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SUSTAINABILITY: ROADMAP, PERFORMANCE AND COMMUNICATION

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HOT TOPIC

SUSTAINABILITY: ROADMAP, PERFORMANCE AND COMMUNICATION

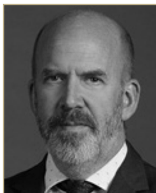
PANEL EXPERTS

Paul A. Davies
Partner
Latham & Watkins
T: +44 (0)20 7710 4664
E: epaul.davies@lw.com

Paul Davies is a partner in the London office of Latham & Watkins and is a member of the firm's corporate department and Africa practice. He advises on the environmental aspects of corporate transactions, in addition to a wide variety of other work, including the management of contaminated land, the insurance of environmental risk, climate change, health and safety, asbestos and waste management issues.

Allan Marks
Partner
Milbank LLP
T: +1 (424) 386 4376
E: atmarks@milbank.com

Allan Marks is a partner in the Los Angeles office of Milbank LLP and one of the world's leading project finance lawyers, with special expertise in the power and renewable energy, transportation and airports, oil and gas, water and telecommunications sectors. He advises developers, investors, lenders and underwriters around the world in the development and financing of complex infrastructure projects, as well as related acquisitions, restructurings and capital markets transactions.



Jeff Twentyman
Partner
Slaughter and May
T: +44 (0)20 7090 3476
E: jeffrey.twentyman@slaughterandmay.com

Jeff Twentyman is a partner who undertakes a broad range of corporate and commercial work for both corporate and private equity clients, advising on acquisitions and disposals, joint ventures, mergers and public takeovers, flotations and equity capital markets and private equity investment. He is head of the firm's private equity group and head of sustainability.

Marissa Corda
Executive Vice President, Global Head of Legal & Compliance
Sonnedix UK Services Limited
T: +44 (0)7557 412 256
E: marissa@sonnedix.com

Marissa Corda is a member of Sonnedix's executive leadership team. She and her global team enable informed strategic choices by providing legal & compliance expertise to all functions within and across the business – including leading Sonnedix's ESG initiatives.

R&C: Could you provide an overview of the rising importance of sustainability? To what extent is this issue becoming a key agenda item for companies?

Davies: We are seeing a rising interest in sustainability or environmental, social and governance (ESG) issues in all industries and across the globe. Over the course of the last few years, interest in sustainability issues has accelerated in all sectors to the point that they are now a mainstream business concern for companies across the board. A few years ago, we found that sustainability issues tended to be the exclusive province of sustainability teams within companies, if they were addressed at all. Today, however, we see sustainability issues increasingly integrated across different functions within companies, and in the boardroom. Investors, shareholders, business partners, customers and employees are all starting to measure companies on the basis of their sustainability performance.

Corda: Sustainability has become an important factor in business strategies. It has gone beyond a mere compliance check, evolving into a key aspect of fostering business longevity and long-term success. How a company performs socially, environmentally and ethically is becoming just as important as how it performs financially, with the UN Global Compact-Accenture, 'CEO Study on Sustainability 2019' finding that 99 percent of chief executives say that sustainability is important to business success. The growing demand of consumers and investors for sustainable products and services, coupled with increased scrutiny and reporting on corporate responsibility, are driving companies to pay greater attention to their ESG performance. Moreover, today businesses are facing critical sustainability-related issues from climate change and increased natural disasters to the coronavirus (COVID-19) pandemic – all of which have pushed sustainability strategies to the top of many agendas. For instance, the long-term impact of climate change and increased frequency of natural disasters will require new adaptation strategies, and many businesses will need to examine their mitigation measures and risk exposure throughout their operations and value chains.

Marks: Sustainability has been a critical focus for companies and investors alike, especially of late. For example, sustainable funds or other investment vehicles that market an awareness of ESG issues have experienced record inflows of capital in 2020. This trend is notable against the backdrop of the global recession and market volatility. The idea that creating value for investors and shareholders need not come at the expense of other stakeholders is no longer novel. Indeed, in the longer run, investments in companies and products that are sustainable may be both more resilient and more successful in attracting risk capital. Public policy has also historically been a key driver for sustainability

efforts. As a result, sustainability is becoming central to the way businesses plan for the future of their operations and strategy – whether the emphasis on sustainability is being driven internally or in response to external pressures. Companies are now finding opportunities to attract capital, bolster innovation and improve financial performance as a result of their sustainability efforts.

