

# WORKSHOP B

Integrate quantified risks and long-term  
ESG macro trends into the strategy

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# Your hosts



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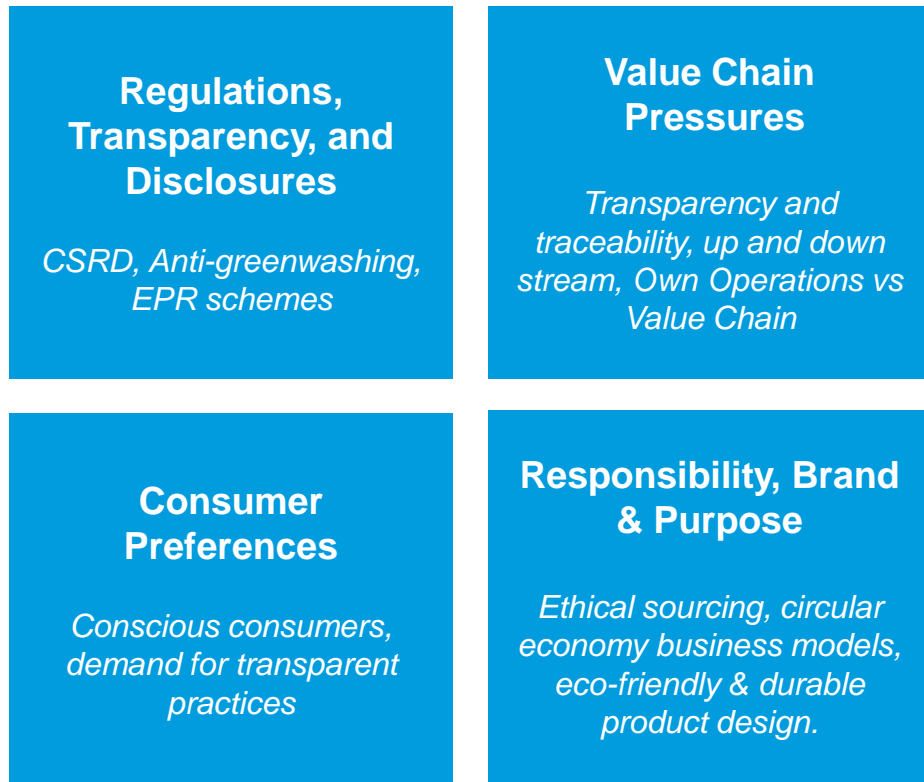
The background of the slide is an abstract, artistic rendering of flowing, translucent fabric in shades of light blue and white. The fabric appears to be draped and moving, creating a sense of depth and texture. The lighting is soft, highlighting the folds and creases of the material. On the right side, there is a dark grey vertical bar that serves as a background for the text.

# AGENDA

- 1** Introductions
- 2** Setting the scene
- 3** Incorporating risks, opportunities, and impacts
- 4** Group discussions
- 5** Key takeaways

# Setting the scene

## ESG drivers in the market



## The Intersection of Sustainability with Strategy



# Quantifying risks, opportunities, and impacts



## Challenges with Quantification

- Lack of robust data to model the risk
- Complexity of the risk
- Measuring indirect impacts is difficult



## Where to Start

- Qualitative modelling
- Identify dependencies
- Sustainability-related revenue channels
- Engage with stakeholders

# WORKSHOP B

Outputs and considerations

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## Outputs and considerations

### 1. Sustainability risks and opportunities across the value chain

Sustainability issues throughout the value chain present both risks and opportunities for businesses, requiring a comprehensive approach to address them effectively.

### 2. Strategic integration of ESG factors

Sustainable value is generated by understanding and incorporating sustainability risks and opportunities into strategic decision-making, supported by robust processes, controls, and governance structures.

### 3. Challenges in risk quantification

Data limitations and the complex nature of sustainability risks can hinder accurate risk quantification, posing challenges for effective integration into strategy.

