A practical guide for boards and leadership teams on sustainability

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mazars

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Preface

With societal expectations permeating corporate governance more and more, companies' business models need to evolve to embrace lasting value creation that benefits not only the shareholders but also internal and external stakeholders, as well as wider society.

In this context, ecoDa and Mazars are pleased to publish this practical guide, **which is aimed at helping board members and leadership teams navigate their companies' sustainability journey.** It is based on making a commitment to being sustainable, carefully thinking through the key issues they need to address and, finally, taking action to bring about the necessary change.

This guide offers a wide range of insights on key aspects to consider and what questions to discuss, from why boards and leadership teams should commit to fostering sustainability, to how to move to determined action. The practical approach helps board members and business leaders to assess their effectiveness in **achieving long-term sustainability**.

Governments, investors and directors are all placing increasing focus on sustainability. As a consequence, there is a heightened emphasis on the relationship between environmental, social and governance (ESG) issues, particulalry in Europe. This triggered the development of our practical guide which resonates with ecoDa's recent publication, 'Five Corporate Governance guidelines to accelerate change and sustainable growth in Europe', which outlines good practice already implemented in some European countries, conducive of sustainable success and economic growth.

One of the guidelines is 'to commit to ESG as a differentiating strategic competitive advantage for longer-term sustainable value creation'. This view is also reflected in our joint guide which steers boards away from approaching sustainability as an add on, tick-boxing compliance exercise or a mere marketing-driven initiative.

Both publications complement each other on the steps board members should take to embed ESG value drivers into sustainable business models. While the Guidelines focus on best practices conducive to sustainable and profitable growth, this Guide elaborates on **how to implement them in a systematic way while** taking a forward-looking approach to setting clear next steps and objectives.

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Introduction

Commit, think and act

The contribution of business to society in a changing world

Businesses are the engine of wealth creation and play a vital role in building a healthy and prosperous society. There has been concern that, in some instances, too great an emphasis has been placed on short-term profit maximisation at the expense of a more balanced focus on long-term, sustainable success[1]. With four-fifths of the market value of leading businesses now centred on people, relationship-based assets and other intangibles, the business community will benefit from expanding its view of success. When focusing on wealth creation **boards and leadership teams must build lasting value simultaneously for businesses, their shareholders, other stakeholders and wider society**.

Moreover, with employees, customers, investors, finance providers, governments and the media all highlighting the importance of sustainability, **the threat to the ongoing viability of businesses if boards fail to address ESG issues effectively is substantially increasing.**

How boards and leadership teams can contribute to sustainability

Boards and leadership teams can manifest their support for sustainability in a number of ways, including minimising their environmental footprint in order to mitigate the risk of climate change, adopting fair human rights policies (for example, diversity and inclusion), offering secure employment at living wages, treating their customers fairly, building ethical and environmentally friendly supply chains and transparent and balanced tax policies.

An approach based on commitment, thinking and action

The guide encourages boards and leadership teams to make a commitment to fostering sustainability, to think deeply about the benefits and potential challenges of doing so, and supports them to move to determined action. We believe that genuine commitment will yield far better results for the business, its shareholders, other direct stakeholders and wider society than a compliance-orientated tick-box approach or just giving the appearance of being interested in sustainability.

Supporting businesses at different stages of their sustainability journey

This guide is designed to be used alongside existing corporate governance codes and national and international regulations, standards and principles. It recognises that there will be difficult decisions for boards and leadership teams to make as they move towards building sustainable success. The guide also recognises tht businesses are unique and currently at different stages of their sustainability journey.

How to use this guide

This is a practical guide for boards and leadership teams on how to achieve sustainable success. **It addresses the importance of leadership and direction on sustainability and the increasing legal and regulatory responsibilities directors face in this area. It is aimed at boards of listed and privately owned businesses,** including those led by entrepreneurs or family business owners.

The first section sets the scene for why directors and leadership teams should be placing sustainability high on their agenda, and outlines critical success factors to support directors in shaping the path ahead for their business.

