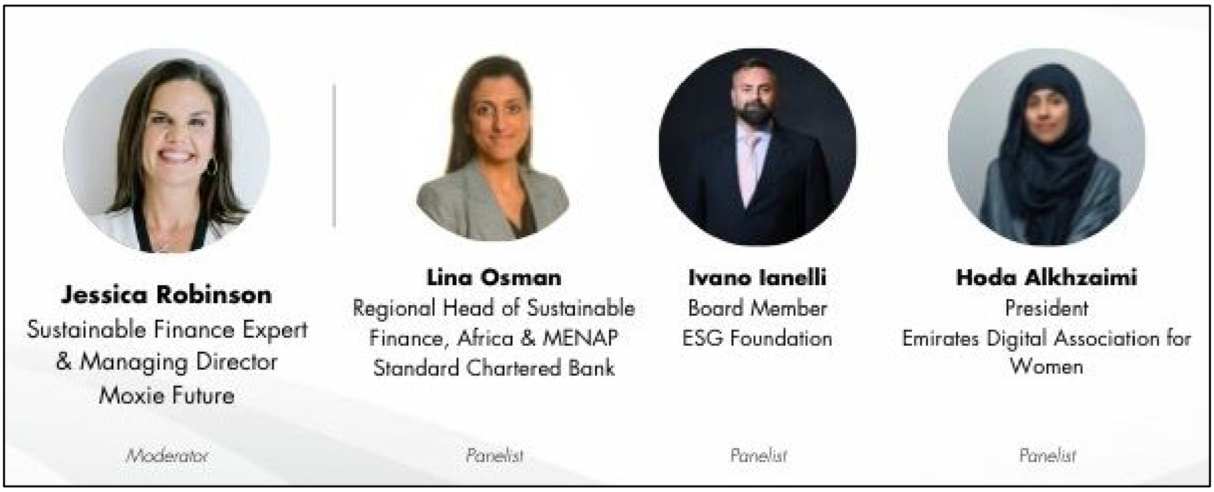
Event Outcome Report

Corporate Governance in Sustainable Finance

In Collaboration with Association of Chartered Certified Accountants (ACCA)

Date: 15 September 2021

Location: Pearl Initiatives' Zoom Platform



Executive Summary

Currently, global opportunities and corporate growth is reflected through corporate governance responsibilities. New levels of sustainability come not just from new laws and regulations, but also expectations from the internal and external stakeholders. This has also elevated concerns at board levels to ensure effective, robust, and reliable governance and compliance tools.

Just as good corporate governance contributes to the sustainable development prospects of countries, increased economic sustainability of nations and institutional reforms that come with it provide the necessary basis for improved governance in the public and private sector. Alternatively, corporate governance failures can undermine development efforts by misallocating much needed capital and resources, while developmental fallbacks can reinforce weak governance in the private sector and undermine job and wealth creation.

Session Objectives

This session will highlight the following objectives:

- Corporate Governance as the umbrella concept for sustainable finance
- Financial Sustainability and the alignment with SDGs
- Achieving economic growth through sustainable finance

Key Takeaways:

- A company that is not well governed is unlikely to have a strong hold on ESG risks. This was further amplified by the COVID-19 pandemic. Sustainability leaders who have been resilient during the downturn of the pandemic credit their resilience to strong governance.

- There is growing awareness for the general need to address ESG agenda across different sectors, especially from a Board's perspective. There is a huge push to address many of the social and economic pillars of the SDGs, through effective ESG practices. Within the Gulf region, there is a 54% increase in awareness by clients, customers and even investors, who question ESG investments made by organisations.

- A financial institution's impact extends to everything it finances. This includes all Scope 3 assets which fall under financed emissions for all of the institution's clients. Setting up a robust ESG framework will allow the institution to assist clients (especially in sectors that are harder to abate such as oil and gas & mining and metals) transition to a more environmentally sustainable business model.

- The pandemic has proven to be a good test of resilience and also has set a benchmark for the status quo of sustainable finance prior to the crisis versus after.

- The United Arab Emirates, like many other countries is aligning its private sector towards a common goal – sustainable future. This would require companies to cascade revised processes across its operation and supply chain, to produce goods and services, but with less initial input of resources, while still maintaining business competitiveness through market prices.

- A statistic by the 2020 OECD report states that utilising only 1% of global financial assets available for sustainability purposes ($379 trillion) can assist countries in financing investments that aim to achieve the SDG goals.

- Providing intangible support to set up infrastructure to achieve SDGs goals is prevalent and is also continually growing in the Gulf region.

- The role of Board is fundamental to establishing robust governance for the organisations they advise for. This in turn enhances opportunities for companies to adopt more sustainable practices. Good governance structures result in increased investor attention while also attracting customers who are more drawn to and are willing to pay more for products and services that are sustainably sourced.

- For the Gulf region, whose economies have been built around the fossil fuel industry, there is increased opportunity to transition to a more carbon neutral environment. The UAE, for example, have been trying to model larger businesses to be more reserved in the carbon emissions, much before the Paris Climate Agreement Conference. This in turn positively impacts both the internal and external stakeholders of these organisations across the 'E', 'S' & 'G' components.

- However, small companies and SMEs struggle to maintain the same level of impact. An exception is made for businesses that operate under the supply chain of larger more responsible conglomerates as they are forced to be compliant with any sustainability practice established.

- The biggest missed opportunity for many companies is the lack of sustainability reporting. Data research into SDG benchmarking and indicators are continually being conducted as a part of a global/ regional effort to provide information to the general consumer base, investors, and even potential clients.

- The UAE is prime example of a country that has been setting long-term goals for sustainability priorities. There are no overarching conflicts between ESG driving shareholder value.