

ESG Strategy & Transformation

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삼일회계법인



ARE THERE ANY **OPPORTUNITIES** TO OFFER NEW PRODUCTS AND SERVICES?

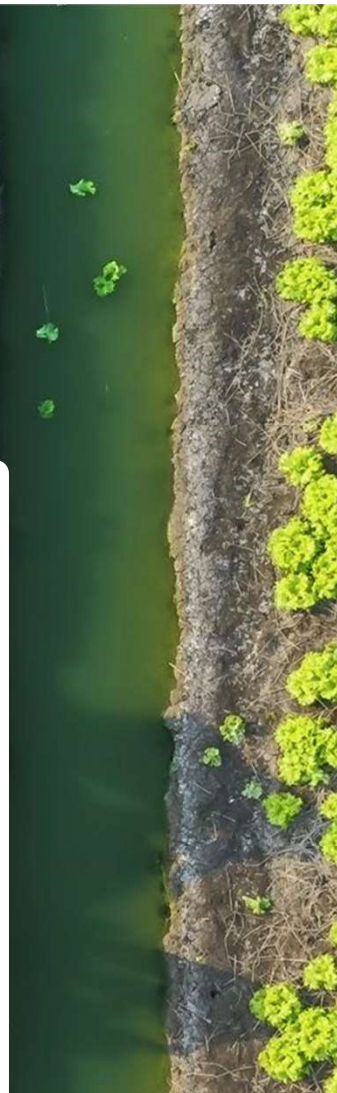
HOW CAN I INTEGRATE THIS INTO OUR **REPORTING**?

SUSTAINABILITY TARGET:
CO₂ FREE UNTIL **2040**
pwc

WHAT **IMPACT** DOES THIS HAVE ON THE **VALUE** OF OUR COMPANY AND WHERE ARE THE **RISKS** AND **OPPORTUNITIES**?

HOW CAN I TRANSFORM OUR **ENERGY** PRODUCTION TO **RENEWABLES** EVEN FASTER?

HOW CAN I BETTER EMBED THE **CONCEPT** OF SUSTAINABILITY ACROSS OUR **EMPLOYEES**?



1

Changing expectations
of business

There is a shift in investor and stakeholder sentiment towards ESG

87%



of investors say their firm has changed its voting and/or engagement policy to be more attentive to ESG risks (Edelman trust barometer 2019)

2/3



of institutional investors believe that ESG will become "industry standard" within 5 years

40bp



benefit in the average cost of capital between the highest and lowest ratings quartile in the MSCI World Index

20%



of all ETF's will be tied to ESG ratings by 2028, BlackRock forecasts

53



of companies in 2020 that BlackRock took voting action against for lagging in action and disclosure on ESG issues

67



S&P 100 Companies who Issued supportive statements on Racial Equality asked to disclose D&I information by NYC comptroller

Investors want **consistent, high-quality information that outlines a strategic plan** for long-term value creation.

Other stakeholders, including customers, regulators, and NGOs, are also demanding **more transparency**,

and SEC statement on audit committee role now includes ESG KPIs

Defining purpose and refreshing strategy



The **purpose and resulting strategy** of a company needs to reflect the significance of **ESG** to both short- and long-term **growth**, to **operations**, to **investors** and to **stakeholders**.



And in order to succeed, companies need proper KPI definition (financial and non-financial) and trusted data.



2

ESG Integration into
business

ESG professional services market activities - Industry

Product	% (# of PJTs)	% (Amount)
Financial Services	27.0%	22.0%
Consumer Markets	16.6%	12.0%
Energy, Utilities and Resources	13.3%	10.8%
Industrial Manufacturing and Automotive	12.5%	25.1%
Government and Public Services	9.9%	16.7%
Technology, Media and Telecommunications	8.8%	7.0%
PE, Real Assets and SIF	5.1%	2.9%
Health Industries	3.8%	2.7%
Others	2.9%	0.8%
Total	100.0%	100.0%

