



Sustainability

How can your impact drive change?

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26th November 2020



Introduction

A man with glasses, wearing a blue button-down shirt and dark jeans, is sitting on a yellow patterned sofa in a modern office. He is writing in a notebook. The sofa is positioned in a cubicle area with dark grey mesh dividers. A large, white, cylindrical pendant lamp hangs above him. In the background, there are large windows, a brick wall, and other office furniture like a desk and chair. A purple box with the word 'Introduction' is overlaid on the left side of the image.



Grant Thornton Luxembourg is a leading provider of **Audit & Assurance, Business Advisory, Business Process Outsourcing, Corporate & Investor Finance, Investment Fund Services, Restructuring & Reorganisation, and Tax & Accounting services** for all entities in Luxembourg.

With more than 280 people and 20 partners, we combine **a strong technical guidance** with **an experienced dedicated staff** to ensure that clients receive **a truly different experience**.



EUR 26m
(2019 revenue)



280+
Employees



20
Partners



19
Industry Desks

Contents



- The pool of buzz words
- What drives the Sustainability and ESG agenda?
- What is expected from the organisations?
- What the forward thinking organisations do?

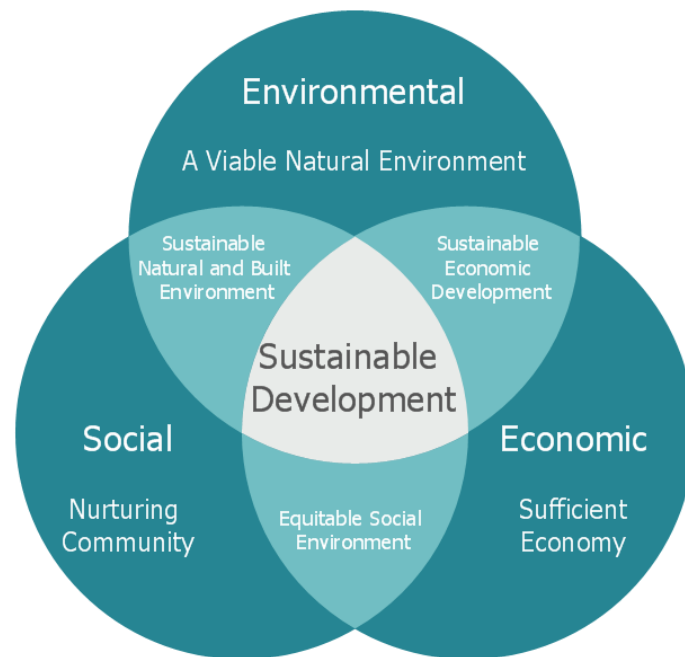
A woman with long dark hair, wearing a white button-down shirt, is speaking and gesturing with her hands in a meeting. She is looking towards the right. In the background, a man with short brown hair, also in a white shirt, is looking down at something on a table. The background is blurred, showing other people in a meeting setting.

The pool of BUZZ words

Sustainability – THE buzz word

Our Common Future (1987) famously defines sustainable development as:

“development that meets the needs of the present without compromising the ability of future generations to meet their own needs.”



What does this means in practice?

Let's take the example of Earth Overshoot day 2020

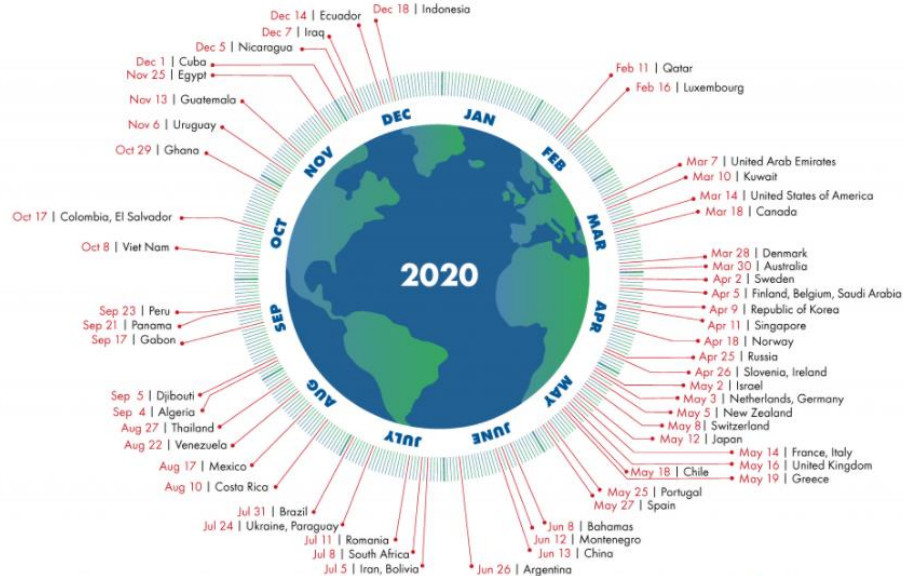


It's the date when humanity has exhausted nature's budget for the year. For the rest of the year, we are maintaining our ecological deficit by drawing down local resource stocks and accumulating carbon dioxide in the atmosphere.

