GUIDEBOOK ON ESG

Contributing to Knowledge and Insight on the Emerging Concepts of ESG Best Practices

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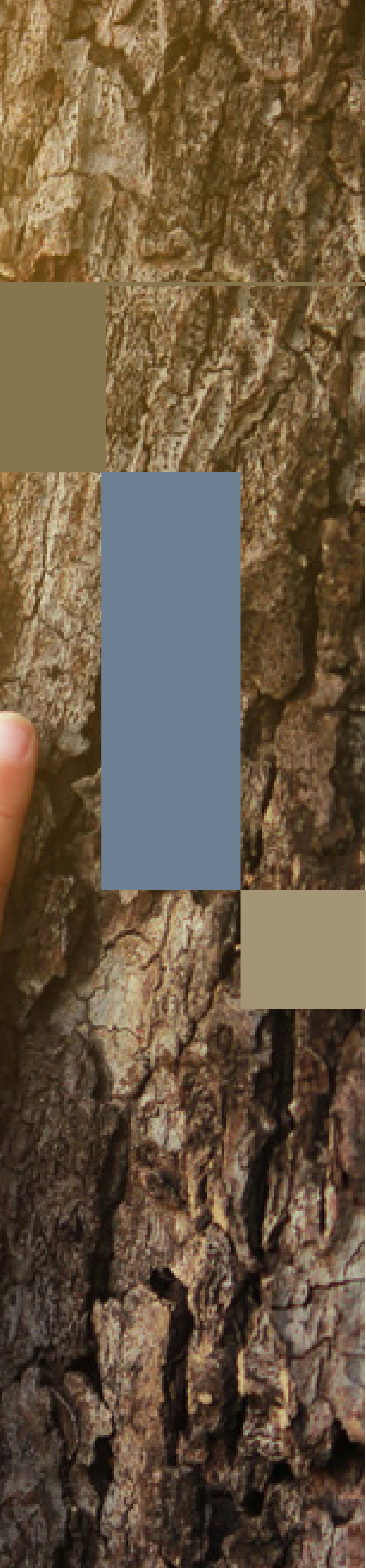


CDP – Carbon Disclosure Project.
CDSB – Climate Disclosure Standards Board.
CEO – Chief Executive Officer.
CFO – Chief Financial Officer.
COP26 – 26th Conference of Parties.
DNA – Deoxyribonucleic Acid.
EBA – European Banking Authority.
ESG – Environmental, Social, and corporate Governance.
FSB – Financial Stability Board.
FTSE – Financial Times Stock Exchange.
GHG – Greenhouse Gas.
GRI – Global Reporting Initiative.
GSIA – Global Sustainable Investment Alliance.
IASB – International Accounting Standards Board.
IBC – International Business Council.
IFAC – International Federation of Accountants.
IFRS – International Financial Reporting Standards.
IIRC – International Integrated Reporting Council.
IMF – International Monetary Fund.
IOSCO – International Organization of Securities Commissions.
IPCC – Intergovernmental Panel on Climate Change.
MENA – Middle East and North Africa.
NGO – Non-Governmental Organisation.
OECD – Organisation for Economic Cooperation and Development.
PAI – Principal Adverse Impact.
PPP – People, Planet and Profits
(The three components of 'Triple Bottom Line').
PR – Public Relation.
PRI – Principles for Responsible Investment by the United Nations.
ROI – Return on Investment.
S&P – Standard & Poor.
SASB – Sustainability Accounting Standards Board.
SDGs – United Nations Sustainable Development Goals.
SEC – Securities and Exchange Commission.
SFDR – Sustainable Finance Disclosure Regulation.
SME – Small and Medium Enterprise.
TCFD – Taskforce on Climate-related Financial Disclosures.
UNFCCC – United Nation Framework Convention on Climate Change.
WEF – World Economic Forum.
WEF-IBC – World Economic Forum – International Business Council.
WRI – World Resources Institute.

Wildfires in the town of Lytton, British Columbia.

FOREWORD

H.E. Abdullah bin Hamad Al-Attiyah
Chairman,
Al-Attiyah International Foundation for Energy and Sustainability

> This publication is an authoritative account of the benefits an ESG evaluation can bring to a companies' stakeholders and, highlights the importance it now plays as investors consider the environmental impact of an organisation in their decision-making.

In the past year climate change and its devastating impacts on our planet have become one of the leading news stories across mainstream media channels.

News feeds were inundated with haunting images from the United States and Canada as unprecedented temperatures across the Pacific-Northwest caused hundreds of heat related deaths at the end of June and into July. The city of Portland in Oregon hit 46.6 degrees Celsius and a Canadian record of 49.4 was recorded in British Columbia. The high temperatures also contributed to crop failures and helped spawn wildfires, one of which destroyed the town of Lytton, British Columbia.

Just a few months later, rivers in central Europe burst through their banks, submerging towns and slamming parked cars against trees. At least 230 people died across five European countries, including 184 in Germany. The flooding led to widespread power outages, forced evacuations and damage to infrastructure and agriculture in the affected areas.

Foreword *ctd*

In my keynote speech at the Qatar Climate Change Conference held in September of this year I cited these unprecedented events as proof that the effects of climate change have come around much faster than anyone predicted.

At the time of writing, countries representing more than 70% of the world economy, are now committed to reach net-zero carbon emissions by 2050. Many major corporations from numerous sectors have also announced their aspirations and strategies to reach this lofty target.

It is in this context I am delighted to announce the release of the 'Guidebook on ESG'. ESG or environmental, social, and governance are a set of standards for a company's operations that socially conscious investors use to screen potential investments. Environmental criteria consider how a company performs as a steward of nature. Social criteria examine how it manages relationships with employees, suppliers, customers, and the communities where it operates. Governance deals with a company's leadership, executive pay, audits, internal controls, and shareholder rights.

This publication is an authoritative account of the benefits an ESG evaluation can bring to a companies' stakeholders and, highlights the importance it now plays as investors consider the environmental impact of an organisation in their decision-making.

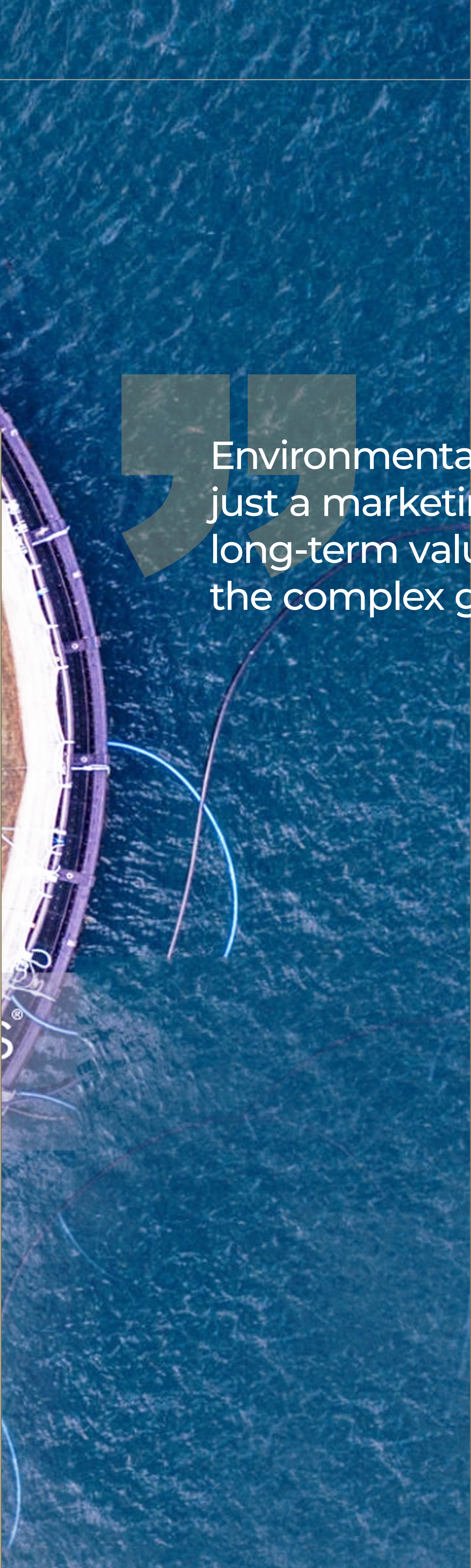
When I established the Al-Attiyah International Foundation, my goal was to provide industry practitioners, policy makers, academia and other stakeholders who have an interest in extending the role of renewables in our energy mix with trusted and practical information.

I am certain the Foundation's members, partners, and other interested parties, will find the 'Guidebook on ESG' a reliable resource as the environmental footprint left by countries and organisations are brought even closer into focus over the coming months and years.

H.E. Abdullah bin Hamad Al-Attiyah

Chairman, Al-Attiyah International Foundation for Energy and Sustainability

Former Deputy Prime Minister and Minister of Energy and Industry



Chapter 1
Introduction

> Environmental sustainability is no longer just a marketing tool, but a key to creating long-term value and competitiveness in the complex global economy.

We are generally witnessing an increased commitment to environmental sustainability, spurred mainly by the urgency to address climate change. The increasing focus on sustainable business practices is epitomized by a commitment to ESG – Environment, Social, and corporate Governance. The is a growing realization by the private sector, particularly big businesses, that environmental sustainability is no longer just a marketing tool, but a key to creating long-term value and competitiveness in the complex global economy.

The "E" in the ESG is undoubtedly one of the greatest challenges confronting humankind today. The way companies use energy and manage their environmental impact has far-reaching consequences on society and the planet. The "S" or social impact may not have received as much attention as the environment in the past, but it is becoming a prominent and integral part of the ESG framework. The manner a company fosters its people and culture, is having ripple effects on the broader community. The "G" has several components - staying ahead of violations, ensuring transparency, committing to industry best practices, dialoguing with regulators, maintaining good internal system of controls, and having in place appropriate procedures to govern and make effective decisions.

ESG has become the hallmark of socially responsible investors – investors who consider it important to incorporate their values and concerns (such as environmental concerns) into their selection of investments instead of simply considering the potential profitability and/or financial risk presented by an investment opportunity. ESG is now the bedrock of Sustainable and Responsible Investing (SRI), and it is based on the concept that businesses should focus on all the three “Ps” of what is commonly referred to as the ‘Triple Bottom Line’ – People, Planet and Profits (PPP), rather than just concentrating on ‘Profit’.

ESG is the umbrella term that provides the framework for considering environmental, social and governance factors alongside financial factors, in the investment decision-making process. The environmental criteria embodied in ESG, examine how a business contributes to and performs on environmental challenges (e.g. waste, pollution, greenhouse gas emissions, deforestation, and climate change). Social criteria look at how the company treats people (e.g. human capital management, diversity and equal opportunities, work conditions, and health & safety), while the governance criteria examine how a company is governed (e.g. executive remuneration, tax practices and strategy, corruption and bribery, and board diversity and structure).

The new Davos Manifesto states that companies should pay their fair share of taxes, show zero tolerance for corruption, uphold human rights throughout their global supply chains, and advocate for a competitive level playing field.

There is now a general realisation that companies are more likely to succeed and deliver strong returns, if they create value for all their stakeholders – employees, customers, suppliers, and wider society including the environment – and not just the company owners. This realisation is now at the heart of ESG investing. Investors and consumers are viewing companies with corporate visions that are centred on climate-resilient growth and societal responsibility, as more attractive prospects, in terms of long-term ability and resilience to withstand systemic risks. It is becoming common practice for institutional investors to align their portfolios toward better ESG performance, as they believe that companies that perform well on ESG are generally less risky, better positioned for the long term and better prepared for risk and uncertainty. The ESG framework provides a strong basis for companies to achieve long-term value creation.

The coronavirus outbreak of 2020 has had an unprecedented impact on all major sectors of the economy. As the virus rapidly spread across the continents, the world’s focus was rightly on its human toll and economic impact. The health sector, manufacturing, financial, energy, travel, hospitality, retail, and service industry, were not spared by the devastating impact of the pandemic. All aspects that are essential consideration in ESG best practice were affected in some way or the other. The world financial markets were rattled by the outbreak. Fears of the long-term impact of the pandemic on the global economy dented the confidence of investors and stock prices plummeted, falling in value by as much as 25% at some points. Even the traditionally ‘safer’ investments that investors often consider as less risky “safe havens” in times of uncertainty, have not been spared, with markets seeing a brief tumble in the price of gold in March 2020. Analysts and major institutions, such as the Organisation for Economic Cooperation and Development (OECD) and the International Monetary Fund (IMF), cut their global economic growth forecasts for 2020 and a few years beyond.

Consequentially, the coronavirus crisis, of which the world is still trying to overcome, presents an opportunity for businesses to focus on their environmental, social and governance performance. At the launch of a new Davos Manifesto by the World Economic Forum, during its 2020 Annual Meeting, the Founder and Executive Chairman of the WEF, Klaus Schwab, summarised the fundamental tenets of stakeholder capitalism as follows: "The purpose of a company is to engage all its stakeholders in shared and sustained value creation. In creating such value, a company serves not only its shareholders, but all its stakeholders – employees, customers, suppliers, local communities and society at large."

The new Davos Manifesto states that companies should pay their fair share of taxes, show zero tolerance for corruption, uphold human rights throughout their global supply chains, and advocate for a competitive level playing field. The set of ethical principles, espoused in the Davos Manifesto and intended by WEF, to guide companies in the age of the Fourth Industrial Revolution, are indeed the basic building blocks for good ESG performance.

The way companies manage environmental, social and governance (ESG) risks and opportunities, has become integral to their ability to generate returns over the long term, attract and retain good employees and customers, and thrive in their communities. Shareholders and stakeholders are increasingly demanding that companies demonstrate their commitment to ESG best practices. Employees and customers are interested in companies' sustainability performance and management of ESG risks and opportunities. It is also becoming common practice for suppliers and vendors to make their purchasing decisions, based on ESG practices. Employees are making decisions about where to work, and consumers are making decisions about what products to buy, based on the information provided about companies' approaches to ESG.

The increasing focus on ESG issues by corporations, is illustrated by the following:

- Growing support for the United Nations Principles for Responsible Investment (PRI). The PRI, which was launched at the New York Stock Exchange in 2006, encourages signatories (asset owners, asset managers and service providers) to incorporate ESG factors into their investment decision making processes. Since 2006, the number of signatories to the PRI globally has grown from less than 100 to over 2400 in 2019, and now well over 3000, representing assets under management of over $103 trillion.

- Dramatic increase in the size of investment products that take ESG factors into consideration. The Global Sustainable Investment Alliance (GSIA) estimates that at the end of 2018, assets invested using sustainability approaches totaled over $30 trillion, of which just over 50% was in public equity. Between 2018 and 2019, sustainably managed assets, in the U.S. alone, grew by more than 42%.

- Investing in ESG is becoming big business – estimated to be worth over $30trn in 2018, with projections that are expected to surpass $50trn over the next 20 years.

- The increasing priority that investors, corporates, and the public are giving to social issues – the 'S' in ESG, is illustrated by the reliable evidence that gender diversity improves results. This is further corroborated by the findings of the S&P Global Market Intelligence's Quantamental Research team that looked at companies from 2002 to 2019 and found that companies with female Chief Financial Officers (CFOs) generated $1.8 trillion more in gross profit than their sector average. Analysts also found that companies with female CFOs also experienced bigger stock price returns relative to firms with male CFOs during their first 2 years in office.

- The Portfolio Decarbonization Coalition, a United Nations-sponsored group of 27 primarily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European institutional investors and asset managers controlling $3.2 trillion in assets, has committed $600 billion to fund green projects and investments.

- The European Commission's proposed €750b fund to help the bloc recover from the COVID-19 pandemic came with a requirement that 25% be set aside for climate change mitigation.
- There are now more than 1,500 large corporations with net-zero carbon emission pledges, including one-quarter of the S&P 500.
- The private sector is responding to demand for ESG disclosure from stakeholders, with the number of companies that voluntarily published annual sustainability or ESG reports growing significantly in recent years, with over 80% of companies in the S&P 500 publishing such reports, in 2020.
- ESG investment trends have gained momentum in the last few years, as sustainable investing increased by a whopping 456% from 2005 to 2020.
- By 2018, approximately $12 trillion worth of investment assets were selected using a socially responsible investing strategy. The expanding trend of ESG investing is expected to continue, as millennials begin to occupy a larger segment of the total global investment.
- Assets under management in European sustainable funds increased from around EUR 112 billion in 2010 to a staggering amount of EUR 1,101 billion by 2020.

As ESG factors cover a wide spectrum of issues that have the potential to impact a company's operations, managing the environmental, social and governance (ESG) risks can be challenging for companies. If issues relating to ESG are not handled properly, this could negatively impact a company's reputation, including environmental stewardship such as climate change or carbon emissions; relationships with employees, suppliers, and customers; human rights; and anti-corruption practices. This could in turn lead to an unfavourable investment outlook. Investors, regulators, governments, and customers are becoming more conscious about sustainability and are increasingly expecting companies and their boards to appropriately focus on ESG issues and manage them in accordance with international best practice.

Some of the key issues that will continue to impact the ESG footprint of businesses in 2022 and beyond are climate change, water management, social values, transparency, government policies, and investment trends. These and other ESG-related issues are expected to continue to shape the sustainability agenda in the months and years ahead, and companies that wish to keep ahead in the game must pay proper attention to them.

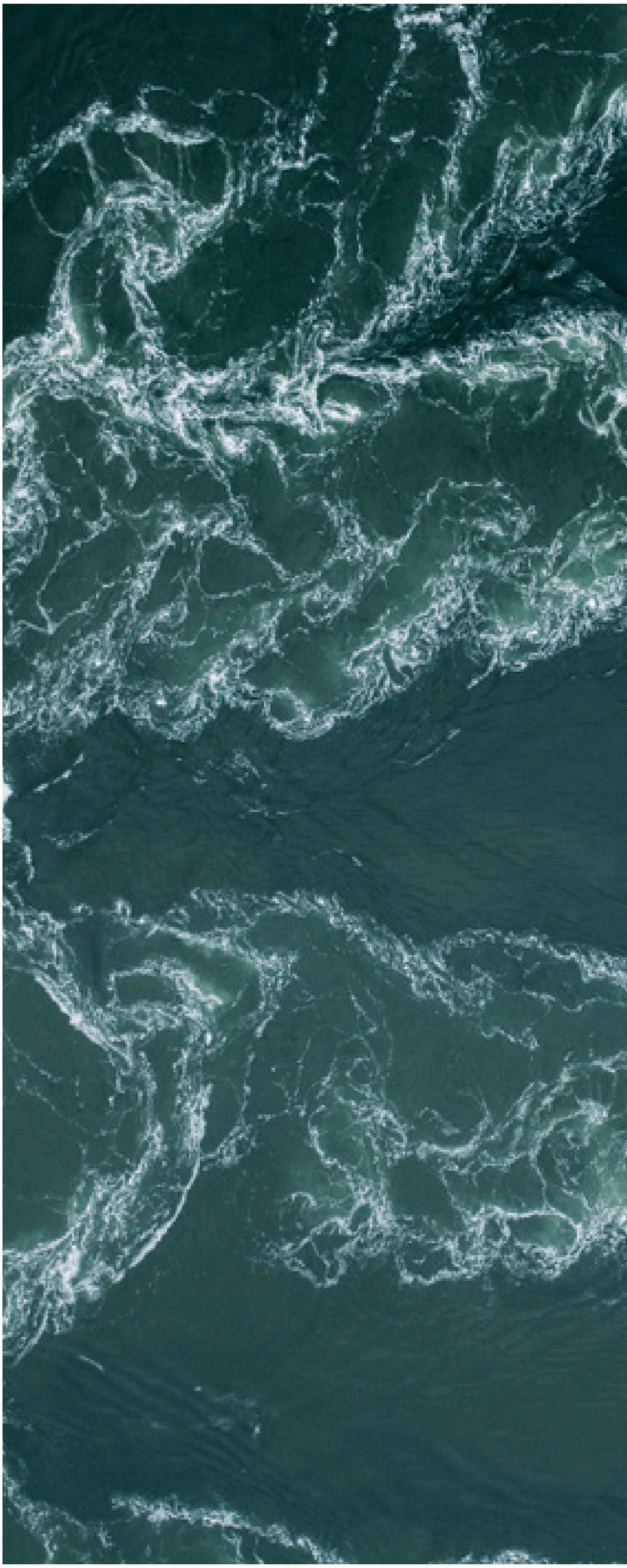
ESG investment trends have gained momentum in the last few years, as sustainable investing increased by a whopping 456% from 2005 to 2020.

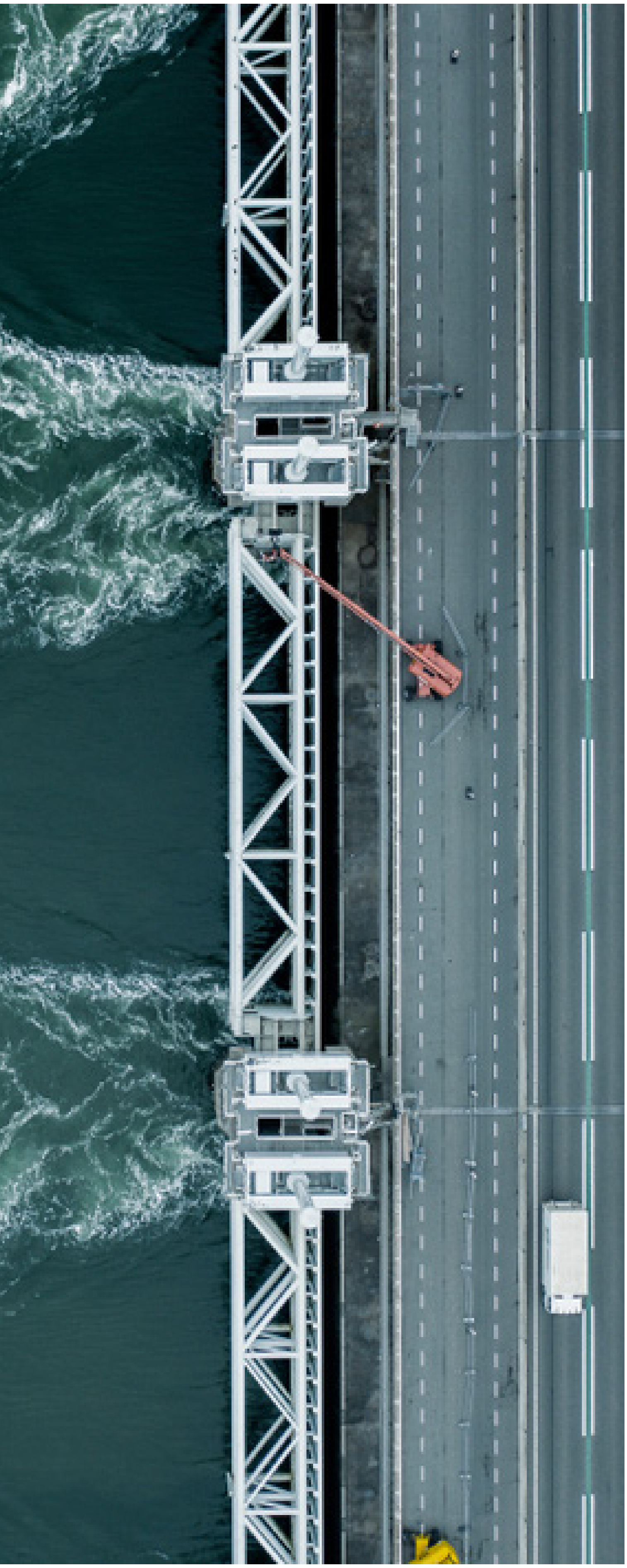
Climate change

Today, climate change has not only become a household topic, but it is taking center stage in all conversations relating to the transformation of the global economy, including the need for a transition to cleaner energy sources. There is real and visible evidence that climate change is posing a serious global threat. Some recent extreme weather events resulting from adverse impacts of climate change and causing deaths and severe damage to properties, include record-breaking flooding in Germany, Belgium, China, and United States; soaring temperatures to a record of 49 degrees Celsius in Canada; and wildfires in several parts of the world. In 2021, we saw a sharp rise in global food prices, up 34% in the first half of the year. This is partly due to extreme weather, that caused damages to crop and food delivery systems.

In a recent report, the UN Intergovernmental Panel on Climate Change (IPCC) warns that there will be more heatwaves, drought, floods, and wildfires across many regions of the world. One study finds that by 2050, 1 to 3 billion people will live in areas with an average annual temperature greater than 29 degrees Celsius.

In view of the increasing evidence of climate change threat and growing public support, governments and the private sector, are taking decisive actions to demonstrate their commitments to the goals of the Paris Agreement. We are witnessing a growing momentum in the push towards net-zero emissions. Countries representing more than 70% of the world economy, are now committing to reach this ambitious target by 2050. Many major and emerging economies including China, USA, EU, UK, Australia, Canada, Japan, South Korea, and India; have announced their aspirations to get to net-zero emissions. Large corporations, including major oil and gas companies, have also committed to reach net-zero targets, and many reports on net-zero scenarios have recently been published by several international organisations.





With this growing global urgency around climate, conversations about the energy transition will become increasingly nuanced. Climate change will continue to be a dominant theme, as governments across the globe introduce more climate-related regulations. As pressure to ramp up climate action intensifies, we can expect commitments to net-zero emissions by companies and investors to become standard practice by the end of the decade, and this would further enhance the focus of ESG strategies on climate change.

Water management

The challenge associated with water management remains a major task for many world leaders. Water scarcity threatens countries and regions worldwide. The World Economic Forum has long cited water scarcity as one of the greatest risks facing the planet over the next decade. According to the World Bank estimates, about 2.1 billion people lack access to safely managed drinking water services. Without concerted global efforts to address water insecurity, it could be as early as 2025, that we see two-thirds of the world's population facing acute water shortages.

The effect of an El Niño-triggered drought in 2016, is still being felt in several parts of the world. In 2018, the water shortage in Cape Town was so severe that extreme water restrictions had to be imposed on residents to prevent this tourist hub of South Africa from completely running dry. Bangalore lost most of its lakes because the effort to turn the city into the Silicon Valley of India, resulted in about 85% of its catchment lakes been reclaimed to provide land for infrastructure development. The twenty million residents of Beijing are constantly at the risk of water shortages because more than 40% of its water is polluted and its groundwater that represents 75% of its water source is drying up. Sao Paulo that is home to twenty million people and the largest city in the western hemisphere, had a drought in 2017, greatly exposing the vulnerability of the city to water scarcity. In Jakarta, frequent droughts and urbanisation are causing gradual depletion of its groundwater aquifers, resulting in acute water shortages in the city and Cairo is predicted to have a major water crisis by 2025, as a result of its major source of water, the River Nile suffering from serious pollution due to dumping of industrial, residential, and agricultural wastes.

The World Resources Institute (WRI) warned in 2015 that Chile, Estonia, Namibia, and Botswana could face a significant increase in water stress by 2040. The Institute added that global heavyweights, such as China, India and the US are also not immune from risks associated with water scarcity. A report by the World Resources Institute (WRI) indicates that 14 of the 33 most likely water stressed countries in 2040 are in the Middle East, with nine - Qatar, Bahrain, Kuwait, Palestine, the UAE, Israel, Saudi Arabia, Oman, and Lebanon – considered to be extremely water stressed. It is predicted that the MENA region could suffer the world's highest economic losses from climate-related water scarcity, at up to 14% of GDP by 2050.

