

Sustainability Strategy



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Agenda

1. Introduction to ESG:

Rising importance of ESG in today's global business landscape

2. Introduction to Sustainability Disclosure Standards

Pathways to standardization and consistency in sustainability-related disclosures

3. Sustainability Strategy:

Supporting an organisation's strategic vision with a well-defined ESG strategy

4. Recap



01 Introduction to ESG

What is ESG?

Environment, Social and Governance (ESG) is a framework used to assess an organization's business practices and performance on various sustainability and ethical issues. It also provides a way to measure business risks and opportunities in those specific areas.

01

Supports companies in presenting a holistic and well-rounded story to investors and the public

02

Supports integration of a company's values with its strategy and operations

03

Provides a pathway to alignment and transparency with external stakeholders



Why do companies need to adopt ESG?



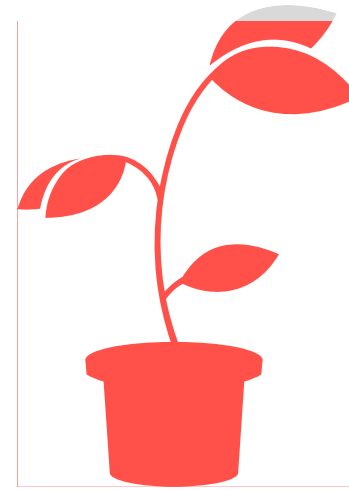
50%

Only 50% of organizations believe that they perform effectively against environmental metrics.



74%

The number of ESG reporting provisions issued by governmental organizations has grown 74% over the last four years.



88%

88% of consumers will be more loyal to companies that support social and environmental issues.

Investors are increasingly using ESG criteria for decision-making

Reduction of costs and minimizing carbon footprint

Increase in ESG-based regulations globally

Boost in talent retention and company image

What are the guiding principles for ESG?

The UN's Sustainable Development Goals have set the tone for ESG regulations and standards globally

COP28 - UAE

COP 28 will be the 28th United Nations Climate Change conference which will be held in UAE

Sustainable Accounting Standards Board (SASB)

Provides sector-specific standards. E.g: Commercial banks, healthcare providers, etc.

UAE Ministry of Climate Change

Established objectives through UAE Net Zero 2050, UAE Green Agenda 2030, etc.



Global Reporting Initiative

The most commonly used ESG disclosure standards globally

UN Global Compact

10 principles with four focus areas: Human rights, Labour, Anti-Corruption and Environment

TCFD

Focuses on climate-related financial data and risks, which is highly relevant for Financial Services sector

What are the UAE guidelines?



Regulatory Requirement

Article 76 of the Corporate Governance Guide issued by the **Securities and Commodities Authority (SCA)** of UAE has mandated that all PJSC's **must submit an annual sustainability report**.



Timeline

For 2022 and onwards, the sustainability reports should be submitted **90 days after the end of the financial calendar**, or before the company's annual general meeting, whichever is first.



Compliance

PJSCs are required to comply with the **Global Reporting Initiative (GRI) standards** and related guidelines issued by DFM or ADX.

Key International ESG Standards

- Global Reporting Initiative (GRI)
- The International Integrated Reporting Council (IIRC)
- The Sustainability Accounting Standards Board (SASB)
- United Nations Global Compact Principles (UNGCP)

Regional Guidelines and Frameworks




- The UAE Corporate Governance Code
- The Dubai Declaration on Sustainable Finance
- DFM – ESG Reporting Guide
- ADX – ESG Disclosure Guidelines for Listed Companies

The S&P and Hawkamah's ESG Pan Arab Index is the first ESG index for the MENA region.

What does an ESG / sustainability report cover?

While there is no global mandate around annual reporting, organizations are expected to voluntarily report on ESG topics at the end of each fiscal year. The initial goal has been to encourage transparency on sustainability agendas across organisations.

There are a variety of criteria to assess ESG compliance and performance. Each of the following criteria (and more) have specific metrics provided by standards from GRI, ISSB, etc.

ENVIRONMENT	SOCIAL	GOVERNANCE
		
<ul style="list-style-type: none">• Waste and water management• Supply chain• Electricity consumption• Carbon footprint• Direct and indirect emissions	<ul style="list-style-type: none">• Health and safety• Human rights• CSR• Data privacy• Anti-corruption	<ul style="list-style-type: none">• Board of Directors• Board Committees• Transparency• Controls and audits• Diversity

02 Introduction to Sustainability Disclosure Standards (IFRS S1 & S2)

What are the ISSB standards?