Twentyman: Sustainability has moved from being an issue on the periphery of companies' agendas, to a central consideration of mainstream business, from the marketing team to the executives. Mitigating climate change and operating sustainably is now urgent for all businesses. The Intergovernmental Panel on Climate Change (IPCC) made it clear in its 2018 report that unless we change our behaviours in the short term, we will not be able to limit global warming to 1.5C, which is already alarming and causing disruptions to our environment. A radical decarbonisation of the economy is needed. Companies are well aware that significant climate change is already underway. Indeed, they are at the centre of the radical economic transformation required to address it, which is why companies and their stakeholders are changing their behaviour: investors now expect companies to report on their sustainability performance, consumers increasingly purchase from companies which align with their environmental and social values, and businesses are also incorporating sustainability metrics into their procurement processes. The COVID-19 pandemic has reinforced the importance of the social aspects of ESG frameworks alongside the environmental aspects. This health crisis has shown how much social inequality we are facing, which, in turn, is closely related to the urgency to foster sustainable development that addresses poverty.

R&C: To what extent are investors growing increasingly interested in companies' sustainability efforts? Are there growing calls for increased reporting on sustainability performance?

Corda: In just a few years, ESG factors have gone from a 'nice to have' when investors analyse a company, to being considered a proxy of the overall quality of a business and its long-term profitability. These factors have proven to be an excellent tool to assess hidden risks in an otherwise potentially good investment. As such, it is no surprise that ESG investment now represents one in every four dollars invested in the US and has risen to nearly $23 trillion globally, according to Forbes. This growth also shows a greater focus from investors on ESG risks and how companies are adapting and mitigating them. A survey produced by EY's Climate Change and Sustainability Services, examining views on the use of non-financial information in investments, found that meaningful ESG analysis is increasingly important and is having an impact on investment decisions.

Institutional investors are now highly focused on long-term value, with 97 percent of respondents saying they conduct either an informal evaluation or a structured, methodical evaluation of a target company's nonfinancial disclosures when deciding future investments, up from 78 percent in 2017. Ninety-six percent of investors surveyed said that such information has played a pivotal role in decision making, and 89 percent believe that ESG will become more valuable in the event of a market downturn or correction, as the COVID-19 crisis has recently proven.

Marks: Sustainability reporting is certainly garnering increased attention from investors and other stakeholders. Any inconsistency in the standards against which sustainability efforts and programmes are compared makes it challenging for investors to be able to interpret this information effectively. As investors take sustainability issues more seriously, we will likely see increased emphasis on reporting and verification so that investors can have greater confidence that corporate or fund investments are actually aligned with sustainability goals. For instance, the US Securities and Exchange Commission (SEC) issued a request for comment in March 2020 under the so-called Names Rule – rule 35d-1 under the Investment Company Act of 1940 – noting that many investment funds use ESG terms in their names or state sustainability as an investment strategy without substantively deploying sufficient capital in line with those terms. According to the SEC, the number of funds, excluding unit investment trusts, including the terms 'ESG', 'clean', 'environmental', 'impact', 'responsible', 'social', or 'sustainable' in their names increased from 65 as of 31 December 2007 to 291 as of 31 December 2019. Similarly, at the urging of US senator Bob Menendez of New Jersey, the US Treasury Inspector General for Tax Administration issued a report in April 2020 that found fossil fuel companies may have improperly claimed nearly $1bn in clean air tax credits under Section 45Q of the Internal Revenue Code. The tax credits were made available to companies to trap, sequester and store carbon emissions, preventing them from entering the atmosphere, but the recipients may not have complied with the Environmental Protection Agency's (EPA's) monitoring, reporting, and verification (MRV) requirements. In another example, in the project finance space, scrutiny of sustainability performance and other ESG metrics is no longer limited to development finance institutions. An important consideration for both equity investors and lenders, especially institutional investors providing long-term financing for operating projects, is not just the availability of sustainability reporting, but the extent to which this information is useful more broadly in benchmarking and value creation analyses. I would expect to see activist investors, including large public pension funds, and government agencies alike, take a heightened interest in reporting and verification

to combat 'greenwashing' by corporations or investment fund managers.

