

Applying Enterprise Risk Management to understand and manage your relationship with natural capital

18 March 2021



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NATURE**

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11 – 24 March 2021

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naturally-smarter businesses



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- Complete **daily challenges**. Each challenge can be completed in around 10 –15 minutes and will help you take the next step on your nature journey.
- Register for practical, interactive **sessions**.



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This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement No 821303

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[@WeValueNature](https://twitter.com/WeValueNature)

Today's Session



Gordon Darling
Director, Enterprise Risk Management
WBCSD



Anke Kwast
VP Climate Neutral Roadmap
Yara International



Steve Godfrey
Director, Policy and External Relations
GAIN



Nancy Mancilla
CEO
ISOS Group

Today's **Agenda**



- ① Introductions
 - ② Managing vulnerability through ESG-focused ERM
 - ③ The corporate experience of managing natural capital risk
 - ④ Natural capital risk management strategic factors impacting nutrition and food systems
 - ⑤ Perspectives on corporate performance
 - ⑥ Q&A
-
- ⑦ Resilience! The corporate risk game

Please submit your questions via the Q&A option

WBCSD - who we are

The World Business Council for Sustainable Development is a global, CEO-led organization of 200 forward thinking businesses working together to accelerate the transition to a sustainable world.



GLOBAL

Our 200 members span across the globe and all economic sectors.

We have 60+ **National Business Councils** around the world.



UNIQUE BUSINESS-FOCUSED PLATFORM

A diverse business community across sectors and regions.

Peer to peer exchange of challenges, idea and expertise.



CEO-LED

WBCSD is oriented towards collective action and led by the CEOs of our member companies.



MARKET-DRIVEN

We strive to make sustainable companies more competitive.

We represent the voice of business to government and policy decision makers.

WBCSD Vision:

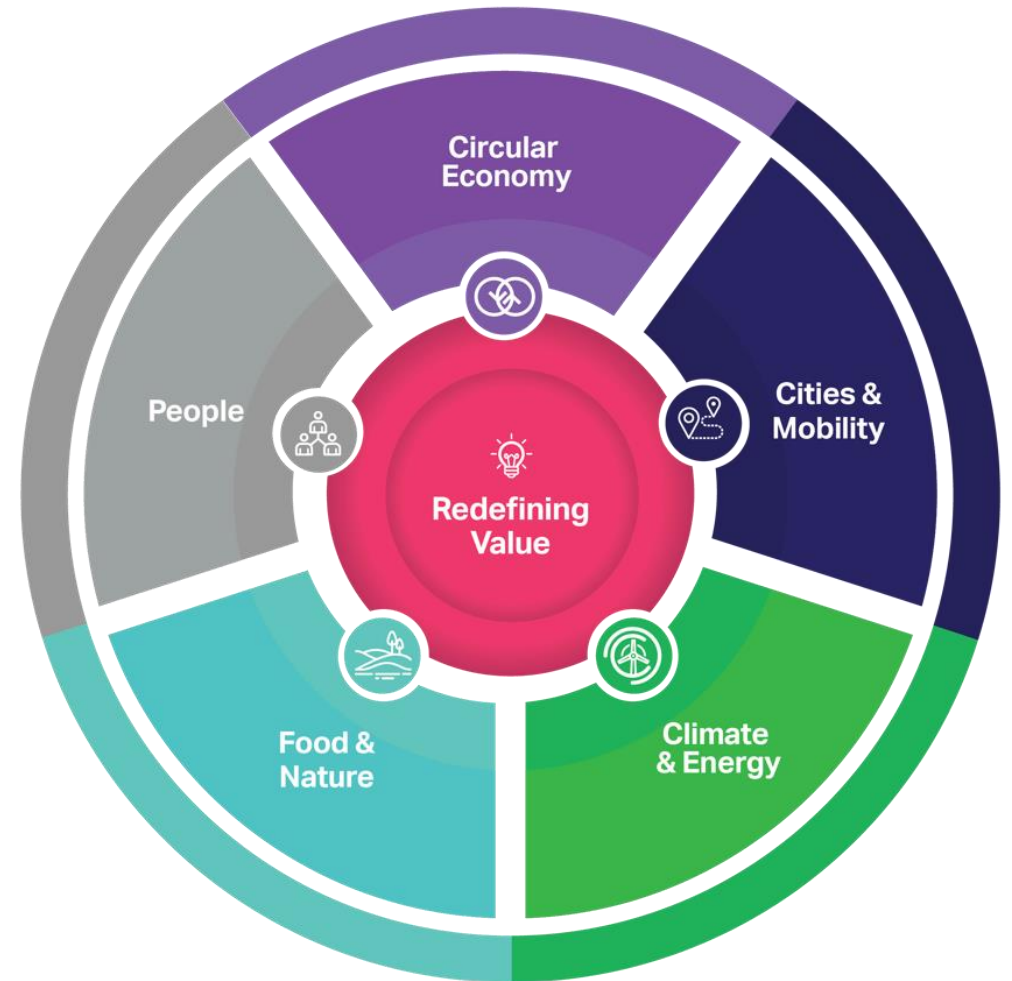
A world where more than nine billion people are all living well and within the boundaries of our planet by 2050.

Our Mission: To accelerate the transition to a sustainable world by making more sustainable businesses more successful.

WBCSD's Approach

We target the realization of the Sustainable Development Goals (SDGs) through six work programs to achieve systems transformation.

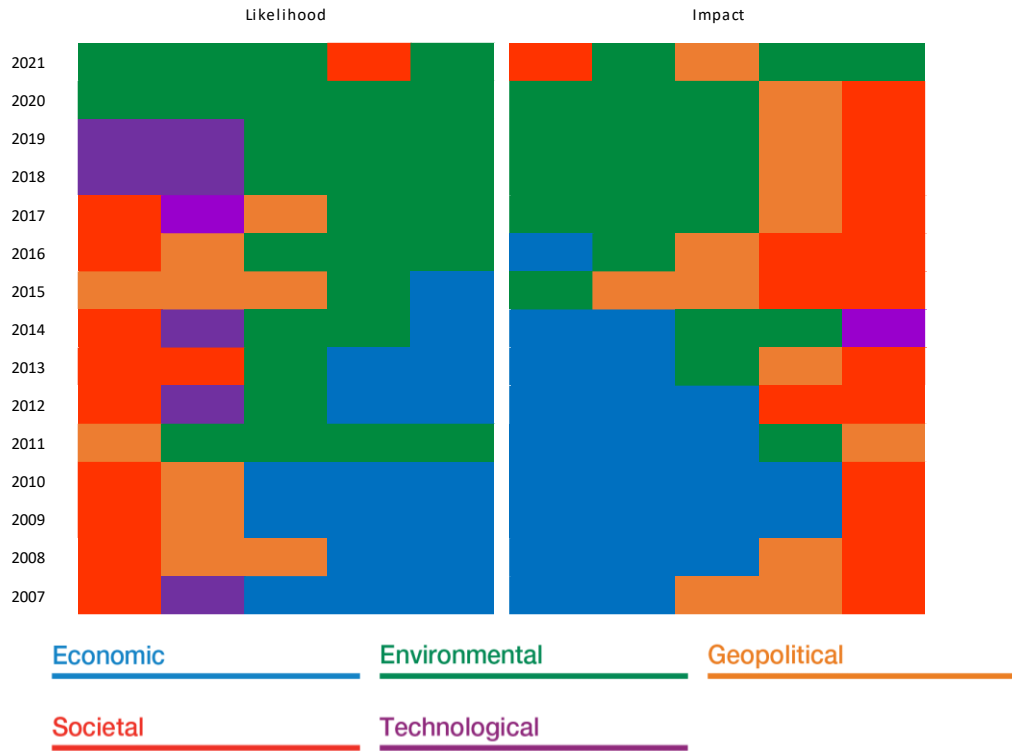
As global business faces new and complex challenges and opportunities, our science-based approach and targeted business solutions aim to scale up business impact.



Managing vulnerability through ESG-focused ERM

Gordon Darling

The business context and risk landscape evolves!



Megatrends and disruption

Disrupting the global risk landscape and future growth pathways

Investors

Wanting more data on a company's ESG performance

Employees

Wanting to work for employers that incorporate ESG into their purpose

Customers

Demanding more sustainable products and services

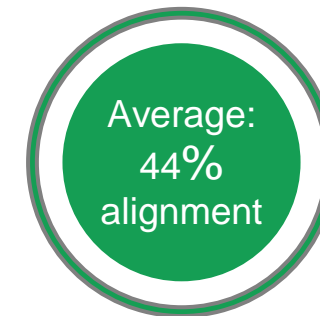
Regulators

Increasing regulation around ESG issues

NGOs and Communities

Increasing pressure for radical transparency

WBCSD research revealed **companies struggle to identify ESG-related risks** in annual risk filings despite identifying them as material in sustainability reports



Focus on natural capital management is sharpening

“Our economies, livelihoods and well-being all depend on our most precious asset: Nature.”

