

# MloD Directorship Series

## Introduction to ESG (Environmental, Social, Governance)

28 January 2023

Presenter – Thiri Thant Mon

## | About MloD

- The Myanmar Institute of Directors (MloD) is an independent organisation promoting corporate governance standards and best practices in Myanmar.
- Governed by a board of directors drawn from a diverse group of business leaders and advocates of good **corporate governance** in Myanmar, the Institute aims to advance **board** professionalism, promote business ethics and transparency, create networks between corporate leaders and stakeholders, and boost investor confidence in Myanmar's private sector.

# Stronger Governance | Stronger Institutions | Stronger Myanmar

## Our Vision

To strengthen Myanmar by advancing the highest level of ethical values, corporate governance, and the professional development of directors.

## Our Mission

- To promote excellence in corporate governance standards and their application by companies and organisations
- To develop effective leaders who govern businesses and institutions with highest world class ethical standards
- To improve the efficiency, effectiveness and professionalism of boards and board directors
- To enhance investor confidence in Myanmar's private sector and capital markets

# In this ESG introductory session, we will cover:

1

**E**nvironmental  
**S**ocial  
**G**overnance

The concept of sustainability and overview of each factor.

2

Assessing and integrating ESG into management and oversight of your business and organisation.

3

ESG capital market developments.

**“Companies do not exist in isolation. Successful and sustainable businesses underpin our economy and society by providing employment and creating prosperity.**

**To succeed in the long-term, directors and the companies they lead need to build and maintain successful relationships with a wide range of stakeholders.”**

*- Introduction to the UK Corporate Governance Code, 2018*

# ESG $\Leftrightarrow$ Sustainability



Sustainability is the ability for a company to sustainably maintain resources and relationships with and manage its dependencies and impacts within its whole business ecosystem over the short, medium and long term.

....A company's ability to deliver value for its investors is inextricably linked to the stakeholders it works with and serves, the society it operates in, and the natural resources it draws on.

- *International Sustainability Standards Board (ISSB), October 2022*



# Environmental Factors

## Conservation of the natural world

- Climate change and carbon emissions
- Air and water pollution
- Biodiversity
- Deforestation
- Energy efficiency
- Waste management
- Water scarcity



## Environmental Factors

- Climate change adaptation
- Pollution prevention and control
- Biodiversity conservation
- Renewable energy
- Green buildings
- Clean transportation
- Water and wastewater management
- Circular economy

# Social Factors

## Consideration of people & relationships

- Customer satisfaction
- Data protection and privacy
- Gender and diversity
- Employee engagement
- Community relations
- Human rights
- Labor standards



## Social Factors

- Affordable basic infrastructure (e.g. clean drinking water, sanitation, transport, energy)
- Access to essential services (e.g. health, education, healthcare, financial services)
- Affordable housing
- Employment generation
- Food security and sustainable food systems
- Socioeconomic advancement and empowerment

Source: CFA Institute, ICMA



# Governance Factors

## Standards for running a company

- Board composition
- Audit committee structure
- Bribery and corruption
- Executive compensation
- Lobbying
- Political contributions
- Whistleblower schemes



## Governance Factors

- Structure and oversight
- Code and values
- Transparency and reporting
- Risk and systems

Source: CFA Institute, S&P Global

# Climate Change and Net Zero Goals

## Paris Agreement

- Binding international treaty adopted in 2015 with the pledge to substantially reduce global greenhouse gas emissions to limit the global temperature increase in this century to 2 degrees Celsius while pursuing efforts to limit the increase even further to 1.5 degrees.

