Corporate Governance

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Why Governance?

- **STAKEHOLDERS :**

The purpose of a company is to engage all its stakeholders in shared and sustained value creation.

- **ESG PROGRAM:**

Target setting and reporting on material impacts of an organization on ‘Environmental, Social and Governance’ matters - is increasingly expected by investors and all stakeholders worldwide .

- GSSB, ISSB:

The Global Sustainability Standards Board has been set up as the de-facto global sustainability reporting forum , the newly launched International Sustainability Standards Board (ISSB) sits under the International Financial Reporting Standards (IFRS) attempts to bring sustainability reporting within the formal financial reporting landscape .

Making stakeholder capitalism work

Step 1: Understand who the stakeholders are

Step 2: Understand stakeholders' needs and build trust

Step 3: Define and measure ways to serve stakeholders

Step 4: Define and execute a stakeholder-capitalism strategy

Step 5: Build an operating model that can sustain long-term value creation

ESG PROGRAM

- E in ESG, environmental criteria, includes the energy your company takes in and the waste it discharges, the resources it needs, and the consequences for living beings as a result.

- S, social criteria, addresses the relationships your company has and the reputation it fosters with people and institutions in the communities where you do business.

- G, governance, is the internal system of practices, controls, and procedures your company adopts in order to govern itself, make effective decisions, comply with the law, and meet the needs of external stakeholders.

But even as the case for a strong ESG proposition becomes more compelling, an understanding of why these criteria link to value creation is less comprehensive.

How exactly does a strong ESG proposition make financial sense?

1. Top-line growth

A strong ESG proposition helps companies tap new markets and expand into existing ones. When governing authorities trust corporate actors, they are more likely to award them the access, approvals, and licenses that afford fresh opportunities for growth.

2. Cost reductions

ESG can also reduce costs substantially. Among other advantages, executing ESG effectively can help combat rising operating expenses (such as raw-material costs and the true cost of water or carbon), which McKinsey research has found can affect operating profits by as much as 60 percent.

3. Reduced regulatory and legal interventions

In fact, in case after case across sectors and geographies, we've seen that strength in ESG helps reduce companies' risk of adverse government action. It can also engender government support..

4. Employee productivity uplift

A strong ESG proposition can help companies attract and retain quality employees, enhance employee motivation by instilling a sense of purpose, and increase productivity overall.

Employee satisfaction is positively correlated with shareholder returns.

For example, the London Business School's Alex Edmans found that the companies that made Fortune's "100 Best Companies to Work For" list generated 2.3 percent to 3.8 percent higher stock returns per year than their peers over a greater than 25-year horizon.

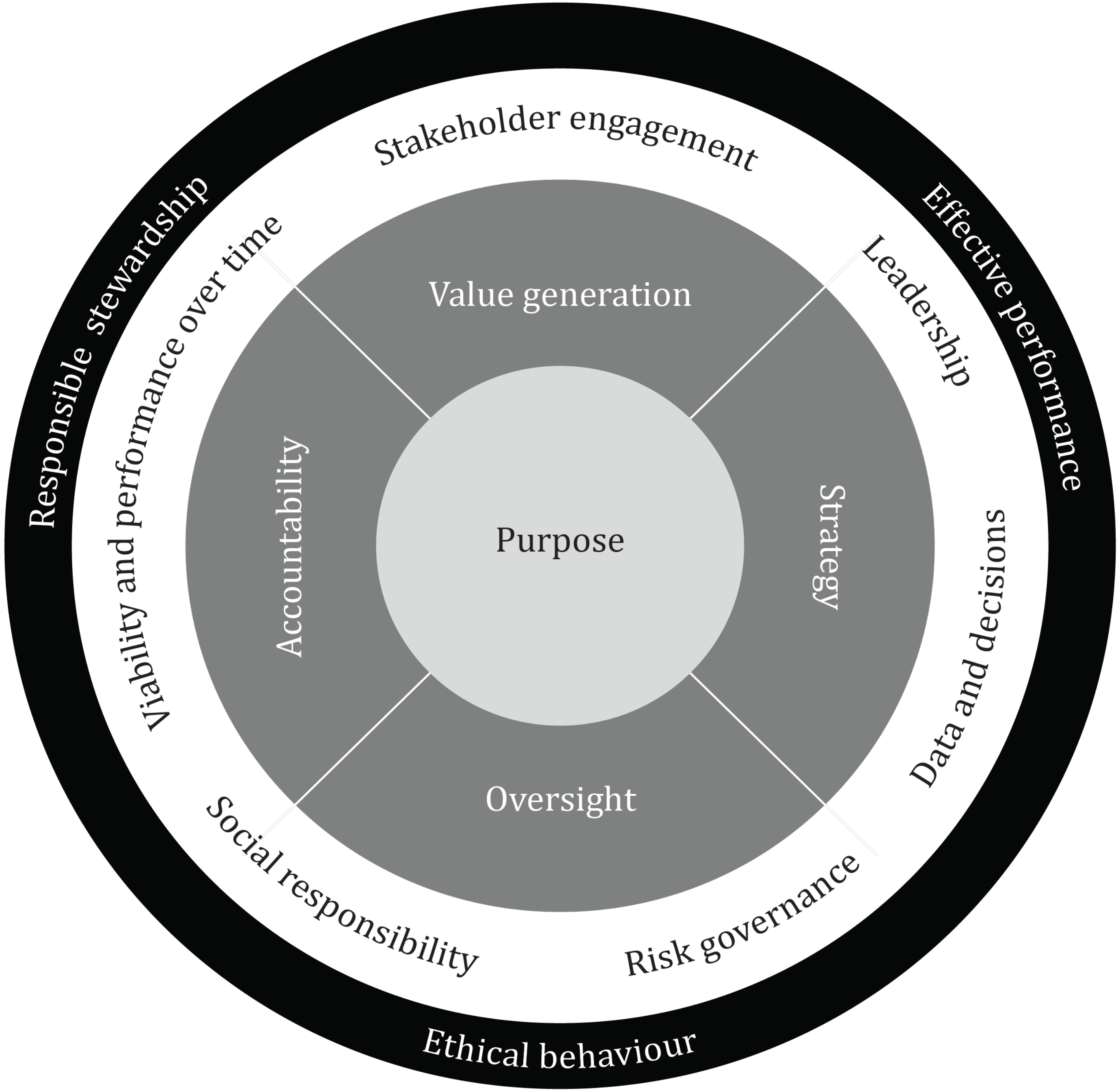
5. Investment and asset optimization

A strong ESG proposition can enhance investment returns by allocating capital to more promising and more sustainable opportunities (for example, renewables, waste reduction, and ...).

It can also help companies avoid stranded investments that may not pay off because of longer-term environmental issues .

How to make sense of all of this?

- • existing for a purpose aligned with society's long-term well-being (ends)
- • whilst protecting the social and environmental systems that underpin this well-being (means)
- • make decisions in an innovative, prudent and ethical manner (mode)



Where the shades represent:

	Governance outcomes
	Primary governance principle
	Foundational governance principles
	Enabling governance principles

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