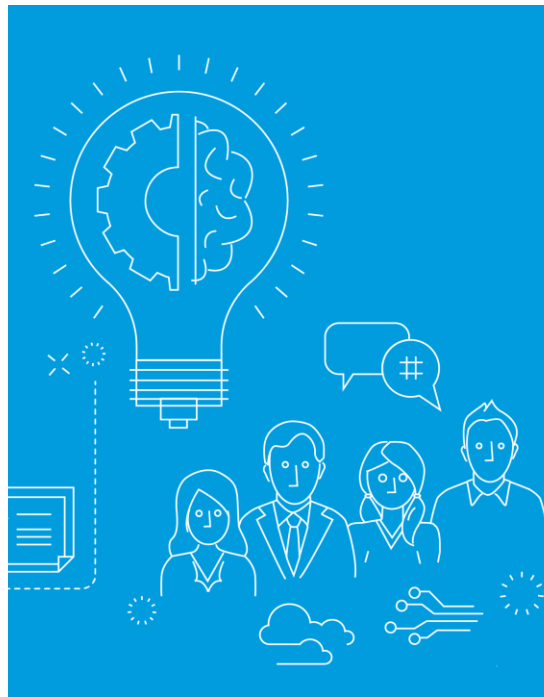


THE POWER OF BEING UNDERSTOOD

AUDIT | TAX | CONSULTING



IIA Australia

NSW Chapter
Members
Annual
Meeting

VALUE CREATION THROUGH ESG:

The next wave of opportunity



Speakers



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Purpose



1

What Is ESG: Recap

2

Why It Matters

3

International View

4

Australian Regulators and Market

5

ESG Roadmap

Poll Question #1



Have ESG questions been used to assess your company's performance?

- ☐ Yes
- ☐ Somewhat
- ☐ No

ESG means



Source: [Hermes Investments](https://www.hermesinvestments.com/)

Spectrum of factors



Source: [Anevis](#)



There is an emerging consensus among companies that long-term value is most effectively created by serving the interests of all stakeholders.

Brian Moynihan, Chairman
International Business Council,
World Economic Forum

Key stakeholders



Key defining metrics

Environment

- GHG Emissions
- Air Quality
- Energy Management
- Water & Wastewater Management
- Water & Hazardous material
- Ecological
- Climate Impacts

Social Capital

- Human Rights
- Access & Affordability
- Community Relations
- Customer Welfare
- Selling Practices
- Product Labeling

Cyber & Digital

- Cyber Security
- Digital Risk Management
- Disaster Recovery
- Data Privacy & Security
- Critical Incident Risk Management



Leadership & Governance

- Management of Legal & Regulatory Environment
- Critical Incident Risk Management
- Systematic Risk Management
- Competitive Behavior
- Business Ethics

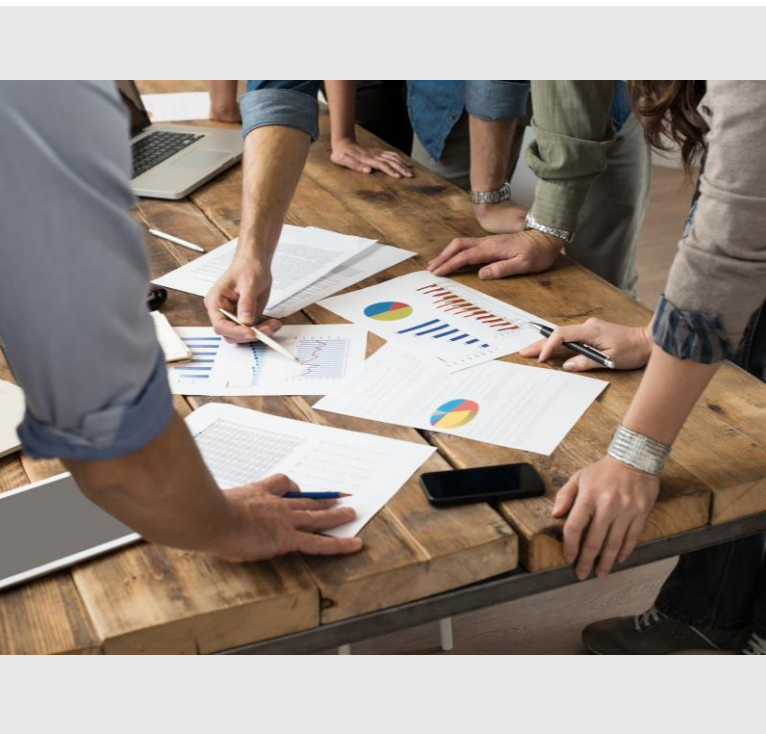
Human Capital

- Labour Relations
- Labour Practices & Compensation
- Employee Health, Safety & Wellbeing
- Employee Recruitment, Engagement & Discovery