The Economics of Biodiversity: The Dasgupta Review, February 2021

*“... today, **ESG is as much about risk management as it is actually about social activism or trying to change the world**”*

Gillian Tett, FT, March 2021

“What many companies and investors have realised is that if they ignore what people used to call “externalities,” ... a company's environmental footprint, its impact on a community, what's happening in its supply chain, ... it has a nasty habit of coming back to bite them”

Gillian Tett, FT, March 2021

*“The **solution starts with understanding and accepting a simple truth: our economies are embedded within Nature, not external to it.**”*

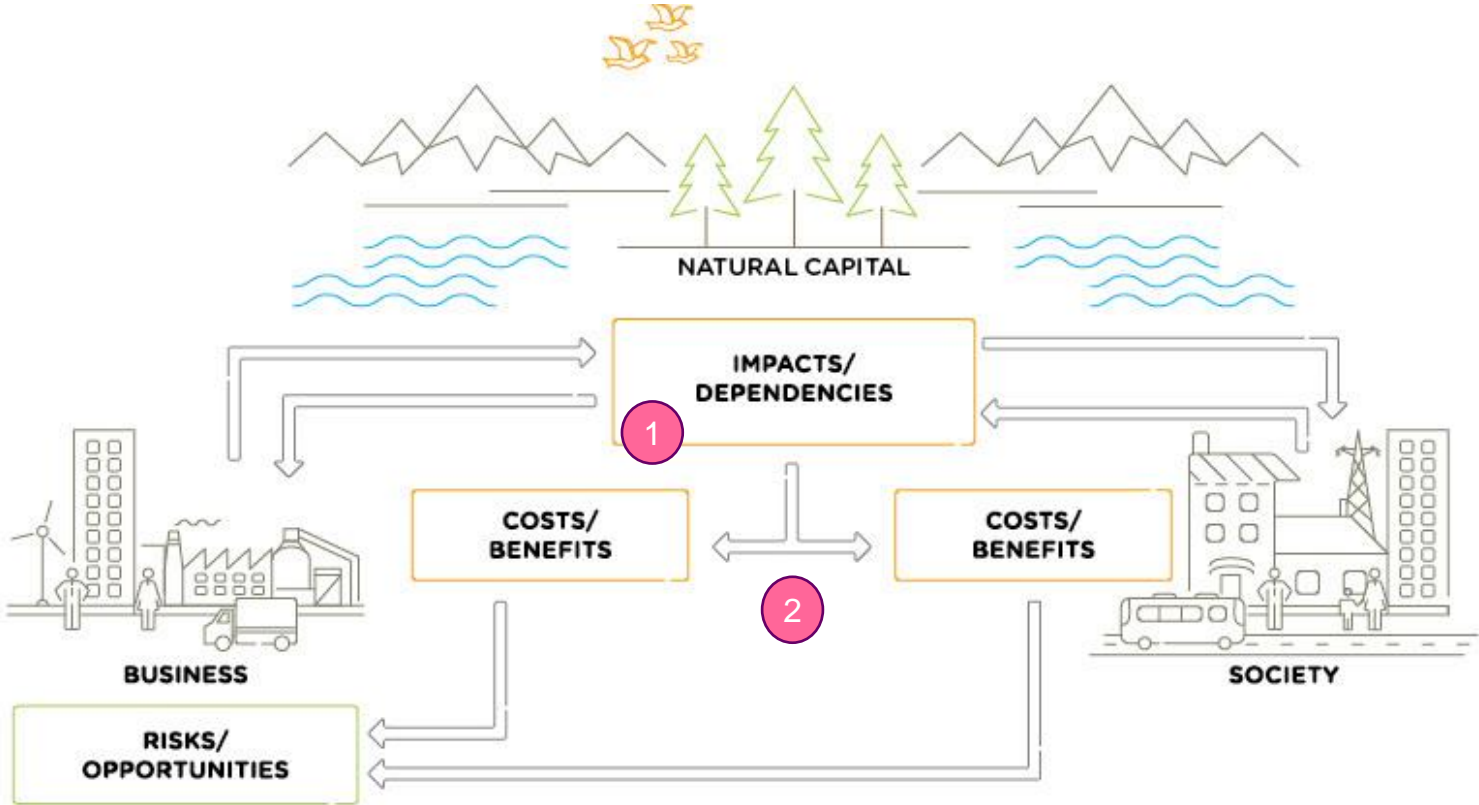
The Economics of Biodiversity: The Dasgupta Review, February 2021

*“We recognise nature is capital. Over the century, we have depleted nature creating possibly our biggest challenge to date. It is high time to take action at an unprecedented speed and scale. **Investing in nature is a major investment opportunity, and the one action we must urgently take to protect our future.**”*

Christof Kutscher, executive chairman of HSBC
Pollination Climate Asset Management, January 2021

Business depends on & impacts natural capital

Source: Natural Capital Protocol



1. All businesses **impact** and **depend** upon natural capital.

2. This relationship delivers **costs** and **benefits** back to themselves and to society.

3. These in turn lead to **risks** and **opportunities** to the business



Operational
Risk



Reputational
& Societal
Risk

Risks & Opportunities for business



Legal
Risk



Financial
Risk

Natural capital management is now strategically important

Many natural capital risks and opportunities are becoming increasingly visible, and **business needs a way to understand and manage these.**

- Understand **relationships with nature** in a structured way
- Challenge your **business model**
- Mitigate **risks**
- Increased **competitive advantage**
- Create **opportunities**
- **Inform decisions** that are really important to your business
- Access to **finance**



Source: Natural Capital Protocol

Menti **question**

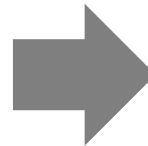
Please go to www.menti.com

Code: **55 20 50 82**

How can risk management help you?

There are established ERM frameworks that are applied globally

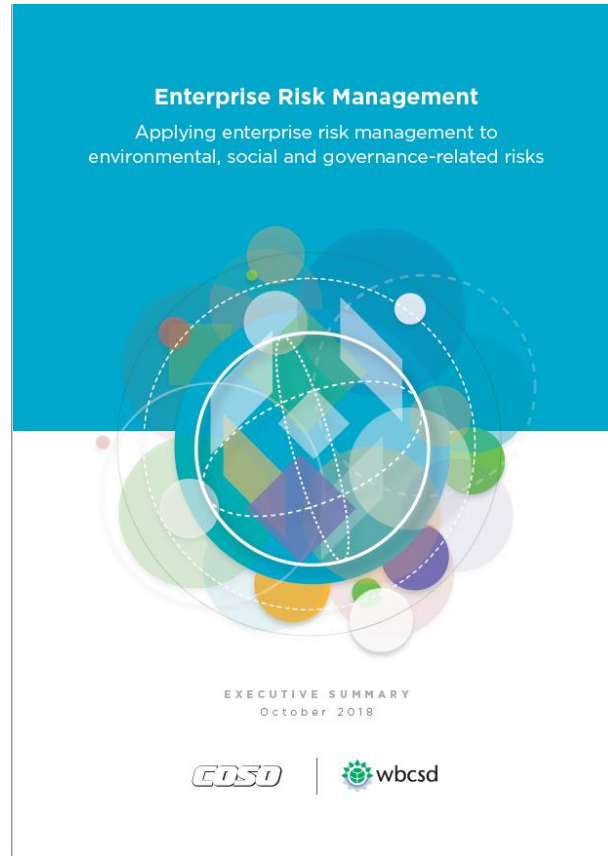
Enterprise risk management is the culture, capabilities and practices, integrated with strategy-setting and its performance, that organizations rely on to manage risk in creating, preserving and realizing value.



2017

Source: COSO ERM Framework –Integrating Strategy and Performance, 2017

Risk management is evolving



- **Expanding assessment time horizons** - short, medium & long term appropriate to company & risk
- **Adding assessment criteria** considering connectivity, velocity, resilience, adaptability, persistence & vulnerability
- **Using tools** that respond to the characteristics including simulation, catastrophe models, sensitivity & scenario analysis
- **Developing risk responses** to enhance resilience – pursue, share, reduce

Download our guidance here: <https://www.wbcsd.org/bn68>

Diagnostic tool for assessing the level of integration of ESG-related risks

- ▶ A tool for companies to assess their level of integration of ESG and ERM
- ▶ Aligns to the guidance checklist of actions and provides criteria for companies to rate themselves for each chapter of the guidance:
 - 1 Basic: None or few of the recommendations in place
 - 2 Developing: Rating between 1 and 3
 - 3 Established: Some of the recommendations in place, for a selection of ESG-related risks
 - 4 Leading: Rating between 4 and 5
 - 5 Advanced: Most or all of the recommendations in place
- ▶ Helps to identify gaps and areas of focus or future initiatives



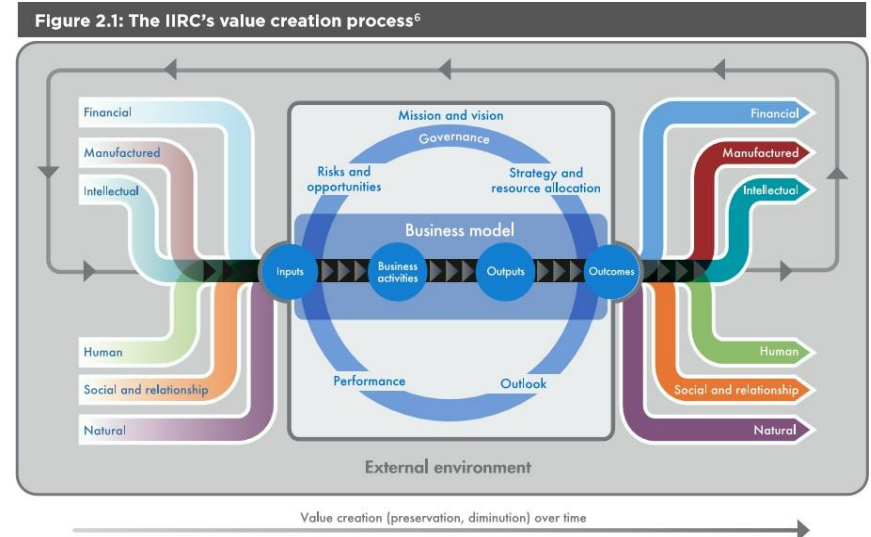
See <https://www.wbcSD.org/vzCjB>

Strategy & objective-setting for ESG-related risks

Therefore, a strong understanding of the business context, strategy and objectives serves as the anchor to all ERM activities and the effective management of risks.

