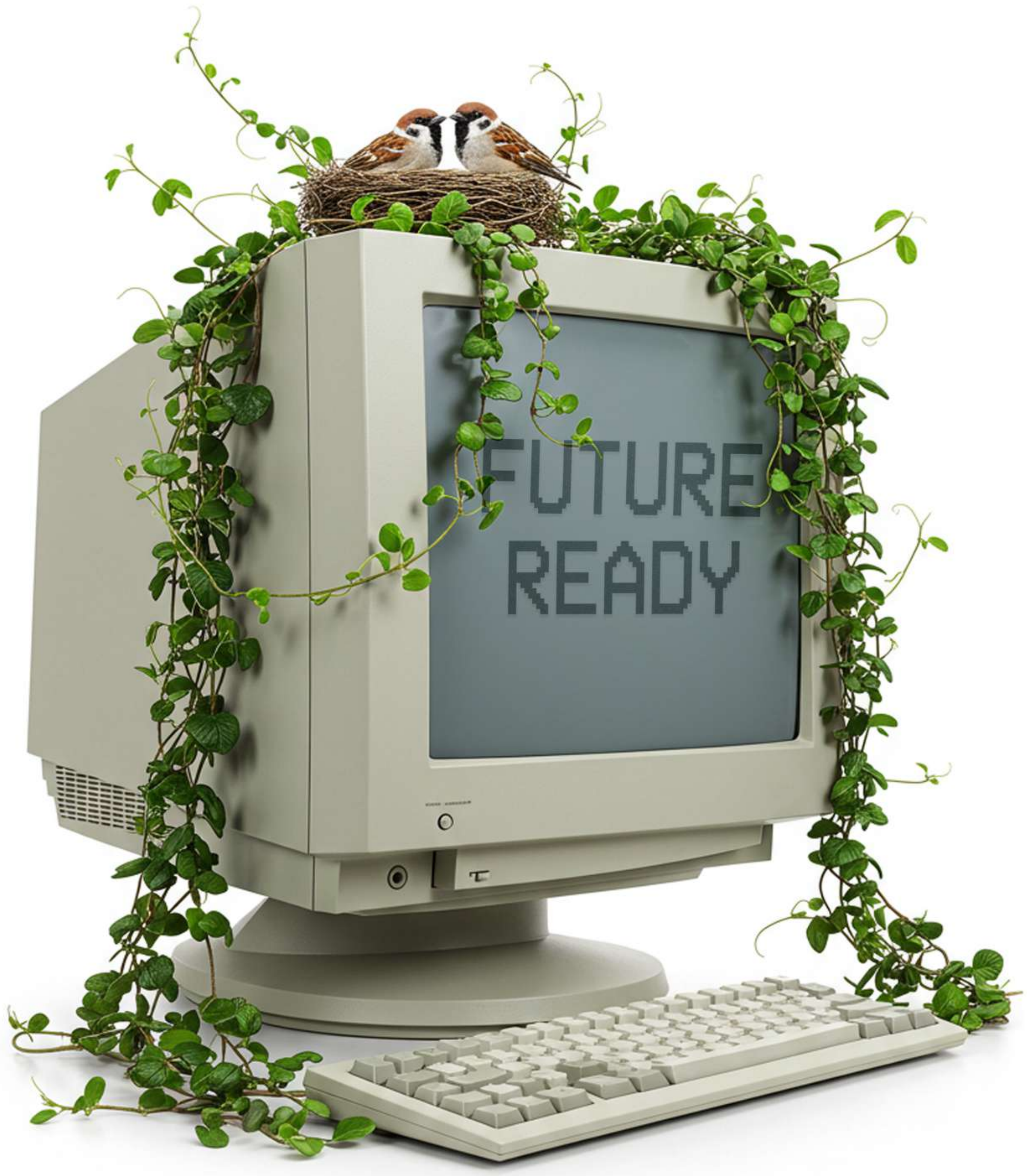
CORPORATE GOVERNANCE
DEVELOPMENT FRAMEWORK

APRIL 2025

Sustainability Reimagined

Redefining Success with Environmental, Social, and Governance Strategies.