After air, water is the most vital resource for human life, and it is important that this resource is managed effectively. Pollution is threatening the scarce freshwater resources, and some are depleting rapidly. The risks of water shortages span from civil unrest to global wars, but it is possible for governments, industry, and civil society to work towards identifying and implementing simple and smart solutions, involving sound water conservation and planning. There are positive signs that leaders around the world are making water management one of their priority issues, that is no longer overshadowed by many other pressing issues. Many governments are committed to the UN Sustainable

Development Goal to 'ensure availability and sustainable management of water and sanitation for all by 2030' and are adopting a holistic approach to achieve it.

The private sector has the opportunity to ensure that mitigation effort to fight water pollution, drought and water scarcity are embedded in corporate ESG strategy.

Social values

Investors will continue pressing companies on social issues, particularly as the world continue to battle the health and social impact of COVID-19. Other social issues that will continue to impact the ESG footprint of businesses in this current decade are worker safety, diversity, income inequality, systemic racism, and widespread social unrest.

Since the COVID-19 crisis, some organisations and businesses have started to prioritise the health and well-being of their employees and suppliers over short-term profitability. A number of institutions in the private sector have latched onto this momentum and made the response to the coronavirus pandemic part of their integrated corporate social responsibility and offered support to their governments as they tackle this health crisis. The way employers have treated their employees during this pandemic has not escaped public scrutiny and this is no doubt contributing to shaping public opinion and perceptions of companies, with regards to their commitment to ESG. Companies which are perceived to have abandoned their core values immediately as the economy started to dip, are more likely to find it difficult to attract good employees in future, as most people would generally prefer not to work for a corporation that ignores its stated values at the

Development Goal to 'ensure availability and sustainable management of water and sanitation for all by 2030'

drop of a hat. It's most likely that those companies that didn't stand behind their values during the crisis will lose their best talent when the economy rebounds. The erosion of trust and the damage to the reputation of companies that did not take visible steps to support their employees during the pandemic may take a long time to repair.

As governments and the private sector struggles to rebuild the economy, ESG conversation would continue to evolve as investors, corporates and the public gave more priority to social issues - the 'S' in ESG.

Transparency

There is an increasing push in many countries and supervisory authorities in the financial system for disclosures on risks associated to all aspects of ESG. All major asset managers are taking a proactive stance on issues across the entire ESG spectrum. These developments would continue to drive discussions around transparent disclosure and quality of data and information provided by corporates.

An area that is now receiving greater attention is climate-related risk disclosures. Limited progress has been made in this area and direct shareholder action and public demonstrations are now driving companies to make better disclosures on their resilience to climate-related risks. Companies are making gradual progress in addressing the quality and coverage of climate-related financial disclosures, in response to the increased scrutiny and pressure on them to mitigate climate change.

Transparent disclosures on ESG related risks by companies is becoming widespread and should become the norm and standard practice by the end of the decade. As with corporate governance reform, intensified pressure from investors will serve as a major catalyst for change. Regulations will also play a critical role, with comply-or-explain codes of best practices potentially addressing ESG issues.

The good news for companies is that a plethora of frameworks and standards exist to facilitate good reporting. Standard setters for ESG reporting are also collaborating on concerted efforts to and harmonise their existing standards.

Disclosures on ESG factors will become standardized and widespread by the end of the decade. As with corporate governance reform, intensified pressure from investors will serve as a major catalyst for change, with regulations also playing a critical role. Codes of best practices to entrench the framework of 'comply-or-explain', would evolve to facilitate and assist companies to address environmental and social issues, in line with progress in the area of corporate governance reform.

Government policies and regulations

It should be noted from the onset, that there is anecdotal evidence showing that better-performing markets are generally linked to some form of national regulation. In view of several recent events, especially this past year, governments around the world should be expected to evolve policies and regulations to address ESG issues, such as:

- Creating just, equitable and sustainable societies that thrive for a long time.
- Ensuring diversity in the boardroom and across the entire organisation.
- Greater scrutiny of corporate culture, including equal pay, equal opportunity, open engagement and dialogue with stakeholders.
- Greater scrutiny of systems for corporate incentive award schemes.

Politics will also continue to play an ever-increasing role in shaping the ESG landscape as geopolitical tensions, trade wars and populism directly and indirectly influence corporate behaviour. In the energy, technology and industrials sectors, national security concerns may affect business partnerships and mergers and acquisitions.

While it may not be possible to forecast the full extent of future policies and regulations, there is no doubt that we have seen a lot of progress in ESG legislative matters, in recent years. In 2018, more than 170 new global regulatory measures were proposed, 80% of which were targeting institutional investors. This represents a 160% increase over 2017. In March 2019, the European Commission released new rules on disclosure requirements and thereby, reaffirmed the importance of sustainable investments. The European Union also created a taxonomy that classifies environmental economic activities based on six objectives: climate change mitigation and adaptation; the protection of water and marine resources; the transition to a circular economy; the prevention and control of pollution; the protection and restoration of biodiversity and ecosystems. In 2020, the EU presented “The European Green Deal” that makes it mandatory for all policies and legislative bills to consider sustainability in a cross-cutting manner.

The Sustainable Finance Disclosure Regulation (SFDR), created by the European Union, as its latest addition to the world of sustainable investing, became effective from 10 March 2021. The SFDR, that is now a core pillar of the Commission’s flagship Sustainable Finance Action Plan, signals the tightening of EU regulations aimed at shifting capital flow toward a more sustainable economy. In the banking sector, the European Banking Authority (EBA) launched its Sustainable Finance Action Plan in December 2019 with a mandate from the Commission to sequentially integrate them in prudential regulation, from 2020 to 2025.

Social issues will continue to gain traction in global policy discussions, and companies will be well advised to take the long-term view, putting in place both policies and business strategies that look beyond next quarter or next year horizons. It’s clear that social responsibility is now an important hot topic in the investor community and, regardless of regulatory requirements, it something that no responsible organisation can afford to ignore. Moreover, considering the way the tide is moving regarding the regulatory framework in the financial sector, it is just a question of time for ESG to become mandatory for all organizations.

Investment trends

Expanding interest in ESG by investors has been well documented for a number of years, with investors regularly creating new ESG funds and portfolios. An increasing number of investors are recognising that there is a positive link between ESG activity and financial value. ESG performance is now one of the criteria that investors base their voting decisions at annual meetings.

The emerging trends signal that, investors do realise that shareholders and stakeholders are not engaged in a zero-sum game competition, but rather in a collective effort to build a strong connection with broad elements of society to create better value and to build resilience into businesses.

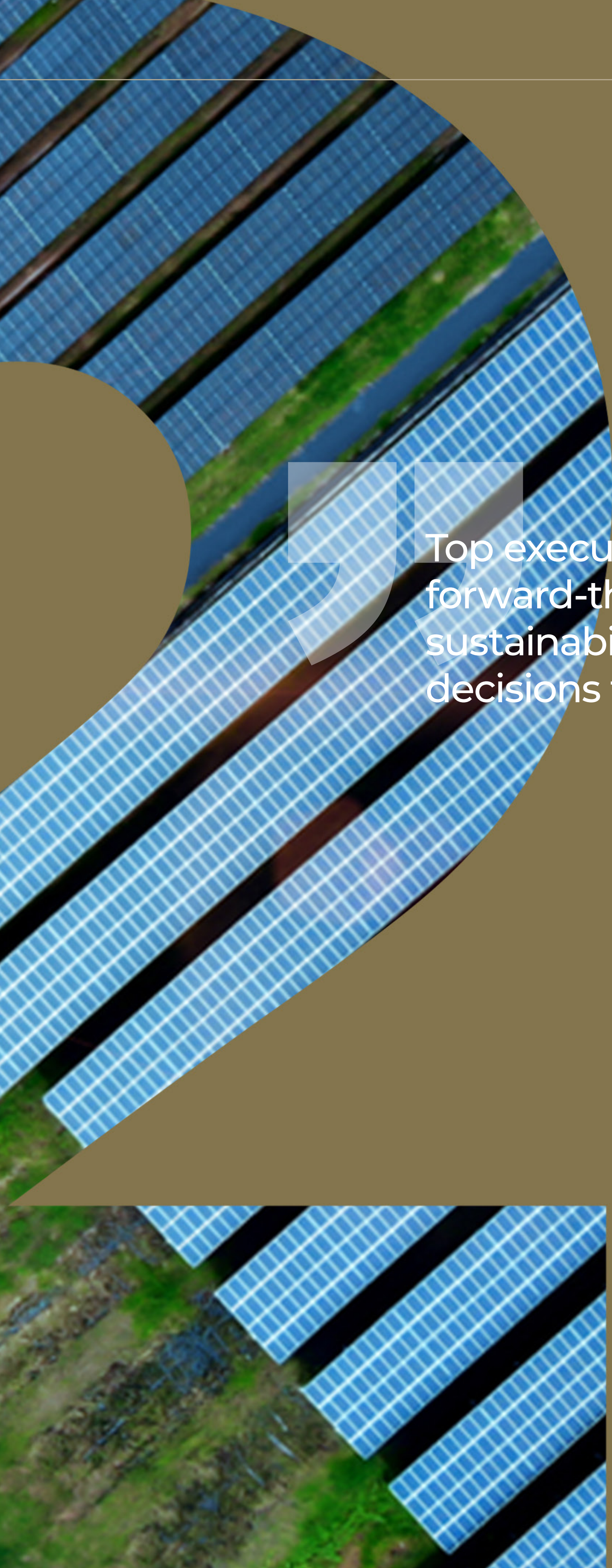
As asset managers and asset owners became signatories to the several international best practice standards in numerous numbers, there was increasing momentum in ESG-related investor activity. Support by investors for environmental and social shareholder proposals and capital inflows into ESG-aligned products, is growing. This in turn, is putting heightened pressure on companies to improve their performance on ESG related matters.

Since 2019, investors in Europe alone have poured €120 billion into sustainable investment options, a sign that ESG investment trend is on the rise. Companies that have implemented ESG policies and shown good record of performance on ESG factors, now have better chances to convince investors to fund their new investment proposals. Trends show that companies performing well on ESG practices have higher financial growth, lower volatility, higher employee productivity, reduced regulatory and legal interventions (fines and sanctions), and lower operating cost. Institutional investors are aligning their portfolios toward better ESG performance, because they are convinced that companies that perform well on ESG are generally less risky, better positioned for the long term and better prepared for uncertainty.

As investors increasingly subscribe to the mindset that decisions on capital allocation have a real impact on the world, the pressure on asset managers and asset owners to invest responsibly and have a more sustainable mindset will continue to mount significantly. By facing up to sustainability challenges and strategically allocating capital, investors can make good long-term investment decisions and contribute to addressing some of the sustainability challenges the world is facing.

Companies need to realise that focusing efforts to understand ESG risks and opportunities, is for the long haul and not a short-term endeavour. The essence of short-termism, characterised by immediate-minded fixes, is becoming overwhelmingly harmful to the economic interests of most shareholders. Research shows that firms that make significant investments for longer-term payoffs have future cash flows that are discounted less by investors, as compared to the cash flows of firms that allocate a smaller portion of their cash for the long term. Businesses now need to play the long game of satisfying the needs of their customers, employees, and communities (both local and global), in order to maximise value creation.

> **Companies that have implemented ESG policies and shown good record of performance on ESG factors, now have better chances to convince investors to fund their new investment proposals.**



Chapter 2
The Business Case for ESG

> Top executives should be forward-thinking, focus on sustainability, and make decisions for the greater good

The unprecedented and prolonged period of the coronavirus pandemic is teaching us that there are many facets to sustainability. Sustainability is not just about tackling environmental risks but involves much more. It is about creating sustainable economic growth that is firmly founded on resilient infrastructure, able to withstand unexpected disruptions. The impacts of the pandemic on the health sector and all major sectors of the economy vibrated across the globe, with venomous speed and intensity. The strain that the pandemic brought on the global societal infrastructure was immediately noticeable. In particular, the pandemic greatly exposed the vulnerability of the health infrastructures, in both developing and advanced nations alike.

The one major lesson emerging from the crisis is the need to ensure that ESG becomes an integral part of business conversations, as the world strives to move forward and rebuild its economy. The nature of the coronavirus outbreak was unprecedented, and the mode of transmission and severity of the infection were unique, but the impacts on society and the economy are akin to previous global pandemics and economic crises. Rebuilding the global economy based on a strong ESG strategy will ensure that measures that are put in place and the infrastructures that are developed to stem the spread of the virus, as well as limit its damage to the economy, would help the world cope better with future crisis.

The lockdown measures instituted because of the coronavirus meant that business had to be inventive to ensure that they remain productive. It meant an end to extensive business trips, and it resulted in conducting most business activities online. The measures fertilised some innovative ideas and supercharged some services like telemedicine and internet schooling, in such a way that augur well for society and the business world. Some of the bold steps taken during the pandemic could change the way of doing business and provide a strong platform for building enduring ESG best practices. The pandemic has led to increased and heightened attention on the environmental and societal impacts of corporations, with investors now looking for a strong ESG proposition to protect their interests.

The one major lesson emerging from the crisis is the need to ensure that ESG becomes an integral part of business conversations.

Businesses are finding out that the fine line between making profit and pursuing good corporate social responsibility, is fast diminishing. The efforts to maximise the bottom line and the pursuit of the public interest are complementary. The three central factors refer to in ESG are commonly used for measuring the sustainability of an investment. These are the bedrock of the concept of the 'Triple Bottom Line', also known as the 'People, Planet and Profits' (PPP). The concept postulates that businesses need to pay equal attention to all the three 'P's and not just focus on 'Profits', because they are equally important for any enterprise to be sustainable. The emergence of the coronavirus pandemic brought the concept of triple bottom line, introduced in the 1990s, into sharper focus once again.

Companies are already experiencing the financial consequences of failing to act on sustainability as many countries enacting and enforcing regulations to curb carbon emissions, as part of their net-zero emissions targets. The financial and banking sectors are also integrating ESG rules into their funding criteria, making it necessary for companies to show evidence of having developed robust sustainability and ESG strategies, if they wish to avoid poor lending conditions and exclusion from capital markets. In addition, ESG will increasingly play a bigger role in how companies are assessed, not only by investors but by consumers and stakeholders. Sustainability has become the new ideal, and several organisations are developing sophisticated methods for evaluating ESG activities, as a measure of attainment of sustainability. There are many complex issues that are intertwined and should be taken into consideration in a comprehensive ESG analysis. Issues that are important to consider and properly evaluated, include: the products and services provided by a company, behaviour and conduct, supply chain and other key facets involved in the running of the business. ESG analysis must also consider the future, considering not only a company's latest ESG disclosures, but also its strategy, overall impact and evidence that it is keeping to its commitments and standards, ensuring a more forward-looking, dynamic approach in the consideration of ESG risks and opportunities.

Organisations tend to take decisive action on economic risk and significant megatrends only when they consider that such risks are likely to impact their business in the short term. Companies are actively setting agendas for climate-resilient growth to demonstrate their long-term ability to withstand systemic shocks and risks. Investors are viewing companies with forward-looking climate change strategy, as providing attractive prospects and sustainable value proposition. The indication that investors are "walking the talk" on their commitment to climate change, can be seen in the way investors are influencing the climate change agendas of the companies within their portfolios. They are increasingly investing in companies that see climate change as a serious issue that needs urgent attention. There is a clear connection between an investor's commitment on climate change issues and the types of their portfolio.

In the leadup to COP26 in Glasgow, in November 2021, the number of countries announcing net-zero commitments, is soaring. Even during a global pandemic, net-zero commitments almost doubled in 2020. By the end of the first quarter of 2021, two-thirds of global emissions are covered by . Analysts believe that meeting these targets will create monumental economic and societal advantages for the countries, cities and companies which emerge as leaders, in the journey to net-zero economy. It is estimated that, within this decade, upgrading to a zero-carbon future will create 35 million more jobs and $26 trillion more in economic benefits, compared with attempting to resuscitate the high-carbon status quo.

The 'Race to Zero', an alliance of non-state actors committed to halving emissions by 2030, is building so much momentum to show that the exponential growth in net-zero commitments currently witnessed, shows no sign of stopping. According to a recent release by the UNFCCC, under the stewardship of the UN High Level Climate Champions for the UK and Chile, the 'Race to Zero' continues to rally leadership and support from a growing number of businesses, cities, regions and investors committed to a healthy, resilient and zero carbon world. By March 2021, more than 2,800 participants have now signed up to the 'Race to Zero' campaign, with participants covering 85 major investors, 1,675 businesses, 22 regions, 569 universities, and 471 cities. Participating cities cover the globe, from Tokyo and Ho Chi Minh, to Kolkata, San José, and Helsinki. Of the 1,675 participating businesses, 720 are SMEs and 30 are listed on the FTSE 100. In total, the commitments pledged under the 'Race to Zero' campaign cover at least two thirds of the global economy.

> **By the end of the first quarter of 2021, two-thirds of global emissions are covered by net-zero targets.**

This growing momentum towards a decarbonised economy signals strong commitment by governments to strengthen their contributions to the Paris Agreement. This gives a clear signal that the transition to a decarbonised economy is underway and picking up pace, and that governments are committed to translate these pledges into credible policies as soon as possible (See Figure 1 that shows indicative dates).

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By March 2021, more than **2,800** participants have now **signed up to the 'Race to Zero' campaign** with participants covering

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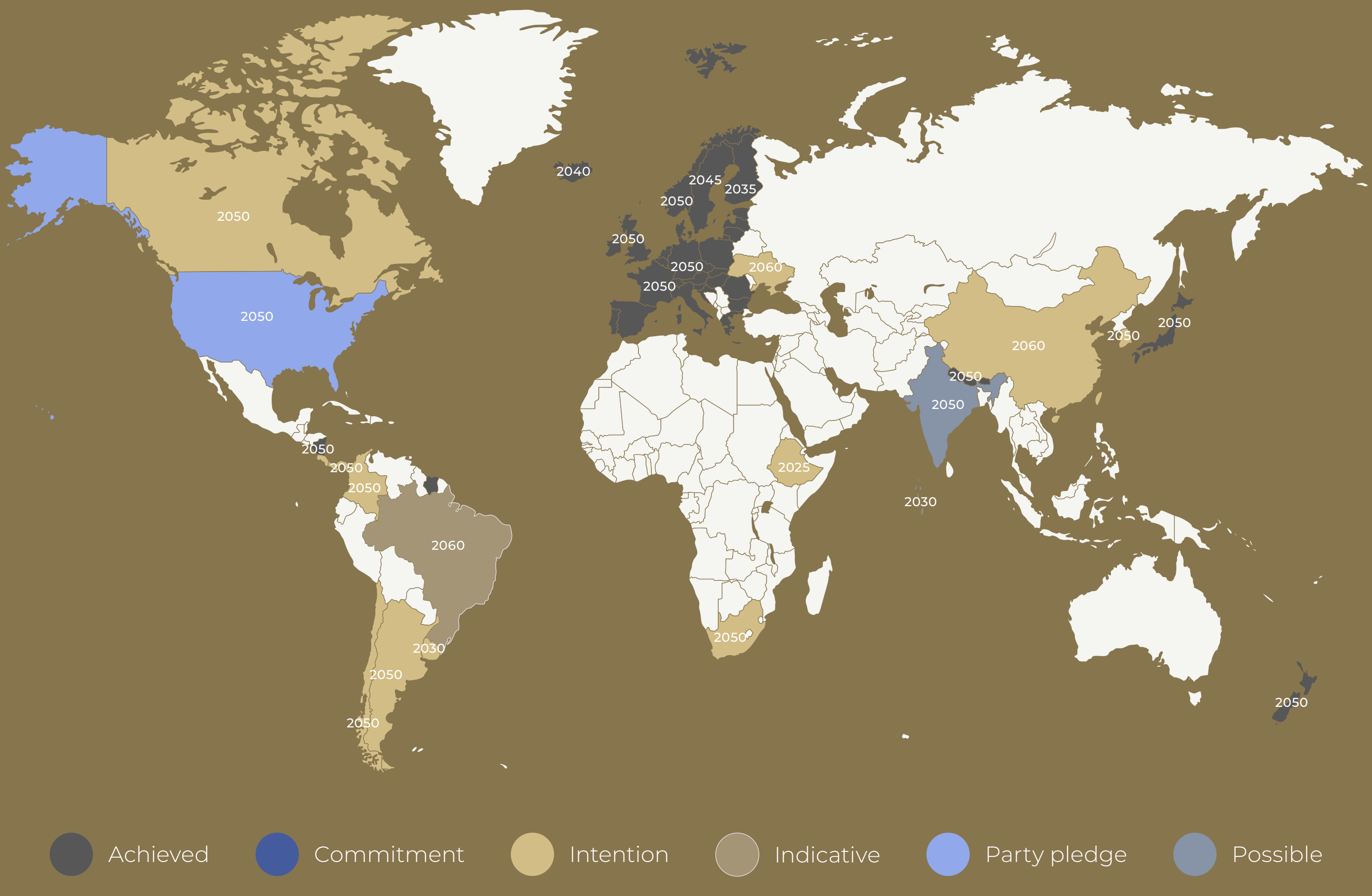


Figure 1 – Countries with net zero-carbon commitments, by date.

By early 2021, countries representing about 70% of the world economy have made some level of net-zero carbon emission commitment, mostly by 2050 (China's target is 2060). A growing number of major corporations have also made such commitments, including oil companies (Shell, BP, Equinor, Total and others), and some major airlines.

Progressing towards net-zero carbon emission entails adopting increasingly stringent climate policy, aimed at limiting the emissions of greenhouse gases (GHGs), and adapting to the unavoidable impacts of ongoing climate change. It is in the interest of companies that wish to remain competitive, to respond to the mounting pressure of policy change, by ensuring that their ESG strategies are well aligned with measures to address climate change.

In addition, the private equity market also includes sustainability and ESG criteria into its portfolio strategies. Private investors are realising that investing in companies with good ESG strategy positively affects return on investment (ROI), and reduces risks associated with lending and revenue generation.

Investors are increasingly using ESG issues to help manage investment risks and to assess the ability of companies to generate sustainable long-term financial returns. Investors are finding that companies that have successfully implemented sustainability and ESG strategies tend to outperform other comparable top global companies. Companies that consider ESG aspects, attract higher valuation, from investors and rating agencies, than those that do not.

It is becoming more and more clear that companies need to invest in new technologies and innovative business practice, that help them move towards a climate-neutral economy and make them more resilient during crises. It is obvious that ESG goals need to be driven from the very top, because without proactive leadership, businesses will not be able to make the industry-wide impact that is needed to achieve the benefits of robust ESG strategies. Top executives should be forward-thinking, focus on sustainability, and make decisions for the greater good, if they want their strategic business decisions, to produce solid bottom-line results.

It is a no brainer that most people will now not invest in a business that is not taking any effort in mitigating its impact on the environment. Investors are wary to trust companies that do not care about employee welfare, gender equality or fair compensation policies. Growing attention is being paid to issues relating to environment and human rights, and this is driving a radical change in the investment market. Businesses are increasingly being required to take charge of their impact on the world, and to make the impact a positive one, leading to the point where investors are now evaluating organisations not only based on their financial performance, but also considering non-financial factors, including the way the organisations manage the related risks and opportunities.

ESG issues are no longer just a matter of ethics, but they are matters with major impact on revenues, that can no longer be ignored by businesses, but should be discussed and embraced without reservations. Since investors are institutionalising the act of carefully selecting the stocks they bet on, based on motivations that were no longer strictly related to financial indicators, businesses have no choice other than paying serious attention to ESG issues. These issues should be top priority for corporate management and boards. The time when ESG issues were seen as tools for public relations exercise, is long gone. In the current rapidly changing business climate, attention to ESG issues is becoming critical to long-term competitive success. Major institutional investors recognise this and are making it clear that they expect the companies they invest to take a proactive approach to ESG policies and strategies.

Ensuring that the integration of ESG elements into business strategy makes good business sense, requires a shift in mindset, where ESG is considered as an investment, rather than a cost. The best approach is to follow a methodology that reflects sustainability and ESG issues and incorporate them from the start. Adopting such methodology will ensure that the next generations of unicorns or Fortune 500 businesses are more diversified and equal, more concerned with the health and welfare of their people, and positively impacting their communities and the environment.

The three individual elements of ESG are very much intertwined and together they are an inextricable

part of every business. This make a strong ESG strategy a good proposition for value creation. ESG is good for business in the following ways: facilitate top-line growth; reduce costs; minimise regulatory and legal interventions; increase employee productivity; and optimise investment and capital expenditures. These five levers should form part of the checklist to be used by the leadership of any business when considering an approach and strategy for unlocking ESG opportunities. They provide a way for systematically considering ESG, even if they do not all apply to the same degree, in every instance. Some are more likely to be appropriate in certain industries or sectors; and others will be more prominent in given geographies. However, the potential for value creation is too great to leave any of them unexplored in an ESG strategy, irrespective of the business model, sector, or location of a company.

A strong and credible commitment to ESG issues would help companies to tap new markets and expand into existing ones. Companies with social-engagement activities that are perceived to be beneficial by public, stakeholders, and social activists, tend to find it easier to obtain social license to operate, and gain community acceptance and buy-in. Strong ESG proposition can drive consumer preference, and research has shown that customers are willing to pay to "go green." A survey by McKinsey, as way back as 2012, found that more than 70% of consumers across many sectors, including the automotive, building, electronics, and packaging categories, were willing to pay a premium of additional 5% for a green product if it met the same performance standards as a nongreen alternative.

Among other advantages, executing ESG effectively can help combat rising operating expenses, by reducing costs of raw-materials and the true cost of water or carbon emission. This gain in cost reduction could be substantial – adding up to 50-60% to a company's operating profits. Also, a stronger external-value proposition can enable companies to achieve greater strategic freedom, easing regulatory pressure while allowing companies to pursue pragmatic self-regulation. In fact, in many cases, across sectors and geographies, there is ample evidence that strong commitment to ESG helps companies to reduce the risk of adverse government action. The benefits of the ability to attract favourable government support and have freedom from adverse regulations, could be huge – often valued as high as ensuring that one-third of corporate profits are freed from the risk of state intervention.

Commitment to ESG can help companies to attract and retain quality employees, enhance employee motivation by instilling a sense of purpose, and increase productivity overall. Studies have shown that positive social impact correlates with higher job satisfaction, and employees generally react with enthusiasm when companies "give back," to local charities or social initiatives they are involved in or committed to. However, it is important to note that, conversely, a weaker ESG proposition can drag productivity down, in the same way that a sense of higher purpose can inspire employees to perform better.

A compelling business case for ESG can be summed up by the multifold benefits that investing in development and implementation of robust ESG strategies, provide to companies. A strong ESG proposition can help create enormous business value across the enterprise. Good ESG strategy can help a company to attract more customers, allow better access to resources, lower energy and water consumption, resulting in reduced operational costs. A robust ESG strategy can lead to greater social credibility, build a stronger corporate brand, attract talent, boost employee morale, build stronger community relations, open up access to large pools of capital, and promote sustainable long-term growth. Also, commitment to ESG best practices may lead to government support, overcoming increasing regulatory pressure and better investor relations, e.g., in form of better loan conditions or lower capital costs.

