ESG integration at the Time of COVID-19

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Environmental, Social and Governance Risks

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Introduction

Climate change and the necessary energy transition, as described in the *European Green Deal*[1] of the European Union (EU), are clear and well-known issues and can no longer be considered a secondary problem even in the situation of the health and economic crisis of Covid-19. The economic recovery must start from the real economy and from those sectors that present more just and inclusive activities with low environmental impact, resilient to climate change.

Among the many studies aimed at highlighting the link between climate and health, there is the 2019 Lancet

[1] This growth strategy aims to transform the EU into a just and prosperous society, with a modern and efficient economy, which in 2050 no longer generates net greenhouse gas emissions and with economic growth decoupled from resource use. It aims to protect, conserve and improve the EU's natural capital and to protect citizens' health and well-being from environmental risks. The Green Deal is an integral part of the Commission's strategy to implement the 2030 Agenda and for this reason it foresees that at the same time, this transition must be fair and inclusive. Ref. https://ec.europa.eu/info/publications/communication-european-green-deal

Countdown Report[2] which associates climate change with an increased spread of infectious diseases, some of which are already known as dengue and malaria. Health is aggravated by impacts due to poor food safety, extreme weather events and air pollution. The Intergovernmental Group of Experts on Climate Change (IPCC)[3] in the various special reports of 2019 reiterated once again, how the anthropogenic activities that cause emissions can themselves cause direct damage to our health.

The World Economic Forum (WEF) in the recent Global Risks Report 2020[4] also highlights that climate change is the greatest threat to global health in the 21st century and exacerbates the incidence of infectious diseases. Health systems around the world are poorly prepared for significant outbreaks of other emerging infectious diseases, such as SARS, Zika and MERS whose rapid and massive spread aggravated by resistance to antibiotics, antivirals and other treatments leads to widespread fatalities and economic disruption.

The current crisis calls for a systemic approach that pays attention to the different dimensions of sustainable development in the medium-long term. In Europe, environmental action has been defined as primary and urgent and the activities connected to this action have not stopped, even in the peak of the pandemic. In fact, in the first quarter of the year 2020 the milestones of the European Green Deal were presented, including: the proposed *European Climate Law*[5], the regulation on the *EU Taxonomy for Sustainable Activities*[6] and the *New Circular Economy Action Plan*[7].

To make the European Green Deal working effectively, EU policy-making will not be enough. A positive outcome will be related to an efficient exchange of environmental, social and corporate governance or ESG data and information between companies, financial analysts and investors. However, current metrics often seem insufficient and companies face many difficulties while disclosing non-financial information. With the outbreak of the COVID-19 crisis, among the current ESG metrics the social ones are resulting less representative of the reality that many companies are facing. That is why it is important to test these metrics and keep the dialogue between companies, financial analysts and investors open with the purpose to ensure that companies are using them in a dynamic and strategic way. The current crisis should therefore be considered by companies, investors, analysts and other market players like an opportunity to change mindset and to broaden the use ESG metrics and materiality rationale as an activity to inform corporate strategy, not just to report and to use ESG disclosure for orientating capital flows towards impact investment to finance the economic recovery.

This paper hopes to give a general state of play on ESG integration and supported by company case study/studies will assess if current metrics methodology is valid and will survive the COVID-19 crisis.

1. *Climate and European ambitions*

Global warming has already reached an average of 1.0° C above pre-industrial levels and there are clear signs worldwide of how the climate balance is changing. In response to the already clear and urgent situation, the IPCC in October 2018 published a special Global Warming of 1.5º C report[8]. The report states in more detail that, since the pre-industrial period, human activities alone have been causing the Earth's average global temperature to rise by about 1° Celsius, a number that is currently increasing by 0.2° Celsius every decade. The report estimates that at this rate, global warming is expected to reach 1.5° Celsius compared to pre-industrial levels between 2030 and 2052, with the great probability of touching them as early as 2040.

The EU is committed to reaching ambitious climate and energy targets by 2030, in line with the 2030 Agenda and the United Nations Sustainable Development Goals (UN SDGs)[9] and the 2015 Paris Agreement (COP21)[10]. In October 2018, with the communication about long-term strategy "*A Clean Planet for all*", the EU revealed its

[2] The Lancet, (11/2019), The 2019 report of The Lancet Countdown on health and climate change: ensuring that the health of a child born today is not defined by a changing climate, Vol 394, www.thelancet.com Accessed June 30, 2020

[3] The Intergovernmental Panel on Climate Change (IPCC), The IPCC Special Report on Global Warming of 1.5°C was formally approved by the world's governments in 2018, https://www.ipcc.ch/sr15/ Accessed June 30, 2020

[4] World Economic Forum (WEF), (2020) Global Risks Report, http://www3.weforum.org/docs/WEF_Global_Risk_Report_2020.pdf Accessed June 30, 2020

[5] https://ec.europa.eu/clima/policies/eu-climate-action/law_en

[6] https://ec.europa.eu/info/publications/sustainable-finance-teg-taxonomy_en

[7] https://ec.europa.eu/environment/circular-economy/pdf/new_circular_economy_action_plan.pdf

[8] https://www.ipcc.ch/sr15/

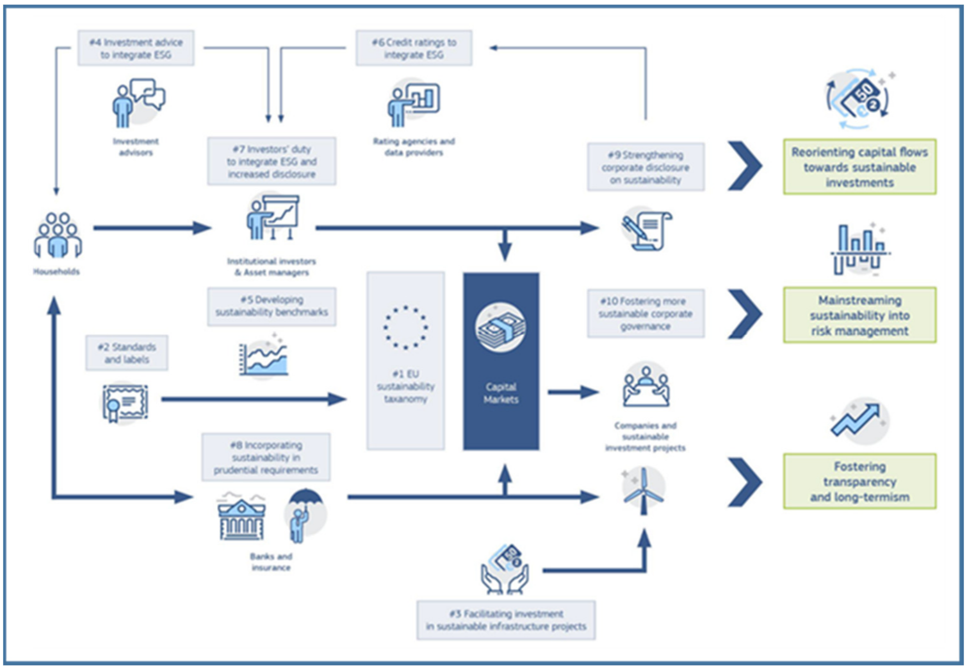
[9] https://www.un.org/sustainabledevelopment/sustainable-development-goals/

[10] https://ec.europa.eu/clima/policies/international/negotiations/paris_en

desire to become climate neutral by 2050. Supporting this great and complex project is the *European Action Plan on Financing Sustainable Growth*[11] (Action Plan) presented by the European commission in March 2018. The Action Plan aims to *i*) redirect capital flows towards sustainable investments, *ii*) integrate sustainability into risk management and *iii*) promote long-term transparency in financial decisions. The recent regulations and the elaborate legislative proposals of the Technical Experts Group in the field of sustainable finance (TEG) are the result of the tight work schedule that the European commission has carried out through the establishment, in October 2016, of the High-Level Expert Group on Sustainable Finance (HLEG).
In this context, the EU has committed itself to achieving ambitious climate and energy targets by 2030 and by 2050, in line with the 2030 Agenda and the United Nations Sustainable Development Goals (UN SDGs)[12] and the 2015 Paris Agreement (COP21)[13]. This objective has been strengthened and extended in the European Green Deal, formalized and ready for implementation in the European Climate Law proposal. Europe can contribute to climate neutrality by investing in realistic technological solutions, empowering citizens and aligning actions in key sectors through industrial policy, finance and research, while guaranteeing social equity for a just transition. The EU has defined three main objectives by 2030:

- Minimum 40% reduction in greenhouse gas emissions compared to 1990 levels[14],
- At least a 32% share of renewable energy in final energy consumption,
- At least 32.5% energy savings compared to the normal scenario or business-as-usual scenario.