Old systems. New rules. Greener outcomes

Message from the Chair

As Chair of the Advisory Committee of the Corporate Governance and Development Forum (CGDF), I am both inspired and compelled by the evolving landscape of leadership and accountability in the 21st century. We are living in a new world order—one defined by heightened interconnectivity, shifting power dynamics, and the urgent need for inclusive and sustainable development.

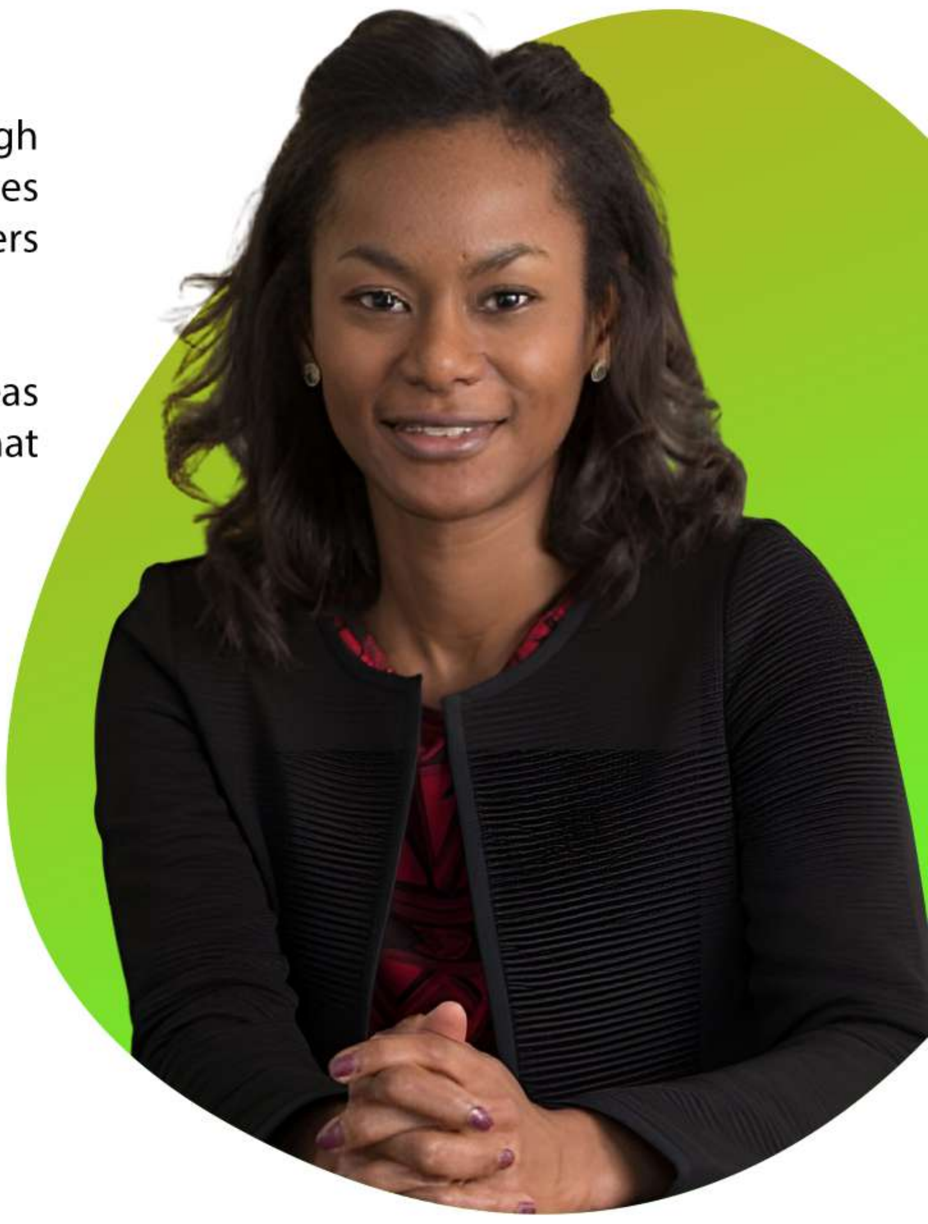
At the heart of this transformation lies governance—not merely as a system of oversight, but as a vehicle for resilience, innovation, and trust. In this era, Environmental, Social, and Governance (ESG) principles are not just supplementary—they are strategic imperatives. They are reshaping how institutions assess value, how investors gauge risk, and how communities define progress.