Twentyman: Investors have been vocal stakeholders in bringing sustainability issues front and centre, though the conversation has evolved from where it was five years ago. When these issues were first being discussed by investors, most viewed sustainability through the lens of the financial risks associated with climate change, in line with how they saw their fiduciary duties, for example that sustainability could only be decisive if it was financially material, and required information about a company's sustainability practices in order to assess how the company was planning for and mitigating risks. But now, as customers, the ultimate source of investors' cash, demand for socially responsible investing (SRI) or ESG compliant investment, and data and studies clearly show that sustainability performance correlates with investment performance. Investors are now seeking the ESG high achievers and first movers for positive, as well as risk management reasons. Companies are now expected to report on ESG metrics as well, so that asset managers can assess companies' sustainability performance in their investment allocation strategies. For investors, this means an inversion of their fiduciary duties: what was previously an impediment is now an obligation. The challenge around reporting that companies face, and their investors and lenders face, is which metrics to report against and how to do so. It is important to ensure that the right metrics are being tracked and measured and that ideally, and in due course, the information can be independently verified. But there is no recognised global standard for ESG reporting.

"Regulators around the world have taken different approaches to required sustainability disclosures with some, such as the SEC, adopting a largely 'hands off' approach."

Paul A. Davies,
Latham & Watkins

Davies: Over the last year, we have seen some of the world's largest asset managers announce that ESG factors will be a critical component to their assessment of investments. More broadly, financial institutions which collectively control more than $90 trillion in assets under management (AUM) have signed up to the United Nations' Principles for Responsible Investment, which is a commitment to incorporate sustainability into their investment processes and hold the companies in which they

invest to account for their sustainability performance. On the reporting front, investors are calling for increased and improved reporting on sustainability performance. A real issue at the moment is the lack of a standardised reporting framework for companies to follow in order to report on their sustainability performance. Regulators around the world have taken different approaches to required sustainability disclosures with some, such as the SEC, adopting a largely 'hands off' approach. A concern that investors and companies alike have expressed is that there is a lack of clear guidance on what ESG information to disclose and in what format. In turn, the information that companies disclose tends to lack consistency from company to company, which makes it difficult for investors to compare companies' sustainability performance. A host of 'voluntary' reporting frameworks have been developed to try to fill the void but they, unfortunately, have tended to exacerbate the problem as companies are awash in what some have called an 'alphabet soup' of standards with no clear guidance as to which standards to follow. This is an area where we expect to see a good bit of attention in the coming years as investors and companies push for the convergence of reporting standards.

R&C: What considerations should companies take into account when drawing up a roadmap to embed sustainability into their agenda?

Marks: Companies can approach sustainability issues on two levels. The first step is to review products and processes to see how sustainable practices align with the company's commercial goals, from flexible and resilient supply chains to branding and customer expectations, always with an eye on costs, return on capital and productivity. Next, at a deeper level, senior company management should instil sustainability into the firm's culture, inviting employees, customers and suppliers to innovate and collaborate toward meeting those goals and to create transparent ways to measure and reward success. From my perspective, the most important consideration in preparing any strategy is to ensure that the approach is long term and able to withstand the tests of the fluctuating market. Investors expect companies to demonstrate that sustainability is more than a buzzword used in marketing materials. The key question to consider is, how will this figure into our strategy three, five, 10 years down the line? I would also urge companies to consider the sources they are consulting and the voices at the table when preparing an agenda for the business's sustainability efforts – that is, who are the right stakeholders to engage in these conversations, and what efforts really move the needle in substance with more than a one-off headline?

Davies: The key is that companies should focus on the issues that are material to them. Sustainability covers a broad swath of issues and the issues that

are material to one company are not necessarily material to another. It is not helpful for investors and not efficient for companies to try to address all sustainability issues. Rather, they should try to focus on the issues that have the greatest impact on their businesses. There are some standards that can help companies to identify the issues that are material to them. For example, the Sustainability Accounting Standards Board (SASB) has developed a set of 77 industry specific standards that identify the sustainability issues that generally are material within those industries. Companies may also use risk screening tools to identify the sustainability issues that are material. They may also help investors to identify material issues in the companies in their investment portfolios. These risk screening tools are a good starting point to narrow the landscape of issues to those that are most relevant. With all the information in hand, it is important to conduct a materiality assessment to identify the material risks in the value chain and strategically implement systems to address and improve upon these areas. From here, the organisation should consider internal communication and external reporting. Overall, the four most important considerations are lowering risks, improving efficiency, driving growth and building intangible value.