## Net Zero

- Cutting greenhouse gas emissions to as close to zero as possible, with any remaining emissions re-absorbed from the atmosphere, by oceans and forests
- More than 3,000 businesses and financial institutions are working with the Science-Based Targets Initiative to reduce their emissions in line with climate science

Source: United Nations (<https://www.un.org/en/climatechange/paris-agreement>, <https://www.un.org/en/climatechange/>)

# UN Sustainable Development Goals (SDGs)



Source: United Nations

# Integrating ESG Into Management and Oversight

## Why Should You Care

- “Doing well and doing good are intertwined, and successful business strategies include both.”<sup>1</sup>
- “Successful companies will be those where management sees ESG as a critical business imperative and drives the change agenda with strong support from the board.”<sup>2</sup>

## How Should You Address It

- Materiality: What factors matter for your business?
- Management: Prioritise, measure and manage what matters

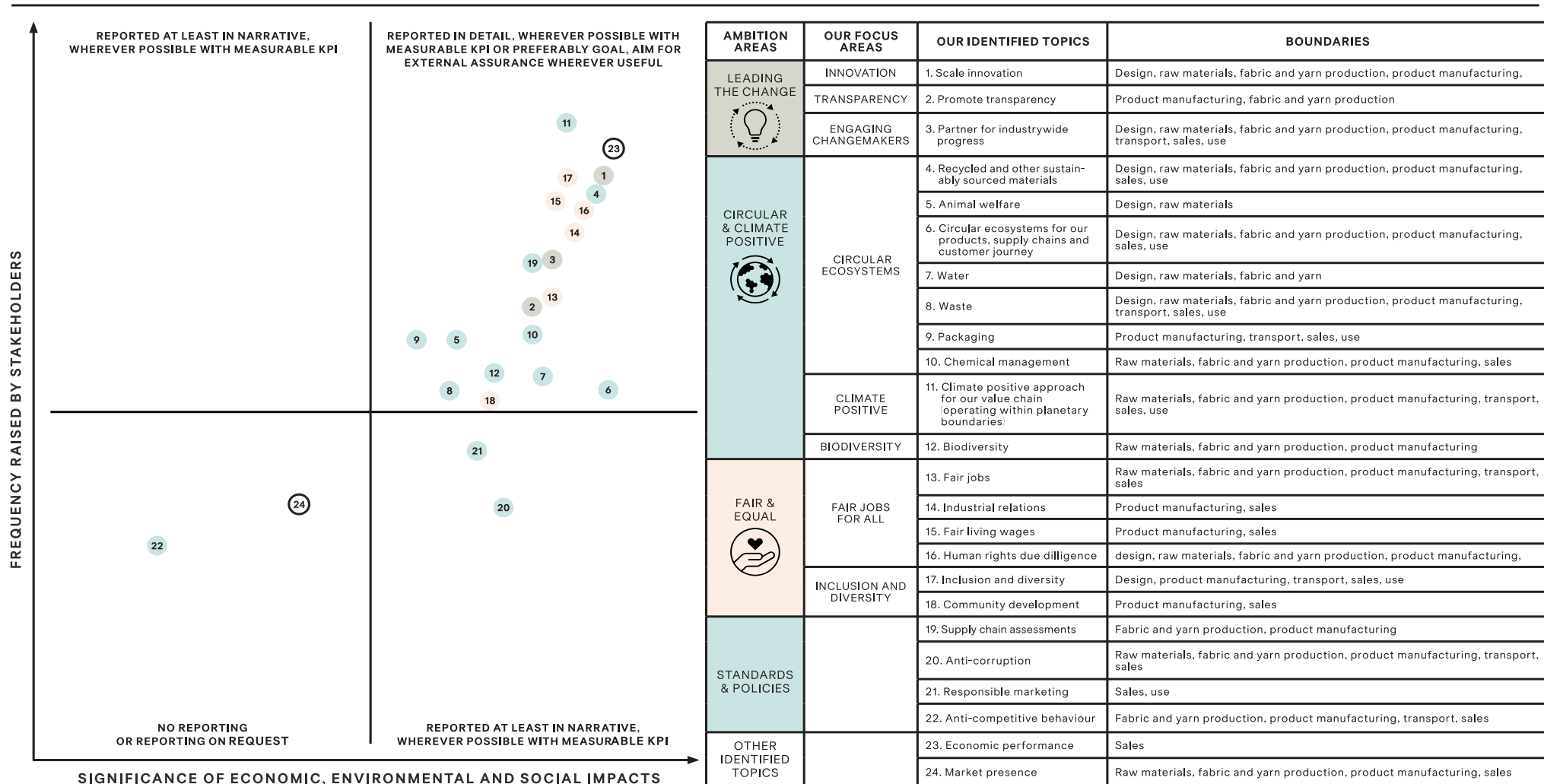
Source:

1) <https://online.hbs.edu/blog/post/business-sustainability-strategies>

2) 2) <https://www.weforum.org/agenda/2022/10/5-actions-corporate-boards-can-take-to-advance-esg/>

MloD

# Example Materiality Matrix: H&M (Clothing)



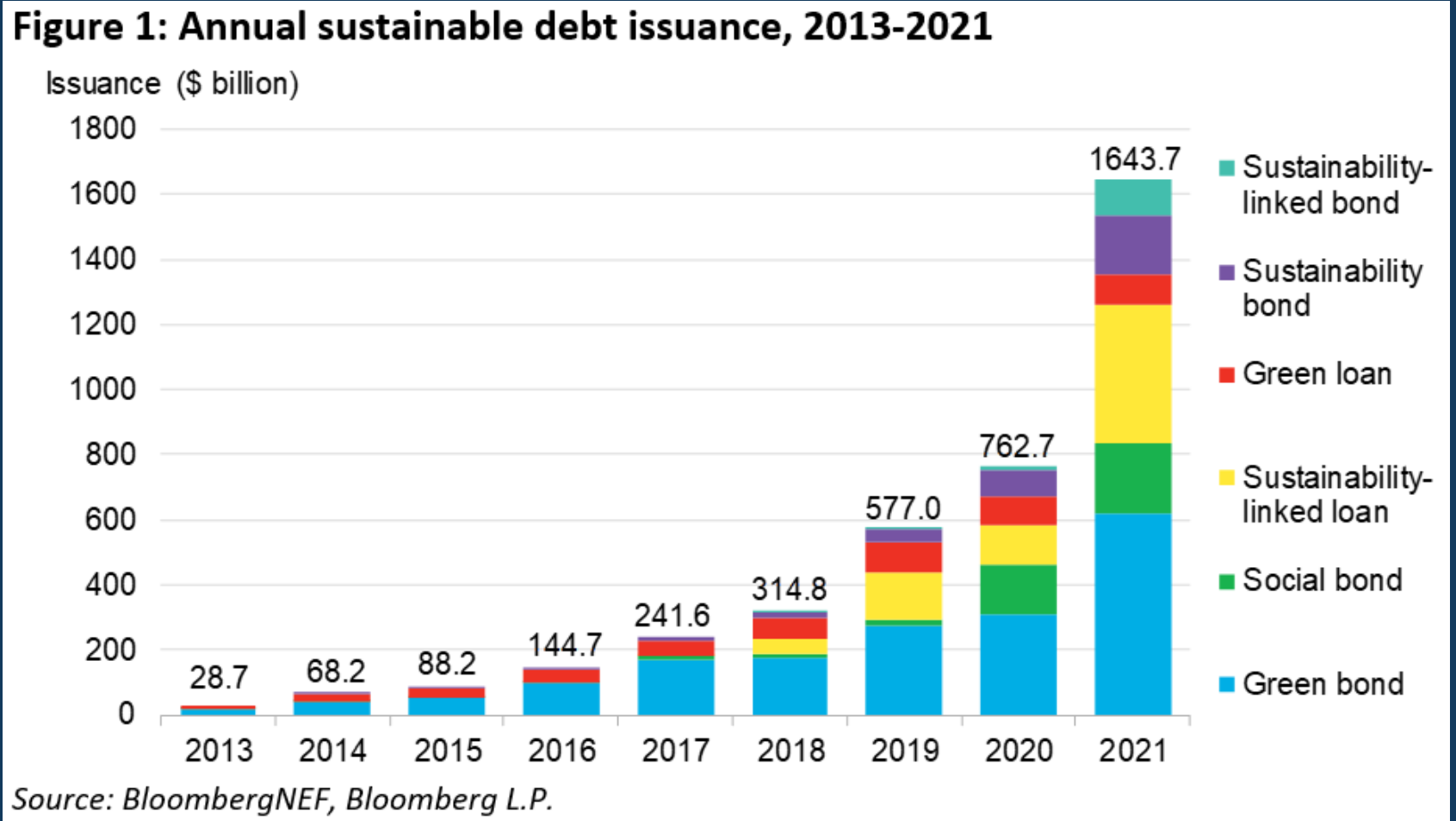
Source: [https://hmgroup.com/wp-content/uploads/2020/10/Materiality\\_Matrix\\_2019.pdf](https://hmgroup.com/wp-content/uploads/2020/10/Materiality_Matrix_2019.pdf)