Business Model & Innovation

- Supply Chain Management
- Materials Sourcing
- Rate Structure & Pricing
- Business Model Resilience
- Product Packaging & Distribution
- Product Design & Lifecycle Management
- Investment, Credit & Underwriting ESG Risks

Poll Question #2



Does your company consider ESG in its supplier arrangements?

- ☐ Yes
- ☐ Somewhat
- ☐ No

Corporate vs Supply Chain

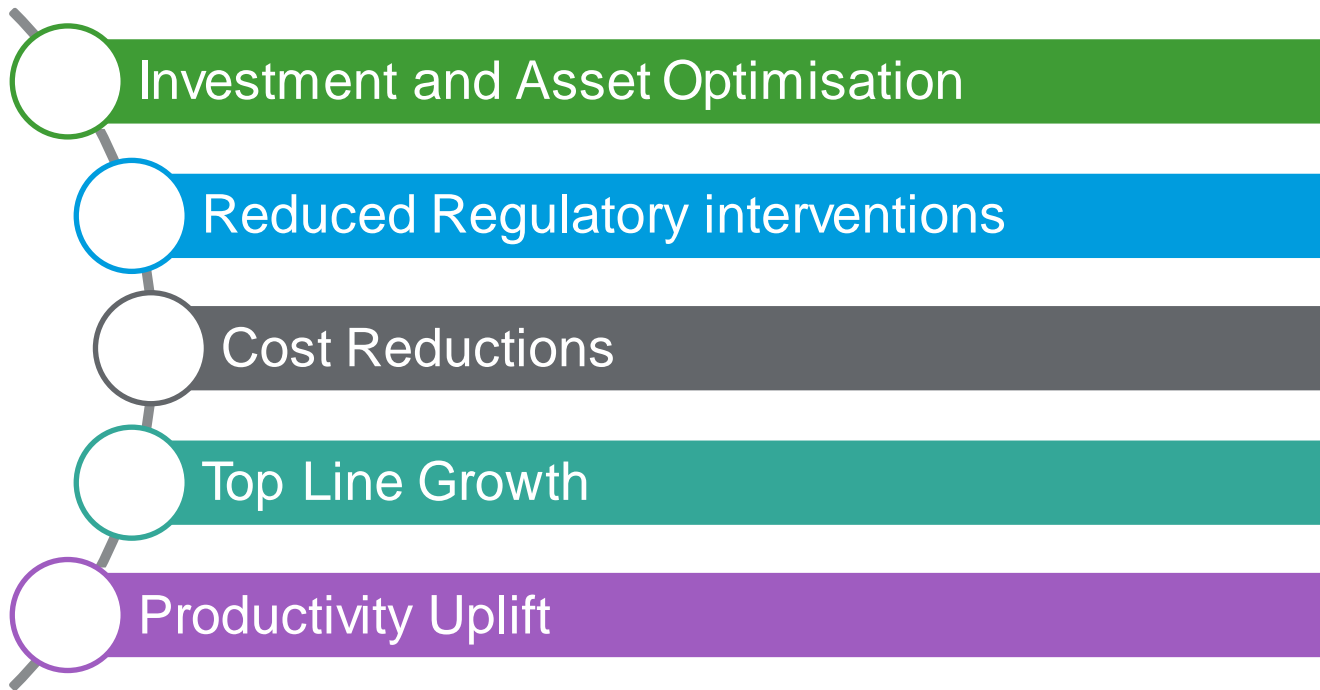
What is ESG (Corporate)

Environmental, Social and Governance (ESG) is a both a framework and a methodology to improve financial and non-financial performance. This criteria captures and critiques all aspects of a business beyond business plans and financial reporting.

ESG in supply chain management

ESG serves as guidelines by which supply chain management strategies should be built from bottom-line to top. Gauging a supply chain's ESG performance level would be relative to the organisation's wants and needs within environmental, social and governance action.