This is followed by a series of questions designed to enable directors and leadership teams to identify areas where further action is needed. The final section provides a tool to assess the stage at which a business is currently at on its journey across different dimensions towards sustainable success. **By working through the last section of the guide, boards and leadership teams will be able to understand their current position, and identify focus areas that will have the greatest positive impact on their business to achieve long-term sustainability.**

1 Financial Statement Impact of Intellectual Property & Cyber Assets: 2020 Aon-Ponemon Global Report conducted independently by the Ponemon Institute and sponsored by Aon

Why sustainability should be high on the agenda of the board and leadership team

Covid-19 has led to a step change in the focus on sustainability

The pressure on boards and leadership teams to address sustainability has increased significantly in recent years and a step change has occurred as a result of the Covid-19 pandemic. From an environmental perspective, the reduction in business and personal activity has resulted in beneficial effects on the environment that many are keen to see preserved. At the same time the link between the natural environment and public health, with particular reference to the risks of future pandemics, is being discussed more than ever. Crucially, governments in Europe and across the world have been providing unparalleled support for business. In many cases these packages of support have been tied to 'green outcomes' with a special focus on accelerating the transition to a zero-carbon economy. Moreover, on social issues the benefits of an engaged and positive workforce during the crisis have come to the fore. The Covid-19 crisis has stressed the importance of S (social) in ESG, which was lacking attention.

In this section we look at a number of the key drivers fuelling the need for sustainability to be high on the board's agenda.

Society's expectations

Society's expectations on sustainability are set out in The 2030 Agenda for Sustainable Development, adopted by all United Nations Member States in 2015. This 'provides a shared blueprint for peace and prosperity for people and the planet, now and into the future'. It comprises of 17 Sustainable Development Goals (SDGs), covering a range of issues such as ending poverty, improving health and education, reducing inequality, tackling climate change, and working to preserve oceans and forests.

Concerns and implications around "greenwashing"

The growing number of ESG related credentials has been met by increased concern over their credibility.

Governments and regulators are increasingly seeking to avert "greenwashing" with new regulatory requirements. At the same time there has been increased scrutiny into the authenticity of such claims, with high profile regulatory investigations and even legal actions taken against these practices.

Regulatory requirements

The EU's Green Deal[2] has committed the European Union to becoming a global leader in sustainable finance. In addition, the European Commission's Action Plan on Sustainable Finance, adopted in March 2018, has three main objectives:

- To mobilise capital flows towards sustainable investment, to achieve sustainable and inclusive growth.
- To manage financial risks stemming from climate change, environmental degradation and social issues.
- To foster transparency and long-termism in financial and economic activity.

The above has a direct impact on companies in terms of reporting requirements and the need for processes, systems and controls which will facilitate the production of high-quality corporate information on sustainability.

The reporting requirements in the current Non-Financial Reporting Directive apply to large Public Interest Entities (PIEs). However, the recent proposal for a Corporate Social Responsibility Directive ("CSRD") changes this scope to include all large companies and all companies listed on regulated markets (except listed micro-enterprises) and goes further to introduce mandatory assurance of ESG disclosures. To help you to keep up with these important regulatory changes and the impact on your business, Mazars has created a Let's Talk Sustainability podcast series.

At the same time a number of other major initiatives are in progress at a European level relating to non-financial standard-setting, corporate governance related to sustainability and the development of a green taxonomy and the upcoming social taxonomy. Particularly relevant for directors are the proposals for a European Directive on Sustainable Corporate Governance. **This initiative aims to introduce new rules on incorporating sustainability in long-term business strategies**. The proposals comprise of far reaching changes which include an extension of directors' duty of care to a wide group of stakeholders, mandatory human rights and environmental due diligence, alignment of directors' remunerations with longer-term objectives, including non-financial performance and sustainability expertise on the board.

2 A European Green Deal

Competitive advantage

A proactive approach to sustainability can increase competitive advantage in a number of ways, including the ability to recruit and retain talented employees, corporate reputation, customer satisfaction and brand loyalty. These will contribute to financial performance through higher margins and an increase in their value creation potential through the development of sustainable processes, products and/or services.

Additional financial benefits for organisations willing to commit to 'going green' may include tax incentives, and reduced operations costs thanks to decreases in raw material waste and logistical inefficiency.