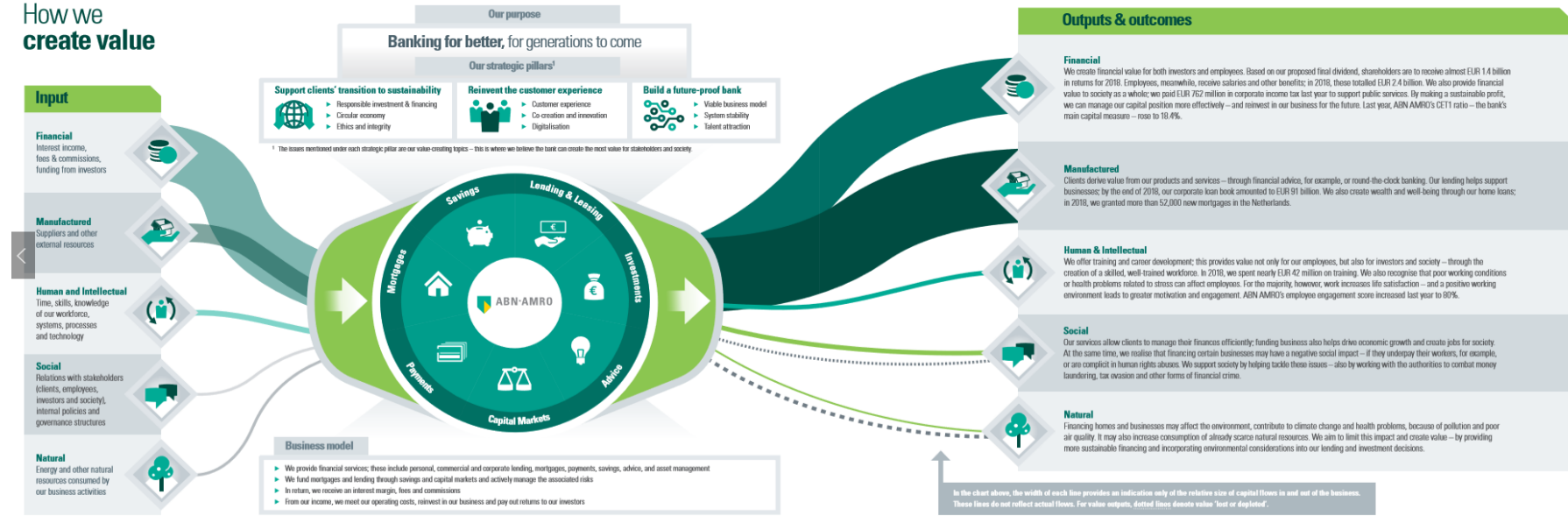
Including: examining the value creation process to understand these impacts and dependencies in the short, medium and long term.

- Evolving models of valuation
- Moving beyond just financial capital
- Value creation over the long-term for all stakeholders
- Recognizing intangible value



Value creation models

How we create value



Source: ABN Ambro Integrated Report 2018

Tools & resources for understanding the business context



NATURAL CAPITAL COALITION



2016

Commonly used approaches to understand the business context

Megatrend analysis	How might the emergence of a global risk or megatrend impact strategy and operations?
SWOT analysis	What are the ESG-related strengths, weaknesses, opportunities and threats?
Impact and dependency mapping	What are the impacts and dependencies relating to the business model (inputs, business activities, outputs, outcomes)?
Stakeholder engagement	Engaging internal and external stakeholders can help identify risks that are related to the broader group of stakeholders or have been overlooked by internal management.
Materiality and ESG assessments	The significant issues identified through the company's ESG materiality assessment or other ESG risk assessment tools should be considered for their impact on the business.

Performance for ESG-related risks



Companies have limited resources, so they cannot respond equally to all risks identified across the entity.

Organizations need to determine which risks to prioritize

This chapter looks at **identification, assessment, prioritization and responding** to ESG-related risks and considering the critical nature of ESG subject matter expertise

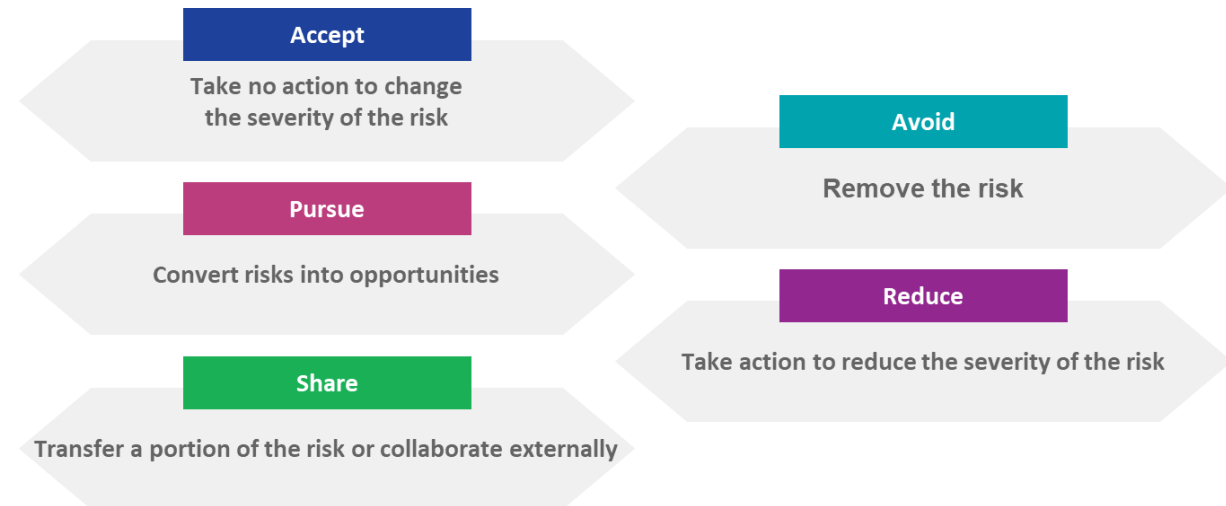
Connecting the business context and strategy to risk identification

Understanding of internal and external environment

- Megatrend analysis
- Strengths, weakness, opportunities, and threats
- Impact and dependency mapping
- Stakeholder engagement
- Materiality assessment
- ESG-related resources

Risk identification: threats or opportunities to achieving strategy and business objectives

Risk inventory



Cross sectoral and complex interactions

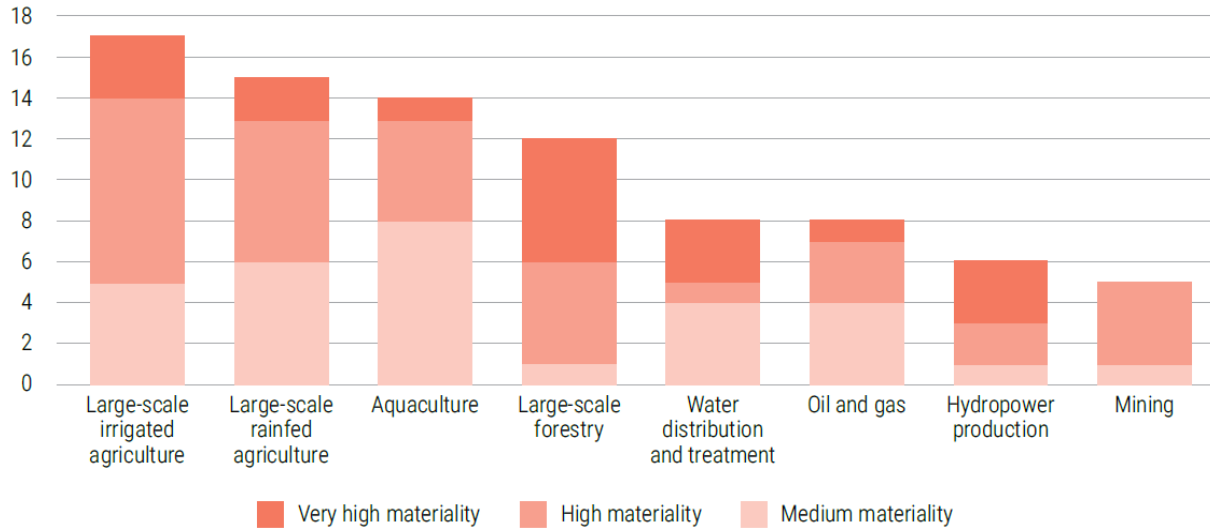


Figure 5: Production processes with the highest number of material dependencies on nature

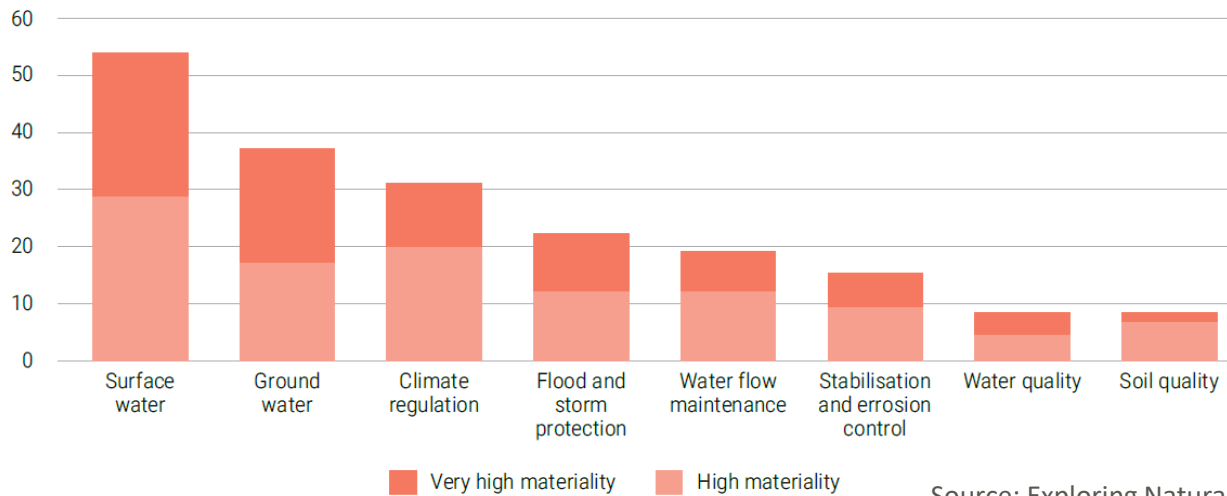


Figure 7: Ecosystem services material to the highest number of production processes