As stewards of responsible leadership, we must embrace this shift with clarity and conviction. Good governance today must go beyond compliance. It must engage stakeholders, protect the planet, uphold human rights, and foster economic models that serve both people and purpose.

This newsletter is a timely reflection of that journey. Through thought leadership, data, and case studies, it provides actionable insights for boards, executives, and policymakers navigating complexity with courage.

I invite you to explore, challenge, and champion the ideas within—and, above all, to lead with integrity in a world that needs it more than ever.

Shirley Payet-Jacob
Chair, CGDF Working Group



" WHY *ESG* IS THE NEW BUSINESS IMPERATIVE "

In today's complex and rapidly evolving global economy, the importance of Environmental, Social, and Governance (ESG) cannot be overstated.

Stakeholders—from investors to regulators to consumers—are demanding that businesses take greater responsibility for their impacts on the planet and society. This article explores how ESG has shifted from a niche concern to a mainstream business imperative and how the G of ESG is foundational to its success.

Environmental, Social, and Governance (ESG) practices are no longer optional—they're ***foundational to modern business success.*** What was once a regulatory checkbox has evolved into a comprehensive framework for resilience, risk mitigation, and competitive advantage.

WHY IT MATTERS?

ESG-focused organizations are better equipped to adapt to global challenges such as climate change, labor shortages, and digital disruption. From an investor's standpoint, ESG performance is now considered a proxy for strong management and future-readiness.

According to a McKinsey report, ESG initiatives can ***increase top-line growth by up to 10% and reduce operational costs by as much as 5%***. ESG also helps mitigate legal and regulatory risks and enhances employee engagement.

The recently updated Corporate Governance Development Framework (CGDF) **progression matrix** reflects this new business imperative as well. In the progression matrix, clear references to E&S and climate in the key elements of Corporate Governance have been integrated. In the remainder of this newsletter, direct references to the CGDF progression matrix are made for inspiration.

Case Study: Microsoft

Microsoft has become a beacon of ESG integration. By pledging to be carbon negative by 2030, they go beyond net-zero ambitions. Their $1 billion Climate Innovation Fund supports startups and projects that remove carbon from the atmosphere. They also implement internal carbon fees across departments, holding all business units financially accountable for their emissions.

The result? Increased investor confidence, top-tier talent retention, and positive brand perception. Microsoft proves that ESG is not a burden, but a blueprint for value creation.

Source/s:
McKinsey & Company: "Five Ways That ESG Creates Value",
Harvard Business Review: "The Investor Revolution"

FIVE WAYS BUSINESSES CAN LEAD THE TRANSITION TO NET ZERO

Calculate Your Carbon Footprint
Use tools like the Greenhouse Gas Protocol to measure Scope 1 (direct), Scope 2 (indirect), and Scope 3 (value chain)

Set Science-Based Targets
Align your emissions reduction goals with the Science Based Targets initiative (SBTi) to ensure credibility.

Electrify Operations
Transition to electric fleets, renewable energy sourcing, and energy-efficient infrastructure.

Engage Suppliers
Collaborate with upstream and downstream partners to reduce emissions throughout the value chain.

Transparent Reporting
Use frameworks like TCFD and CDP to publicly disclose progress and build trust.