Table 1. Annex IV – *Action plan.* COM (2018) 97 final.



To date, four of the ten points indicated in the Action Plan have been decidedly pursued: the classification of eco-sustainable economic activities; the new categories of climate benchmarks[15]; the consideration of sustainable preferences in the process of verifying the adequacy of the financial products offered; and finally, the creation of a European standard for green bonds[16]. Careful regulation and market standardization can play a crucial role in facilitating certain points which, at the moment, are still unclear and undefined, such as the definition of sustainable goods, projects or activities.
In this context, the role of financial analysts in integrating environmental, social and corporate governance (ESG)

[11] https://ec.europa.eu/info/publications/180308-action-plan-sustainable-growth
[12] https://www.un.org/sustainabledevelopment/sustainable-development-goals/
[13] https://ec.europa.eu/clima/policies/international/negotiations/paris_en
[14] The Climate law proposal advances the possibility of setting the target of reducing emissions to 50-55% compared to 1990 levels.
[15] https://ec.europa.eu/info/publications/sustainable-finance-teg-climate-benchmarks-and-disclosures_en
[16] https://ec.europa.eu/info/publications/sustainable-finance-teg-green-bond-standard_en

issues in financial analysis[17] and the ability of companies to provide smart*[18]* information is fundamental. The information is the basis for a better-informed evaluation of the companies, their risk profile, their governance and the business dynamics that distinguish them. This helps to improve information asymmetry, which has always been considered a weakness of the financial markets, in order to promote greater stability and transparency in the markets in the long run and thus reduce volatility and the risks of political and social instability.

2. Extra-financial information and Task Force on Climate-related Financial Disclosure (TCFD)

The European Parliament and the Council of the European Union have recognized, through Directive 2014/95/EU (NFRD - Non-Financial Reporting Directive)[19], the importance of non-financial communication by companies[20]. The obligation to communicate information on sustainability satisfies the purpose of identifying the risks associated with it, and of increasing the trust of investors and consumers. Non-financial information forms the basis for a transition to a sustainable global economy that combines long-term viability, social justice and environmental protection.

The European Commission, as its practice, has published the initial assessment for Directive 2014/95 / EU which reports the problems that it may have in its implementation and the possible impacts[21].

The impact assessment finds it difficult for investors and other users to find non-financial information even when it is reported, and that the reported non-financial information is not sufficiently reliable.

The European Commission states that companies do not report all the non-financial information that users deem necessary and many companies report information that users do not consider relevant. Ultimately, the main difficulties concern the following negative aspects *i*) extra-financial information that is not sufficiently comparable or reliable *ii*) extra-financial information that does not suit users' needs *iii*) unnecessary and avoidable costs incurred to communicate extra-financial information and *iv*) uncertainty and complexity in deciding which, how and where to report extra-financial information[22].

In July 2017, as required by Directive 2014/95 / EU, the European Commission published non-binding guidelines for companies on how to communicate non-financial information[23]. This document details the guidelines on the method of communicating information better, considering existing best practices and international developments on the subject. General and sectoral key performance indicators (KPIs) are also considered, in order to facilitate a relevant, useful and comparable disclosure of non-financial information by companies. This regulatory effort begins to address some of the issues encountered in the impact assessment of NFRD.

The non-financial statements, required by law, must contain information concerning: environmental aspects such as the use of renewable energy resources and greenhouse gas emissions; and social aspects such as the implementation of fundamental human rights conventions, workers' rights and the fight against corruption. In providing this information, companies are free to rely on national, European (e.g. EMAS[24]), or international standards and frameworks as long as they are recognized (such as UNGPs[25], OECD Guidelines[26], MNE Declaration[27], ISO 26000[28], GRI[29], SASB[30], IIRC[31], …).

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[19] Implemented in Italy with Legislative Decree 254/2016 which from 1 January 2017 provides for a non-financial corporate declaration (DNF) presented together with the financial statements.

[20] Public interest entities (EIPs) that meet the following criteria are subject to the obligation to prepare this declaration: an average number of employees in the year exceeding 500 units and at the balance sheet date exceed at least one of the following parameters: 20 million euros in balance sheet total or 40 million euros in revenues.

[21] https://ec.europa.eu/info/publications/directive-2014-95-eu-impact-assessment-accompanying-original-proposal-commission_en

[22] It should be noted that a public consultation on non-financial reporting by large companies was closed on 11 June 2020, the purpose of which is to gather the opinions of interested parties regarding possible revisions of the provisions of the directive on non-financial information. (NFRD). As announced by the European Commission in the European Green Deal, it is important that companies and financial institutions improve their communication of non-financial information as users of this information, mainly investors and civil society organizations, are increasingly demanding and better information to companies on their performance and social and environmental impacts. To this end, the commission undertook to review the non-financial information directive during the year 2020 as part of its strategy to strengthen the foundations for sustainable investments.

[23] https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52017XC0705(01)

[24] https://ec.europa.eu/environment/emas/

[25] United Nations Guiding Principles on Business and Human Rights. Rif. https://www.business-humanrights.org/en/un-guiding-principles

[26] OECD Guidelines for multinational enterprises. Rif. https://www.oecd.org/corporate/mne/

[27] Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy. Rif. https://www.ilo.org/empent/areas/mne-declaration/lang--en/index.htm

[28] https://www.iso.org/iso-26000-social-responsibility.html

[29] https://www.globalreporting.org/Pages/default.aspx

[30] https://www.sasb.org/

[31] https://integratedreporting.org/the-iirc-2/

The communication of non-financial information helps to measure, monitor and manage the results of companies and their impact on society. The information must be provided to ensure an understanding of the business activity, its performance, results and impact. Companies that do not implement policies in relation to relevant[32] information must provide reasons in the management report. This rule, defined as comply or explain, requires information on aspects deemed most significant in understanding and defining a company's non-financial impacts. Information must be provided only to the extent they are significant in light of the activity carried out by the company, to clarify its corporate governance characteristics and its socio-environmental significant impacts.

Certainly, one of the most relevant international developments, related to the Union’s initiatives and which the European commission takes into account, is the activity of the Task Force on Financial Information on Climate (TCFD) [33] to develop recommendations for voluntary communications of financial risks related to Climate.
The final recommendations of the TCFD[34], published in June 2017, focus their attention on the exposure to these risks by companies, which are invited to actively use the “scenario analysis” in order to evaluate effective corporate resilience policies that allow to face different climate change trends. The recommendations focus on helping companies to identify and to communicate the potential financial impacts of climate-related risks and opportunities on their businesses and are divided into four thematic areas:

- *Governance*: company’s management policies regarding climate-related risks and opportunities;
- *Strategy*: current and potential impacts of climate risks and opportunities on company activities, strategy and financial planning where such information is relevant;
- *Risk management*: identification, assessment and management of climate-related risks by the company;
- *Metrics and objectives*: elaboration and monitoring of the objectives and the management of the metrics used to evaluate and manage the risks and opportunities related to the climate.

