

Building resilience  
through applying risk  
management to ESG-  
related risks and post-  
pandemic challenges

18 August 2021

# Today's Agenda

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- ① Welcome and introduction
- ② Why should ESG matter to your business?
- ③ Aligning ERM and ESG
- ④ Overview of WBCSD & COSO's guidance
- ⑤ Resilience! The corporate survival game
- ⑥ Perspectives from the pandemic informing ESG risk assessment
- ⑦ Closing discussion; questions and feedback

# Our work together: **Setting expectations**

## **WORKSHOP CONTRACT:**

- Speak up
- Listen
- Contribute
- Participate
- Stay present
- Have Fun!



# WBCSD - who we are

The World Business Council for Sustainable Development is a global, CEO-led organization of 200 forward thinking businesses working together to accelerate the transition to a sustainable world.

## WBCSD Vision:

A world where more than nine billion people are all living well and within the boundaries of our planet by 2050.



### GLOBAL

Our 200 members span across the globe and all economic sectors.

We have 60+ **National Business Councils** around the world.



### UNIQUE BUSINESS-FOCUSED PLATFORM

A diverse business community across sectors and regions.

Peer to peer exchange of challenges, idea and expertise.



### CEO-LED

WBCSD is oriented towards collective action and led by the CEOs of our member companies.



### MARKET-DRIVEN

We strive to make sustainable companies more competitive.

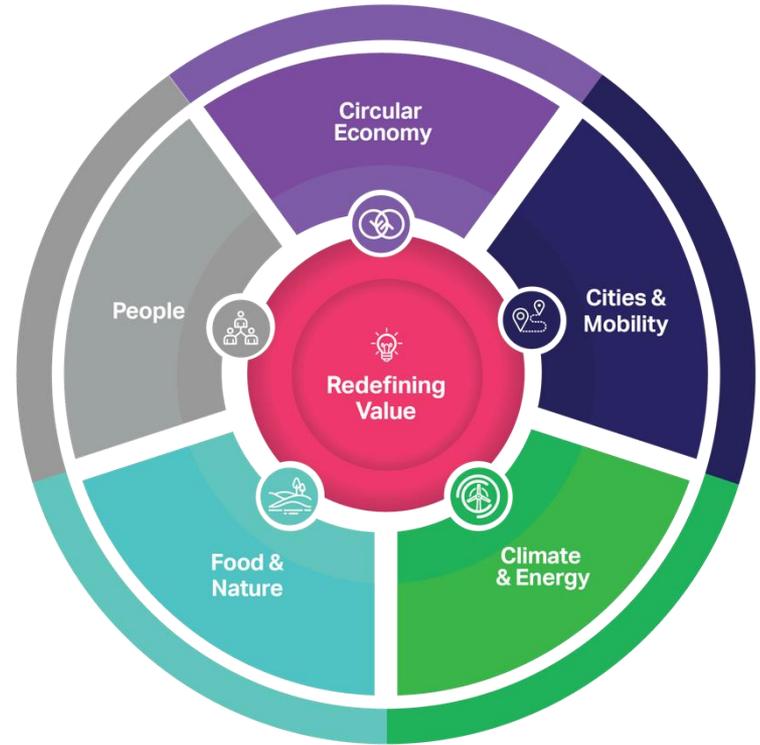
We represent the voice of business to government and policy decision makers.

**Our Mission:** To accelerate the transition to a sustainable world by making more sustainable businesses more successful.

# WBCSD's Approach

We target the realization of the Sustainable Development Goals (SDGs) through six work programs to achieve systems transformation.

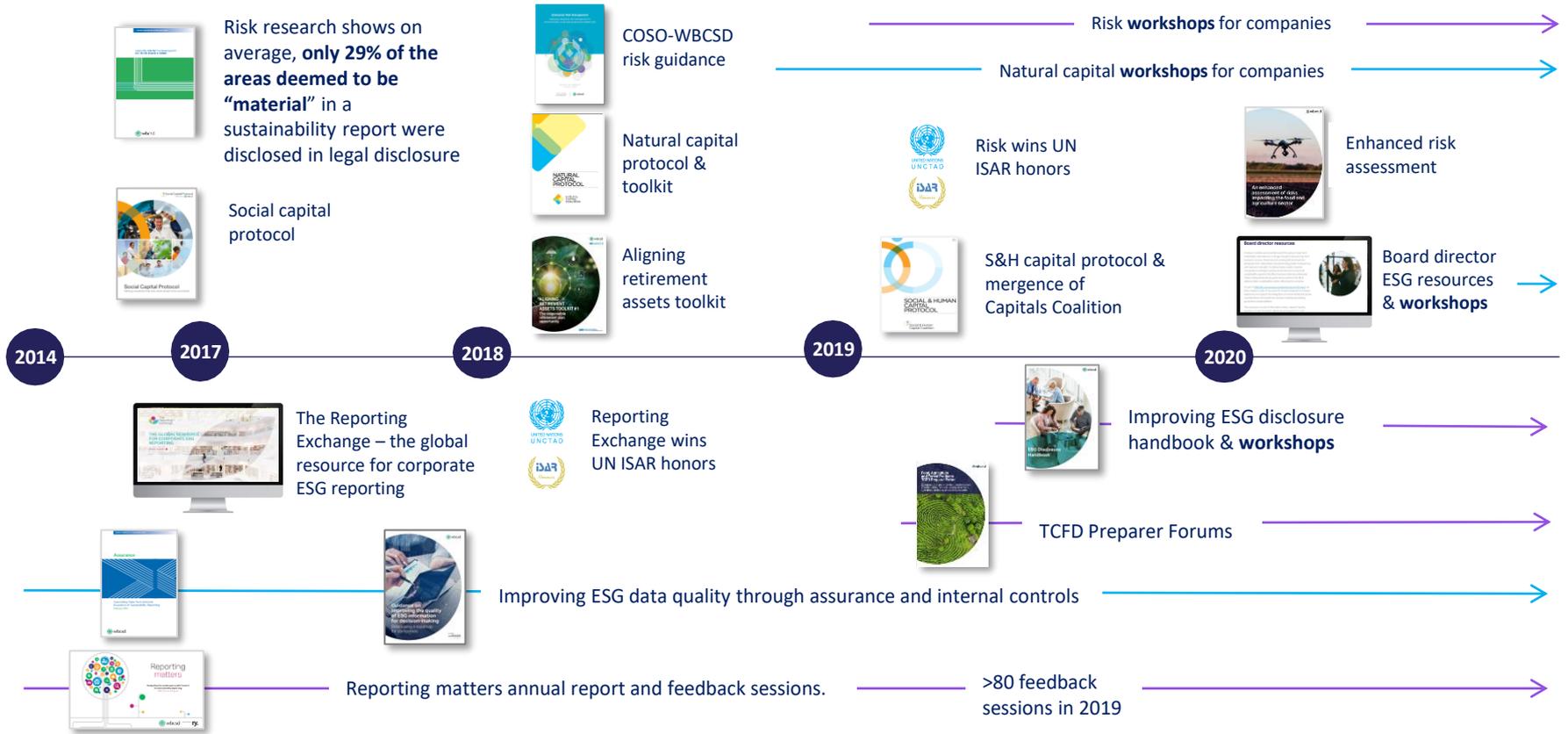
As global business faces new and complex challenges and opportunities, our science-based approach and targeted business solutions aim to scale up business impact.



# RV to 2020 creating solutions through collaboration

Decision-making

Disclosure



# Menti Questions

# Menti questions

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Please go to [www.menti.com](https://www.menti.com)

Code: 46 06 18 51

# Why should ESG matter to your business?

# What is driving focus on ESG risk management?

**Megatrends  
and  
disruption**

**Disrupting the global risk  
landscape and future  
growth pathways**

**Customers**

**Demanding more  
sustainable products and  
services**

**Investors**

**Wanting more data on a  
company's ESG  
performance**

**Regulators**

**Increasing regulation  
around ESG issues**

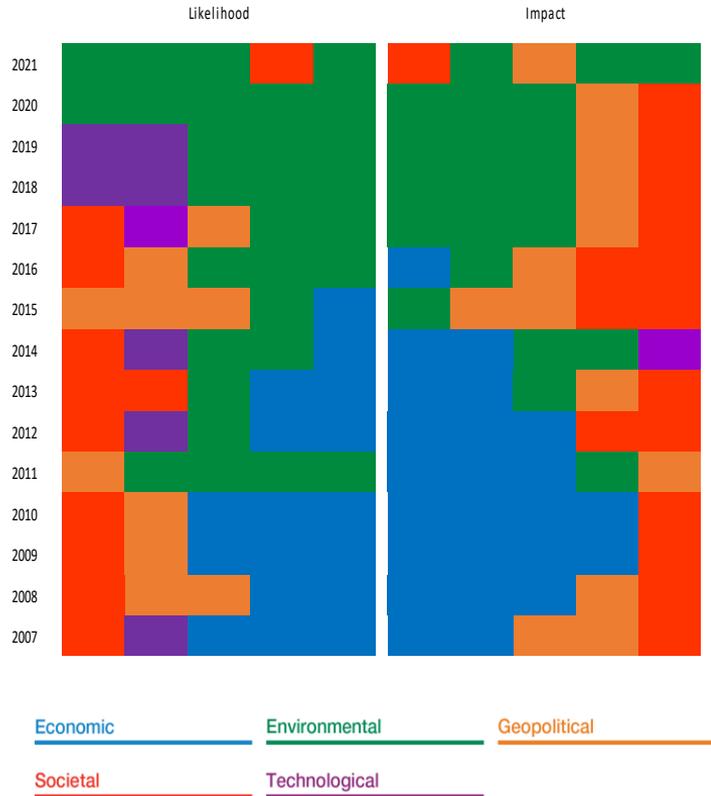
**Employees**

**Wanting to work for  
employers that incorporate  
ESG into their purpose**

**NGOs and  
Communities**

**Increasing pressure for  
radical transparency**

# The business context and risk landscape have changed



## Top 10 Global Risk – 2020

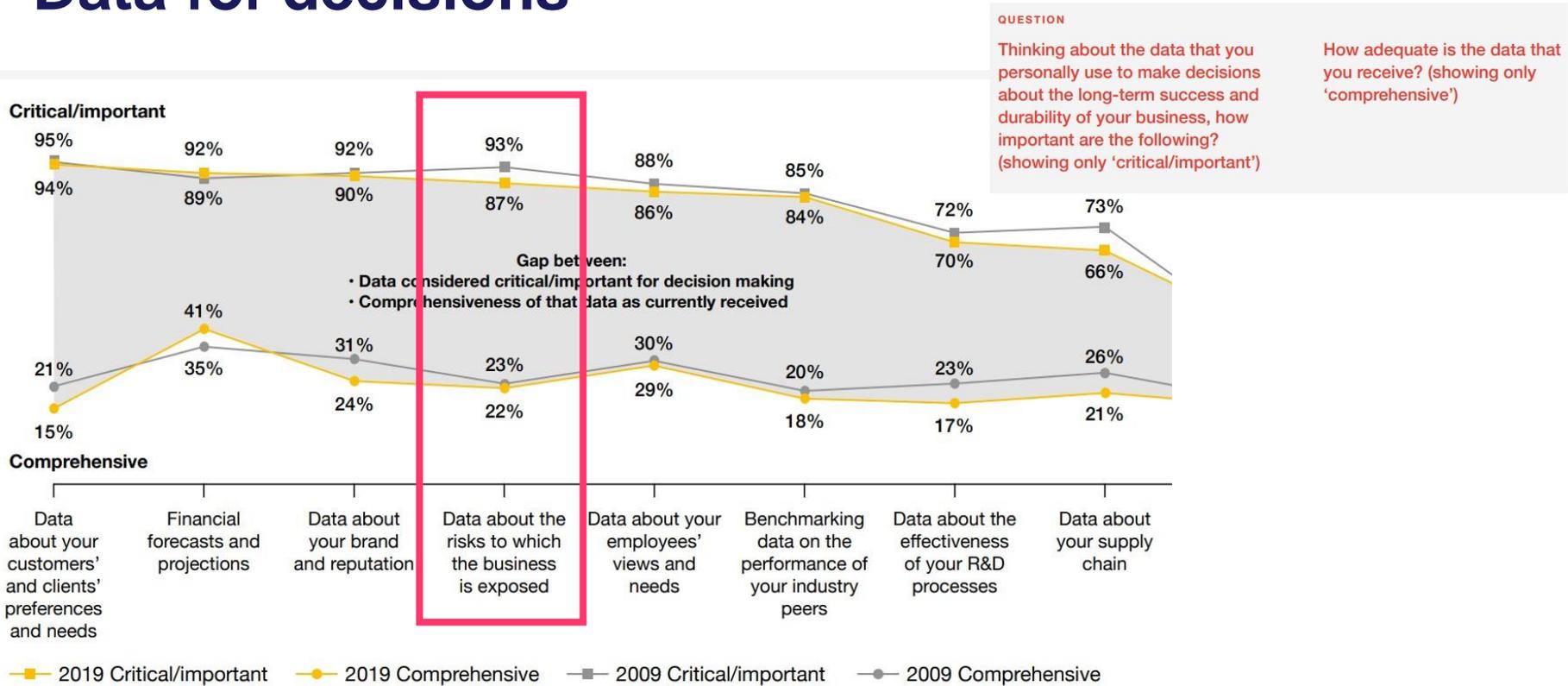
Likelihood		Impact	
1	Extreme weather	1	Climate action failure
2	Climate action failure	2	Weapons of mass destruction
3	Natural disasters	3	Biodiversity loss
4	Biodiversity loss	4	Extreme weather
5	Human-made environmental disasters	5	Water crises
6	Data fraud or theft	6	Information infrastructure breakdown
7	Cyberattacks	7	Natural disasters
8	Water crises	8	Cyberattacks
9	Global governance failure	9	Human-made environmental disasters
10	Asset bubbles	10	Infectious diseases