Today's consumers, led by millennials and Gen Z, are driving the demand for sustainability and are willing to look past potential savings to support environmentally conscious products and companies. A survey by Accenture[3] (including 6,000 consumers in 11 countries across North America, Europe and Asia) found that nearly three-quarters (72%) of respondents said they are currently buying more environmentally friendly products than they were five years ago, and 81% said they expect to buy even more over the next five years.

More motivated and engaged employees

In recent years, sustainability has taken a leading position in the recruitment and retention of talented employees. Companies cannot ignore the demands of Gen Z[4] who form a vital and increasingly important element of the workforce. Cone's 2017 Gen Z CSR Study: How to Speak Z[5], for example, found that 94% of this generation believe that companies should address urgent societal and environmental issues and will consider the social purpose of a company when deciding where to work.

3 Accenture Chemicals Global Consumer Sustainability Survey 2019

4 Generation Z, born between 1996 and 2012, are expected to make up 24% of the workforce by 2020.

5 Gen Z CSR Study: How to Speak Z

Why sustainability should be high on the agenda of the board and leadership team

Recruiting and retaining the most able talent is key to increasing productivity and growth. Research carried out by McKinsey & Company[6] explained that quality employees are 400% more productive than average employees. In addition, the retention of an employee saves the costs of recruiting, training, and building the expertise of new employees. It also help guard a company's intellectual property, operations and customers secure. A commitment to sustainability also helps to promote a strong corporate culture. According to a global survey[7] with 20,000 participants, published by Hewlett Packard, employees are more productive, motivated, and engaged when working for an employer who is a leader on social responsibility.

Greater investor engagement

Investors, and not just those of specialist funds, are now focusing their attention on ESG issues. In November 2020, for example, the Institutional Investors Group on Climate Change (IIGCC), set out investor expectations for directors and auditors[8]. This came about as a result of a perception that too many company accounts were leaving out material climate-related impacts. According to the IIGCC document, this puts shareholder capital at risk and, at the same time, could have catastrophic consequences for the planet. The signatories to this document have indicated an intention to be more assertive in their engagement with boards and, specifically, audit committees on these matters.

Expectations of finance providers

Banks and other providers of debt capital recognise that the repayment of longer-term loans is dependent on businesses having regard for the changing business environment in which they are operating and the resultant risks. A focus on sustainable finance by lenders involves looking at a combination of climate finance - referred to under the Paris Agreement as 'finance to fund activities that reduce greenhouse gas emissions or help in adapting to the impact of climate change'- and the objectives of the UN SDGs which, as discussed, integrate environmental and social issues.

6 Attracting and retaining the right talent

7 HP Workforce Sustainability Survey

8 Investor expectation for Paris-aligned accounts, IIGCC, November 2020

9 World Economic Forum's Risk Report, 2021

Sound risk management

When the World Economic Forum's Global Risks Report was first published in 2004, the top global risks in terms of impact included only one ESG risk. But today ESG risks account for four of the top five risks in terms of impact. According to the 2021 World Economic Forum's Global Risks Report[9], environmental threats are among some of the greatest by likelihood and impact. Climate-related matters make up the bulk of this year's risk list, and are described by the report as "an existential threat to humanity". Thus, if economies, and companies, are going to continue to prosper they need to carefully identify risks and then manage them effectively. Boards and leadership teams can no longer deny that ESG risks are now a part of everyday business reality.

Top risks

Source; Global Risks Report 2021

Many boards and business leaders are taking sustainability seriously. Are you?

Examples of business leaders' initiatives on sustainability include: the Davos Manifesto[10] from the World Economic Forum and the Business Roundtable's Statement on the Purpose of a Corporation[11].

Other company-led initiatives include movements such as Build Back Better, where a coalition of CEOs published an open letter calling for the creation of a post-Covid-19 global economy that boosts society, the planet and shareholders for future generations, existing public, private and non-profit sectors.

In this context, **it is now imperative for successful boards and business leaders to engage with ESG-related matters** not only to demonstrate that they are meeting their increased responsibilities in this area but also to ensure that they future-proof the companies they manage, leading to long-term sustainable growth and value creation.