The TCFD recommendations have achieved considerable momentum towards becoming a standard. Indeed, Mark Carney is attending the next COP26 intending to make TCFD mandatory. TCFD has attracted great support from investors, companies, regulators, policy makers and civil society. But TCFD’s value as a standard will be enhanced by achieving consistent measurement and metrics, by deciding on how to measure and to report on emissions by scope, energy intensity or water shortage in areas of high stress and by standardizing procedure for the scenario analysis.

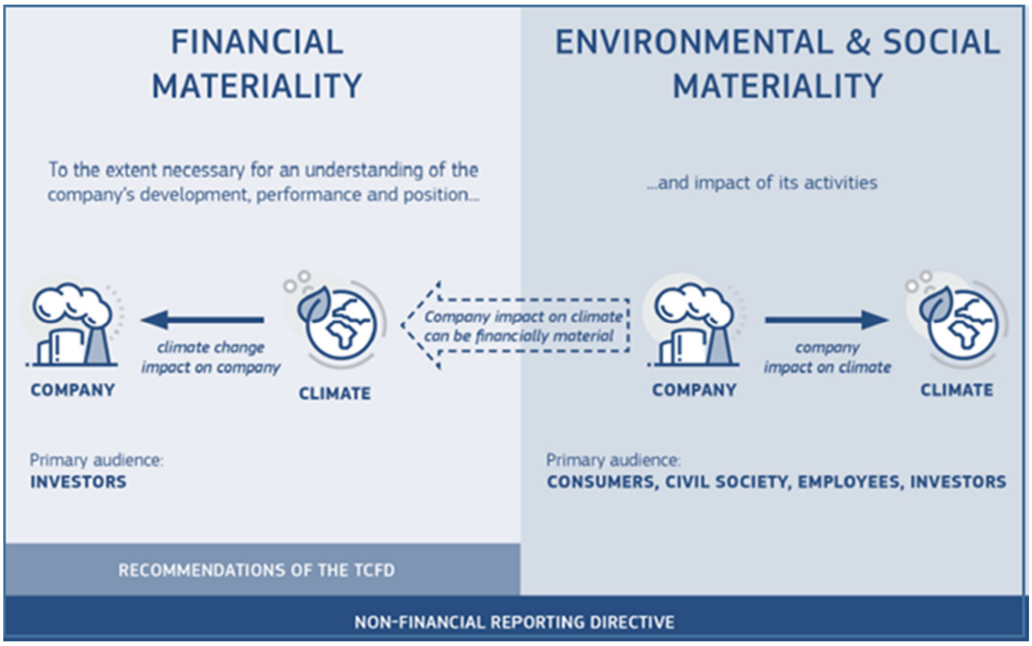
In June 2019, the European Commission published further guidelines on the communication of non-financial information, related to the climate[35]. These guidelines supplement the recommendations of the TCFD to be consistent and in line with the non-financial reporting directive (NFRD). Achieving climate neutrality has a certain priority for the EU, therefore there is a need for companies to understand, communicate and better face the risks of a negative impact of their activity on the climate and, conversely, the risks that climate change represents for their business.

The EU guidelines invite to consider a double materiality for the assessment of the relevance of non-financial information:

- Information relating to the climate communicated if necessary to understand the performance of the company, its results and its business activity.
- Information relating to the climate must be communicated if necessary to understand the external impact of the company’s activities.

[32] Relevant extra-financial information must consider several factors including: business model, main strategy and risks, main sectoral issues, interests and expectations of stakeholders, impact of activities, public policies and regulatory stimuli.
[33] Created in December 2015 by the Financial Stability Board (FSB) upon the request of G20 finance ministers and central bank governors. set up a task force
[34] https://www.fsb-tcfd.org/publications/final-recommendations-report/
[35] https://ec.europa.eu/finance/docs/policy/190618-climate-related-information-reporting-guidelines_en.pdf

Table 2. Double materiality of climate information. COM (2019) 209 final.



According to the World Economic Forum (WEF) what is financially irrelevant today for a company or sector can become material tomorrow, following a process called "dynamic materiality" where investors and companies must adopt forward-looking and proactive approaches to materiality in order to perceive the signals to better identify the dynamic ESG issues, and to incorporate them in the investment or management processes[36].

Better communication of information relating to the climate by companies can contribute to the implementation of the Sendai[37] reference framework for the reduction of the risk of disasters 2015-2030.
This global strategy defines goals and priorities for governments to face ever more intense and frequent catastrophes. The recent work of the OECD[38] goes in this direction which highlights the need to align and coherently integrate the Paris Agreement and the Sendai framework in the practical implementation at national levels, indicating operational solutions.
In addition, climate change, as a source of financial instability, has been targeted by central banks, regulators and supervisors, responsible for maintaining and monitoring market stability. The effort needed to consider the climate element in risk analysis, and therefore in facilitating the inflow of capital into green investments, saw the establishment of the Central Banks and Supervisors Network for Greening the Financial System (NGFS) in December 2017[39].
Climate change can be considered "a green swan event"[40] which could cause the next systemic financial crisis. Physical and transition climatic risks originate complex, wide and non-linear chain effects that can lead to catastrophic and irreversible impacts whose damage is difficult to estimate.

The six fundamental characteristics (relevant; correct balanced and understandable; complete but concise; strategic and forward-looking; oriented to the interested parties and finally consistent and systematic) for correct communication of non-financial information, indicated in the EU guidelines, are valid for climatic information. Communication by companies remains voluntary and, if integrated, they can be made available in a separate report or within the management report as recommended by the TCFD. In addition, businesses are free to choose how to communicate climate information, provided that the method chosen complies with the applicable legal requirements. Finally, as methodologies and practices are constantly evolving, companies are called to update and innovate their approach.

[36] http://www3.weforum.org/docs/WEF_Embracing_the_New_Age_of_Materiality_2020.pdf
[37] https://www.undrr.org/
[38] http://www.oecd.org/environment/climate-change-adaptation-and-disaster-risk-reduction-3edc8d09-en.htm
[39] https://www.ngfs.net/en
[40] Rif. The green swan: Central banking and financial stability in the age of climate change. BIS. https://www.bis.org/publ/othp31.pdf

Climate disclosures must follow a structure that covers five areas: the business model; policies and due diligence; the result of the policies; the main risks and their management; and finally, the impact of the business on the climate. These topics deserve to steer the company in communicating necessary information to allow understanding of the progress, results and impact of the activity.
The EU guidelines identify a list of information whose communication is recommended and for each area we also identify complementary details that could be added, for banks and insurance companies they are specifically indicated in Annex I (Further guidance for banks and insurance companies). In the Action Plan, the European Commission has instructed the European Financial Reporting Advisory Group (EFRAG)[41] to set up a European Laboratory (Lab) with the aim of promoting innovation and the development of best practices in corporate reporting, including environmental accounting. In this Lab, companies and investors can share best practices on sustainability reporting, such as climate communication in line with TCFD recommendations.
The first project of the EFRAG Laboratory was the establishment of a Task Force which in February 2020 published the "How to improve Climate-related Reporting" statement. This report consists of a basic report and two supplements[42]. The first supplement considers the four pillars of the TCFD on climate-related financial disclosure and the requirements of the NFRD and provides examples of good practice in reporting on governance, strategy, risk management and metrics and objectives. The second supplement focuses on good reporting practices for the analysis of climate risk scenarios.
In order to encourage a certain uniformity and standard in the communication of climate information, the EU guideline contains the main documents that refer to the recommendations of the TCFD, the Global Reporting Initiative (GRI), the Climate Disclosure Project (CDP), the Climate Disclosure Standards Board (CDSB), the Sustainability Accounting Standards Board (SASB) and the International Integrated Reporting Council (IIRC) and those of the EU eco-management and audit system (EMAS).
Moreover, the EU guidelines in the Annex II (Mapping of Non-Financial Reporting Directive Requirements and TCFD Recommended Disclosures) contains a connection table between the NFRD disclosure obligations and the TCFD disclosure, that can be useful to companies that are subject to the directive but in the same time they wish to integrate the recommendations of the task force.