# Companies have been impacted by the **changing risk landscape**



**Covid-19 Business Impact!**

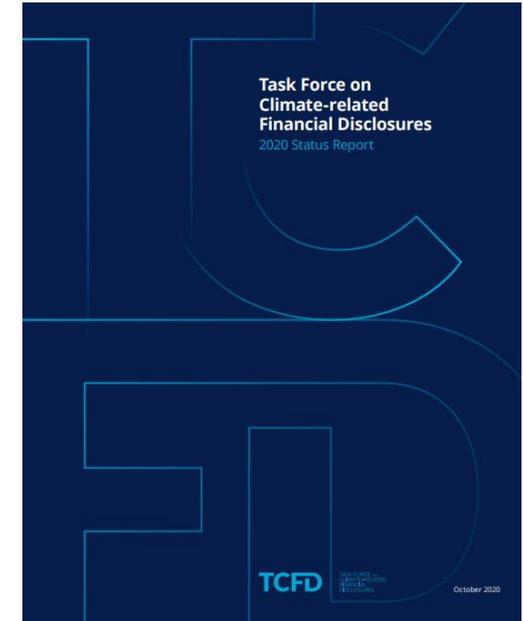
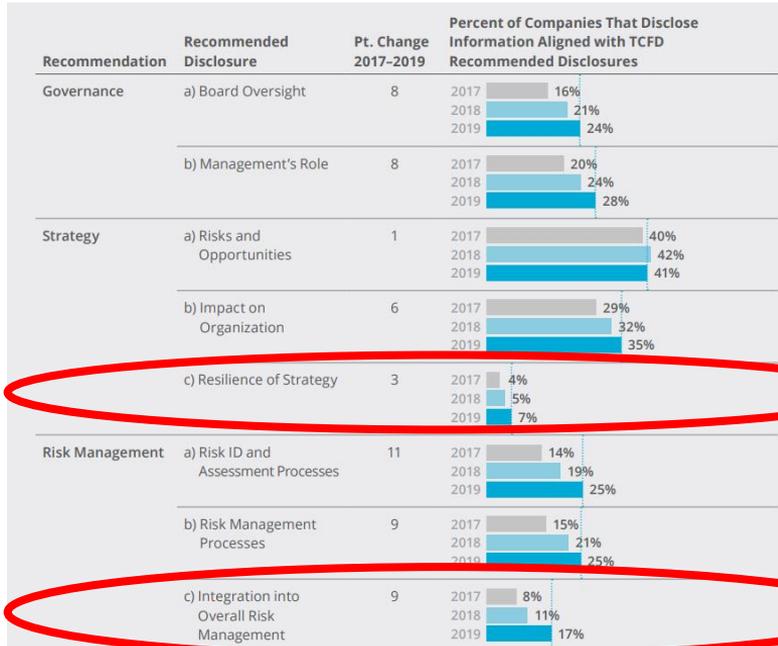
# Data for decisions



Source: PwC, 22nd Annual Global CEO Survey  
Base: All respondents (2019=1,378; 2009=1,124)

# TCFD progress & learnings

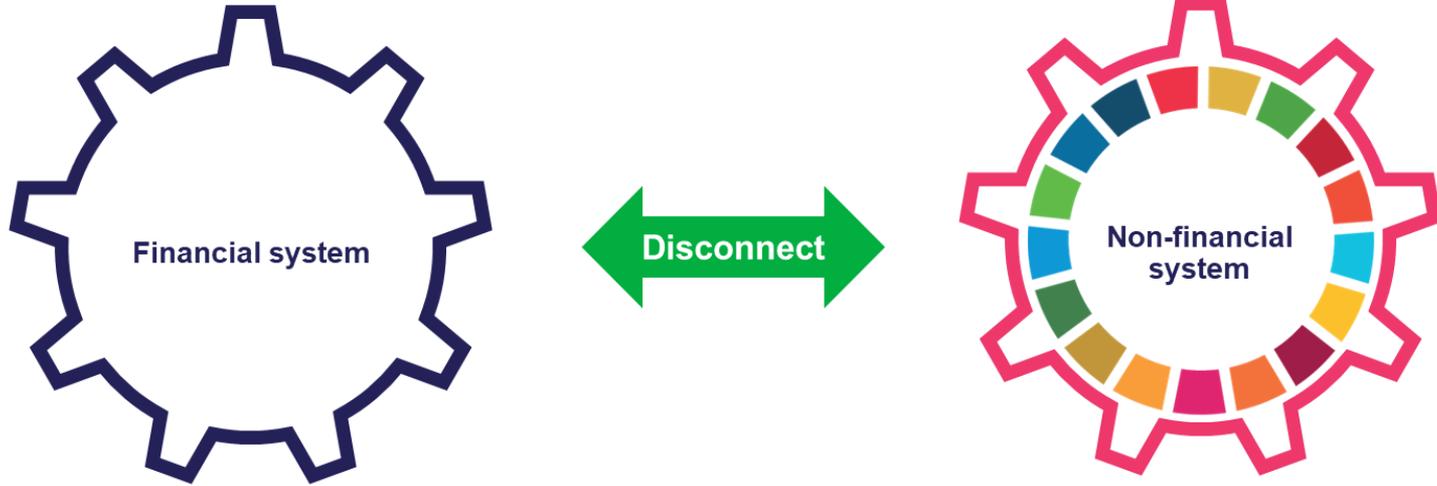
Need to improve **quantity and quality** of disclosure support **risk management integration** and the assessment of **strategic resilience**.



# Aligning ERM and ESG

# Redefining Value **Context**

Financial and non-financial systems serve different purposes, are influenced by different stakeholders and are misaligned, creating a disconnect.



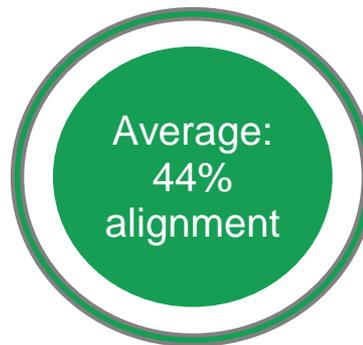
Efficiently allocates financial capital but does not focus on equity, fairness or other capitals

Recognizes other capitals and goals of sustainability but doesn't integrate into financial system



# Evidence of **limited alignment of ESG and ERM**

WBCSD research revealed **companies struggle to identify ESG-related risks** in annual risk filings despite identifying them as material in sustainability reports



1% of companies were found to have **“full alignment”**

75% of companies were found to have **“some alignment”**

24% of companies were found to have **“no alignment”**

[Link here to Sustainability and enterprise risk management: The first step towards integration](#)

# Enterprise Risk Management

## Sectoral Findings

Sectors	2019	2018	2017
Personal Care, Drug and Grocery Stores	74 %	50 %	51 %
Construction & Materials	57 %	42 %	51 %
Oil & Gas	56 %	45 %	54 %
Basic Resources	55 %	37 %	46 %
Chemicals	49 %	40 %	54 %
Consumer Products and Services	48 %	27 %	26 %
Technology	48 %	34 %	43 %
Banks	47 %	38 %	45 %
Utilities	47 %	52 %	53 %
Industrial Goods & Services	45 %	38 %	38 %
Health Care	41 %	37 %	45 %
Food, Beverage & Tobacco	37 %	27 %	26 %
Financial Services	35 %	33 %	26 %
Telecommunications	35 %	32 %	44 %
Automobiles & Parts	33 %	29 %	53 %
Retailers	33 %	31 %	37 %

Table 8: Average risk alignment per sector. Green highlight indicates a higher average alignment than the average alignment of the whole sample in the year under analysis.

## Material topics

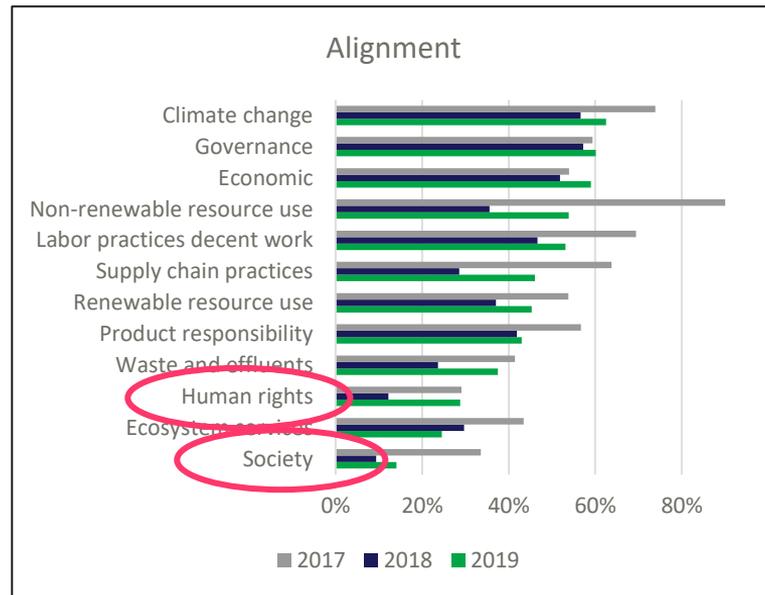


Figure 13: Material topics mentioned in company's sustainability disclosures and risk disclosures.