Did you guess right?

Country Overshoot Days 2020

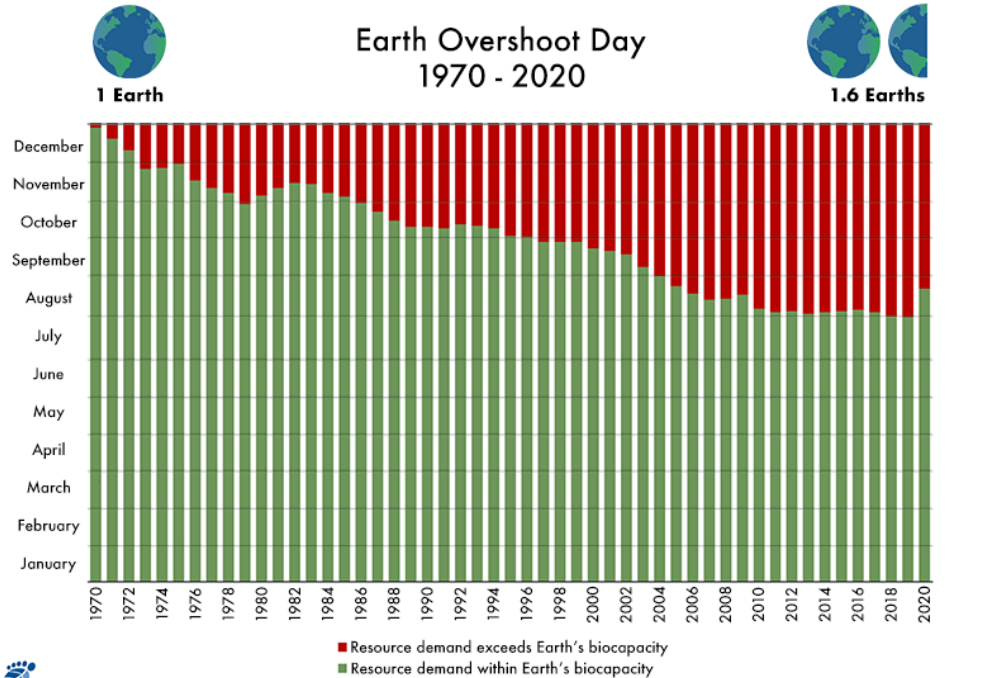
When would Earth Overshoot Day land if the world's population lived like...



Source: Global Footprint Network National Footprint and Biocapacity Accounts 2019



What has changed over the years?



Source: Global Footprint Network National Footprint and Biocapacity Accounts 2019 Edition
data.footprintnetwork.org



Sustainable Development and the UN Global Compact

The largest corporate sustainability initiative worldwide

10 Universal principles

>160 countries

>10.000 companies



THE TEN PRINCIPLES OF THE UNITED NATIONS GLOBAL COMPACT

HUMAN RIGHTS

- 1 Businesses should support and respect the protection of internationally proclaimed human rights; and
- 2 make sure that they are not complicit in human rights abuses.

LABOUR

- 3 Businesses should uphold the freedom of association and the effective recognition of the right to collective bargaining;
- 4 the elimination of all forms of forced and compulsory labour;
- 5 the effective abolition of child labour; and
- 6 the elimination of discrimination in respect of employment and occupation.

ENVIRONMENT

- 7 Businesses should support a precautionary approach to environmental challenges;
- 8 undertake initiatives to promote greater environmental responsibility; and
- 9 encourage the development and diffusion of environmentally friendly technologies.

ANTI-CORRUPTION

- 10 Businesses should work against corruption in all its forms, including extortion and bribery.

