

Window On Sustainability Metrics for the Finance Function

January 22, 2020



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Topics and issues we will be discussing today

- Changing societal and business approaches to sustainability
- State of the art with sustainability metrics for the finance function
- Broader implications for the finance function



Today's Panelists



Claus Aagaard
Chief Financial Officer
Mars Inc.



Brad Sparks
Director, US Chapter
*A4S CFO Leadership
Network*



Paul Washington
Executive Director,
ESG Center
*The Conference
Board*



Bart van Ark
(Moderator)
Chief Economist
*The Conference
Board*



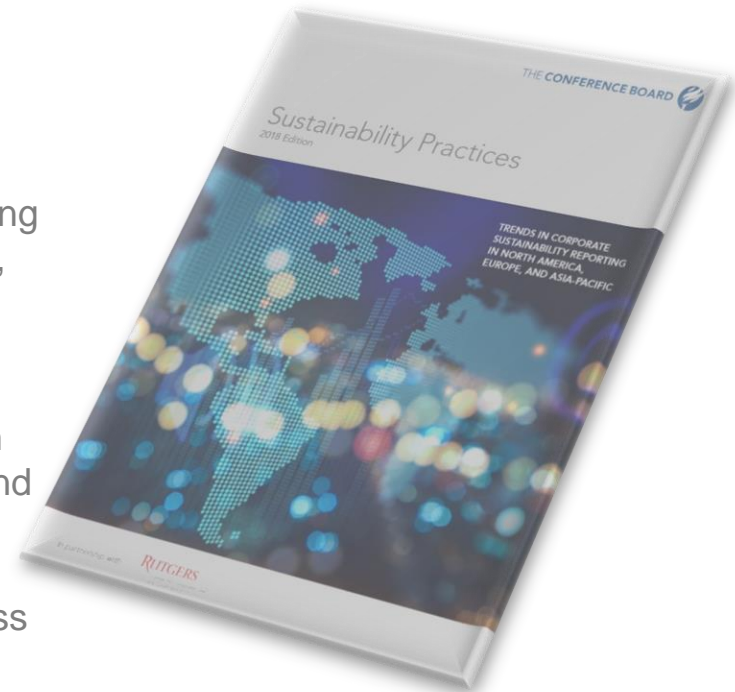
Larry Fink letter to CEOs: *A Fundamental Reshaping of Finance*

- Awareness [of climate change] is rapidly changing, and I believe we are on the edge of a fundamental reshaping of finance
- Every government, company, and shareholder must confront climate change.
- A company cannot achieve long-term profits without embracing purpose and considering the needs of a broad range of stakeholders.
- In the near future – and sooner than most anticipate – there will be a significant reallocation of capital.
- We will be increasingly disposed to vote against management and board directors when companies are not making sufficient progress on sustainability-related disclosures and the business practices and plans underlying them.
- Disclosure should be a means to achieving a more sustainable and inclusive capitalism.

