Corporate Responsibility

Due Diligence

16 April 2021

Building a better working world

1. What is the European Commission going to prescribe for corporate governance and sustainability?

- Concept of ESG
- A reset to sustainable growth: growing importance of sustainability/ long-term value since the end of the financial crisis
  - Non-financial risks have been identified and may impact companies and their ability to survive in the long term.
  - ESG issues are a growing priority for investors.
  - Deficiencies in Corporate Governance played a very relevant role in the genesis and development of the financial crisis.
  - Societal, government and consumer scrutiny of companies' ESG performance has intensified.
  - Covid-19 has become a catalyst.

1. What is the European Commission going to prescribe for corporate governance and sustainability? (cont.)

- A reset to sustainable growth: growing importance of sustainability/ long-term value since the end of the financial crisis (cont.)
  - Main EU initiatives:
    - ✓ Directive 2014/95/EU of the EU Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups.
    - ✓ Action Plan on Sustainable Finance (8 March 2018) and Renewed Sustainable Finance Strategy (2020).
    - ✓ European Green Deal (11 December 2019).
    - ✓ Sustainable Corporate Governance initiative:
      - implementation of hard law standards to reinforce the duties of the boards
      - due diligence requirements to address adverse sustainability impacts through the supply chain

2. How can companies make that an opportunity?

- ESG is no longer a box that investors simply check off the list.
- Companies should not fight against it and need to adapt and make it an opportunity for their business.
- Sustainable corporate governance is a key enabler for companies to embed a long-term focus — and one that is within their control to change.
- It is key to assess and define a strategy for sustainable supply chain management.
  - Assess the risks
  - Identify the gaps
  - Develop an answer
  - Simulate the effectiveness of an answer
  - Build capacity
- Embedding ESG factors will make companies more sustainable and will give then competitive advantages over other companies that are not subject to these regulations.

2. How can companies make that an opportunity? (cont.)

- Competitive advantages:
  - Trust generation, especially important in any crisis situation
  - Attract and keep investors in the long-term – means lower volatility and higher stock value when you have marquis investors
  - Improved customer/ employee acquisition and retention
  - Incorporating ESG factors can lead to increased profitability through higher property values, attracting more/better tenants and improved return on investment.
  - Better social license to operate

"A core focus on ESG leads to improved corporate governance, more engaged employees and higher rates of return. Investors believe it is more important than ever to society, consumers, employees and shareholders that companies deliver prosperity in a way that respects people and the planet. This is no longer seen as a selfless crusade; it is at the core of sustainable value creation." - The International Business Council (IBC) Summer Meeting in August 2020