In summary, good ESG programs can increase stock liquidity, unlock competitive value, keep activists at bay, attract investors that are more interested in longer-term value creation and understand that change takes time, and appeal to best talent among millennials who care deeply that the companies they work for, embrace values that are aligned with their own. Companies are demonstrating quality leadership and good governance, through their ability to manage environmental, social, and governance issues, ensuring full integration of these issues into core business and investment process. As the likelihood of ESG becoming compulsory or mandatory looms, companies are realising that in order to stay ahead of regulations, competition and unleash all the benefits of ESG, they must integrate this framework into the core of their business DNA.

Good ESG strategy can help a company to attract more customers, allow better access to resources, lower energy and water consumption, resulting in reduced operational costs

Industry leaders need to realise that the rules of the game are shifting very fast and a proactive response to rapidly evolving regulatory framework would minimise the costs of stringent environmental, social and governance regulations. For example, regulatory responses to emissions will likely affect energy costs and could especially affect balance sheets in carbon-intensive industries. Therefore, when it comes to ESG, it's important for industry leaders to bear in mind that a do-nothing approach could be costly and no longer tenable. Continuing to rely on energy-intensive plants and equipment, for example, could be very expensive in the long run, as choosing to wait it out could become the most expensive option when compared to the investments required to update the current infrastructures and operations. Staying ahead of the game may require a company to repurpose its assets right now.

> The biggest pitfall a company can face in ESG reporting is the danger of being perceived as "greenwashing".

Chapter 3
Best Practices in ESG Reporting

In considering the multiple ways in which environmental, social, and governmental factors can create value, it is important to how a company can use transparent and credible ESG reporting to inspire its various internal and external stakeholders. At the core of all the elements of best practices in ESG reporting, are some key imperatives – ESG reports must by specific, unambiguous, practical, realistic, and easy to read and understand. In setting out the contents of an ESG report, it is important to note that the report should serve as a useful tool to rally support around the vision and mission of the company.

The individual issues embedded in ESG may inspire the various stakeholders differently. The issues that are most important to corporate executives are different from issues that employees hold dearly or those that would excite customers, the general stakeholders and the public. That means the messages in a corporate ESG report must be packaged to appeal to the diversity of the interests of the target audience. The issues to be addressed in ESG reports need to be carefully and strategically selected to avoid muddling up the key messages by too many issues that work at cross-purposes. Large companies that have several social, community, or environmental projects and initiatives running at the same time, need to have clear criteria for selecting and prioritising the issues to present in their periodic ESG reports. The priority initiatives to be clearly articulated in an ESG report, should usually be no more than five. They should be carefully selected through an inclusive consultative process, involving all the relevant stakeholders. It is good to tap on well-honed competencies of the company and the major stakeholders, in deciding on which initiatives to highlight, and to ensure that the company gets maximum benefits from reporting on them.

- The biggest pitfall a company can face in ESG reporting is the danger of being perceived as "greenwashing". To avoid falling into this, a company needs to pay careful attention to the following basic steps:

- Put in place a transparent process for determining the appropriate criteria for the company's ESG framework.

- Establish good set of metrics, measure them on a regular basis, and share progress publicly.

- Ensure that the responsibility for executing ESG policies is made top priority of the senior management, with direct general oversight of the CEO.

- Tie senior management compensation and bonuses to ESG metrics.

- Walk the talk and avoid PR spinning narratives of high standards for environmental protections and human rights that are not consistent what could be observed.

- Voluntarily report any challenges faced in meeting set ESG goals, and the steps the company is putting in place to meet those challenges.

- Ensure that the management of the company is familiar with the several criteria that investors and regulators use to determine whether a company is greenwashing or truly integrating ESG policies in their business practices.

An ESG report that highlights value creation as the core message and makes the case that the company sets its ESG priorities in a way that links to value, would gain more attraction and gets everyone on board. It is advisable to avoid all the clichés about saving the planet and focus on practical and credible messages that transparently show how performance targets set for assessing senior managers link with elements of the company's ESG strategy. The use of hard metrics, such as, output per baseline electricity use, waste cost in each plant or location per employee, or carbon footprint, to illustrate the company's business model, would greatly enhance the credibility of ESG reports. The metrics should be carefully researched, including tapping from the insights of industry experts, thought leaders, policy makers, employees, and other stakeholders. They should represent the core ethos of the business and based on analysis of what matters most along the business value chain, where the greatest potential for growth and value creation lies, and which areas have the most impact for on the sustainability of the company. The bottom-line in ensuring that an ESG report is practical and credible is to recognise and acknowledge in an unequivocal manner that only thriving and profitable businesses can contribute meaningfully to ESG. In other words, an ESG report that shies away from acknowledging that a company needs to make money to be environmentally and socially responsible, will be viewed as window dressing. Expect the targeted audience, who are becoming more and more sophisticated, to be able to see through reports that are produced only for public relation exercise.

Companies should realise the possible grave dangers associated with missteps in their ESG. Getting ESG strategies wrong or providing mixed messages or unrealistic messages in ESG reports can result in massive value destruction. A public perception that a company is “overdoing it” can attract unwanted attention and curious scrutiny from critical stakeholders or populist activists, which can have negative impact on the time and focus of the leadership of the company. Underperforming on ESG is equally bad, if not worse. Companies that perform poorly on environmental, social, and governance criteria are more likely to face adverse consequences, with several examples in the past few years, showing companies with a weak ESG proposition experiencing double-digit declines in market capitalisation because of their missteps that came to light. Some of these companies struggled over a long period of time to recover and repair the reputational damage done to their businesses. It is important that companies have a good assessment of the value of external engagement and any planned ESG scenarios and strategies, with analysts estimating that poor stakeholder engagement could destroy up to 30% of a company’s value. It is generally observed that the market capitalisation of companies increases when they enjoy the support of their stakeholders, especially when the companies are facing criticisms from other stakeholder groups. A company that holds firm to its core ESG values, is more likely to receive unwavering support from its stakeholders.

Shareholders and stakeholders are often not in unhealthy competition, and efforts to meet the interests of both can build resilience into the company’s business model. Building a strong connection with broad elements of society can create synergistic values for both shareholders and stakeholders. It is shortsighted to compromise meaningful engagement and connections with stakeholders, for the pursuit of earnings and targets.

In general, good ESG practices attract lower cost of capital, lower stock price volatility, and better valuation over the long term. The multiple benefits of ESG reporting could be summarised as follows:

- The more transparent a company, the better stakeholders will understand its non-financial and financial performance, resulting in the improvement of the credibility, image, and reputation of the company.
- Good ESG reporting indicates a company’s commitment to managing its financial and non-financial risks and challenges. This public display of the company’s approach for reducing its financial risks makes a more attractive proposition for potential investors.
- ESG reporting provides a company with a good tool for enhancing its risk management. It helps the company to develop or strengthen the ability to analyse, prepare, manage, and reduce potential risks.
- Regular ESG reporting helps raise a company’s business profile and gain competitive advantage in the market.

> **Getting ESG strategies wrong or providing mixed messages or unrealistic messages in ESG reports can result in massive value destruction.**

- The essential stakeholder engagement process, that is integral in ESG reporting, enables the company to consider the information needs of various stakeholders, and thereby improving its interaction and communication strategy.

- ESG reporting helps a company to know and reach out to essential stakeholders and customers that form part of its audience or the intended recipients of the report.

- ESG reporting facilitates good and constructive liaising with regulatory authorities and enhances a company's understanding of regulatory requirements.

- Periodic ESG reporting will ensure that a company remains on top of the evolving and expanding syntax of ESG.

- A good ESG reporting framework will enable a company to regularly conduct materiality analysis and compile and update its materiality matrix. It also helps the company to regularly review the rationale behind why the chosen metrics are considered relevant for the company.

- An ESG report serves as a useful tool for the company to disclose its long-term business value creation and its operational and financial performance.

- A company that is committed to regular ESG reporting is able to set long-term, measurable, and achievable goals; that are embedded in the organisation's long-term strategy and plans; making it easier for investors to understand the company's vision and mission.

- ESG reporting enables a company to strengthen its internal controls, through the protocols for measuring, monitoring, and verifying ESG-related performance.

- ESG reporting helps a company to build a data collection process that is robust and applicable to other aspects or areas of the business.

- A commitment to good ESG reporting helps a company to embrace the practice of external verification of its report, which improves its credibility and transparency.

To fully realise the above benefits of ESG reporting, it is important to consider the following guiding principles and best practices for the purposes of preparing and drafting effective ESG reports:

- It is important that ESG reports include all essential information. The targeted audience must be provided with all the essential information in one document, and lengthy and unnecessary repetition should be avoided, where possible. The content of ESG reports should be relevant, specific, and complete, clearly demonstrating that the company understands the issues that require focus.

- The summary of the key information should be prominently displayed in the front, in such a way that the less sophisticated audience that chooses not to read the full detailed report still has knowledge of all the granular information about the ESG issues, provided in the body of the report.

- ESG reports should be clear, balanced, fair, understandable, and not misleading; avoiding exaggerations of ESG performance and green credentials.

- To facilitate comparability of ESG reports, it is important to follow a standardised and best practice approach, drawing on elements that are available in well-established industry templates.

- ESG reports should ensure that ESG-related issues are disclosed in a manner that is consistent with the presentation of other financial disclosures. The integration of ESG disclosures into other relevant company reports and other existing disclosure requirements and documentation, should be encouraged.

- Graphs and images should be correctly used in ESG reports, where they contribute to making the report lighter, shorter, and easier to understand.

- The use of explanatory notes in ESG reports is encouraged where necessary and helpful for a less sophisticated audience to understand the concepts used in ESG reports.

- The tone and content of reports should be tailored according to the requirements of the intended recipients or audiences, particularly regarding information that would be most useful for identified key stakeholders.

- While the legal department is fully responsible for determining whether information is material or not as a matter of law, in the preparation of ESG reports, efforts should not be spared in collecting and accounting for all ESG-related information and diverse perspectives and inputs from the relevant departments and functions within the organisation.

- ESG reports should clearly define, in plain English, all technical terms and terms that do not have a universally accepted definition, that are used in the report.

- ESG reporting is a way of communicating how the company is managing ESG issues, and not an end goal, just as financial reporting is not the end goal for the company, but a way of communicating the financial results of its various activities.

- In the preparation of ESG reports, companies should realise that they have the discretion to determine how they report and discuss ESG information; which ESG factors and related metrics are relevant to their operations; and what disclosure they consider meaningful for their stakeholders.

- ESG reports should be placed in the appropriate place, such as dedicated web pages and links, where users can easily find ESG information about the organisation.

- It is encouraged that companies include in their voluntary ESG reports, a description of their internal review and audit process or any external verification of the information that they provide.

There is growing interest in information relating to corporate sustainability and ESG reporting by companies is becoming increasingly robust. However, the demand on companies for more and more corporate disclosure is relentless. In addition, many regulatory jurisdictions and policymakers are considering new regulations around ESG reporting. As the private sector grapples with these diverse demands on ESG disclosures, continuing the path of voluntary ESG reporting, using best practice approaches is the most pragmatic way to build on existing progress and to ensure that the private sector is well positioned to respond appropriately to any stringent future regulatory requirement.

The increased interest in sustainability is recognised by a broad range of companies, who are already incorporating relevant ESG considerations into their strategy, risk management, and governance. As stakeholders become increasingly focused on ESG performance, more companies are using ESG reporting to demonstrate how they consider the associated issues. However, companies are at different stages of the voluntary ESG journey. Navigating the world of ESG reporting could be a tedious exercise, especially for those that are just beginning the journey, and several organisations have developed best practice guidelines to assist in this regard. ESG reporting provides opportunities for companies to tell their stories. There are many good best practice guidelines that help companies to articulate their stories effectively. They highlight elements that are necessary to ensure that ESG reports contain information that are convincing and credible. The private sector is generally convinced about the benefits of ESG reporting and are investing in ways to continue to improve on voluntary reporting, to ensure the unlocking of the positive impact that ESG has on returns.

The next chapter briefly describes some of the organisations that are actively involved in providing guidance to the private sector on matters relating to ESG.

Chapter 4

Nonprofit Global ESG Advocacy Organizations

A number of frameworks have been developed to account for and report greenhouse gas emissions and natural capital

There are several organisations that provide guidance to companies on how to develop ESG policy framework and ensure that their corporate ESG programs are in line with international best practice. Some of these organisations have also developed standards, criteria and indexes for benchmarking and ranking of corporate ESG programs. The broad range of criteria that these organisations analyse or apply include; climate change impacts, natural resource scarcity, supply chain management, labor practices, political considerations, board composition and workplace diversity and inclusion.

An overview of some of the most active organisations that have developed widely used reporting frameworks and standards, are presented below. It should not be surprising that there are plethora of available standards, since the various standards are designed or intended to be relevant to specific stakeholder groups or targeted audiences.

A number of frameworks have been developed to account for and report greenhouse gas emissions and natural capital. However, the lack of harmonisation has resulted in inconsistent data and an increased reporting burden on companies. The existing frameworks and standards present information in a multiplicity of formats; making analysis and comparison harder for investors and other stakeholders. This shortcoming is recognised by several organisations that engaged in concerted efforts to developed harmonised frameworks and standards.

It should be noted that some of the organisations described below are actively collaborating and working together to provide a shared vision for a comprehensive, globally accepted reporting system that includes both financial accounting and sustainability disclosure, in an integrated reporting framework.

In 2016, GRI transitioned from providing guidelines to setting the first global standards for sustainability reporting – the GRI Standards.

Global Reporting Initiative (GRI)

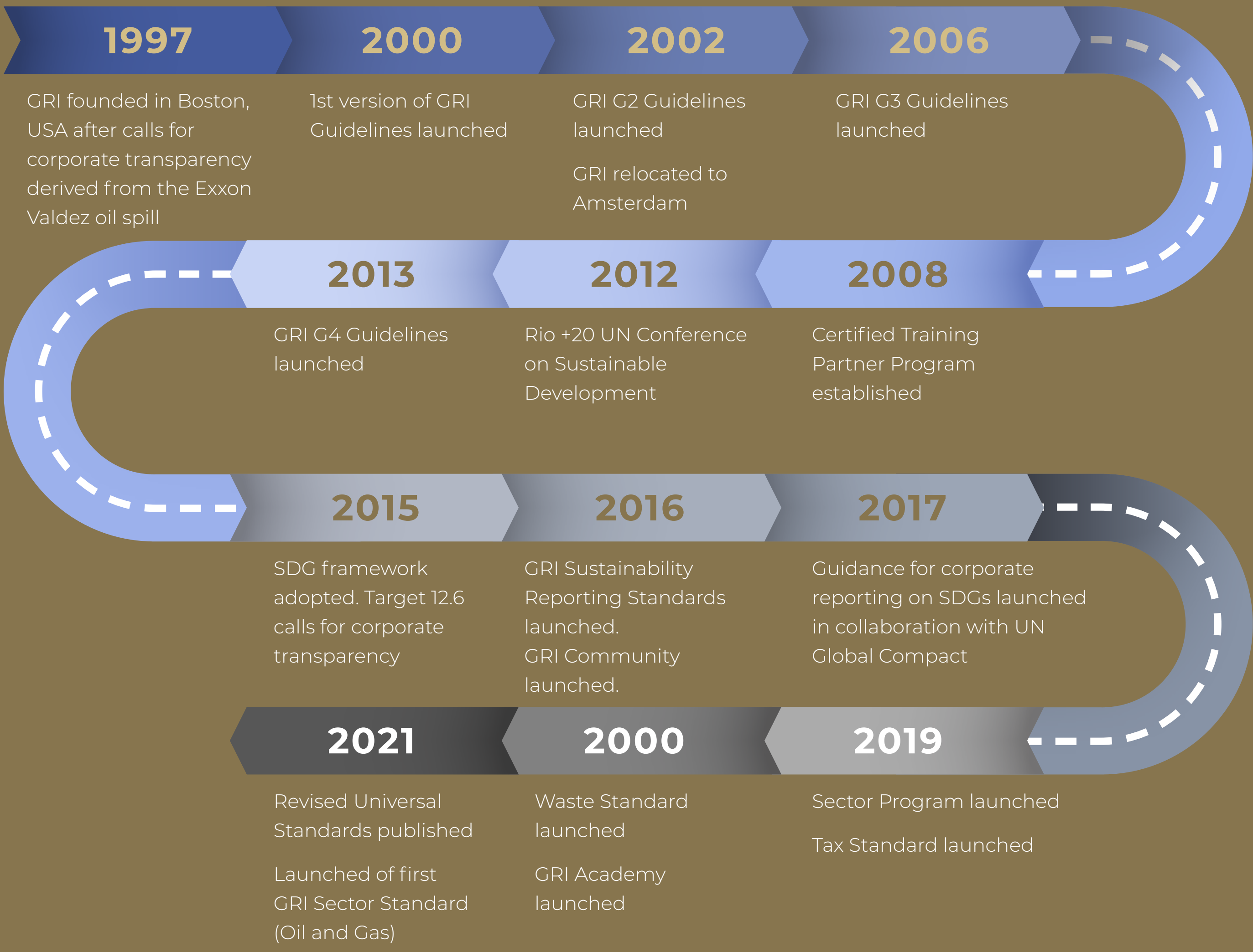
GRI is an independent, international organisation founded in 1997, in Boston, USA, in response to calls for corporate transparency. The aim was to create the first accountability mechanism to ensure companies adhere to responsible environmental conduct principles. This was later broadened to include social, economic and governance issues. GRI helps businesses and other organisations take responsibility for their impacts, by providing them with the global common language to communicate those impacts. GRI Standards are now among the most widely used global standards for sustainability reporting. GRI works with businesses, investors, policymakers, civil society, labor organisations and other experts to develop the GRI Standards and promote their use.

GRI has grown, from humble beginnings in 1997, to become a global brand that is synonymous with sustainability reporting. With over than 10,000 organizations in over 100 countries, adopting GRI guidelines for their corporate reporting, GRI is advancing globally, the practice of sustainability reporting and enabling businesses, investors, policymakers, and civil society to use this information to engage in dialogue and make decisions that support sustainable development.

In 2016, GRI transitioned from providing guidelines to setting the first global standards for sustainability reporting – the GRI Standards. GRI sees itself as a catalyst for change to sustainable future enabled by transparency and open dialogue about impacts and reporting on impacts by organisations around the world becoming common practice. GRI follows an independent, multi-stakeholder process to develop its Standards, which are then made available free to the public.

The GRI Standards provide a framework (the so-called Universal Standards) and set of 34 topic-specific supporting standards, covering a wide range of sustainability topics. The Universal Standards cover disclosures about the organisation's specific

The successful journey of the GRI is depicted in the sketch below:



Source: GRI website - https://www.globalreporting.org/about-gri/mission-history/

context, such as its governance, management systems, reporting practices, products, services, stakeholder engagement and management approach. Each of the Topic Standards specifies a combination of qualitative and quantitative information to be disclosed. It is not a requirement for companies to report on all topics covered by the GRI Standards. Rather, companies using the GRI Standards are expected to identify and prioritise the topics that reflect their most significant economic, environmental, and social impacts or that would substantively influence the assessments and decisions of stakeholders.

Sustainability Accounting Standards Board (SASB)

Financial accounting standards have traditionally provided for decades a common language for companies and investors to talk about financial performance, in a world where tangible assets comprised most of the market valuation of companies in financial terms. In today's economy, however, sustainability issues are global business issues that impact the financial condition, operating performance, and enterprise value of companies. Environmental issues like water management and climate change, social issues like data security, and governance issues such as conflicts of interest, are important to companies, and managing these ESG over the long-term would improve business performance in the form of reduced operating costs, enhanced reputation, greater resilience to risks, the potential for competitive advantage, and drive long-term enterprise value.

The Sustainability Accounting Standards Board was founded in 2011 by Jean Rogers as a non-profit organisation whose objective is to develop clear and understandable sustainability accounting and financial reporting standards to respond for an increased demand for environmental sensitivity in financial accounting practices. The standard was officially launched in 2018. In its own words, the SASB claims to "establish industry-specific disclosure standards across ESG topics that facilitate communication between companies and investors about financially material, decision-useful information. Such information should be relevant, reliable and comparable across companies on a global basis."

Indeed, sustainability issues should also be considered a business issue that can impact the valuation, financial wellbeing, and long-term prosperity of businesses. Proper sustainability accounting can provide long term security, better business resilience, enhanced reputation, and a better competitive advantage. Companies are encouraged to use SASB standards and metrics not just in their Securities and Exchange Commission (SEC) reports, but also in communications with investors and the larger public, for optimal transparency. Available in over 77 industries, across 11 sectors, the Standards points out the relevant environmental, social, and governance (ESG) issues that would have the bigger impact on the industries. However, it's the company's responsibility to ultimately decide what standards work the best for them.

In 2017, the oversight, administration, and finances (the SASB Foundation) and technical standard-setting work (the Standards Board) were formally separated, to better align the structure with

traditional standard-setting organisations. In June 2021 the International Integrated Reporting Council (IIRC) and the Sustainability Accounting Standards Board (SASB) merged into the Value Reporting Foundation, to provide a comprehensive suite of resources that includes the Integrated Thinking Principles, the Integrated Reporting Framework, and SASB Standards. This merger was designed to simplify the reporting process and improve accessibility to the suite of resources designed to help businesses and investors develop a shared understanding of enterprise value.

International Integrated Reporting Council (IIRC)

The International Integrated Reporting Council (IIRC), established in 2010, started its journey from a meeting called by the Prince of Wales (Prince Charles), to focus on bringing together a cross section of representatives from companies, investors, regulators, standards setters, the accounting profession, academics, and civil society to drive integrated reporting forward. The foundation of the IIRC is a coalition of regulators, investors, companies, standard setters, accounting professionals and NGO's from across many continents.

The objective is to advance and develop communication about value creation, preservation, and erosion by creating and upholding a reporting standard that can promote sustainable development. It aims to achieve this by improving the quality and quantity of information available to providers of financial capital, hence promoting a better approach to corporate reporting based on different reporting strands. It also seeks to enhance accountability and stewardship for the very broad base of capitals and promotes awareness of their independencies and interdependencies.

Back in 2010, after the global financial crisis, and at a time when solutions were needed to mitigate the risk of such a collapse of the financial system happening again, integrated reporting was just a concept. A decade on, the idea that this new form of 'multi-capitalism' could help address the misallocation of resources and capital that had led

The concept of integrated reporting has been embraced by over 2,500 companies and woven into the fabric of corporate governance reform in many countries across the globe.

to the financial crisis, has matured. International Integrated Reporting Framework and Integrated Thinking Principles have been developed and are now being used around the world, in over 70 countries, to advance communication about value creation, preservation and erosion. The concept of integrated reporting has been embraced by over 2,500 companies and woven into the fabric of corporate governance reform in many countries across the globe. Over 40 stock exchanges refer to it in their guidance.

The Framework and Integrated Thinking Principles are maintained and preserved thanks to the Value Reporting Foundation (founded in 2010), a global nonprofit organisation that helps businesses and investors by offering a holistic and shared understanding of enterprise value and its various dynamics. The Value Reporting Foundation was an integration of two entities (IIRC and SASB) that are focused on enterprise value creation, to signal significant progress towards simplification. The different resources, maintained under the auspices of the Value Reporting Foundation, including Integrated Thinking Principles, the Integrated Reporting Framework, and SASB Standards, can either be used alone or in combination. The Value Reporting Foundation Board of Directors oversees the strategy, finances, and operations of the entire organisation and the International Integrated Reporting Framework Board recommends for approval any revision, modification, or other update to the International Framework, as well as providing input on other guidance material relating to integrated reporting or integrated thinking.

The United Nations Principles for Responsible Investment (PRI)

The Principles for Responsible Investment is an independent global network of investors whose objective is to promote responsible and sustainable investments in various fields. It finds its origins in early 2005, when the then United Nations Secretary-General Kofi Annan called for an assembly of the world's largest institutional investors to join in a process to develop novel principles for how to invest in a sustainable manner. A 20-person investor group drawn from institutions in 12 countries was supported by a 70-person group of experts from the investment industry, intergovernmental organisations, and civil society, put together a set of Principles that offer a menu of possible actions for incorporating ESG issues into investment practice, in a manner that contributes to developing a more sustainable global financial system.

The Principles for Responsible Investment was formally launched at the New York Stock Exchange in April 2006 and now encourages its different signatories (which includes but is not limited to asset owners and managers and service providers) to incorporate and encompass ESG factors into their various investments and business decision making processes. The number of signatories stands at around 4,000, representing over $103 trillion worth of assets, who are united in a belief that responsible and sustainable investments benefit every sector of the economy and the environment, and that sustainability, in general, is a guarantor of long-term viable value creation.

The PRI has become one of the world's leading proponents of responsible investment. It supports its international network of investor signatories to understand the investment implications of environmental, social and governance (ESG) factors, and to incorporate these factors into their investment and ownership decisions. The PRI acts in the long-term interests of the financial markets and economies in which they operate, the environment, and the wider society, by ensuring that its signatories commit to the following six principles:

- **Principle 1:** We will incorporate ESG issues into investment analysis and decision-making processes.
- **Principle 2:** We will be active owners and incorporate ESG issues into our ownership policies and practices.
- **Principle 3:** We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- **Principle 4:** We will promote acceptance and implementation of the Principles within the investment industry.
- **Principle 5:** We will work together to enhance our effectiveness in implementing the Principles.
- **Principle 6:** We will each report on our activities and progress towards implementing the Principles.

The signatories to the Principles publicly commit to adopt and implement them, where consistent with their fiduciary responsibilities, and commit to continually evaluate the effectiveness and improve the content of the Principles. The signatories believe their commitment to the Principles will improve their ability to better align their investment activities with the broader interests of society, and they encourage other investors to adopt the Principles.

World Economic Forum – International Business Council (WEF-IBC)

The WEF, in collaboration with its IBC, established the foundations for the Stakeholder Capitalism Metrics and Disclosures at the Davos Meeting, in 2020, when 120 of the world's largest companies supported efforts to develop a core set of common metrics and disclosures on non-financial factors for their investors and other stakeholders. A six-month open consultation process to define common metrics for sustainable value creation, resulted in the development of the common metrics and disclosures that can be used by companies to harmonise their reporting on performance against environmental, social and governance (ESG) indicators and measure their contributions towards the United Nations Sustainable Development Goals (SDGs).

This WEF-IBC project was part of several initiatives by IBC to deliver on the promise of stakeholder capitalism. In 2017, the IBC sponsored the World Economic Forum's Compact for Responsive and Responsible Leadership, in which more than 140 CEOs committed to align their business and financial values with the long-term goals of society, as enshrined in the UN SDGs. At their 2019 summer meeting, IBC members reaffirmed the significance of environmental, social and governance (ESG) aspects of business performance and risk in creating long-term value. They flagged the existence of multiple ESG reporting frameworks and the lack of consistency and comparability of metrics as the main reasons preventing companies from credibly demonstrating to all stakeholders their progress on sustainability and their contributions to the SDGs.

The WEF-IBC Stakeholder Capitalism Metrics and Disclosures are comprised of a set of 21 core ESG metrics and 34 recommended disclosures organized into the categories of Principles of Governance, Planet, People and Prosperity. They are primarily quantitative metrics, focusing on activities within an organisation's own boundaries. Members of the IBC are encouraged to use these sustainability metrics and disclosures, which were largely drawn from already existing standards, in their annual business reports to the extent that they fit their business model and practices.