SDGs and Finance

CFO Taskforce for the SDGs

Principles:

- 1) SDG impact thesis and measurement
- 2) Integrated SDG strategy and investments
- 3) Integrated corporate SDG finance
- 4) Integrated SDG communication and reporting



Source: UN Ambition Guide

Sustainable Development Goals

2030 Agenda for Sustainable Development

17 interlinked goals

169 targets

“A blueprint to achieve a better and more sustainable future for all”

To be achieved by 2030



SDG Ambition (Davos 2020)

Progress of Luxembourg

LUXEMBOURG

OECD Countries

OVERALL PERFORMANCE

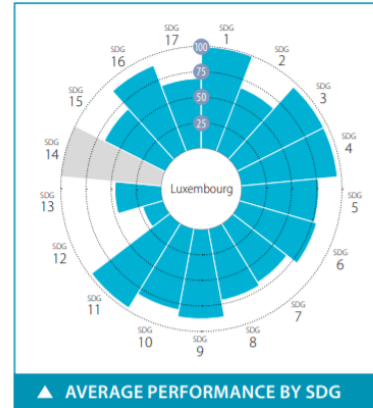
Index score



Regional average score



SDG Global rank 44 (OF 166)



SPILOVER INDEX

100 (best) to 0 (worst)



Source: sustainabledevelopment.un.org

Progress of Luxembourg



Notes: The full title of Goal 2 "Zero Hunger" is "End hunger, achieve food security and improved nutrition and promote sustainable agriculture".
 The full title of each SDG is available here: <https://sustainabledevelopment.un.org/topics/sustainabledevelopmentgoals>

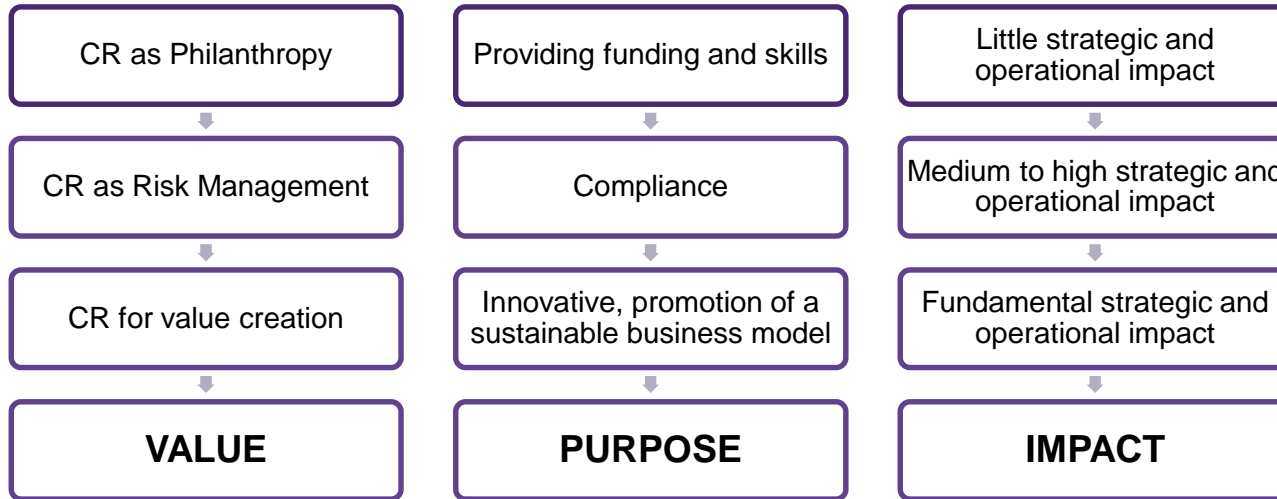
Corporate Responsibility

The responsibility of an organisation's impacts to society and environment

Carroll's pyramid suggests that a corporate has to fulfil responsibility at four levels



Levels of Corporate Responsibility



Maturity of Corporate Responsibility

Different sectors and company size face different challenges as well as risks

CSR Maturity Level	Industry	Industry Average CSR Maturity Score	Coefficient of Variation
Incidental CSR (0-0.32)	Telecommunication	0.26	120%
	IT	0.28	47%
	Developers	0.33	53%
	Media	0.33	70%
Tactical CSR (0.33-0.65)	Food	0.40	51%
	Construction	0.44	55%
	Chemistry	0.48	56%
	Banking	0.64	42%
Strategic CSR (0.66-1.0)	Energy	0.70	12%

Source: Article: CSR Maturity in Polish Listed Companies (2019)

ESG

What is ESG?

- It stands for Environmental, Social, Governance aspects
- Aims to measure the sustainability and ethical impact of an investment
- These 3 factors refer to the non-financial performance

Why is reporting important?

