



ESG & NGO: Prospect and Possibilities

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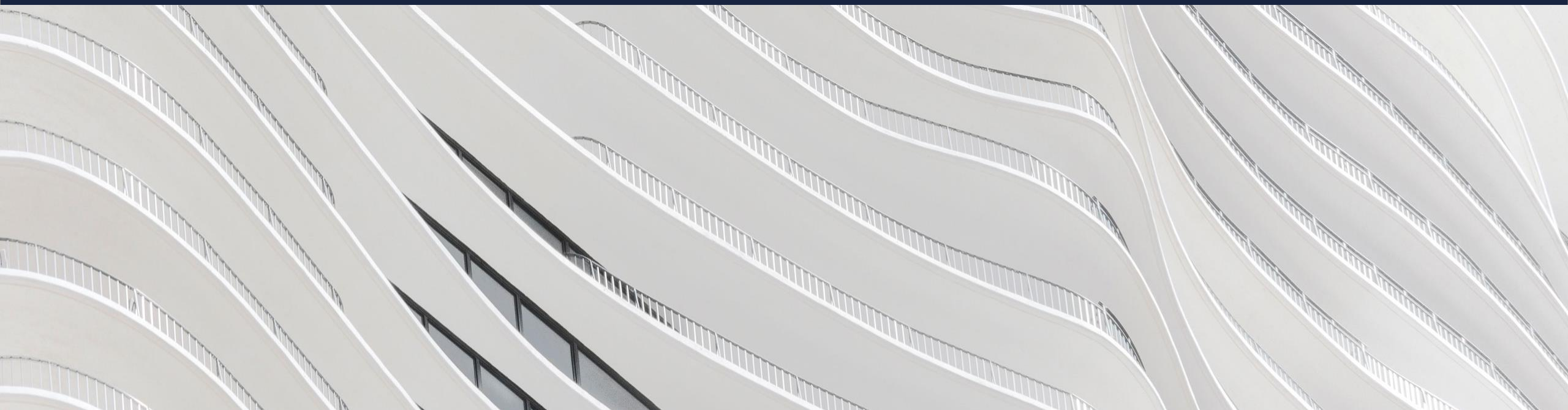
Speaker – Aaron Chan

Pro Bono Associate, Asia

- As a pro bono associate in Asia Pacific, Aaron Chan assists the region's Pro Bono Director with the management of the Firm's pro bono projects in Asia. He also represents individual and corporate clients on contentious pro bono matters.
- Prior to joining DLA Piper, Aaron received training and worked in a human rights litigation firm in Hong Kong. He has represented applicants in their asylum claims in various levels of Courts and tribunals, and intervened in arguably unlawful removal and detention of asylum seekers.



What is ESG?



What do we mean by Sustainability and ESG?

- Air pollution
- Waste and hazardous material
- Water management
- Resource management
- GHG emissions
- Land use, change and deforestation
- Energy management
- Climate resilience
- Renewables



Sustainability refers to the ability of a company to create value over the long term. ESG includes the **Environmental, Social and Governance** dimensions of a company's operations and performance, which are used to measure the sustainability of investments.

- Health and safety
- Human rights
- Modern slavery, trafficking and child labour
- Land relations
- Conflict zones/conflict materials
- Relocation/displacement
- Employee engagement
- Product quality and safety
- Customer relations
- Social impact



- Business ethics, culture and values
- Anti-bribery, corruption and money laundering
- Executive pay
- Financial and non-financial
- Disclosure and transparency
- Gender pay gap
- Diversity and inclusion
- Data protection and cybersecurity
- Directors' duties and board effectiveness
- Anti-greenwashing
- Embedding within organisation
- Stakeholder and community engagement