Table 3. Mapping of NFRD Requirements and TCFD Recommended Disclosures. COM (209) 2019 final

TCFD Recommended Disclosures		NFRD Elements				
		Business Model	Policies and Due Diligence Processes	Outcomes	Principal Risks and Their Management	Key Performance Indicators
Governance	a) Board's oversight		■			
	b) Management's role		■			
Strategy	a) Climate-related risks and opportunities				■	
	b) Impact of climate-related risks and opportunities	■				
	c) Resilience of the organization's strategy	■				
Risk Mgmt.	a) Processes for identifying and assessing				■	
	b) Processes for managing				■	
	c) Integration into overall risk management				■	
Metrics & Targets	a) Metrics used to assess					■
	b) GHG emissions			■		
	c) Targets			■		

[41] https://www.efrag.org/
[42] http://www.efrag.org/Lab1?AspxAutoDetectCookieSupport=1

All the actions of the EU Green Deal are interconnected. Consequently, attention is needed for the Regulation (EU) 2019/2088 on sustainability-related disclosures in the financial services sector (SFRD). It requires reporting on sustainability in the financial services sector, and the urgency improvement of non-financial information by companies and financial institutions. It is not so simple for investors to find non-financial information and many of those reported are not considered sufficiently reliable and relevant. Non-Financial Reporting Directive is crucial to solve and link the previous two actions, a revision is appropriate and necessary to refer to clear standard reporting. It is important to refer to existing international frameworks in line with WEF paper "Toward Common Metrics and Consistent Reporting of Sustainable Value Creation"[43] and any European solution must be a global solution to create a standard reporting that can be applicable globally, too.
The EC adopted an updated Work Programme on 27 May 2020 that foresees the publication of a legislative proposal to revise the Non-Financial Reporting Directive (NFRD) in the first quarter of 2021. One of the possible ways, of enhancing the comparability, reliability and relevance of information disclosed by companies pursuant to the NFRD, will be to mandate the use of a common set of non-financial reporting standards. Such standards could also facilitate the assurance of non-financial information, its enforcement and its digitization using a taxonomy and a structured data standard.
Pursuant to the above, the EC has mandated EFRAG to undertake preparatory work for the elaboration of possible EU non-financial reporting standards[44].

3. EU Taxonomy for Sustainable Activities

In line with the principle of double materiality, previously indicated, it is useful to clarify that climate information must include both the main risks for the company deriving from climate change, and the main risks of negative repercussion on the climate deriving from the activity itself. The entrepreneurial ability to consider and manage climate risks can lead to new opportunities for the company or products and / or services capable of contributing to climate mitigation and adaptation[45].
The taxonomy of sustainable economic activities proposed by the European Commission aims to identify and classify climate-related risk-opportunities. It will then expand to other environmental objectives and eventually to social ones. The final report on the EU Taxonomy[46] published in March 2020 by the TEG encloses indications for businesses on how to implement, use and communicate the taxonomy.
The European Council has already adopted the Regulation in April and it will come into force, after the technical time of publication in the official journal, also by the European Parliament. The European Commission will develop the delegated acts for the introduction of technical criteria on mitigation and adaptation by the end of 2020 to become applicable by the end of 2021. For the other four environmental objectives the European Commission will develop delegated acts by the end of 2021 to become applicable by the late 2022.

It is important to note that the companies subject to the NFRD will be required to communicate the extra-financial information according to the taxonomy developed and taking into account the KPIs defined by the climate information guidelines. The harmonization of the criteria of eco-sustainable activities at European level aims to overcome that fragmentation of the market, due to divergent definitions both for practice and for national requirements, which can cause damage to the interests of consumers and investors interested in eco-sustainable financial products.

The classification of eco-sustainable activities is the basis of the legal requirements to determine the degree of environmental sustainability of the investments and is the reference of the Action Plan regulatory initiatives already adopted or in progress. This substantial definition work will therefore be the reference for all future EU laws, which aim to facilitate the shift of investments towards eco-sustainable economic activities.

The regulation identifies six environmental objectives to be given priority and therefore subject to taxonomy

[43] http://www3.weforum.org/docs/WEF_IBC_ESG_Metrics_Discussion_Paper.pdf
[44] https://www.efrag.org/News/Public-243/EFRAG-mandated-to-provide-recommendations-on-possible-European-Non-Financial-Reporting-Standards
[45] By adaptation to climate change we mean the process of anticipating the negative effects of climate change and adopting appropriate measures to prevent or minimize the damage that may result (new technologies for a more efficient use of limited water resources or construction of new flood defenses). Climate change mitigation refers to the effort to reduce or prevent greenhouse gas emissions (development of renewable energies and development of more efficient buildings and transport systems).
[46] https://ec.europa.eu/info/files/200309-sustainable-finance-teg-final-report-taxonomy_en

1. mitigation of climate change;
2. adaptation to climate change;
3. sustainable use and protection of waters and marine resources;
4. transition to a circular economy;
5. pollution prevention and control;
6. protection and restoration of biodiversity and ecosystems.

Economic activities will be considered eco-sustainable if they meet the following requirements:

- to contribute substantially to the achievement of at least one of the six environmental objectives (condition of substantial contribution);
- to do not cause significant damage to any of the environmental objectives (principle of do no significant harm or DNSH);
- to be carried out in compliance with the minimum social safeguards (condition of minimum social safeguards)[47];
- to comply with the technical evaluation criteria

For each environmental objective, regulatory technical standards must be established to determine whether economic activities contribute substantially to that objective, are carried out in compliance with the minimum social guarantees and do not significantly damage any of the other environmental objectives of the regulation. These criteria must take into account the life cycle of the products and services provided (production, use and end of life) in assessing the environmental impact of economic activity and therefore they must be oriented towards an assessment of the impact in the long term.

In establishing and updating the technical screening criteria, the European Commission will have to take into account the current legislation, consistent with the current classifications of environmental protection activities (CEPA)[48] and resource management activities (CReMA)[49] and in general with the communication made in July 2018 on "public procurement for a better environment".

In addition, the European Commission will also have to consider sector specificities, environmental, social and economic externalities in the context of a cost-benefit analysis and appropriate good governance strategies that integrate ESG factors, as outlined in the Principles for Responsible Investment supported by the United Nations (UN PRI) in all phases of the life cycle of a project.
The European Commission has provided a Sustainable Finance Platform[50] to guarantee a constant and adequate process of updating the technical evaluation criteria which involves the involvement of stakeholders, as well as experts who have proven knowledge and experience in the relevant sectors both for the public sector and for the private one.
This effort in defining, mapping and monitoring eco-sustainable activities plays in favor of companies that communicate climate-related information. The European Commission assesses several benefits for these businesses, including:

- greater awareness and understanding of climate-related risks and opportunities;
- better risk management, better informed decision making and strategic planning;
- diversified investor base and potentially lower cost of capital;
- more constructive dialogue with stakeholders, primarily investors and shareholders;

[47] The minimum social guarantees are crucial for sustainable and inclusive growth and compliance with these guarantees must be a necessary condition for economic activities to be qualified as eco-sustainable. The minimum guarantees are part of the Charter of Fundamental Rights of the European Union, which includes the rights and principles enshrined in OECD Guidelines for Multinational Enterprises, UN Guiding Principles on Business and Human Right, Fundamental Principles and Rights at Work of the ILO and the eight fundamental conventions of the ILO and the International Bill of Human Rights.
[48] https://communities.unescap.org/system/files/seea-cf_4_classification-environmental_activities.pdf
[49] https://www.dst.dk/en/Statistik/dokumentation/nomenklaturer/ressourceforvaltningsaktiviteter--crema-
[50] https://ec.europa.eu/info/files/international-platform-sustainable-finance-factsheet_en

•	better reputation and continuous recognition of the company's social license[51].