Twentyman: The starting point must be a well thought through and authentic corporate purpose. Not what does the company do, but why does it do it? Beyond the making of money, what is the purpose of its activities? How does it contribute to what people and the planet need? The British Academy Future of the Corporation project says that "the purpose of business is to solve the problems of people and planet profitably, and not profit from causing problems". The next step is to produce a full map of and engage with all stakeholders and understand the impacts on them and their contributions. Then, develop a strategy that aligns with the purpose. These are, in fact, requirements of the Corporate Governance Code in the UK. Sustainability is no longer an exercise in investor relations and customer engagement, a marginal activity in the hands of the marketing department. It is driven by opportunity and risk, and a full appreciation of the long-term influences of things like climate and biodiversity, inequality and poverty, resource availability and the consequences of the company's activities on all stakeholders. The considerations will vary for each company. But it should consider what is feasible in the short term and what changes in its business model are required for long-term results. The lead time for making transformative changes is long. If a business will have to operate in a radically decarbonised economy in 10 years' time, it needs to think about the current strategic and investment cycles. If you need to be in that place in 10 years' time, when do you start? The answer will be very soon.

Corda: There is no doubt that sustainability is going mainstream and businesses can no longer afford to approach it as a 'nice to have' or as separate from the 'real' business. Instead, sustainability needs to be embedded into the wider business strategy, values and purpose. Those companies that proactively make sustainability core to business strategy will drive innovation and engender enthusiasm and loyalty from employees, customers, suppliers, communities and investors, not to mention that sustainability will make the business more resilient, ensuring its long-term profitability. The business case is as dynamic as the business world. A good sustainability strategy should lay out concrete, measurable and realistic targets relating to environmental and social impact, looking at the short, medium and long-term perspectives, drawing on the insights and experience of many people from within and outside the business. Another key factor to prioritising and embedding sustainability into a company's agenda is considering those ESG issues which are material to the business, through engagement with various stakeholders, employees and peer groups.

R&C: In your opinion, what are the implications of the COVID-19 pandemic for companies' long-term sustainability plans?

Twentyman: At the start of the outbreak, many people thought that sustainability and ESG issues would have to take a back seat. This has been true for some companies, particularly those that have been fighting to stay afloat. Yet, on the whole, the COVID-19 pandemic has re-emphasised the importance of sustainability as a roadmap or driver of business resilience. High-profile companies, for example some of the oil majors, have taken the opportunity to accelerate their strategic planning on sustainability issues and think critically about how they are embedded into the broader corporate strategy. The COVID-19 pandemic and consequent government restrictions have caused most, if not all, companies to reassess the resilience of their supply chains, operations and ways of working. The crisis management arising out of the pandemic is a dry run for the challenge companies will face to re-engineer