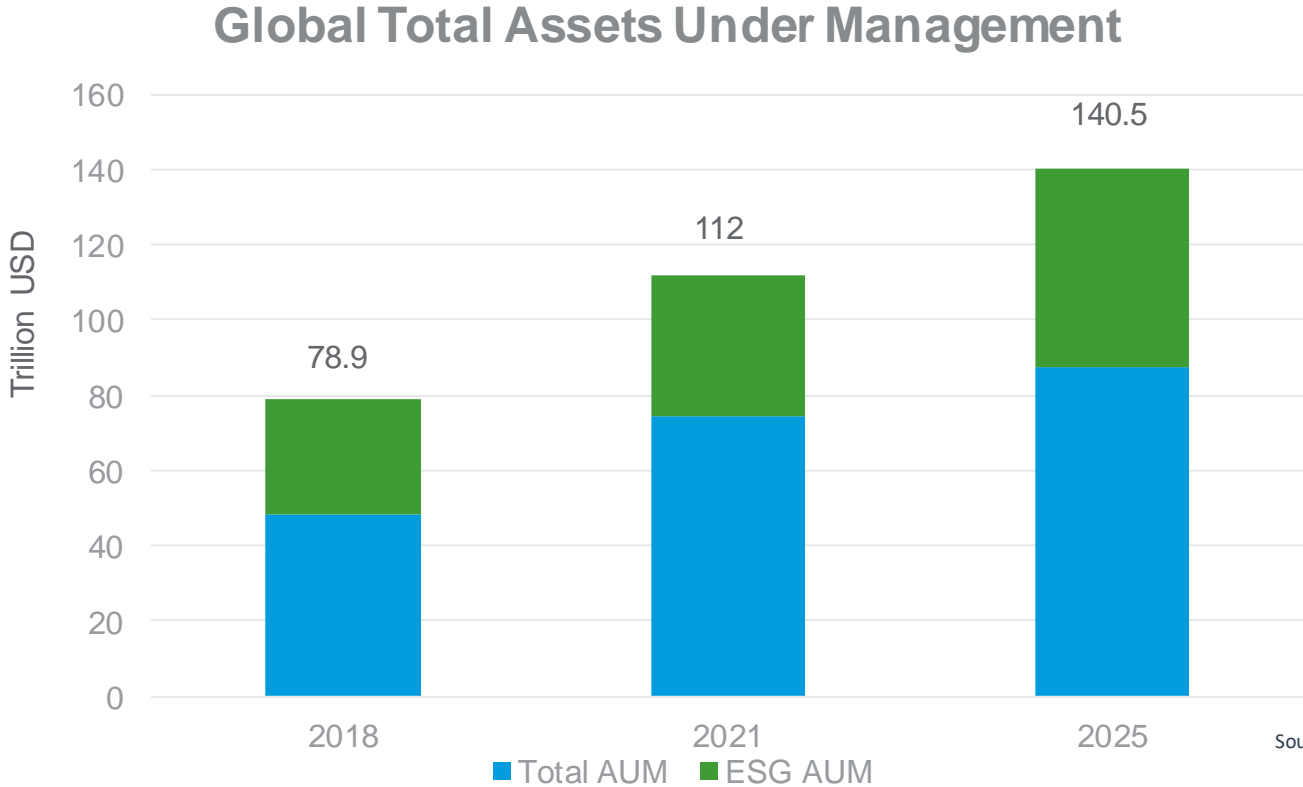
ESG value creation (Hard)



ESG value creation (Soft)