The set of 21 core metrics are more established or critically important metrics and disclosures. These are primarily quantitative metrics for which information is already being reported by many firms (albeit often in different formats) or can be obtained with reasonable effort. They focus primarily on activities within an organisation's own boundaries. The 34 expanded metrics and disclosures are usually less well-established in existing practice and standards and have a wider value chain scope or convey impact in a more sophisticated or tangible way, such as in monetary terms. They represent a more advanced way of measuring and communicating sustainable value creation.

Building on the rigorous work already done by standard-setters and avoiding unnecessary duplication of efforts, the IBC metrics were drawn from existing standards and are organised under four pillars that are aligned with the SDGs and principal ESG domains – Principles of Governance, Planet, People and Prosperity. While the metrics were selected based on their universality across industries and business models, they were not intended to replace the existing indicators relevant to specific sectors and companies.

During the course of the WEF-IBC project, there were several developments and major overhauls in financial reporting standards. Notable among such developments are:

- The revision of the European Commission's Non-Financial Reporting Directive.
- The amendment of the rules on human capital disclosures by the US Securities and Exchange Commission (SEC).
- The agreement by the International Financial Reporting Standards (IFRS) to expand its mandate to include sustainability issues.
- The acceleration of the harmonisation of sustainability standards by the International Organization of Securities Commissions (IOSCO).
- The call by the International Federation of Accountants (IFAC) for the creation of an International Sustainability Standards Board to sit alongside the International Accounting Standards Board (IASB) under the auspices of the IFRS Foundation.

At the same time, the CDP, the Climate Disclosure Standards Board (CDSB), the Global Reporting Initiative (GRI), the International Integrated Reporting Council (IIRC) and the Sustainability Accounting Standards Board (SASB) launched a committed effort towards establishing a joint vision. They presented a paper to the 2020 IBC Summer Meeting 2020 and issued a statement of intent, detailing how their work and the IBC's project are fundamentally complementary and could form the natural building blocks of a single, coherent, global ESG reporting system.

Carbon Disclosure Project (CDP)

CDP is an international nonprofit charity that has run, since 2002, a global disclosure system for investors, companies, cities, states, and regions to help manage their environmental impacts. It is directed by a board of trustees and board of directors, and it is considered by many industry leaders as the gold standard of environmental reporting thanks to its very rich dataset on corporate and civil climate action. Hence, over 8400 companies have disclosed their information through the CDP. There are now companies, cities, states, and regions from over 90 countries disclosing through CDP on an annual basis. The work of the CDP is managed through regional offices and local partners spanning 50 countries.

The CDP places transparency and accountability as its core set of values and strives to prevent dangerous climate change and environmental damage by encouraging the collection and disclosure of data that otherwise would not have been considered. The CDP vision and mission is to see a thriving economy that works for people and planet in the long term. The CDP assists investors, companies, and cities to focus on taking action to build a truly sustainable economy by measuring and understanding their environmental impact. By encouraging investors, companies, cities, and governments to be conscious of the impact of decisions and choices, the CDP contributes to global effort to prevent dangerous climate change and environmental damage. The CDP acts as a secretariat to CDSB, that is described below.

Climate Disclosure Standards Board (CDSB)

The Climate Disclosure Standards Board (CDSB) is a non-profit organisation formed at the 2007 Davos Summit to help investors and governments integrate climate change-related data and information into mainstream financial and corporate reporting. This is based on the increasingly popular premise that financial institutions have a lot to gain on the monetary and decision level if they adopt an open and transparent analysis of the risks posed by climate change. Thus, the CDSB operates on the basis that investors and financial institutions can make better and informed decisions if companies are open, transparent and analyse the risks and opportunities associated with climate change-related information. The CDSB can be seen as a forum for collaboration on how existing standards and practices can be used to link information related to finance and climate change in a productive way.

> **With commitment to market transparency and stability, at the heart of its work, the TCFD developed the climate-related financial disclosure recommendations that were released in 2017.**

It uses its Framework for reporting environmental information, natural capital, and associated business impacts, as a tool for companies to disclose climate change information in their financial reports. This Framework, which was last updated in April 2018, was not created from scratch, but relies on multiple existing standards. The Framework draws from the work of the Taskforce on Climate-related Financial Disclosures (TCFD), that was established by the Financial Stability Board at the request of the G20 and the International Financial Reporting Standards, in order to establish a unify way for companies to insert information pertaining to the environment in their business reports in a manner that is consistent and harmonious with the rest of the reports.

Taskforce on Climate-related Financial Disclosures (TCFD)

At the request of the G20 Finance Ministers and Central Bank Governors, the Financial Stability Board (FSB) established the Taskforce on Climate-related Financial Disclosures (TCFD) to develop recommendations for more effective climate-related disclosures. The specific request was for FSB to review how the financial sector can take account of climate-related issues. The FSB mandated the TCFD to come up with recommendations that would:

- Promote more informed investment, credit, and insurance underwriting decisions; and
- Enable stakeholders to understand better the concentrations of carbon-related assets in the financial sector and the financial system's exposures to climate-related risks.

With commitment to market transparency and stability, at the heart of its work, the TCFD developed the climate-related financial disclosure recommendations that were released in 2017. As shown in Figure 2, the recommendations are structured around four thematic areas – governance, strategy, risk management, and metrics and targets, with high-level recommended disclosures under each thematic area.

Figure 2 – The four thematic areas of the TCFD Recommendations

(Source: https://www.fsb-tcfd.org/about/)

Companies are encouraged to undertake and report on the results of climate scenario analysis as part of their strategy and risk management approach. In the long run, this approach will hopefully channel more money and attention towards sustainable solutions and opportunities, especially as awareness rises and pushes for change.

While the TCFD offers guidance about the type of information that should be disclosed, as the recommendations are principles-based, they do not prescribe the specific metrics that should be used for such disclosure. Standard setters such as GRI, SASB and others are aligning their standards to the principles enshrined in the TCFD recommendations.

The number of companies reporting using the Task Force on Climate-related Financial Disclosures recommendations has grown quickly. According to a study, an estimated two thirds of companies on the FTSE 100 mentioned TCFD in their 2019 annual reports.

Sustainable Finance Disclosure Regulation (SFDR)

The Sustainable Finance Disclosure Regulation (SFDR), created by the European Union, as its latest addition to the world of sustainable investing, became effective from 10 March 2021. The SFDR created and imposed a new set of transparency and disclosure of sustainability risks requirements on all financial market participants and financial advisors that operate within the EU. It includes an obligation to disclose sustainability-related information at both the entity (i.e., investor) and product (i.e., fund) levels and to disclose their ESG (Environmental, Social and Governance) consideration to all investors. The aim is to push more investors towards more environmentally friendly projects by ensuring that companies follow the SFDR's high-level disclosure requirements. These requirements include respecting sustainability risks (anything related to ESG that could endanger the value of an asset), and Principal Adverse Impacts (PAI) – the negative effects an investment might have on sustainability. Specifically, it is now mandatory for larger firms and advisors to be able to explain and disclose how they plan on addressing and managing PAI's associated with their projects.

The SFDR has provided funds managers with clear definitions for the following three categories of products:

1. Products with sustainable investment as their specific objective (Article 9).

2. Products that promote environmental and/or social characteristics and only invest in companies that follow good governance practices (Article 8).

3. Products that are considered "out-of-scope products" and do not fall into either of the above two categories and are labelled as non-sustainable (Article 6).

In creating a system that is much more transparent, gives better access to crucial information, and permits closer monitoring of business practices, the SFDR seeks to eliminate the practice of "greenwashing" financial products, services, and advice.

The promulgation of the SFDR, in response to the increasing demand by investors for common ESG and sustainability standards across the finance industry, signals the tightening of EU regulations aimed at shifting capital flow toward a more sustainable economy. The SFDR that is now a core pillar of the Commission's flagship Sustainable Finance Action Plan, could be seen as providing good news for investors everywhere for the following reasons:

- The new regulations set the standard for disclosures and provide the platform for investors to evaluate and compare investments on equal sustainable footing.
- Investors will have transparency and clarity regarding the ESG objectives that investment funds claim to support.
- Investors will have access to quality data and information that help measure their portfolio, analyse risk, and achieve sustainable objectives over time.
- Investors will have a greater understanding of the potential sustainability risks that could pose a threat to their investments.
- The better disclosures, required by the regulations, will provide investors with more control, allowing them to actively pick and choose the advisors, managers, and funds that are meeting their new standards.

The EU has adopted a phased approach for the role-out and implementation of the SFDR, over an extended timeframe.

Phase 1, which came into effect on 10th March 2021, sets specific rules for how and what sustainability-related information companies need to disclose, making it mandatory for firms to now comply with the following high-level disclosure requirements, including:

- **Sustainability risks** – ESG events, activities, or conditions, such as climate change, that could impact the value of an investment.
- **Principal Adverse Impacts (PAI)** – The negative effects an investment decision or advice might have on sustainability, such as carbon emissions and waste, diversity and inclusion, employee well-being, human rights, anti-corruption, and anti-bribery.
- **Accurate sustainability claims** – Anyone marketing and promoting ESG characteristics or sustainable investments must disclose the accuracy of their statements.

Phase 2 that is scheduled to go into effect in 2022, is expected to update the presentation of the disclosures and the indicators for PAIs. So far, the process of implementation of Phase 1 and moving into Phase 2, has allowed investors to take a transparent look at all the information that could impact their investments, thus permitting proper risk assessment and management of any sustainability challenges.

While the SFDR so far only exists within the EU and do not apply to non-EU companies, any foreign firm wishing to raise money in the EU will also be subjected to the requirements of the SFDR. This, therefore, has the potential to set the stage for possible world-wide international adoption and further enhancing greater awareness of the role that ESG plays in investment.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Chapter 5

Nature and Impact of Legislation – The Trend in Climate Change Litigation

> Companies operating in several, or wishing to expand into other countries, are sometimes confronted with varying environmental standards, guidelines, and requirements.

There is no doubt that the events in recent times have put a spotlight on all three aspects of ESG. However, with regards to legislation, the Environment (E) remains at the forefront. Therefore, in this Chapter the focus is on environmental legislation, particularly the impact of climate change legislations.

While the debates between globalists and nationalists continues, the international environmental regulatory framework is constantly emerging, with many nations developing environmental policies that have implications for companies, especially those involved in cross-border operations.

Companies operating in several, or wishing to expand into other countries, are sometimes confronted with varying environmental standards, guidelines, and requirements. The increasing global environmental activism, with growing demand on the private sector to demonstrate more and more environmental accountability, adds further complexity to the operating landscape of many multinationals.

The international environmental regulatory framework is constantly emerging. Mounting concerns about air, water, and land quality, as well as the impacts of climate change, continues to drive the push for groundbreaking laws and regulations to protect the environment and human beings from harmful economic and industrial activities. Governments in different countries may be adopting different approaches to environmental regulations, they are all working towards a common goal, which is regulating the interaction between man and the natural world to reduce threats to the environment and increase public health. Debates over how to preserve air and water quality are not new. These topics, along with many other environmental issues, have been subjected to laws for thousands of years. The world is beginning to see legislation being used as an important instrument in the fight against climate change.

This Chapter presents snapshots of recent developments in the global environmental legislative landscape, including illustrative highlights of some landmark litigations against companies. The aim is to provide information that could be useful for companies operating across jurisdictional borders to navigate the widening maze of regulations, guidelines, standards, and the requirements of government institutions, especially relating to climate change. At a time when companies are seeking opportunities to expand their production activities into other countries, it is an opportune time to have a concise assessment and understanding of the emerging climate change laws and policies of the world major economies.

The rising cases of climate change litigations in recent times, is indicative of the growing importance of the legislative instrument. Since 1986, there has been around 1841 climate change litigation cases around the world, with a marked increase in recent decades. They have involved plaintiffs from all backgrounds and strata of society filing complaints against companies and governments from all over the world. These legislations have diverse objectives, which include stopping certain proposed activities; pushing for changes in legislation; and asking for reparations and compensation for climate-induced harm.

Analysis of the growing trend paints a picture of what and how the future would look like. While most litigation cases are filed against governments, an increasing number, including some landmark cases, concern private companies, pushing many industry leaders and investors to re-adapt their approach to this increasingly urgent matter. The ever-increasing public awareness of the dangers caused by climate change is another factor driving change and causing companies to adapt and change their business strategies to become more climate change or environmentally conscious. Many governments, corporations, and civil society advocacy groups are seeing climate change as an opportunity to re-assess several major components of the legal system and to propose major overhaul of relevant laws and international regulatory framework. Climate change is also giving some impetus for a corporate, financial, and economic metamorphosis that is transforming the way companies think about the impacts of their activities.

In considering the growing trend of litigations, it is important to understand what court cases could be viewed as climate change related litigation. In highlighting the increasing trend of climate change related court cases across the globe, since 1986, it is assumed that climate change litigation broadly encompasses any legal dispute that in a way or another has an impact on greenhouse gas emissions, whether the specific terminology 'climate change' is mentioned in the litigation or not. This includes cases where climate change may not be the central issue, but the outcome of the litigation could have an impact on how the parties involved may respond to climate change.

Figure 3 – A schematic representation of the different types of climate change litigation

While some of the cases directly concern climate change and are designed and argued directly around the phenomenon of human exacerbated climate change, others only have climate change as a peripheral issue, secondary to the more central issues of the litigation, even though climate change may be closely related. In general, the cases classified as climate change litigations between 1986 and now, show broad representation of 41% having climate change as the central issue and around 59% having it as a peripheral issue. It is important to note that even the litigations that have climate change as a peripheral issue, could still have a long-lasting impact on legislative and political systems. The other significant dimensions of litigations are the objectives set by the litigants and the network of actors involved. Figure 3 shows the four broad categories of climate change litigations.

Some of the court cases have varied or multiple objectives. The cases may initially be aimed at addressing an immediate specific issue but could later metamorphose into larger issues relating to change in policies, legislation, corporate governance, or human rights. The trend of climate change litigations suggests that activists and civil society advocacy group are adopting the strategy of starting with the narrow objective to test the legal waters, and as the cases progress or there is sign of successful outcome, extend some of the cases to wider goals, rather than settle for narrow victories. In this regard, goals relating to the fight against climate change, environmental degradation, and human rights often fall within this wider context. Consequently, a good and effective ESG framework should involve a proactive consideration of all legal exposures that an organisation faces.

Companies now need to look beyond their immediate and directly affected communities to potentially mount a legal challenge on the impacts of their activities. There are prominent international and local Non-Governmental Organizations (NGO's) that are playing some major roles in recent trend of climate change litigation. These organisations use their wide network of legal experts and dedicated professional staff to assist and act in collaboration or on behalf of communities that are directly affected party.

Climate change litigations can occur within the realm of public law, private law, or the constitution, meaning that the coverage could be very broad, with target reach to both the private and the public sectors, as well as general civil society. Overall, most climate change litigation cases, occurring over the past few decades, fall within six categories.

1. Cases that seek to highlight government responsibilities and ensure that governments are held accountable for their own actions, as well as the actions of others within their jurisdictions. These types of cases are very common in advanced economies, and they generally invoke the principle of the Duty of Care – the idea that governments have a responsibility to protect and care for their people and environment. The usual expectation in such cases is that successful prosecution would lead governments to adopt Greenhouse Gas (GHG) limiting measures, such as restrictions on certain activities, putting a price on carbon (in form of carbon taxes), and other policy measures to curb emissions or incentivise emission reduction.

2. Cases that seek to link climate change and the resource extraction industry. Scientifically, the link between the resource industry and climate change is rather well established. However, the use of legal instruments to attribute climate change to the extractive industry is more complex and this is growingly becoming a source of major conflicts.

3. Cases that seek to establish causation between certain form of pollutions or certain greenhouse gases and climate change. These recognise that some greenhouse gases are more dangerous and powerful than others. The complexity involved in these types of cases, is how in legal terms, some gases that are viewed as more damaging be made to qualify for specific legal treatment, and in consequence receive more severe restrictions and sanctions. When multiple actors are sued simultaneously for an incident of heavy pollution, for example, proving the relative culpability of the different actors may not be an

easy task, and there is always the danger of the case turning into a coordinated blame game, making it impossible for the court to establish a proper cause and effect relationship.

4. Cases that seek to establish a system of liability, where one does not exist. Such cases are instituted for the main purpose of establishing precedent. The objective is to ensure that decisions in favour of the litigants in such cases are used to set the precedent for future similar court cases. The collation of such favourable decisions over time, invariably becomes a de facto legal system.

5. Cases that seek to apply the near universal system of public trust to climate change litigation. These cases are founded on the premise that trust is an essential feature of any functioning democratic system, and to ensure that public trust in the system is not eroded, the legal system should be able to independently challenge the harm caused by climate change and hold those responsible to accountability.

6. Cases that seek to combat organised misinformation. More and more cases are focusing on the principles of combating misinformation and improving due diligence. Shareholders and citizens are approaching the courts to fight against corporate misinformation and lack of transparency in their reporting. Shareholders and investors are becoming increasingly interested in their company's climate record and have been full participants in raising environmental awareness, going as far as to band together to sue their company when it engages in environmentally harmful practices that can impact negatively on their investments.

Climate change litigation, which could be traced back to early 1990's, has risen in prominence in recent years due to more awareness, increased public pressure, transformation of the legal system in many countries, commitment by governments to the goals of the Paris Agreement, and public pronouncements by companies to climate actions.

Three distinct waves of climate litigation are easily identifiable. The first wave of cases occurring pre-2007, mostly consisted of administrative cases against government and institutions with the intention of raising environmental standards. The second wave are cases between 2007 and 2015, emanating from the increased perception of litigation as a 'gap-filler' in the absence of ambitious international action. These cases were seen as gap-fillers in the sense that they see climate litigation as a mean to compensate for the international disillusionment with a lack of action to confront climate on a global level. In the post Paris Agreement era (2015 to present), we are now witnessing third-wave cases which are characterised by wider scope and diversification in terms of the type of claim, the volume of cases, the type of defendants, and the number of jurisdictions in which cases are being brought.

The increasing public awareness of the existential danger posed by climate change driven by recent extreme weather events and scientific reports, is contributing to the growing trend in climate change litigation. As the long lasting and wide-ranging impacts of climate change become more visible, the concern about climate change and the resolve of the affected and vulnerable people would increase. The push for more climate transparency and accountability has intensified, particularly after the adoption of the Paris Agreement in 2015. Climate change related court cases have been on increase since 2015, as the Paris Agreement is seen by many to provide an international framework for pursuing such legal actions against governments and private companies. The number of cases relating to climate change has almost doubled, with 1,000 cases already filed since 2015, as compared to 800 cases between 1986 and 2014.

> **There is no direct correlation between the number of environmental laws in a country and the actual number of lawsuits.**

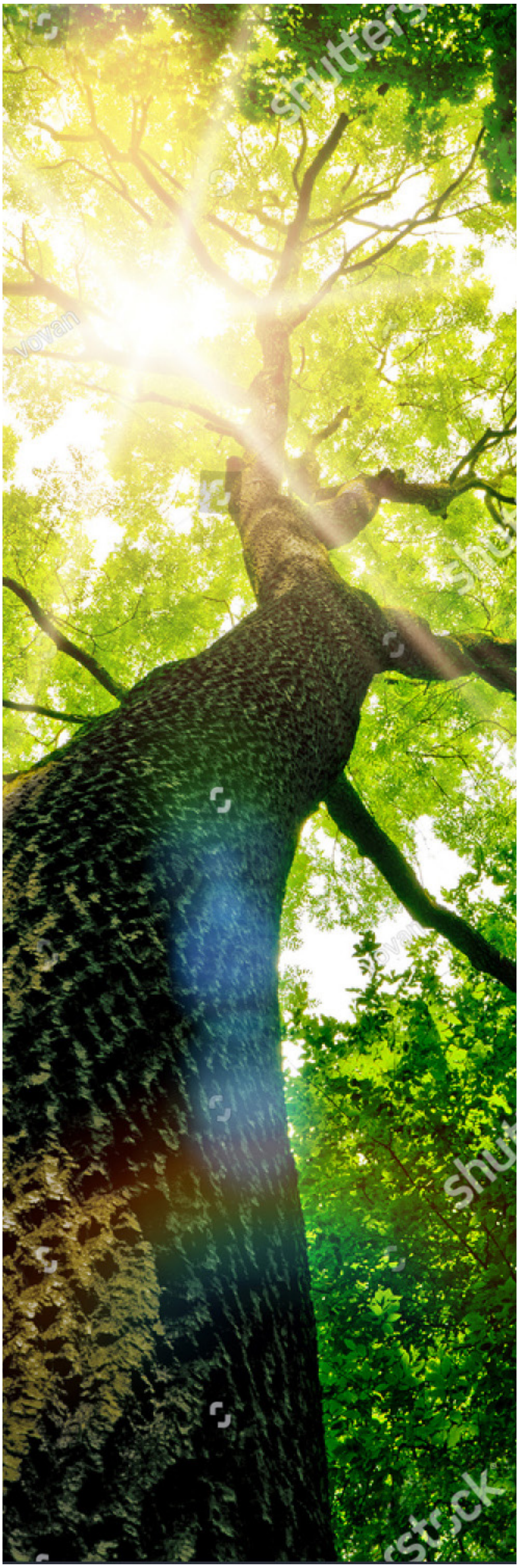
The sharp rise in interest is expected to continue, as environmental and civil society advocacy groups are emboldened by what they see as major gains from landmark court rulings on some recent court cases. There are two notable court rulings that could particularly have major impact on how climate change litigations are perceived, based on new precedent that the rulings appeared to have set. One is a ruling by the Dutch court in 2015, that Article 21 of the Dutch Constitution and the "no harm" principle of international law gave a legal backing to sue for failure to reduce greenhouse gas emissions. The most recent, in 2021, again in the Netherlands, is a ruling by the District Court of The Hague, compelling a company to honor its green-house gas emissions targets, including a stipulation of the specific quantitative amount of the greenhouse gas emissions that the company must achieve by a set target date. This ruling is seen by many as setting a new standard for climate change litigations.

The geographic spread of court cases is an interesting dimension of the trend of climate change litigations. The observed trend shows clearly that countries with strong tradition of civic activism, vibrant legal activities, and corporate and governmental accountability structures, are more likely to create favourable conditions for climate change litigations. It is, therefore, not surprising that litigations are most common in western democracies such as Australia and the United States. On the other hand, developing countries that are probably most affected by the impact of climate change, have fewer court cases, because of weaker public and legal institutions and lack of strong network of civil society advocacy groups. It is not uncommon for some litigations related to incidences in developing countries to be filed and argued in courts in developed countries, where the plaintiffs expect favourable hearings. The role that differences in jurisdictional legal and political cultures play, is also brought into sharper focus by the fact that the United States has many more cases compared to Europe. This is symptomatic of the preferred approach in each jurisdiction for dealing with corporate social responsibility issues. Places where there is a willingness by the public to have a public discussion on regulatory matters or matters relating to ESG, are more likely to have less litigations.

However, there is no direct correlation between the number of environmental laws in a country and the actual number of lawsuits. In the USA, for example, over 600 lawsuits were filed using only four major laws, while a country like Brazil with about 28 relevant laws, witnessed only a small fraction of court cases compared to the USA. This indicates that cluttering the legal system with various legislations will not necessarily result in effective way of tackling the problem of climate change or environmental pollution.

The legal grounds for climate change litigations are based not only on public and private laws, but also on the constitution. The constitutions of several countries clearly and specifically mention the rights of their citizens to live in a safe and clean environment. The constitutional right to live in a clean and safe environment is now a common ground for litigations, where plaintiffs approach the courts to address or enforce the principles of duty of care or responsibility to protect, in the belief that governments have a duty to protect their citizens from harm regardless of its source, as enshrined in the constitution. There is a paradigm shift towards the need for government to take more responsibility for protecting citizens from harmful environmental impacts and ensuring a proper and safe environment for future generations. This is resulting in more lawsuits, on account of state negligence, when the state is perceived to have failed in its responsibility and pledge to protect its citizens.

The reliance on constitutional provision has put an increased spotlight on human rights issues and how climate change negatively impacts on such rights.

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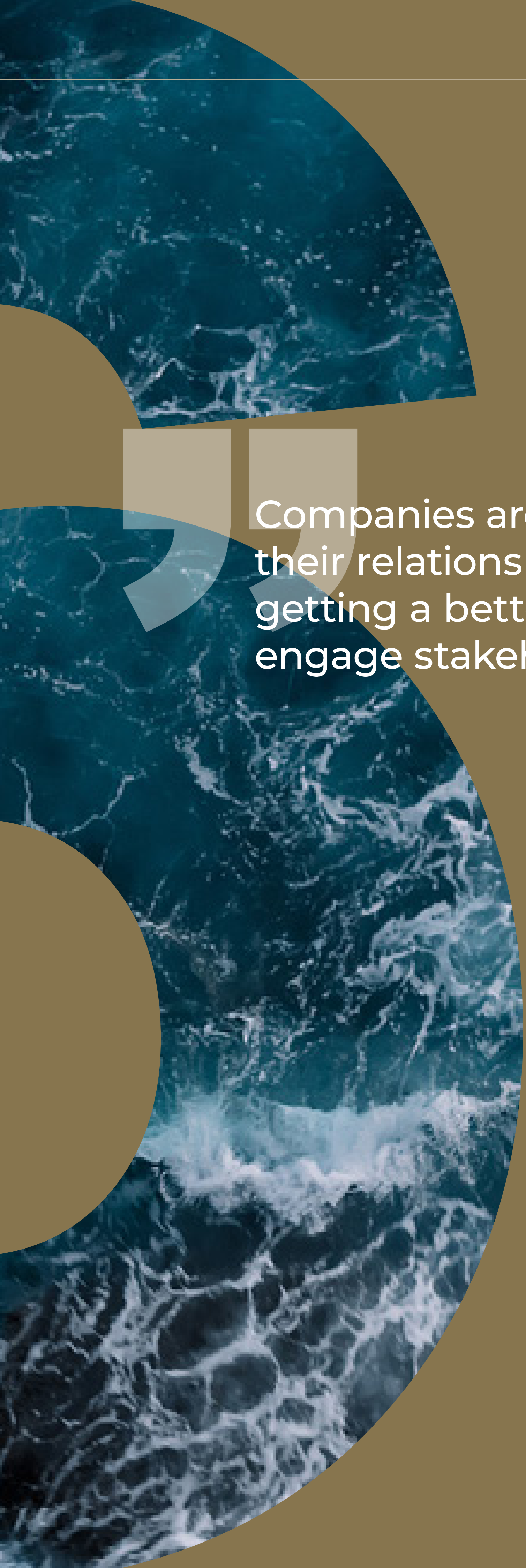
The indication on how human rights issues are taken on environmental dimensions, is illustrated by the over 90 lawsuits filed against states and more than 15 cases against corporations, for climate change related human rights violations during the first half of 2021. In both developing and developed countries, there is now a growing tendency to characterise the drop in quality of life associated with climate change as a human rights violation, and hence to seek redress from specific courts and conventions designed for human rights violation, such as the European Court of Human Rights and European Convention on Human Rights.