### 4. Qualitative assessments as a starting point

Despite quantification challenges, companies can begin integrating sustainability risks and opportunities through qualitative assessments, progressively working towards more refined and robust risk quantification.



# Group discussion 1

What does strategy development look like within your organisation?

## Key takeaways from discussion

- Business strategy and sustainability strategies are mostly standalone.
- Business and sustainability strategies operate on different cycles.
  - Some companies follow a 3-year cycle but update annually due to evolving elements.
  - Others operate on annual cycles.
  - Some business reported continuously updating the sustainability strategies due to the dynamic landscape.
- Some companies see sustainability as compliance-driven, rather than a strategic driver. However, increasing regulatory pressure is pushing companies to focus more on sustainability strategies

## Questions to promote discussion

- What does your strategy cycle look like? Who is involved?
- Do you have an ESG / sustainability component to your corporate strategy? A standalone strategy?
- Is sustainability a differentiator / revenue generator? Or more of a compliance activity?
- How are competitors influencing your strategy? How are increasing stakeholder expectations influencing your priorities?



# Group discussion 2

## How does your strategy incorporate sustainability risks and opportunities?

- Some companies have had sustainability risks and opportunities as part of their strategy for a while.
- Integration of downstream risks was perceived as difficult.
- Data gathering is perceived as a key challenge; A suggestion was made for an industry-standard approach to data collection.
- Reputational risk was seen as a key driver.
  - Now there is an increased focus / link between high quality and sustainability.
  - Sustainable options are much more expensive than others which often deters consumers.
  - Sustainability is still seen as an "add-on" .
- Some companies are using surveys to quantify risks. Companies are seeing a mismatch in customers' perceived behaviours and realistic behaviours - customers mostly say that sustainability is a key priority for them (e.g. evidence from consumer surveys) but trends in shopping habits show that sustainable options are a very small proportion of sales.
- Social factors play a dominant role in consumer decision making.

### Questions to promote discussion

- Do you have a robust understanding of sustainability risks and opportunities that may impact your business?
- Do you think sustainability issues pose opportunities for your business? Are you formally looking for these opportunities?
- What trends / events have changed your strategy / moved the dial for your strategy?
- Have sustainability issues become an inflection point within your strategy?
- How have strategic priorities changed to address this opportunities?

# Group discussion 3

## How could your organisation better embed sustainability risks and opportunities into your strategic priorities?

- Integration of sustainability into business planning.
  - **Sustainability KPIs** should be incorporated into **annual reviews, objectives, and company-wide strategies**.
  - Establishing **clear, company-wide objectives** will enhance accountability.
- Best practices for identifying risks and opportunities.
  - Some companies conduct **double materiality assessments** to evaluate financial and impact-related risks.
- Board-level engagement with sustainability
  - Some companies highlighted that TCFD is valuable to bring sustainability into the agenda at a board level.
  - Some boards are not fully engaged or lack understanding of sustainability risks, however, there is a shift towards better board engagement.
- Measurement challenges: **Scope 3 emissions** are particularly difficult for companies to measure.
- There is a need for regulation as well as internal buy-in.

### Questions to promote discussion

- How does your risk management function work within your strategic planning? Is strategy development integrated with risk management?
- Do you have sustainability goals that could drive your strategy?
- What would be a **game changer** for embedding sustainability in your strategy?

# Game changers for embedding sustainability into strategy

- **Regulation / legislation**
  - Can be used as a lever to drive sustainability efforts.
  - Need to balance regulations with the art of the possible.
  - Compliance 'raises the floor', but there needs to be something that 'raises the ceiling'.
- **KPIs & objectives at company level**

Ensuring sustainability is measurable and aligned with business goals.
- **Extended Producer Responsibility (EPR)**

Increasing focus on producer responsibility for end-of-life product impacts.
- **Political Climate**

External political factors will influence sustainability priorities and regulations.

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