# Risk Alignment



Company

ABC

Supersector

Telecommunications

Primary source of sustainability information

Annual Report

Primary source of risk disclosures

Annual Report

Material sustainability topics	Reference in the risk factors
Access to connectivity	✓
Climate change mitigation	✓
Employee diversity and inclusion	
Employee growth and development	
Network, mobile and data security	✓
Privacy	✓
Sustainable product innovation	

ABC risk alignment

57%

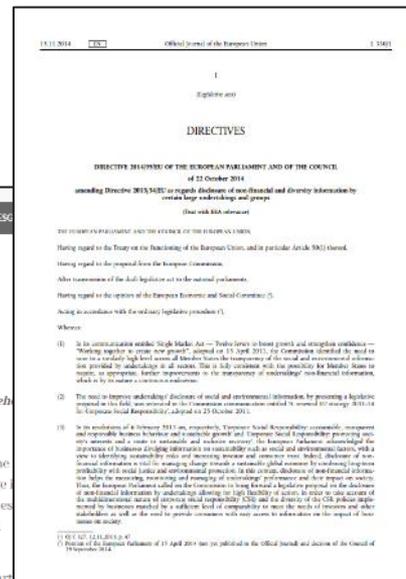
Sector avg. alignment

35%

Businesses face an evolving landscape of environmental, social and governance (ESG)-related risks that can impact their profitability, success and even survival. Find out more by downloading the COSO/WBCSD Guidance: <https://www.wbcds.org/erm>

# Significant developments

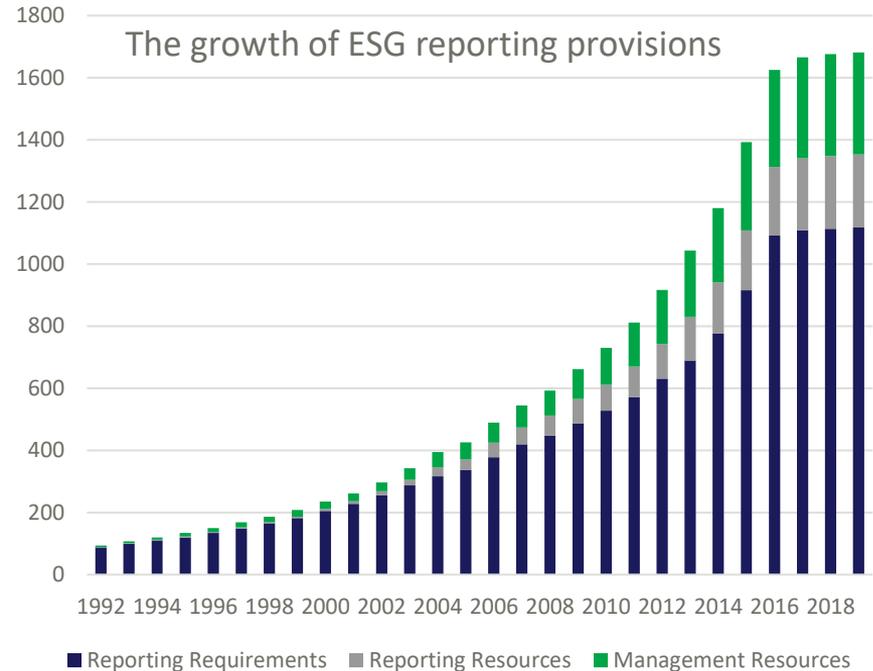
## Mainstream actors getting serious about sustainability reporting



# The evolution of the ESG reporting landscape

The current ESG reporting landscape is not supporting the effective disclosure of ESG issues and the use of that information by investors

- Explosion of mandatory / voluntary reporting provisions
- 2000+ reporting provisions globally, 74% of which have been introduced since 2007
- Complex reporting landscape covering many different topics
- 112 different subjects, 17 SDGs, 70 different sector disclosures
- National and regional variations
- Different audiences – investors, customers, wider stakeholders



Source: The Reporting Exchange, 2019 – [www.reportingexchange.com](http://www.reportingexchange.com)

# The Reporting Exchange

The Reporting Exchange is *the* global resource for sustainability reporting.

We aim to

- ▶ Help business understand what, where and how to report sustainability information; and
- ▶ Provide the evidence base for harmonization and alignment of corporate reporting on ESG.



>2,000

Reporting requirements and resources



>70

Countries



>3,000

Users



11

Country case studies & Research reports



arabesque

GORDON AND BETTY  
MOORE  
FOUNDATION



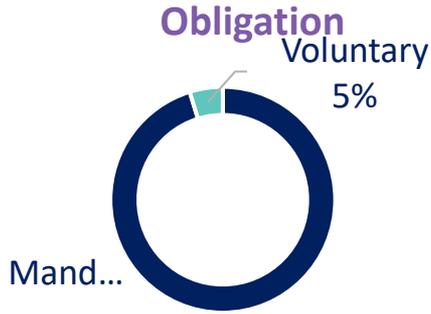
Winner of  
ISAR Honors  
Award 2018



# Malaysia's ESG reporting requirement landscape

71 countries covered

## Malaysia



## Asia



## Rest of the world



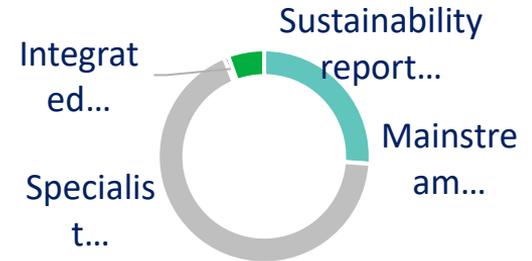
## Channel of disclosure



## Channel of disclosure



## Channel of disclosure



# Malaysia's ESG reporting landscape

## Key findings

- The majority of (95%) reporting requirements are mandatory similar to the Asia average (91%) and higher than the ROW (80%)
- 24% steer disclosure towards mainstream channels aligned with ROW average and higher than Asian average. Mainstream channels can help information flow to broader stakeholder audiences. 76% require disclosure to specialist systems e.g. to governing bodies
- Reporting provisions cover governance subject the most with environmental and social with equal representation

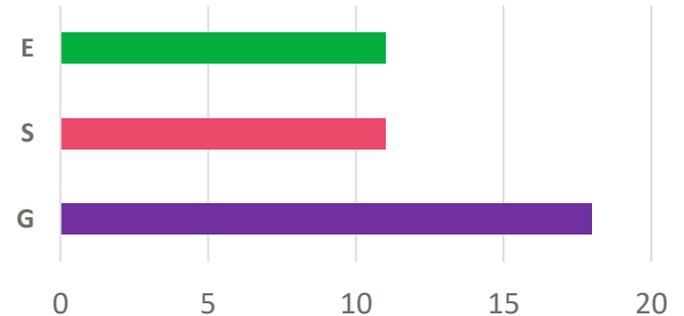
35 Reporting provisions

21 Reporting requirements

3 Management resources

11 Reporting resources

## Subject focus of provisions



# Changing business context is challenging risk management

- Focus on supply chain risks
- Human rights, diversity and equality more prevalent
- Geopolitical landscape
- Revised operational models
- Remote working / WFH
- Workplace safety
- Return to work protocols



- New risk landscape and profile
- Need for risk assurance
- Revised risk management assessment
- Need for enhanced risk management capabilities
- New demands on data, technology and infrastructure

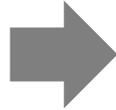
# Overview of WBCSD & COSO's guidance

# COSO 2017 framework

There are established ERM frameworks that are applied globally

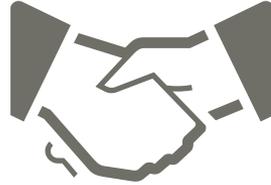


2004



2017

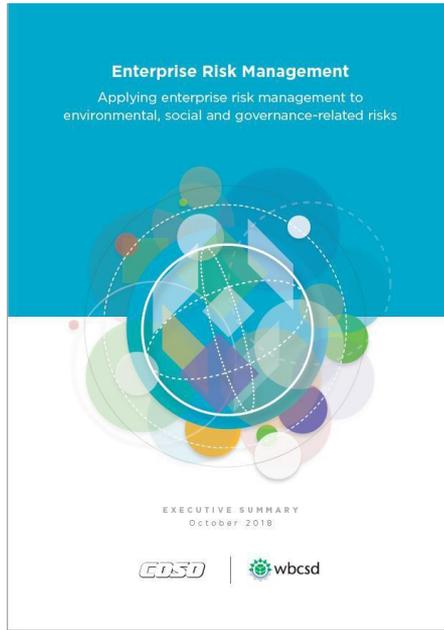
# COSO and WBCSD



wbcscd



# Applying enterprise risk management to environmental, social and governance-related risks



# How does it help?

- **Understand the connection points** between you and risk management – that is, **how** you can engage with ERM and **speak the same language**
- Communicate your insights on the **broader impacts and dependences of the company and how these might translate into risks**
- Frame risks in terms of the **impact on the company's strategy and business objective** and understand **how your company compares and prioritizes risks**
- Understand the tools, knowledge and resources that risk management can provide to support ESG risk management
- Develop responses that are **appropriate and innovative**
- **Improve your risk disclosures**

# Governance & culture for ESG-related risks

Governance, or internal oversight, establishes the manner in which decisions are made and how these decisions are executed.

Raising the board and management's awareness of ESG-related risks – fostering a culture of collaboration among those responsible.

- Expectations are changing
- Boards need to build resilience
- Governance arrangements remain opaque
- Managing stakeholder tensions is becoming increasingly important

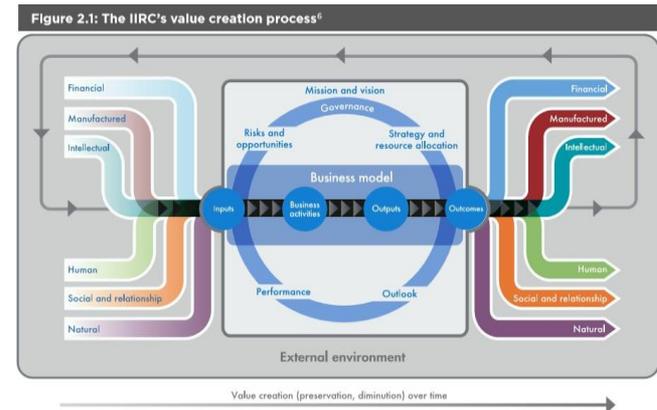


# Strategy & objective-setting for ESG-related risks

Therefore, a strong understanding of the business context, strategy and objectives serves as the anchor to all ERM activities and the effective management of risks.

Including: examining the value creation process to understand these impacts and dependencies in the short, medium and long term.

- Evolving models of valuation
- Moving beyond just financial capital
- Value creation over the long-term for all stakeholders
- Recognizing intangible value



# Performance for ESG-related risks

- Companies have limited resources, so they cannot respond equally to all risks identified across the entity.
- Includes assessing risk severity in a language to allow management to prioritize risks.
- This chapter looks at identification, assessment, prioritization and responding to ESG-related risks and considering the critical nature of ESG subject matter expertise to ensure risks are appropriately managed alongside mainstream risks such as legal, financial, regulatory, technological or market.



# Review & revision for ESG-related risks

Review and revision of ERM activities are critical to evaluating their effectiveness and modifying approaches as needed.

Organizations can develop specific indicators to alert management of changes that need to be reflected in risk identification, assessment and response. This information is reported to a range of internal and external stakeholders.

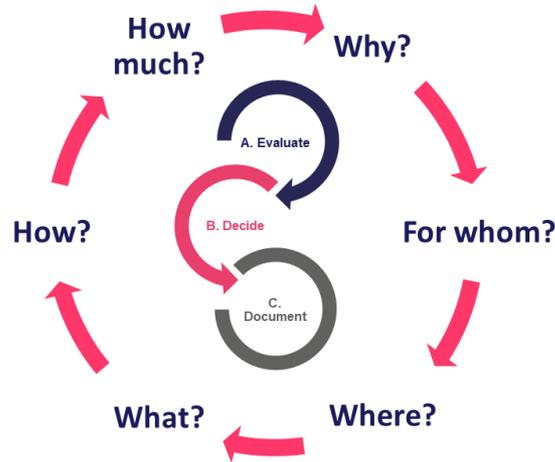
There is a need to not view risk management as a linear, annual activity, it needs to be regularly reviewed to ensure the business is resilient to potential impact.



# Information & reporting for ESG-related risks

Applying ERM to ESG-related risks includes consulting with risk owners to identify the most appropriate information to be communicated and reported internally and externally to support risk-informed decision-making. Supported by the ESG Disclosure Handbook:

- **Information needs**
- **Multiple reporting provisions**
- **Internal & External objectives**
- **Application of judgement**
- **Avoiding box ticking**



# Diagnostic tool for assessing the level of integration of ESG-related risks

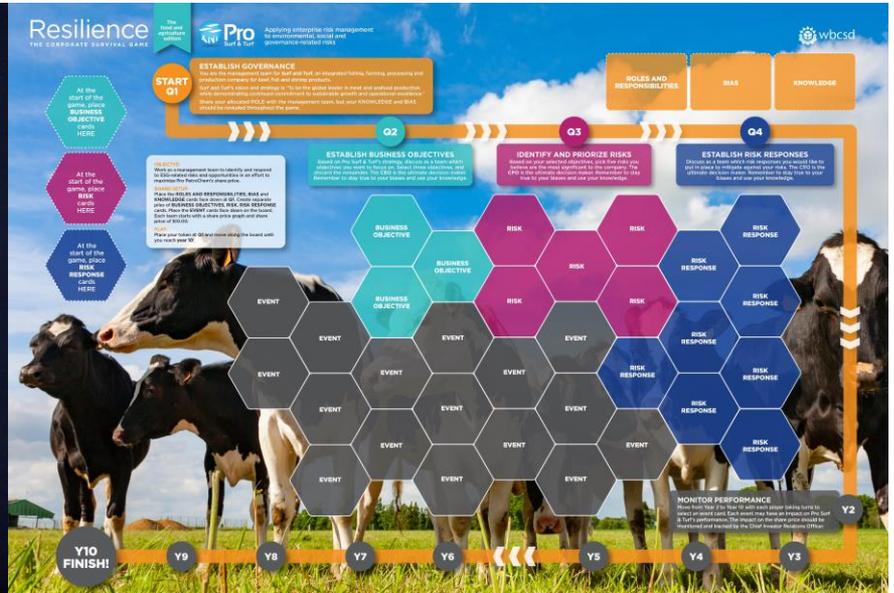
- ▶ A tool for companies to assess their level of integration of ESG and ERM
- ▶ Aligns to the guidance checklist of actions and provides criteria for companies to rate themselves for each chapter of the guidance:
  - 1 Basic: None or few of the recommendations in place
  - 2 Developing: Rating between 1 and 3
  - 3 Established: Some of the recommendations in place, for a selection of ESG-related risks
  - 4 Leading: Rating between 4 and 5
  - 5 Advanced: Most or all of the recommendations in place
- ▶ Helps to identify gaps and areas of focus or future initiatives