# Example Materiality Matrix: AMD (Semiconductors)



Source: <https://www.amd.com/en/corporate-responsibility/material-esg-issues/>

# ESG Debt Issuance Volumes



Source: Bloomberg

# ESG Capital Markets Instruments

## Use of Proceed Bonds

*Funding raised (proceeds) must go toward (be used on) specific ESG projects*

## Sustainability-Linked Bonds

*Borrowing company pledges to sustainability targets and pay more (or less) interest based on achieving them*



# Use of Proceeds (UoP) Bonds



## Green Bonds

- Finances projects with environmental benefits (e.g. renewable energy, energy efficiency, clean transportation, wastewater management, climate change adaption)



## Social Bonds

- Finances projects with a positive social benefit or address social issues (e.g. social housing, improved transportation access, access to healthcare, access to finance, bottom of the pyramid, targeting minorities)



## Blue Bonds

- Finances projects conserving oceans and marine ecosystems (e.g. ecosystem management and restoration, aquaculture, coastal and marine tourism, waste water and sanitation)

# Sustainability-Linked Bonds (SLBs)

- Sustainability-Linked Bonds (“SLBs”) are any type of bond instrument for which the financial and/or structural characteristics can vary depending on whether the issuer achieves predefined Sustainability/ ESG objectives. <sup>1</sup>



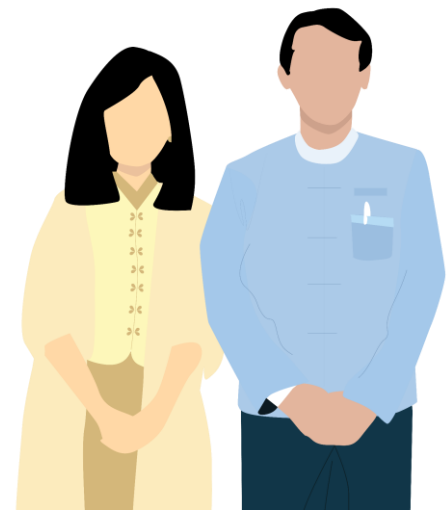
Source: 1) ICMA, Sustainability Linked Bond Principles, June 2020  
Graphic) <https://www.climatebonds.net/market/slbs>

**Questions?**

# Become a Member!

There are four categories of membership available:

- **Certified Membership**
- **Professional Membership**
- **Associate Membership**
- **Corporate Membership**