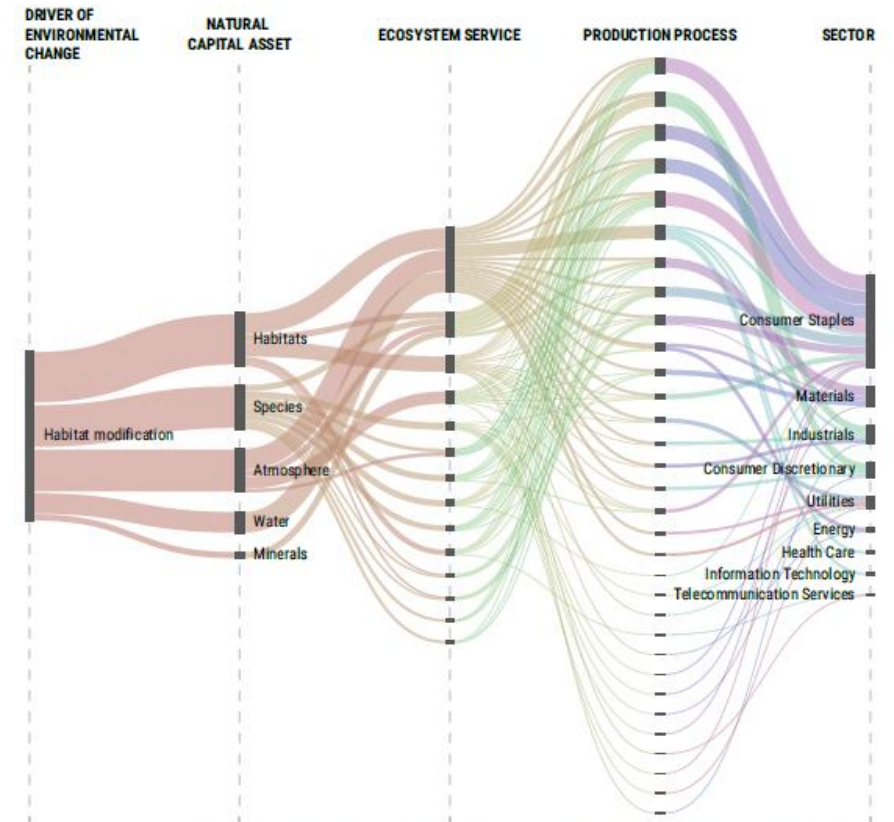


Figure 9: A single driver of environmental change can have material impacts on a number of different industries through many combinations of asset, service and production process

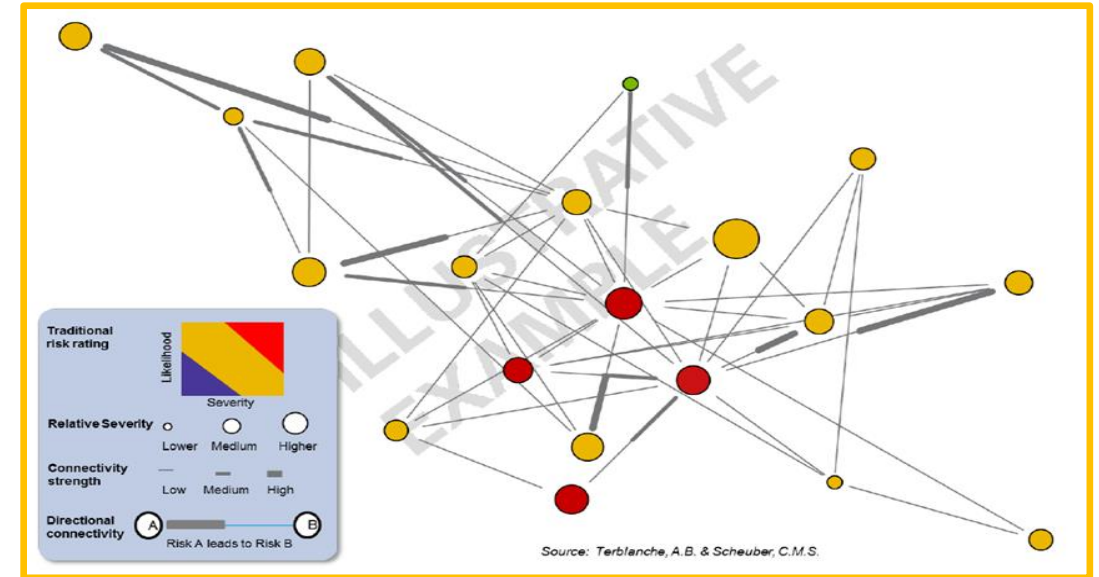
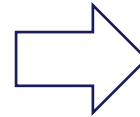
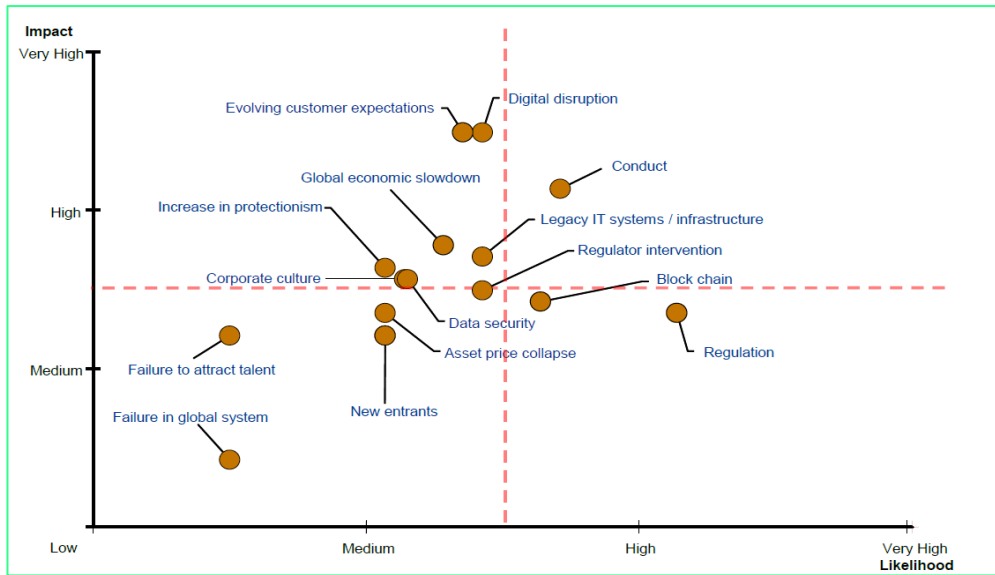
Note: Line thickness indicates the number of links from one level to the levels above and below (e.g. from ecosystem service to natural capital asset and production process). Colours are added for clarity only.

Source: Exploring Natural Capital Opportunities, Risks and Exposure: A practical guide for financial institutions, Natural Capital Finance Alliance and UN Environment World Conservation Monitoring Centre (Geneva, Oxford and Cambridge), 2018.

Moving beyond impact and likelihood

Criteria	Description
Adaptability	The capacity of an entity to adapt and respond to risks
Complexity	The scope and nature of a risk to the entity's success
Velocity or speed of onset	The speed at which risk impacts an entity
Persistence	How long a risk impacts an entity
Recovery	The capacity of an entity to return to tolerance
Resiliency	The capacity to to tolerate, overcome and be strengthened by adverse events and experiences

Moving beyond impact and likelihood



(Source: KPMG Dynamic Risk Assessment)

Uses alternative techniques to

- Extend traditional approaches to risk assessment
- Investigate the structure of the whole risk system to understand ...
- ... the connectivity and strength of connections between risks

Provides insight to

- Range of impacts of risk events
- Speed at which risk impacts could occur
- The clustering of types of risks and impacts
- Identifies trigger risks and risks impacted by other risks
- Aggregation of business impacts and vulnerabilities