See <https://www.wbcds.org/vzcjb>

# Risk game

# Resilience The corporate survival game



# Key learnings from the pandemic

# COVID-19 highlights business vulnerabilities

Supply chain  
disruption

Significant  
changes in  
levels of  
demand

Revised  
business &  
operating  
models

Governance  
&  
decisioning  
structures

Concentration  
&  
diversification  
challenges

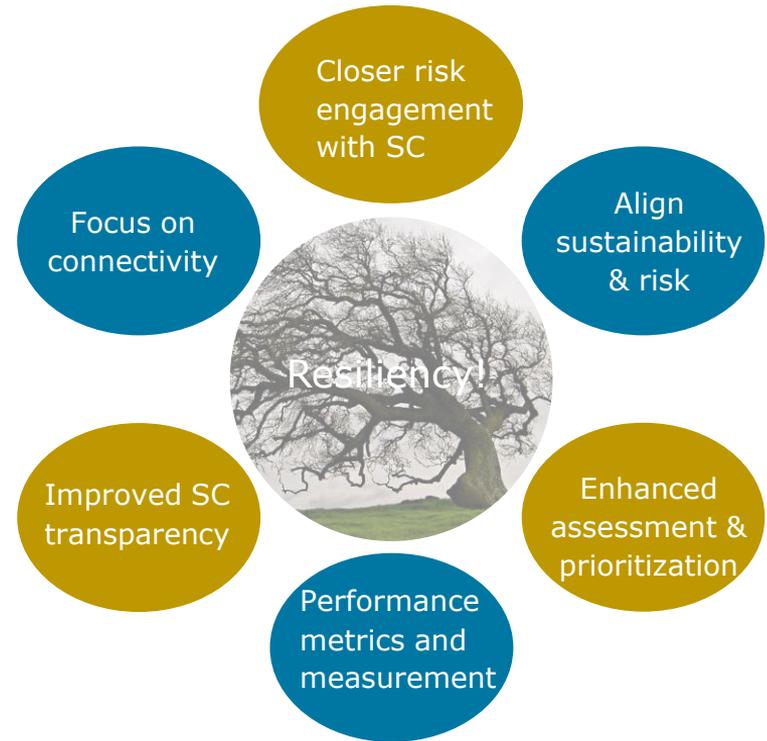
Logistics &  
stock  
management

Asynchronous  
impacts &  
responses

Data,  
reporting &  
assurance  
challenges

# Focus on business resiliency and vulnerabilities

- Focus on resiliency, crisis management and business continuity capabilities
- ESG-focused risk assessment has been moved further into mainstream business practice
- The context, impacts and emergence periods of risk have had to be rethought
- Interconnected risks need more attention
- Consideration of a greater range and diversity of risks
- Increasing use of risk identification and screening tools



# ESG outperformance during the COVID-19 crisis

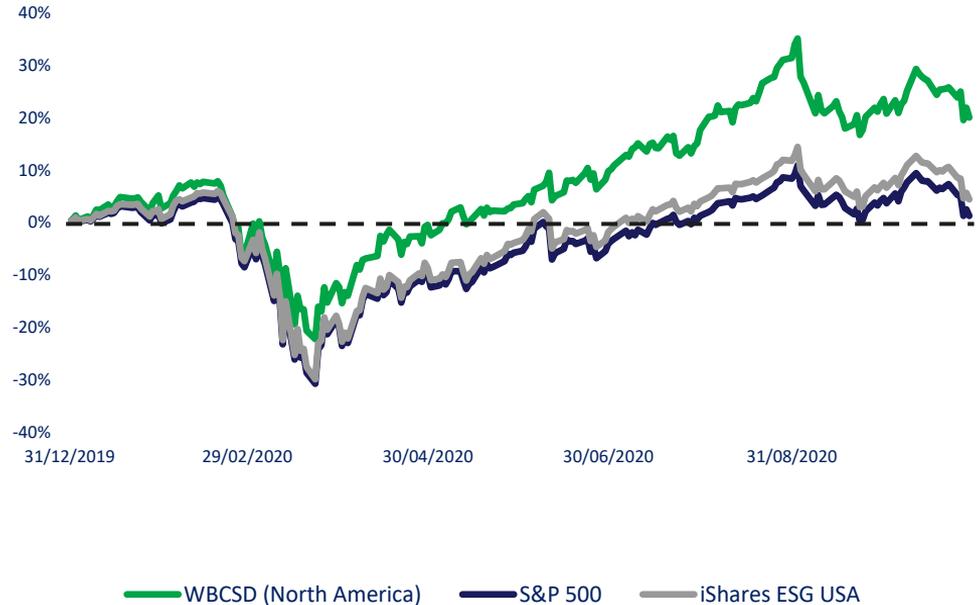
31 North American member stocks weathered downturn better than the market

**Consistently outperforming:** By mid-end October, the WBCSD portfolio had outperformed S&P 500 Index by 18.8% and was 15.6% higher than iShares ESG MSCI USA index.

**Rapid recovery from the crisis lows:** WBCSD members returned faster with positive return

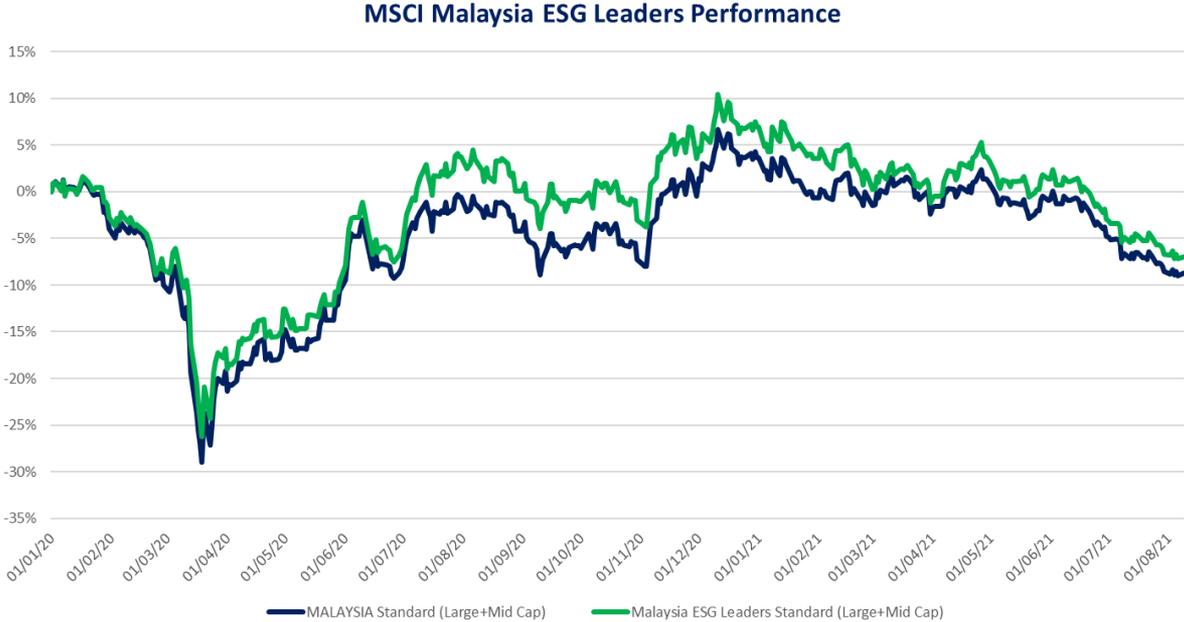
\* 3M, Abbott, ABInbev, ADM, Apple, Bunge, Cemex, Chevron, Cooper Tire, Corteva, Dow, DuPont, Eaton, Exxon Mobil, Goodyear, Google (Alphabet), Greif, IFF, International Paper, Kellogg, Maple Leaf Foods, Microsoft, Nutrien, PepsiCo, Procter & Gamble, S&P, Tiffany, UPS, Verizon, Walmart, Whirlpool. (Market cap-weighted)

WBCSD North American Members YTD Performance



# ESG outperformance during the COVID-19 crisis

MSCI Malaysia ESG leaders Index performed more resiliently



# Covid-19 – driving a changing business context

- Focus on assessing **business resilience, adaptability and effective continuity planning**
- Consideration of **what effective ERM will comprise** in the “new normal” state - every business will need to **rebuild its risk map** to reflect this new environment
- **Business context and risk landscape has changed**
  - **Organizations have pivoted** / transitioned to new products, markets, business models
  - Increased focus on understanding **new supply chain** components, practices and performance
  - **(A)synchronization** across geographies and operations
  - **Increased litigation risks** - employment risks, managing **return to work protocols**
  - Increased need for **digital solutions** and virtual working capabilities

# Widening range of capital and risks to be managed

*"... today, **ESG** is as much about risk management as it is actually about social activism or trying to change the world"*

Gillian Tett, FT, March 2021

*"**Inequality** is a Systemic Risk"*

Task Force on Inequality-related Financial Disclosures (TIFD)

*"The more your company can show its purpose in **delivering value to its customers, its employees, and its communities**, the better able you will be to compete and deliver long-term, durable profits for shareholders."*

Larry Finks' letter to CEOs, 2021

*"Big changes are on the horizon for supply chains.*

*Greater **supply chain** visibility, efficiency and **resilience** are top of mind"*

How COVID-19 impacted supply chains and what comes next, EY 2021

*"Our economies, livelihoods and well-being all depend on **our most precious asset: Nature.**"*

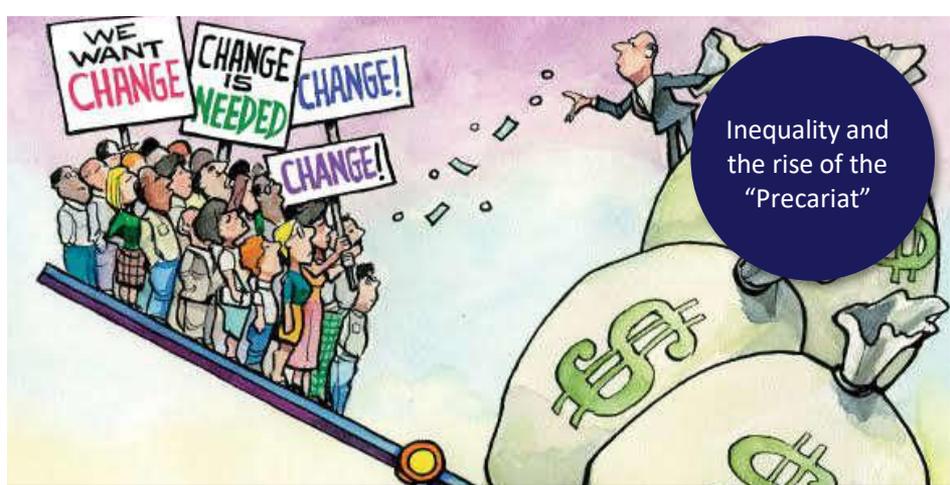
The Economics of Biodiversity: The Dasgupta Review, February 2021

*"What many companies and investors have realised is that if they ignore what people used to call **"externalities," ... a company's environmental footprint, its impact on a community, what's happening in its supply chain, ... it has a nasty habit of coming back to bite them"***