In the absence of reliable and comparable information on sustainability, it will not be possible for the financial sector to operate an efficient orientation of capital towards socially responsible investments and achieve the sustainable objectives that the European Union has set itself.

In this context, the consultation for the Renewed sustainable finance strategy[52] is taking place, which will focus mainly on three areas aimed at:

- strengthening the foundations for sustainable investments by creating an enabling framework, with adequate tools and structures;
- creating more opportunities to generate a positive impact on sustainability for citizens, financial institutions and businesses.
- managing and integrating climate and environmental risks by financial institutions and the financial system as a whole, while ensuring that social risks are also duly taken into account, where relevant.

In particular, this last point will see the three European supervisory authorities (ESA[53]) activate and develop work plans to improve the management of climate and environmental risks by all the players in the financial system. The European Commission will have to publish a report on the provisions necessary to extend its EU Taxonomy requirements to activities that significantly damage environmental sustainability, with the aim of adding a brown taxonomy to the green one.

4. ESG data, extra-financial Reports

In absence of a shared standardization of technical standards it is not easy to read and evaluate the corporate extra-financial data, known by practitioners as ESG data[54]. Disclosure ESG data is now synonymous with a value proposition for the company, which can thus demonstrate to drives the company's activity towards the creation of value in the medium-long term, with particular attention to the mitigation of ESG risks[55].

To take the competitive advantages that can arise from sustainability, the company will have to develop a certain awareness on the topic and translate it into a corporate vision and strategy that will allow it to evaluate how sustainable issues can impact the business in the short, medium and long term.
There are four business areas that must be analyzed as indicated by the approach of the guidelines on the communication of information related to the climate of the European Commission[56]:

[51] It should be noted, however, that to achieve this goal, the company must not only comply with standards and principles such as those on human rights, work, the environment and anti-corruption; but it must equally compensate employees and provide them with important benefits, meet and exceed customer expectations, establish fair and ethical relationships with suppliers and protect the environment by adopting sustainable practices in all its activities. It thus carries out an important social mission: it creates jobs, invests in research and development, and pays taxes. The company must work well and create shared value. Ref. Porter and Kramer, Creating shared value, HBR, 2011

[52] https://ec.europa.eu/info/consultations/finance-2020-sustainable-finance-strategy_en

[53] ESA represents the three supervisory authorities: EBA (European Banking Authority) the European banking market supervisory authority established by regulation 1093 of 2010; EIOPA (European Insurance and Occupational Pensions Authority) European Insurance and Occupational Pensions Authority established by regulation 1094 of 2010 and ESMA (European Securities and Markets Authority) European authority for financial instruments and markets established by regulation 1095 of 2010.

[54] ESAs Draft on regulatory technical standards with regard to the content, methodologies and presentation of ESG disclosures is currently in consultation (April 2020)

[55] Examples of risks include climatic ones. These can be divided into a) physical risks (chronic or acute), with the ultimate loss of assets and consequences on business continuity, b) technological risks, connected to the transition to a low carbon economy, c) legal risks, which refer to the ability to anticipate possible changes in the regulatory framework, d) reputational risks, which concern pressure on the financial community for a greater commitment to climate containment and adaptation, e) social risks, directly or indirectly connected with rising temperatures and with the increase in extreme weather events.

[56] EUROPEAN COMMISSION, COMMUNICATION FROM THE COMMISSION Guidelines on non-financial reporting: Supplement on reporting climate-related information Brussels, 17.6.2019 C(2019) 4490 final

Business areas and ESG Integration

Table 4. Company Areas and ESG Integration. Processing referred to by AIAF. COM (2019) 209 final

1. Business Model	The corporate vision confirms the importance of sustainable issues and how it can impact the business model and corporate strategy and how vice versa corporate activities can influence these issues in the short, medium and long term.
2. Governance and management control	Company policies and due diligence processes are the key to understand the robustness of the company's sustainable approach. Indicators of corporate awareness are the involvement of the Boards of the Directors and the definition of responsibility on this topic.
3. Corporate outcome	The disclosure of ESG KPIs helps to monitor and control the strategies implemented by the company and the outcome obtained with respect to the defined corporate objectives.
4. Management Risk	The analysis of potential risks, through a clear and transparent methodology and their management is crucial to understand if the company has taken ESG risks into account in the short, medium, long term.

The assessment of the company areas indicated includes the determination of potential risks, performance and reputational factors. Risks may be due to company-specific factors or negative externality costs (fines and penalties / supply chain interruption), while performance may be generated by new disruptive business opportunities in the market (product or process innovation). Particular attention must be paid to reputational factors, which can be the crucial elements for the creation of lasting value over time (attraction of resources, standard working conditions also along the supply chain).

Once the awareness of the company's ESG issues and the potential associated risks has been established, the availability of ESG KPIs must be analyzed: significance and comparability of the various KPIs is limited due to the discretion with which they have been defined both on voluntary and regulatory point of view and regional and sectoral specificities, but improvements of the various indicators are expected in the future[57].

The integration of ESG data into company policies and practices is growing all over the world, and now there are numerous guidelines that have been drawn up, among the most important, certainly include those of the United Nation Principles for Responsible Investment (UN PRI), United States Social Investment Forum (US SIF) and London Stock Exchange Group (LSEG) and more recently that of the Nasdaq, the Luxembourg Stock Exchange (LuxSE) and the Stock Exchange of Hong Kong Limited (HKEX). The reporting on ESG information still remains mostly on a voluntary basis, although significant steps have been taken, especially from Europe which holds a leading position in the sustainable sphere. If, on the one hand, the legislation on EU taxonomy for environmentally friendly activities is being finalized, on the other, a complete reception of the NFRD by all member countries is expected. The first European initiative will allow the definition of ESG data in terms of reliability and comparability; the second will surely allow a greater and more widespread communication of ESG data.

Pending the effective standardization or recognition of best practices in the identification of E, S and G data, it is useful to consider the work done by the initiative of the World Federation of Exchanges (WFE) together with the United Nations Sustainable Stock Exchanges (UN SSE) [58] in creating the Model Guidance on Reporting ESG information. These guidelines have identified a limited number of extra-financial aspects relevant for communication. In the updated ESG Guidance and Metrics[59] there are 30 Material ESG metrics that are generic and can be adapted to all sectors and to over 44,000 listed companies that WFE covers. The 30 indicators are proposed below as a robust starting point to communicate that so far, they have been neglected for reliability and degree of detail.