Climate change presents an unprecedented challenge—and opportunity—for the global business community. Companies of all sizes are uniquely positioned to lead the charge toward a net-zero future by adopting practical and science-based strategies. In this article, we outline five critical ways that businesses can take meaningful action
.
The race to net zero has accelerated. ***Over 140 countries*** and thousands of companies have pledged to reach net-zero emissions by 2050, but translating commitments into tangible results remains a challenge.

	LEVEL 1 Basic CG practices	LEVEL 2 Improvements towards good CG	LEVEL 3 Advanced CG practices	LEVEL 4 Best CG practices
E&S and Climate Disclosure	• E&S and climate-related challenges are disclosed to shareholders.	• E&S and climate change topics are disclosed in the company's annual report or sustainability or climate report in line with local regulatory frameworks. .	• Sustainability and climate change related risks and opportunities are disclosed in the company's annual report. • Information is disclosed on direct (Scope 1) and indirect (Scope 2) greenhouse gas emissions (GHG) from energy use. • E&S and climate related information related to the company's strategy, governance, risk management, and metrics and targets is disclosed in the annual report.	• Progress toward achieving emission reduction targets and alignment with the Paris Agreement is reported. • Sustainability- and climate-related information is reported in accordance with internationally accepted practices (e.g., ISSB, CDSB, CDP, PRI, VRF-SASB, GRI, IIRC, or equivalent). • The company discloses Scope 3 emissions.

Case Study: Unilever

Unilever has reduced GHG emissions from manufacturing by 65% since 2008. It sources 100% renewable grid electricity in many markets and ties executive compensation to sustainability metrics.

Their public Climate Transition Action Plan received 99% shareholder approval, showing that climate leadership resonates with stakeholders.

Source/s:
CDP (Carbon Disclosure Project), UNFCCC Race to Zero Campaign, Science Based Targets Initiative (SBTi)

Why Social Impact is the Next Frontier?

While environmental concerns often dominate ESG discussions, the social dimension is equally vital. Issues such as employee well-being, diversity, equity, human rights, and community engagement have taken center stage. This article examines how addressing social impact is no longer optional—it's a business necessity.

The "S" in ESG often receives less attention than its environmental and governance counterparts. Yet, social performance has become a critical indicator of operational resilience and long-term success.

Key Social Metrics:
Workforce diversity and inclusion, Employee health and safety, Fair labor practices, Community engagement, Ethical sourcing and supply chains

	LEVEL 1 Basic CG practices	LEVEL 2 Improvements towards good CG	LEVEL 3 Advanced CG practices	LEVEL 4 Best CG practices
Affected Communities Grievance Mechanism	• The response to stakeholder requests and concerns is informal.	• External Communications Mechanism for stakeholder requests and concerns.	• External and publicly accessible communication procedure with grievance mechanism. • Designated Affected Communities engagement personnel have clearly defined responsibilities, training, and reporting lines to senior management and the board.	• SE and reporting are consistent with international standards (e.g., AA 1000 Standards, SA8000, ISO 26000.
Integration of E&S and Climate Change Adaptation and Mitigation		• Stakeholder mapping and engagement includes E&S- and climate-related impacts.	• Stakeholder mapping and engagement includes E&S- and climate-related impacts on contracted workers, primary supply chain workers and neighboring projects.	• A senior executive is responsible for stakeholder relationships and ensures that climate-related risks, opportunities, and impacts are integrated into the SE strategy and target setting.

Companies are realizing that social risks—such as labor violations or inequality—can cause reputational and financial damage.

Case Study: Salesforce

Salesforce has made diversity, equity, and inclusion (DEI) central to its culture. It conducts annual pay equity audits, publishes detailed workforce diversity reports, and funds a $200 million racial equity and justice initiative.

These efforts enhance brand loyalty and employee satisfaction, proving that social impact supports business performance.

Source/s:
McKinsey: "Diversity Wins: How Inclusion Matters" ,
B Lab: Impact Assessment, ILO: Business and Human Rights

Turning Waste into Wealth

The traditional linear model of production and consumption—take, make, waste—is increasingly unsustainable. The circular economy offers a compelling alternative that turns waste into opportunity and promotes regenerative systems. This article breaks down what the circular economy is and how businesses can benefit.