Gillian Tett, FT, March 2021



700 million in  
extreme  
poverty



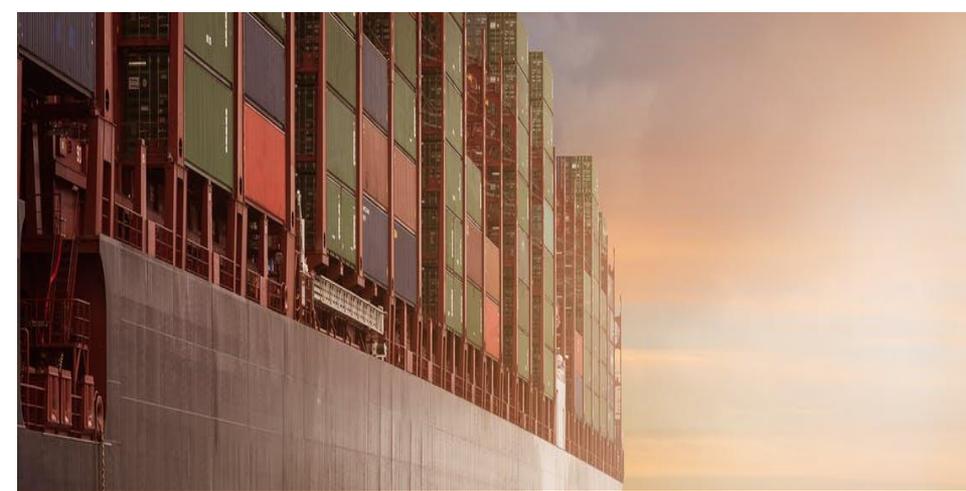
## Increased Focus on Social Risks



20 million  
in forced  
labor



150 million  
cases of  
child labor

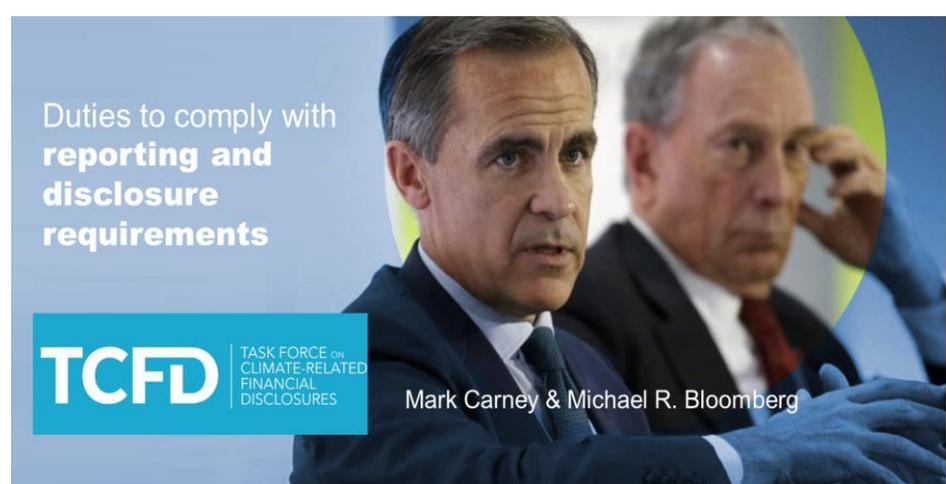


# Supply chain risk





**PURPOSE**



Duties to comply with  
**reporting and  
disclosure  
requirements**

**TCFD** | TASK FORCE ON  
CLIMATE-RELATED  
FINANCIAL  
DISCLOSURES

Mark Carney & Michael R. Bloomberg

**Scrutiny of business**



Legal &  
compliance



Resilience!

# How we support our members in risk assessment

- Enterprise risk management guidance & training
- Dynamic risk assessment
- Early risk screening thought leadership (with Latham & Watkins)
- Support to navigate climate scenarios

# Performance for ESG-related risks

- Companies have limited resources, so they cannot respond equally to all risks identified across the entity.
- Includes assessing risk severity in a language to allow management to prioritize risks.
- This chapter looks at **identification, assessment, prioritization and responding** to ESG-related risks and considering the critical nature of ESG subject matter expertise



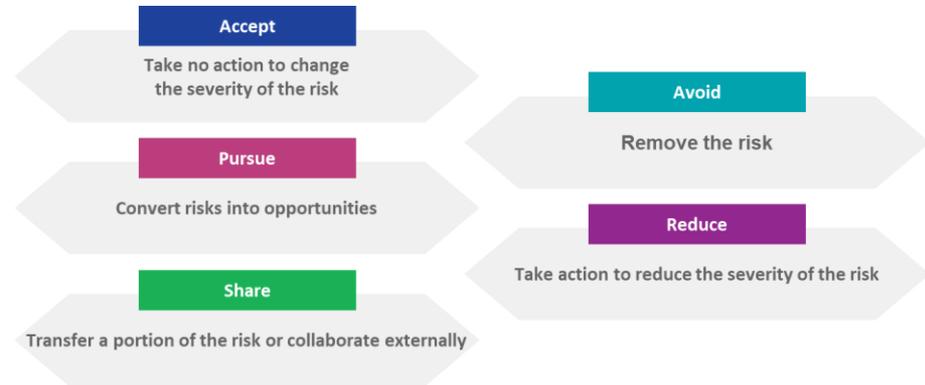
## Connecting the business context and strategy to risk identification

### Understanding of internal and external environment

- Megatrend analysis
- Strengths, weakness, opportunities, and threats
- Impact and dependency mapping
- Stakeholder engagement
- Materiality assessment
- ESG-related resources

**Risk identification:** threats or opportunities to achieving strategy and business objectives

Risk inventory



# What we are seeing: **identifying risks**

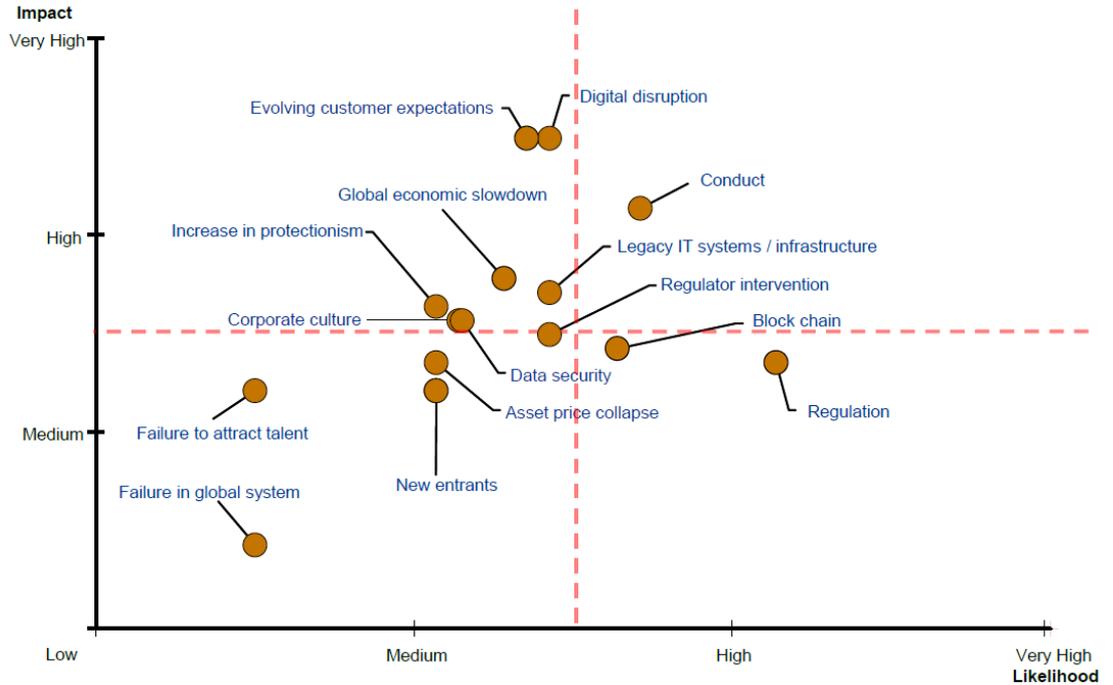
- Greater use and reliance on ESG insight – especially from a horizon scanning and forward-looking perspective
- Focus on building resilience and crisis management capabilities
- Consideration of a greater range and diversity of risks
- Review of supply chains, business models and operational models
- Changing urban and working environments, technology & digitization
- Increasing use of risk identification and screening tools

The image displays a collage of screenshots from various risk assessment and ESG reporting platforms. At the top left, a screenshot from RiskHorizon shows a world map and a table of risk factors with columns for 'Risk Category', 'Sector', 'Current', and 'Potential'. To its right, another RiskHorizon dashboard shows a 'Risk Factors' list and a map. The middle section features the EcoVadis Assessment process flowchart, which includes steps like 'Register online', 'Questionnaire Data collection', and 'Exp. anal'. Below this, there are three columns of text describing the process: 'Create a company profile', 'Answer CIR Assessment survey & upload documents', and 'EcoVadis details your answers into an easy-to-read Scorecard'. The bottom right corner shows a Sustainalytics dashboard with 'Sustainable Performance' metrics and a 'Possible Comparisons' table.

**RepRisk**  
Due diligence on ESG  
and business conduct

# Assess and prioritize risks

- A range of quantitative and qualitative measures may be used to estimate the severity of risks while comparing and prioritizing them.
- Risk severity is commonly expressed in terms of **Likelihood** (*possibility that an event will occur*) and **Impact** (*the result or effect of a risk*)



# Risk assessment challenges

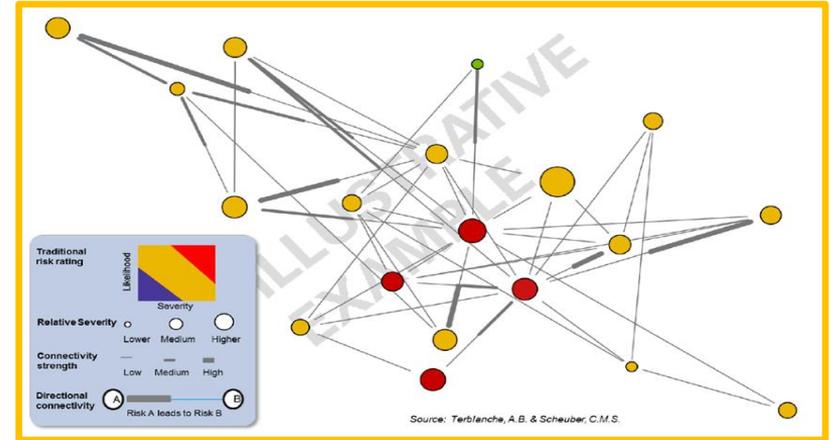
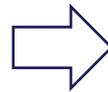
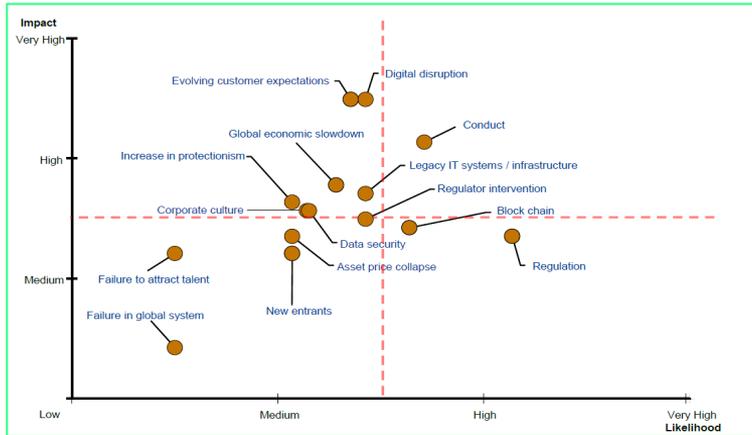
ESG-related risk assessment is not straightforward. It is challenging.