* Source: Internal research estimates

ESG professional services market activities – Geography

Top 20 Countries

Country	# of Projects %	\$ Amount %
United States of America	8.5%	18.9%
France	6.4%	13.8%
United Kingdom	8.8%	12.0%
Germany	1.8%	6.1%
Netherlands	3.3%	5.9%
Australia	4.4%	4.6%
Canada	3.8%	3.9%
China	5.8%	3.0%
Japan IF	2.2%	2.9%
India	2.6%	2.8%
Hong Kong	1.8%	2.3%
Italy	3.6%	1.9%
Switzerland	2.1%	1.9%
United Arab Emirates (UAE)	1.5%	1.5%
Spain	2.8%	1.4%
Sweden	4.2%	1.3%
Luxembourg	2.6%	1.1%
South Korea	0.9%	1.0%
Norway	2.8%	0.9%
Poland	1.0%	0.9%

Region

Region	# of Projects As a %	\$ Amount As a %
Europe	53%	53%
Americas	13%	23%
Asia/Asia Pacific	27%	20%
Middle East & Africa	7%	4%

* Source: Internal research estimates

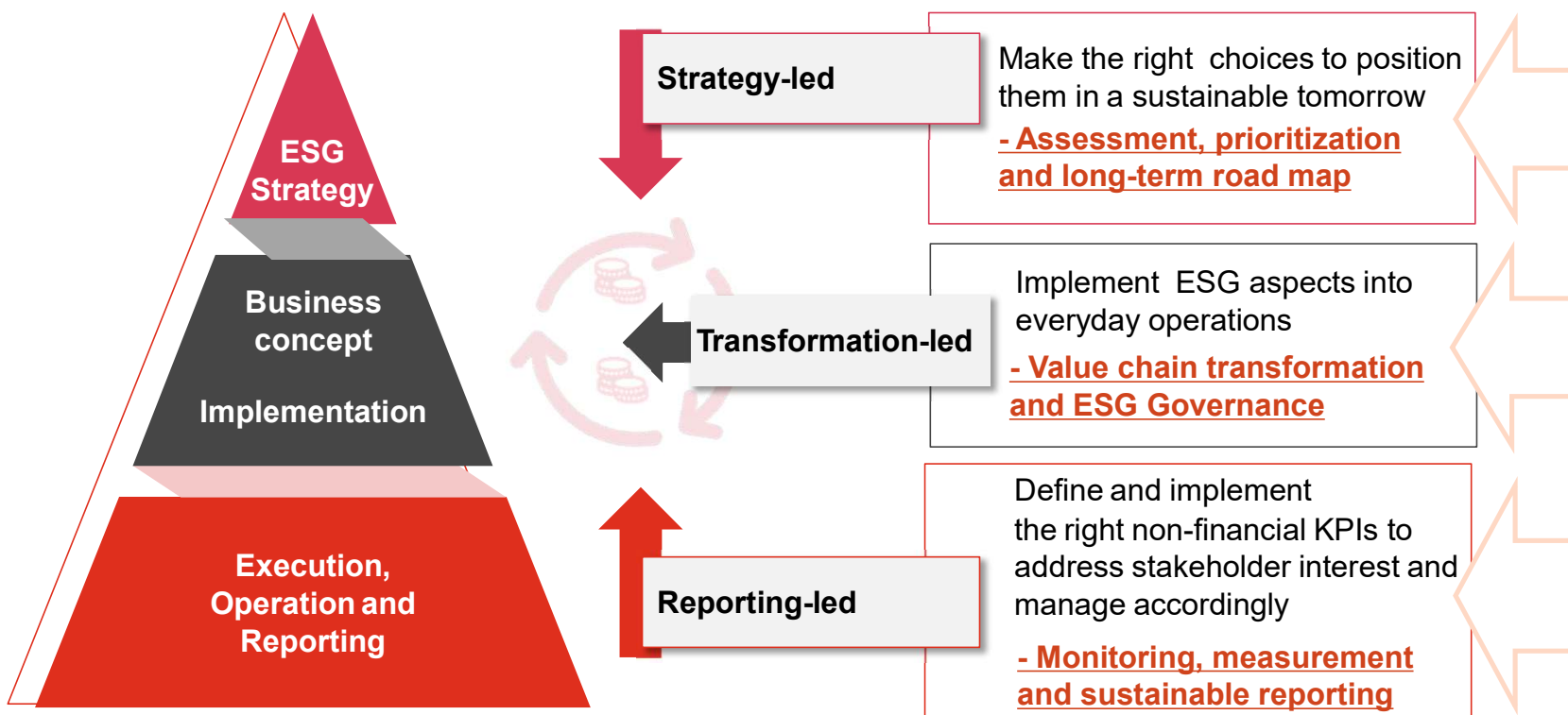
ESG professional services market activities – Project Type