10 Davos Manifesto, The World Economic Forum

11 Statement on the Purpose of a Corporation, The Business Roundtable

Seven critical success factors for a sustainable board and leadership team

For boards with a genuine commitment to building businesses focused on long-term sustainable success for the benefit of all their stakeholders and wider society, applying the seven critical success factors set out in this section will help to successfully implement the 'commit, think, act' approach outlined in the introduction.

Increasing board and leadership team emphasis on sustainability

This trend, towards a stronger board and leadership team emphasis on sustainability, is reflected in the evolution of national corporate governance codes which now often cover directors' duties in relation to sustainability. As noted in the previous section, there is a debate in the EU and other jurisdictions aiming to cast sustainability as a fiduciary duty for directors. Meanwhile, reports like those issued by the Financial Reporting Council's (FRC) Financial Reporting Lab (Climate-related corporate reporting and Workforce-related corporate reporting) and the French Association of Private Enterprises (AFEP) and the French Employer Federation (MEDEF) (Guiding companies to build their energy & climate scenarios) seek to encourage best practices through market pressure.

An issue for all board members combined with executive leadership

Sustainability needs to be seen as an issue for all members of the board, or those leading the business, and not just directors in selected positions. Effective executive leadership on the issue will be very important.

Boards and business leaders need to decide the most appropriate leadership structure that allows them to give appropriate attention to sustainability issues.

This may involve setting up a specialist committee or group, appointing an independent director with specific responsibilities for sustainability matters, or, alternatively, cover relevant matters directly at board level. Similarly, boards may decide to appoint a **chief sustainability officer (CSO)** at executive level, or to integrate sustainability responsibilities within all senior roles.

The critical issue is that boards and leadership teams must deliver a high level of attention to sustainability issues at both a strategic and operational level, with appropriate targets set and their achievements monitored through relevant KPIs.

Need for a willingness to embrace a step change

Wherever a board or leadership team embarks on their sustainability journey, their approach to addressing ESG issues should be one of accepting, and welcoming, a step change. This will be necessary as addressing sustainability effectively will involve rethinking corporate structures, processes and performance measurement. It will also **offer the opportunity to strengthen all aspects of the business**. Future-proofing the sustainability of the business, however, has to be an ongoing priority rather than a one-off recalibration.

Seven critical success factors for a sustainable board

1. Leadership and tone from the top

The board, or leadership of the business, should be wholeheartedly committed to achieving sustainable success and have put in place an appropriate structure to enable it to achieve its goal.

Board members and others leading the business should also act as personal role models in promoting the leadership's chosen approach. For example, by linking their remuneration significantly to sustainability goals, and showing a willingness to take decisions that may have a short-term adverse impact on profitability, but will strongly benefit the long-term goals of the business. They will also demonstrate a keenness to keep up to date on sustainability developments, and adapt their strategy accordingly.

Whichever governance structure they choose to adopt, board members and senior executives need to ensure sustainability is fully on their agenda with the necessary targets set, performance measured, risks identified and managed and appropriate follow-up action taken.

2. Purpose led

The ultimate responsibility for defining purpose rests with the board, or those responsible for leading the business, and they have a duty to take a longer-term perspective extending beyond the tenure of any management team.

Each business should have an inspiring, durable and credible purpose which, if fulfilled, will lead to sustainable success for the business, its stakeholders and society. The purpose should be approved by the board and shareholders following full consultation with other stakeholders.

With a well-defined purpose as its foundation, board members and senior executives, are then empowered to ensure that the business model and strategy are aligned to it. The strategy discusses how the business will seek to serve social needs and, as a result, address the key challenges in society that are relevant to it. In doing this, it will discuss how the business will seek to eliminate, or at least reduce to the greatest extent possible, any negative impacts it imposes on society as well as seeking to achieve positive impacts.

Seven critical success factors for a sustainable board and leadership team

3. Stakeholder orientated

Strong emphasis must be placed on engaging in a two-way dialogue with stakeholders and shareholders. This includes treating them fairly, both in business and financial terms. In doing so, the board, or its equivalent, must seek to understand issues of importance to all stakeholders and provide feedback on any concerns raised.