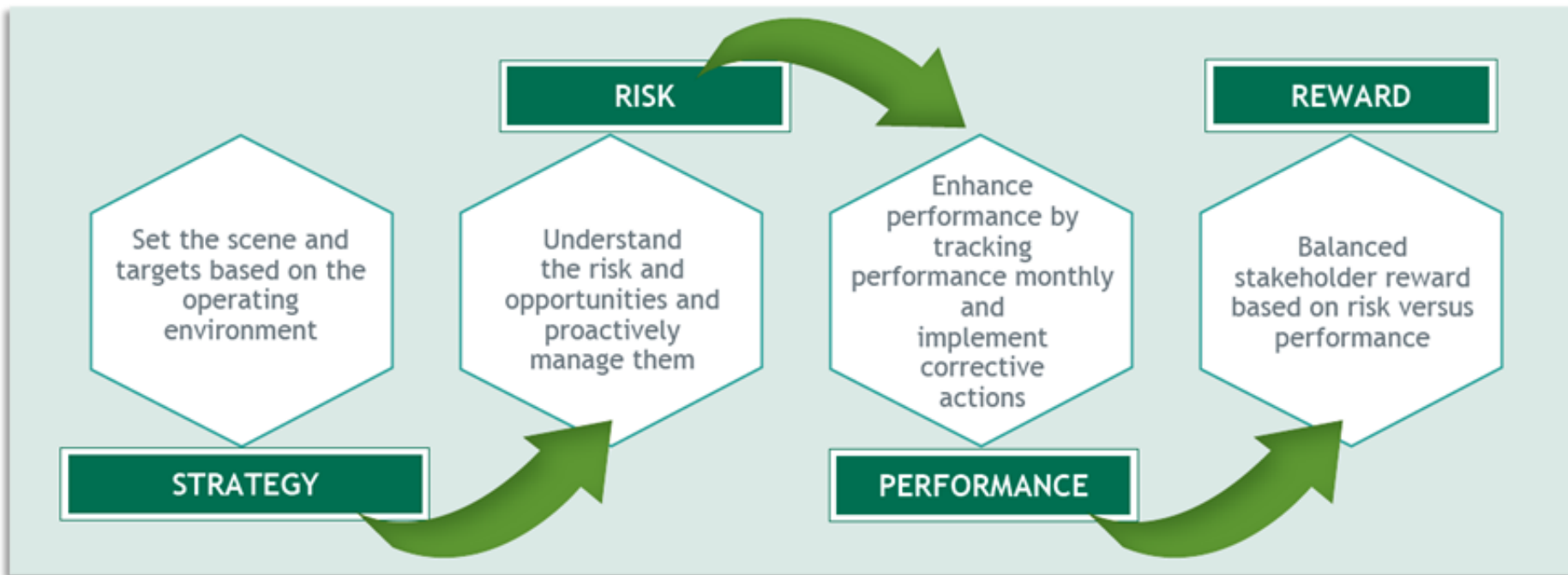


Financial activity



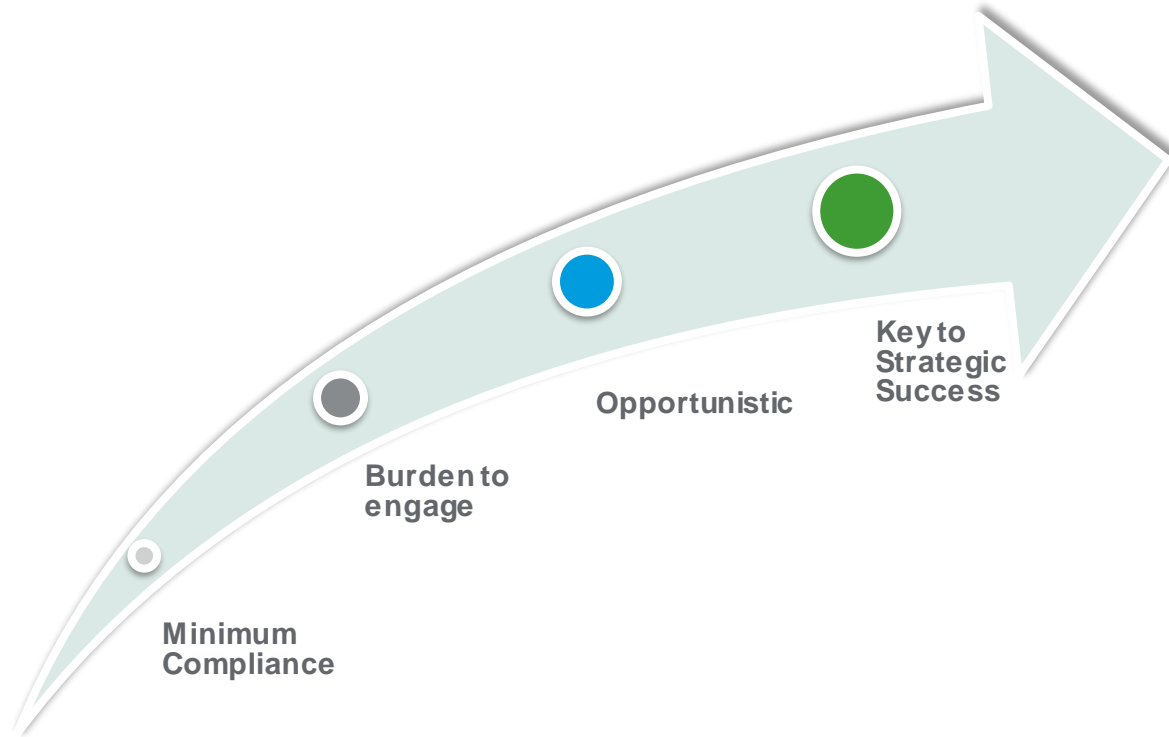
Source: Bloomberg and Consulting US

ESG factors: risk and reward



Source: [Royal Bafokeng Platinum](#)

