

PUBLIC

Disclosure Learnings from Value-based Intermediation (VBI)


HSBC Amanah

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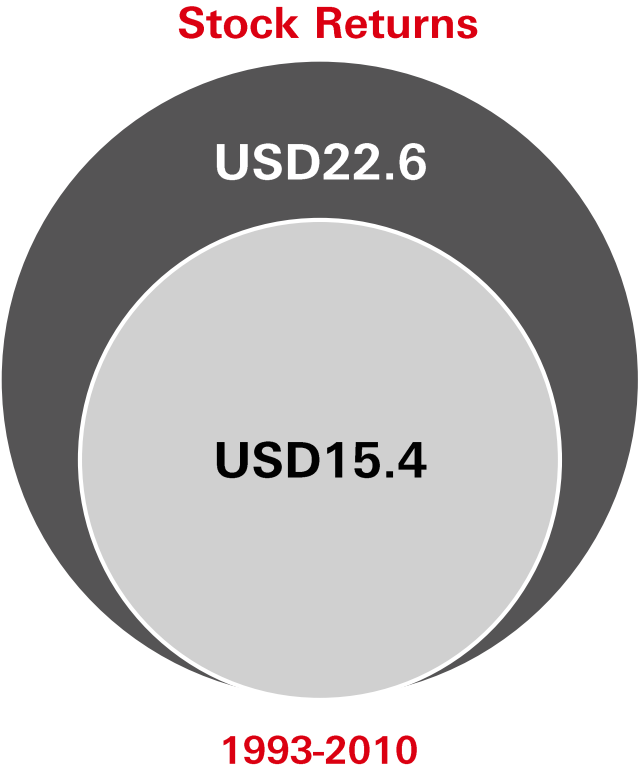
Framing

Framing (1)

'The Next Sustainability Wave'*	Stage 1: Non-Compliance	Stage 2: Compliance	Stage 3: Beyond Compliance	Stage 4: Integrated Strategy	Stage 5: Purpose & Passion
					
Practices assumed**	N/A	Common Sustainability Practices, typically copied Immaterial ESG Issue		Strategic Sustainability Practices, unique in nature Material ESG Issue	
Impact**	N/A	Not significantly associated with Return on Capital Positively associated with Market Valuation Multiples (Price to Book) Fail to keep up with adoption then performance suffers		With unique sustainability practices significantly and positively associated with financial performance such as Return on Capital and Market Valuation Multiples (Price to Book)	

* The Next Sustainability Wave, Bob Wilard, 2005
** based on Ioannou & Serafim, 2019, 'Corporate Sustainability: A Strategy?', Sustainability Leadership & Corporate Responsibility - London Business School Online, and SASB Materiality Map

Framing (2)