- Financial and business implications may not be clear or easy to measure
- Firms can have
  - Limited knowledge of ESG-related risks
  - Tendency to focus on near-term risks (when ESG time horizons are longer)
  - Difficulty unravelling the complex, interconnected nature of risks
  - Challenges to determine where to focus their risk management efforts

We see a case:

- For **more sophisticated approaches** to assessing risks
- To **extend traditional approaches** to understand the **connectivity, strength of connections** and **aggregated impacts** of risks

# Moving beyond impact and likelihood



(Source: KPMG Dynamic Risk Assessment)

Uses alternative techniques to

- Extend traditional approaches to risk assessment
- Investigate the structure of the whole risk system to understand ...
- ... the connectivity and strength of connections between risks

Provides insight to

- Range of impacts of risk events
- Speed at which risk impacts could occur
- The clustering of types of risks and impacts
- Identifies trigger risks and risks impacted by other risks
- Aggregation of business impacts and vulnerabilities

# A dynamic approach is required to address vulnerability

## Move beyond impact and likelihood

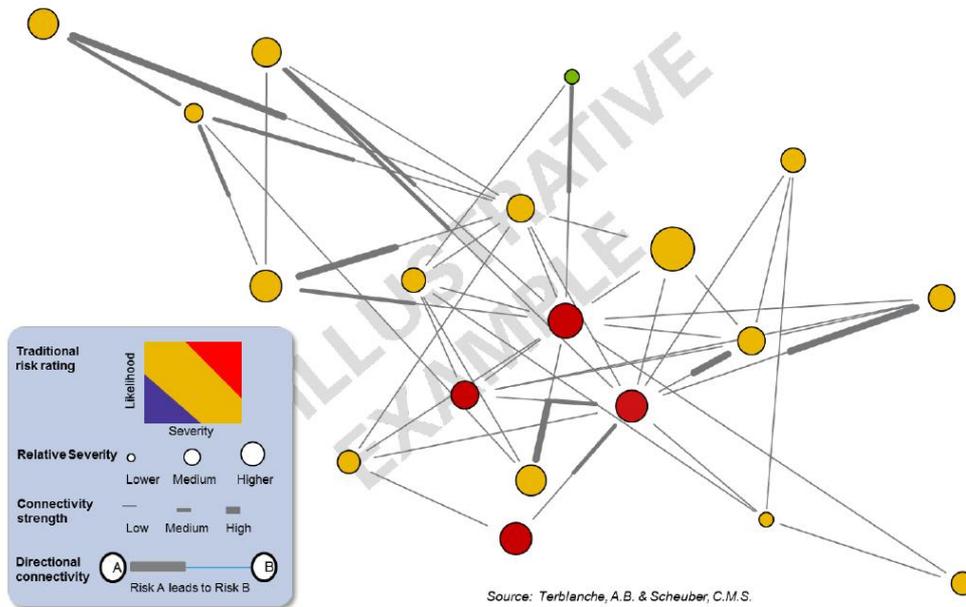
**Clusters:** risks most expected to spread to each other and occur in combination

**Influencers:** risks affecting more risks directly or indirectly than any others

**Stress scenarios:** combinations of risks that are weakly linked, yet catastrophic in aggregate severity should they occur

**Influenced:** risks with the highest expected propensity to be triggered directly or indirectly by any of the other risks

**Velocity:** the expected time to impact of each individual risk and risk cluster - how rapidly the risk's consequences will impact an organization, sector or industry once triggered

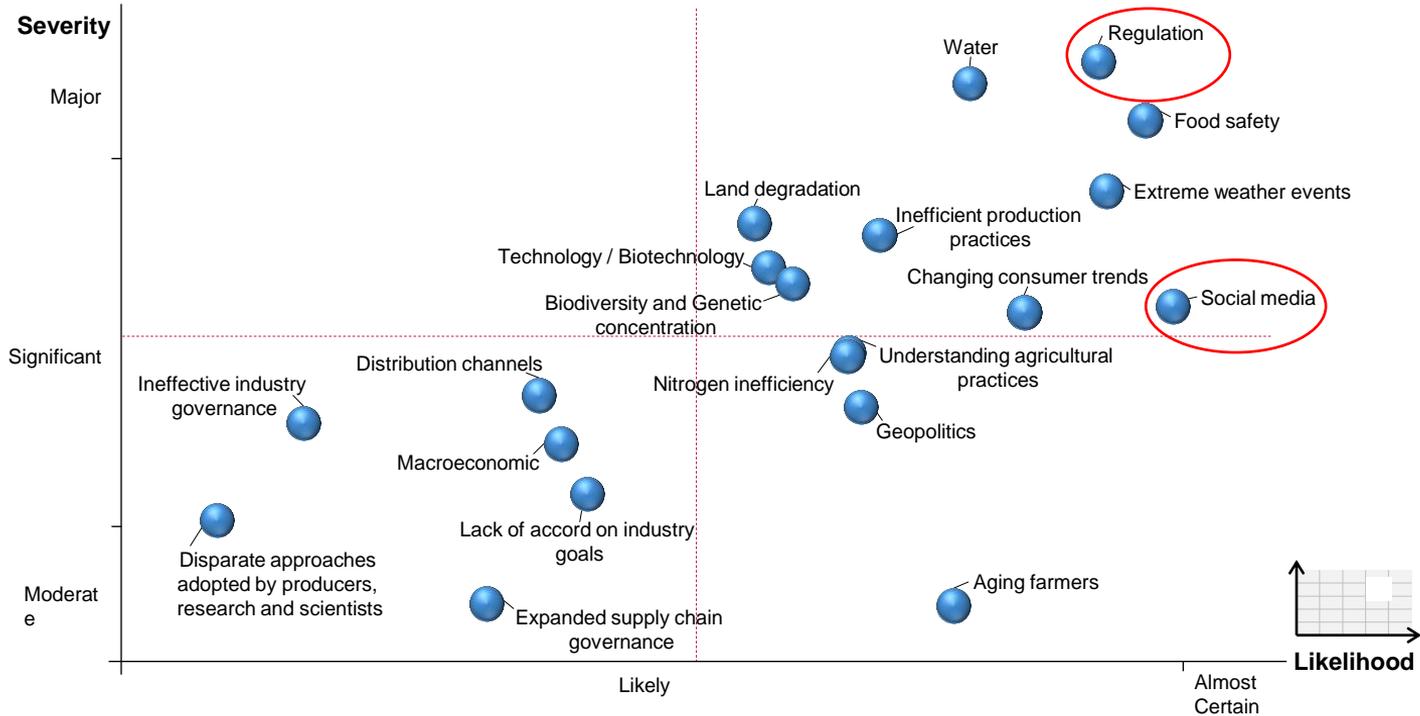


[KPMG, 2020, Dynamic Risk Assessment](#)

# Moving beyond impact and likelihood

Criteria	Description
<b>Adaptability</b>	The capacity of an entity to adapt and respond to risks
<b>Complexity</b>	The scope and nature of a risk to the entity's success
<b>Velocity or speed of onset</b>	The speed at which risk impacts an entity
<b>Persistence</b>	How long a risk impacts an entity
<b>Recovery</b>	The capacity of an entity to return to tolerance

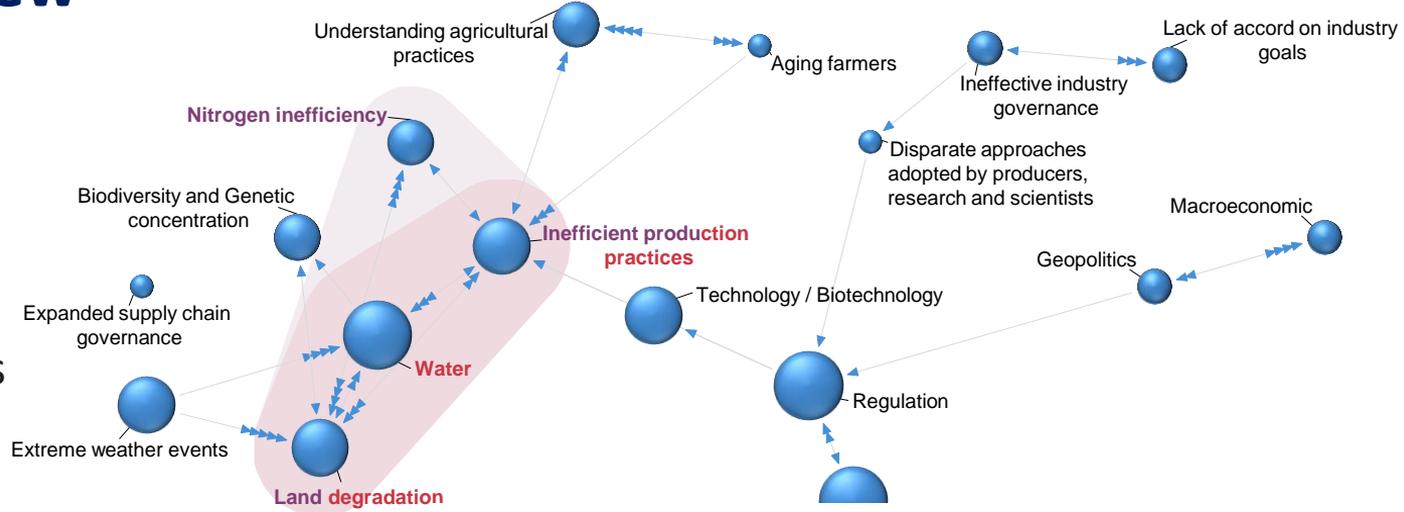
# The traditional view – example from Food & Agriculture



# Network view

Captures connections between risks

Identifies clusters of connected risks



Risk Cluster 1
Inefficient production practices
Land degradation
Nitrogen inefficiency

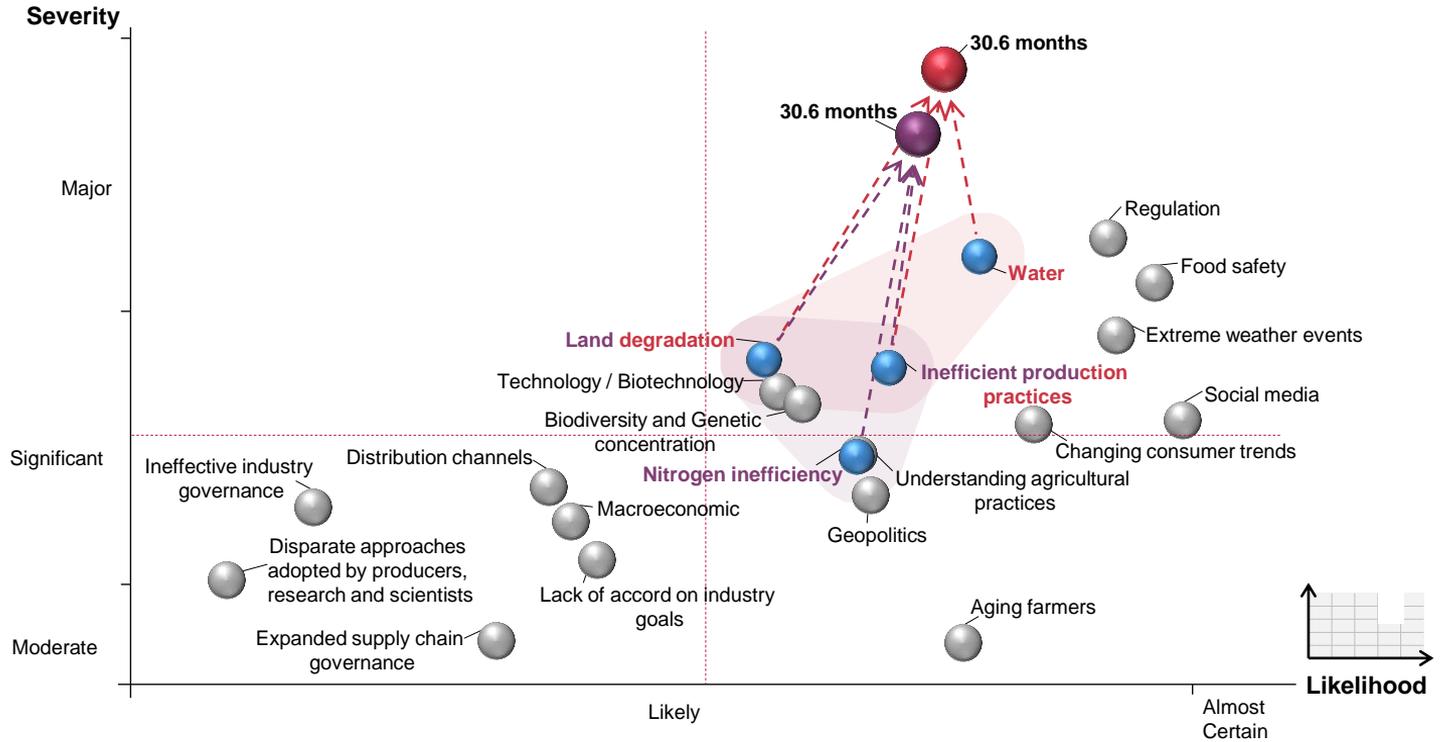
Risk Cluster 2
Inefficient production practices
Land degradation
Water