The relationship the board seeks to develop with its stakeholders, including shareholders, as defined by goals and priorities, should be set out in a clear statement. For example, on employee matters this may include clear policies and targets with regard to diversity and inclusion, including gender and ethnic diversity in senior roles, along with processes to monitor and report on the progress being made towards meeting its goals. Similarly, boards wanting to respond to investors who include ESG factors in their assessments need to ensure that relevant ESG issues inform their corporate strategy.

There should also be the appropriate means for identifying all stakeholders' views on their relationship with the company. This will include determining the most suitable ways to segment information for analysis purposes, for example, by countries in which employees are based and/or their level of seniority.

4. Strong organisational culture of sustainability

The board, or those responsible for leading the business, must **clearly articulate the culture and values of the business** and how these support its commitment to delivering its strategy for achieving sustainable success.

These values must be at the heart of the business and fully considered in decision-making, including on matters relating to its employees and to business transactions such as investments and disposals. An employee's alignment with the values should play a pivotal role in recruitment, progression and reward.

Chosen values should seek to ensure the business always acts in an ethical manner and upholds the human rights of all its stakeholders.

The executive leadership should promote and nurture the desired culture and regularly assess whether it is aligned with the prevailing culture in all parts of the business. This is done by considering the extent to which the purpose is being fulfilled and applying the values consistently across the business, by identifying areas for improvement and taking purposeful follow-up action that is monitored to ensure any necessary changes are being secured.

5. Sustainability deeply embedded throughout the business

Ownership of purpose starts with the board, or those leading the business, who must put in place appropriate structures, control and information systems, and processes for delivering it. This requires engaging effectively and genuinely with shareholders, employees and other stakeholders such as customers, suppliers, investors and other providers of finance.

Whilst oversight may be exercised by the risk, compliance, and ethics committees, or other specialist committees, **senior management must take responsibility for ensuring that the company's mission is embraced by everyone in the organisation at all levels** by creating and overseeing internal communication strategies to ensure that the company's purpose is being effectively diffused throughout the organisation.

Metrics used to determine promotion and remuneration policies need to be closely aligned to sustainability targets. Commitment to the purpose and values of the business needs to be rewarded through a broader set of financial and non-financial metrics which should be used to evaluate performance over longer time frames.

Due attention also needs to be paid to risk management on matters related to sustainability, with regard to ESG issues, with emphasis placed on learning from problems which arise or near misses, industry developments, and having effective crisis management policies in place.

6. A learning approach - a journey

Sustainability is a journey. It is not an end point that you finally reach, and you are suddenly 'sustainable'. It's a path towards realigning the company's purpose, its strategy and business model in harmony with nature, people, and communities.

As companies increasingly engage in sustainable business practices, the importance of understanding how to continuously learn about sustainability—and spread this learning across the business—becomes critical. Care also needs to be taken not to assume that making improvements will automatically strengthen your relative performance, as others may be moving forward at a faster pace.

The aim must be to be constantly improve and set challenging, but achievable, targets to encourage a positive learning approach.

7. Openness in reporting

Reporting requirements on non-financial information are increasing and include the board or leadership team's approach and the setting of, performance targets and metrics.

The key to success with sustainability is long-term commitment and conviction, honest reporting and steady progress. The corporate landscape is going through continuous and fast-paced change and boards, or their equivalent, need to be ready and sufficiently agile to respond to changes.

As with financial reporting, the board, or its equivalent, is responsible for producing relevant and reliable sustainability information in accordance with an appropriate framework, ensuring that there are underlying processes and systems that enable it to do so. The information should also contain elements to meet the needs of the company's key stakeholders. In doing so, boards must remain up to date with the continuous and rapid developments in frameworks and standards for non-financial reporting. They also need to ensure the controls over the reporting of sustainability information are effective and decide the role of internal or external assurance with regards to what is reported.

Given increasing focus from investors on ESG matters, boards should:

- Be in a position to openly and transparently engage with investors on non-financial aspects and how they impact the company's value creation, commenting both on positive aspects and areas for development.
- Ensure that ESG topics are reflected in all marketing and public communications in a fair and balanced way, that remains consistent with its purpose and strategy.
- Participate in industry-based or broader initiatives to explain its approach, share experiences from strategic application, and to promote its adoption by other businesses and to learn from them.