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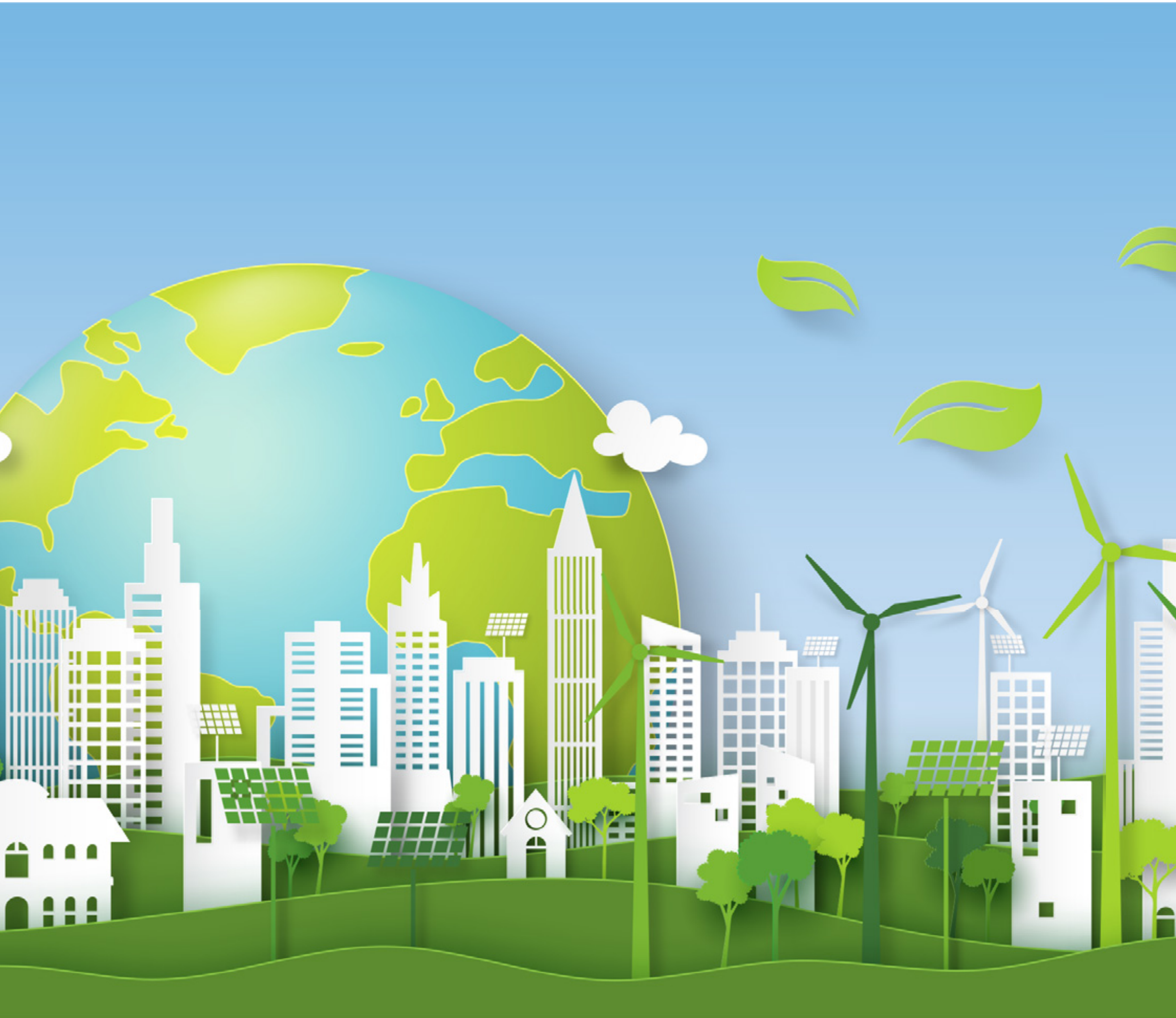
Jeff Twentyman,
Slaughter and May

their business as the impacts of climate change intensify. It is extraordinary how quickly businesses have adapted when they have had to. It is obvious, then, that any reassessment now needs to include sustainability considerations, which will be core elements of companies' resilience strategy but also their future business opportunity.

Corda: In the short term, the COVID-19 pandemic has proven problematic for companies in many ways. As companies struggle to adapt to the 'new normal' and face new decisions affecting their day-to-day existence, ESG can easily take a backseat. Globally, a reversal of sustainability trends has been witnessed, with the EPA in the US, for example, temporarily relaxing pollution enforcement to allow companies to focus on survival, and many retailers rejecting the use of reusable bags, coffee mugs and water bottles. Though, for each headwind threatening sustainability, there have been many opportunities which prove to be longer lasting. The pandemic has swiftly redefined companies' relationships with governments and other key stakeholders, showing what is possible through collaboration and coordinated global action. Companies have also seen that the crisis has not ended investor pressure on sustainability issues and has even elevated ESG factors as investors voice concerns about employee welfare, supply-chain management and other ESG priorities.



Davies: The COVID-19 pandemic has changed the way in which many companies approach risk and contingency planning. We are seeing companies think through in a more considered manner how they would respond to disruptions in their operations that might previously have seemed remote and unlikely to materialise. We are having more discussions around contingency plans, operational resilience, supply chain resilience, and, of course, human capital management. This pandemic has been an intensely human crisis and has highlighted how companies manage their workforces and keep their employees and customers safe even under the most challenging circumstances. The pandemic also has introduced questions about how and where we will work in the future, and some of these questions tie back to companies' sustainability strategies.

