ESG: Managing Non-Financial Risks and Opportunities

Tim Bovy, Ian Hodges, David Ryan

BCS
8 June 2021
Agenda

About us
The topic
The Problem
Proposed solutions
Conclusion
Questions
About us

Tim Bovy slides 1–5, 15–17
Ian Hodges slides 6 – 11
David Ryan slides 12–15
The topic

An HBR article, published in May 2020, identifies that “A consensus is emerging that society and diversified investors are best served by companies that focus on sustainable value creation and respect the legitimate interests of all stakeholders, not just stockholders.”
The problem

Inaccessibility of non-financial data
Supply chain

Andy Ruben, who was the first chief sustainability officer at Walmart, notes that “even companies with Walmart’s influence find it challenging to really understand what is going on in an increasingly global and interconnected supply chain.”

Kenneth P Pucker, HBR May/June 2021
Proposed solutions

- Define and Communicate the ESG Strategy as a First Step
- The role of institutional investors
- Create a Comprehensive Information Management System
- Maintain an ESG Obligations Register: Ensuring Accountability
- Internal Controls and Governance
Define and Communicate the ESG Strategy
The role of institutional investors
Create a Comprehensive Information Management System
Maintain an ESG Obligations Register: Ensuring Accountability
Internal Controls and Governance

I. Ensuring Accountability and Meeting ESG Objectives
Internal Controls and Governance

II. Control Environment: The Board’s Commitment to Managing ESG Issues
How to measure non-financial metrics
Reporting as real-time decision making

Managing and reporting ESG strategy

Dashboards are dead

Why the new reporting will be better
Conclusion

There is a need for a major strategic rethink in which non-financial ESG information is given parity with financial information.

Companies should explain the relevance of ESG factors to their business model and strategy.

Accurate, reliable, and timely data will underpin the strategy – a comprehensive information management system enables this.

Management diligence is required – controls should be introduced and monitored regularly.
Questions

Thank you for your time this evening