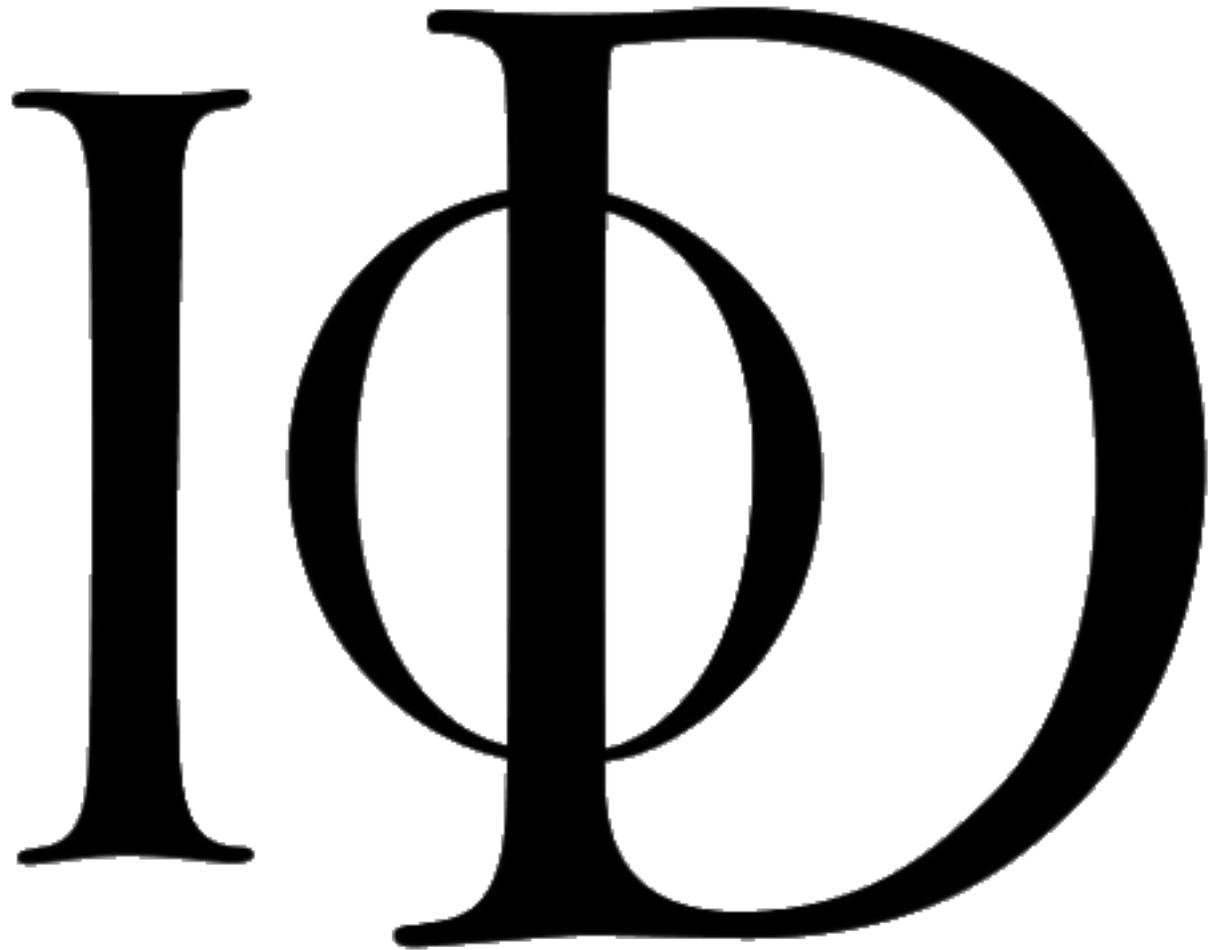


Are you leading a Sustainable Business in 2020?

Speakers:

Jennifer Strachan, IAM Advisory

Sally Rochester, Deloitte

The image features the letters 'IO' in a large, bold, black, serif font. The 'I' is a simple vertical bar with a slightly flared top and bottom. The 'O' is a large, thick, circular shape with a vertical bar through its center, resembling a stylized 'D' or a '0'. The letters are positioned on the right side of the slide, set against a white background.