- It is expected to become mandatory for certain companies/industries
- It has become a major part of investment process
- It aims to reduce risks and/or generate returns/uncover opportunities
- It illustrates the outcome of the sustainability strategy implementation

Top ESG investment issues

Environment

Climate change
Fossil fuels and energy
Water and waste management

Social

Health and safety
Employment equality
Human rights

Governance

Transparency and anti-corruption
Board composition
Bribery and fraud

To whom is it important?

- Companies
- Stakeholders
- Investors

What drives the
Sustainability agenda?



Key drivers of transformation

- More Millennials participate in decision making
- Effect of COVID 19 on business and communities
- Apparent climate change effects
- Request for resilience & transparency from the financial sector
- “Fear of missing out”
- Public interest
- Current and forthcoming regulations (national & international)

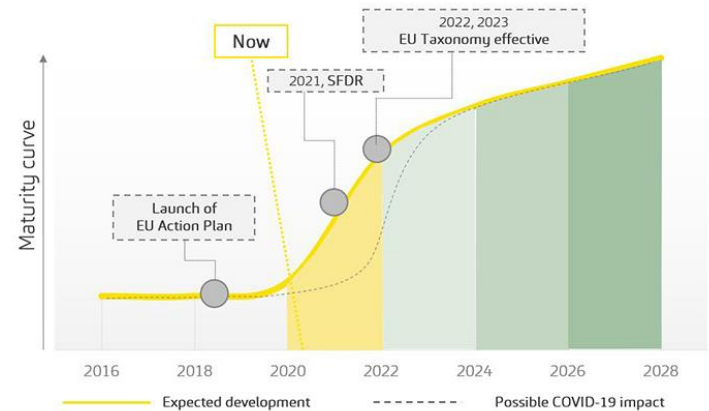




What is expected from the organisations?

EU regulations and guidelines

- **Directive 2014/95/EU**: on reporting on the non-financial and diversity information (NFRD). EU law requires large companies to disclose certain information on the way they operate and manage social and environmental challenges.
 - **EU guidelines on reporting climate-related information**
- **Regulation 2019/2088/EU**: on reporting on sustainability-related disclosures in the financial services sector (SFDR). Under this regulation all financial market participants and financial advisors will be required to disclose specific information on their approaches to the integration of a 'sustainability risk' into their investment decisions.
 - **EU Taxonomy**



National guidelines

- **Luxembourg 2030: National Plan for Sustainable Development**
- **2019 Climate Law**
- **Integrated National Energy and Climate Plan**
- **Sustainability Bond Framework** (in compliance with EU Green Bond Standard)
- **The 2021 Budget Bill (no 7666)**
- **Luxembourg Stock Exchange** - Guide to ESG reporting
 - Luxembourg Green Exchange (LGX)



What will be the cost of inaction?

- Not adequately capture risk
- Non-compliance
- Inefficient budget allocation
- Capped access to capital
- Weaker brand value and reputation
- Non-alignment with emerging markets
- Loss of human capital