Key questions for boards and leadership teams

To help boards, or those responsible for the leadership of the business, assess their commitment and effectiveness in achieving long-term sustainability we have designed a series of questions, which can be used to guide conversations between board members to:

- Recognise the need for action.
- Determine how far they have engaged on the topic of sustainability so far.
- Form a broad view of the key areas to focus on in order that they are able to meet their legal, regulatory and societal obligations.

The questions should be reviewed by the whole board, or equivalent, and taken as an illustrative rather than an exhaustive list. They have been developed with a view to creating inspiring and encouraging conversations recognising that, whilst individual boards or leadership teams will be at different stages of their journey to creating sustainable success, this guide will support businesses at any stage of their journey to build on their progress to date.

The ultimate goal is for the board, or equivalent, to determine what stage they and the company are currently at with regard to sustainability and define an action plan with clear next steps and objectives. For further information please refer to the following section.

Leadership and tone from the top	1. How is sustainability afforded sufficient priority on the meeting agendas of the board or those responsible for leading the business? 2. What is the level of understanding and mindset on sustainability within the board or by those leading the business? 3. Does the board, or equivalent, lead on sustainability by example? 4. What is holding you back from achieving your sustainability goals?
Purpose led	5. Does your company's statement of purpose fully encompass sustainability? 6. Is the purpose at the heart of the organisation's focus? 7. Are the culture and strategy aligned with the purpose?
Stakeholder orientated	8. Is the board, or equivalent, aware of and does it regularly engage with all key stakeholders to understand their perception of the nature of material ESG impacts? 9. How effective is this engagement? 10. Is there evidence of unaddressed concerns of stakeholders?
Strong organisational culture of sustainability	11. To what extent do the culture and values of the business properly reflect the commitment of the board, or those leading the business, to sustainability? 12. What are the key challenges to ensuring the desired and actual culture and values are aligned and are they being addressed by the board or those leading the business?
Sustainability deeply embedded throughout the business	13. Is there a clear focus on both risks and opportunities associated with social, environmental and economic impacts, as measured from the stakeholders' perspective? 14. Are targets on sustainability defined and their implementation monitored? Can they be improved? 15. Do remuneration policies and other incentives reflect the purpose and values of the business and the progress being made to achieving long-term sustainable success?
A learning approach - a journey	16. How effective is the process for identifying emerging sustainability issues, within the business and the wider sector, and bringing them to the attention of the board or those leading the business? 17. Does the board, or equivalent, learn lessons from problems arising and near misses both in the business and more widely in the sector?
Openness in reporting	18. How extensive and reliable is sustainability reporting in the annual report? Is it fair and balanced and free of 'greenwashing' which shows the performance in an unduly favourable light? 19. Is there effective reporting focused on the material needs. Not ALL needs have to be addressed, only those that are deemed material both by the company and its stakeholders.

Practical next steps for boards and leadership teams tackling sustainability

Depending on where you are on your sustainability journey, there are different aspects which you as a board should consider. Whether you are just starting out or you are already making progress, it is good to stand back and reflect on whether you are on the right track and determine what your next steps should be.

Periodically, as a board or those leading the business, you should endeavour to:

- Consider your sustainability strategy and plans in the context of the responsibilities assigned to you as a director or as a board by law, regulation and your shareholders' and other stakeholders' expectations.
- Ensure that you are doing all that is necessary to demonstrate that these responsibilities are being met.
- Understand and confirm the sustainability risks and opportunities relevant to your business and whether these reflect those of your key stakeholders.
- Form a view on whether sustainability is a tick-box exercise or a mere marketing tool rather than it being fully embedded in the business.
- Set short, medium and long-term targets on where you would like your company to be along the sustainability journey which will guide your actions going forward.
- Determine priority areas and identify quick wins in line with the strategy to get started or if you are already tackling sustainability how you can up your game.