Dynamic Risk Assessment

Move beyond impact and likelihood

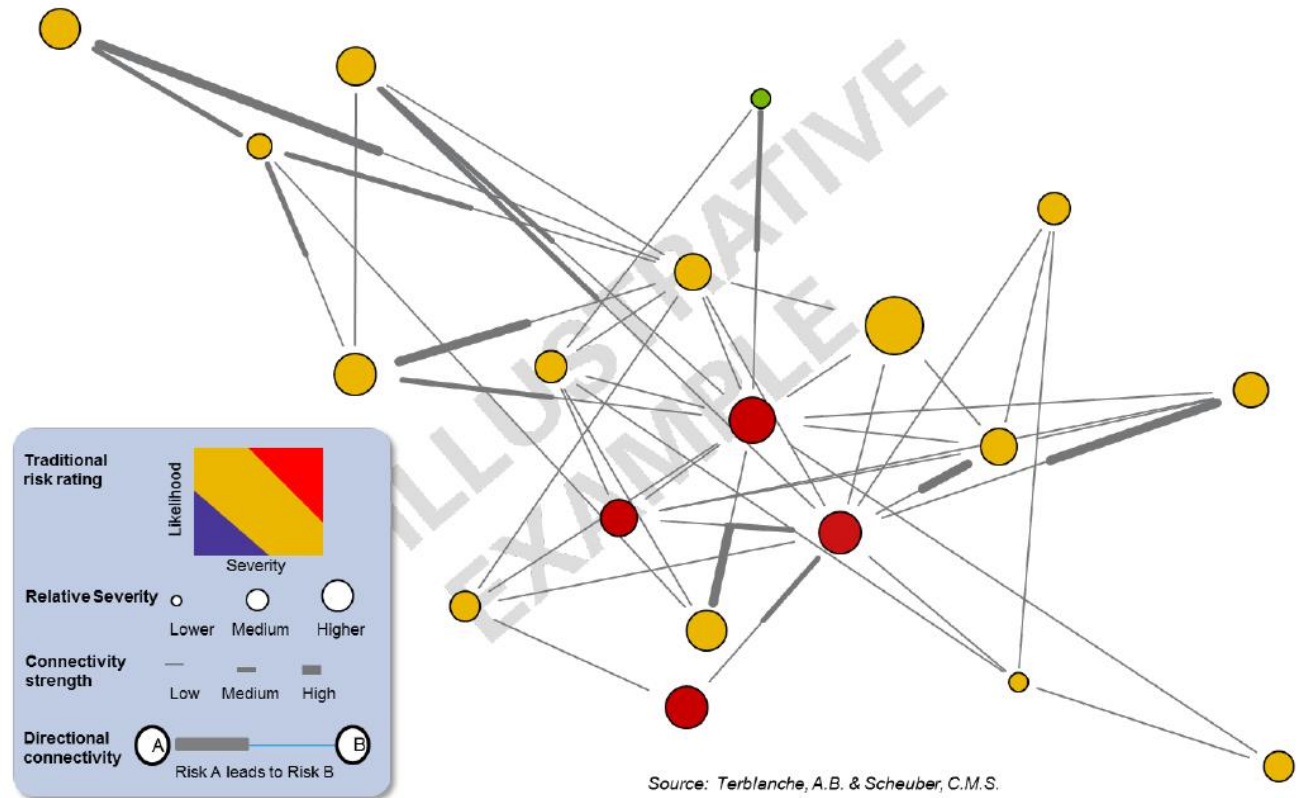
Clusters: risks most expected to spread to each other and occur in combination

Influencers: risks affecting more risks directly or indirectly than any others

Stress scenarios: combinations of risks that are weakly linked, yet catastrophic in aggregate severity should they occur

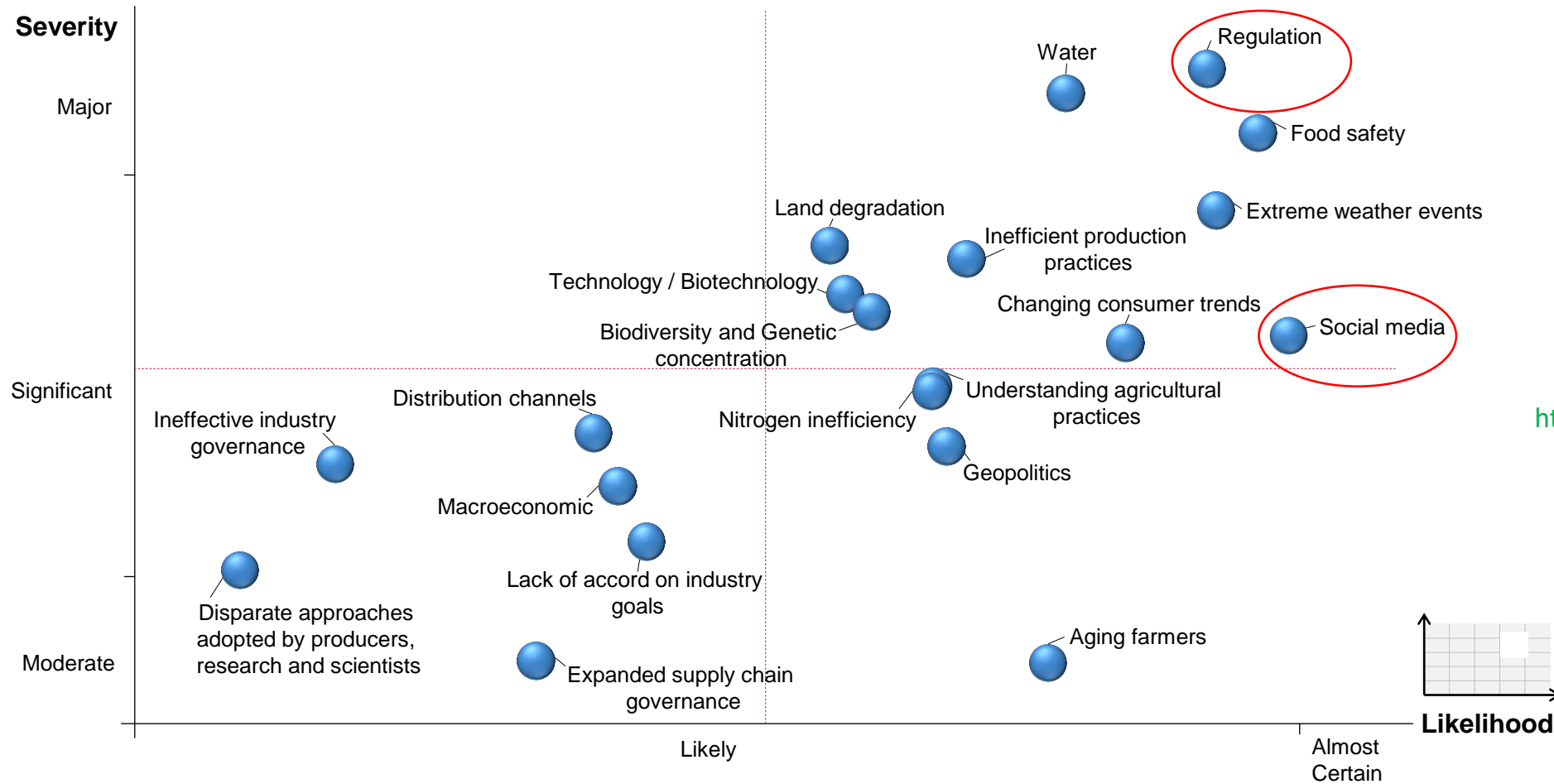
Influenced: risks with the highest expected propensity to be triggered directly or indirectly by any of the other risks

Velocity: the expected time to impact of each individual risk and risk cluster - how rapidly the risk's consequences will impact an organization, sector or industry once triggered



[KPMG, 2020, Dynamic Risk Assessment](#)

The traditional view – example from Food & Agriculture

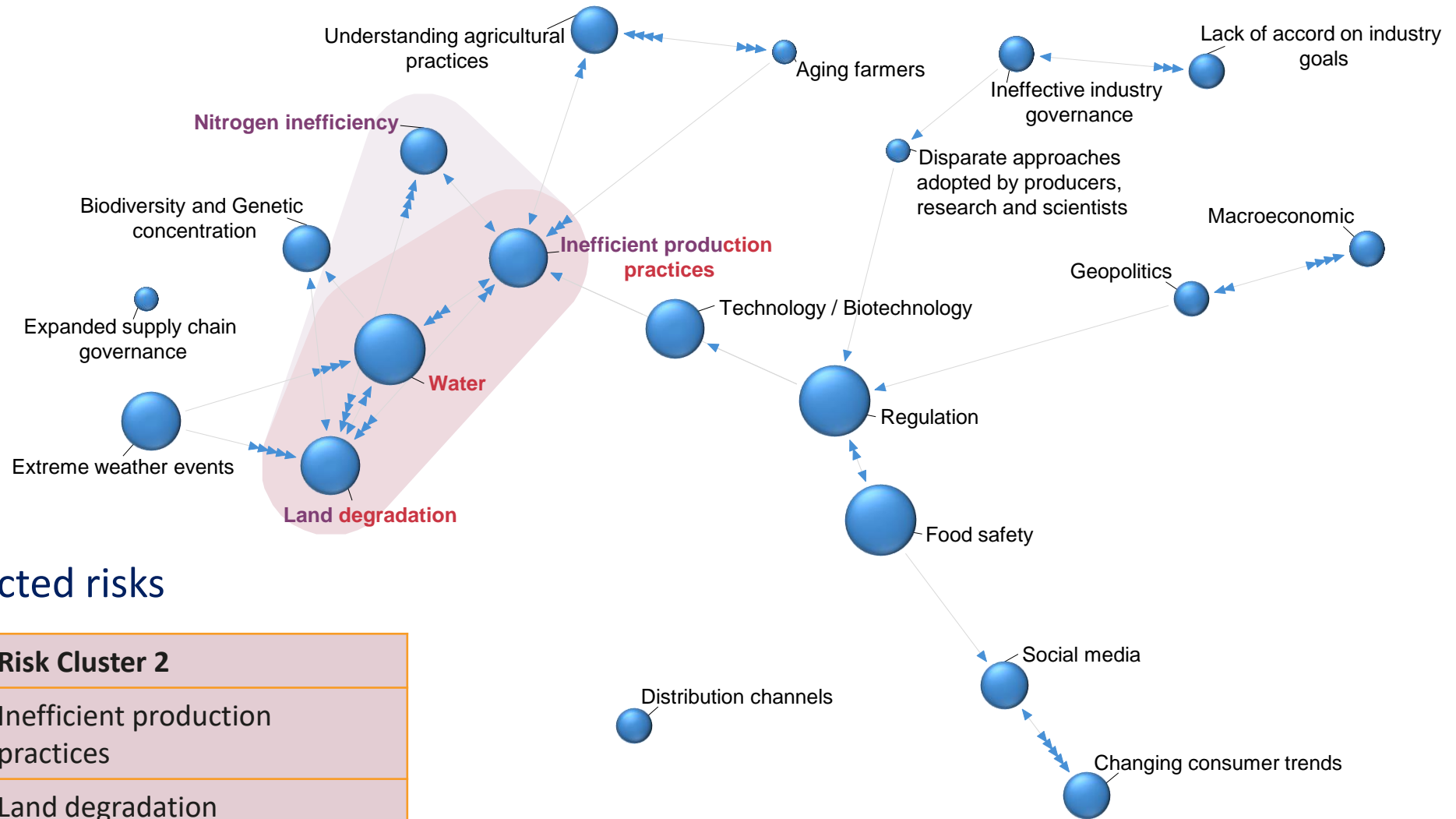


<https://www.wbcSD.org/ermdrpb>

Source: KPMG Dynamic Risk assessment

A dynamic approach in practice

Captures connections between risks



Identifies clusters of connected risks

Risk Cluster 1
Inefficient production practices
Land degradation
Nitrogen inefficiency