# Join Our Courses

Programs	2023											
	January	February	March	April	May	June	July	August	September	October	November	December
Director Certification Program (DCP)			24,25,26			16,17,18			8,9,10			8,9,10
Governance for Directors				22,23 (Online)						14,15 (Online)	7 (In-person)	
Finance for Directors					20,21							
Audit Committee for Directors	21,22											
Board/Company Secretary Program		25,26						19,20				
Strategy, Risk and Finance for Directors							15,16					
<b>Member Education/Events</b>												
Webinars-Online	ESG (28)	Prof. Dr. ATT (23)	Daw Htar Thant Zin (10)	Tentative: Risk Management (Dr. Tun Thura Thet, 25)	Prof. Dr. ATT (23)	Tentative: Board Transition /Succession Plan (MloD/loDs, 27)	Tentative: Family Business Governance (MloD/loDs, 25)	Prof. Dr. ATT (23, Wed)	MloD/loDs (26)	MloD/loDs (24)	Prof. Dr. ATT (23, Thu)	MloD/loDs (5)
Member and DCP Alumni Networking		18										
Annual Conference / AGM									AGM, 21			

Link:  
<http://myanmariod.com/event-learning-series/training-calendar/>

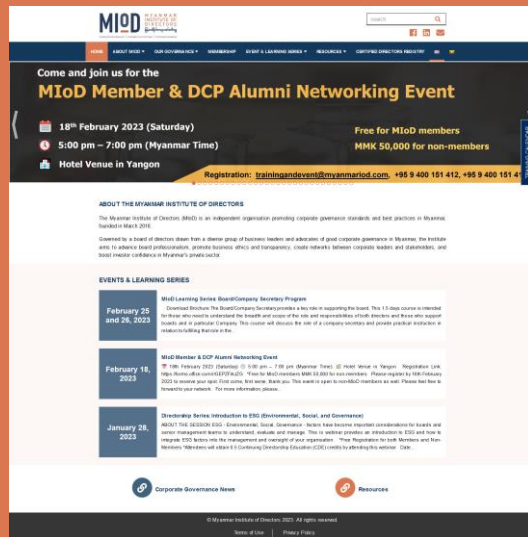
**THANK YOU**

# MIOD

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DIRECTORS  
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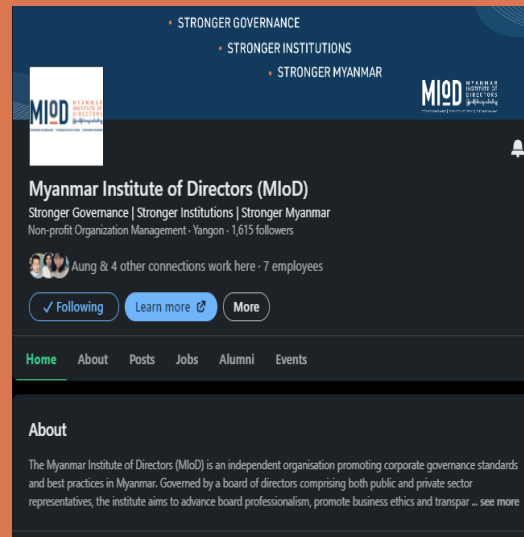
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## Website



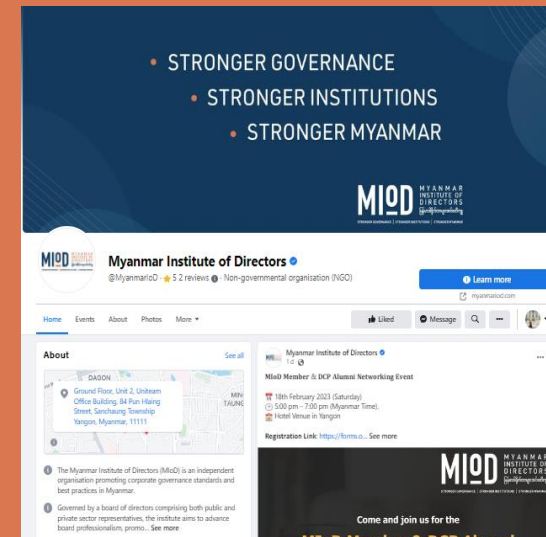
<http://myanmariod.com/>

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<https://bit.ly/402gV8l>

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