Product	% (# of <i>PJTs</i>)	% (Amount)
1 Strategy	10%	33%
2 Process and Operation	11%	14%
3 Reporting	38%	23%
4 Deal / ESG Due Diligence	8%	7%
Other	33%	23%
Total	100%	100%

Three pronged approach to ESG

ESG systematic approach is required to execute business tasks related to ESG strategy in a mid to long-term, effectively manage the implementation process and report on a consistent basis

ESG Approach



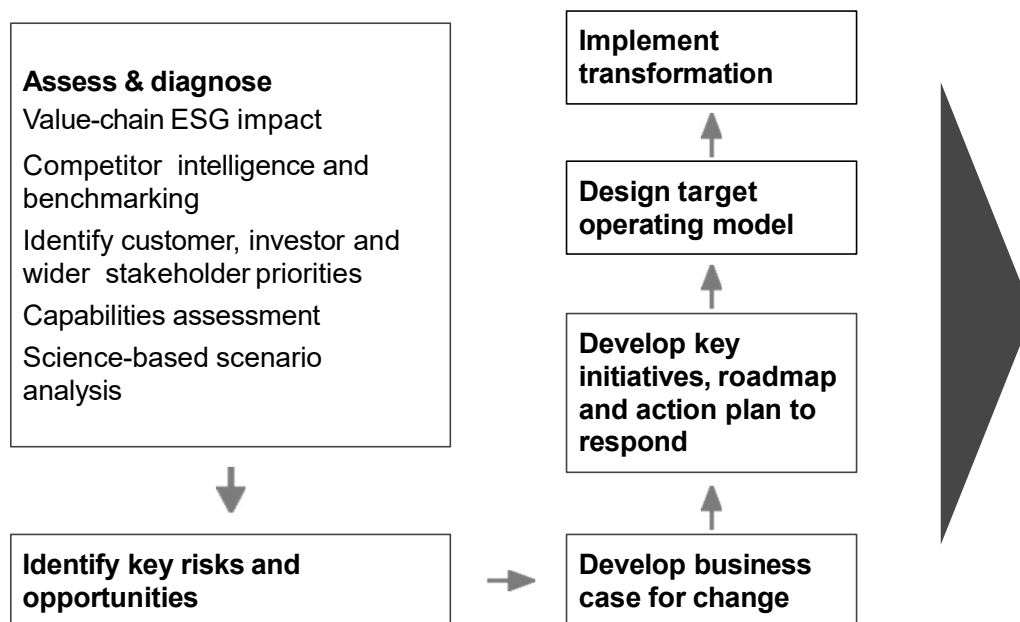
Pertinent questions

- Considering the industry, business environment and current position, what direction our ESG should take ?
- What areas our ESG should focus on now?
- How to secure visibility of ESG implementation activities and integrate them to every operations ?
- What changes should be made on the value chain and business process to implement ESG?
- How will ESG performance and risk be measured and managed?
- Are you providing sufficient information to meet the expectations of stakeholders?
- How to obtain good ESG rating?