consumer trends

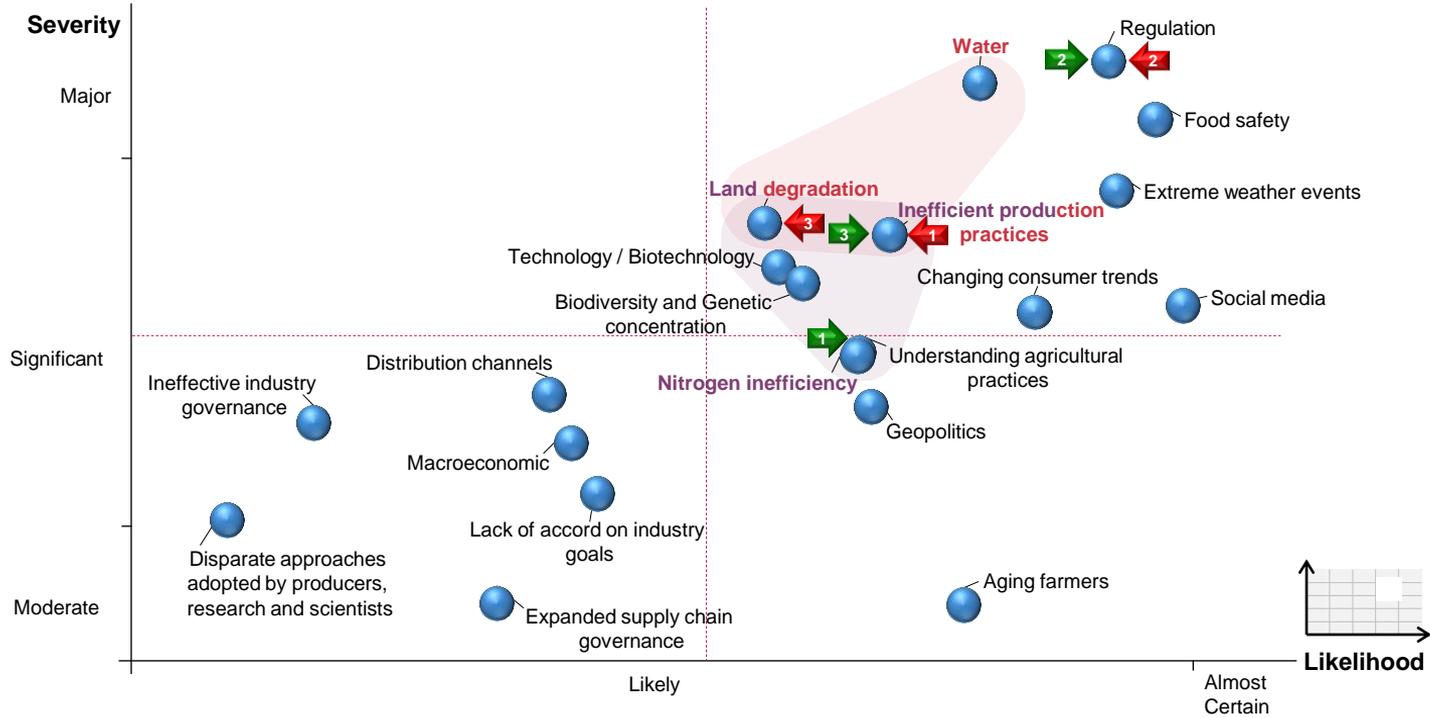
# Aggregated impacts of clusters

Cluster 1 Cluster 2

Aggregated impact of the clusters are greater -almost catastrophic! - than the individually most severe risk.



# Revised prioritization



## Insight from a dynamic risk assessment approach

- Provides key capability to **examine the wider business context** and wider operating environment
- **Examines contagion** - how risks spread, trigger and manifest
- Moves to **managing risks collectively** rather than individually
- Addresses the **“What-if?”** rather than “How likely?” questions
- Provides **clarity on risk mitigation** – where steps are most effectively applied
- Informs needs for **collaborative responses** and initiatives
- Critically **informs business resilience and crisis management** needs

# Dynamic Risk Assessment



Available at <https://www.wbcscd.org/ermdrabp>



Available at <https://www.wbcscd.org/draaeors>

# Early Risk Screening



<https://www.lw.com/thoughtLeadership/business-recovery-and-return-to-normal>

# Early Risk Screening

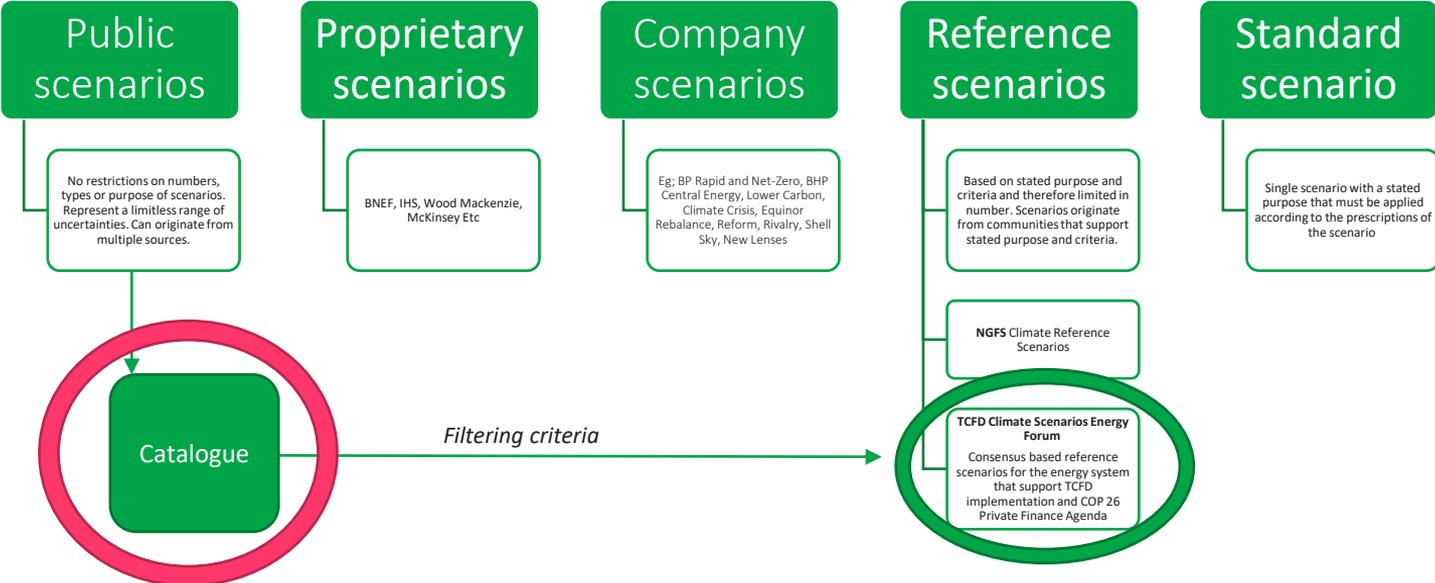
- We surveyed the views of a sample of member companies
- Elicit views on ESG and ERS in the business context
  - The role and benefits of ERS to business
  - Where and how ERS may be most effectively applied and most useful to the management of ESG and ERM processes
  - Experience of the application of ERS and challenges observed or anticipated
  - Specific ESG-related risks or issues to consider as part of ERS
  - Possible factors in the “new normal”, post-pandemic environment that may benefit from the application of an ERS approach

## Common themes



# Support to navigate climate scenarios

*The Catalogue compiles information from certain existing scenarios that can be used for conducting resilience analysis.*



*For illustration only*

# Questions & close

# How to engage with our risk management initiatives

- Download our “**Guidance for Applying Enterprise Risk Management (ERM) to Environmental, Social and Governance (ESG)-related Risks**” here: <https://www.wbcSD.org/bn68>
- **Risk training workshops** are available: contact [risk@wbcSD.org](mailto:risk@wbcSD.org) (eligibility criteria apply)
- **WBCSD Website:** <https://www.wbcSD.org/Programs/Redefining-Value>

## Contacts

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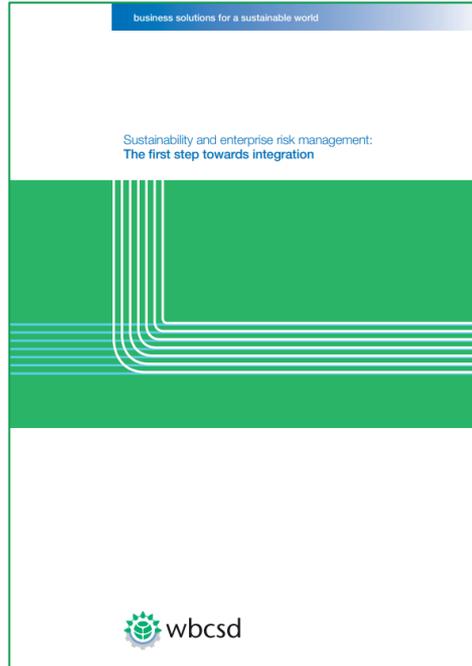
**Eleanor Leach**  
Manager  
Redefining Value  
[leach@wbcSD.org](mailto:leach@wbcSD.org)



# Helpful resources

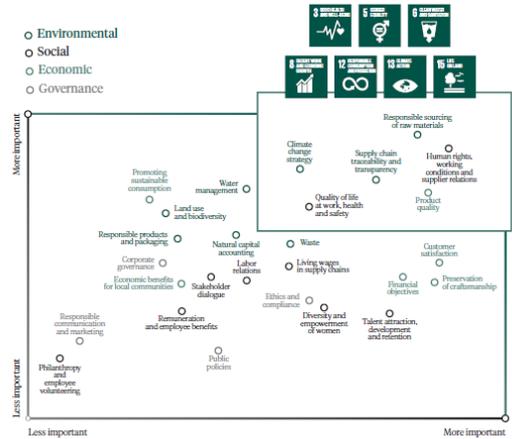
# Risk alignment Methodology

Identifying if risk disclosure aligns with identified sustainability material issues



Sustainability and enterprise risk management:  
The first step towards integration, 2017

1. Determine material issues
2. Recategorize material issues
3. Identify risk disclosure
4. Determine alignment of risk factors
5. Determine alignment of legal filings



**ITEM 1A. RISK FACTORS**  
 In addition to the factors discussed elsewhere in this Report, the following risks and uncertainties could materially adversely affect our business, financial condition and results of operations. Additional risks and uncertainties not presently in operations and financial condition.

*If we pursue strategic acquisitions, alliances, divestitures or joint ventures, we may not be able to successfully consummate favorable transactions or successfully integrate acquired businesses.*

From time to time, we may evaluate potential acquisitions, alliances, divestitures or joint ventures that would further our strategic objectives. With respect to acquisitions, we may not be able to identify suitable candidates, consummate a synergies and other benefits as a result of integration challenges, or may not achieve those objectives on a timely basis. Future acquisitions of foreign companies or new foreign ventures would subject us to local laws and regulations and foreign exchange rate changes, government price control, repatriation of profits and liabilities relating to the U.S. Foreign Corrupt Practices Act.

With respect to proposed divestitures of assets or businesses, we may encounter difficulty in finding acquirors or alternative exit strategies on terms that are favorable to us, which could delay the accomplishment of our strategic objectives or operations acquired or joint ventures created may not be profitable or may not achieve sales levels and profitability that justify the investments made. Our corporate development activities may present financial and business, integrating or separating personnel and financial and other systems, and adverse effects on existing business relationships with suppliers and customers. Future acquisitions could also result in potentially dilutive issuances expenses related to certain intangible assets and increased operating expenses, which could adversely affect our results of operations and financial condition.

The divestiture (the "Divestiture") of selected cookie, fruit and fruit-flavored snacks, pie crusts, and ice cream cone businesses, consummated on July 28, 2019 (the "Divested Business") may not achieve some or all of the anticipated risks associated with our continued provision of transition services to the Divested Business.

10

*We may not realize the benefits we expect from revenue growth management.*

We are utilizing formal revenue growth management practices to help us realize price in a more effective way. This approach addresses price strategy, price-pack architecture, promotion strategy, mix management, and trade strategies. It is not always accepted by our customers, consumers or third party providers causing us not to realize the anticipated benefits. In addition, the complexity of the execution requires a substantial amount of management and operational attention from other business issues and have adverse effects on existing business relationships with suppliers and customers. Any failure to execute revenue growth management in accordance with our plans could adversely affect our results of operations.