On 26 June 2023, the International Sustainability Standards Board (ISSB) issued its first two IFRS Sustainability Disclosure Standards.

IFRS S1

- First global sustainability standard from the ISSB
- General requirements for disclosure of **sustainability-related** risks and opportunities
- Focus on **sustainability** governance, strategy, risk management, metrics and targets

IFRS S2

- Sets out the requirements for identification, measurement and disclosure of **climate-related** financial information
- Requires entities to provide information about their exposure to climate related risks and opportunities
- Focus on **climate** governance, strategy, risk management, metrics and targets



Some key milestones



Potential Challenges

Both S1 and S2 have some common areas that might pose as challenges for most of the businesses looking to comply with the standards.

Risk Management

- Need to identify, assess, prioritize, monitor and mitigate sustainability and climate related risks in an entity that could possibly impact company's cash flows and access to finance
- Assess resilience of an entity's strategy, business model & operations against both the risks; perform scenario analysis, if required

Governance

- Need to identify specific governing body, with specific required skills and competencies
- Define the role & responsibilities of governing body as well as the company's management in oversight of sustainability-related and climate-related risks

GHG Emissions Tracking

- Define, track and report on sustainability and climate related risks and opportunities metrics with clear targets
- GHG emissions tracking for Scope 1, Scope 2 and Scope 3; with full disclosure of undertaken approach
- Climate related considerations factored in executive remuneration

03 Sustainability Strategy

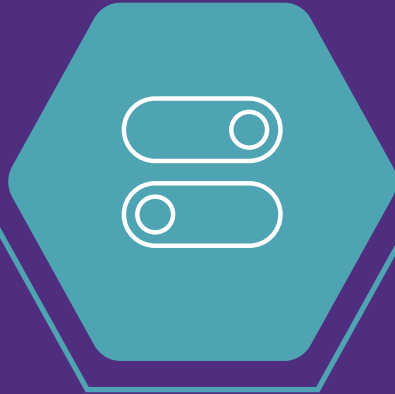
How can you integrate ESG into your organisation?

DEVELOP STRATEGY



Align material areas of focus with sustainability vision of the leadership

ACTIVATE ESG DEPARTMENT



Activate ESG department with assigned ownership and authority

STREAMLINE DATA COLLECTION



Ensure efficient data gathering for regular monitoring of ESG metrics and KPIs

GHG EMISSIONS TRACKING



Conduct effective emissions tracking and set realistic future targets

ANNUAL ESG REPORTING



Publish detailed ESG report highlighting commitments and progress

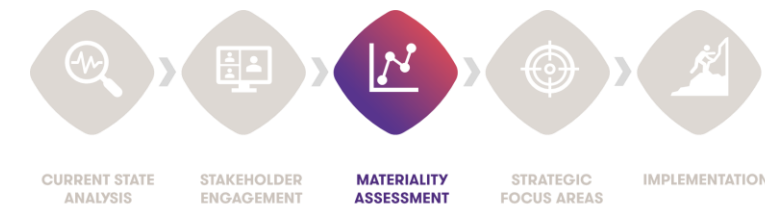
How do you develop an ESG Strategy?



Developing a comprehensive ESG strategy helps create financial and non-financial value over an extended period of time.