1 Strategy

Sustainability must be integrated into the core corporate strategy and operating model to drive enduring value

Good ESG strategy identifies key risks and opportunities and defines a focussed and coherent response



The right ESG strategy, well executed, can unlock a range of opportunities



1 Strategy (case 1)

Intel: integrate and align ESG with its core business model by 2030

2030 Goal and Strategy : INTEL's "RISE Strategy"



Responsible: Improve safety, welfare and accountability across manufacturing operations and value chains.
Responsible mineral procurement, lifesaving technology standardization, issues in health and safety innovation

Inclusive: Promote diversity and inclusion across the global workforce and across the broader industry

Sustainable: Reduce the negative impact of customers and suppliers on the environment.: Sustainable global manufacturing processes, supplier emissions reduction, carbon neutral computing

Enable: Realization through innovative technology and employee expertise

Environmental Sustainability

Value chain Responsibility

Diversity and Inclusion

Social Impact

2 Process and Operation (case 1_Net zero)

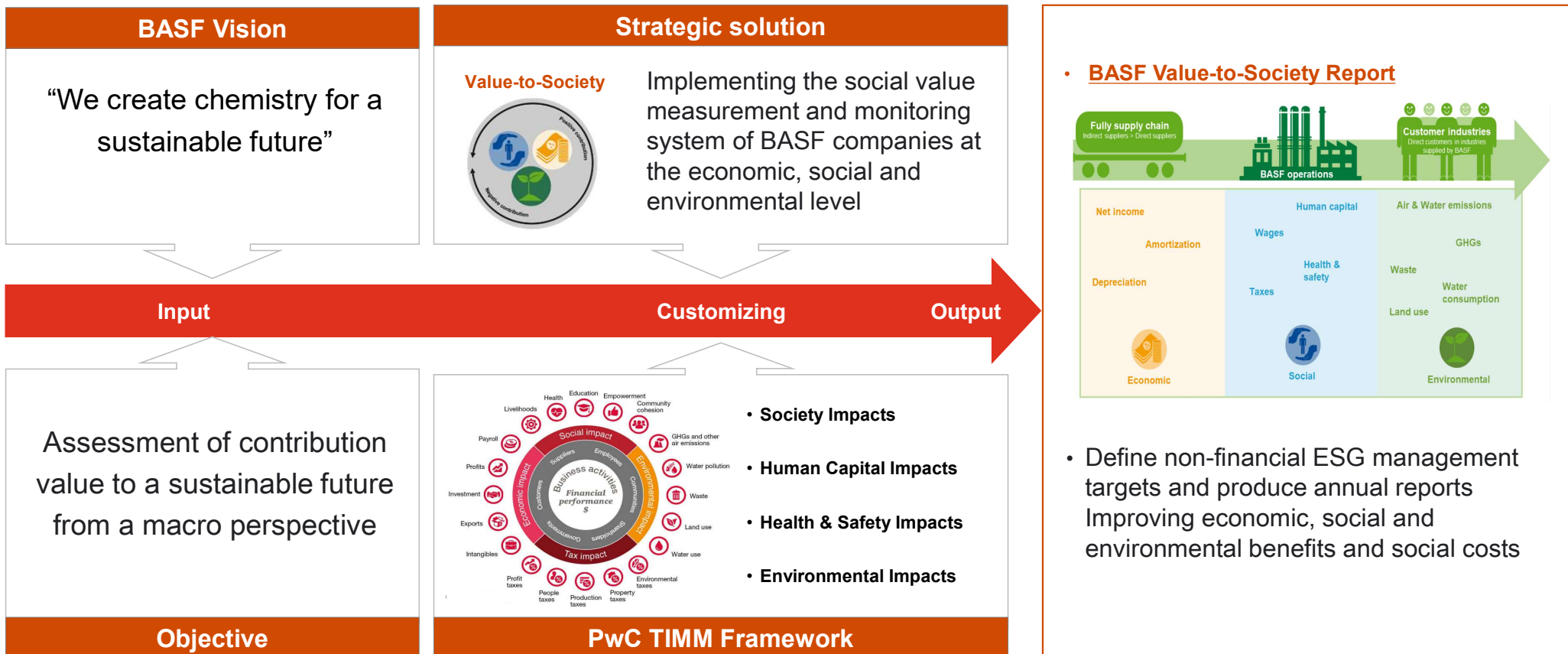


A cross-sector initiative to accelerate the transition to a net zero global economy

- PwC (UK-US) team acts as knowledge advisor to Microsoft for design, build, launch, and run
- Focus Areas
 - Business transformation - why, what and how incl. Good practice guides, tools, assets
 - Innovating and investing at scale in products, services, and business models
 - Engaging with policymakers and suppliers - collaborating for scale and impact

2 Process and Operation (case 2_Measurment & KPI)

BASF is famous for measuring performance through quantification of non-financial information and establishing action plans to achieve goals.



