



ESG: Managing Non-Financial Risks and Opportunities

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BCS

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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.”

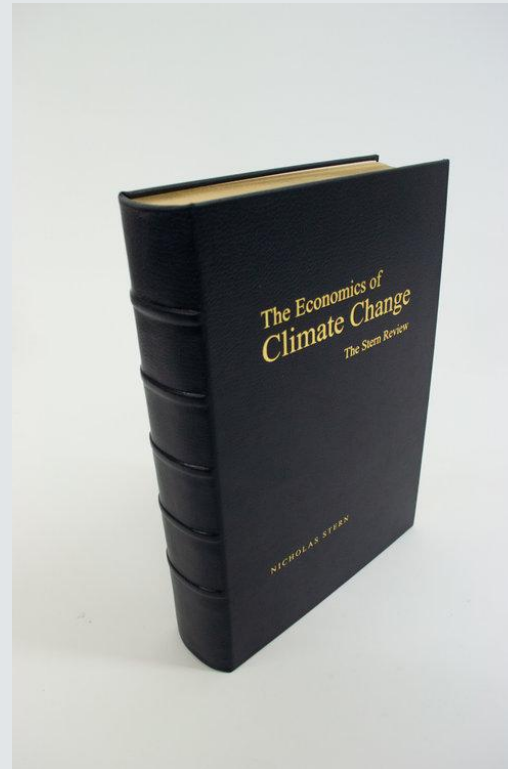
Kenneth P Pucker, HBR May/June 2021



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



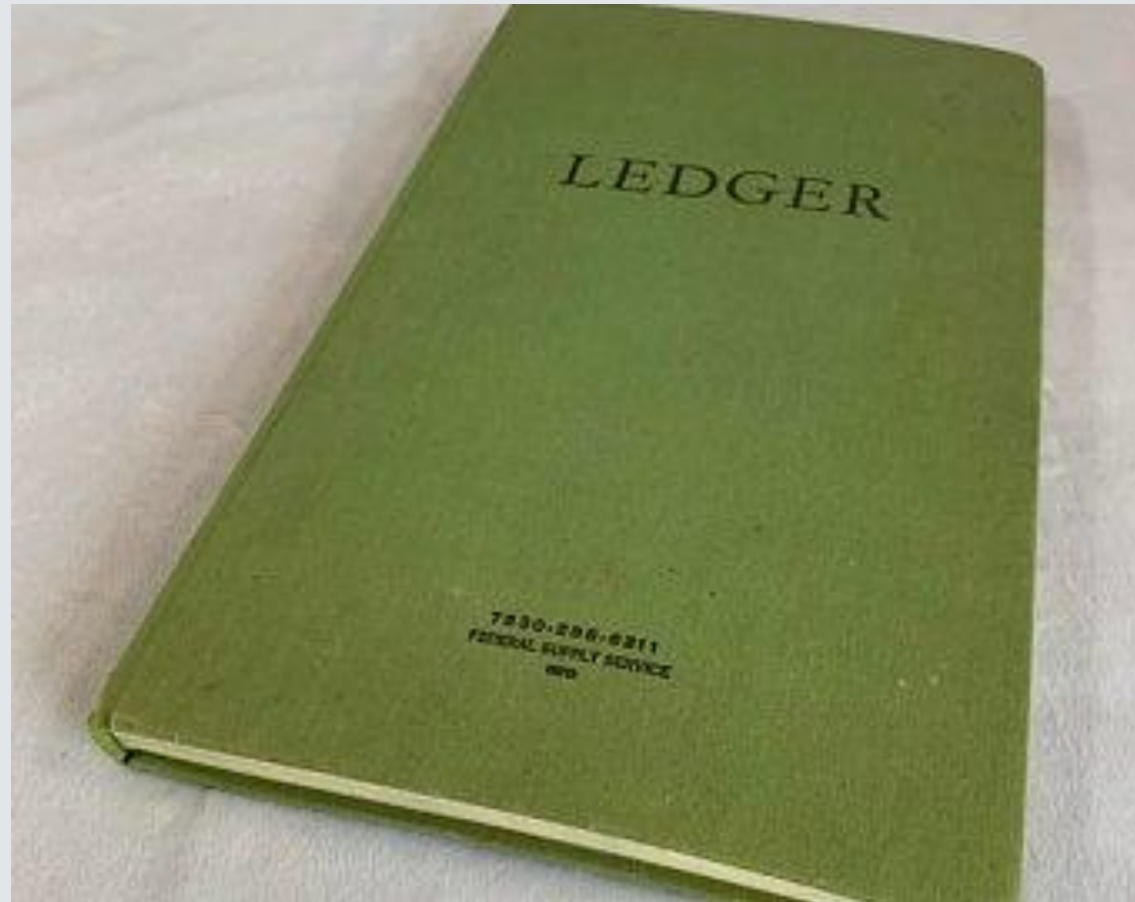
The role of institutional investors



Create a Comprehensive Information Management System



Maintain an ESG Obligations Register: Ensuring Accountability



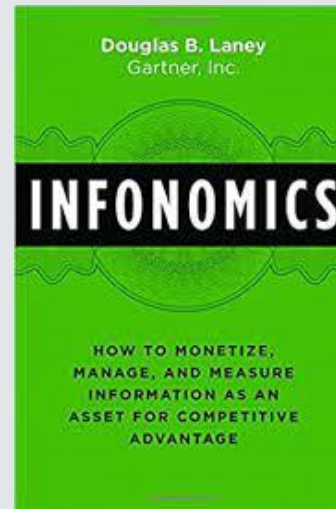
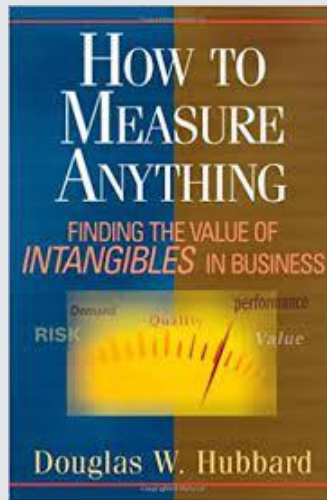
Internal Controls and Governance

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

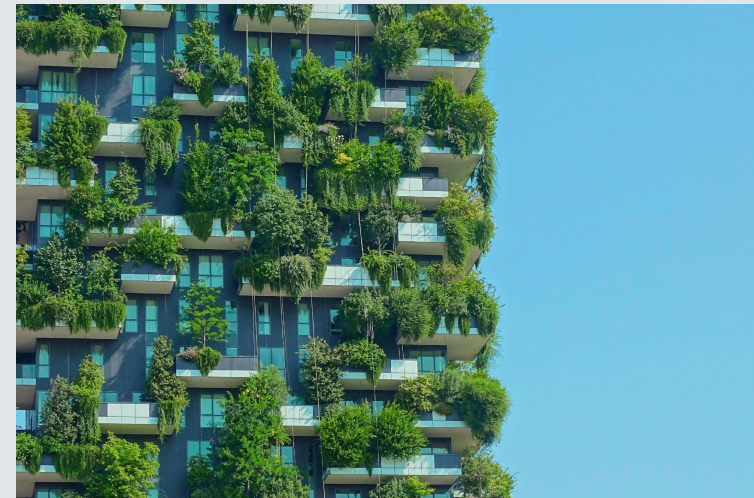


Reporting as real-time decision making

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