Marks: Sustainability means maintaining current living standards without jeopardising the quality of life for future generations. That definition applies to the environment and also to social equity. So, in a sense, the pandemic has been a sort of stress test revealing vulnerabilities and inequities in systems and institutions. To the extent that the pandemic and resulting economic strain present companies, investors and lenders with an opportunity to re-evaluate the viability of long-term strategies, including with respect to sustainability, these challenges can lead to better outcomes. We are seeing, without a doubt, increased pressure on companies to reduce their financial losses, which may at first appear to be at odds in the short term with investments in sustainability. However, I would expect investors and consumers to reward companies that commit to sustainability in the years to come. We know that focusing on sustainability has a tremendous potential to spur innovation – now is the time to tap into that innovation to address unprecedented challenges to companies' long-term financial health and to make them more resilient in every respect.

"What is clear is that ESG will matter more than ever, and companies can expect to receive more questions from investors on how ESG is helping to navigate unexpected challenges."

Marissa Corda,
Sonnedix UK Services Limited

R&C: What sustainability strategies should companies look to deploy in the

COVID-19 era as part of their recovery and growth? What advice would you offer on revisiting their business model, capturing opportunities and managing risks to shape a sustainable future?

Corda: ESG leadership has taken on a deeper meaning and has become more important than ever as companies work to manage and mitigate the impact of COVID-19, and indeed of future potential pandemics. This has proven to be a unique time for companies, their leaders and employees, and as companies look to the period of recovery and growth, opportunities should be captured, and risks managed to shape a sustainable future. What is clear is that ESG will matter more than ever, and companies can expect to receive more questions from investors on how ESG is helping to navigate unexpected challenges. Remote working and virtual meetings are showing companies that they can reduce travel, with satellite images revealing the dramatic decline in air pollution. Companies are seeing the benefits of going the extra mile for employees, customers and suppliers, and they should place increased focus on workplace and employee safety, each of our environmental footprints, and resilience, and becoming more transparent with employees to prepare and anticipate new realities. In many ways, the current pandemic should be treated as a rehearsal for the longer lasting and irreversible impacts of other crises, such as the climate crisis, underscoring the urgency of climate change action.

Davies: Before COVID-19, a global pandemic was a high impact, low probability risk, which, by and large, was not properly accounted for. Moving forward, we expect companies to focus more closely on risks that can have a significant impact but that might be less imminent. We are seeing companies take a closer look at their potential exposure to climate change, for example, and investors are demanding this analysis. Sea level rise, drought, severe weather events, climate mitigation and adaptation strategies, as well as socioeconomic inequalities, need to be incorporated into resiliency strategy on an accelerated timeline. Companies need to plan for uncertainties using scenario analyses that inform what the future might look like and that provide a framework to plan for those scenarios.

Marks: Sometimes external shocks are a valuable wakeup call, spurring renewed attention to both risks and opportunities. I would advise companies to remember that sustainability is not limited to checking compliance boxes. For so many of us, the pandemic has been an opportunity to reset and re-evaluate priorities, and the same should be true for every business as we plan for a post-COVID-19 future. Risk management is becoming more valued, and appropriately so. Managing risk in the face of uncertainty presents challenges for valuations,

liquidity and investment. Those challenges can be met with coordinated action, vigilence and creativity. As just a small example, many companies are experimenting with new ways of connecting with employees and customers digitally, given social distancing, which results in less wasted time and energy than was previously spent travelling and commuting. Those new tools will likely survive the pandemic, with resulting cost savings, increased workforce flexibility and environmental benefits. We have yet to see how companies will respond to the acceleration of trends in office space utilisation and working from home, transportation and communications networks, e-commerce, digital networking, and cyber security wrought by the pandemic and the economic and public policy responses to it.