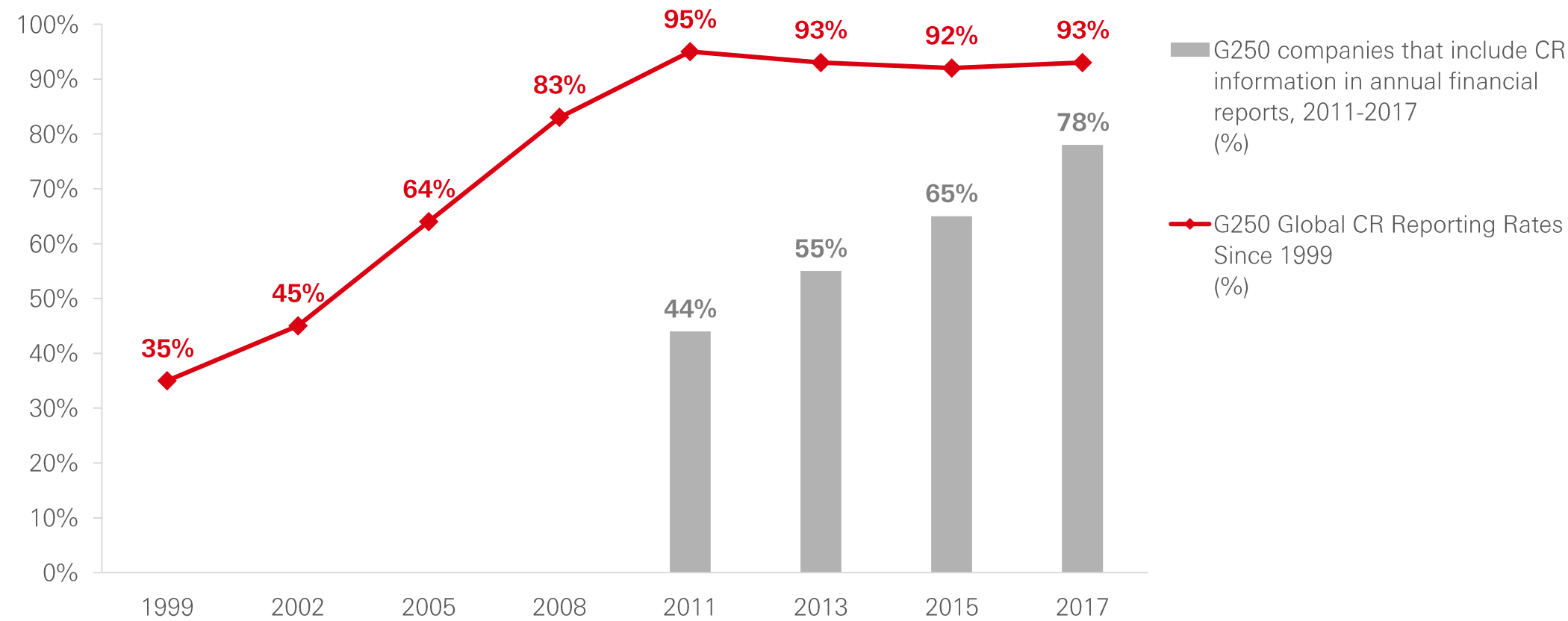


Eccles, Ioannou, Serafeim, Management Science, 2014



KPMG, The numbers that are changing the world, 2019

Framing (3)