Setting the scene

- **A sustainable business is an enterprise that**
 - has minimal negative impact, or potentially a positive effect, on the global or local environment, community, society, or economy
 - **“Triple bottom line” - social, environmental and financial – “People, Planet, Profit”**
- **How can we tell how sustainable a business is?**
 - Increasing regulation and demand for data
- **Who wants to know?**
 - Consumers
 - Investors
 - Talent
 - Governments
 - Other companies



Climate Change and Net Zero - background

- **Net Zero – aim to reach net zero greenhouse gas emissions**

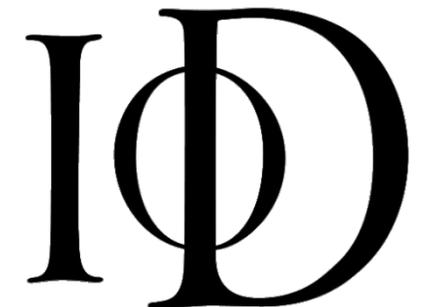
 - United Kingdom 2050

 - Guernsey 2050 (agreed June 2020)

 - Not just governments -

 - bp is aiming to be a net zero company by 2050
 - BT Pension Scheme, £55 billion portfolio of assets to achieve net zero by 2035
 - Apple commits to be 100% carbon neutral for its supply chain and products by 2030

- **Goal is long term, but decisions to reach net zero will be made now**



Climate Change and Net Zero – risks and opportunities

- **Resulting impact will be changes to:** policy, strategic decisions, investment decisions, asset values

- Interruption to business and supply chains

- Impact on shareholder sentiment

- Increase in resource costs and availability – and reduction in asset values

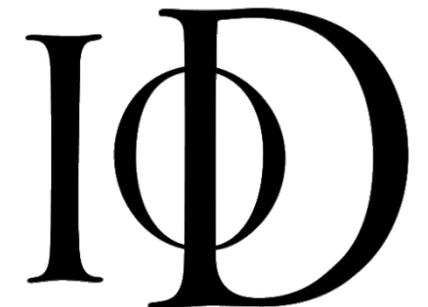
- New rules, regulations and board obligations

- Opportunities for innovation

- **Impact throughout the company needs leadership**

- Executive board members

- Non-exec



Board support for Climate Change – Chapter Zero

- **Resources and support**, either as a Director or as someone encouraging their board to act – Chapter Zero resources can help

Established in June 2019, Chapter Zero's goal is to help chairs and non-executive directors address the challenge of managing the transition to a net zero carbon economy; protecting asset values, adapting to physical risks and reducing emissions. It is part of the World Economic Forum Climate Governance Initiative.

- **Membership organisation** – join now
- **The Chapter Zero free tool kit** -aimed at senior executives and board directors to help boards to hold informed and strategic discussions and respond effectively to the climate change challenge

Chapter Zero Framework

- **Understand climate change**

 - Why it is so urgent

 - What is the business impact

- **Understand the difference a Non-executive Director can make**

 - Ensure boards are fulfilling their obligations

 - Using their network to broaden their impact

- **Five steps to action**

 - 1- Get it on the Agenda

 - 2- Establish the need for change – Self Assess

 - 3- Define Change Plan Journey

 - 4-Embed and sustain the change

 - 5-Monitor and improve performance – this means data!

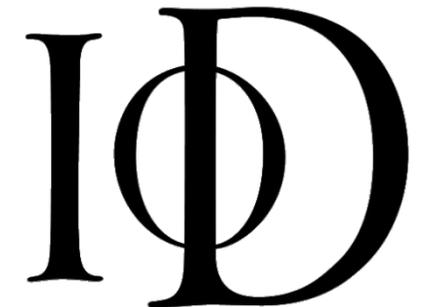
Why Disclose?

Directors are in a unique position to connect sustainability with corporate purpose and strategy. Once the value of sustainability is established, the business case for the critical importance of its disclosure will naturally follow. Careful consideration of the needs of a broader universe of stakeholders ultimately drives value for shareholders, and directors have an opportunity to use transparency to promote more effective engagement with investors.