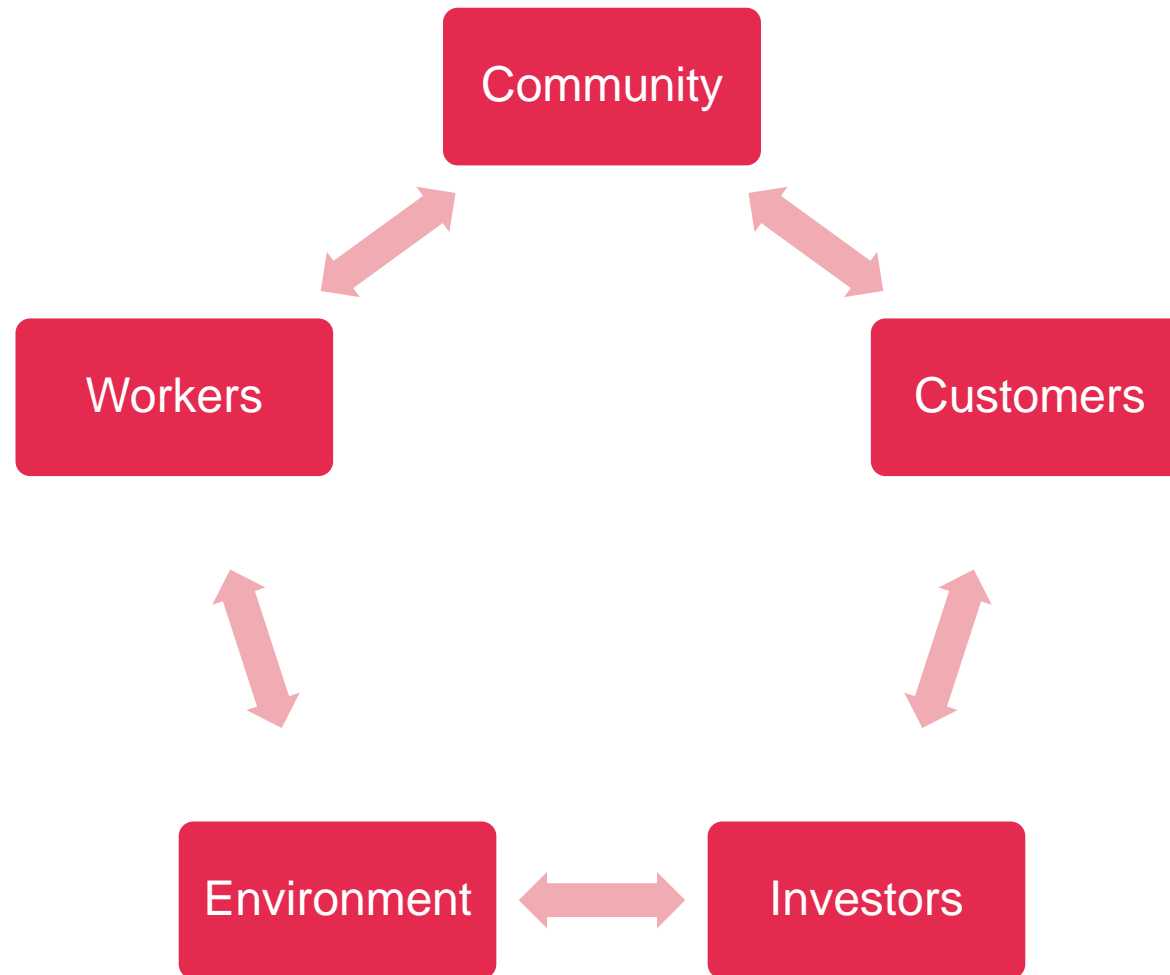
ESG & The Sustainable Development Goals

SUSTAINABLE DEVELOPMENT GOALS



Stakeholders engagement

ESG is about how a company serves all its stakeholders



The concept is evolving

From internally-focused to externally-facing



The sustainability of its internal ESG and operational processes and policies

The positive impact of their products on society, and the degree to which these products are directly helping achieve societal objectives.

Why is ESG growing?

A profitable response to the crisis of the World

- A new demand in the investment market
 - The millennial investors are interested in investment opportunities of this nature. In a 2018 survey, Bank of America Merrill Lynch "conservatively estimated" a **USD 20 trillion of assets growth** in US-based ESG funds **in the next 20 years**.
- New risk factors that may not have been properly assessed in the past are introduced to investors/ seen previously.
 - As more companies are global-facing nowadays, investors need to consider those risk factors.
- Challenges, such as **climate change, increased regulatory pressures, social and demographic shifts and privacy and data security concerns**, are new or increasing risks for investors.
 - Is the company exposed to these risks? Do they have the methods to manage/ mitigate such risks. Is the company vulnerable before these risks? What would happen if the company fails to control these risks?

Why is ESG growing?