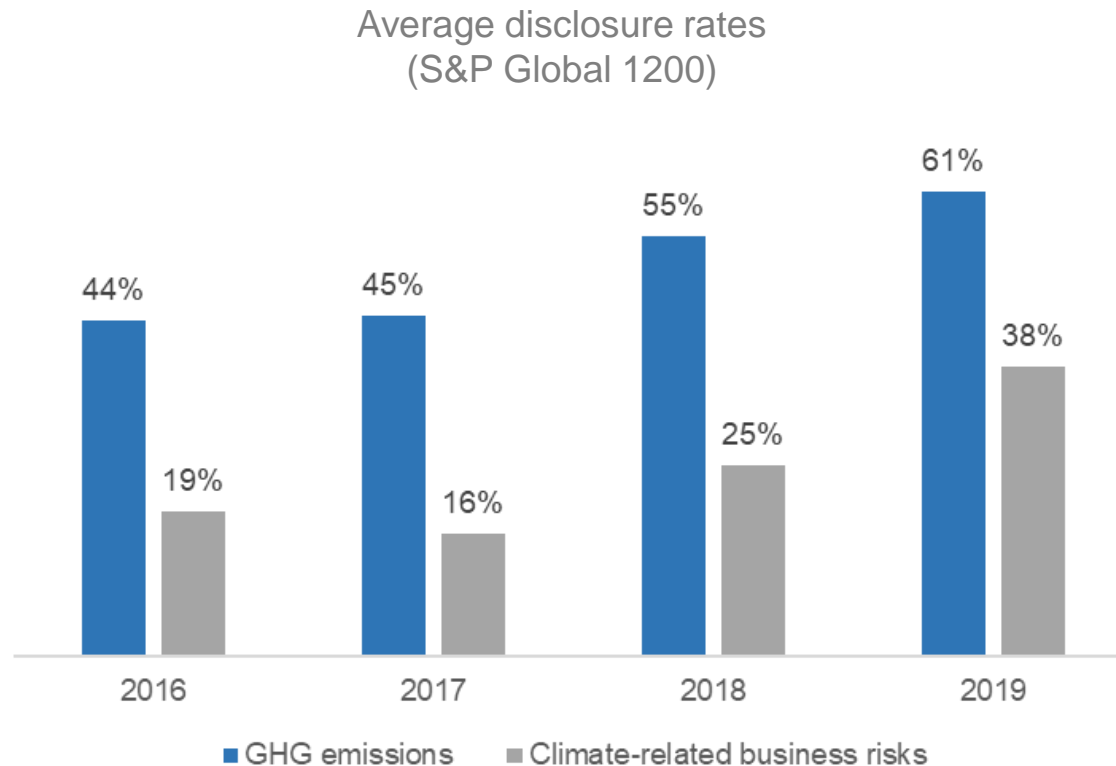


Sustainability Practices Report

- Analysis of **trends in corporate sustainability reporting**
- Based on ESG data compiled by **Bloomberg** and drawn from sources such as sustainability reports and annual reports
- **92 environmental and social practices** examined, including GHG emissions, water consumption, employee diversity, and health & safety incidents
- Analysis by **index** (S&P Global 1200) and **country**: 250 largest public companies (by revenue) domiciled in each of the **10 largest economies** in **North America, Europe and Asia-Pacific**
- In total, data analyzed for almost **6,000 companies** across the three regions
- Report complemented by **online dashboard**, allows benchmarking by region, sector and revenue group



While disclosure of climate-related information is on the rise, GHG emissions also continue to increase



Source: The Conference Board/Bloomberg, 2019.



THE A4S ESSENTIAL GUIDE SERIES

OVERVIEW

LEAD THE WAY

Developing a strategic response to macro sustainability trends

- Managing Future Uncertainty
- Engaging the Board and Executive Management*
- Finance Culture
- Incentivizing Action*

TRANSFORM YOUR DECISIONS

Integrating sustainability considerations into financial decision making

- Strategic Planning, Budgeting and Forecasting
- Management Information and Reporting*
- Capex

MEASURE WHAT MATTERS

Developing measurement and valuation tools

- Natural and Social Capital Accounting
- Social and Human Capital Accounting

ACCESS FINANCE

Engaging with finance providers on sustainable value creation

- Enhancing Investor Engagement
- Debt Finance
- Implementing the TCFD recommendations

* Available soon

About the C-Suite Challenge 2020: 1521 respondents, including 740 CEOs across the globe

- Survey conducted since 1999
- This year's survey was circulated between September and October 2019
- 1,521 C-suite executives, including 740 CEOs across the globe
- Main Theme: Collaborating to Compete