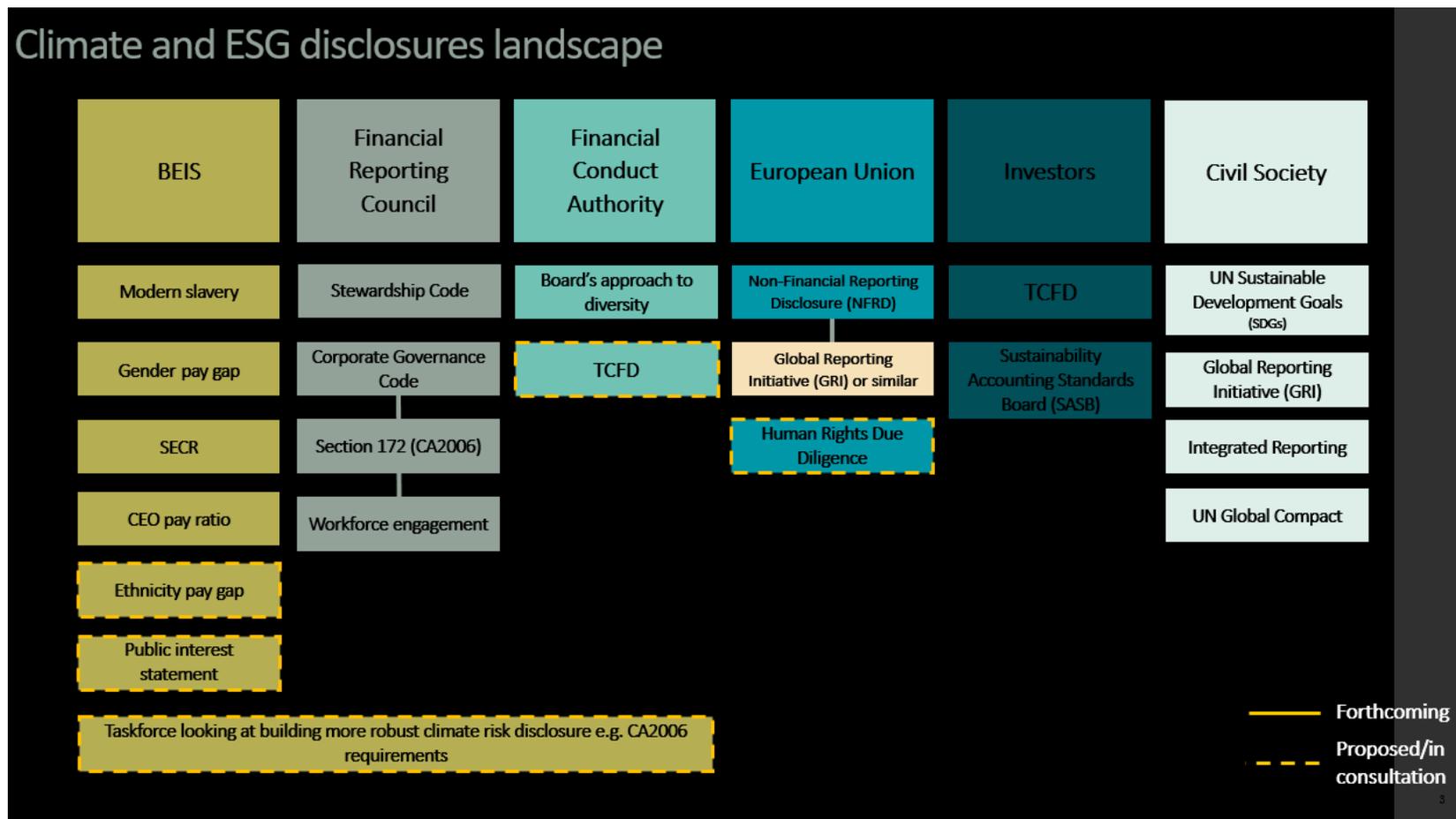
Why Disclose now?

The climate standards disclosure board reviewed the 2019 environmental and climate-related disclosures of Europe's 50 largest listed companies and found material issues with the majority of disclosures. It takes time to adopt such a disclosure regime and early adopters will be able to provide relevant, consistent and comparable data for investor and wider stakeholder decision making in the near future.

Which framework should I use to disclose?



What frameworks exist to support disclosure?



What are the TCFD Disclosures?

Governance

- A) Describe the board's oversight of climate-related risks and opportunities.
- B) Describe management's role in assessing and managing risks and opportunities.

Strategy

- A) Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.
- B) Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.
- C) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.

Risk Management

- A) Describe the organization's processes for identifying and assessing climate-related risks.
- B) Describe the organization's processes for managing climate-related risks.
- C) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.#

Metrics and Targets

- A) Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.
- B) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.
- C) Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.