Twentyman: Our advice would be to think broadly about sustainability issues and to actively engage with your stakeholders on these. It is no longer sufficient for companies to have a siloed ESG policy – stakeholders expect that companies meaningfully implement such policies and that boards consider sustainability issues in strategic decisions. Boards need to take it seriously. This is no longer about incremental change but a transformation of the business model. This can manifest itself in many ways, such as restructuring executive incentive arrangements and remuneration policies to incorporate sustainability performance metrics and delivery against corporate purpose, which is fundamental for companies to be seen to be taking these issues seriously, setting sustainability targets and key performance indicators (KPIs) that support delivery of corporate purpose, ensuring finance directors appreciate the benefits of the lower cost of capital which can result from sustainability-linked and green finance products, addressing supply chain, the scope three emissions, but also the social and natural capital aspects, and assessing circular economy possibilities, making sure that the energy the business uses is from renewable sources, possibly procured through corporate power purchase agreements (PPAs), and understanding how the model for the company's products will be effected by resource scarcity, climate change and other macro factors, thinking beyond typical planning cycles.

R&C: What frameworks, ratings and standards can companies utilise to ensure coherent, consistent and comparable sustainability reporting?

Twentyman: At the moment, sustainability reporting is an area which companies, as well as investors and lenders, often find challenging and confusing, especially in the European Union (EU) where there is currently no fit-for-purpose regulatory regime for non-financial reporting. Only certain companies are required to make disclosures in relation to environmental, social, community and

human rights issues, insofar as necessary for an understanding of the development, performance or position of the company's business, in its reporting. However, a review of the Non-Financial Reporting Directive is underway and new frameworks are being developed, such as the Taxonomy Regulation, which has come into force although the operative provisions do not yet apply. Nonetheless, there are many guidelines and standards available. These include the US-based SASB, the Global Reporting Initiative (GRI), the International Integrated Reporting Council, the Climate Disclosure Standards Board and the Task Force on Climate-related Financial Disclosures (TCFD). Of these, the TCFD has garnered the most support in the UK from regulators and is likely to become mandatory in the coming years, so it is a good starting point.

Marks: A challenge of sustainability reporting is that the frameworks of analysis are numerous and varied. Information provided to investors is of limited significance if data collected and weighted using standardised metrics is not readily available to enable companies, investors and lenders to effectively compare performance. I would urge companies to consider which frameworks are most widely accepted in their space, and which rubrics their investors and other sources of capital are most likely to be familiar with. Compliance with the Equator Principles framework is a baseline in global debt finance, and there are a number of other standards that companies may wish to consider, among them the GRI Standards, the SASB framework and the United Nations Sustainable Development Goals (SDGs), to name a few. Reporting should facilitate comparisons both between companies and within each company over time, quantitatively and qualitatively, and as measured against stated sustainability goals or metrics. Investors should also pay attention to the bigger picture. Company policies may have unintended consequences or impacts – positive or negative – for other parties along the value chain. Sustainability goals should not be analysed in a vacuum but rather in the context of larger systemic impacts.

"I would urge companies to consider which frameworks are most widely accepted in their space, and which rubrics their investors and other sources of capital are most likely to be familiar with."

Allan Marks, Milbank LLP

Davies: When it comes to reporting on sustainability and ESG, the disclosure landscape is notably scattered. The lack of regulated, comparable frameworks across jurisdictions has led to the use of 'voluntary' reporting frameworks, including ones put forward by the SASB, the TCFD, the GRI, the Carbon Disclosure Project (CDP), the UN SDGS, and the UN Global Compact. Some of the leaders in the investment community, including BlackRock, have encouraged companies to report to the SASB and TCFD, and we are seeing a movement toward greater adoption of those frameworks. In terms of consistent and comparable reporting, we still have a long way to go. Certain organisations have made efforts toward a more cohesive, standardised reporting framework. Most notably, the International Business Council of the World Economic Forum (WEF) issued a consultation draft on the formulation of common metrics for sustainability reporting. We expect to see continued movement toward convergence of standards.

Corda: Even though sustainability reporting has become more mature and mainstream than ever before, ensuring coherent, consistent and comparable non-financial reporting continues to be a challenge for most businesses. There is a growing plethora of reporting frameworks, standards, and legal and voluntary requirements that is creating a greater complexity in the reporting scenario. Besides, there is an ever-increasing pressure from investors and other key stakeholders for corporates to produce high-quality reports and each stakeholder requires different data presented in a digestible way for their specific needs. To name just a few of the frameworks and standards, companies are following the guidelines stated in the GRI, the SASB, the UN Global Compact, the SDGs, the TCFD, the CDP, along with other benchmarking initiatives like the Global Real Estate Sustainability Benchmark (GRESB) or Dow Jones Sustainability Indices. This places a terrible burden on new reporters which may find this scenario overwhelming and confusing. To define which framework or standard a company should follow, identifying and prioritising its stakeholders, and defining what is material to them is key, as it should help clarify what contents should be included in their report and, therefore, which framework matches their reporting needs and ensures disclosures that meet their stakeholders' ambitions.