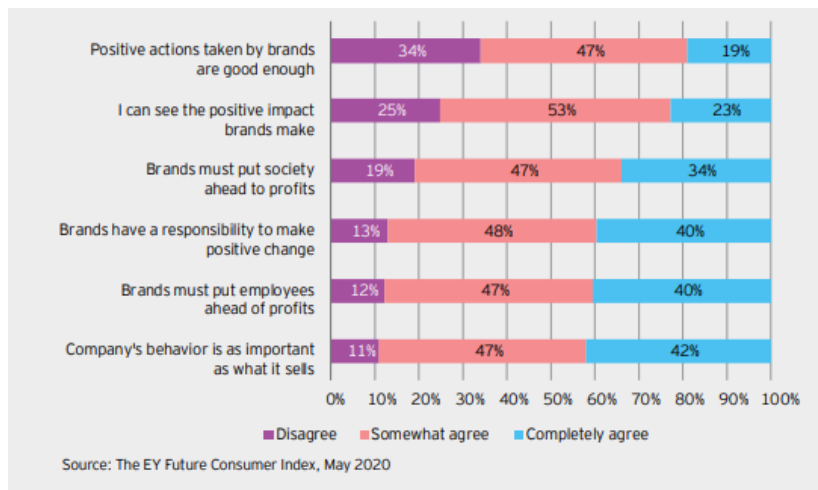
The ESG journey



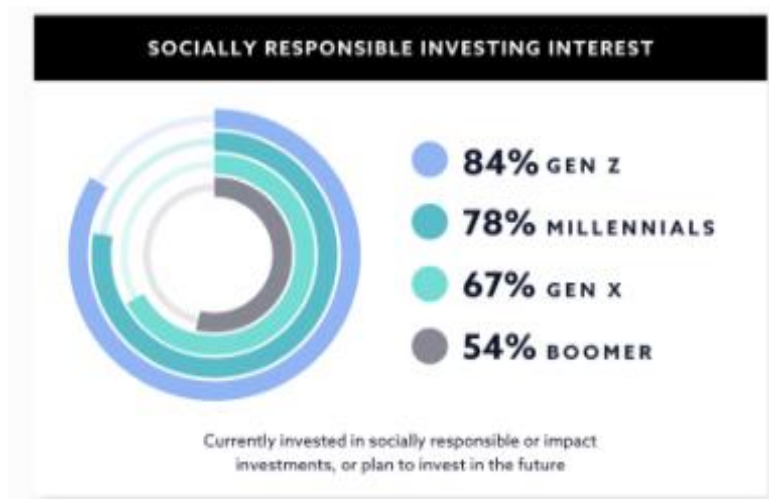
Consumer Driven ESG

The Covid-19 pandemic has brought about a shift in consumer behavior across brands, channels and products. As consumers juggle with the need for physical safety, financial uncertainty and a trust deficit in society, their consumption patterns are shifting, with some changes likely to be permanent in nature.

What consumers think of company behaviour



Wealth shift to drive responsible investing



Source: [The Power Of Purpose: The Business Case For Purpose \(All The Data You Were Looking For Pt 2\)](#) (forbes.com)



“Today, no business can succeed without conforming to financial reporting standards. The same should be true for non-financial reporting, with equivalent levels of governance, assurance, incentives and sanctions for non-compliance.”

**Bob Mortiz, Global Chairman,
PwC**



CASE STUDIES

What ESG means in practice

Case Studies and Headlines

T The Trade

HSBC trades first FX hedges linked to global MSCI ESG index

Total return swap executed by HSBC marks the first time that the MSCI World ESG Leaders Index had been hedged with an FX overlay. By Annabel ...

11 June 2021



M Mirage News

Landmark loan strengthens long-term sustainability for Port of ...

NAB is committed to delivering \$70 billion in environmental financing by 2025 · NAB is working closely with 100 of its largest greenhouse gas ...