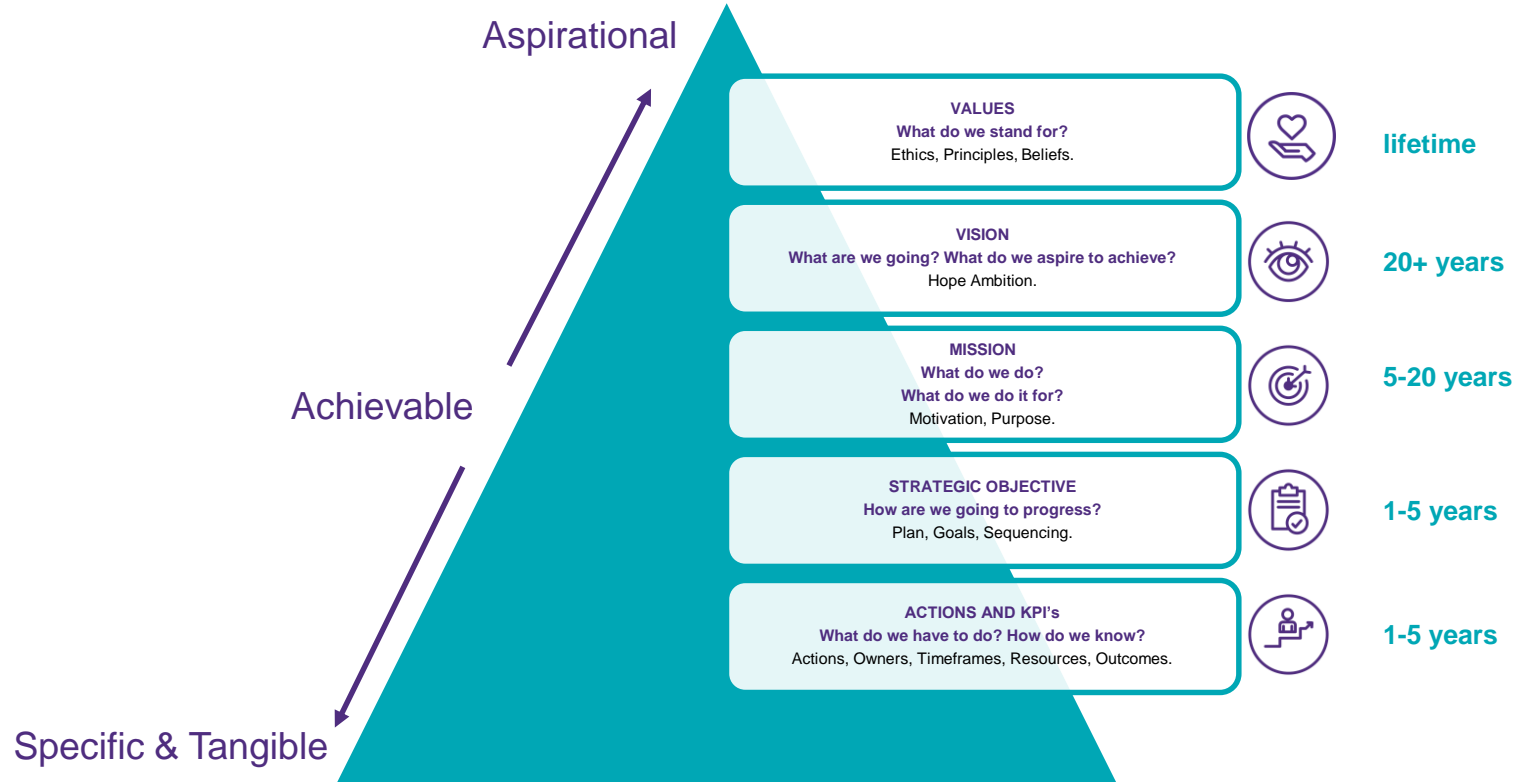
A woman with dark hair, wearing a black top, is smiling and looking towards the right. She is holding a black pen in her right hand. In the background, a man in a light blue shirt is partially visible, also looking towards the right. The setting appears to be a meeting or a collaborative work environment.

What forward thinking
companies do?

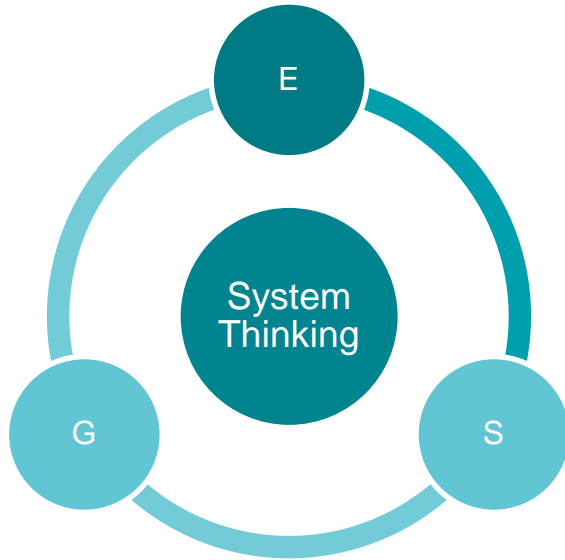
Why sustainability strategy is important?

- Have a clear purpose
- Explicitly define the material issues
- Prioritise what is important
- Set short and long term objectives and targets
- Select the metrics and KPIs
- Commit an engaged team
- Monitor processes and collect the right data
- Translate the findings to impacts and evaluate

Why sustainability strategy is important?



Where shall an organisation focus on?



However:

- Governance tends to focus on the short term transformation
- Environmental and Social tend to focus on the long term transformation

Why is important to have a good sustainability performance when making investment decisions?