[57] Rif.: ESG Reporting Guide del Nasdaq, https://business.nasdaq.com/media/Nasdaq-ESG-Reporting-Guide-2019_tcm5044-70227.pdf
[58] https://sseinitiative.org/
[59] https://www.world-exchanges.org/storage/app/media/research/Studies_Reports/WFE%20ESG%20Guidance%20June%202018.pdf

Table 5. WFE Material ESG Metrics

Environmental Metric	Social Metric	Governance Metric
- Emissions GHG - Emissions Intensity - Energy Usage - Energy Intensity - Energy Mix - Water Usage - Environmental Operations - Environmental Oversight - Environmental Policy - Climate Risk Mitigation	- CEO Pay Ratio - Gender Pay Ratio - Employee Turnover - Gender Diversity - Temporary Worker Ratio - Non-discrimination - Injury Rate - Global Health & Safety - Child & Forced Labor - Human Right	- Board Diversity - Board Indipendence - Incentivized Pay - Collective Barganing - Supplier Code of Conduct - Ethics & Anti–Corruption - Data Privacy - Sustainability Reporting - Disclosure Practices - External Assurance

The list identifies the most pervasive and persuasive ESG indicators that provide the best understanding of sustainability performance suitable for a large number of companies. This list is flexible enough to take into account guidelines and issues such as the materiality of the Sustainability Accounting Standards Board (SASB), the United Nations Sustainable Development Goals (UN SDGs) and the recommendations of the Task Force on Climate-related Financial Disclosure (TCFD). The work of the Nasdaq aims to stimulate a broad sustainable governance and corporate awareness of E, S and G information, such as to stimulate not only disclosure, but also the integration of sustainability indicators in risk management systems.

Among the activities that the UN SSE initiative seeks to encourage and improve sustainability reports, to train on ESG factors and to support for related reporting and finally to facilitate access to sustainable markets by investors through ESG indices.
In particular, the importance of producing good quality ESG reports is strengthened by the initiative of the UN SSE, which identifies seven drivers to support:

- Better access to capital when companies demonstrate transparency and efficiency in managing the corporate business in creating long-term value;
- Profitability and growth when companies generate financial value thanks to the identification of the opportunities, which lead to cost savings (efficiency), profit generation (winning company business) and risk mitigation (understanding of the context and alignment of the mission e.g. zero carbon neutral policy);
- Adequate regulatory compliance and risk management when companies establish the measurement and communication of ESG data;
- Brand and reputation strengthened when companies responsibly manage environmental, social and economic impacts;
- Dedicated information flow when various stakeholders can evaluate the company's ability to create value in the short, medium and long term;
- Strengthening the relationship and engagement on ESG issues;
- Measurement of corporate objectives related to the implementation and impacts of ESG strategies.

This work reports the 10 metrics relating to the environmental dimension identified by the WFE, each indicator will be observed taking a cue from the effective and compact Nasdaq ESG Reporting Guide but adding those indications that can be for an in-depth analysis. If the company is interested in understanding how to communicate a data and which data, investors and financial analysts will be interested in understanding the importance of the data itself, its size and potential impact on the overall assessment of the business.

Next step will be to ask the companies themselves how important these 10 environmental KPIs are, if they collect and monitor them in an increasingly environmentally friendly context. It will be even more audacious to understand if the environmental indicators, considered fundamental for the company's strategy and business, remain under focus even in a particularly stressed and penalizing market condition such as that generated by the health crisis.

5. *Case Study*

As the introduction already underlined, company's practices and performance on ESG issues are not always well mirrored by the existing metrics and non-financial reporting models. It is crucial that the company presents to its stakeholders a single narrative, that includes quantitative (measuring & reporting) and also qualitative (explaining & relating disclosures with material issues) information. The indicators to present this information should be – when possible - measurable, clear, comparable, and verifiable. The problem arises because often indicators are created with a specific purpose, and adapted to specific context. Consequently, it is difficult to define more overarching ones that can be applied in different situation. Choosing the right indicator for a specific context and purpose remains for the company of utmost importance, especially now, when the sustainability issues are gaining a pivotal role, and ESG integration has reached momentum. Regulations trends, engagement policies and better quality data are key drivers to boost the sustainable journey in place. At the same time some weakness' remain, as many studies[60] demonstrate: unsound non-financial reporting, too little ESG integration especially in some areas such as risk management and board oversight.
To achieve better outcomes and to have finally sustainability at the hearth of business model, it is important to keep a continuous dialogue between investors, financial mediators, and companies on how to best mirror company's practices in a defined framework or metrics. Especially, in the current context of the COVID-19 outbreak a dynamic approach to, it is crucial to understand which metrics will survive the current pandemic crisis and are more relevant in the current situation where companies are operating.
The study focused on metrics, mostly related to Environmental issues, but, to make the analysis more complete, and updated in relation to the current situation it is decided to include metrics as well under Social and Governance pillars. The interviews, through which some corporates were involved in the study, focus on metrics and test how involved corporates actions are touched by sustainability changes, in particular on data production, usage and monitoring and on governance attitude. The paper aims to understand from practice how ESG integration is being undertaken by companies and how did Covid-19 impact it.
The interviews were conducted on voluntary basis with companies[61] representing the following industries: Energy, Cement, Chemical and Oil&Gas. These industries - traditionally heavy polluting ones - have been selected for this study because the global transition towards a more sustainable economy will strongly depend on their evolution and transformation to a low-carbon model. This is demonstrated by their presence in the transnational ESG debate as well as the inclusion of these industries in the EU Taxonomy[62].
The interviews were structured around a questionnaire[63] created from an AIAF's elaboration of the 10 environmental metrics proposed by the WEF and Nasdaq's ESG Reporting Guide for the reasons indicated in the previous chapter, expanded with more forward-looking and situational questions.
The questionnaire focused on six clusters: (1) Emissions, (2) Energy, (3) Water and Environment Management, (4) Board and Climate Management Oversight (5) ESG Reporting, (6) Health and Safety. During the interviews, the companies were also asked to go beyond the questionnaire and indicated their perspectives and comments on the future of ESG metrics and in general sustainability reporting.

The main elements identified per cluster touched all companies, as sector leaders. They have demonstrated a high

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[60] Some of the more relevant studies are:
- EUROPEAN LAB@EFRAG, "*How to improve Climate-related Reporting*", 2020, http://www.efrag.org/Lab1?AspxAutoDetectCookieSupport=1
- Alliance for Corporate Transparency, "*2019 Research Report*", https://www.allianceforcorporatetransparency.org/assets/2019_Research_Report%20_Alliance_for_Corporate_Transparency-7d9802a0c18c9f13017d686481bd2d6c6886fea6d9e9c7a5c3cfafea8a48b1c7.pdf
- Econsense, "*New Momentum for Reporting on Sustainability*", 2018, https://econsense.de/app/uploads/2018/10/econsense_Study-on-Implementation-of-the-German-CSR-Directive-Implementation-Act_2018.pdf
- TCFD Review 2019, "*Task Force Climate-related Financial Disclosure. Status report 2019*", https://www.fsb-tcfd.org/wp-content/uploads/2019/06/2019-TCFD-Status-Report-FINAL-053119.pdf

[61] Enel S.p.A. (Rome, Italy) , Solvay S.A.(Brussels, Belgium), Titan Cement International S.A. (Brussels, Belgium), Total S.A. (Courbevoie, France) and Vattenfall AB (Solna, Sweden) were involved in the study.

[62] Please refer to TEG Technical Final Report on the EU Taxonomy - Technical Annex, https://ec.europa.eu/info/sites/info/files/business_economy_euro/banking_and_finance/documents/200309-sustainable-finance-teg-final-report-taxonomy-annexes_en.pdf

[63] To have more information about the questionnaire and the sustainable rationale beyond it, please contact the reference author of the paper.

level of maturity in dealing with ESG information, and in particular in disclosing their activities related to the seven clusters that have been selected for the exercise. Companies undertaking this questionnaire demonstrate to be strongly committed to improving ESG reporting and to using it actively in the business.
Generally speaking, the interviewees noticed that sustainability and corporate social responsibility have currently reached sincere attention of top management and public opinion and this increased largely the attention for quality and standardization of ESG reporting. COVID-19 has accelerated sustainable transformation and next reporting exercise will have to present even better what is truly material for the company and how resilient is the business to any type of ESG-related crisis, that – as it happened for the COVID-19 outbreak – can have strong financial [64] and non-financial impacts for the company. Below an assessment of the main remarks shown by companies cluster by cluster.