R&C: Going forward, to what extent do you believe sustainability will be a core focus as companies rebound from the COVID-19 pandemic? What are your long-term predictions for this trend?

Marks: I would expect sustainability and ESG considerations to continue to be a significant focus for companies and investors alike in the wake of the COVID-19 pandemic. Many sustainable industries are also more resilient. As impacts of global climate

change become more apparent – in extreme heat and severe weather events, droughts and sea-level rise – businesses that emphasise both sustainability and resilience should hold more promise for investors for the foreseeable future. Market trends emerging in 2020 so far illustrate that sustainability has remained a focus for investors. In many ways, the pandemic provides a test case for how to deal with a crisis. Some industry segments will naturally benefit more than others. For example, historically, we have seen that renewable energy provides stable cash flows and predictable returns and is a sustainable sector that should see significant growth in the long term despite economic volatility. Adjusting to the current challenging economic environment while bolstering long term sustainability and resilience may, in fact, be complementary goals.

Davies: We expect to see sustainability remain a core area of focus, embedded in companies' business strategies. In recent months, EU leaders have passed a $572bn green stimulus package, while Canada enacted its own COVID-19 stimulus package with 'green strings' attached. Environmental sustainability and the transition to a low carbon economy will be closely linked to social considerations such as environmental justice, socioeconomic equality, responsible and resilient supply chains, and employee health and wellbeing.

Corda: While the circumstances and implications of COVID-19 are devastating, they illustrate how quickly behaviour and actions can change when most needed. In some ways, the COVID-19 crisis has become a dry run for the sustainability agenda and an opportunity for companies to see how they can tackle an expanding range of ESG challenges. The risk of a pandemic was always known, and yet a lack of adaptability and resilience by many companies became exposed as the crisis unfolded. Executives should use COVID-19 as an opportunity to focus on sustainability, with the pandemic having highlighted the importance of critical ESG factors. If the past is any indication, sustainability will remain a top priority even as companies focus on survival. But we expect that sustainability trends will look more at adaptation and resilience, particularly in the case of unexpected scenarios as they emerge and increased stakeholder engagement on capitalism. On the topic of stakeholder capitalism, a group of four chief executives and the founder of the WEF have issued a call to action, outlining six stakeholder principles for life after COVID-19: to keep employees safe, to secure shared business continuity with suppliers and customers, to ensure fair prices for essential supplies for end consumers, to offer full support to governments and society, to maintain the long-term viability of companies for shareholders, and to continue sustainability efforts, including to fight climate change and urging the 140 members of WEF's International Business Community group

to sign on. It should be expected that many other similar initiatives will arise in the recovery from the pandemic, and investors will become increasingly focused on ESG factors both in the short- and long-term as companies and economies recover globally.

Twentyman: Governments are under pressure to use the huge amount of spending required in response to the COVID-19 pandemic to create a sustainable economy and direct funding toward sustainable infrastructure and renewable energy. Businesses and investors are calling for this, for example through open letters coordinated by the Leaders on Purpose and The Institutional Investors Group on Climate Change, among others. And we expect to see sustainability embedded in recovery packages in light of the significant amount of momentum behind the EU's Green Deal and the meaningful sustainability commitments which are anticipated as part of the UK's policy announcements in the autumn, following its Net Zero Review and ahead of the United Nations Climate Change Conference (COP26) next year. As a result of these initiatives, sustainability will no doubt remain a focus beyond COVID-19. These policy responses serve to amplify the existing trend. As companies move from being reactive to the sudden changes brought about by the COVID-19 pandemic, to being proactive in their short- to long-term planning, sustainability will continue to be a central consideration, as this goes hand in hand with building resilience. Our prediction is that these issues will continue to rise in importance and become everyday considerations and will ultimately shape every aspect of how business is conducted. R&C