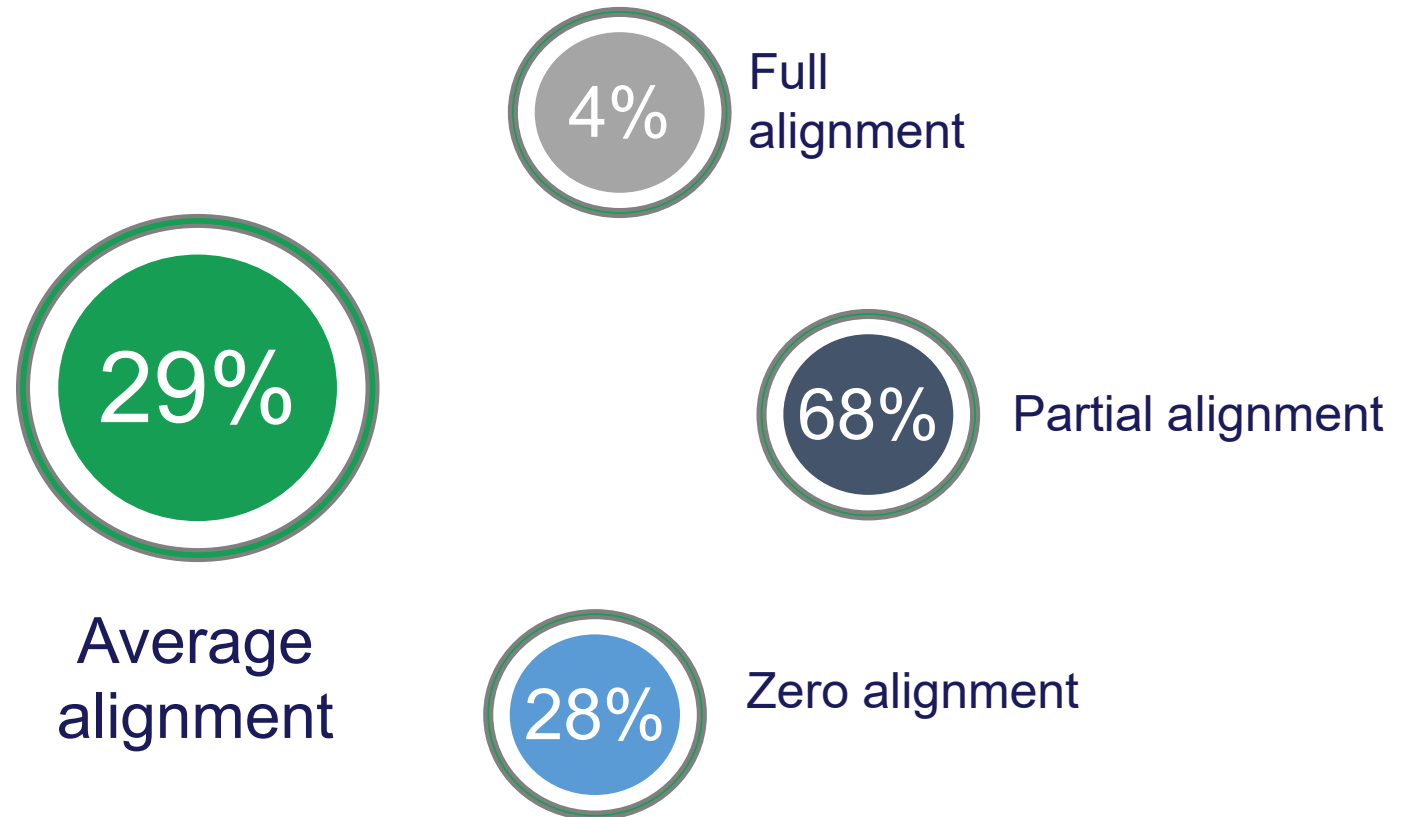
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