Some inherent challenges that should be identified and addressed include; the double-edged role that courts play; potential conflicts of interests on the part of judges that may be specific ties to some industries; the need to educate and retrain some judges that may not be very familiar with what could be considered a relatively new judicial trend and may lack the technical knowledge to properly assess cases; possible hesitancy on the part of some judges to accept jurisdiction over climate change related cases because they see such cases as matters belonging to other government agencies; general skepticism towards the courts ability to change the status quo, and widespread apathy or lack of confidence in the judicial system. These challenges provide the underlining reasons why some civil society advocacy groups would prefer to focus on international arbitration for incentivising companies to reduce and control their GHG emissions, rather than through adversarial locally based court litigations. As climate change court cases continue to become more prevalent in public discourse, the choice of resolving disputes through dialogue and arbitration, would remain a probable and attractive option.

Governments and the private sector need to continue to keep a watchful eye on developments within the legal space and be proactively responsive to the growing push for more legal accountability regarding climate change. As more cases gain international attention, governments around the world would be increasingly pressed to adapt their strategy and legal system. Undoubtedly, revisions to government regulatory policies or private sector corporate strategies would draw on any precedents set by the outcomes of ongoing or concluded litigations. The future legal landscape would never remain the same as outcomes of litigations, whether successful or unsuccessful, are bound to make companies become more environmentally conscious and to rethink their approach to climate friendly business practices. This is the rationale behind some ongoing lawsuits, that are file not for the purpose of seeking material compensation but rather to push for changes within the industry.

Climate change related court cases would continue to rise as NGOs and civil society advocacy organisations are not expected to relent on their environmental activist role, considering some recent taste of successes in landmark cases. Pressure would continue to be put on businesses and governments to adopt more proactive environmental-friendly policies and strategies. On the positive side, there is possibility that, as the cases grow and the parties become 'battle wary', the approach may change from adversarial legal confrontation to a more mediative approach, characterised by consultation and dialogue.

There is no limit to how the scope of climate change litigation could expand. We might see an increase in cases against central banks as investors on account of the climate change impacts of projects that they support, a phenomenon commonly referred to as 'value chain climate litigation', where claimants seek to hold institutions and companies responsible for acts and omissions in their value and/or supply chains. The potential for climate change litigation to become a global phenomenon is not farfetched. Climate change is a global issue with impacts that cuts across national borders and boundaries, and yet it is often difficult to attribute international accountability to the problem. We may see, in not-too-distant future, a persistent call for the creation of an international tribunal, akin to the ones set up to prosecute war criminals, to tackle climate change legal cases. The potential to bring legal actions against governments for providing subsidies for heavy emitting industrial sectors should also be kept on the radar screen of all players.



Chapter 6
Conclusion

> Companies are constantly reassessing their relationship with the public and getting a better handle on how to engage stakeholders effectively.

There is no denying the fact that notable events in recent times have pushed ESG into the spotlight. The greater focus on ESG is springing from the unprecedented coronavirus pandemic in 2020, social unrest resulting from racial discrimination, and recent extreme weather events and severe impacts of climate change in many places around the world. Investors are emerging from COVID-19 with a renewed focus on ESG priorities and vigour to use their investments to help build a better world by ensuring that their business successes are aligned with the values of their consumer base and other stakeholders. Companies are constantly reassessing their relationship with the public and getting a better handle on how to engage stakeholders effectively. ESG is providing an effective platform for stakeholder engagement to unlock new opportunities for both companies, leading to a rise in accountability and transparency in the corporate world.

Awareness of ESG is moving in the right direction, with visible improvements in corporate governance, transparency, engagement, openness and understanding of environmental and social risks, over the past 20 years.

... always expect the unexpected and adopt a 'no-regret' approach towards ESG related plans and strategies.

While the solid foundation for ESG practices has been laid in the 2010s, through vigorous debate and policy development, the 2020s could become the decade of action, as the adoption of ESG-related practices as the norm is expected to become widespread.

The shift from debate to action in ESG practices that is happening, can be highlighted by some of the following developments:

- The aftermath of the 2008 financial crisis ushered in full embracement of corporate governance reform, by market participants. Hence there was much focus on restoring trust in the capital markets in the 2010s.
- This period also saw the entrenchment of laws, codes of best practice, investment stewardship efforts and company initiatives that centered on board oversight and accountability.
- There was significant momentum on environmental and social issues during the second half of the decade, prompted by worldwide calls to action for sustainable business practices, in response to several corporate crises affecting consumers, the environment and society at large.
- The adoption of the global climate change agreement – the Paris Agreement, in 2015, represented a major breakthrough in the global effort to preserve the foundations for a healthy planet. The Paris Climate Agreement boosted the ESG movement by creating urgency and a globally recognised framework of concrete objectives for addressing climate change risks. The Paris Agreement recognises the need for the widest possible cooperation by all countries and participation of all sectors of society, including the industry, that is no longer seen as culprits but as integral part of the solution.
- In 2020, among the hard vital lessons the world learned from the unprecedented coronavirus pandemic, is to always expect the unexpected and adopt a 'no-regret' approach towards ESG related plans and strategies.
- This lesson of embarking on forward-looking ESG plans would continue to shape and strengthen a long-term sustainable approach to ESG strategy, going forward. As the world strives to rebuild a better and more resilient economy, governments and corporates are ensuring a proactive approach on ESG from 2021 onwards.
- The world is now witnessing a visible shift from traditional investment norms to more ethical, sustainable, and responsible investments. The decade of ESG action is also seeing a growing momentum in efforts by companies to reduce their overall carbon footprint and to engage in partnership with other players along their value chain to manage resources properly, ensure ethical labor employment, and maintain accountability and transparency.

Indeed, the developments during the 2010s have paved the way for a more sophisticated ESG environment in this new decade, which is expected to foster widespread implementation of ESG-related practices. Most companies now realise that, in order to create long-term sustainable value, and drive positive outcomes for business, the economy, society, and the planet, companies need to align their goals to the long-term goals of society, as articulated in the UN Sustainable Development Goals (SDGs).

Engaging stakeholders through ESG reporting and participatory decision-making process, plays a big part in this sustainable value-creation alignment of goals. ESG reporting provides opportunities for companies to effectively articulate their stories that set out: the core issues; why the specific issues have been chosen; the measurements and KPIs that are used to review progress on the key issues; the targets set for each issue; the processes put in place to track and measure progress against the targets; and the governance structures and processes setup to ensure oversight of ESG issues.

Companies can demonstrate that they understand how ESG issues affect their abilities to create long-term value by adopting a more focused approach to producing high-quality ESG reports that build trust with shareholders and key stakeholders.

The demand for ESG investing is now one of the fastest-growing investment strategies around the world. The events in recent times have sparked social justice movements around the world and have placed diversity, equity, and inclusion at the forefront in politics, townhall debates, and board rooms of major corporations. Risks associated with ESG unpreparedness are exposed and corporations, investors and fund managers are ramping up their commitment to sustainability. Investors are increasingly turning their attention to the "Social" aspects of ESG by recognising that these aspects are important in generating long-term value for all stakeholders. Companies are now under intense scrutiny from stakeholders who are using rigorous application of ESG perspectives and criteria to evaluate and rate companies against their peers. In the meantime, the rise of climate-related disasters has emboldened environmental and social activists to litigate against those they perceive to be hindering government agencies and company executives.

The widespread implementation of ESG-related practices across industries and jurisdictions, is here to stay and responsible companies, investors and governments have to act proactively on ESG, in order to avoid great risks and appropriate the significant opportunities that good ESG strategies provide.

Executive Summaries of Most Recent Sustainability Reports

By Some Member Companies

QATARGAS EXECUTIVE SUMMARY OF MOST RECENT SUSTAINABILITY REPORTS

Environment

Qatargas Operating Company Limited ("Qatargas") as a leading energy operator and the largest LNG producer in the world, realizes its leadership role in driving environmental protection. In line with its Direction Statement and as a key contributor to the fulfilment of the Qatar National Vision ("QNV") 2030 goals and objectives, Qatargas has invested significantly in a range of environmental mitigation and improvement initiatives to reduce its environmental footprint.

Qatargas committed to environmental protection and continuous improvement of its environmental performance as a company. Qatargas Direction Statement places great emphasis on this commitment and its key role as an important contributor to the QNV 2030, which includes Environmental Development as a key pillar.

As part of its environmental commitment, Qatargas management has decided to establish a focused Environmental Management and Sustainability team in addition to the existing Environmental Operations, Regulatory and Compliance and Waste Management teams. The main role of this team is to focus on strategic environmental initiatives, risk assessment and mitigation, stakeholder engagement, research and innovation.

Qatargas had also formulated its Environmental Strategy in 2020. The aim of the strategy is to *achieve sustainable premier environmental performance while addressing existing and emerging environmental issues, risks and opportunities.* The strategy is focused on a 10-year timeframe (2021-2030), encompasses the full Qatargas value-chain and is aligned with Qatar Petroleum sustainability/ climate change initiatives.

Highlights:

- Qatargas developed its Environmental Strategy in 2020. The strategy is expected to help Qatargas achieve sustainable premier environmental performance while addressing key emerging issues and risks such as climate change and our value chain environmental footprint.
- Most assets flaring performance was better than planned and well below the 0.3% MME target.
- JBOG facility achieved >95.4% recovery of boil-off gas.
- Achieved CO2 injection of 1.34 million tons per annum in 2020 through our dedicated CO2 injection facility.
- Successful implementation of Methane Leak Detection and Repair Program (LDAR).
- Successful start-up of Qatargas 2 (QG2) and Qatargas 3 (QG3) & Qatargas 4 (QG4)' wastewater Reduction and Reuse (WRR) facilities in 2020.
- Launched Go Green environmental awareness program (My Carbon Footprint) for Qatargas employees and local community.

Community Engagement

Qatargas supports social and environmental initiatives that benefit its regional communities. Qatargas regularly updates its systems and engagements to understand community requirements. In 2020, Qatargas renewed its sustainability policy, in line with stated company values. Additionally, Qatargas reviewed its Social Investment Procedure to add it to our new CSR strategy, which will be further renewed in 2021.

The focus of Qatargas' CSR strategy in 2019 was to sustain and develop its businesses for the ensuing five years. Due to the COVID-19 pandemic, the full implementation of this strategy had to be rescheduled. Qatargas has therefore extended its approach accordingly and planned to adjust it from 2021. Qatargas' CSR Strategy is aligned to its group objectives and the QNV 2030.

Qatargas' core purpose is to keep people safe. Qatargas contributed a total of QAR 4.43 Million through corporate social responsibilities and community engagement programmes in 2020. During COVID-19 restrictions, Qatargas' social investment spending diminished as expected and became focused more on helping to protect people in the region.

Despite the pandemic, Qatargas remained in touch with its stakeholders through its usual media channels. Qatargas also formed a task force to formulate its response to the pandemic and to keep its stakeholders aware of pandemic effects on Qatargas and the country.

2020 Highlights:

- Qatargas launched the first issue of Tawasul Newsletter in 2020.
- Qatargas enhanced its corporate Sustainability Policy.
- Qatargas sponsored the Qatargas League 2020-2021 under the aegis of the Qatar Football Association.
- Despite COVID-19, Qatargas celebrated Qatar National Sports Day and supported Qatar National Day celebrations.
- Qatargas established a COVID-19 taskforce to communicate with its stakeholders and keep them aware of its performance.

Strategic Management

As the name indicates, Qatargas Operating Company Limited ("OPCO") is the corporate vehicle for its operations and responsible for its corporate joint ventures. Joint ventures are conducted through one unincorporated and ten incorporated joint venture companies. Each joint venture has a different ownership structure, with 70% ownership by OPCO (nominating three members of the Board), and the remaining 30% to each joint venture partner (who each nominate one Board member).

The roles and responsibilities of the members of the Board and the delegation of authority to Chief Officers and relevant committees are set out in OPCO's Articles of Association and each Joint Venture Agreement. Sustainable management at corporate level is the responsibility of Qatargas' Chief Executive Officer.

In 2020, Qatargas was working on developing its new strategy to facilitate the achievement of the Direction Statement and its vision to be the World's Premier LNG company. The new strategy will be finalized in 2021 and will be followed by a Strategic Plan to translate this strategy into measurable execution plan to achieve the strategic goals and desired outcomes. Qatargas' strategy will focus on six strategic pillars that represent key priorities and focus areas where Qatargas will deploy resources and efforts for the next five years.

Qatargas takes an Enterprise-wide Risk Management ("ERM") approach which enables all parts of its business to focus on key areas of risk, and the measures needed to mitigate the potential consequences. In addition, Qatargas Business Continuity Management team, which is a part of ERM, plays a central role in coordinating the business continuity plans of every part of its business, supervising the network of local continuity coordinators who put local plans into action.

Moreover, Qatargas actively follows a Business Ethics Policy to promote and protect a culture of responsibility and fairness. Corruption, fraud, and unethical behavior are expressly forbidden. The objective is to enhance its reputation for honesty, integrity, and reliability. Qatargas adheres to clear rules of conduct and ethical behavior including the impact of any conflict of interest between an employee's private interests and the interests of the business.

Health and Safety

A culture of safety embraces everything Qatargas does. Qatargas' leaders seek to inspire and promote its workforce, commit to sustainable development, and provide active support for protecting the health of its communities and the society it serves. Through our 'IIF (Incident and Injury Free) in Action' safety culture programme, Qatargas workforce are engaged in interventions for safety to drive safe behaviors. Qatargas' CEO is sponsor of our 'Stop Work Authority' initiative, which empowers anyone working for Qatargas to speak up for safety, and through its established 'Safe Work Practices' Qatargas ensures starting every job safely and staying in control.

At Qatargas, effective communication from its leadership team is regarded as an important component in health and safety and it is conducted through various channels. Qatargas monthly Safety, Health and Environment ("SHE") Committee is headed by its CEO and various safety committees, including the quarterly SHE network meeting with shareholders, provides an opportunity to review the quarterly performance of the Health, Safety, Environment and Quality (HSE&Q) Group, as well as other relevant topics of interest. HSE&Q reports are also regularly shared with its shareholders, providing them with updates on various subjects of its Occupational Health and Safety ("OHS") performance.

OHS is another key component of Qatargas' business. Qatargas' approach to OHS covers the management of occupational risk prevention, including road safety, crisis management, industrial safety and major accidents and emergencies, information security and the health of professionals.

Qatargas reinforce its leadership commitment to OHS with ten 'Life Saving Rules' ("LSR"). They provide safety guidelines to its workforce on site and regularly promote communication through several channels. Compliance with LSR is mandatory for everyone, including contractors and suppliers in attendance at Qatargas' sites. LSR training includes computer-based learning modules and face-to-face workshops to educate Qatargas' workforce on LSR, their importance, and the consequences of non-compliance.

Throughout the ongoing pandemic Qatargas firmly maintain its focus on safety and devote priority to the health and wellbeing of its people while maintaining business continuity. Qatargas was among one of the first companies to establish a dedicated COVID-19 Taskforce to mitigate the risks from resulting from the pandemic, activating a Tier 3 Crisis Management Team. The Taskforce adopts a risk-based common strategy for Qatargas, which is aligned with the government and Qatar Petroleum guidelines.

Highlights:

- The lowest Total Recordable Incident Rate (TRIR) of 0.28 was recorded for Qatargas operating company since 2012, meaning that 2020 was the operating company's safest year. However, the TRIR for the entire business was 0.51, mainly attributed to injuries sustained in the course of projects. Qatargas focus in 2021 is to make projects safer.
- 107 Injury Free Days were recorded to the end of 2020, compared with 65 in 2018 and 84 in 2019. This means there were more than 3 months throughout the year when everyone working for Qatargas across all sites and projects went home safe each and every day.
- There was a 10% improvement in compliance with Life Saving Rules, compared to 2019.
- Qatargas successfully completed five injury free shutdowns in 2020.
- Qatargas standardised and streamlined its safety procedures and programmes.
- Qatargas aligned with all relevant stakeholders for Field RPO assignment.
- Qatargas contributed to the measures taken by the Contractor Management Taskforce to mitigate compliance with COVID-19 for contractor's accommodation facilities.
- There were no recordable occupational health illnesses in 2020. The rate of occupational illnesses was, therefore, zero (against a target 0.06)
- No cases of Legionella were detected following monitoring conducted across Qatargas onshore operation.
- Tier-1 Process safety incidents were reduced from four in 2019 to one in 2020.

Mr. Abdulla Mubarak Al-Khalifa,
Group Chief Executive Officer

QNB EXECUTIVE SUMMARY OF MOST RECENT SUSTAINABILITY REPORTS

https://www.qnb.com/sites/qnb/qnbqatar/document/en/enSustainability2020

1. **Message from the Group CEO**
   Mr. Abdulla Mubarak Al-Khalifa,
   Group Chief Executive Officer

Sustainability is of strategic importance and vital for us across the Group. It led us to further enhance our efforts and capabilities, placing sustainability at the heart of what we do. In 2020, we continued to strengthen our sustainability programme, in full alignment with Qatar National Vision (QNV) 2030 and the United Nations Sustainable Development Goals (UNSDGs).

One of the highlights of this past year was the issuance of QNB Group's first green bond, the first for a bank from the State of Qatar. Issuing a sustainable finance debt instrument is a signal to the investor community that we have developed a meaningful sustainability strategy. It also demonstrates that we have identified material environmental risks and opportunities and that we are ready to face them and to make improvements. Our bond, which was listed on the London Stock Exchange (LSE), allows us to tap into a pool of capital that supports the transition towards a sustainable and low-carbon economy.

As part of our commitment to sustainable business practices, we continued our support for the United Nations Global Compact (UNGC), the world's largest corporate sustainability initiative, promoting better business practices in the areas of human rights, labour, environment and anti-corruption. We published our first annual UNGC Communication on Progress (COP) to report against these principles. In addition, we joined other UNGC network participants and demonstrated our support for inclusive multilateralism by signing the Statement from Business Leaders for Renewed Global Cooperation. This statement reaffirms that we support the principles of operating as an accountable, ethical, inclusive and transparent organisation; it was presented to the UN Secretary-General as part of the official UN75 commemorations.

As a result of our efforts, we improved our ESG ratings from S&P's Corporate Sustainability Assessment (CSA) and Sustainalytics, two of the leading rating agencies in this field. We are proud of our inclusion in the FTSE4Good Index, as well as our continued disclosure with the Carbon Disclosure Project (CDP). We maintained our leadership position on the Qatar Stock Exchange for Environmental Social and Governance disclosure, and were ranked number one in Qatar by ESG Invest, the investment research arm of Sustainability Excellence. In addition, in early 2021, QNB was the first bank to achieve MSCI ESG "AA" rating in the region.

Our proactive approach to managing environmental, social and governance factors will strengthen our business and operating resilience over the long term. It is my firm belief that this will support QNB Group's position as a leading bank in the Middle East, Africa and South East Asia (MEASEA).

2. About QNB Group's Sustainability Report

https://www.qnb.com/sites/qnb/qnbqatar/document/en/enSustainability2020

International standards and national frameworks, compounded by the impending climate crisis and global COVID-19 pandemic, have a key role in guiding sovereigns and corporates to further integrate sustainability within their operating and business models. They also call for more transparency and public disclosure on the impact they have on the environment and society.

QNB welcomes the greater sense of urgency from our stakeholders, which supports our focus on sustainability and ESG initiatives. We recognise the significant contribution QNB can make by adopting business practices to address ESG topics directly (through our business operations), indirectly (through our financing and community activities), as well as by embedding a culture of sustainability in our DNA.

The third edition of QNB's Sustainability Report highlights progress made in our sustainability journey, from period 1 January 2020 to 31 December 2020. The report was developed in alignment with the following:

- Global Reporting Initiative (GRI) Standards
- United Nations Sustainable Development Goals (UNSDGs)
- United Nations Global Compact (UNGC) and Communication on Progress (COP)
- Qatar Stock Exchange (QSE) Guidance on ESG reporting

Assurance of Reporting

QNB strives to enhance levels of disclosure and reporting, and an independent assurance on the alignment with GRI Standards was obtained. The assurance statement is presented within our report.

3. QNB's Approach to Sustainability and ESG

Sustainability Framework

At QNB, we define sustainability as the delivery of long-term value in financial, environmental, social and ethical terms for the benefit of our customers, shareholders, employees, and communities. Our QNB Group Sustainability Framework consists of three pillars:

- **Sustainable finance** – integration of ESG criteria into financing activities to deliver profit with purpose
- **Sustainable operations** – integration of EG criteria into business operations and across our supply chain to operate ethically and efficiently
- **Beyond banking** – CSR activities to support and develop the communities in which we operate

Each pillar contributes to QNB's goal of ensuring sustainable financial performance by reducing risks, opening up new business opportunities and strengthening our brand.

Governance

QNB's sustainability programme, which consists of our group-wide sustainability strategy and roadmap, is owned and governed by the QNB Group Strategy Committee (SC), chaired by the Group Chief Executive Officer and attended by the Group's Executive Management Team. The SC is the decision-making body for all matters relating to the Group's sustainability programme.

When required, and at a minimum once a year, the SC reports key developments to the Board of Directors.

External Commitments

QNB develops its sustainability approach in full alignment with the Qatar National Vision (QNV) 2030 and the United Nations Sustainability Development Goals. We continue our support for the United Nations Global Compact (UNGC), the world's largest corporate sustainability initiative, promoting better business practices in the areas of human rights, labour, environment and anti-corruption. In addition, we joined other UNGC network participants in support of inclusive multilateralism by signing the Statement from Business Leaders for Renewed Global Cooperation as part of the official UN75 commemorations.

As stated in our public ESG related policies, we also support and commit to the UN Guiding Principles for Business and Human Rights, and the International Labour Organisation (ILO) Declaration of Fundamental Principles of Rights at Work.

ESG Reporting and Disclosures

QNB reports its sustainability performance annually and in accordance with the GRI standards: core option and GRI G4 Financial Services Sector Disclosures. In addition, we provide full ESG disclosure to the Qatar Stock Exchange, and through UNGC Communication on Progress (COP). QNB's complete ESG data disclosure is included in our report.

Furthermore, QNB actively engages and participates in ESG ratings and indices disclosures. In 2020, QNB maintained or improved its ratings from S&P CSA, Sustainalytics, CDP, FTSE4Good, and ESG Invest. In early 2021, QNB was proud to be the first bank to achieve MSCI ESG "AA" rating in the region.

Sustainability at a Glance (as at 31 December 2020)

FINANCING

7.54 QR BILLION — Lending portfolio financing environmentally friendly, low carbon activities

600 USD MILLION — Largest green bond issuance from bank in the region

22.9 QR BILLION — Value of loan portfolio to SMEs and microenterprises

32 — Number of sustainable financial products and services offered to customers

CLIMATE

419 QR MILLION — Total invested in our communities

-16.4% — Reduction in energy consumption (GJ) since 2019 = -16.4%

-1.31 TONNES (CO_2/ EMPLOYEE)

Reduction in carbon intensity since 2015

2015 = 5.0 (tonnes CO_2/ employee)
2020 = 3.7 (tonnes CO_2/ employee)

CUSTOMER EXPERIENCE

69.2 %
Digital transactions
(online and mobile as a % of total)

0
Data security breaches

bsi ISO/IEC 27001 Information Security Management CERTIFIED

ISO 27001
Information Security Management System certification

GENDER DIVERSITY

29 % — % Women in Group Executive Management

48 % — % Women employees

21 % — % Women Board Membersin our subsidiaries

0.92 — Female/ male pay ratio

INTERNATIONAL COMMITMENT

UN GLOBAL COMPACT

10 PRINCIPLES
Our commitment and membership to UNGC

UN75 2020 AND BEYOND

GLOBAL ACTION
Our commitment to inclusive and multilateral cooperation

QATAR AIRWAYS EXECUTIVE SUMMARY OF MOST RECENT SUSTAINABILITY REPORTS

QATAR AIRWAYS' - SUSTAINABILITY REPORT

Corporate leadership and commitment to continue building trust and transparency

INTRODUCTION

Qatar Airways, one of the world's leading airlines and 'Airline of the Year' for the year 2021, is strongly committed to a sustainable aviation industry. While aviation plays a critical role in supporting, economic development and facilitating global relationships, our industry is committed to maintaining the highest standards in environmental sustainability.

Over the past 16 months, the aviation industry has faced an unprecedented crisis. Nevertheless, Qatar Airways has managed to continue navigating the complexities brought to the industry through the COVID-19 pandemic, by the means of preserving our operations for the passengers and staff that stood with us during this challenging time, whilst at the same time safeguarding the environment. While focusing on our passengers, overall safety, efficient route network, product innovation, and the duty to care for the environment, Qatar Airways also reaffirms its leadership and commitment to going beyond industry standards for environmental sustainability.

We believe that the 'Airline of the Year' award is more than just a recognition of our world class service. At Qatar Airways we understand that this award confers a responsibility derived from our strong commitment to leadership and corporate social responsibility.

The Qatar Airways Group publishes its sustainability report on an annual basis, with the first ever report, focussing on environmental sustainability, encompassing the period from 01 April 2015 to 31 March 2016. Over the years, Qatar Airways' sustainability report expanded to include other topics within the framework of sustainability, such as health and safety, and security. In the most recent report, 2018/2019, Qatar Airways introduced a framework that serves as a guide to the decision-making processes, the actions undertaken, and the future envisioned for the Group.

Our Approach to Corporate Sustainability

The Qatar Airways' Sustainability Report conveys a holistic approach to sustainability across the airlines' global operations. We believe that by understanding stakeholder expectations, sustainability issues can be prioritised to guide decisions regarding the allocation of resources and improved performance.

Our approach involves:

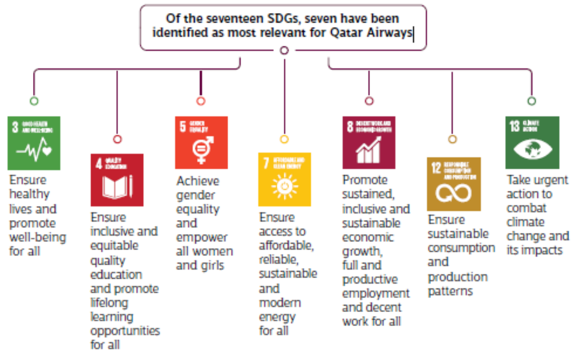
- Identifying stakeholders and considering expectations
- Planning and delivering communication and engagement activities
- Capturing and evaluating stakeholders' feedback
- Acting upon stakeholders' feedback

We have developed a comprehensive corporate sustainability framework that identifies the economic, social and environmental topics that are most important to our airline and our corporate functions. The four themes are outlined below:

Business	**People**	**Society**	**Environment**
Ethical Business Customer Experience Customer Safety & Security	Employee Health, Safety & Well-being Gender, Diversity & Inclusion Learning & Development	Social & Economic Development Global Sponsorships Corporate Citizenship	Energy & Climate Change Local Environment Wildlife & Natural Resources

At Qatar Airways Group, we contribute to the Qatar National Vision to "transform the State of Qatar into an advanced society capable of achieving sustainable development" by 2030. This includes the four pillars of the Qatar National Vision 2030: Economic, Human, Social and Environmental Development.

In addition, we recognise that some of the United Nations (UN) Sustainable Development Goals (SDGs) are more aligned to our corporate functions. The 17 UN SDGs serve as a shared blueprint to build economic growth, while addressing the most pertinent global challenges we face, including those related to poverty, inequality, climate change, environmental degradation, peace, and justice for all by 2030.



Highlights of the Qatar Airways' Sustainability Report

Despite the unprecedented impact of the global COVID-19 pandemic, Qatar Airways reasserted its commitment to consolidating the connectivity of a strong operations network for both passenger and cargo.