A circular economy is based on three principles: eliminate waste, circulate products and materials, and regenerate nature. Unlike the traditional linear model, a circular economy maximizes the life cycle of products, materials, and natural resources.

Why Circular Makes Sense

The linear "take-make-waste" model leads to environmental degradation and resource scarcity. Circular strategies reduce dependency on virgin materials, lower carbon footprints, and open up new revenue models.

	LEVEL 1 Basic CG practices	LEVEL 2 Improvements towards good CG	LEVEL 3 Advanced CG practices	LEVEL 4 Best CG practices
Commitment to Business Integrity, Environmental and Social, and Climate Change Adaptation and Mitigation	• The company has adopted an approach to business integrity risk management, sustainability, and climate change adaptation and mitigation.	• The company has a function to support the company's approach to sustainability and climate change adaptation and mitigation.	• The company has a corporate governance code or similar document that covers business integrity, sustainability, and climate change. • The company has a strategy that covers business integrity, sustainability, and climate change.	• Sustainability and climate-related metrics and targets have been established, and the company has a documented approach to tracking business integrity incidents, risks, and opportunities. • The board and senior management can articulate the company's business integrity risk management approach and receives adequate notification of incidents.

Case Study: Philips

Philips applies circular principles across its product lines. Its "Light-as-a-Service" model enables customers to pay for lighting performance rather than purchasing equipment. Philips retains ownership of the equipment, which ensures responsible reuse or recycling at end-of-life.

This model reduces waste and drives customer loyalty while unlocking recurring revenue streams.

Source/s:
Ellen MacArthur Foundation
UNEP Global Resources Outlook

How to Measure *What Matters*

As the demand for transparency and accountability grows, the role of ESG data has become pivotal. Accurate, consistent, and comparable data allows stakeholders to assess sustainability performance and make informed decisions. This article explores common ESG data challenges and how businesses can address them.

Reliable ESG data is the foundation of credible sustainability performance. As ESG reporting becomes mandatory in regions like the EU (via CSRD), companies need robust data systems.

Case Study: Patagonia

Patagonia sets the bar for ESG transparency. It uses its B Corp certification as a framework to ensure high standards across labor practices, environmental impact, and governance. Its annual Benefit Corporation Report details performance across all ESG areas, reinforcing brand trust.

	LEVEL 1 Basic CG practices	LEVEL 2 Improvements towards good CG	LEVEL 3 Advanced CG practices	LEVEL 4 Best CG practices
Board Oversight of E&S and Climate Change	• Environmental and social (E&S) issues as well as climate considerations are periodic board agenda items.	• E&S and climate considerations are standing items on the board agenda. • The board has access to internal or external E&S and climate expertise.	• The board ensures that material E&S and climate considerations are identified, and their impacts considered. • The board ensures that E&S and climate risks and opportunities are assessed regularly. • The board ensures that E&S and climate considerations are incorporated into the company strategy. • The board has at least one member with sufficient skills and experience in E&S and/or climate topics. • The board receives training on E&S and climate matters.	• E&S and climate considerations are integrated into board committee structures by having a dedicated E&S and climate committee or as part of the audit, remuneration, nomination, and risk committees. • Formal E&S and climate key performance indicators and targets have been agreed upon, and management reports on them regularly to the board. • The board ensures that E&S and climate risks form part of enterprise risk management, and that potential short-, medium-, and long-term effects are assessed. • The board has developed E&S, sustainability, and climate targets for management that are meaningfully incorporated into remuneration structures.
Integration of E&S and Climate Change Adaptation and Mitigation		• E&S and climate change related risks are incorporated into the internal control and risk management systems and compliance program.	• The board ensures that E&S and climate change risks are integrated into the overall risk management framework and adaptation measures are implemented. • Internal audit includes periodic audits of implementation of E&S and climate policies and procedures. • The compliance officer's responsibilities include compliance with E&S and climate policies and procedures. • The E&S and climate head has unfettered access to senior management and CRO. • Employees are trained on industry E&S and climate change risk issues.	• E&S and climate change adaptation risk management activities are integrated, effective, and efficient and support strategic and operational business objectives. • E&S and climate change risks are part of establishing the risk appetite. • E&S- and climate change-related internal control policies and procedures are extended to contractors, subcontractors, third parties, and the supply chain as relevant. • The board, risk committee, or other specialized committee ensures that management conducts annual scenario analysis to evaluate the company's resilience in the face of, for example, a 2°C scenario or lower and progress toward net zero targets.