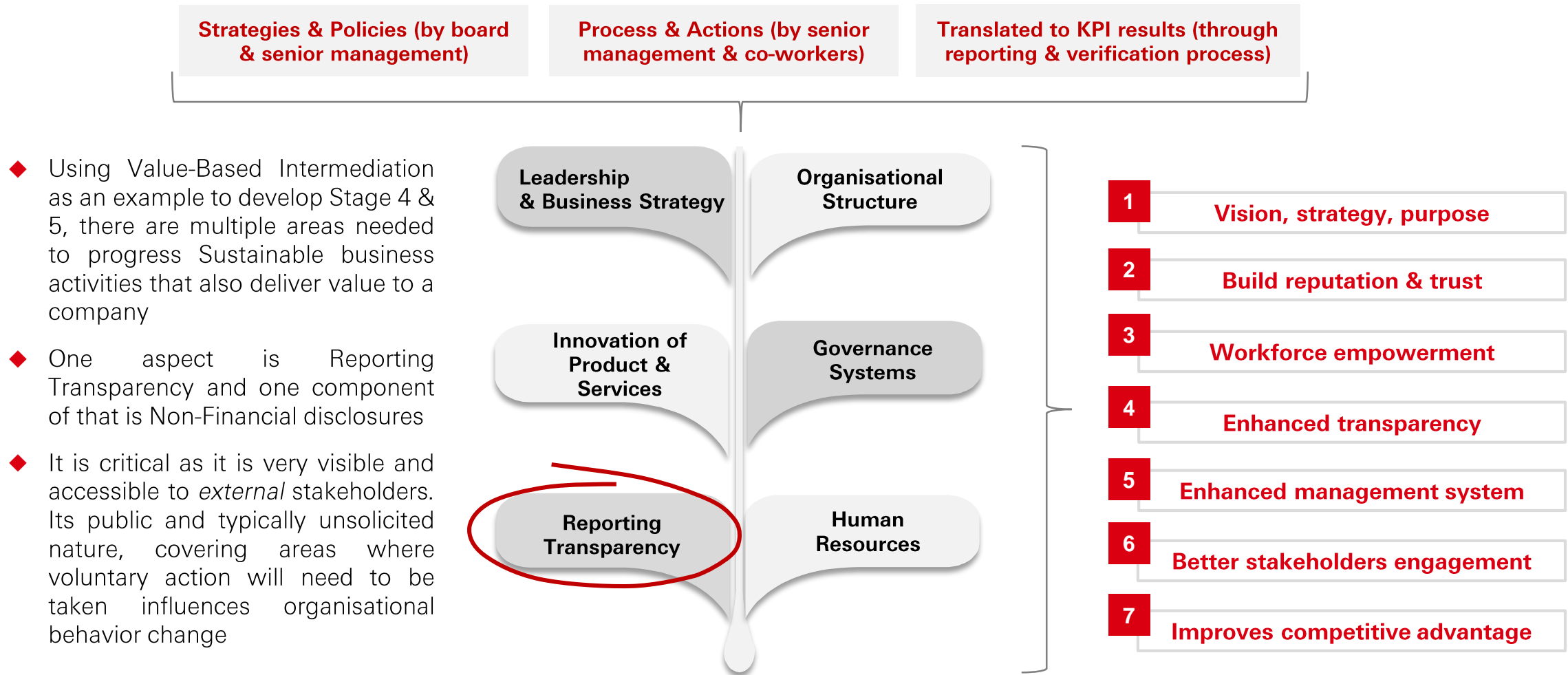


Source: 'The Road Ahead', KPMG Survey of Corporate Responsibility Reporting 2017

Implementation (based on VBI)

Non-Financial Disclosures is 1 from many needed initiatives But a critical one!

Key Learnings from VBI









Standards(1)



INTEGRATED REPORTING <IR>

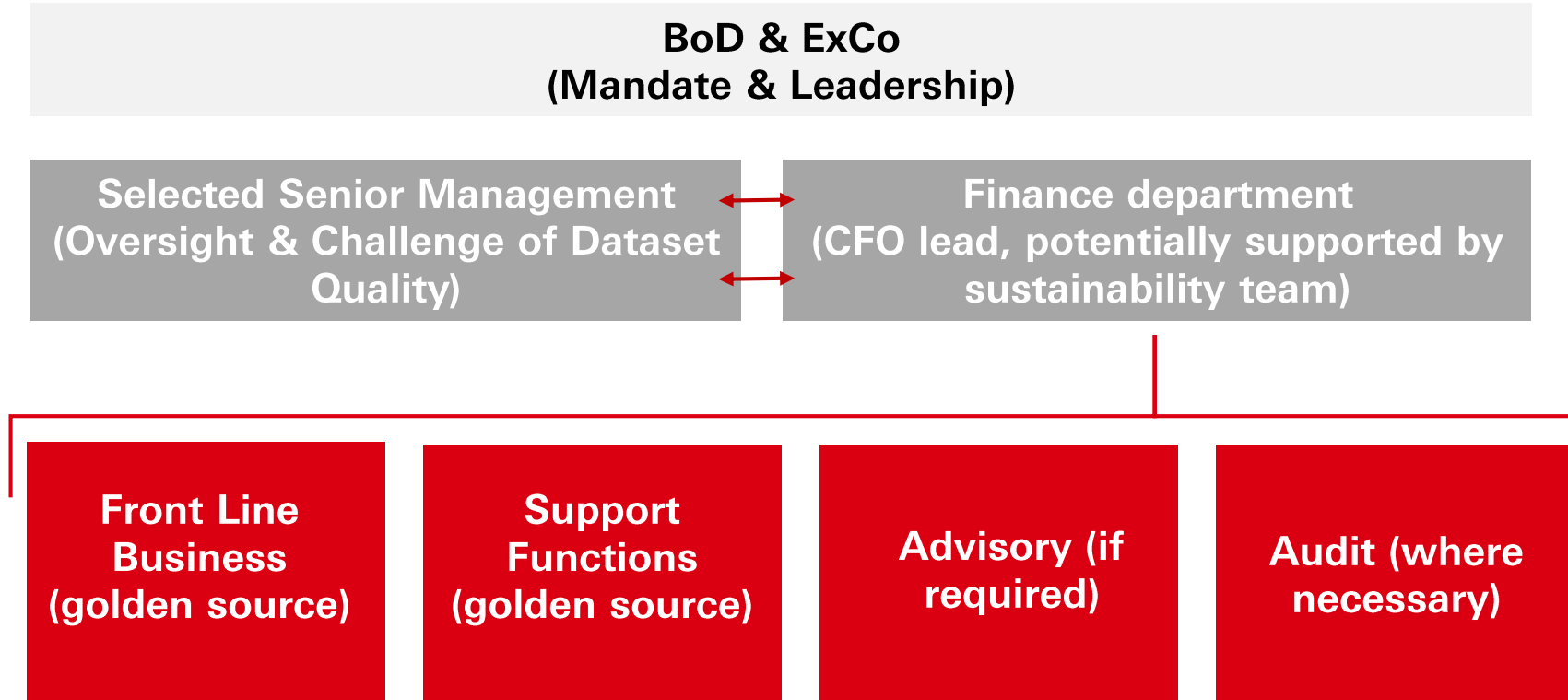


Standards(2)