- **Cluster 1 on EMISSIONS.** Focuses on KPIs that enable companies to measure their carbon footprints from direct and indirect emissions. It helps understanding an organization's involvement in Greenhouse Gas – GHG - pollution through its business activity. Moreover, it helps to understand companies' commitments to reducing emissions and whether the company has a goal (Paris Agreement) towards which it is harmonizing and focusing emissions-related efforts.

All the companies have a mature approach in disclosing information about their GHG emissions with some differences. For instance, not all the companies in the past disclosed info about Scope 1, 2 and 3 emissions[65] they will start in the next reporting years.
Improvements in the lowering of GHG emissions are monitored over term and audited. Emissions data are related to production value to better understand and appreciate the improvements. In some cases, they are compared to sector average but not always, as in the case of the chemicals. In this case the lack of comparison is due to the fact that no international sector average is available at the moment. Analyzing frameworks, the GRI standards remains the preferred one for reporting information about GHG emissions. The energy sectors largely refer to the most recently Science-Based Target Initiatives[66]. The SBTi allows the company to refer not only to the performance figures but also to specific science based targets. The UNGC 10 Principles remain for the cement sector the basis to cover all ESG requirements and at the same time fitting the minimum expectation among all sectors to have certain commitments and relating them to governance of the company.
Despite a strong support to Paris Agreement objectives and Sustainable Development Goals (SDGs) was shown by all the interviewees, some of them underlined that being both frameworks directed to countries, this makes the company alignment to them much more difficult and elaborated. Climate-related business targets are translated to individual KPI, for instance in terms of linking them to remuneration policy in order to obtain more internal involvement and results.
All the companies align their disclosure to the TCFD Recommendations, often integrated to NFRD and following the Non-Binding Guidelines on Climate-Related Reporting. This is part of discussion for the renewal of the NFRD legislation[67]. Climate scenarios are often used in the risk analysis with no direct link to the corporate strategy to achieve corporate targets. It is worth mentioning that most of the companies incorporate climate-related risks into overall risk management.
Some of the companies are starting their preparation to comply with the EU Regulation on the Establishment of a framework to facilitate sustainable investment. They are waiting for the future European developments (ESAs Delegated Act) to give more clarity on how to report information for next year.
More than one company, including the cement sector, underlined the necessity of disclosing information and indicators, possibly with shared standards, about the impact of climate change policies to human rights and other social issues. How many people are affected or will be affected by that? The same should be done for other environmental objectives to consider transition measures and ensure and inclusive and just transition.

- **Cluster 2 on ENERGY (USAGE, INTENSITY, MIX)**. Focus on KPIs that measure energy efficiency of economic activity. It helps understand the companies' ambition to use energy more efficiently, which can

[64] International Monetary Fund (IMF) said the world faced the worst economic crisis since the Great Depression of the 1930s.
[65] In conjunction with the urgency of climate change, the need of a shared international standard of accounting for greenhouses gas arose. In 1997 the Greenhouse Gas Protocol, a WRI and WBCSD's initiative, came to life with this difficult but fundamental goal.
[66] The Science Based Targets initiative is a collaboration between the United Nations Global Compact, CDP, World Resources Institute (WRI), the World Wide Fund for Nature (WWF), in committing to align corporate voluntary greenhouse gas reduction targets with climate science. https://sciencebasedtargets.org/
[67] https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12129-Revision-of-Non-Financial-Reporting-Directive/public-consultation

reduce its energy costs and possibly lower GHG emissions. Moreover, it helps to understand if climate risk is integrated into risk management framework and strategy.
Despite all the companies consider the SDGs as a good compass to set directions (corporate's mission and vision), as already stated for emissions and Paris Agreement objective, SDGs are defined for country and the corporate alignment became difficult and not linear such SDG 13 about climate change, SDG 7 about affordable and clean energy appear much more applicable to practices and business strategy.
Some companies underlined that energy targets are strictly linked to emissions targets, as GHG emissions are linked to energy for 80%. That is true especially for the energy sector.

- **Cluster 3 on WATER and ENVIRONMENT MANAGEMENT**: Focus on KPIs that measure Water cost, source, availability, and resilience in water management directly impact the company's ability to operate. Fresh water is essential to the progress of human societies, that is why harmful water pollutants[68] are to be take carefully in account in the water usage cycle, to maintain sustainable operational function over time, as well as an appropriate balance with the local community and the biosphere. Moreover, it helps to understand company commitment through environmental policy, methodologies used to calculate targets and measure them and finally future investment decisions (restructure or new business activities).

All the companies set business targets for environmental management, also at global level. Environmental management is scoring high in the priorities of some companies that monitor it over with quantitative data. Regarding water management, it is not considered as a material issue from all the companies interviewed.
Alignment with the water and environment SDGs targets is difficult also in this case because SDGs indicators are not adapted to a way company operates. Especially water indicators within the SDGs are always local so this means that a company would need different targets for each of its operations sites, and this makes the exercise very difficult.
Current environmental management indicators are often not considered enough to disclose information about how the company address biodiversity-related issues.
There is no single water or environmental as companies perform one per indicator taken into account (e.g. water evolution of climate, etc.). Most of the companies have in place resilience policies on water management and environmental management to address the climate transition. Transition risks are the ones that are really going to affect the demand for products and services. Physical risks affect more production sites, and mitigation of these risks can affect some markets.
Companies show awareness and respect of local communities and they have in place specific targets, e.g. on societal action and local communities. e.g. donations, social engagement, investment in local activities etc… Environmental risks and their potential financial impacts are evaluated along all step of the business activity through methodologies like the Sustainable Portfolio Management[69] (Solvay), which does a risk and opportunity analysis for each product in each market, including upstream and downstream activities.

- **Cluster 4 on BOARD AND CLIMATE MANAGEMENT OVERSIGHT**. Focus on KPIs and Policies to measure increased awareness and understanding of climate-related risks and opportunities within the company resulting in better risk management and more informed strategic planning (TCFD). Moreover, it helps to understand board commitment in climate-related issues in the business strategy.

In the majority of cases all sustainability topics are taken into consideration when reviewing and guiding strategy, major plans of action, risk management policies, annual budgets, and business plans. In some cases (Solvay) the company updated its governance charter to have a specific chapter on sustainability and how they manage it every Board meeting.
In other cases (Total) the CSR Committee of the Board discusses the strategy and the plans of action, while an Executive Committee (Senior Management) put in practice the sustainability strategy of the group examining new projects and current affairs after the approval of a Risk Committee. The Risk Committee is involved from the first phases of the development of a new project, quantifying through a grid all risks including ESG related ones.

- **Cluster 5 on – ESG REPORTING (Governance metric).** Focus on KPIs that provide a periodically disclosure on sustainable commitment and targets of the company. This indicates the presence or absence of public communications regarding company ESG performance, and the embedding of such data in regulatory filings.

[68] Primarily nitrogen and phosphorous used in agriculture but also toxic chemicals, heavy metals, hydrocarbons…
[69] https://www.solvay.com/sites/g/files/srpend221/files/2018-07/Solvay-SPM-Guide.pdf

More than half of the interviewed companies is publishing an integrated report that connects financial and non-financial information updated every year. In the utilities sector some companies, like in the case of Enel, have a corporate reporting framework providing different documents connected also digitally, that are addressed to different stakeholders and therefore provide the same information with a different degrees of details according to the audience. For all the companies many people are involved in the drafting of the report, in general by the combination and collaboration of different teams such as Sustainability, Investors Relations, Communications, Risk Management team, and Legal team. Of course, they are supported by more technical colleagues when necessary e.g greenhouse emissions chapter written by the people doing the internal reporting on emissions.
The final approval is legally required by the Board, with the involvement of the CFO in some cases, and this demonstrates that the report is gaining attention also beyond the corporate areas traditionally involved. Assurance is in many cases provided for strategic and priority topics and it can have the form of reasonable or limited.
Companies indicated that they are definitely going to add in the next report actions taken related to COVID-19, but not new metrics or indicators so far. Discussion are starting in the summer, but how this is going to affect metrics is not clear so far. Many companies already communicated publicly during the peak of the emergency some of the actions they were putting in place to support the community and their employees.
To report actions on how companies have transformed their business models and core activities to react to the pandemic crisis as well as support the communities (e.g. shift in production, services to support customers, etc.) companies are not waiting to do so in the annual report but do so often through their website or newsletter on a weekly or monthly basis.
To better reflect the growing importance of sustainability and the growing commitment of a company, Titan suggests the inclusion in the report of metrics to assess presence of trainings on sustainability trainings for managers and top management. This will be to showcase how much you invest in sustainability also for the future.