With this in mind, we have designed the following table which provides a non-exhaustive list of potential next steps which you may want to consider, depending on the level of maturity of your board or leadership team on sustainability. This could be a good starting point for designing **a bespoke plan of action depending on the specific needs and priorities of your company.**

Using the table

The table is set out as follows:

- Each column indicates one of four broadly defined levels of maturity of the board or leadership team.
- The rows provide a list of suggested next steps for considering and embedding sustainability into your business.
- The ♦ included against each step suggests which level of board or leadership team maturity, in relation to sustainability, it would be more relevant to.

We propose you read through the table and using the last column mark those steps you consider relevant to your business. You may find that the level of maturity varies according to the topic being considered. This exercise is not intended to be detailed or time consuming and should be carried out based on your perception and knowledge rather than enquiries with the business. It has been designed to encourage boards and leadership teams to think more holistically about sustainability.

The exercise can be taken one step further by suggesting that each member of the board or leadership team follows the same process, as preparation for a more formal discussion on sustainability to collectively determine a plan of action. The combined responses could indicate the areas which are considered important by the majority of members.

	The board or leadership team has not yet considered sustainability	The board or leadership team is not sure if or why sustainability is relevant to the business	The board or leadership team has embarked on the sustainability journey and needs to validate the direction of travel	The board or leadership team is leading a well-established sustainability journey and wants to do more	Mark with an X each of the steps you consider as relevant next steps for your business
Review and understanding of board or leadership team responsibilities linked to sustainability: • Legal • Regulatory	♦	♦			
Identification of priority/material ESG areas					
Set/review your vision of where the company is and where it should be	♦		♦	♦	
Perform an ESG health check to identify/confirm material risks, opportunities and impacts in relation to your business from a stakeholder perspective	♦	♦			
Perform a benchmarking exercise comparing your business and its sustainability status to that of some peers (ESG ratings, ESG disclosures, reputation etc.)	♦	♦	♦		
Engage with key stakeholders (including shareholders): • Do your company's priorities reflect those of your key stakeholders? • Do your stakeholders agree with the selection of the UN Sustainable Development Goals (SDGs)? Update the company's sustainability risk matrix	♦	♦	♦		
Select or review the SDGs relevant to your business. This exercise should include both those in relation to which the business has a negative impact, which should be eliminated, and those where it can have a significant positive impact linked to its purpose, culture and strategy			♦		
Perform a materiality assessment exercise to identify or confirm the key ESG risks and opportunities relating to your business	♦		♦		

Practical next steps for boards and leadership teams tackling sustainability

	The board or leadership team has not yet considered sustainability	The board or leadership team is not sure if or why sustainability is relevant to the business	The board or leadership team has embarked on the sustainability journey and needs to validate the direction of travel	The board or leadership team is leading a well-established sustainability journey and wants to do more	Mark with an X each of the steps you consider as relevant next steps for your business
Perform a mapping exercise of your main first and second tier suppliers and identify the key ESG risks and opportunities your business is exposed to by doing business and being related to these suppliers.					
Supply chain: spot check risks and opportunities including social and environmental aspects and of the key impacts of operations on your supply chain: • Regulatory reporting requirements • Industry-specific requirements • Policies and procedures • Map the scope/extent of your supply chain • Availability of data • Perform due diligence to ascertain and evaluate risks			♦	♦	
Designing an ESG action plan					
Design/review your sustainability action plan including: • Short, medium and long-term goals • Relevant KPIs • Establish targets	♦		♦		
Deep dive into your business plan, strategy, mission and vision to align/realign them with the company's sustainability objectives	♦		♦		

	The board or leadership team has not yet considered sustainability	The board or leadership team is not sure if or why sustainability is relevant to the business	The board or leadership team has embarked on the sustainability journey and needs to validate the direction of travel	The board or leadership team is leading a well-established sustainability journey and wants to do more	Mark with an X each of the steps you consider as relevant next steps for your business
Embedding sustainability into the business					
Develop/review your sustainability governance structure	♦		♦		
Establish/review whether and how sustainability is reflected and embedded in your company's corporate culture			♦	♦	
Perform a skillset audit to identify gaps: • Board/management level • Company wide	♦		♦	♦	
Consider/establish/review performance-related incentive schemes linked to ESG targets and objectives			♦	♦	
Sustainability reporting					
Consider your sustainability reporting: • What does this include? Annual report? Separate sustainability report? Other? • Are your disclosures relevant, meaningful, and reliable? • Consider level of compliance with legal and regulatory requirements • Review appropriateness of ESG metrics and targets			♦	♦	
Consider and determine whether assurance should be: • Internal or external • For external, whether limited or reasonable • Scope of each kind of assurance			♦	♦	