2 Process and Operation (case 3_Value chain transformation)

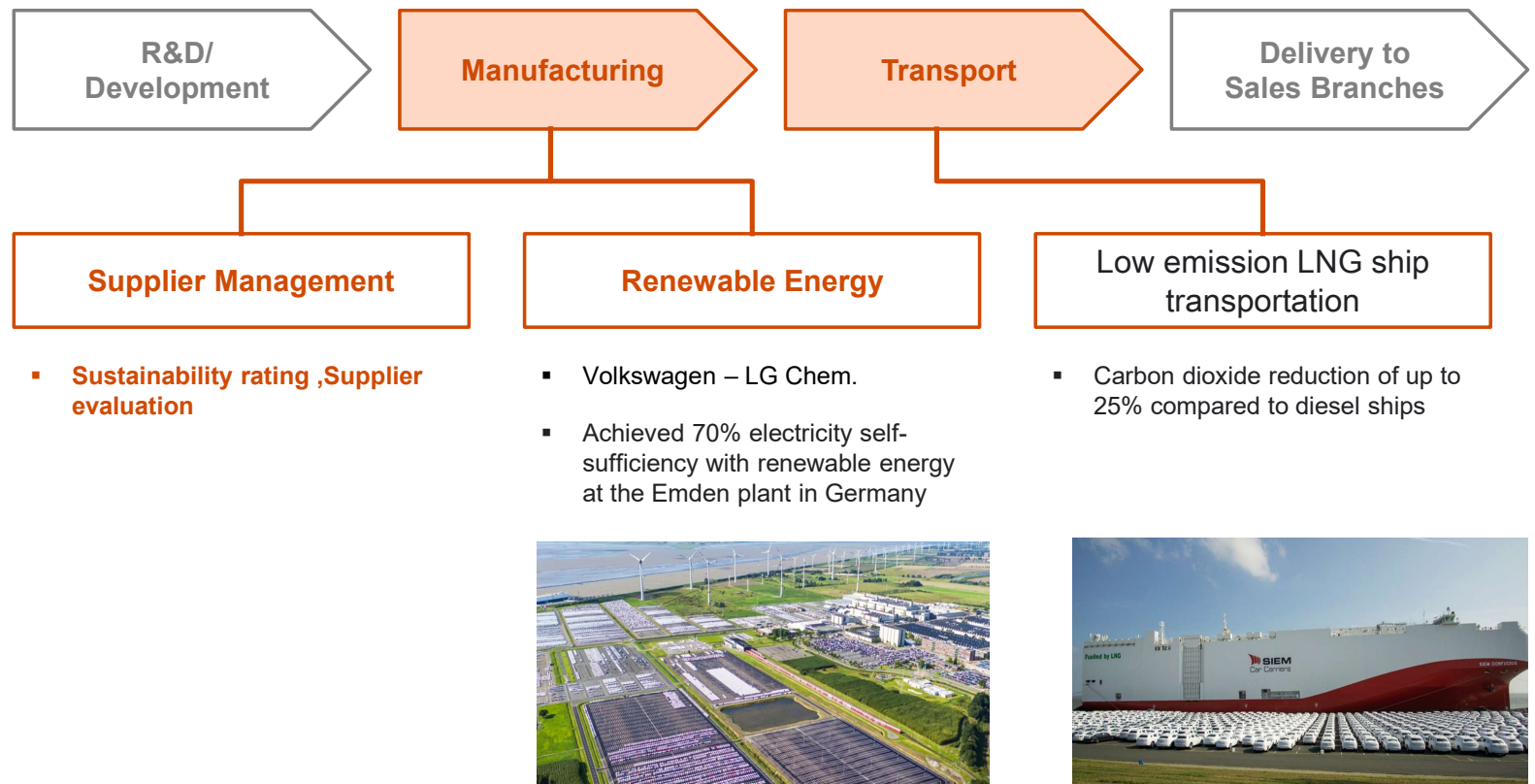
ESG strategy implementation can have true benefit when the entire supply chain is involved.