- During 2018/19, Qatar Airways Cargo grew to become the world's second largest international cargo carrier.
- Prior to the COVID-19 pandemic, Qatar Airways operated flights from its hub in Doha to more than 160 destinations, spanning six continents and continually adding new destinations.
- In March 2021, independent data from the Official Airlines Guide (OAG) reaffirmed Qatar Airways as the largest airline in the world in terms of Available Seat Kilometres (ASK), offering more global connectivity to its passengers than any other airline.

Business

8 DECENT WORK AND ECONOMIC GROWTH

1.1. Ethical Business

Ethical business involves caring about how our business is conducted and who our business interacts with. In considering ethical business, Qatar Airways looks at its own operations and business practices, as well as its interactions with its supply chain and business partners.

1.2. Customer Experience

At Qatar Airways, the customer is the foundation of our business. We strive to always put the needs of customers first, while upholding the highest standards of excellence.

Our recent awards in 2021

Qatar Airways Named Airline of the Year and Best Business Class by the 2021 Airline Ratings Awards

Hamad International Airport in Doha, Qatar has been named **the Best Airport in the World** at the Skytrax 2021 World Airport Awards.

Qatar Airways named World's Best Airline by leading online travel agent eDreams

Highest Diamond Standard Status in The Global APEX Health Safety Powered by Simplifying COVID-19 Audit

First airport in the Middle East and Asia to be awarded the 5-Star COVID-19 Airport Safety Rating

First global airline in the world to achieve the 5-Star COVID-19 Airline Safety Rating

1.3. Customer Safety & Security

Qatar Airways was the first airline to complete IATA's Operational Safety Audit (IOSA) in 2003, and has successfully renewed its certification every two years since.

A comprehensive and integrated safety management system enables group-wide compliance with the regulations and guidelines set out by Qatar Civil Aviation Authority (QCAA), International Civil Aviation Organization (ICAO), International Air Transport Association (IATA), and any specific legislation applicable to the countries in which we operate. For this reason, customer safety is of the utmost importance to the Qatar Airways Group.

- **Crew Resource Management, including; Instructors, Cabin Crew, and Flight Crew.**
- **Ground Safety and Global Safety Surveillance oversight**
- **Security, Data Protection and Cyber Security**

2. People

2.1. Employee Health, Safety & Well-being

The safety, health and welfare of employees and guests are an integral part of the Group's Safety Management System. Through our Occupational Health & Safety and Fire Safety Policy, we commit to promoting and maintaining the health and safety of our employees by:

- Eliminating hazards and providing safe and healthy working conditions
- Providing training and awareness and increasing participation, consultation and communication

We are also committed to developing our safety culture and a proactive, safety conscious workforce through collaboration, communication and training, through:

- **Hazard identification, risk assessment and incident investigation**
- **Safety Performance**
- **Fire, safety & security**

During 2018/19, formal fire safety awareness training was delivered to employees via three key formats:

25,000+ staff completed e-learning
15,000+ staff viewed fire safety video
400+ staff attended classroom training

- **Medical support**

Qatar Airways employees are supported in their roles by a dedicated medical centre providing; Primary health care for all staff, Specialist medical assessments, Medical tests and assessments required by the State of Qatar, as well as psychological services.

In addition to the promotion of our employee's physical well-being, Qatar Airways' has successfully executed various leading campaigns such as World Mental Health Day, the Step into Health programme, and the successful QR employee vaccination programme.

2.2. Gender, Diversity & Inclusion

'Excellence in everything we do' is a philosophy that we, at Qatar Airways, strive to consistently uphold. Qatar Airways continues to demonstrate leadership while promoting gender equality, diversity and inclusion:

- Qatar Airways and its subsidiaries recruited employees originating from over 160 nationalities.
- Since February 2019, Qatar Airways commenced a ten-year partnership with the International Air Transport Association (IATA) for the 'IATA Diversity & Inclusion Awards', which seek to promote greater gender diversification throughout the aviation industry.
- In celebration of diversity, Qatar Airways operated an entirely female crew flight that took place on 10 March 2019 on the Brussels to Doha route.

2.3 Learning & Development

Qatar Airways is dedicated to delivering world-class learning and training for its employees, by integrating the latest learning trends, methodologies and technology into our learning culture.

a) Cadet Pilot Programme
In 2018, the Qatar Airways' Cadet Pilot Programme welcomed 200 new applicants. This programme supports high-calibre individuals in their training as the next generation of professional airline pilots. By catering to Qatari Nationals, as well as various other nationalities, the programme is in alignment with Qatar Airways' projected growth and Qatar's National Vision 2030.

b) The Oryx School
With our passion for education, Qatar Airways has made identifying the right school for its employees much easier, by providing a dedicated school for the children of employees. Currently, the Oryx School, represents more than 90 different nationalities.

3. Society

Commonly referred to as "the business of freedom", the aviation industry has supported more than 65.5 million jobs worldwide and is a major contributor to global economic prosperity. The connectivity provided by air transport amplifies trade and tourism unrivalled by any other transportation network.

The Doha Declaration, a manifesto that calls for a review of the existing aviation regulatory framework, was announced at the conclusion of the CAPA Qatar Aviation, Aeropolitical and Regulatory Summit held in Doha, February 2019. The Declaration comes 75 years after the historic Chicago Convention, which established the International Civil Aviation Organization (ICAO) as well as a set of global rules for airspace, air safety and commercial air travel.

The recommendations made by the Doha Declaration are that governments should:

- Relax restrictive airline ownership and control rules, which underpin the bilateral air services system, constraining rationalisation of market access.
- Increase efforts to encourage plurilateral liberalisation, as promoted by the European Union for example.
- Enhance sustainability – in its broadest meaning – in the aviation sector.
- Actively encourage Aeropolitical discussion and further engagement at the highest levels.

Our Social Commitment

By aligning with Qatar's National Vision 2030, establishing Qatar as a global centre for sport is consistent with the airline's ethos of bringing people together.

Qatar Airways is the official airline partner of Fédération Internationale de Football Association (FIFA). In addition, we sponsor some of the world's greatest sports clubs, organisations and tournaments, as well as, supporting local and global charitable initiatives which are aligned with our own values as well as those of the Qatar National Vision 2030.

4. Environment

Qatar Airways Group's Environmental Sustainability Policy aims to:

a) Work in collaboration with the industry in leading global efforts to reduce CO_2 emissions to tackle climate change.
b) Meet and exceed industry best practice for Noise and Air Quality.
c) Prevent pollution and meet compliance obligations, and other requirements to which Qatar Airways adheres.
d) Continually improve environmental performance, through Environmental Management Systems.
e) Maintain a Zero-tolerance policy towards the transportation of Illegal Wildlife and their products.

Qatar Airways' Environmental Management System (EMS) was accredited to IATA's Environmental Assessment Programme (IEnvA) Stage 2 in December 2017. Since then, the certification has expanded to include passenger and cargo airline operations, catering and cabin services, aircraft maintenance and repair, cargo ground services, and all corporate functions. Key activities undertaken by Qatar Airways in this regard include:

- Embedding the Group's Environmental Policy, Standards and Procedures across the business and seeking accreditation to recognised independent certification schemes;
- Setting environmental competencies and providing training for all employees; and
- Ensuring committed, visible environmental leadership and effective governance to drive and maintain progress towards the Group's environmental objectives.

Our efforts for continued compliance with climate change legislation such as the European Union Emissions Trading System (EU-ETS), the United Kingdom Emission Trading Scheme (UK-ETS) and, the ICAO Carbon Offsetting and Reduction Scheme for International Aviation (CORSIA). Qatar Airways has also launched a voluntary carbon offset scheme offering passengers the opportunity to offset their carbon emissions from their journey.

4.1 Achievements and partnerships

The Qatar Airways Group collaborates with a number of influential bodies in addressing the most pressing sustainability challenges currently being faced by the international aviation industry. These include:

a) **IATA's Sustainability and Environment Advisory Council (SEAC)**
b) **Arab Air Carriers' Organizations' Environmental Policy Group**
c) **United for Wildlife's Transport Industry Declaration**
d) **USAID's Reducing Opportunities for Unlawful Transport of Endangered Species (ROUTES)**
e) **Airports Council International's (ACI) Airport Carbon Accreditation programme**
f) Qatar Airways has established partnership with FIFA for a **Carbon neutral FIFA World Cup 2022**.

4.2 Energy and Climate Change

Despite its low contribution to CO_2 emissions, the aviation sector is one of the most active sectors worldwide to address CO_2 emissions and tackle climate change. According to the UN specialized agency, the International Civil Aviation Organization (ICAO), CO_2 emissions from aviation (domestic and international) accounts for approximately 2% of the total global CO_2 equivalent emissions.

Since 2013, Qatar Airways has been supporting IATA's Four-Pillar Strategy to address the global challenge of climate change, which include:

- Technology,
- Sustainable aviation fuels (SAF),
- Infrastructure and more efficient operations,
- Global market-based measure to fill the remaining emissions gap.

Our comprehensive strategy for environmental sustainability and climate change is firmly embedded across the Group's daily operations and decision-making processes. Supporting the aviation industry's commitment towards reducing emissions in the medium to long-term, Qatar Airways adopted the IATA's Four-Pillar Strategy to tackle climate change with common climate targets.

Qatar Airways, a member of **one**world®, alongside other alliance members, is committed to net zero carbon emissions by 2050, and therefore becoming the first global airline alliance to unite behind a common target seeking to achieve carbon neutrality.

4.3 Noise and Air Quality

Qatar Airways' continues to invest in a modern fleet, featuring advanced technology to reduce noise and emissions. During operations, we adhere to airport noise abatement procedures and emissions regulations at all destinations.

4.4 Waste Management

By considering the whole lifecycle of a product, Qatar Airways minimises waste and identifies opportunities to reuse or recover materials for other purposes. Qatar Airways' economy class inflight-dining experience 'Quisine', launched in 2019, demonstrates the measured approach in relation to single-use plastics. In developing Quisine, Qatar Airways aimed to reduce single-use items, while considering the potential environmental impact of the alternatives.

Waste from Qatar Airways' activities at Hamad International Airport is managed through the airport's centralised waste management facility. Qatar Airways has a recycling program for its corporate offices in Doha where it seeks to recycle paper, plastic, metal and glass. Additionally, MATAR is leading cross-airport working groups with airport stakeholders to better understand the composition of general, unsegregated waste and identify further opportunities to recover recyclable or reusable waste types.

4.5 Water and Land

Qatar Airways Group is under a duty of care with respect to the use, transportation, storage and disposal of potentially hazardous substances, to reduce the risk of an uncontrolled release to the environment.

Qatar Airways' cargo building and maintenance hangar are located at Hamad International Airport. As such, all of the wastewater from these buildings is collected for treatment at the airport's dedicated wastewater treatment plant. The plant recycles on average 93 percent of the water received for use in landscape irrigation across the airport.

Qatar Airways collects condensate water from air conditioning systems, which would otherwise be lost to the environment, at three of its commercial buildings. This is used as an alternative to potable water for cleaning external and basement areas.

4.6 Wild life and Natural Resources Conservation

The illegal trade in wild animals, plants and associated products is one of the biggest threats to the survival of some of the world’s most endangered species. Wildlife and wildlife products are transported around the world for trade, relying on commercial transport services, including aviation, to smuggle illicit goods. Qatar Airways maintains a zero-tolerance policy towards the illegal trade of endangered wildlife and is actively engaged in stopping illegal wildlife transportation.

In February 2019, Qatar Airways launched an industry-leading training programme focused on preventing illegal wildlife trafficking. The bespoke e-learning package was developed to enhance employee awareness regarding the illegal trafficking of wildlife, while targeting roles within the airline, which are most likely to encounter illegal activity.

WOQOD
EXECUTIVE SUMMARY OF MOST RECENT SUSTAINABILITY REPORTS

1. Introduction

WOQOD's 2020 Sustainability Report marks the 8th edition without interruption since we have commenced reporting in 2013. Guided by the direction of the Board of Directors, our comprehensive sustainability framework provides a solid foundation for operating our business at the highest standard.

Sustainability is a comprehensive approach that considers ecological, social and economic dimensions, recognizing that all must be considered together to find lasting prosperity.

At WOQOD, we align our strategy with the United Nations Sustainable Development Goals (SDGs) which provides the blueprint to achieve a better and more sustainable future for all. We believe that building a more sustainable business creates a higher value for our stakeholders.

1.1 Corporate Profile

Qatar Fuel (WOQOD) is the leading fuel distribution and marketing services company in the State of Qatar. WOQOD's Initial Public Offering was completed in 2003 and its shares are listed on Qatar Stock Exchange. The company has sole concession for distribution and marketing of fuels to commercial, industrial and government customers throughout the country, including Natural and Liquefied Gas; and Jet A1 refueling and related services at all airports in Qatar. The company is considered pioneer in the GCC region to convert to fully unleaded gasoline and diesel fuel with lowest sulfur content.

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Beside distribution of conventional fuel products, we supply LPG to domestic customer using safer, lightweight and transparent fiberglass "SHAFAF" cylinders that are filled at the state- of-the-art high-tech LPG filling plant. For industrial and commercial users, the company supplies LPG through tankers at customer sites. WOQOD is also engaged in the business of supplying bitumen to fulfill road asphalting and construction needs within the State of Qatar.

WOQOD provides fuel retail services through its network of state-of-the-art fuel stations and holds dominant market share in Qatar. In addition, we provide complete auto-care and maintenance services at our petrol stations including car wash, repairs, oil and tire change services. WOQOD Lubricants have a complete range of automotive and industrial lubricants developed to suit all types of vehicles and industrial requirements.

1.2 About the Report

WOQOD has been voluntarily reporting on its sustainability performance every year and the sustainability report has been prepared in accordance with Global Reporting Initiative (GRI) principle of materiality to cover topics that reflect organization's significant economic, environment and social impact.

1.3 Sustainability Reporting

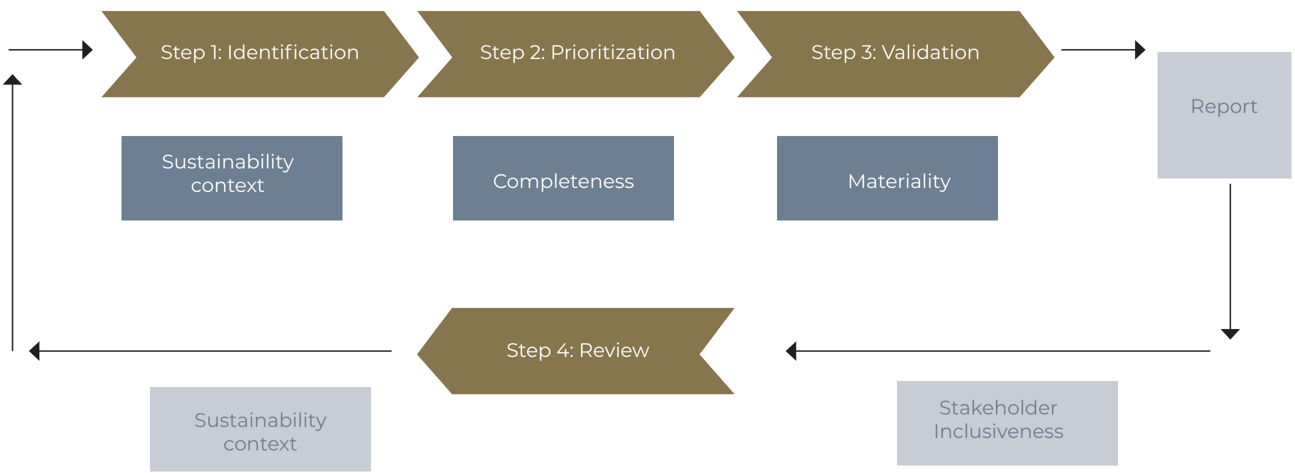
This is WOQOD's 8th Sustainability Report with all our commitments, governance, policies, performance and targets in respect of managing the environmental and social impacts of the Group during the financial year ended 31 December 2020.

It has been prepared in line with Global Reporting Initiative (GRI) – G4 Guidelines along with Oil & Gas supplements.

1.4 Identifying Material Aspects and Boundaries

The process of defining the specific content for the report is undertaken by discerning the level of impact our operations have on aspects outlined by the Global Reporting Initiative (GRI).

· Identification
· Prioritization
· Validation
· Review



Sustainability Reporting Process

1.5 Four (4) step approach

The process of defining the report content is based on principals that are designed to be used in combination. These principals are the following:

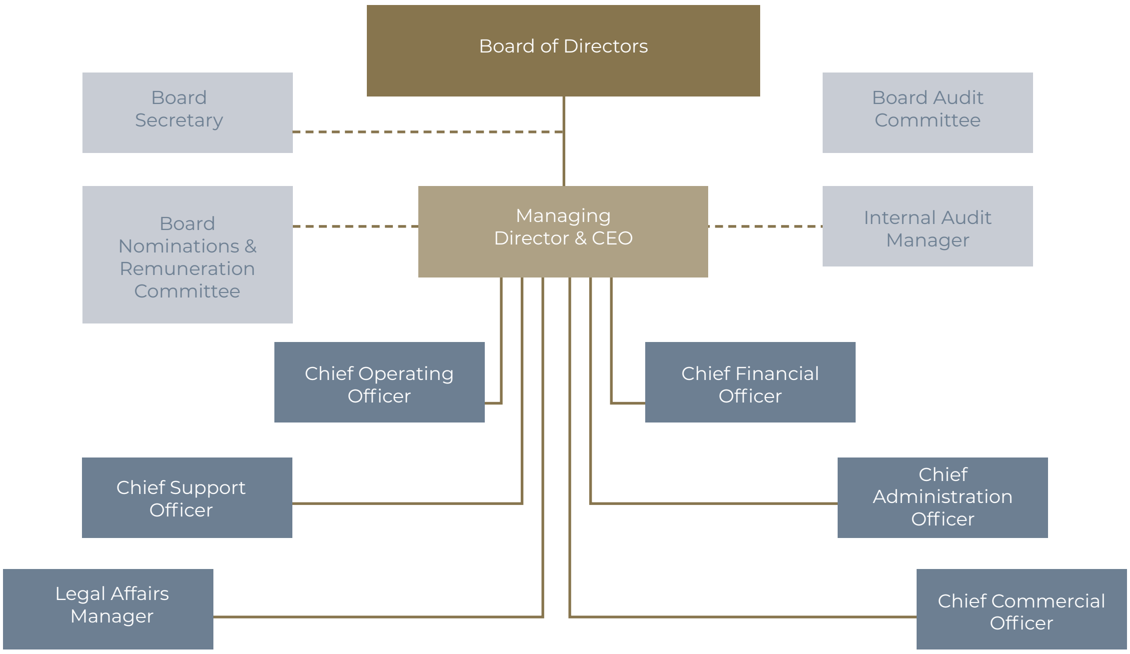
· Stakeholder inclusiveness
· Sustainability context
· Materiality
· Completeness

2. Governance

WOQOD have a clear and effective governance structure that extends from our Board of Directors (BoD) and Executive Leadership to our operations. The Board of Directors (BoD) is the highest governance body and responsible for all high-level decision making regarding economic, financial, operational, social and environmental issues.

The Boards' duties are carried out independently and impartially in accordance with Qatar Stock Market Governance requirements.

2.1 Governance Structure



3. Social Development & Community Investment

3.1 Economic Performance

DIRECT VALUE GENERATED & DISTRIBUTED (QAR) "FIGURES IN MM"			
	2018	2019	2020
Revenue	23,155	22,446	13,245
G&A	372	323	287
NET PROFIT (net of minority interest)	1,160	1,216	707

WOQOD's overall sales of petroleum products decrease by about 21%, compared to the same period, due to supply and demand factors and the negative effects of COVID-19, natural gas sales increased 13%, compared to the same period in 2019. Non-oil retail sales revenues, including Sidra sales, increased by 11%, due to the opening of several new petrol stations. In Qatar, WOQOD continues its high-level commitment to ESG disclosures at the Qatar Stock Exchange index for public listed companies

3.2 WOQOD CSR Activities 2020

WOQOD is committed to corporate social responsibility and support environment and local community. Our Corporate Social Responsibility (CSR) framework, focusing on community, health, education and environment.

EVENTS & ACTIVITIES	
QND support	WOQOD has continued to support and sponsor national events in 2020 by donating one (1) million Riyals for the QND 2020 celebration as a show of its realization of Qatar National Vision and a promotion of loyalty, solidarity, unity and pride in the Qatari national identity.
Activating Urban Areas with Art	WOQOD has participated in "Jedariart" initiative of Qatar Museums which brings together artists to add vibrancy and meaning to the walls across Doha through carefully curated murals and street art. The aim of the project is to activate urban areas and artistic innovation by inviting artists to submit artwork proposals for the walls of the Fire Station and other designated places throughout the city of Doha, creating new reference points for people to go and visit across the city. WOQOD has selected the Qatari artist Haifa Al Khuzaei to add an artwork to a wall at Fareej Kulaip petrol station.
Cancer Awareness	In cooperation with Qatar Cancer Society WOQOD participates in the Blood Cancer Awareness campaign.
Toafa initiative	Qatar fuel WOQOD has sponsored painters project for Qatar Museum for (Toafa initiative) with 20,000 QR to draw on kulaib P.S
WOQOD e-chip	WOQOD distributed WOQOD-e chip for free to the public
National day celebration organization committee	WOQOD sponsored the National Day celebrations (Darb Al Saai) coordinated by the State National Day celebrations organizing committee
Al Thakhira Youth Center	WOQOD sponsored the National Day celebrations (Darb Al Saai) coordinated by the State National Day celebrations organizing committee
Qatar Charity	WOQOD donates to Qatar charity by applying a system at Sidra allow the customers to donate the remaining balance of his money in coins directly to the charity.
Qatar Society for Rehabilitation of Special Needs	WOQOD sponsored the purchase of equipment for them.

3.3 Social Contribution

As a public company, WOQOD donates 2.5% of its annual net profit to the Sports Authority fund as mandated by the Law No (13) in 2008.

YEAR	2020
Social & Sport Activities	17,685,629.60
Donations	1,020,000
Total	18,705,629.60

Cooperation with HMC, WOQOD organized blood donation campaign at WOQOD Tower.

3.4 Qatarization

Qatarization is an integral part of Qatar National Vision 2030, aims to increase the percentage of job positions and work opportunities for Qatari nationals.

WOQOD's total workforce in 2020 was 1513. Approximately 15.4 % of the workforce are Qatari nationals. Human capital Initiatives have resulted in an approximately 50% of midlevel positions being occupied by Qatari nationals, when not taking in account field positions that still rely heavily on expat workers such as petrol stations worker, drivers and other areas.

YEAR	QATARIZATION %
2019	14.0
2020	15.4

4. Environmental Sustainability

4.1 Energy Management

WOOQD seeks to optimize the use of valuable natural resources in our operations, facilities, fleet vehicles, and office facilities by conserving energy and reducing fuel consumption.

WOQOD recognize that an industry-wide reduction of carbon emissions is crucial to global environmental sustainability. WOQOD accepts with full gravity and responsibility to identify ways in which our business can contribute to this reduction.

INDIRECT ENERGY		
YEAR	ELECTRICITY (MWh)	CHANGE %
2019	61,574	3 %
2020	59,701	

4.2 Renewable Energy

In 2021, WOQOD plan to integrate renewable energy source (Solarized petrol stations) in two petrol stations. Solar energy provides a way for petrol stations to reliably reduce their electricity costs.

4.3 Emission Management

WOQOD taking continuous efforts in this capacity include tracking and reporting greenhouse gas (GHG) emissions that result from our internal operations and developing methods to reduce those emissions.

EMISSION LOAD		
YEAR	CO2 EMISSION (TONS)	CHANGE %
2019	24242.90	17 %
2020	20115.80	

WOQOD join hands with Qatar Petroleum (QP), leading CNG program to meet fuel demand in the state of Qatar. The concept to cater for the CNG fuel requirement of public and private sector vehicles in future.

WOQOD CNG station, Ras Laffan

4.4 Emission Management Initiatives

- Stage – II, Vapor Recovery System:
  The system used to capture the gasoline vapors at the vehicle fill pipe. The captured vapors are returned to the empty space in the underground storage tank at the petrol station. Stage II VRS will reduce volatile organic compound (VOC) emissions.

- Low Sulfur Fuel
  Sulfur content in fuel leads to increased air pollution through emissions of harmful sulfur compounds such as sulphates, and by inhibiting the effectiveness of modern emission control devices. WOQOD distributing Low Sulfur fuels (ULSD & VLSFO) to the market.

- ULSD Fuel:
  QP Refinery LGO supply has been converted successfully into Ultra Low Sulfur Diesel (ULSD) grade in Oct 2020 to a single unified grade of ULSD being supplied in the State of Qatar.

4.5 Waste Management

We aim to reduce waste generation and to reuse or recycle Waste materials. In 2020, we sent more than 1MM Liters of used oil off-site for recycling and we extended waste recycling program to recyclable papers, plastic, batteries and tires.

5. Health & Safety

THINK SAFETY

To demonstrate the organization's commitment to Health and Safety Environment (HSE), we have a structured guidance in place for the annual monitoring of HSE progress. The aim of this program is to improve HSE performance by:

- Reduce injuries
- Reduce financial burden from losses to people, assets and the environment
- Enhanced customer profile and stakeholder acceptance
- Improved insurance premiums

This program is applied to all WOQOD facilities, services, employees and contractors working for or on behalf of WOQOD to its operated sites.

COVID-19 Pandemic Management Highlights

WOQOD Crisis management committee are continuing to work with Regulatory Authorities and to ensure that all work-related guidance is compatible with health and safety requirements.

Our robust health measures remain in place and are frequently updated based on the advice of Qatar Petroleum, MOPH and other stakeholders in order to mitigate a significant spike in COVID-19 transmission.

WOQOD HSE has continued to undertake its essential role of enhancing HSE awareness, particularly in relation to prevention of the novel coronavirus (COVID-19) infection.

5.1 HSE Initiatives of the Year 2020

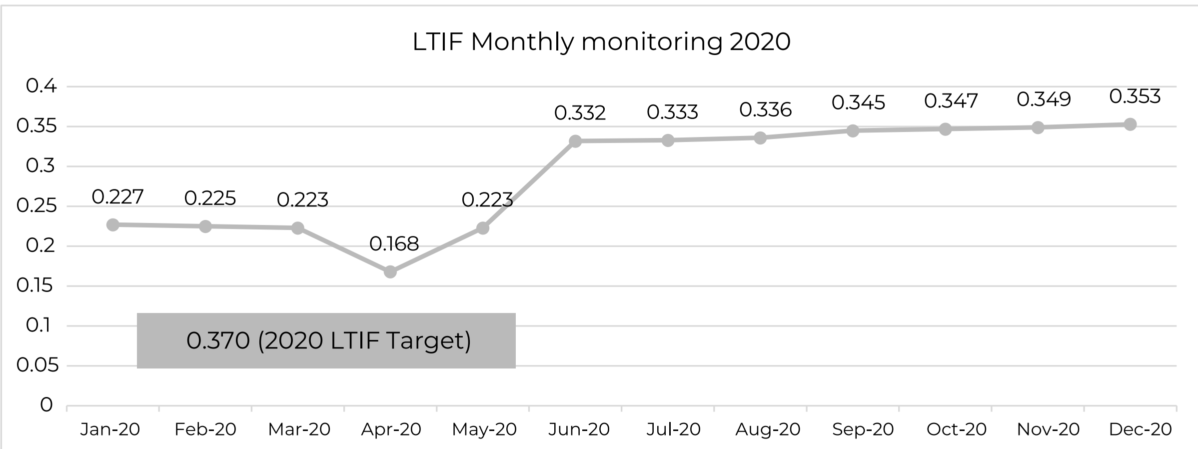
- **HAZID/ HAZOP study revalidation and implementation for WOQOD facilities study**
  WOQOD appointed third party consultant to conduct Hazard Identification (HAZID) and Hazard and Operability (HAZOP) study review sessions for six WOQOD facilities. Among the six facilities, HAZID & HAZOP study was newly done for HFO, QJET and FRS.