The increasing regulatory concern

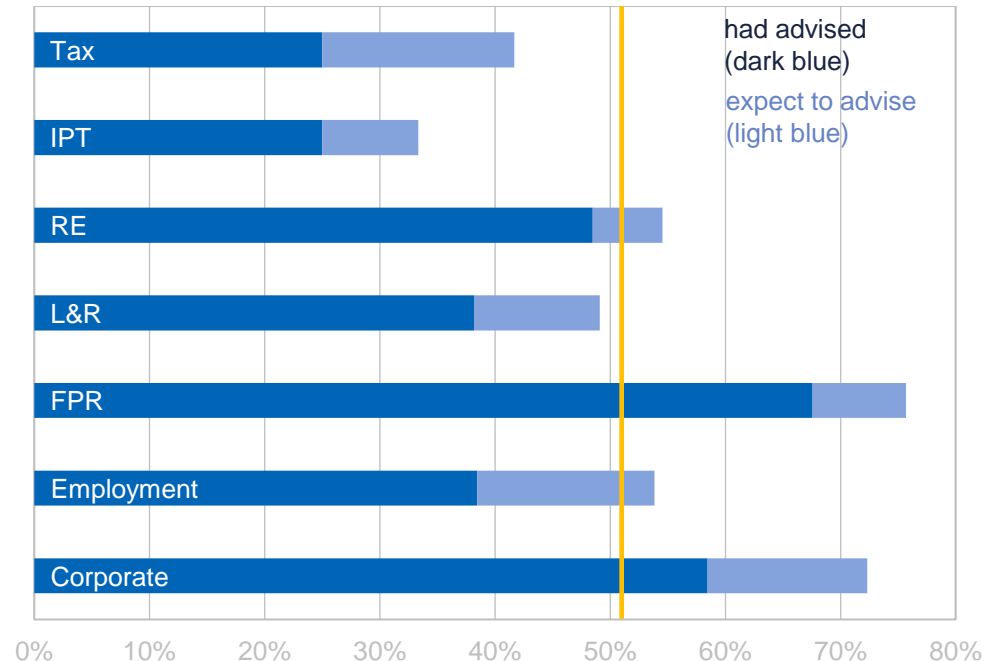
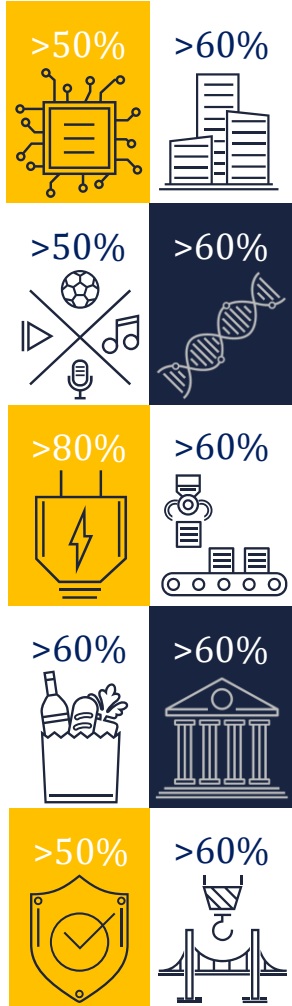
- The sanctions imposed on persons and companies by the governments
 - The United States' 2016 Global Magnitsky Act
 - The EU's Global Human Rights Sanctions Regime
 - The UK's Global Human Rights Sanctions Regime
- Stock Exchanges requires ESG disclosure
 - Requiring disclosure of significant climate-related issues which have impacted and may impact the issuer;
 - Upgrading the disclosure obligation of all “Social” KPIs to “comply or explain”; and
 - Introduction of new KPIs on supply chain management

Companies are accountable to their ESG performance

How to make the companies accountable?

- ESG Reporting
 - To improve transparency for the benefits of the investors and regulators
 - Combination of both qualitative disclosures as well as quantitative metrics used to measure a company's performance against ESG risks, opportunities, and related strategies.
 - Companies require management and measurement systems in order to set key performance indicators (KPIs) and monitor and report on their achievement of positive contribution towards the SDGs.
 - Problem: There is not a standardized approach to the calculation or presentation of different ESG metrics
 - Problem: Lack of third-party verification limiting the usefulness of ESG data for investors
- ESG Rating
 - Problem: The rating agencies face difficulty to measure the environmental / social impact
 - Problem: Does the rating agencies have sufficient information to assess the company's performance?

Companies are looking for advice



% who had advised or expect to advise on an SESG issue in the previous/coming year

- Survey responses from 103 US partners and 175 Int. partners. 45% US partners and 55% Int. partners have advised on ESG issues in the past 12 months
- ~ 24% have had an ESG-related client conversation in the past 12 months
- Most conversations are about specific issues – we are not speaking holistically

Key issues in ESG

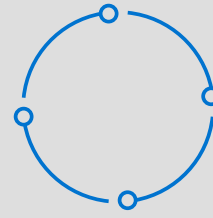
“Sustainability is not just about the environment”.