Current Challenges

- Inconsistent metrics
- Limited supply chain visibility
- Data silos across departments
- Risk of greenwashing

Solutions

- Conduct materiality assessments
- Use ESG software platforms
- Align with global standards like GRI, SASB, and TCFD
- Obtain third-party assurance

Source/s:
Deloitte: ESG Reporting Trends, GRI Standards
SASB Materiality Map, Patagonia Benefit Corporation Reports

Green Finance & ESG Investing:
Where Purpose Meets Profit

Sustainability is transforming the world of finance. Investors are increasingly aligning their portfolios with their values, channeling funds into projects and companies that deliver both financial returns and positive impact. This article highlights the key instruments and trends shaping the future of ESG investing.

The financial sector is no longer a passive player in sustainability. Investors are reallocating capital toward ESG-aligned assets, driving global transformation.

Case Study: World Bank

The World Bank has issued over $17 billion in green bonds since 2008. These funds have financed projects in clean water, renewable energy, and climate adaptation across more than 60 countries. The transparent impact tracking has helped scale global investor participation in sustainable development.

Types of ESG Finance:

Green Bonds: For environmental projects

Social Bonds: Focused on equity and community well-being

ESG ETFs: Pooled investment vehicles

Sustainability-Linked Loans: Adjusted based on ESG outcomes

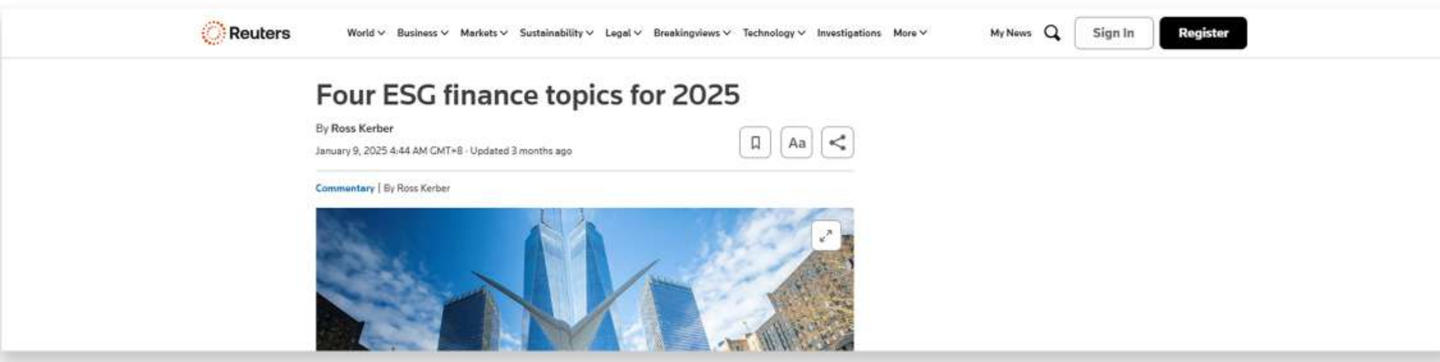
Source/s:
McKinsey & Company: "Five Ways That ESG Creates Value", Harvard Business Review: "The Investor Revolution"