Standards						
Brief Info	<p>Founded in 2011 with the aim to help businesses to identify, manage and report on sustainability topics that matter most to organisations.</p> <p>Provides a materiality map for organisations to ascertain level of materiality for various environmental and social indicators</p>	<p>Assists organisations to provide details on value creation over the short, medium, and long-term, both financially and non-financially, through an integrated reporting model.</p> <p>An integrated model based on categories of capitals; financial, manufactured, human, social and relationship, intellectual and natural</p>	<p>The first global standards for sustainability reporting. They feature a modular, interrelated structure, and represent the global best practice for reporting on a range of economic, environmental and social impact.</p>	<p>A voluntary, consistent climate-related financial disclosure for companies to provide information to stakeholder.</p> <p>Take into account physical liability and transition risks associated with climate change and what constitute to effective financial disclosures across industries.</p>	<p>UN SDG is a global blueprint developed in 2015 consisting of 17 goals to be achieved by 2030.</p> <p>Addresses various global challenges, including poverty, inequality, climate, prosperity and peace and justice.</p>	<p>Not for profit charity that runs global disclosure system for investors, companies, cities, states and regions to manage environmental impact.</p> <p>Questionnaire and scoring that help organisations to measure, manage, reduce and disclose their impact on the environment, and build resilience, while providing greater transparency to the market.</p>
# rate of adoption	120 companies across 77 industries in 2019	IIRC Business Network consists of 1,750 participants internationally from over 30 countries	Of the world largest 250 corporations, 92% report on their sustainability and 82% of these adopted GRI to do so.	As of February 2020, 1027 organizations has been supporting TCFD.	Within two years post UN SDG launch, 40% of top companies acknowledge the global goals in their corporate reporting.	As of 2019, total of 8446 companies are disclosing through CDP. This number is 20% increment from the previous year.
Sources	<ul style="list-style-type: none"> https://www.sasb.org/ https://www.irmagazine.com/reporting/more-100-companies-using-sasb-standards 	<ul style="list-style-type: none"> https://integratedreporting.org/ir-businessnetwork/ https://www.idealsonpurpose.com/on/2019-guidance-on-reporting-frameworks-gri-iirc-sasb/ 	<ul style="list-style-type: none"> https://globalreporting.org/standards https://www.globalreporting.org/information/news-and-press-center/press-resources/Pages/default.aspx 	<ul style="list-style-type: none"> https://fsb-tcfd.org/about https://fsb-tcfd.org/tcfd-supporters/ 	<ul style="list-style-type: none"> https://sustainabledevelopment.un.org/?menu=1300 https://home.kpmg/xx/en/home/insights/2018/02/how-to-report-on-the-sdgs.html https://www.idealsonpurpose.com/on/2019-guidance-on-reporting-frameworks-gri-iirc-sasb/ 	<ul style="list-style-type: none"> https://www.cdp.net/en/info/about-us/what-we-do https://www.idealsonpurpose.com/on/2019-guidance-on-reporting-frameworks-gri-iirc-sasb/ https://www.cdp.net/en/companies/companies-scores

Governance Framework

Key Learnings from VBI



- ◆ For serious non-Financial disclosures, a mandate must be given by the Board of Directors to the Executive Management
- ◆ Though led by Finance, challenge must be provided by Senior Management to ensure the non-Financial disclosures speak to material topics, hot topics to ensure a robust data is being put together to disclose
- ◆ Empowerment through strong governance is needed for the leads to be able to procure, interrogate and validate information being provided

Making it happen...the Board of Director Cheat Sheet...and the TCFD Recommendations

Key Learnings from VBI



Who asks?

What to ask?

Whom to ask?

Main Board	What is the Bank’s business strategy on Sustainability?	CEO
Board Risk Committee	What are our Sustainability Risks? How are we defining and managing them? How are we measuring them the short term and long term impact?	CRO
Board Audit Committee	What non-financial disclosures on Sustainability are we producing? What is our internal Sustainability dashboard / MI for management at the Board?	CFO
Nomination & Remuneration Committee	On appointing CEO and KRIs: what is the candidates Sustainability credentials on? What are the CEO and KRI Sustainability metrics for the yearly performance scorecard? How are incentives, pay, specifically aligned?	CHRO
Chairman of Board	Do you have a specific budget for BOD Sustainability Training? Introduce Sustainability contribution assessment for BoD evaluation	Shareholders

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