- **Contractor Safety Management Campaign**
  WOQOD main contractors were selected for the campaign (i.e., from Contractor category project, services, maintenance) and kickoff meeting conducted on 11th March 2020. The campaign activities suspended due to current situation but will continue after the pandemic.

WOQOD CNG station, Ras Laffan

- **Transition from OHSAS 18001 to ISO 45001 certification**
  We successfully completed OHSAS transition certification audit on November 2020 and WOQOD & subsidiaries are now ISO 45001 certified.

- **COVID-19 protocols and awareness campaigns**
  Awareness campaigns were conducted, and control/ mitigating measures were developed with reference to information and protocols from MOPH and QP to protect the safety and health of WOQOD employees and its contractors.

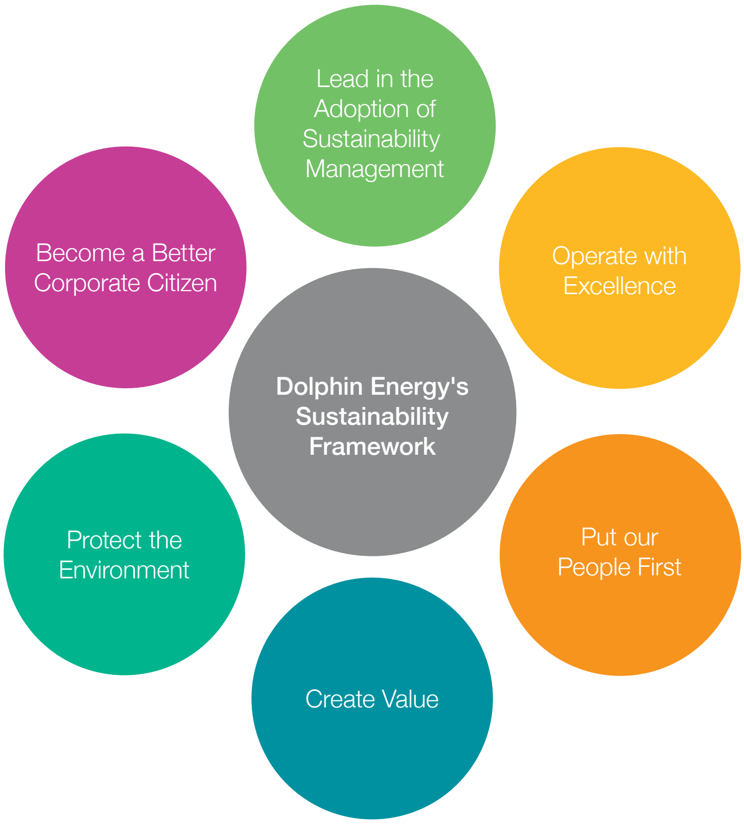


DOLPHIN ENERGY EXECUTIVE SUMMARY OF MOST RECENT SUSTAINABILITY REPORTS

SUSTAINABILITY AT DOLPHIN ENERGY

Our sustainability management approach is built upon the six pillars of our sustainability framework which represent all aspects of our business and provide a focus for all our sustainability efforts.
We are committed to prioritizing the issues that directly intersect with our business and matter the most to our stakeholders. This enables us to address the right issues and report on them more effectively.

In 2019, we started a thorough review process of our materiality matrix in line with GRI Standards. We redefined the material issues to reflect the latest industry and global developments and conducted an extensive stakeholder survey. The matrix below captures the 21 issues that were identified as material for our business to manage under the six pillars of our sustainability framework.



CHAIRMAN MESSAGE

"The disruptions to travel and the restrictions on day-to-day interaction brought about by COVID-19 placed unusual strain on our goal of operational excellence - running our operations safely, reliably, and efficiently. Across the business, we worked extremely hard to maintain safe operations and business continuity while supporting the environment, society, and the economy, showcasing that our commitment to sustainable business practice remains as strong as ever, irrespective of the circumstances."

Hamdan Bin Zayed Al Nahyan
Chairman

CEO MESSAGE

"Our financial and operational performance remained strong in 2020 despite the extraordinarily difficult market conditions. We operated safely and reliably, while maintaining our environmental performance. Our people remain our greatest strength and this year was proof of their flexibility and commitment. Through very challenging circumstances, they continued to work with professionalism and exemplary dedication. It is to them that we owe a debt of gratitude."

Obaid Al Dhaheri
Chief Executive Officer

ABOUT THIS PUBLICATION

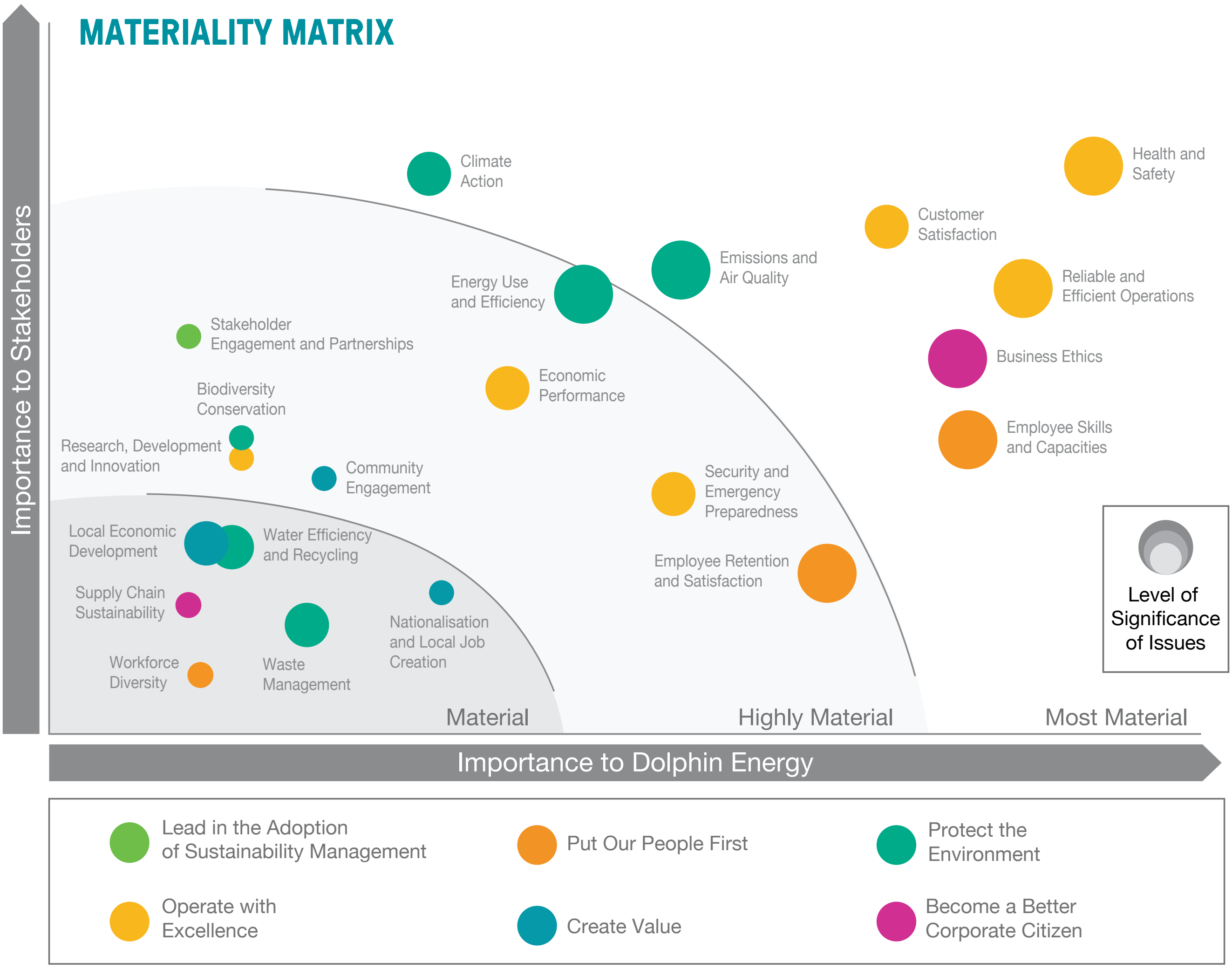
This is the 12th year that Dolphin Energy has reported on its sustainability efforts. This executive summary captures progress we have made towards our sustainability goals. Data in this report covers the calendar year 2020 and was prepared using the GRI Standards, Oil and Gas Sector Disclosures, and the oil and gas industry guidance on voluntary sustainability reporting provided by the global oil and gas industry association for environmental and social issues (IPIECA).

To view the full report please visit:
www.sustainability.dolphinenergy.com

OUR COMMITMENT

Dolphin Energy Limited is committed to protecting its people, safeguarding the environment, and conducting its activities in a socially responsible manner within the communities in which it operates. We consider this commitment to Health, Safety, the Environment, and Security (HSES) to be just as important as our commitment to other key business objectives.

MATERIALITY MATRIX



Awards and Recognition in 2020

- 'Best Sustainability Report' Award for the 2020 published report at the Abu Dhabi Sustainability Group (ADSG) Sustainable Business Leadership Awards
- Certificate of Recognition from the ADSG for promoting sustainability management and best practices
- Certificate of Recognition from the College of Engineering at Qatar University for supporting Technical Training of Students
- Certificate of Recognition from the College of Engineering at Qatar University for supporting Qatar Digital Project

OUR SUSTAINABILITY PERFORMANCE

IN THIS SECTION, WE PRESENT OUR OBJECTIVES FOR EACH PILLAR OF OUR SUSTAINABILITY FRAMEWORK, OUR ACTIVITIES IN 2020 THAT SUPPORT ACHIEVING THESE OBJECTIVES, AND OUR RESULTING PERFORMANCE.

LEAD IN THE ADOPTION OF SUSTAINABILITY MANAGEMENT

ALIGNMENT

SUSTAINABLE DEVELOPMENT GOALS UN Sustainable Development Goals

Qatar National Vision 2030

VISION 2021 UAE Vision 2021

2020 PERFORMANCE

- Engaged our employees in our annual **Sustainability Week**, motivating them to become more active about sustainability
- Initiated digitization of the **balanced scorecard framework**

OUR OBJECTIVE

We aim to lead in the adoption of sustainability management by continually improving our strategy and governance to ensure the long-term sustainable growth of our business. Engaging in ongoing dialogue with a broad range of stakeholders is a core component of our sustainability strategy that helps us identify, prioritize, and achieve our sustainability commitments.

2020 ACHIEVEMENTS

- Received the **'Best Sustainability Report'** Award at the 2020 Abu Dhabi Sustainability Group (ADSG) Sustainable Business Leadership Awards
- Received Certificate of Recognition from ADSG for **promoting sustainability management and best practices**
- Created a communication protocol for **centralized reporting**

OPERATE WITH EXCELLENCE

SUSTAINABLE DEVELOPMENT GOALS (SDG) ALIGNMENT

SDG 3.9

SDG 8.2
SDG 8.4
SDG 8.8

SDG 9.1

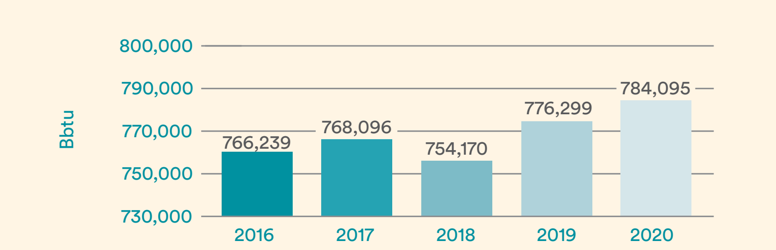
OUR OBJECTIVE

Operational excellence means running our operations safely, reliably, and efficiently. We aim to achieve this through investment in reliable and efficient production and distribution, a relentless focus on effective risk management, working to meet the highest health and safety standards, maintaining integrity of our assets, and streamlining our operational processes. This in turn ensures customer satisfaction, value creation and long-term growth.

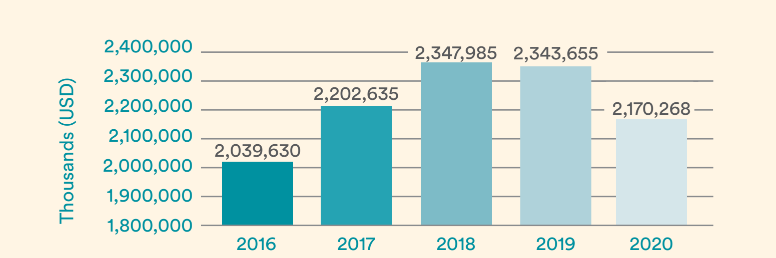
2020 ACHIEVEMENTS

- Progressed **digital projects** under the Future Forward program
- Finalized five **process improvement projects** through The CORE Project
- Developed an internal control library for **strategic risk**
- Achieved the **Pearl 2 rating** for sustainability at our marine base in Abu Dhabi
- Issued a **Quality Policy** and **Control of Documented Information** procedure
- Conducted **emergency response exercises,** despite the COVID-19 pandemic
- Completed an onshore plant **Quantitative Risk Assessment** study

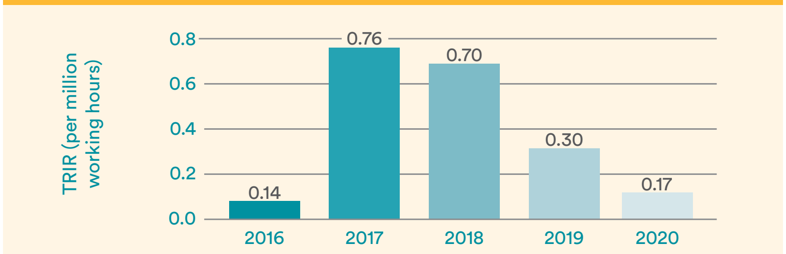
TOTAL GAS SOLD



REVENUE (DOWNSTREAM OPERATIONS)



TRIR OF EMPLOYEES AND CONTRACTORS



2020 PERFORMANCE

- **Exceeded 9 trillion scf of Development and Production Sharing Agreement (DPSA) gas since the start of operations**
- **Achieved 430 million barrels of condensate production**
- **Recorded zero Tier 1 and Tier 2 Process Safety Events**
- **Completed 13 years without a Lost Time Incident (LTI) offshore**
- **Achieved a Total Recordable Injury Rate (TRIR) for employees and contractors of 0.17**

PUT OUR PEOPLE FIRST

SUSTAINABLE DEVELOPMENT GOALS (SDG) ALIGNMENT

SDG 4.4

SDG 5.1

SDG 8.5
SDG 8.6

SDG 10.2
SDG 10.3

OUR OBJECTIVE

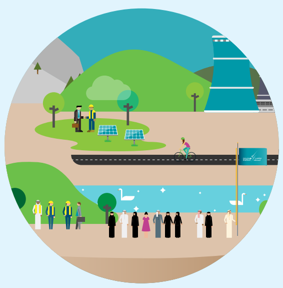
We strive to cultivate a work environment that rewards our employees fairly, embraces diversity, and ensures inclusion at every level of the company. We focus on being a trusted company that is recognized as an employer of choice, with the objective of providing rewarding careers and development opportunities that allow us to attract and retain the right people.

2020 ACHIEVEMENTS

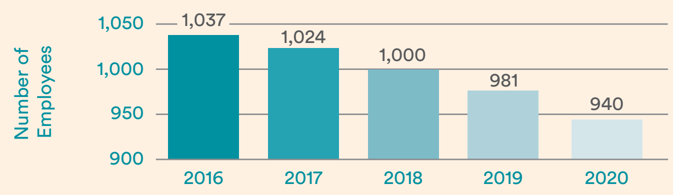
- Implemented the **new rewards and recognition program 'Thanaa'**
- Enhanced the **Further Education Policy**

2020 PERFORMANCE

- **6% total employee turnover rate**
- **9% of women in management positions**
- **100% of employees examined via performance reviews**
- **100% retention rate for male and female employees taking parental leave**
- **415 Thanaa awards issued**

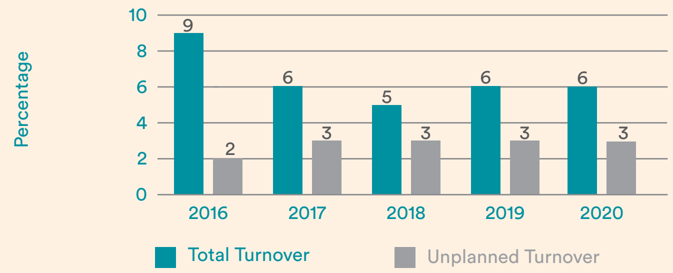


TOTAL WORKFORCE*

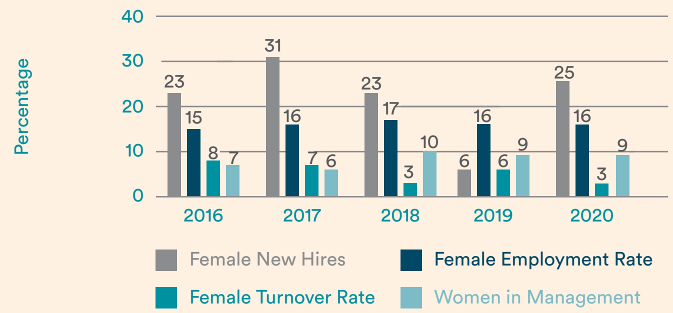


* Inclusive of employees with a temporary employment contract of short-term (maximum of 6 months)

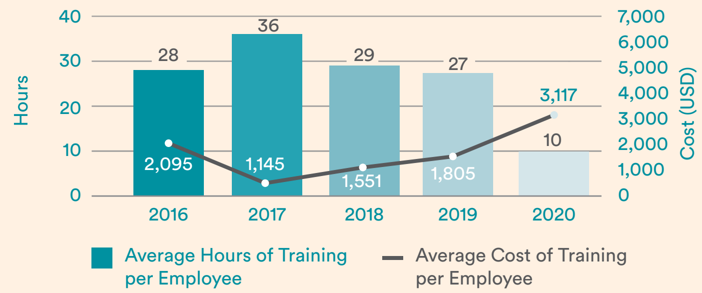
EMPLOYEE TURNOVER



FEMALE EMPLOYMENT



AVERAGE HOURS & COST OF TRAINING PER EMPLOYEE



CREATE VALUE

SUSTAINABLE DEVELOPMENT GOALS (SDG) ALIGNMENT

4 QUALITY EDUCATION — SDG 4.4

5 GENDER EQUALITY — SDG 5.5

8 DECENT WORK AND ECONOMIC GROWTH — SDG 8.1, SDG 8.2, SDG 8.6

11 SUSTAINABLE CITIES AND COMMUNITIES — SDG 11.4, SDG 11.7

12 RESPONSIBLE CONSUMPTION AND PRODUCTION — SDG 12.7

OUR OBJECTIVE

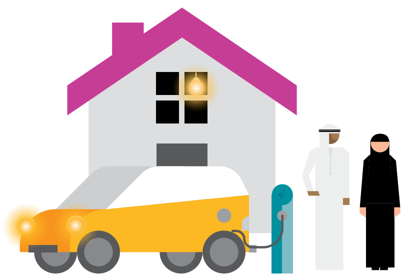
We seek to contribute to the local economic development of the countries in which we operate through recruitment and development of Emiratis and Qataris, community investment, and local procurement. As such, we create lasting value for our communities and strive to improve the lives of generations to come.

2020 ACHIEVEMENTS

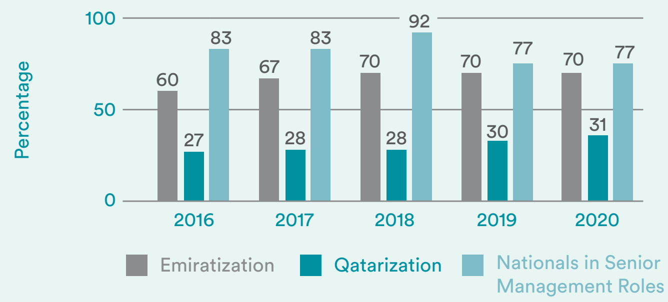
- Met our **Emiratization** target of 70%
- Met our **Qatarization** target of 31%

2020 PERFORMANCE

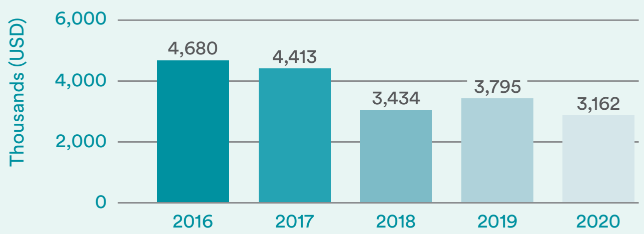
- **Nationals comprise 77% of total senior management positions**
- **40% of community investment focused on education**
- **93% of our procurement spending awarded to local suppliers, an 8% increase from 2019**



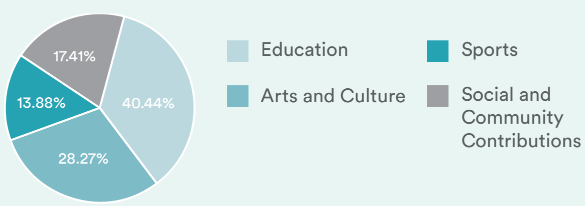
NATIONALIZATION



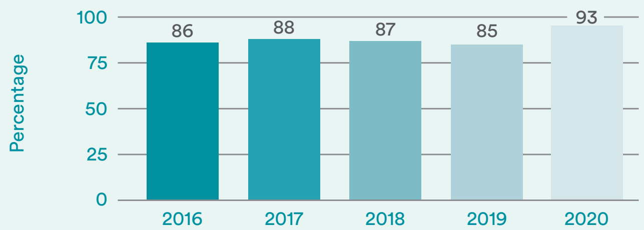
TOTAL COMMUNITY CONTRIBUTIONS



PERCENTAGE OF COMMUNITY INVESTMENT BY FOCUS AREA



PROCUREMENT SPENDING ON LOCAL SUPPLIERS



PROTECT THE ENVIRONMENT

SUSTAINABLE DEVELOPMENT GOALS (SDG) ALIGNMENT

SDG 6.3.1
SDG 6.4.1

SDG 7.2

SDG 9.4

SDG 12.2
SDG 12.4
SDG 12.5
SDG 12.8

SDG 13.2
SDG 13.3

SDG 14.1.1

SDG 15.1.2
SDG 15.6

OUR OBJECTIVE

We seek to address global environmental issues proactively throughout the lifecycle of our operations, including Greenhouse Gas (GHG) emissions, energy efficiency, water withdrawal, waste and wastewater generation, air quality, and biodiversity protection. Reducing and managing our environmental impacts responsibly is an integral component of our operational excellence.

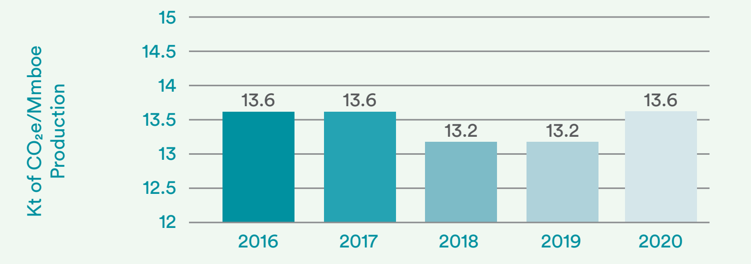
2020 ACHIEVEMENTS

- Completed 85% of the installation of **occupancy sensors** upstream
- Integrated the **methane Leak Detection and Repair (LDAR) program** within our annual upstream Fugitive Emission Monitoring program
- Carried out a **Relative Accuracy Testing Audit (RATA) study** on all online air emission analyzers upstream
- Initiated a project to refurbish and upgrade the existing **solar power system** on the gas network
- Implemented initiatives to improve **the energy efficiency** of systems and equipment

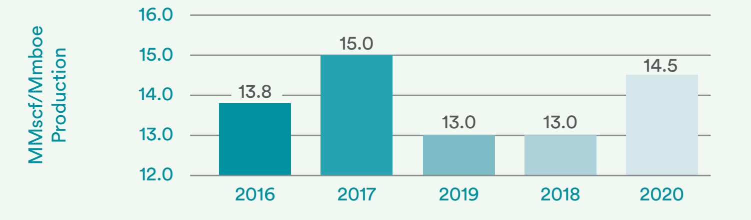
2020 PERFORMANCE

- **Environmental expenditure amounted to USD 8.2 million**
- **Maintained stable Greenhouse Gas (GHG) emissions and GHG intensity**
- **23% reduction in indirect energy consumption compared to 2019**
- **Reduced Volatile Organic Compounds (VOC) emissions**
- **Achieved printing savings of 2.8 million sheets of paper**
- **12% increase in the amount of industrial materials recycled compared to 2019**
- **8% decrease in volume of wastewater injected into deep wells compared to 2019**
- **No reportable environmental spills**

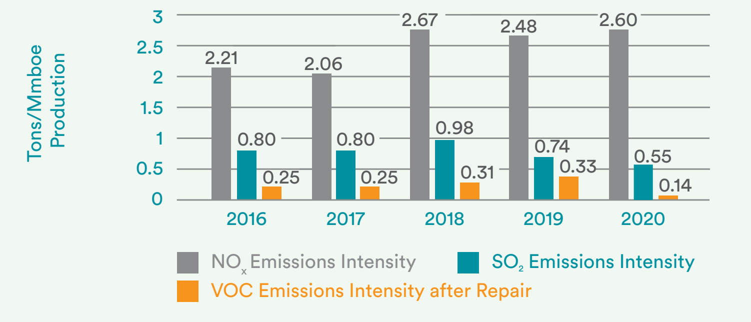
GHG EMISSIONS INTENSITY



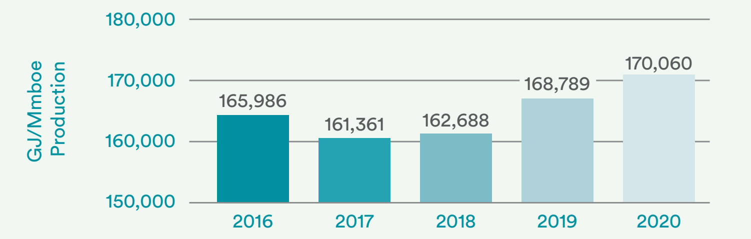
FLARING INTENSITY



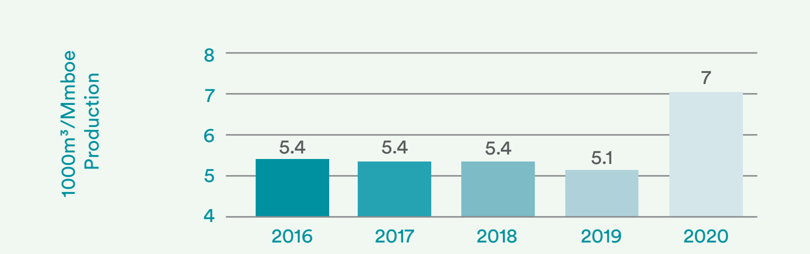
AIR EMISSIONS INTENSITY



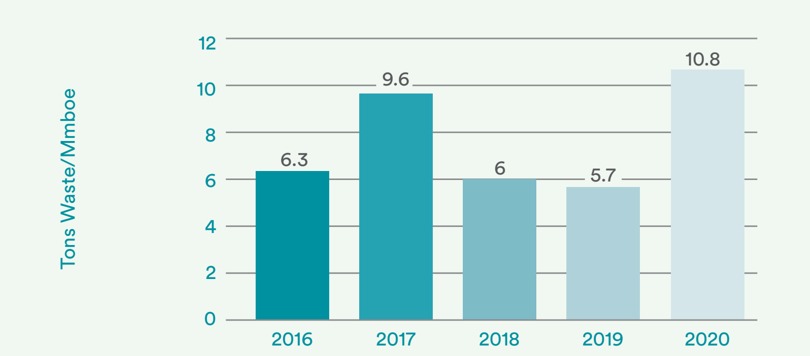
ENERGY INTENSITY



WATER CONSUMPTION INTENSITY



SOLID WASTE INTENSITY



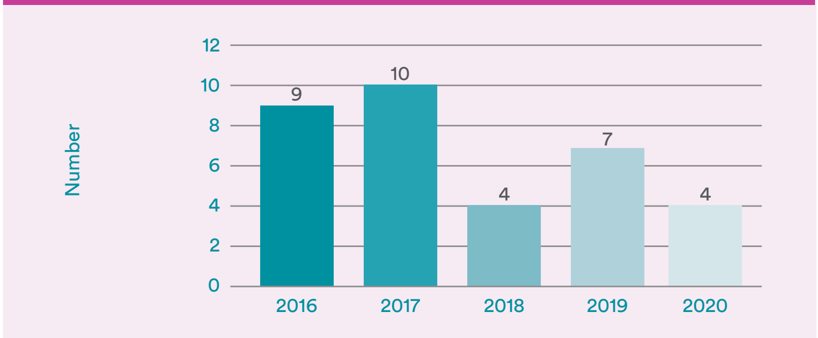
BECOME A BETTER CORPORATE CITIZEN

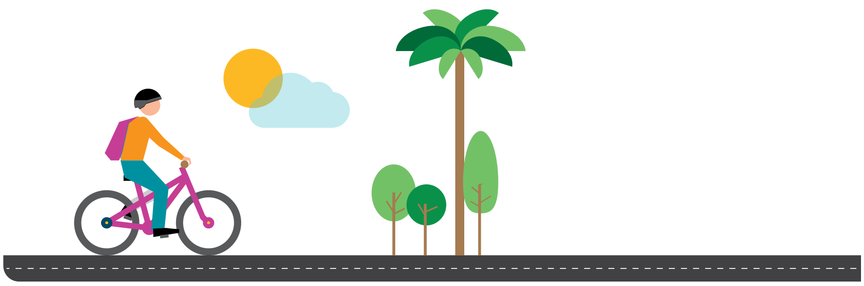
SUSTAINABLE DEVELOPMENT GOALS (SDG) ALIGNMENT

SDG 12.7

SDG 16.5

TOTAL HSES AUDITS FOR CONTRACTORS





OUR OBJECTIVE

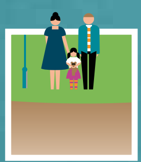
As a conscientious corporate citizen, we are committed to embedding transparency and accountability in our governance. We hold ourselves to the highest standards of ethical conduct and ensure our business partners operate according to our standards for responsible behavior.