RECOMMENDED READING

Global Outlook on Financing for Sustainable Development 2025

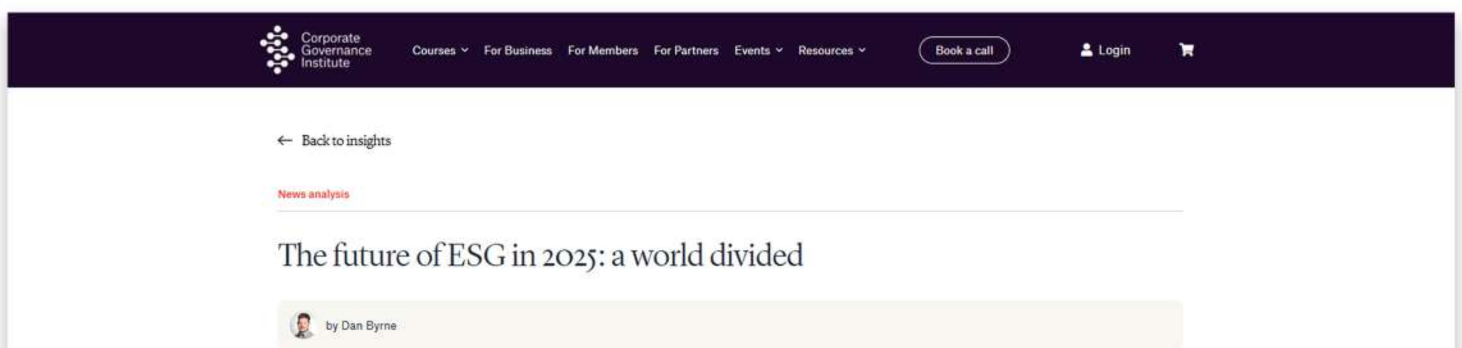
Trends & Strategies Shaping the $2.58 Trillion Sustainable Finance Industry, 2025-2030

Four ESG finance topics for 2025



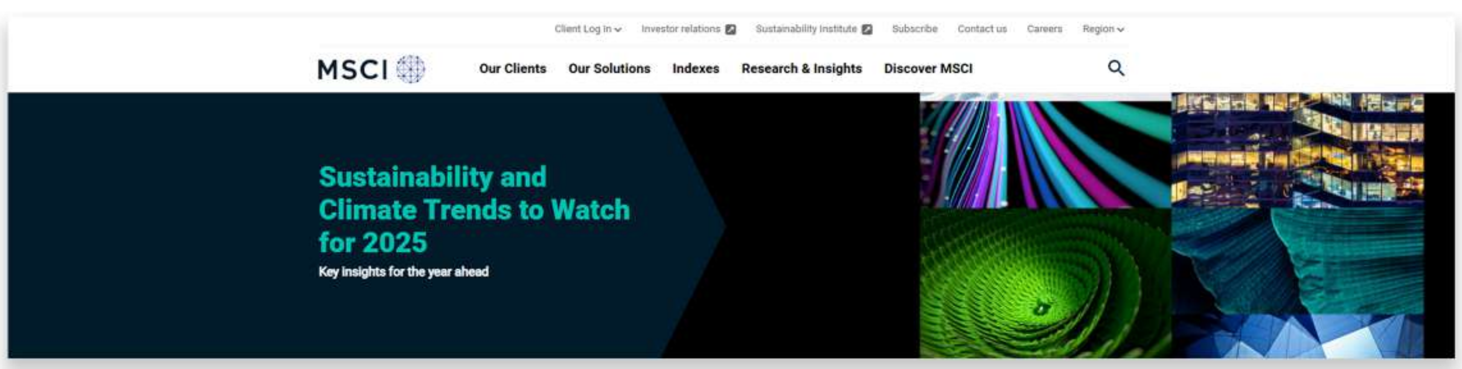
ESG and Sustainability Insights: 10 Things That Should Be Top of Mind in 2025