Strong VS Weak ESG proposition

	Strong ESG	Weak ESG
Top-Line growth	<p>Attract more customers</p> <p>Better access to resources due to stronger relations</p>	<p>Lack of customer retention due to poor sustainability practices</p> <p>Due to poor community and labour relations eliminated access to resources</p>
Cost reductions	<p>Lower energy consumption</p> <p>Elimination of waste</p>	<p>Higher costs related to supply chain and packaging</p>
Compliance and regulatory innervations	<p>Strategic freedom</p> <p>Lower taxation</p> <p>Access to subsidies</p>	<p>Suffer restrictions</p> <p>Fines and penalties</p> <p>Licence to operate</p>
Human capital retention	<p>Increased employee motivation</p> <p>Social credibility due to adoption of good practices</p>	<p>No link between purpose and activities</p> <p>Loss of talent</p>
Investment and asset optimization	<p>Better allocation of capital for the long term</p> <p>Strengthened decision making</p>	<p>Fall behind competitors</p> <p>Suffer stranded assets</p>

Sustainability and reporting

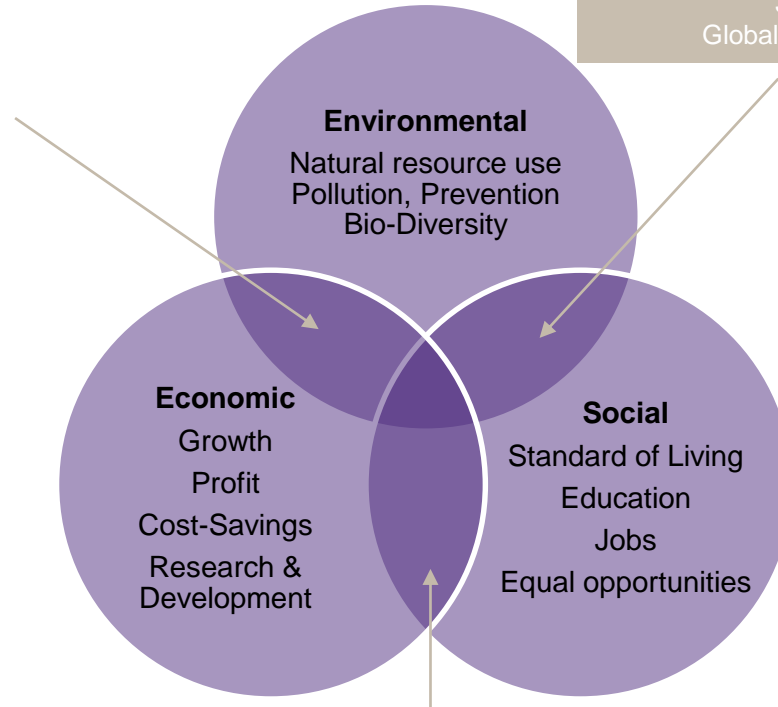
Environmental-Economic

Energy Efficiency
Renewable Fuels
Subsidies and Initiatives
Green Technology

Socio-Environmental

Conservation Policies
Environmental Justice
Global Stewardship

Reporting on sustainability activities and impacts of an organisation on environment, society and governance is a key instrument for communicating its performance and engagement to its stakeholders.



Socio-Economic

Business Ethics
Fair Trade
Worker's Benefits

Reporting principles

Principles for defining report content

- Stakeholder inclusiveness
- Sustainability Context
- Materiality
- Completeness

Principles for defining report quality

- Accuracy
- Balance
- Clarity
- Comparability
- Reliability
- Timeliness

Transparent and comprehensive disclosure
Effective communication and engagement with stakeholders

A young woman with dark hair, wearing a denim jacket over a grey and white striped shirt, stands in a modern office. She is smiling and looking upwards and to the right, holding a white marker in her right hand. The background is a glass wall covered with numerous colorful sticky notes in shades of pink, yellow, orange, and teal. The office environment includes a desk with a computer monitor, keyboard, and mouse in the foreground, and a brick wall visible through the glass. The overall atmosphere is creative and professional.

Our new services

Our vision

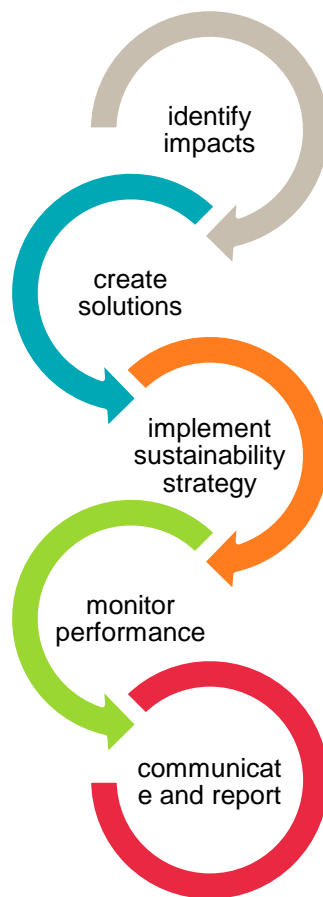
Through our services, to contribute to a thriving sustainable economy that benefits people, communities and planet in the long term.