2020 ACHIEVEMENTS

- Completed four **Safety Quality Management audits** of contractors
- Held the annual **HSES Contractors' Forum** virtually

2020 PERFORMANCE

- **21% of employees attended Code of Business Conduct training sessions**
- **Internal Audit conducted 14 audits covering technical and support services**



THANK YOU FOR READING. FOR MORE INFORMATION, PLEASE VISIT:

WWW.SUSTAINABILITY.DOLPHINENERGY.COM

MARUBENI
EXECUTIVE SUMMARY OF MOST RECENT SUSTAINABILITY REPORTS

Fundamental Materiality

Sustainability for the Marubeni Group means anticipating environmental and social demands, proactively providing solutions, and putting the Management Philosophy into practice. The Marubeni Group has identified three categories of Fundamental Materiality as the three most important fundamental elements in building a better tomorrow and promoting sustainability.

Three categories of Fundamental Materiality

Human Capital with High Social Value

The sources of value creation for the Marubeni Group are the insight, the ability to predict, and the ability to self-transform to anticipate environmental and social demands and to proactively provide solutions. These capabilities are derived from human capital. We will develop and strengthen human capital with high social value and lead to sustainable growth.

See PP.16-21 for details of the GC2021 Group HR Strategy.

Robust Management Foundation

Enabling human capital to use our management foundation to the fullest will ultimately lead to maximizing corporate value. Marubeni's innovation is based on the corporate culture that fosters value creation, as well as the strong brand presence and sales foundation we have built up through our business and the financial footing that support our operations.

See PP.34-38 for details of revitalization and reinforcement of the financial base; PP.18-19 on initiatives to promote innovation; and P.20 for more on Diversity & Inclusion.

Governance for Coexistence with Society

By deepening our engagement with diverse stakeholders, enhancing the effectiveness of oversight by directors, and targeting greater management transparency, we are working to achieve sustainability based on a governance framework that allows for improved coexistence with society.

See PP.44-61 for details of developing a better governance framework to realize our long-term management goals.

Sustainability Management Organization

- We have set up a Sustainability Management Committee that reports to the President and is chaired by the Chief Sustainable Development Officer (CSDO). To incorporate independent perspectives, several External Directors and External Audit & Supervisory Board members serve on this committee in an advisory role.
- The Sustainability Management Committee reports to the Board of Directors at least once a year on the important matters that it deliberates. These periodic reviews form the basis for the supervision of sustainability-related matters by directors.
- Sustainability is promoted across the Marubeni Group via the appointment of Sustainability Leaders and Sustainability Managers.

Environmental & Social Materiality

The Sustainable Development Goals (SDGs)* adopted by the United Nations in September 2015 are goals shared by governments, the private sector and civil society for achieving sustainability and leaving the world a better place for future generations. We have identified four categories of Environmental and Social Materiality in which the Marubeni Group can make a valuable contribution.

Our categories of Environmental and Social Materiality are based on the 17 goals and 169 targets of the SDGs, and consider stakeholders' expectations and interests along with the social and environmental impact of our business. By working on Environmental and Social Materiality by utilizing our Fundamental Materiality, we will contribute to achieving the SDGs and work toward building a better tomorrow.

* Sustainable Development Goals (SDGs): The UN Sustainable Development Summit held in September 2015 established the SDGs under the 2030 Agenda for Sustainable Development. Consisting of 17 goals and 169 targets to help realize a sustainable world, the SDGs cover the period from 2016 to 2030.

Process for identifying/reviewing Environmental and Social Materiality

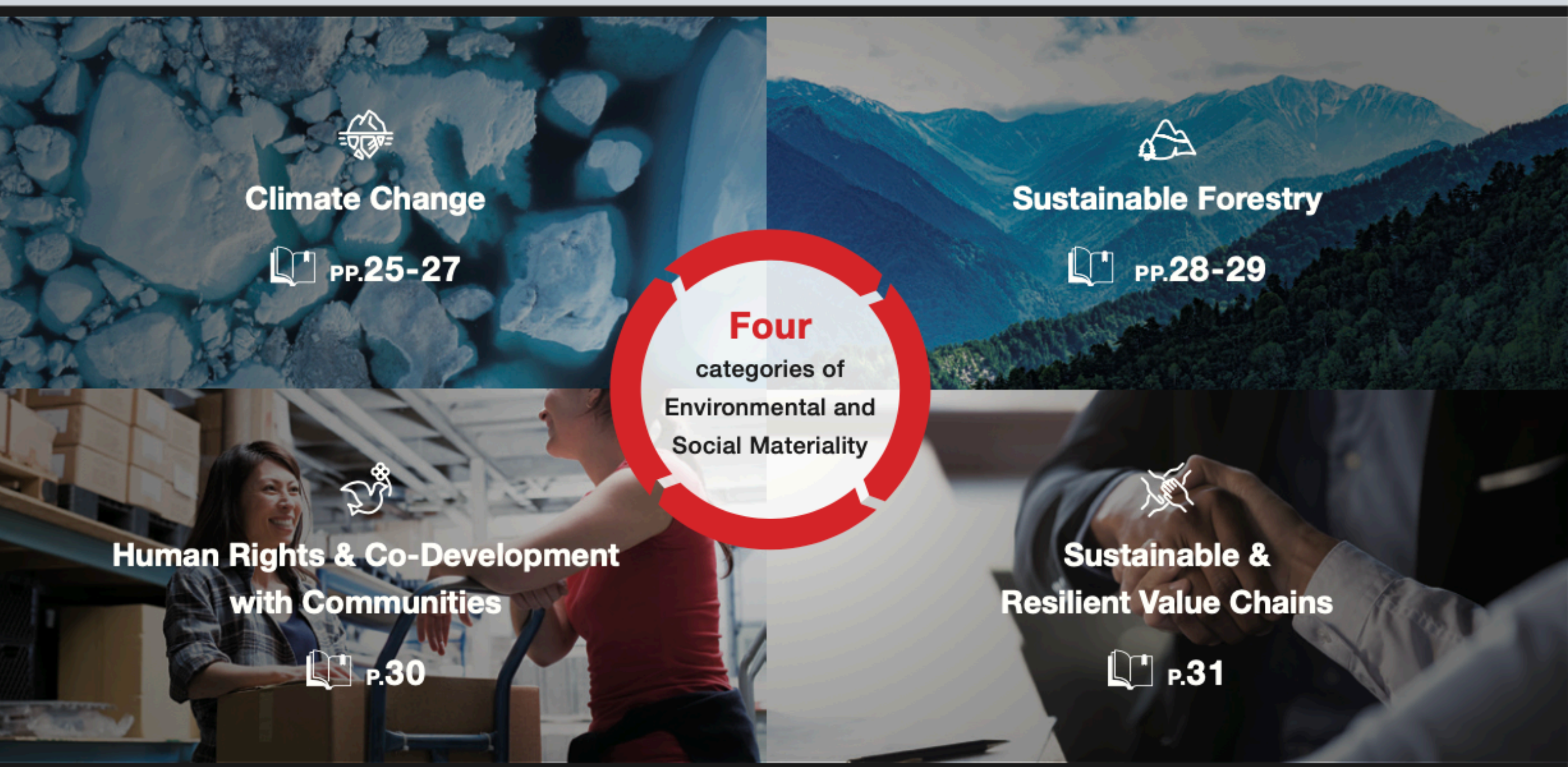
- Extract existing/potential environmental and social issues
- Identify highly material sustainability-related issues for the Marubeni Group based on the following criteria
  - Importance to stakeholders
  - Impact and scope of our business activities on the environment and society
  - Impact on our earnings
- Reflect in operational goals/targets, implement and review periodically

FYE 3/2019

- Environmental and Social Materiality identified
- Related policies formulated/announced

FYE 3/2020

- More in-depth materiality discussions held
- Policy execution methods formulated



Climate Change

Climate Change and Marubeni Group Value Creation

Climate change is an urgent global issue due to its broad impact on social and environmental sustainability, as seen in phenomena such as global warming, natural environmental changes and increasing damage due to natural disasters. Various industries are rapidly implementing reforms to help realize a decarbonized society, in line with the Paris Agreement that aims to cut greenhouse gas emissions through coordinated international action.

For the Marubeni Group, which has worldwide operations in a wide range of sectors including power generation and energy-related businesses, these movements present both risks and critical opportunities for growth. We see addressing climate change through business as supporting the sustainable growth of the Marubeni Group. We have set the following targets as part of our efforts to seize the opportunities while mitigating related risks.

The Process of Pulling out of Coal-fired Power Generation

Target

Cut coal-fired net generation capacity (of approximately 3GW as of March 31, 2019) in half by 2030

Progress

Approx. 2.7 GW (as of March 31, 2020)

See website for progress update released on October 4, 2019 (Notification Regarding Business Policies & Progress Pertaining to Sustainability (Update to Coal-Fired Power Generation Business and Renewable Energy Generation Business))
https://www.marubeni.com/en/news/2019/release/201910041E.pdf

Proactive Involvement in Renewable Energy Generation Business

Target

Expand the ratio of net generation capacity of renewable energy sources to approximately 20% by 2023

Initiatives

Expansion of the renewable energy generation business

- Start of commercial operation of Sweihan Photovoltaic IPP Project (gross generation capacity 1,177MW) in the United Arab Emirates in April 2019
- Start of commercial operation of Amin Solar PV IPP Project (gross generation capacity 105MW) in Oman in May 2020
- Loan agreements signed in December 2019 for Biomass Power Generation Project (gross generation capacity 44MW) in Gamagori City in Aichi Prefecture
- Power purchase agreement signed for Al Kharsaah Solar PV IPP Project (gross generation capacity 800MW) in Qatar in January 2020
- Loan agreements signed in February 2020 for Offshore Wind Farm Project (gross generation capacity 139MW) at Akita Port and Noshiro Port in Akita Prefecture

1 Sweihan Photovoltaic IPP Project (UAE)
2 WASSHA, Inc. (power supplies to off-grid regions)

Promotion of greater use of renewable energy sources in wholesale/retail electricity markets

- Deploy operations in US and other countries by UK consolidated subsidiary SmartestEnergy Ltd.*
- Equity stakes acquired in WASSHA Inc. and Azuri Technologies Ltd, companies working to expand supplies of solar power to off-grid regions of Africa

* Established by Marubeni in the UK in 2001, SmartestEnergy Ltd. purchases primarily renewable generated energy from small to medium-sized independent power producers, which it then sells wholesale to the market, or retail to corporate buyers.

See PP.84-85 for information on our renewable power generation business and the business strategy of the Power Business Division.

Expansion of “Green Businesses”

Target

Expand “Green Revenue” streams to around ¥1.3 trillion by FYE 3/2024.

Result

Approx. ¥770 billion (FYE 3/2020)

We define “Green Revenue” from Marubeni Group operations as follows:

- Sales of products certified as contributing to sustainable forestry, fisheries, etc.
- Sales from businesses (real estate, etc.) contributing to lessening environmental impact
- Sales from businesses dealing in power generation from renewable energy sources
- Sales from businesses contributing to propagating EV (electric vehicles)
- Sales from businesses (recycling-related, etc.) contributing to waste reduction
- Sales from businesses (water business, etc.) contributing to efficient use of resources

Disclosures in line with the Recommendations of the TCFD

See PP.26-27 for more information.

Sustainable Forestry

Forests and value creation by Marubeni Group

Forests are a precious resource and enrich life on Earth in various ways. The Marubeni Group currently owns around 140,000 hectares of tree plantations across the world (total gross project area: around 310,000 ha), operated using sustainable forestry management methods. Managing these forests through coexistence and co-prosperity with local communities, we strive to create value by addressing social issues, based on the supply of sustainable forestry resources that meet the needs of consumers and business partners. We also aim to contribute to the establishment of a circular economy by fostering innovation in the utilization of forest resources while working to cater to the increasingly diverse environmental needs of society.

Wood resources have high socioeconomic value since they are recyclable and do not impair environmental value if they are properly managed. Through the sustainable management of forests, the Marubeni Group is working to promote forest conservation while increasing the value of our operations.

Forest Management Policy	We formulated the Forest Management Policy to drive our commitments to sustainable forest management and the protection of forests with high conservation value in our business activities.
Product Procurement Policy (Forest-derived Products)	We formulated the Product Procurement Policy to promote the procurement of timber and related products produced from appropriately managed forests, thereby realizing the sustainable use of forest resources.

For more details, see the "Sustainable Forestry" section of our website.
https://www.marubeni.com/en/sustainability/environment/forest/

Sustainable Forest Management

The Marubeni Group currently owns forest plantation businesses in the two countries of Indonesia and Australia. Using a controlled cycle of planting, cultivation and management and harvesting focused on eucalyptus hardwoods that mature quickly in 6-10 years, we provide a stable and sustainable supply of wood resources for pulp and paper production. Based on the principle of No Deforestation, our sustainable forestry management practices prioritize natural and social capital by not harvesting natural forests. We also undertake proactive programs jointly with local communities.

The Marubeni Group will continue to manage the supply chain for manufacturing pulp and paper in a sustainable manner, encompassing everything from forest plantation through paper end-product sales.

Forest plantation business in south Sumatra (MHP)

Forest management and forestry certification at Marubeni Group

Group company	Location	Nature of business	Forestry certification
PT. Musi Hutan Persada (MHP)	Indonesia	Forest plantation business	**Indonesian Forestry Certification Cooperation*1** • Sustainable Forest Management certification
WA Plantation Resources Pty Ltd	Australia	Forest plantation/wood chips production business	**FSC® certification*3** • FM (Forest Management) certification • CoC (Chain of Custody, processing/distribution processes) certification **Responsible Wood*4** • Sustainable Forest Management certification

*1. Indonesian Forestry Certification Cooperation is a forest certification system in Indonesia endorsed and mutually recognized under the PEFC*2.
*2. The Programme for the Endorsement of Forest Certification (PEFC) is an international system for forest certification that is based on a framework for mutual recognition of national forestry certification schemes.
*3. The Forest Stewardship Council® (FSC®) is a non-profit organization that operates an international forest certification scheme with the aim of promoting the worldwide adoption of responsible forest management practices. (FSC® C016260)
*4. Responsible Wood is an Australian forest certification scheme endorsed and mutually recognized under the PEFC*2.

Coexistence with Local Communities

The Marubeni Group strives to provide social and economic development of the areas where we operate forest plantations and woodchip and pulp manufacturing. In Indonesia, plantation manager MHP and our consolidated subsidiary PT. Tanjungenim Lestari Pulp and Paper (TEL), to which MHP supplies logs, together employ about 2,000 workers. The Musi Pulp Project has created 10,000 local jobs including at local affiliates. TEL is also involved in improving regional levels of education through the provision of scholarships and the operation of local schools at kindergarten, elementary and secondary level. Other efforts to stimulate the development of the region include support for production of traditional foods and cultivation of agricultural produce to help revitalize the economy, and the construction of infrastructure and public health facilities.


Students at a TEL-operated elementary school

For the Marubeni Group, coexistence and co-prosperity with local communities are the foundation of forest management. We will continue to look for opportunities to create shared value with local communities.

Initiatives related to Product Procurement Policy (Forest-derived Products)

In line with the Product Procurement Policy (Forest-derived Products), we investigate the environmental and social considerations of suppliers as well as their compliance with laws and regulations. We review business relationships with suppliers if our surveys identify any issues that need to be addressed. In the fiscal year ended March 31, 2020, we selected 14 companies in the Group's supply chain for timber and related products based on certain quantitative and qualitative criteria and conducted written surveys at those companies. No issues were identified within the scope of the survey. Procedures were reviewed at the end of the survey process as part of a continuous PDCA improvement cycle. Going forward, besides the regular disclosure of information on how our procurement policy operates, we will maintain appropriate communications with our suppliers and other stakeholders.

FYE 3/2019	FYE 3/2020
Forest Management and Product Procurement Policies formulated and announced	Operational manual for Product Procurement Policy formulated, supplier surveys conducted

Sustainable forest management in Indonesia and Australia and the implementation of the Product Procurement Policy (Forest-derived Products) are both aspects of the business operations of the Forest Products Division.
See PP.72-73 for more details on the business strategy of the Forest Products Division.

Sustainable palm oil and the Marubeni Group

Various concerns surround palm oil, including environmental degradation and biodiversity loss caused in the process of cultivation, and human rights violations affecting workers. Demand is growing for "sustainable palm oil," produced in a way that is conscious of the environment and other concerns such as RSPO*1 certification.

Marubeni became a member of the RSPO in 2015. In 2019, we joined the Japan Sustainable Palm Oil Network (JaSPON), an initiative that promotes the procurement and consumption of sustainable palm oil in the Japanese market. We are building a supply chain in Japan for palm oil-based fatty acids that is stable and meets demand for both large and small amounts to service underlying customer needs. We were the first company in Japan to begin warehouse sales of RSPO-certified fatty acids based on the SCCS (MB)*2 supply chain model.

Elsewhere, our US-based Group company, the agricultural product distributer Pasternak, Baum & Co., Inc., is working as a member of the RSPO and the ISCC*3 to procure and distribute products with low environmental impact to users. Nearly 30% of the palm oil and palm oil derivative products handled by the company are RSPO/ISCC-certified products.

We remain focused on expanding adoption of sustainable palm oil through procurement and distribution of certified products by Marubeni Group companies.

*1. The Roundtable on Sustainable Palm Oil (RSPO) is a non-profit organization that aims to promote sustainable palm oil production and utilization.
*2. The Supply Chain Certification Systems (SCCS) guarantees that palm oil products in the production and distribution processes meets the specified conditions. The Mass Balance (MB) supply chain model is used where sustainable palm oil from certified sources is mixed with ordinary palm oil throughout the supply chain under strictly controlled circumstances.
*3. The International Sustainability & Carbon Certification (ISCC) system is used to certify the sustainability of biomass and bioenergy.

Human Rights & Co-Development with Communities

Human Rights and Value Creation by Marubeni Group

The Marubeni Group conducts business from 136 locations*[1] across 68 countries and regions, employing more than 40,000 people*[2] from a diverse range of nationalities and ethnicities. We are active in a wide range of businesses and conduct global, multi-faceted activities. With serious human rights violations by the overseas operations of companies against local workers and residents now a burgeoning issue, we have a responsibility as a global enterprise to address these issues. We believe respect for the human rights of those people affected by our business activities is indispensable. Furthermore, we are obliged to take appropriate corrective measures if there is evidence that our business activities have had a negative impact, since failure to do so would pose a significant risk of impairing corporate value. The Marubeni Group seeks to create sustainable value by conducting business activities that respect human rights.

Basic Policy on Human Rights	The Marubeni Group Basic Policy on Human Rights incorporates three basic principles from the UN Guiding Principles on Business and Human Rights, namely: 1) respect for human rights, 2) due diligence on human rights, and 3) redress.

For more details, see the "Respect for Human Rights" section of our website.
https://www.marubeni.com/en/sustainability/social/human_rights/

*1. As of April 1, 2020
*2. As of March 31, 2020

Sustainability Assessment and Human Rights Due Diligence

Development of sustainability assessment methods

The Marubeni Group is developing methods for assessing the potential risks from a business sustainability perspective as part of managing the risks involved in building supply chains that are sustainable, resilient and respect human rights. Incorporating the advice of an external consultant with specialized knowledge in the field, the definition of risk evaluation criteria takes into consideration relevant laws and regulations, international standards, and case studies taken from similar businesses.

Specifically, the approach involves evaluating the degree of potential risk for each type of risk in the three categories of "Environmental," "Safety and Health," and "Social," taking into account (1) the sector and type of each business and (2) the country/region where each business has its operations. The degree of risk is judged based on the impact due to specific factors such as scale, range and difficulty of remedy.

Human rights due diligence

Within the "Social" category of risks, we take a comprehensive stance to include items that relate to social, human rights or labor-related aspects of international standards associated with corporate social responsibility. We also include supply chain risk management items to reflect the UN Guiding Principles on Business and Human Rights and other guidelines. We have introduced these risk assessment methods to internal processes, such as surveys of consolidated subsidiaries and risk analysis of new investments. Through these efforts, the Marubeni Group will continue to conduct human rights due diligence.

Risk assessment items by category

Environmental	Climate change / environmental pollution / biodiversity / resource management / mitigation measures and administrative procedures
Safety and Health	Machine safety / fires and explosions / toxic substance exposure / infection / hazardous operations / mitigation measures and administrative procedures
Social	Forced labor and human trafficking / child labor / working hours / wages and employment contracts / discrimination / harassment at work and disciplinary measures / respect for diversity / freedom of association / land issues / negative social impact on local communities / indigenous peoples and cultural heritage / conflict minerals / privacy / animal welfare / responsible marketing / mitigation measures and administrative procedures (supply chain)

FYE 3/2019	FYE 3/2020
Basic policies on human rights and supply chain formulated and announced	**Risk assessment method developed, including human rights due diligence, Survey of consolidated subsidiaries started**

Sustainable & Resilient Value Chains

Supply Chains and Value Creation by Marubeni Group

The Marubeni Group deals with thousands of suppliers to conduct transactions and operate a wide range of businesses on a global scale. At the same time, the Group supplies a huge range of diverse products to many business partners. Our view is that building sustainable and resilient supply chains, coupled with efforts to protect the global environment and promote sustainable development of society throughout the Group's supply chain, will directly strengthen the competitiveness and differentiation of the Marubeni Group.

Respect for human rights is an essential element of building sustainable supply chains. By building sustainable supply chains, the Group aims to foster stakeholder confidence in Marubeni and expand business opportunities.

Basic Supply Chain Sustainability Policy	We have formulated the Basic Supply Chain Sustainability Policy to promote sustainability in a highly effective way in cooperation with business partners.

For more details, see the "Basic Supply Chain Sustainability Policy" section of our website.
https://www.marubeni.com/en/sustainability/social/supply_chain/

Supply Chains Start with Consolidated Subsidiaries

Sustainability surveys for consolidated subsidiaries

The Marubeni Group consolidated subsidiaries around the world are the starting point for the supply chains with which we provide products and services. Recognizing that safeguarding the sustainability of these business operations is a first step and a critical element of building sustainable and resilient supply chains, we have instituted sustainability surveys for our consolidated subsidiaries. From the fiscal year ended March 31, 2020, we assessed potential risks according to the process outlined below. On-site inspections were conducted at four domestic consolidated subsidiaries.

All consolidated subsidiaries (approx. 400)	Companies screened for survey based on business content
Selected for survey (approx. 200)	Potential risk evaluated using sustainability risk assessment method (see P.30 for details)
On-site inspections for firms where potential risk at the industry, country or region exceeds a certain level	**Written survey for other companies**
On-site inspections	

* On-site inspections were suspended as of August 2020 due to the COVID-19 outbreak. Placing the safety of all concerned as our top priority, we plan to resume inspections once it is confirmed these can be conducted safely.

CLOSE UP

On-site inspection

Our on-site inspection of the Chiba terminal of Marubeni Ennex Corporation, which operates distribution terminals in Japan for petroleum products, LPG and petrochemicals, was done with an external consultant. The inspection was used to ascertain the management status of the business in terms of its environmental, safety and health, and social aspects, using interviews of management and on-site managers and a tour of the site while in operation. Lasting three days, the inspection confirmed the continuous good efforts of Marubeni Ennex Corporation on aspects such as environmental management, safety and health management, and disaster preparedness. It also identified opportunities for improvement and related follow-up items.

Aiming to develop supply chains preferred by our business partners, the Marubeni Group is collectively focused on strengthening efforts to promote sustainability at all our business sites.

On-site inspection in progress

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