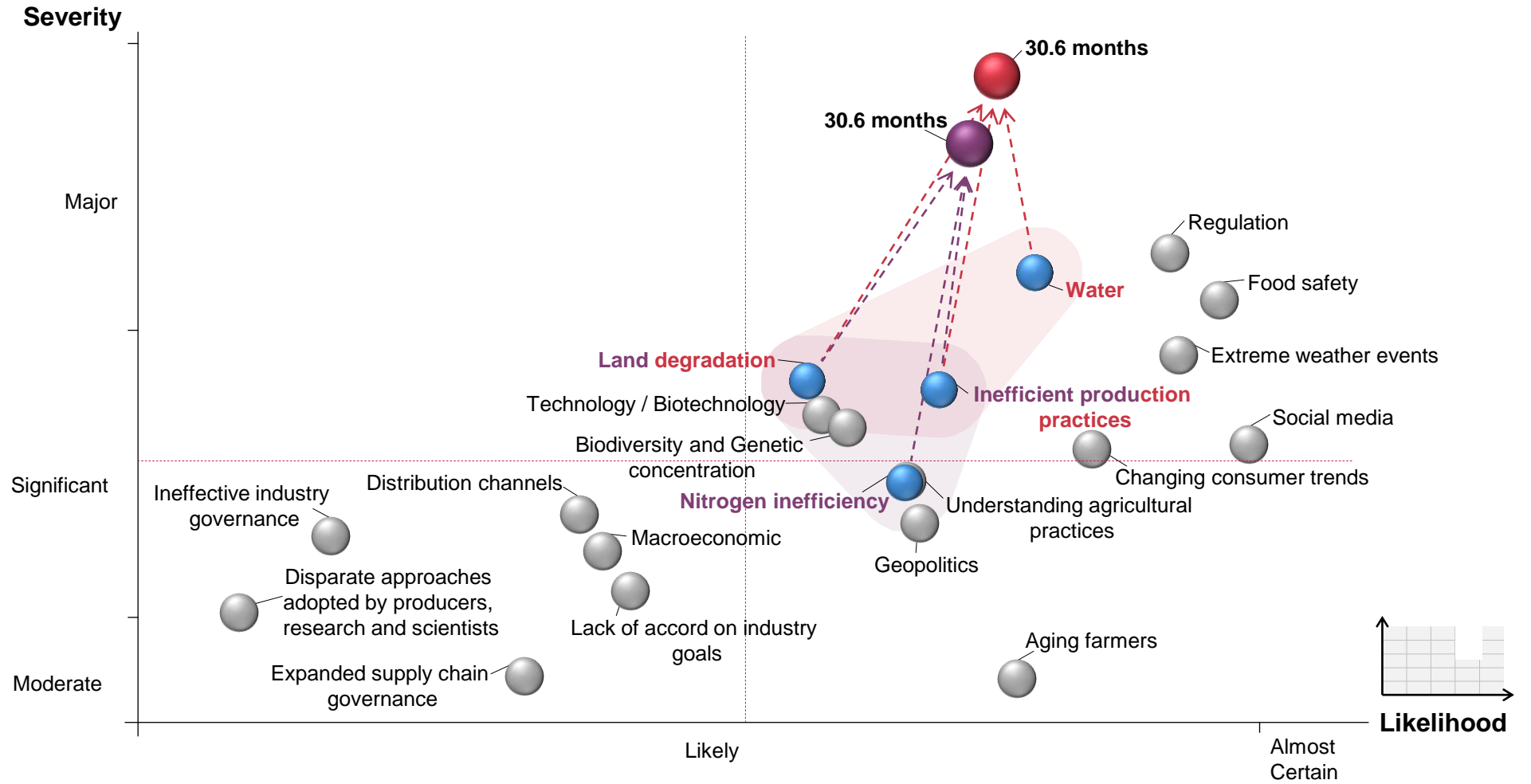
Risk Cluster 2
Inefficient production practices
Land degradation
Water

Source: KPMG Dynamic Risk assessment

A dynamic approach in practice

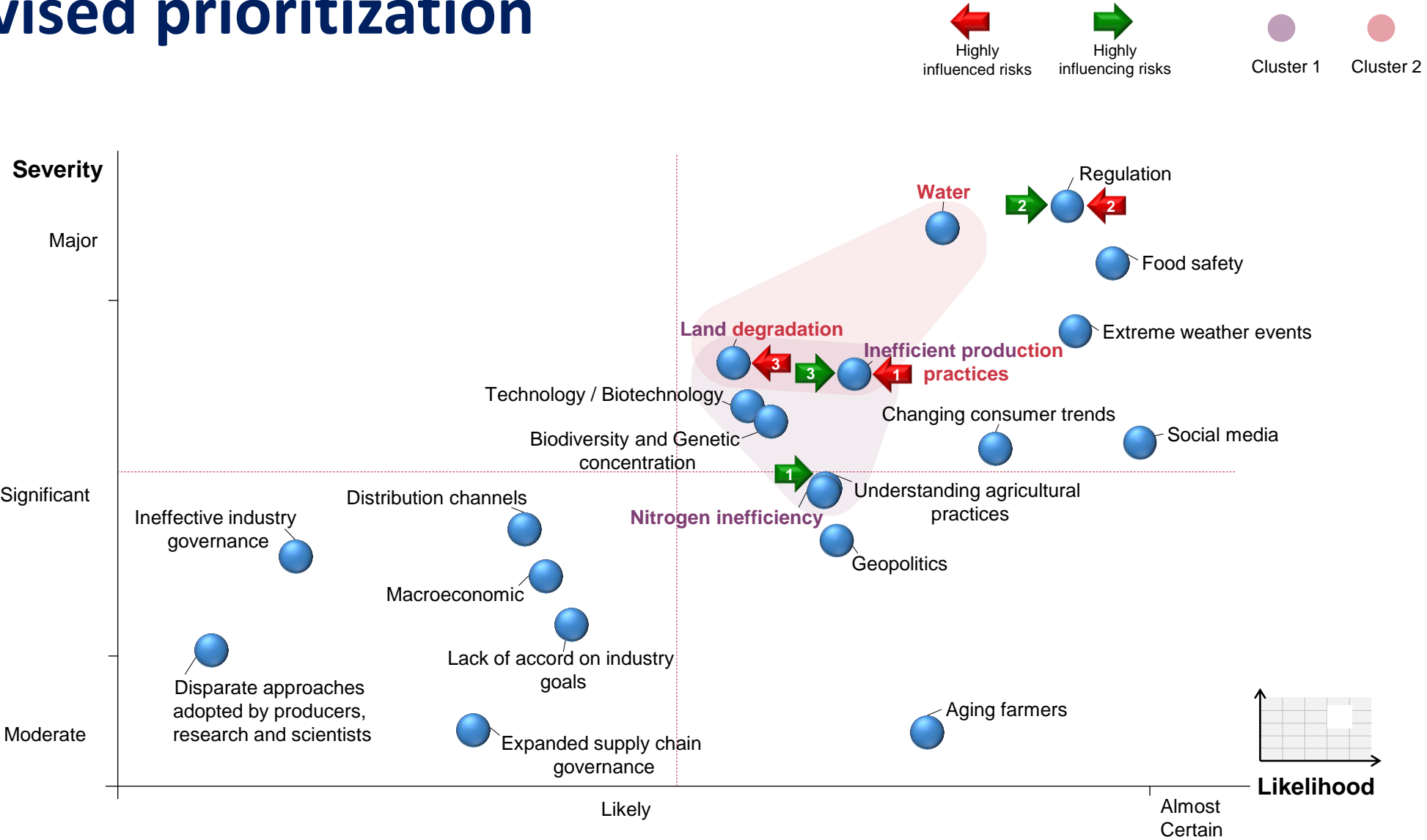
Cluster 1 Cluster 2

Aggregated impact of the clusters are greater -almost catastrophic! - than the individually most severe risk.