Our mission

To provide advisory services to clients who wish to understand, monitor and disclose their impact and sustainability performance.

Our solution

Holistic advisory approach
regardless the maturity level of
sustainability and ESG approach



Our client promise



We discover what's important to you and make it important to us



Pragmatic solutions to help you improve and grow



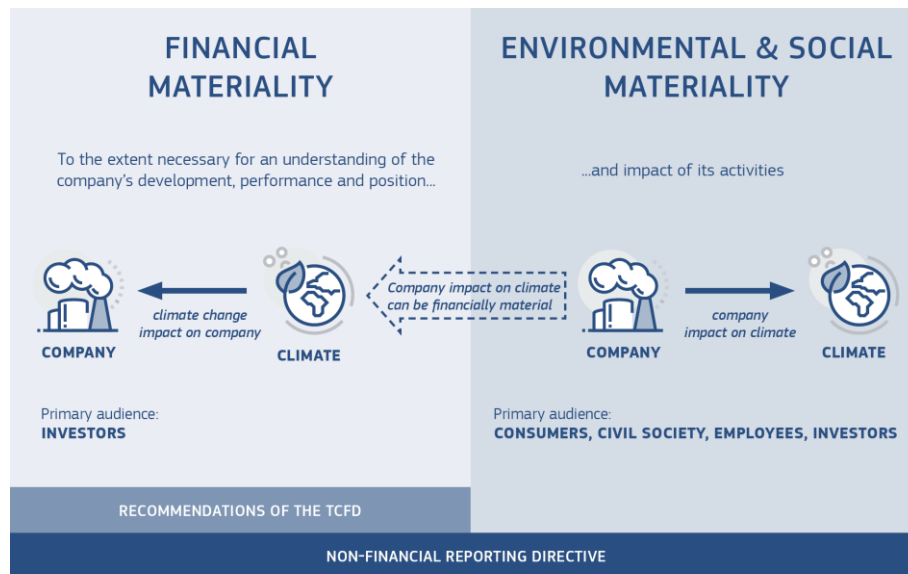
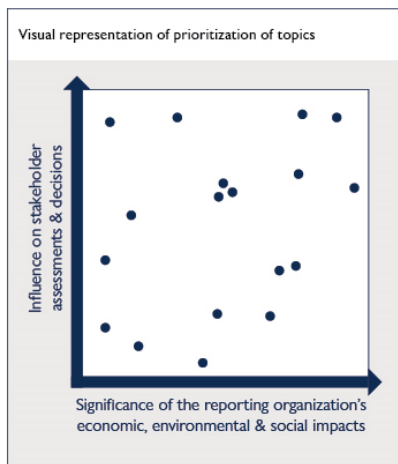
Agile and responsive service