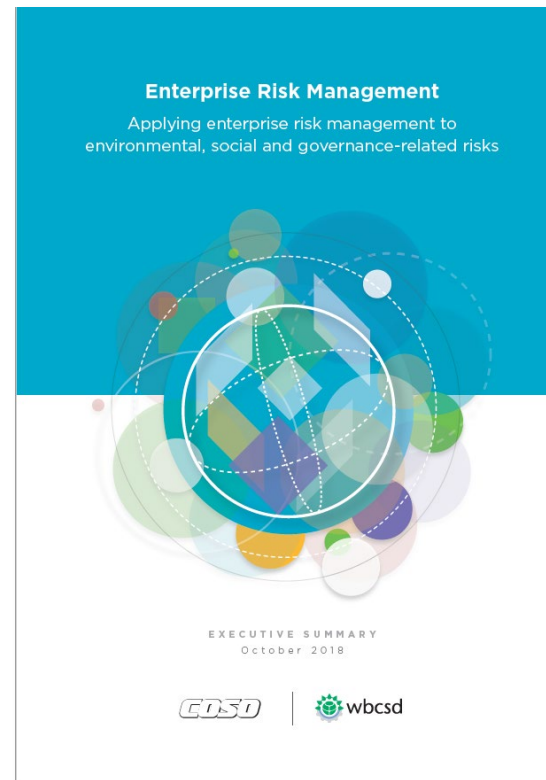
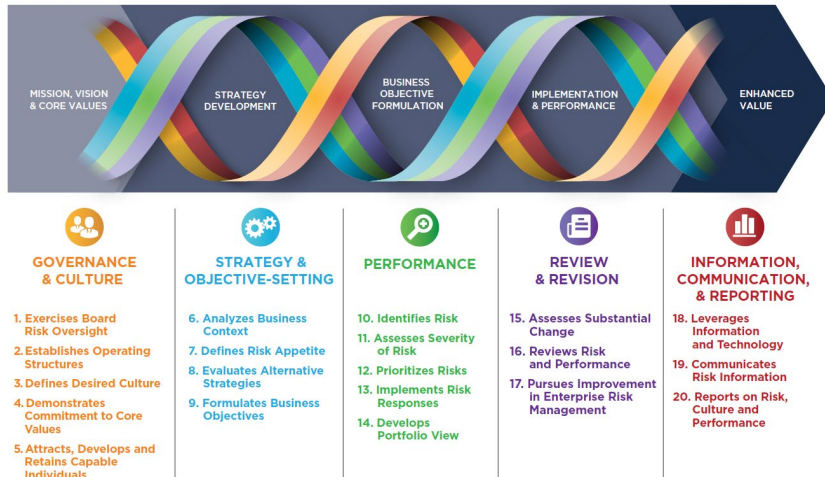
# The case for change - 2018