Source: KPMG Dynamic Risk assessment

Revised prioritization



Source: KPMG Dynamic Risk assessment

Key considerations

Enhanced risk assessment approaches are required to examine, understand and manage natural capital risks

- Leverage and extend your existing ERM and ESG capabilities
- **Engage and collaborate!**
- Extend traditional impact and likelihood approaches to **examine risk dynamics**
- Have a **clear understanding of value creation, impact and dependencies** on natural capital
- Target vulnerabilities through **mitigation of the most influential risks** and **managing impacts on the most influenced risks**
- **Build resilience** by informing stress testing, reverse stress testing, scenario analysis, crisis management strategies

A corporate experience of managing natural capital risk

Anke Kwast, Yara International



Knowledge grows

A corporate experience of managing natural capital

Anke Kwast

VP Climate Neutral Roadmap

Yara International





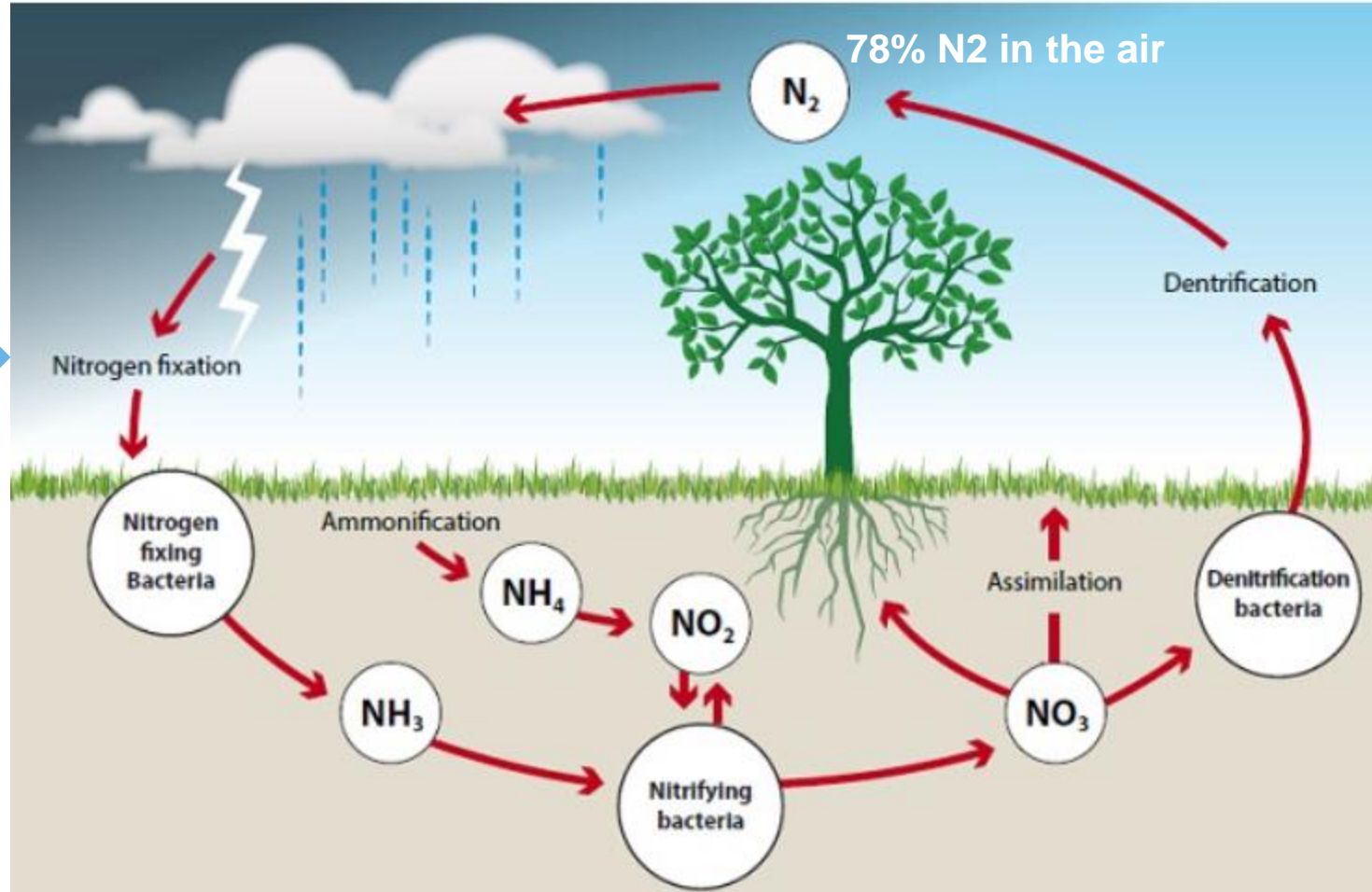
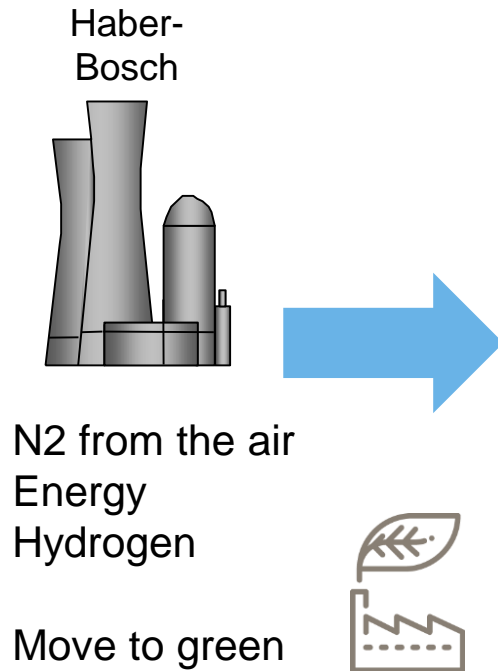
Our Mission

Responsibly feed the world
and protect the planet

Our Vision

A collaborative society;
a world without hunger;
a planet respected.

Industrial N fixation accelerates natural N fixation to produce more food



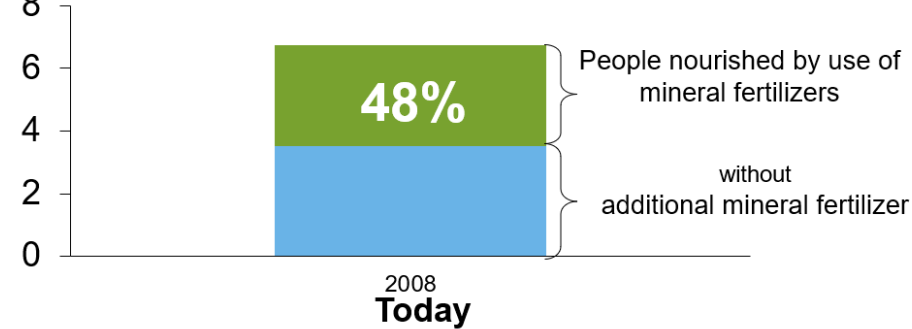
REF (modified): [Nitrogen Cycle | Land Management Online Course \(studyacs.com\)](https://www.studyacs.com/courses/land-management-online-course/nitrogen-cycle/)

The invention of mineral fertilizer played a huge role in the 20th century: half the protein we eat globally originates in N from fertilizer.

“It is estimated that half of the protein within human beings is made of nitrogen that was originally fixed by this (Haber-Bosch) process”

(www.wikipedia.org, Dawson & Hilton, Food Policy, 2011)

Billion people



adopted from [Erisman et al. \(2008\)](#), Nature [Geoscience](#)