Volkswagen Vision

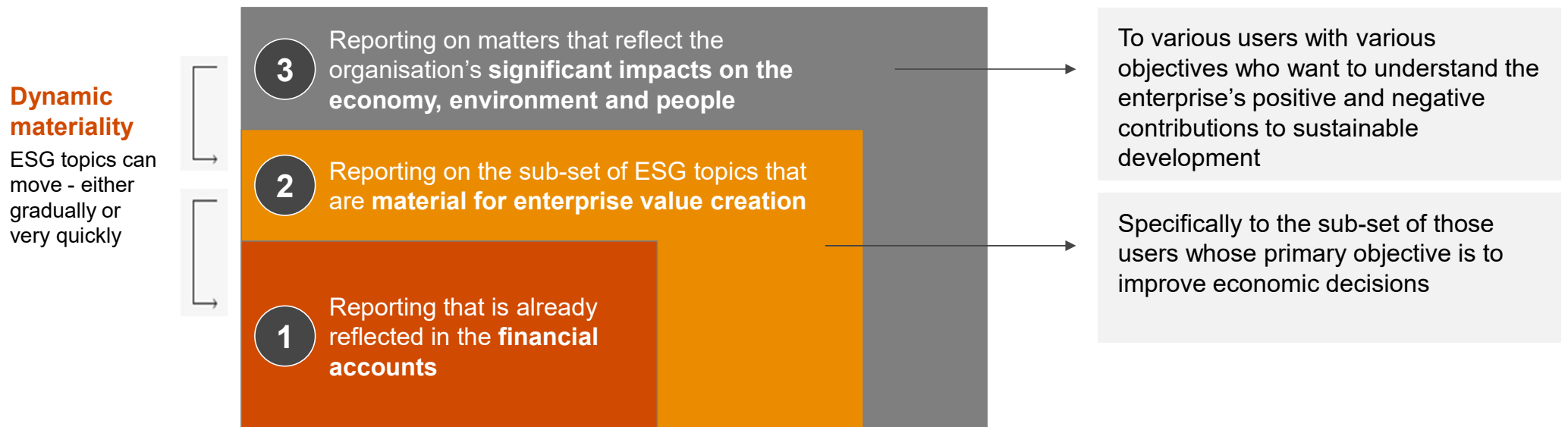
Together 2025+ Strategy
(Long-term exit carbon plan)

'Go To Zero' Vision



3 Reporting

These transformational shifts mean that corporate reporting must demonstrate value beyond the financial accounts



Source: CDP, CDSB, IIRC, GRI, SASB



Organisations need to tell their story across **all three** categories of information

3 Reporting

The reporting landscape is evolving and there are significant moves towards a common set of standards