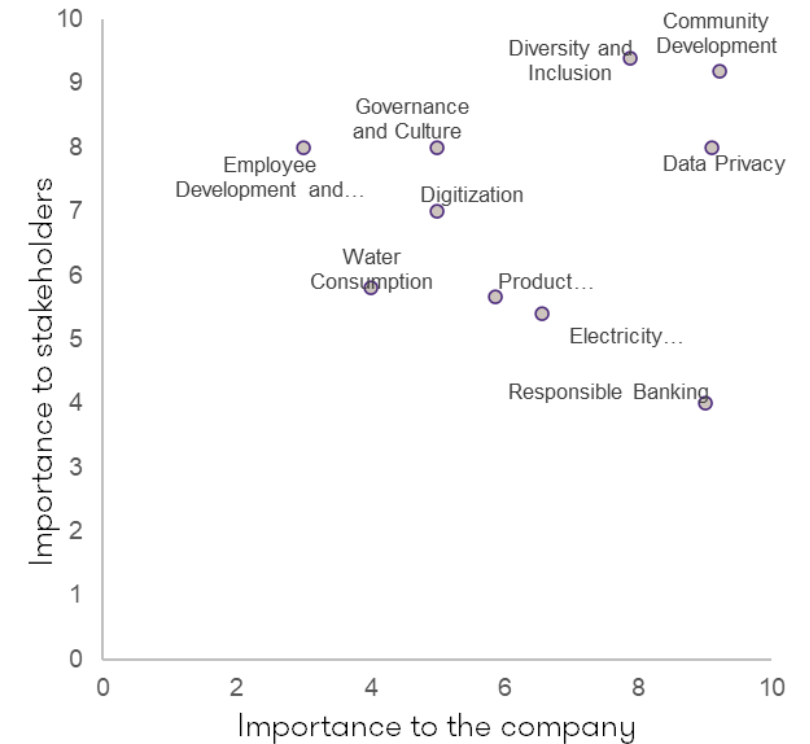
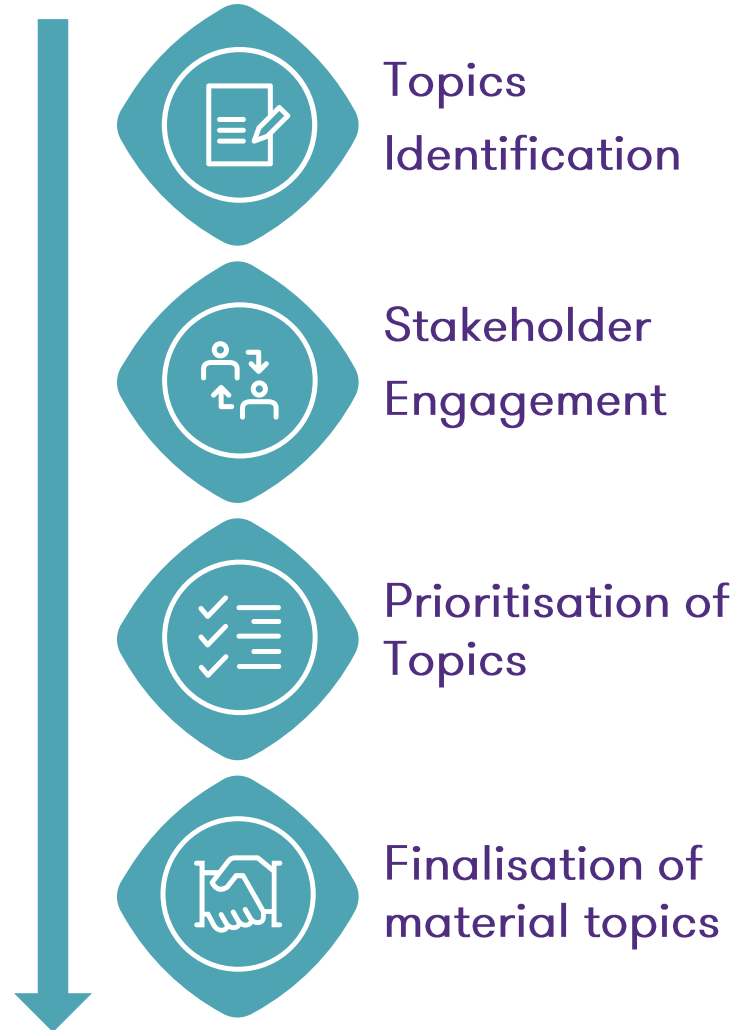


Step 3: Materiality Assessment



Materiality assessment helps to identify and understand the relevant importance of specific sustainability topics to your organization.

It helps you design your sustainability agenda aligned with your stakeholders' views and requirements.



Step 4: Defining Strategic Focus Areas



We think about ESG using this framework, which lets us address the key stakeholders which will impact any ESG strategy and initiatives



04 Recap

Recap

01

ESG is becoming increasingly important for investors, customers, lenders and other stakeholders, as a way of assessing organizations practices and performance from a sustainability and climate perspective

02

The introduction of IFRS S1 & IFRS S2 are an important step in driving convergence between various standards and regulatory requirements, globally

03

Organizations should be thinking about developing an ESG strategy as their first critical step, so they can operationalize their ESG priorities, take action, drive results, and report these effectively

Reach Out

To discuss how we can support your business, please contact us



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