SASB Disclosure

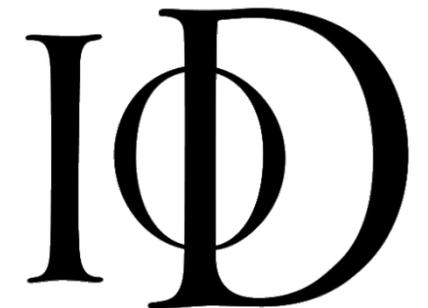
The Sustainability Accounting Standards Board (SASB) was founded in 2012 when investors needed decision-useful ESG data to examine long-term performance and compare companies. SASB creates industry-specific standards with comparable metrics that allow companies to:

- identify, manage and communicate financially material sustainability information to investors
- compare their own approach to those of their peers
- contribute to large-scale data sets
- benchmark and improve their own performance.

Better disclosure from companies allows investors to:

- make assessments based on the same universe of information
- assess board and management performance and provide more targeted feedback
- monitor change over time at company, industry, and market levels.

SASB work alongside other ESG standards and frameworks, such as the TCFD, to support the investment process. They can be used as part of a 'building block' approach to tailor solutions for different markets and users.



Challenges of Disclosing

Near Term

- Short **implementation timeframes**
- Data sourcing and **data quality**
- **Regulatory interpretation** & unclear policy landscape, e.g. Brexit
- Embedding ESG within the firm, **cultural shift**
- **Pace of change**



Long Term

- Servicing **increased investor demands** and other external 'interested' parties
- Product development and **commercial strategy**
- **ESG skill gaps and upskilling** of workforce
- Enhanced corporate engagement, including push for greater **ESG corporate disclosure**

How should I approach disclosures?

Make your disclosures material

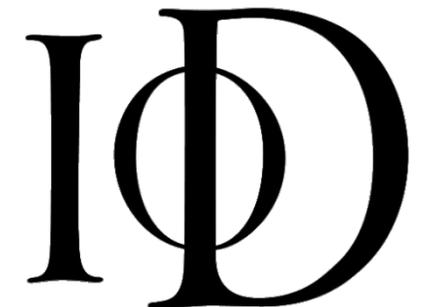
- use materiality as a lens to prioritise and position disclosures
- take advantage of sector-specific guidance
- consider materiality today, and in the longer term

Plan Ahead

- Know your ambition
- Find a forum to rehearse disclosures

Look for Opportunity

- Reporting as a tool for change
- Activity behind the disclosures as a tool for resilience



Summary - challenges and opportunities for private sector

- **Government and supranational organisations are pushing business to drive change to a more sustainable world**

- **Tools to change - data collection and reporting**

- Access to targeted ESG data provides:
 - Better understanding of risk
 - Knowledge to improve and assess opportunities
 - New way to engage with stakeholders

- **Build knowledge at board level and act**

- Chapter Zero 5 steps - Get it on the agenda, self-assess, define the change, embed the change and monitor the change
- Set goals – follow bp to become net zero, become a signatory of the UN PRI
- Sustainability, Innovation and Digital interlinkage
- Pensions – follow BT Pension scheme to invest net zero



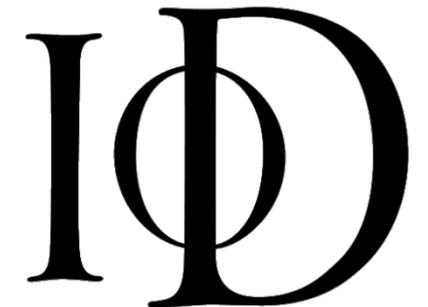
Summary - challenges and opportunities for Guernsey

- **Government – Incorporate sustainability**

- 2050 Net Zero commitment
- Data collection and disclosure
- “Revive and Thrive” GDP or Doughnut economy
 - An economy between the ecological boundary and social boundary
- Alignment with UN Sustainable Development Goals (SDG’s)
- Support for business innovation

- **Guernsey Opportunities**

- “Save Haven” – build on success in health crisis
- “Sey Power” and “Guernsey Blue” – Proposals made at the 2018 IoD Annual Conference by Hanna Laikko, Moving Brands – branding opportunities to build on Guernsey’s environmental credentials



Resources

- **Chamber of Commerce Sustainable Business Initiative (SBI)** – sustainable champion networking and educational talks
- **GGF** – Green Guernsey Forum – Employers sharing knowledge and ideas to create a greener future
- **Guernsey Finance** – Guernsey Green Finance products
- **UN Principles for Responsible Investment (PRI)** – for investors and asset managers and their service providers
- **Chapter Zero** – <https://www.chapterzero.org.uk/>
- **TCFD** - <https://www.tcfdhub.org/>
- **UN Global Compact** - <https://www.unglobalcompact.org/>
- **GRI** - <https://www.globalreporting.org/>