EXTERNAL HOT BUTTON ISSUES	Overall (CEO)	United States (CEO)	Europe (CEO)	Japan (CEO)	Latin America (CEO)	China (CEO)
Recession risk	1	1	1	2	2	1
Uncertainty about global trade	2	4	3	5	1	1
More intense competition	3	2	4	3	5	3
Global political instability	4	4	2	4	3	4
Tight labor market	5	3	6	1	10	8
More demanding customers	6	7	5	8	6	5
Cyber Security	7	6	10	6	8	11
Declining trust in political and policy institutions	8	8	7	12	7	8
Impact of climate change on our business	9	12	8	6	4	18
Tougher regulatory environment	10	9	11	10	11	7
Effects of economic sanctions	11	11	12	9	14	5
Currency volatility	12	14	16	15	12	10
Effects of Brexit	14	14	9	18	16	16
Income inequality	15	13	15	12	13	13
Uncertainty in corporate tax policies	16	14	14	16	15	13
Volatility in energy prices	17	17	17	12	17	12
Terrorism	18	18	18	17	18	15

Source: The Conference Board C-Suite Challenge 2020



Climate change features highest for CFOs

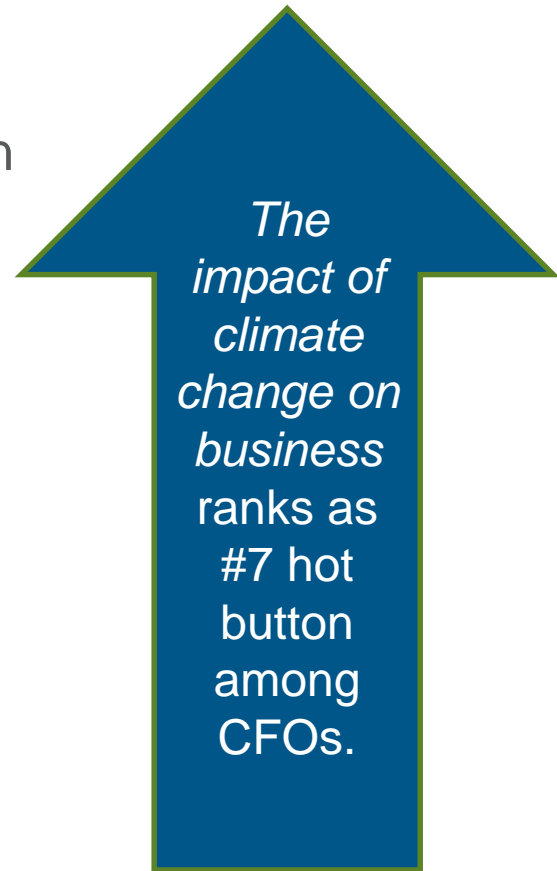
EXTERNAL HOT BUTTON ISSUES	CEO	CFO	HC
Recession risk	1	1	1
Uncertainty about global trade	2	3	4
More intense competition	3	2	6
Global political instability	4	5	3
Tight labor market	5	6	2
More demanding customers	6	9	8
Cyber Security	7	4	5
Declining trust in political and policy institutions	8	9	9
Impact of climate change on our business	9	7	9
Tougher regulatory environment	10	8	6
Effects of economic sanctions	11	13	12
Currency volatility	12	9	13
Other	13	17	16
Effects of Brexit	14	14	13
Income inequality	15	16	11
Uncertainty in corporate tax policies	16	12	16
Volatility in energy prices	17	14	15
Terrorism	18	18	16

Source: The Conference Board C-Suite Challenge 2020



How's the weather?

- *The impact of climate change on business* is slated to get more attention from **CEOs** globally in 2020, rising to 9th overall on their list of external hot-button issues, up from 11th in 2019. CEOs in both Latin America and Europe are driving the rise.
- For **CFOs** concerns about climate risk are higher at 7th than for CEOs and CHROs (9th)
- The heightened awareness of C-Suite leaders globally comes amid their expectations for increased regulation of environmental impacts and a greater focus by organizations on public reporting about climate-related risk.





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Hosted by:



Bart van Ark

Executive Vice President &
Chief Economist
The Conference Board

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