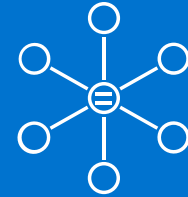
Net zero



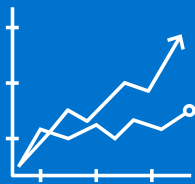
Materiality



Circularity



Social impact



**Science based
targets**



**Reporting
standards**

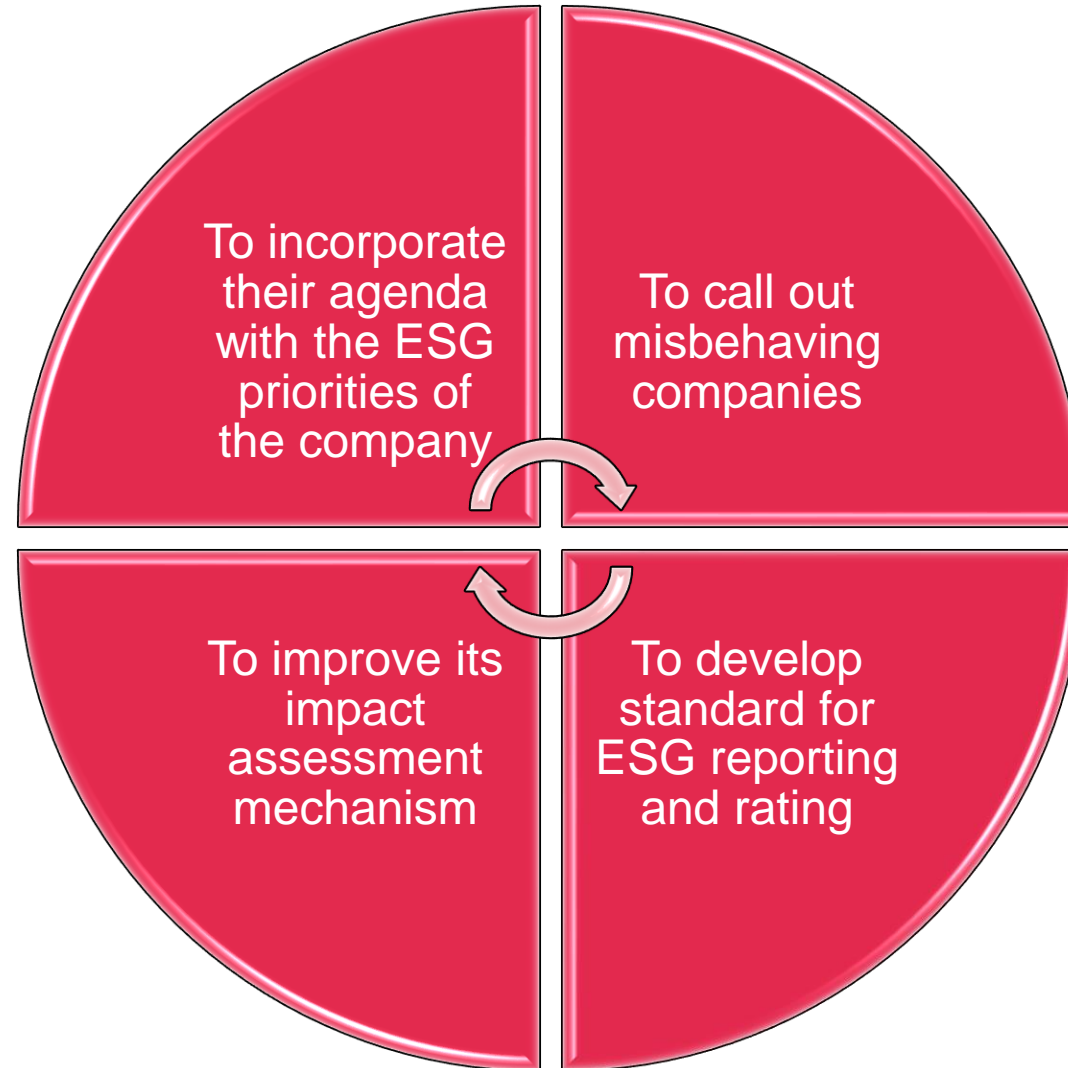


Climate justice



**Social license
to operate**

Opportunities for the NGOs



Thank you