WBCSD conducted a study of 281 companies inside and outside WBCSD membership





# Risk Management – COSO & WBCSD



# Governance and culture for ESG-related risks



Governance, or internal oversight, establishes the manner in which decisions are made and how these decisions are executed.

Applying ERM to ESG-related risks includes raising the board and executive management's awareness of ESG-related risks – supporting a culture of collaboration among those responsible for risk management of ESG issues.



# Natural and Social & Human Capital **Protocols**

**Generally-accepted frameworks for business to identify, measure and value its impacts and dependencies on natural, social and human capital.**



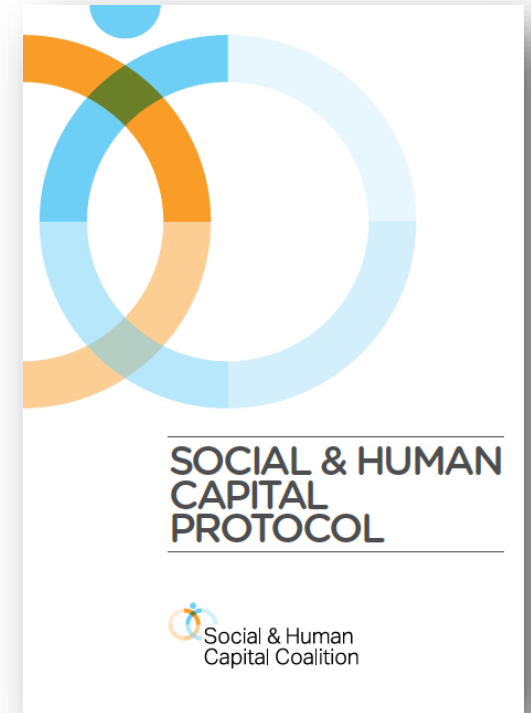
NATURAL  
CAPITAL  
COALITION



2016

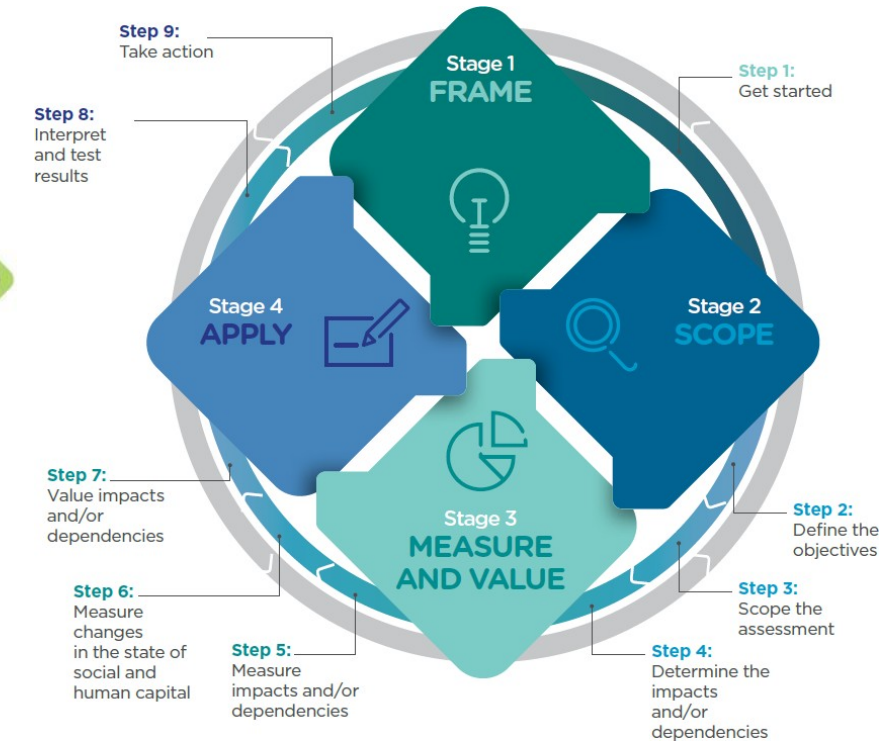


Social & Human  
Capital Coalition



2019

# Structure of the Protocols



These sister Protocols follow the **same 4 Stages:**  
**FRAME, SCOPE, MEASURE & VALUE** and **APPLY**, composed of **9 Steps**.

# ESG Disclosure Handbook

# ESG Disclosure Handbook

The ESG Disclosure Handbook offers guidance and process to help companies navigate the many choices associated with ESG reporting.

Consultation draft was published in October 2018. 200 individuals contributed, with comments from IFAC, IIRC, GRI, A4S, Deloitte, PwC among others.

The revised version is launched today and available to download from the WBCSD website.



# Rationale for the Handbook

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## Navigating and negotiating:

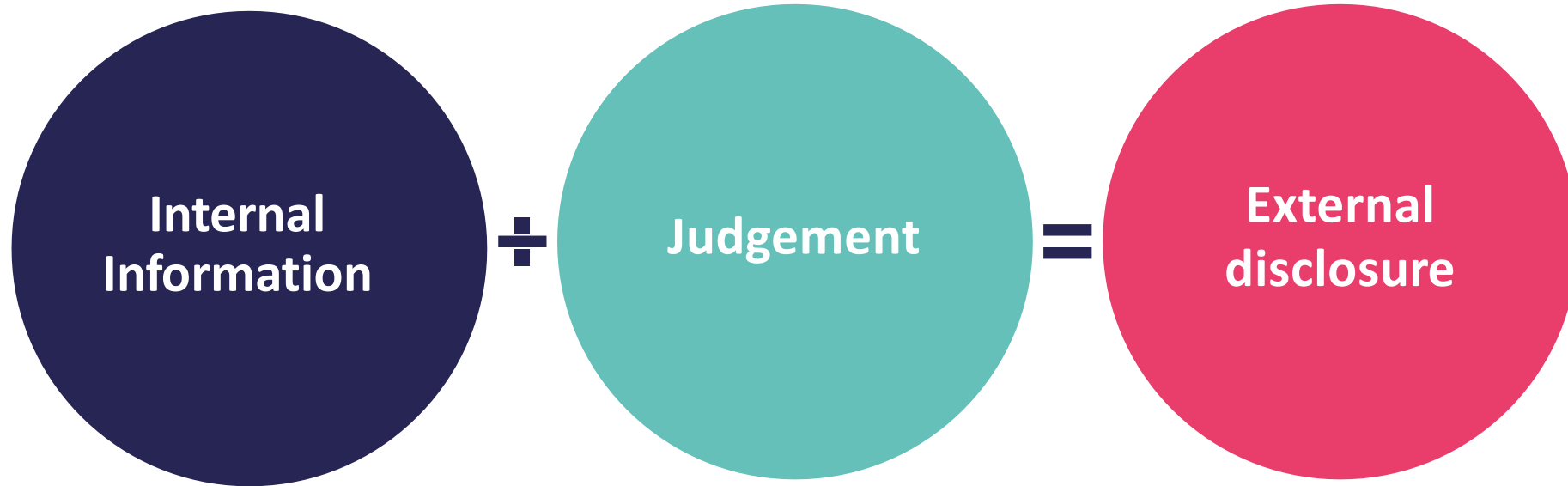
- **Information needs** of multiple stakeholders
- **Multiple reporting provisions**
- **Internal objectives** for reporting
- **External objectives** for reporting
- Concerns about reporting “**volume and clutter**” obscuring important information
- Dangers of **boilerplate** reporting





# The role of judgement

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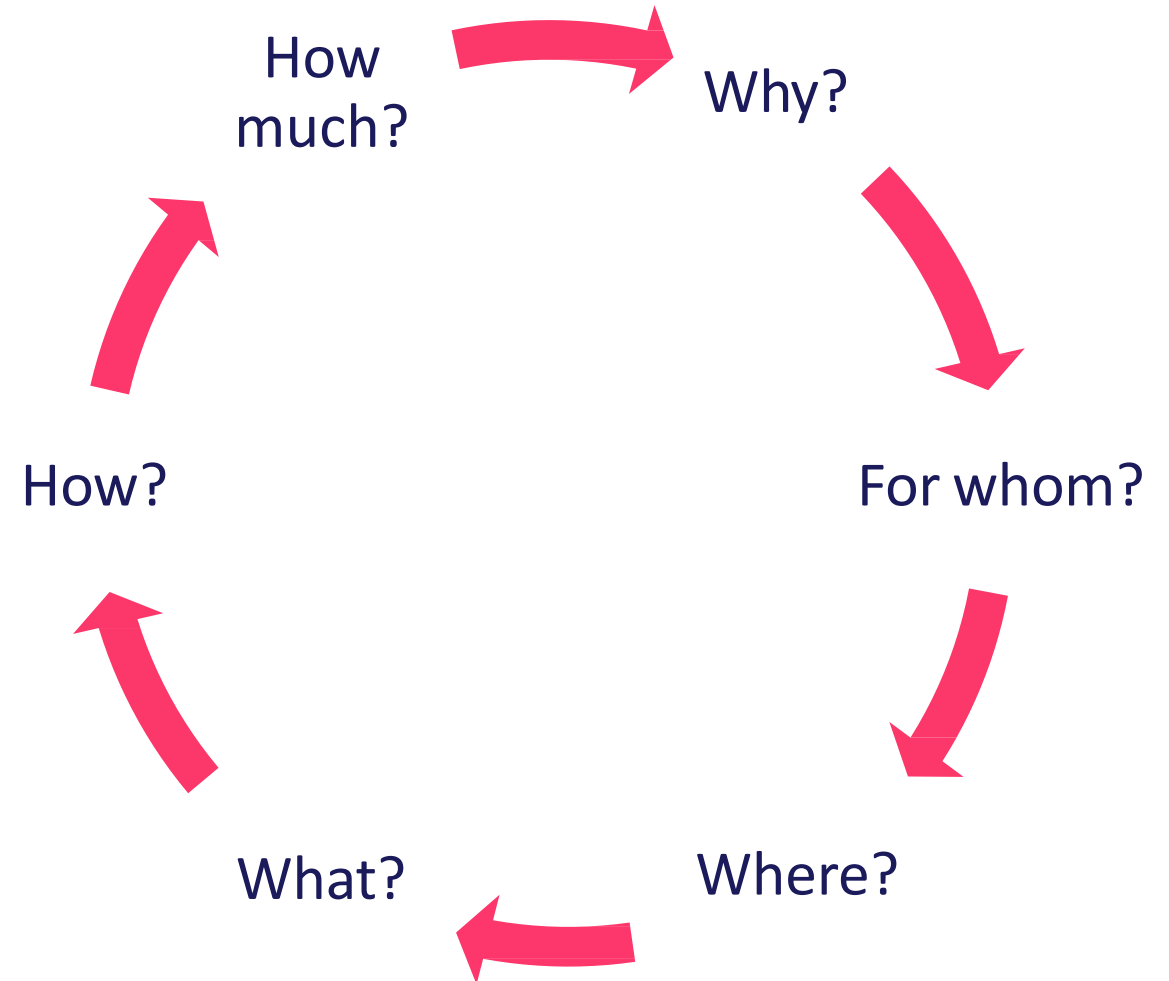
## Role of judgement:

- Independent and unbiased
- Comprehensive fact gathering
- Evaluate options
- Limit errors and risks
- Support assurance
- Raise confidence
- Enhance coherence
- Explain approach

# Process: Six key questions

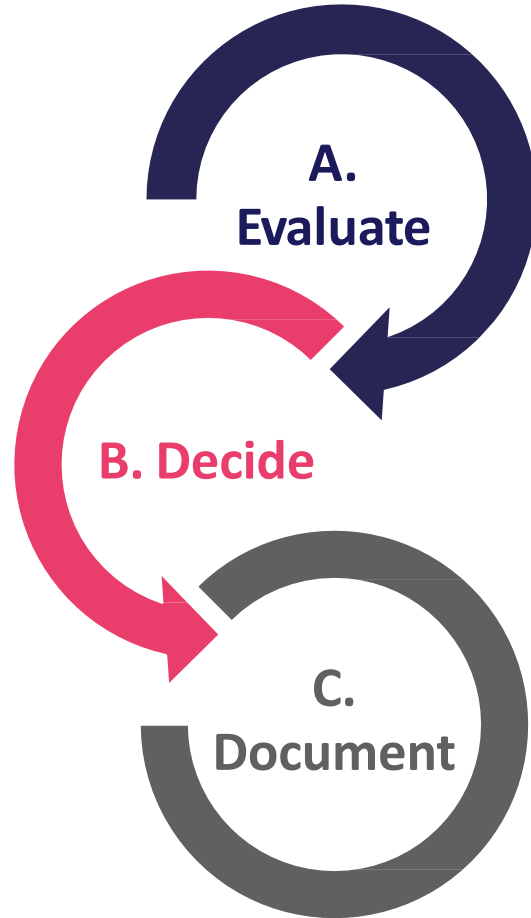
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The ESG Disclosure judgement process comprises six key questions that offer a simple, clear and practical way of optimizing confidence in externally reported ESG information.



# Process: Evaluate, Decide, Document

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## **A. Evaluate** criteria (neutral, objective, evidence-based)

- Supports objectives and purpose of reporting
- Has business value
- Meets the needs of the intended audience
- Is supportable and useful
- Can be clearly communicated

## **B. Decide** (subjective based on evaluation)

- Assumptions
- Opinions
- Experts

## **C. Document**

- Final conclusion
- Sensitivities and uncertainties

# Why report ESG information?

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## Reasons:

- **Have to** in response to compliance requirements
  - EU Directive
- **Want to** in order to communicate important information to stakeholders
  - Describe value creation & long-term value drivers
  - Progress against commitments, objectives & strategy
- **Ought to** in order to align with peer practice or contribute to policy goals
  - Contribution to SDGs & Paris

# For whom should ESG information be reported?

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Relationships and connections:

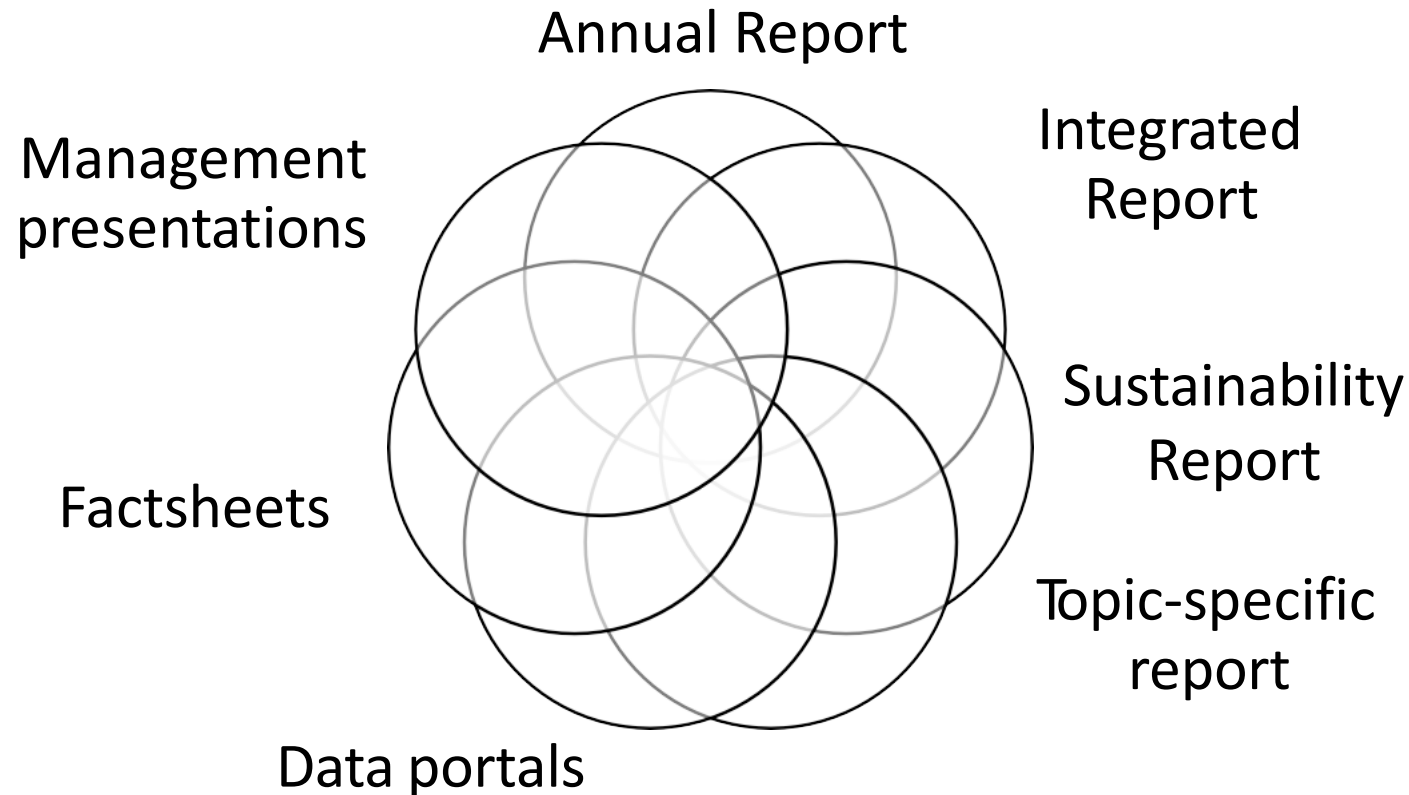
- **Responsibility**
- **Influence**
- **Proximity**
- **Dependency**
- **Representation**





# Where should ESG information be reported?

Where ESG information is reported should align with the objectives the information seeks to achieve and the information needs of the intended user(s).