The future of ESG in 2025: a world divided

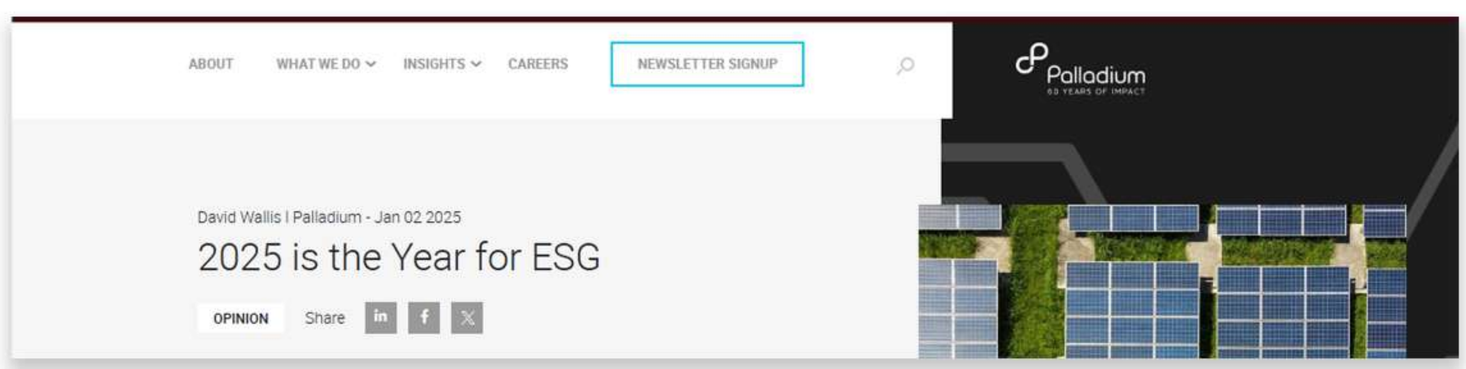


The Latest in ESG and Stewardship Regulation – March 2025

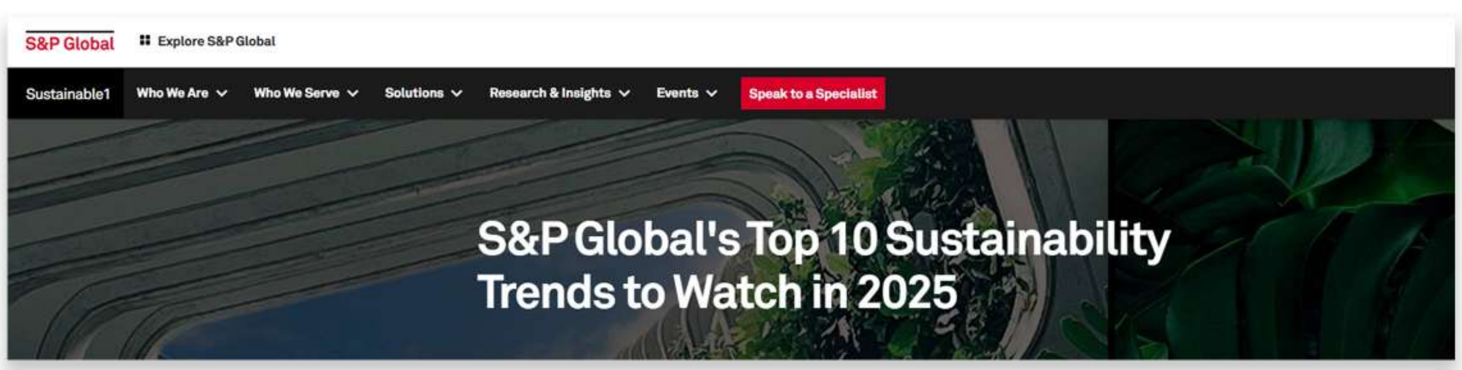
Sustainability and Climate Trends to Watch for 2025



2025 is the Year for ESG



S&P Global's Top 10 Sustainability Trends to Watch in 2025



Sustainability & ESG Trends 2025: Five trends to watch