Prioritising Sustainability

ACGA Conference

Yuan Yuan, Head of GRI Regional Hub China
Beijing, November 13, 2018
How sustainability integration creates value 可持续性一体化如何创造价值

Sustainability Stages Model 可持续性阶段模型

1. Crisis management 危机公关
2. Compliance 合规
3. Resource optimization 资源优化
4. Market differentiation 市场区分
5. Purpose driven 目标导向

Level of integration 一体化程度

Introduction to functional integration: Roadmap for integrated sustainability, UNGC, 2015
# How sustainability integration creates value

可持续性一体化如何创造价值

<table>
<thead>
<tr>
<th>Integration level</th>
<th>1.0 Operational</th>
<th>2.0 Strategic</th>
<th>3.0 Integrated</th>
<th>4.0 Social Purpose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Focus of integration</td>
<td>Operations</td>
<td>Corporate strategy</td>
<td>Governance and management</td>
<td>Core purpose and business model</td>
</tr>
<tr>
<td>Philosophy</td>
<td>“Sustainability saves money and improves compliance”</td>
<td>“Sustainability helps us achieve our corporate priorities”</td>
<td>“Sustainability is a factor in how we manage the company and conduct business day-to-day”</td>
<td>“Our vision of being a sustainable company determines our corporate priorities”</td>
</tr>
<tr>
<td>Relationship to strategy</td>
<td>Sidelined</td>
<td>Component of corporate strategy</td>
<td>Component of all business plans</td>
<td>Central to/inseparable from corporate strategy</td>
</tr>
<tr>
<td>Leadership</td>
<td>Sustainability manager</td>
<td>Chief sustainability officer</td>
<td>Executive committee</td>
<td>CEO</td>
</tr>
<tr>
<td>Marketing</td>
<td>Paid advertising tells the story</td>
<td>Earned media/cause marketing tells the story</td>
<td>Customers tell story</td>
<td>Everything you do tells the story</td>
</tr>
<tr>
<td>Timeline</td>
<td>&lt;1 year</td>
<td>Multi-year</td>
<td>Medium term</td>
<td>Long term</td>
</tr>
<tr>
<td>Business value</td>
<td>Good will and cost savings</td>
<td>Reputation and benefit growth</td>
<td>Profitability and risk management</td>
<td>Long-term viability and value creation</td>
</tr>
</tbody>
</table>

*Integrating Corporate Responsibility into Your Corporate Culture, The Conference Board*
Reporting and sustainability integration

- Market opportunities
- Strategic objectives
- Strategic roadmap
- …

Materiality analysis
实质性/重大性分析

Business strategy
商业战略

- Value proposition
- Operating context
- Activities
- Risks
- Differentiation factors

Business model
商业模式
The transformative power of materiality
实质性/重大性分析的变革性力量

COMPANY STRATEGY 公司战略

MATERIALITY ANALYSIS 实质性/重大性分析

IDENTIFICATION OF REPORT CONTENT 报告内容

SUSTAINABILITY REPORT 可持续性报告

Strategy review 战略回顾分析
Main objectives
主要目标

HOW IS MATERIALITY CHANGING COMPANIES’ SUSTAINABILITY REPORTING AND MANAGEMENT?
实质性/重大性分析如何改变公司的可持续性报告和管理？

• Reflect on the link between materiality and corporate sustainability management; 实质性/重大性分析与企业可持续性管理的关系

• Explore the benefits of materiality analysis for strategy and risks management; 实质性/重大性分析对战略和风险管理的益处
Materiality: the current landscape
实质性/重大性分析：目前的现状

The main benefits of a materiality analysis are:

• Sustainability reports can focus on the topics that matter most. 报告可以聚焦最重要的影响
• Management is able to focus on the most strategic issues. 管理可以聚焦最具战略意义的议题

A common missed opportunity 机会错失:
The outcomes of a materiality analysis are often not reflected in the content of an organization’s report.
机构的报告中通常找不到任何实质性/重大性分析的结果

“Reporting matters”, WBCSD, 2015
WBCSD members that have disclosed they use a materiality process.

82% (2013: 57%)

WBCSD members that have applied materiality to determine the content of their reports.

30% (2013: 12%)

“Reporting matters”, WBCSD, 2015
Risk and sustainability
可持续性与风险

74% agree that management tends to view sustainability risks as less likely and less impactful on a company’s performance than financial risks. 同意管理层倾向于认为可持续性风险相比财务风险来说，影响更弱。

89% agree that failure to manage sustainability risks could have significant impacts on a company’s financial performance. 同意如果没能管理好可持续性风险将会给公司财务表现带来重大影响。

72% of surveyed WBCSD members agree that, in general, companies are not adequately disclosing sustainability risks to shareholders. WBCSD受访成员认为普遍来看公司没有充分地向利益相关方披露可持续性风险。

70% of surveyed WBCSD members agree that risk management practices do not adequately address sustainability risks. WBCSD受访成员认为目前企业的风险管理实践并不能足够回应可持续性风险。
Risks and the materiality assessment

Risks can play a role at two levels:

- **Input:** risks inform the materiality assessment
- **Output:** material topics are used to inform risk management
The transformative power of materiality

A materiality analysis allows a company to embed sustainability issues into its core business strategy.

To improve strategic focus, companies should:

• Focus on a narrow set of issues
• Act on the key issues

“Sustainability Incorporated- Integrating Sustainability into Business”, SustainAbility, 2015
### Material topics 议题

<table>
<thead>
<tr>
<th>Society</th>
<th>Business enablers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Health &amp; wellness</td>
<td>10. Open innovation</td>
</tr>
<tr>
<td>3. Emerging economies</td>
<td>12. Advocacy &amp; reputation</td>
</tr>
<tr>
<td>5. Climate change &amp; renewable energy</td>
<td>14. Digital transformation</td>
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<tr>
<td>6. Resource scarcity/ Circular &amp; bio-based economy</td>
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<tr>
<td>7. Water security</td>
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<tr>
<td>8. Sustainable food systems</td>
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<tr>
<td>9. Biodiversity</td>
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<tbody>
<tr>
<td>15. Responsible business practices</td>
</tr>
<tr>
<td>16. Transparency &amp; reporting</td>
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<tr>
<td>17. Product &amp; food safety</td>
</tr>
<tr>
<td>18. Taxation</td>
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<tr>
<td>19. Bioethics</td>
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### Risks 风险

- **Market environment**
  - Geopolitical, global financial and economic developments
- **People, organization and culture**
- **Program and project management**

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Validation by Sustainability Leadership Team + sign off by the Board

由可持续性领导团队验证 并有董事会签字
Useful resources on materiality
有关实质性的文献资料

**Defining What Matters:**
Do companies and investors agree on what is material?
Mining, Metals and Electric Utilities
2016

**Defining Materiality:**
What Matters to Reporters and Investors
Do investors and reporters agree on what is material in the Technology Hardware & Equipment and Banks & Diverse Financial Sectors?
2015
Thank you