3 Reporting

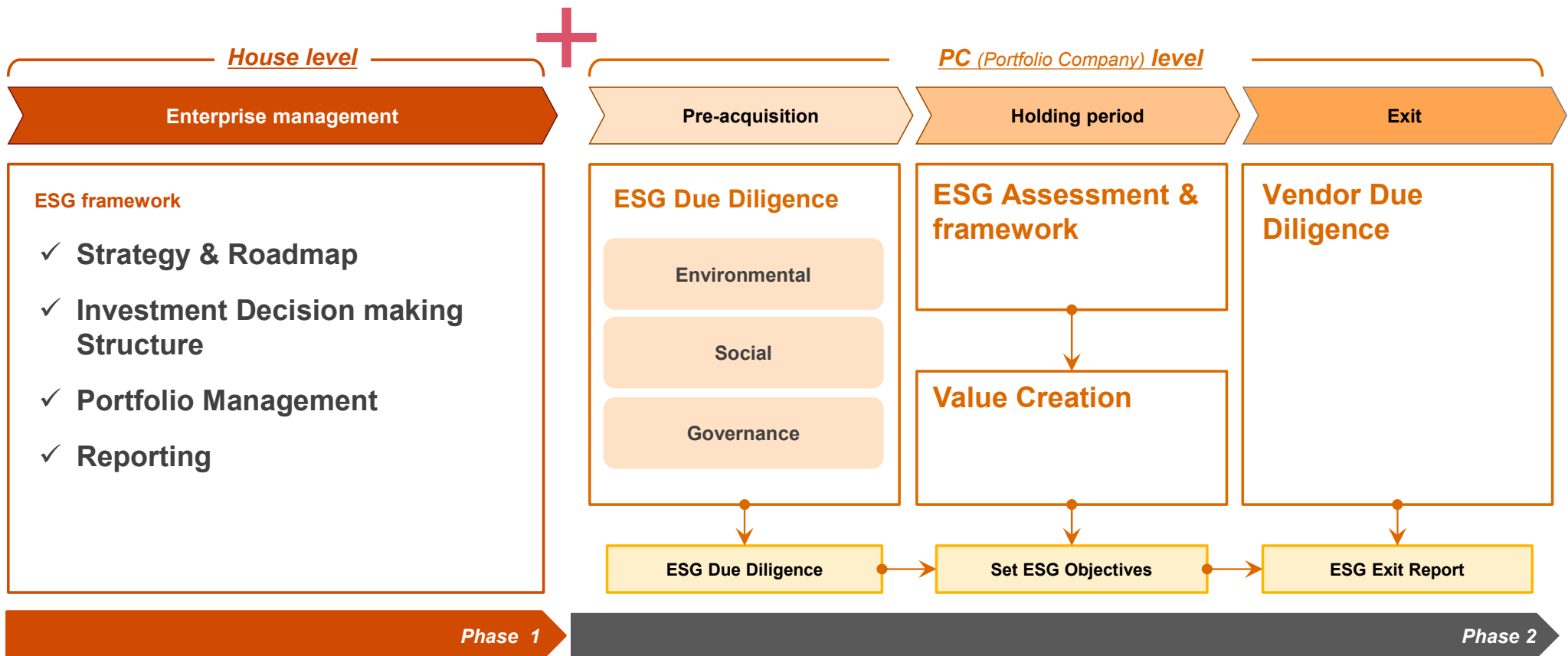
The sustainability report is the starting point for communication with stakeholders. The process for preparing the sustainability report is as follows.

Sustainability Reporting Process



4 Deal / ESG Due Diligence

Establish a comprehensive ESG Management System at the PE House level and at the portfolio level