- **Cluster 6 on HEALTH AND SAFETY (Social metric).** Focus on KPIs that ensure formal policies may promote the acceptance of responsibilities by multiple parties and the development of a positive health and safety culture. Moreover, it reveals the extent to which the workforce is actively aware of policies that determine health and safety management principles. (GRI).

All companies agree that health and safety became quickly one of the top priorities at beginning of 2020.
The companies faced the COVID-19 pandemic putting in place different processes. For some sectors like the chemicals and oil and gas there was no specific process to identify areas of the production process that are most risky to the health of the workforce, especially in relation to COVID19 as in many of the sites the work is automatized and the human resources onsite are very limited and they do not rely heavily on workforce. A facility by facility and unit by unit assessment was put in place to understand the risk.
Guidance on hazards and risks related to health and safety, and specifically on COVID 19, are issued generally at global level for the company, but for some sectors like the chemical, it is adapted to the local situation according to the health and economic situation of the country the site is in.
For some, like Total, there was no need to put in place a specific manual or training program to face the pandemic: in fact, when the company has a strong health and safety culture, this gives the employees the right tools to face a state of emergency, increasing their resilience. Of course, some ad hoc measures were taken, such as limiting social contacts and providing material and equipment to the employees. Also, a crisis management team monitored over time the situation and gave instructions to the teams.
Hours of training seems to be not an appropriate and reliable metric anymore, because trainings are switching to online training and the time you take do undertake it cannot be measured, each person can take it at the speed they want.
Changes have happened in the way to manage teams especially how to maintain informal contacts in web connected professional world (e.g. virtual drinks, coffees, others).
Many companies increased the share of people working from home drastically. For some of them, like Enel remote and smart working will be the norm worldwide until further notice, with exception of essential activities. The Covid-19 Global Task Force, assisted by local task forces, monitors the situation and update the policies in place to guarantee essential services while safeguarding the employees and their families. The centralization of policy strongly helped the prevention of the scaling up of the pandemic in some facilities in areas at risks. Other companies, like Total, already put in place, even before the pandemic, a program One Total Better Together to encourage homeworking to give to employees more flexibility. However, the company was keener in reopening the offices, with all the needed security measures. Many of the companies plan to report on the number of people

working from home but developing a common metric about hours is much more difficult.
Extra support for employees, including, financial support, health coverage (also for mental health) has appeared as a trend among the companies interviewed.
Extra measures to secure health and safety of suppliers in relation to COVID depend on the type of contractors but they will apply to the ones entering in contact with the company but not in terms of giving them instructions on how they will do on their own sites.

Conclusion

The management of ESG factors creates financially measurable consequences for the company and impacts the ability to carry out the business strategy and therefore to generate value in the long term. Therefore, it is crucial to encourage companies considering this extra-financial information as well as addressing costs and benefits.
This study focuses on metrics and test how involved corporates actions are touched by sustainability changes, in particular on data production, usage and monitoring and on governance attitude. The paper aims to understand from practice how ESG integration is being undertaken by companies and how did Covid-19 impact it. As already mentioned in the previous paragraph, the exercise involved on a voluntary bases companies representing the following sectors: Energy, Cement, Chemical and Oil & Gas.
The interviews were conducted using questionnaire created on AIAF's elaboration of the 10 environmental metrics proposed by the WEF and Nasdaq's ESG Reporting Guide.
The six clusters touched were: (1) Emissions, (2) Energy, (3) Water and Environment Management, (4) Board and Climate Management Oversight (5) ESG Reporting, (6) Health and Safety. During the interviews, the companies were also asked to go beyond the questionnaire and indicated their perspectives and comments on the future of ESG metrics and in general sustainability reporting.
Some trends emerged clearly from the exercise, in particular the following examples:

- Increasing attention to sustainability by the board and public opinion
- Arising need to report how companies managed the double crises they are facing: the health and the economic ones. As well as the rebound for recovery. This will leave a lasting impression of what their true sustainability priorities are.
- Renewed attention to quality of life and how companies are contributing to that.
- Growing need for better metrics on many aspects of sustainability: biodiversity, climate, social aspects, including diversity and looking more at the quality of life, resource management. Except for biodiversity and social aspects, it seems like there will be no need at least in the short term for new metrics. Companies will, however, include new content in relation to how they managed the pandemic crisis and the rebound.
- Increasing necessary to better assess the interconnectivity among the different aspect of sustainability (e.g. what is the impact of biodiversity loss and climate change on social aspects? How well we connect the S aspects to the E?).
- Keeping doubt on the need for companies' metrics related to resilience to pandemic. It would be better to use horizontals indicators – meaning indicators that can be applied to a wider range of circumstances and already existing ones -than specific 'ad hoc' criteria. Some companies questioned the importance of resilience over flexibility to react. While resilience means reacting to something to avoid its negative impacts, flexibility includes managing the crisis actively. Investing on a flexible model before (e.g. digitalization and teleworking policies) can save its stability of the company in times of crisis – reacting to a pandemic is something but being ready to manage the situation is something completely different.
- Increasing attention on reporting exercises to deal with a new debate on supply chain management and what is the responsibility of companies also over the current due diligence frameworks.

The current COVID-19 pandemic highlights the need to strengthen the sustainability and resilience of our societies and the ways in which our economies operate. The risks for economic in our system are more likely to occur arise with the growth of climatic and environmental impacts. Therefore, it is important, especially at this time, to build more sustainable, equitable and resilient economies by aligning short-term recovery efforts with the medium and long-term objectives of the Paris Agreement and the United Nations Agenda for Sustainable Development. The transition to a low carbon economy implies a boost to economic activity, job creation and overhaul of supply chains.

Surely, the evolution of European and international scenario on ESG disclosure, as well as the growing attention of corporates and investors in the field demonstrate that ESG disclosure is becoming mainstream in the market and Environmental, Social and Governance information will play a leading role for the financial stability of the companies in the future.

The pandemic has highlighted also the relevance of the Social dimension, however the complexity is wide, all the dimensions E, S and G are interconnected and COVID-19 has taught us that we must not think in a logic of separate silos and we must not forget that this crisis has its origin in the loss of biodiversity, rapid urbanization, increase in population levels and as humans come into closer contact with animals through deforestation and bush meat markets.

The link between climate and health is emphasized by the Lancet Countdown 2019 report which associates climate change with a greater spread of infectious diseases, some of which are already known as dengue, malaria and cholera. Health is aggravated by impacts due to poor food safety, extreme weather events, air pollution and heat waves.

The current crisis requires a systemic resolution approach that looks at the different dimensions of long-term sustainable development. One example of this approach is the use of public finance for sustainable development, like in the case of the vigorous monetary and fiscal policies just implemented in the Eurozone which are in line with the demand to overcome the current crisis. However, this demand must incorporate as well long-term strategic policies for an effective transition to a climate-resilient low-carbon economy. This is the only truly effective vaccine to address not only climate risks, but future social and economic risks as well.

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