4 May 2021

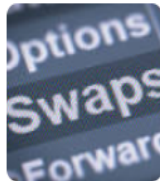


FA FinanceAsia

ANZ paves the way for sustainability-linked derivatives ...

ANZ launches new sustainability-linked derivative products in Australia, ...
Damian Underwood, head of consultative risk management and FX ...

2 weeks ago



B Bloomberg.com

JPMorgan Plots Derivatives Path Into New Era of ESG Finance

JPMorgan Chase & Co. says its decision to add the ESG tag to derivatives is ... head of European corporate FX and rates sales in London.

3 days ago



P Pro Bono Australia

Sustainable finance is here to stay | PBA

The Australian Sustainable Finance Initiative (ASFI) is set to become a permanent fixture, paving the way for a more sustainable future for ...

3 weeks ago



B Bloomberg.com

U.S. Sustainability-Linked Loans Are 292% More Than All of ...

U.S. companies are increasingly converting their borrowings to sustainability-linked loans as the asset class finally takes off in the ...

24 May 2021



Source: [SCS Global Services](#)



BREAKOUT ROOMS

Let's brainstorm over a case study



BREAKOUT ROOMS FEEDBACK

Let's brainstorm over a case study



FIRST STEPS TO ESG

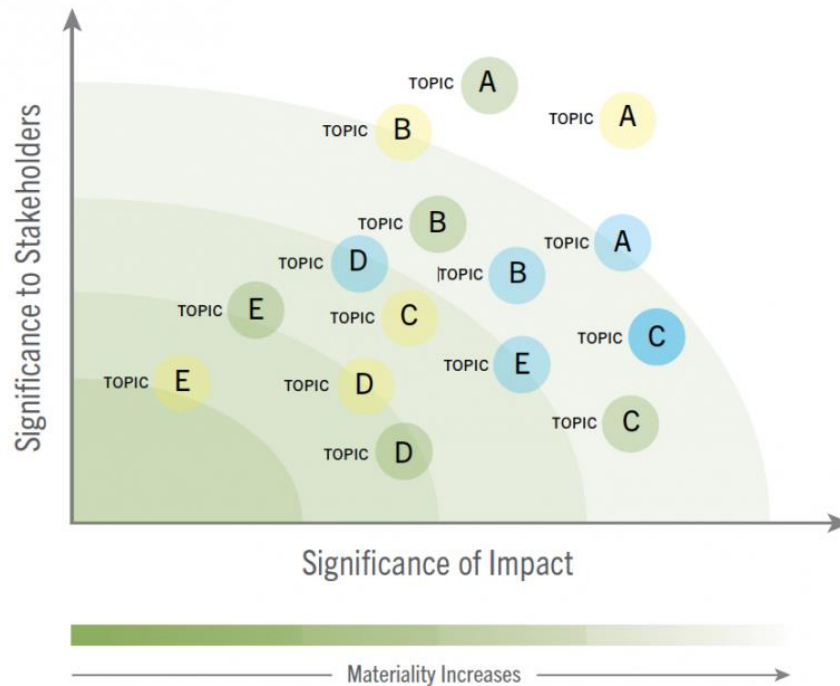
What it means for you and your teams

ESG roadmap



Materiality Assessment

- Social Responsibility
- Environmental Responsibility
- Economic Responsibility



Source: [SCS Global Services](#)

ESG – Reporting Frameworks

Common ESG KPI themes

The **ESG Key Performance Indicators** (KPIs) that appear **most frequently** among the **10 ESG Reporting Frameworks** are as follows:

ENVIRONMENTAL KPIs	ESG Framework Frequency
Climate change opportunities and risk	10 / 10
Emissions - Green House Gas Emissions	9 / 10
Environmental Policy	8 / 10
Energy	8 / 10
Environmental Management Systems	7 / 10
SOCIAL KPIs	ESG Framework Frequency
Supply Chain - Social	8 / 10
Stakeholder Engagement	7 / 10
Health and Safety	7 / 10
Workforce Development/Human Capital	7 / 10
Diversity and Equal Opportunity	6 / 10
GOVERNANCE KPIs	ESG Framework Frequency
Compensation Policy	7 / 10
ESG Reporting Standards	6 / 10
Board Level Oversight - ESG	6 / 10
Governance Policy	6 / 10
Governance Risk Assessment	6 / 10

Source: [Nareit Guide to ESG Reporting Frameworks](#)



Final Thoughts



Questions and answers

Thank you
for your time
and attention