Practical next steps for boards and leadership teams tackling sustainability

	The board or leadership team has not yet considered sustainability	The board or leadership team is not sure if or why sustainability is relevant to the business	The board or leadership team has embarked on the sustainability journey and needs to validate the direction of travel	The board or leadership team is leading a well-established sustainability journey and wants to do more	Mark with an X each of the steps you consider as relevant next steps for your business
Depending on the relevance of each of the areas below, as a board you may want to consider the following:					
Environment					
Climate: spot check where you are and where you would like to be: • Regulatory reporting requirements • Industry-specific requirements • Initiatives underway towards meeting set targets • Is it enough? What are peers doing, what do shareholders and other stakeholders need? • Have opportunities arising from climate change been sufficiently considered?			♦	♦	
Biodiversity: spot check on where you are and where you would like to be, including topics such as water use, waste, forests, desertification: • Regulatory reporting requirements • Industry-specific requirements • Best practice • Initiatives underway towards meeting set targets			♦	♦	

	The board or leadership team has not yet considered sustainability	The board or leadership team is not sure if or why sustainability is relevant to the business	The board or leadership team has embarked on the sustainability journey and needs to validate the direction of travel	The board or leadership team is leading a well-established sustainability journey and wants to do more	Mark with an X each of the steps you consider as relevant next steps for your business
Social					

Diversity and Inclusion: spot check on where you are and where you would like to be, with regards to gender, ethnicity, social mobility and sexual orientation:
• Regulatory reporting requirements
• Industry-specific requirements
• Policies and procedures
• Availability of data
• Perform due diligence to:
  • Identify and assess actual or potential adverse human rights impacts.
  • Track measures and processes to address adverse impacts and assess effectiveness.
  • Design an appropriate action plan.
			♦	♦	

Other human rights issues: establish whether the business is proactively managing potential and actual adverse human rights impacts:
• Regulatory reporting requirements
• Industry-specific requirements
• Policies and procedures
• Availability of data
• Perform due diligence to:
  • Identify and assess actual or potential adverse human rights impacts.
  • Track the effectiveness of measures and processes to address adverse impacts and assess effectiveness.
  • Design an appropriate action plan.
			♦	♦	

Practical next steps for boards and leadership teams tackling sustainability

	The board or leadership team has not yet considered sustainability	The board or leadership team is not sure if or why sustainability is relevant to the business	The board or leadership team has embarked on the sustainability journey and needs to validate the direction of travel	The board or leadership team is leading a well-established sustainability journey and wants to do more	Mark with an X each of the steps you consider as relevant next steps for your business
Governance					
Anti-bribery and corruption:					
• Review risk assessment and mitigation plans					
• Review legal and regulatory compliance					
• Identify industry-specific requirements / best practice and benchmark			♦	♦	
• Review and update of policies and procedures					
• Assess availability and quality of data					
• Consider the need for a due diligence exercise					
Cybersecurity:					
• Review risk assessment and mitigation plans					
• Review legal and regulatory compliance					
• Identify industry-specific requirements / best practice and benchmark			♦	♦	
• Review and update of policies and procedures					
• Assess availability and quality of data					
• Consider the need for a due diligence exercise					

	The Board or leadership team has not yet considered sustainability	The Board or leadership team is not sure if or why sustainability is relevant to the business	The Board or leadership team has embarked on the sustainability journey and needs to validate the direction of travel	The Board or leadership team is leading a well-established sustainability journey and wants to do more	Mark with an X each of the steps you consider as relevant next steps for your business
Other					
(complete with other areas which may be relevant to your specific business, industry sector or geography) This could include considerations such as water, waste, biodiversity, etc.					

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