*Our results may be materially and adversely impacted as a result of increases in the price of raw materials, including agricultural commodities, fuel and labor.*

Agricultural commodities, including corn, wheat, rice, potato flakes, vegetable oils, sugar and cocoa, are the principal raw materials used in our products. Cartonboard, corrugated and plastic are the principal packaging materials used by regulation, and/or shutdown, import and export requirements (including tariffs), global geopolitical conditions, drought and other weather conditions (including the potential effects of climate change) or other unforeseen circumstances. To increase our prices or adequately hedge against such changes in prices in a manner that offsets such changes, the results of our operations could be materially and adversely affected. In addition, we use derivatives hedged price could exceed the spot price on the date of purchase, resulting in an unfavorable impact on both gross margin and net earnings. Also, sustained price increases may lead to declines in volume as competitors may not adjust to sales declines and loss of market share.

Central processing equipment at major domestic and international facilities are regularly fueled by electricity, natural gas or propane, which are obtained from local utilities or other local suppliers. Short-term stand-by propane storage exist also be used to fuel certain operations at various plants. In addition, considerable amounts of diesel fuel are used in connection with the distribution of our products. The cost of fuel may fluctuate widely due to economic and political conditions which could have a material adverse effect on our consolidated operating results or financial condition.

*Our results may be adversely affected by increases in transportation costs and reduced availability of or increases in the price of oil or other fuels.*

# Diagnostic tool for assessing the level of integration of ESG-related risks

- ▶ A tool for companies to assess their level of integration of ESG and ERM
- ▶ Aligns to the guidance checklist of actions and provides criteria for companies to rate themselves for each chapter of the guidance:
  - 1 Basic: None or few of the recommendations in place
  - 2 Developing: Rating between 1 and 3
  - 3 Established: Some of the recommendations in place, for a selection of ESG-related risks
  - 4 Leading: Rating between 4 and 5
  - 5 Advanced: Most or all of the recommendations in place
- ▶ Helps to identify gaps and areas of focus or future initiatives



See <https://www.wbcsd.org/vzcyj>

# Growing need for Boards to address sustainability matters

The report launched at Davos aimed to strengthen board decision-making and oversight to respond to today's challenges -

- Articulating a clear purpose and vision for decision-making
- Clear responsibilities for sustainable matters within the Board
- Appropriate diversity of skills and experience to lead and incentivize required behaviours
- Need for sustainability training tailored to the company business model
- Getting the context right for consideration of sustainability matter and not isolating consideration from the core business
- Board level involvement in stakeholder engagement



See <https://www.wbcsd.org/gikrfbebr>

# Growing need for Boards to address sustainability matters

## Key Recommendations

- Ensure company purpose is clearly established and aligned with material sustainable development impacts and opportunities
- Develop strategy and assess risks in light of ESG concerns – making sustainability concerns a core board consideration
- Enhance board sustainability capacity through expert presentations, engagement with sustainability management and training on material sustainability issues
- Establish a performance review process which considers ESG-related matters and is supported by clear key performance metrics and outcomes. Ensure board responsibility and remuneration policies are aligned and integrated.

**Findings will inform a toolkit for more effective sustainability oversight**



## Modernizing governance:

ESG challenges and recommendations for corporate directors



See <https://www.wbcasd.org/gikrfbebr>

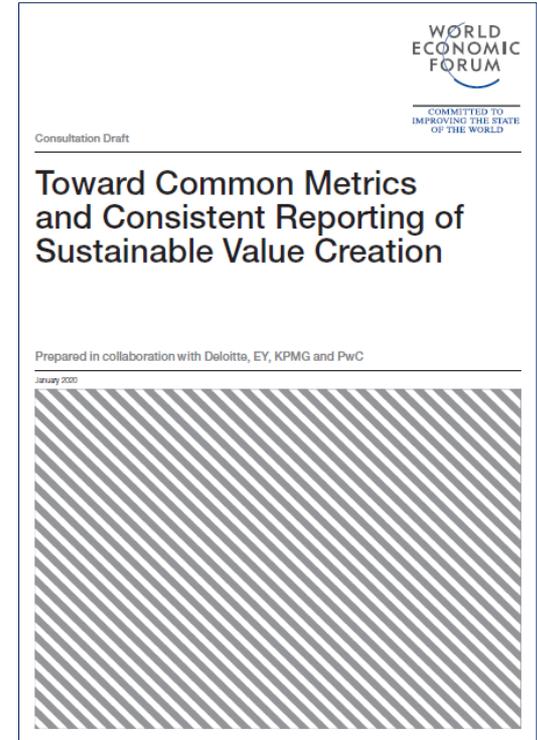
# Common ESG performance and disclosure metrics

WEF IBC launched a project at Davos 2020 to develop a proposal for how members could measure and disclose meaningful and relevant aspects of their ESG performance and contribution to progress on the SDGs on a consistent and comparable basis.

- Lack of consistency by which companies measure and report to investors and other stakeholders the shared and sustainable value they create
- Proposes a common, core set of metrics and recommended disclosures to align mainstream reporting
- Reduce fragmentation and encourage faster progress towards a systemic solution, perhaps to include a generally accepted international accounting standard
- The objective is to amplify existing standards and harness their synergies rather than create a new standard altogether

Toward Common Metrics and Consistent Reporting of Sustainable Value Creation

<https://www.weforum.org/whitepapers/toward-common-metrics-and-consistent-reporting-of-sustainable-value-creation/>



# Common ESG performance and disclosure metrics

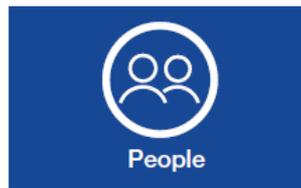
Metrics are organized into 4 pillars aligned to the Sustainable Development Goals



The definition of governance is evolving as organizations are increasingly expected to define and embed their purpose at the centre of their business. But the principles of agency, accountability and stewardship continue to be vital for truly “good governance”.



An ambition to protect the planet from degradation, including through sustainable consumption and production, sustainably managing its natural resources and taking urgent action on climate change, so that it can support the needs of the present and future generations.



An ambition to end poverty and hunger, in all their forms and dimensions, and to ensure that all human beings can fulfil their potential in dignity and equality and in a healthy environment.



An ambition to ensure that all human beings can enjoy prosperous and fulfilling lives and that economic, social and technological progress occurs in harmony with nature.



# Common ESG performance and disclosure metrics

Two related sets of metrics are proposed, **Core** and **Expanded**.

**Core metrics:** a set of 22 well-established metrics and reporting requirements. These are primarily quantitative metrics for which information is already being reported by many firms (albeit often in different formats) or can be obtained with reasonable effort. They focus primarily on activities within an organization's own boundaries.

**Expanded metrics:** these tend to be less well established in existing practice and standards and have a wider value chain scope or convey impact in a more sophisticated or tangible way, such as in monetary terms.

They represent a more advanced way of measuring and communicating sustainable value creation, and companies are encouraged to report against them as well, when material and appropriate.

# Common ESG performance and disclosure metrics

## Planet pillar

### Core Metrics and Disclosures

Theme	Core Metrics and Disclosures	Sources
Climate Change	<b>Greenhouse gas (GHG) emissions</b> Report GHG Protocol Scope 1 and 2 emissions in tonnes of carbon dioxide equivalent (tCO <sub>2</sub> e) and estimate and report upstream and downstream (GHG Protocol Scope 3) emissions where material.	GRI (305-1), CDP (C6, C7), CDSB (R03, R04), SASB (110a.1), GHG Protocol
	<b>TCFD-aligned reporting</b> TCFD-aligned reporting on governance and risk management for all. If climate change is material in short, medium or long term, disclose strategy and metrics/targets as well, including whether the company has committed to set a science-based target in line with net-zero by 2050.	TCFD CDSB R01, R02, R03, R05 and R06; SASB 110
Nature Loss	<b>Land use and ecological sensitivity</b> Report for operations, and estimate and report for full supply chain ("upstream") where material: Overall area of land used or affected; Annual change in an area of land used or affected; Number of IUCN Red List species present in areas used or affected.	Adapted from: GRI (304-1, 304-3, 304-4), CDP (F1)
Fresh water availability	<b>Fresh water consumption in water stressed areas</b> Report for operations, and estimate and report for upstream and downstream where material: Mega litres of fresh water consumed (withdrawals minus discharges of equal quality) in water-stressed areas.	Adapted from: GRI (303-3), CDP (W1), CDSB (R04), SASB (140a.1)

# Common ESG performance and disclosure metrics

## Expanded Metrics and Disclosures

Planet pillar

Expanded Metrics and Disclosures

Theme	Expanded Metrics and Disclosures	Sources
Climate Change	<b>Science-based target to reduce GHG emissions</b> Define and report progress against a science-based target to reduce GHG emissions.	SBTI
	<b>TCFD-aligned reporting</b> Enhance TCFD aligned reporting with financial metrics.	TCFD
	<b>Impact of greenhouse gases</b> Report wherever material along the value chain: Valued societal Impact of greenhouse gas emissions.	NCP, ISO 14008
Nature Loss	<b>Impact of land use</b> Report wherever material along the value chain: Valued societal Impact of use of land and conversion of ecosystems.	NCP, ISO 14008
Fresh water availability	<b>Impact of fresh water consumption</b> Report wherever material along the value chain: Valued societal Impact of water consumption.	NCP, ISO 14008
Air pollution	<b>Fine particulate matter</b> Report wherever material along the value chain: Tonnes of PM2.5 emitted in urban areas.	GRI (305-7), SASB (120a.1)
	<b>Impact of air pollution</b> Report wherever material along the value chain: Valued societal Impact of air pollution.	NCP, ISO 14008
Water pollution	<b>Nutrients</b> Report wherever material along the value chain: Tonnes of phosphate and nitrogen used or produced.	Adapted from: GRI (303-1)
	<b>Impact of water pollution</b> Report wherever material along the value chain: Valued societal Impact of water pollution, including excess nutrients, heavy metals and other toxins.	NCP, ISO 14008
Solid waste	<b>Single use plastics</b> Report wherever material along the value chain: Tonnes of single-use plastic disposed of.	New Metric
	<b>Impact of solid waste disposal</b> Report wherever material along the value chain: Valued societal Impact of solid waste disposal, including plastics and other waste streams.	NCP, ISO 14008
Resource availability	<b>Resource circularity</b> Tonnes and % of circular inflow / outflow.	WBCSD & KPMG Circular Transition Indicators

# Natural and Social & Human Capital Protocols

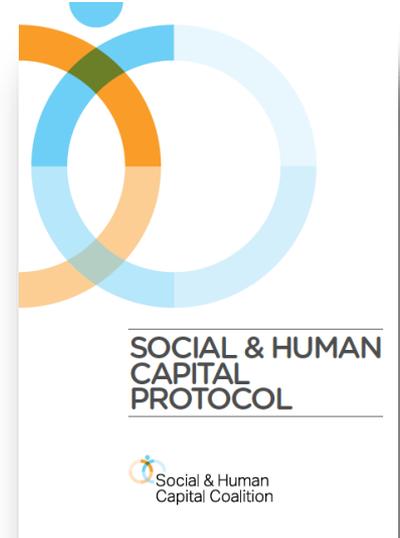
Generally-accepted frameworks for business to identify, measure and value its impacts and dependencies on natural, social and human capital.



2016



2019

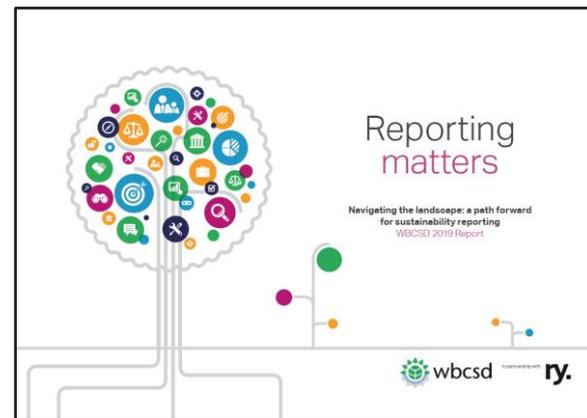


# Reporting Matters

**WBCSD developed *Reporting matters* in partnership with Radley Yeldar to help improve the effectiveness of sustainability reporting.**

WBCSD analyzes the fullest source of sustainability information from each member each year against a framework and uses the resulting data in two ways:

- **For members:** We provide confidential scoring dashboards with analysis and anonymized peer group data. We offer confidential feedback sessions to explain our findings to all members.
- **For the public:** We compile the overall results and publish an annual overview of reporting trends within our membership, showcasing good practice examples and providing high level recommendations on reporting.



See <https://www.wbcSD.org/RM2019>

You can learn more in our [2019 publication](#) and access past publications and additional resources [online](#).



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