Stable and collaborative teams with a different mindset

Our services

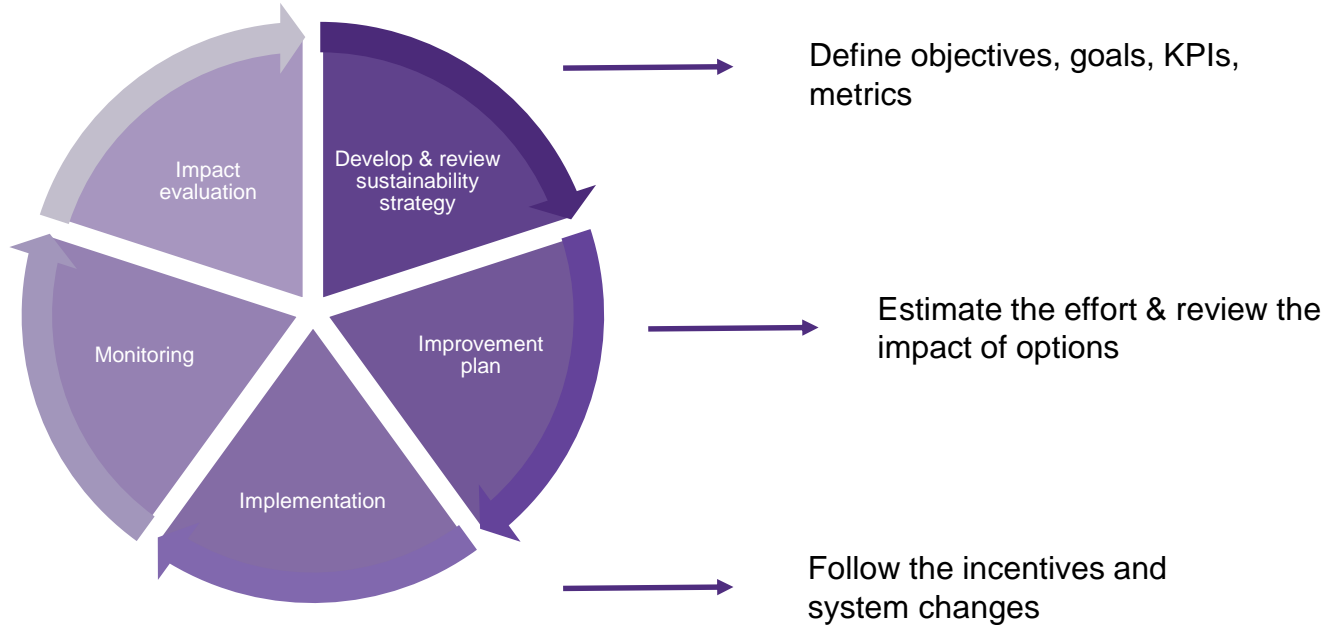
1. Materiality assessment



* Financial materiality is used here in the broad sense of affecting the value of the company, not just in the sense of affecting financial measures recognised in the financial statements.

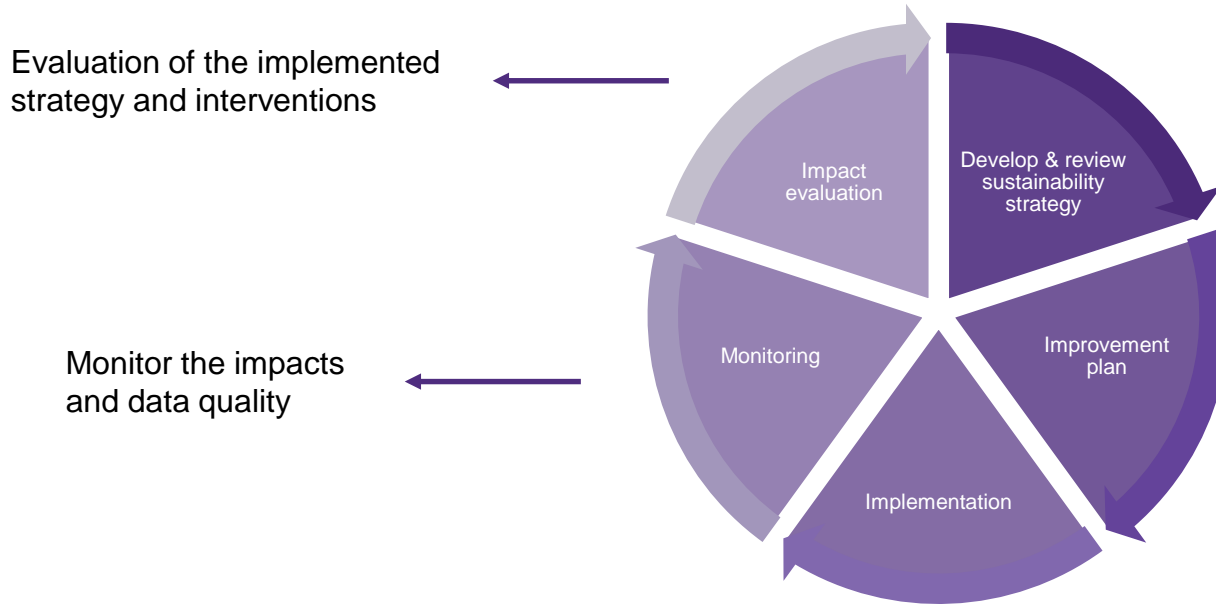
Our services

2. Sustainability management & strategy



Our services

3. Sustainability performance monitoring & evaluation



Our services

4. Sustainability, non-financial reporting (ESG, CSR, UNGC, SDGs)



Our services

5. Upskilling services: foundation & awareness trainings



Benefits of our services

- Insights to all areas of one's business activity that relate to sustainability
- Compliance with national and international guidelines and regulations
- Customised advice relative to the organisation's size and sector
- Focus on material topics and the organisation's commitments



Together we can achieve more



“

Pour ce qui est de l'avenir, il ne s'agit pas de le prévoir, mais de le rendre possible.

Antoine de Saint Exupéry, Citadelle, 1948

”

Contact



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Thank you.

Questions & feedback.