# What ESG information should be reported?

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What ESG information you decide to report depends on the objective of the report, requirements of reporting provisions and the intended audience.

## Consider:

- **Subject matter** (e.g. training & development, waste, climate change, water etc.)
- **Content categories** (e.g. strategy, risk, governance, targets, etc.);
- **Perspectives** – inside out & outside in
- **Information types** – operational, analytical, forward-looking
- **Indicator types** – evidence, explain, measure, value
- **Purpose** – integration, operation, mitigation, adaptation, transition & transformation

# How should ESG information be prepared & presented?

How information should be presented is largely dependent on the answers to what, for whom and why questions.

## Consider:

- **Information type**
- **Reporting principles**
- **Accessibility**
- **Standardization**
- **Reliability and assurance**

TCFD	GRI	SASB	IIRC	IFRS
Clear, balanced and understandable	Balance	Neutral		Faithful representation
	Clarity	Fair representation		Understandability
Consistent	Comparability	Comparable	Consistency and comparability	Comparability
Comparable		Aligned		
Relevant	Materiality	Useful	Materiality	Relevance & materiality
		Applicable	Conciseness	
Timely	Timeliness			Timeliness
Specific and complete	Completeness	Complete	Completeness	
Reliable, verifiable and objective	Reliability	Verifiable	Reliability	Verifiability
	Accuracy	Distributive		
	Stakeholder inclusiveness		Stakeholder relationships	
	Sustainability context		Strategic focus and future orientation	
			Connectivity of information	

# How much ESG information should be reported?

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How much is finding the balance between reporting being true, fair, clear and balanced with being concise and containing material information.

## Consider:

- **Clarity & connectivity**
- **Material**
- **Duplication**
- **Objective & audience match**
- **Dangers of boilerplate**
- **Commercial sensitivities, competition and potential liabilities**

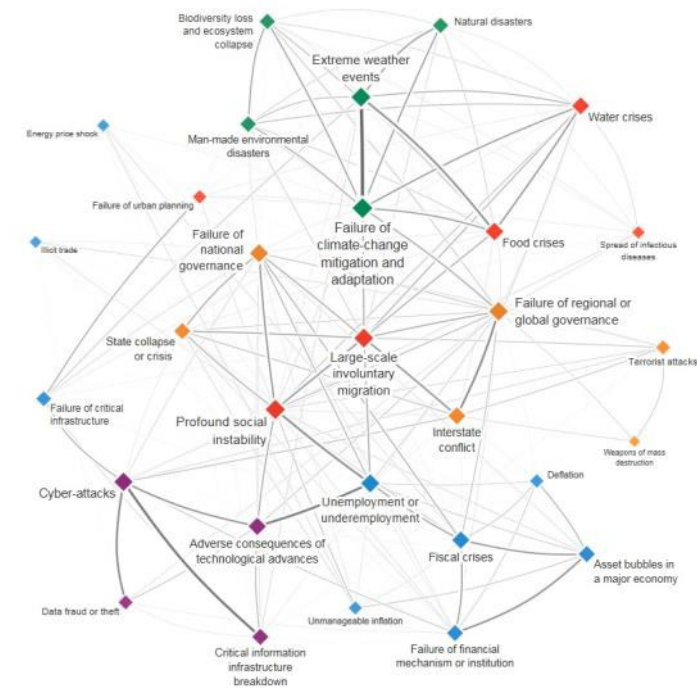
# Applying materiality in the judgement process

Materiality should determine how much information to include in corporate reports to achieve the reporting objectives and make the information useful for the audience.

1. Take account of guidance, definitions and prescriptions about materiality
2. Prioritize information for audiences
3. Assess the potential magnitude, likelihood and impact of issues
4. Assess interconnections
5. Prioritize issues that are specific to the reporting organization

The Global Risks Interconnections Map 2019

How are global risks interconnected?



Source: World Economic Forum



# Questions

Go to **www.menti.com** and use the code **68 95 30**

**What are you going to action after this conference?**



Slide is not active

Activate



 0

**Lead.**  
**Transform.**  
**Succeed.**