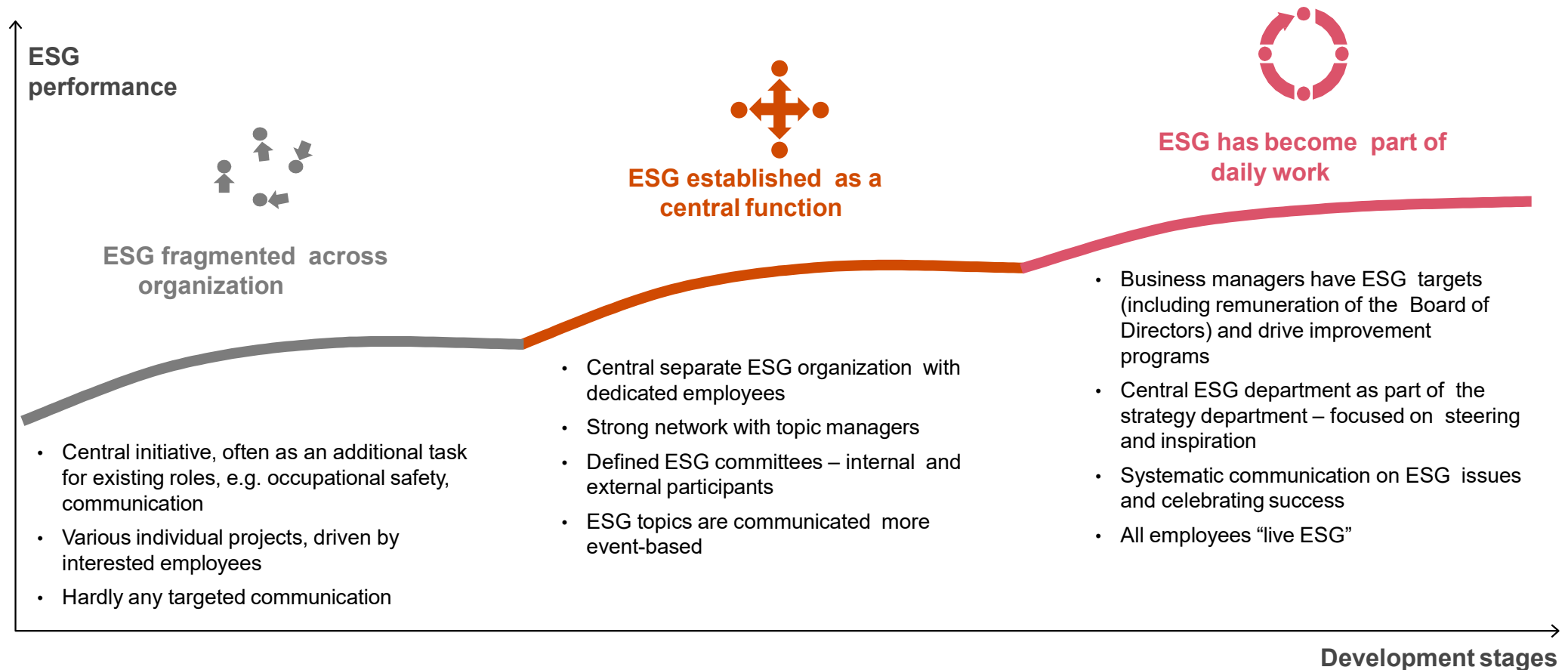
3

Success factors drive
ESG performance

Six success factors drive ESG performance; selected examples demonstrate comprehensive cross-industry adoption

1	Integrate into strategy		“Unilever’s purpose is to make sustainable living commonplace . We believe this is the best way to deliver long-term sustainable growth ”
2	Emphasize importance by top-management		“The world needs you more than ever before – for the social, environmental and economic dimensions. To improve these dimensions, you as managers are asked to act decisively. ” Bill McDermott, CEO
3	Prioritize topics and differentiate in ambition level		“We are focused on three priority areas : Science for Circular, Science for Climate, and Science for Community.”
4	Steer via clear processes and KPIs		Philips’ main sustainability objective: improve the lives of 3 billion people by 2030 – The “Lives Improved” metric captures this influence
5	Integrate into existing processes and culture		Responsible management runs through the entire value chain. Every unit integrates economic, social and environmental responsibility in its own activity, while cooperating with other units , implementing strategic guidelines.
6	Communicate transparently and trustworthy		“Since 2000, adidas has published an annual sustainability report . As of 2017 reporting, adidas combines its financial and non-financial information in one combined publication, its Annual Report.”

Transformation embeds ESG into the organizational culture for real impact



ESG is changing businesses



More Trust

Inspire employees,
strengthen relationship
with suppliers
and customers



More Growth

Expand business,
new markets,
new product or service
offerings



Lower Risk

Managing risks related
to climate change
and social change,
responding to (upcoming)
laws and regulations



Lower Costs

Improved efficiency,
better margins

An aerial photograph of a river winding through a lush, green forest. The river is dark blue and reflects the surrounding trees. The forest is dense with various shades of green, indicating different types of trees and vegetation. The overall scene is serene and natural.

Thank you

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