Mineral Fertilizer (1909)
2.7 Billion Lives Saved

Blood Groups (1902)
1.09 Billion

DDT-Malaria Prevention (1939)
21M

Diphtheria & Tetanus Vaccine (1926)
60M

Penicillin Mold (1928)
Drug (1940)
82M

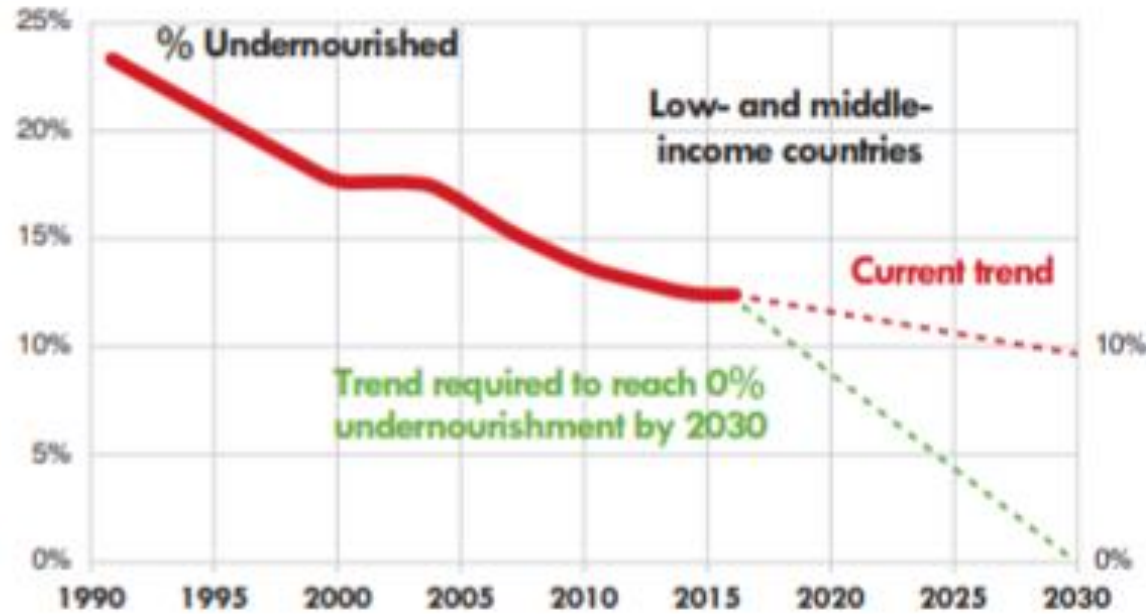
Measles Vaccine (1958)
118M

Chlorination of Water (1919)
177M

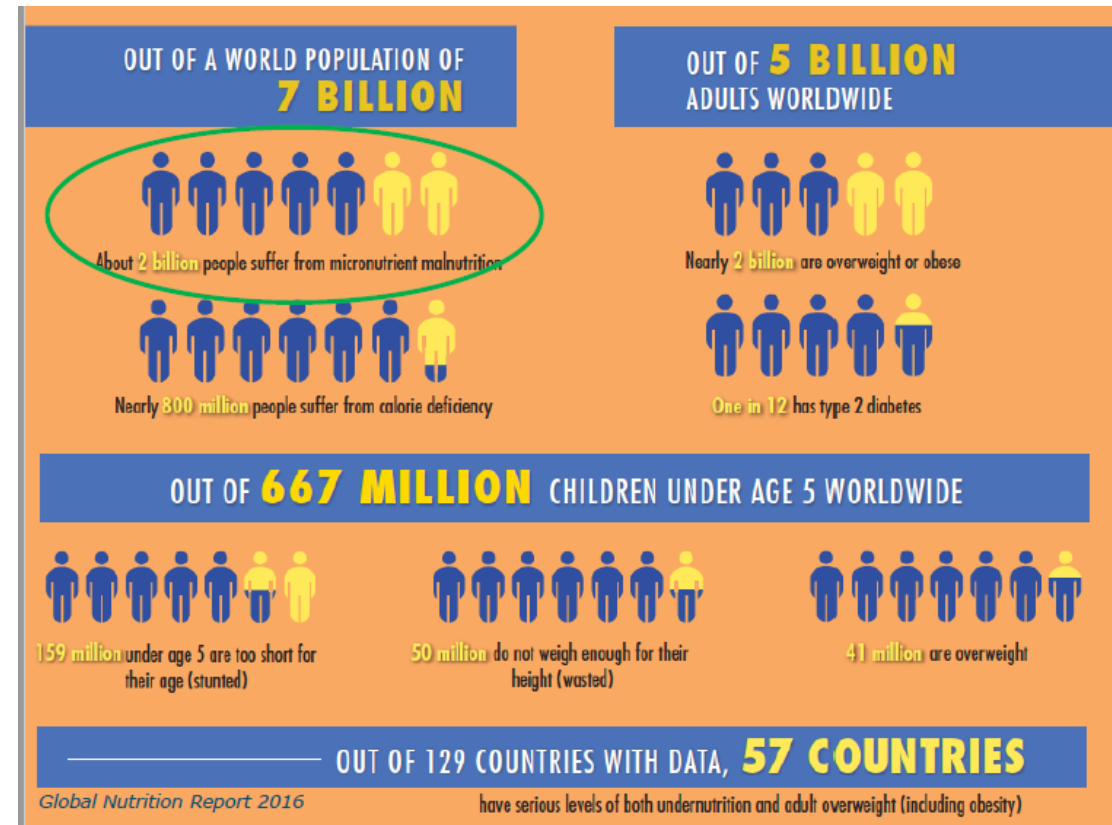
Green Revolution Wheat (1940s-50s)
259M

Smallpox Vaccine (1796)
530M

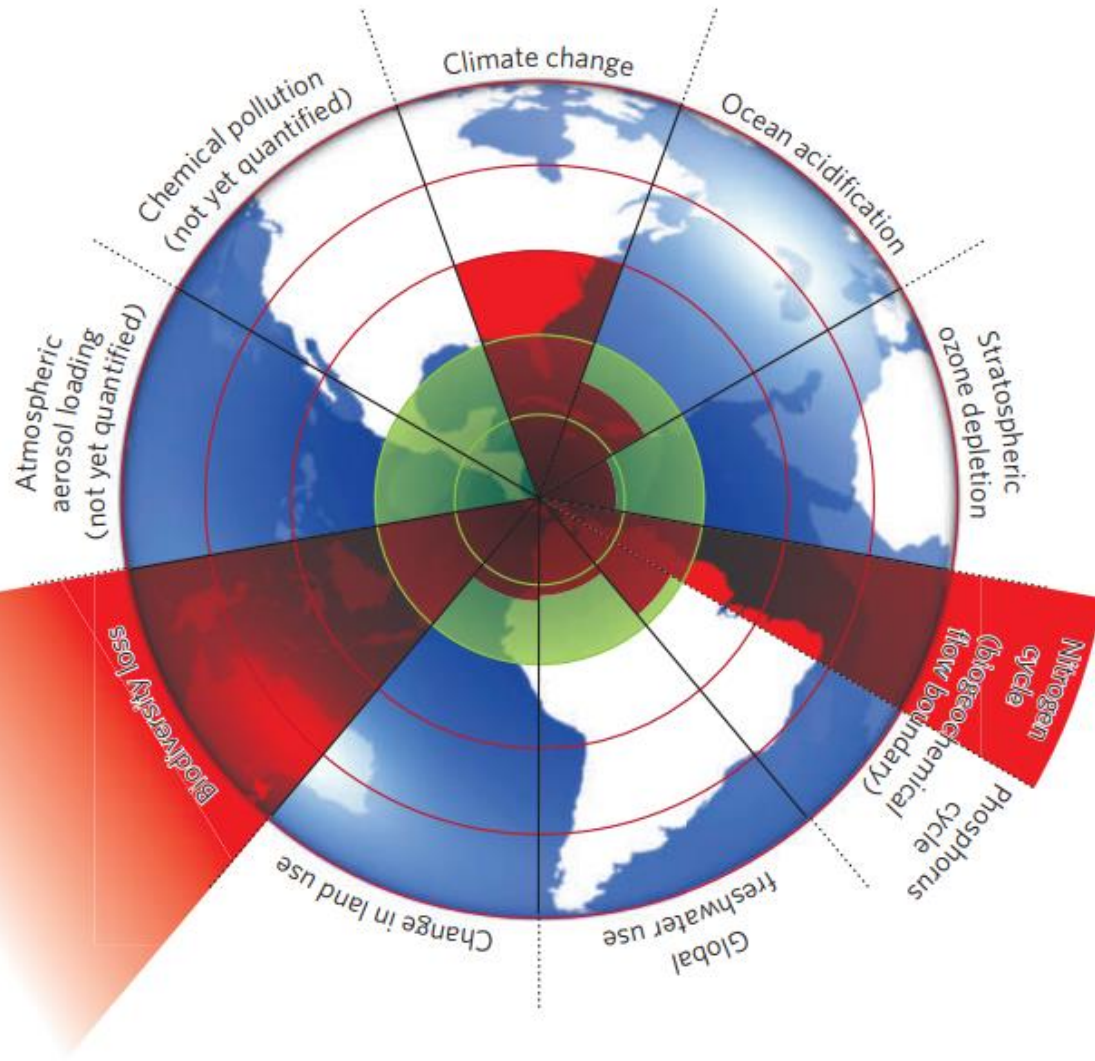
Yara's position: A world without hunger is achievable and will require fertilizer to create the required quantity and quality of nutritious food.



Source: Kharas et al., 2015 Brookings Institution - Courtesy of Bruce Campbell, Director, CCAFS



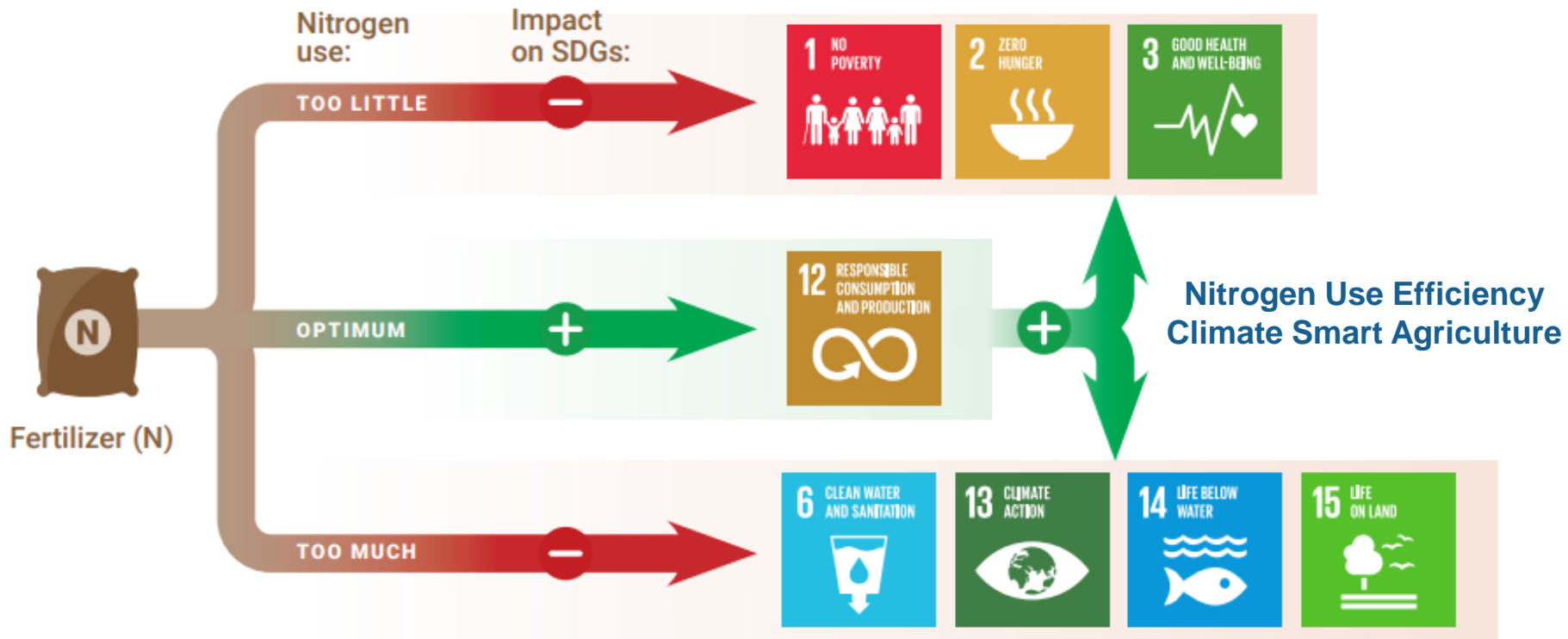
What's wrong with the Nitrogen cycle?



- The inner green shading represents the proposed safe operating space for nine planetary systems
- The red wedges represent an estimate of the current position for each variable.
- The boundaries in three systems have already been exceeded
 1. rate of biodiversity loss
 2. human interference with the nitrogen cycle
 3. climate change

“All things are poisons, for there is nothing without poisonous qualities. It is only the dose which makes a thing poison.”
— **Paracelsus**

How do we get the balance right between productivity & excessive application of fertilizer, with negative impacts on the environment?

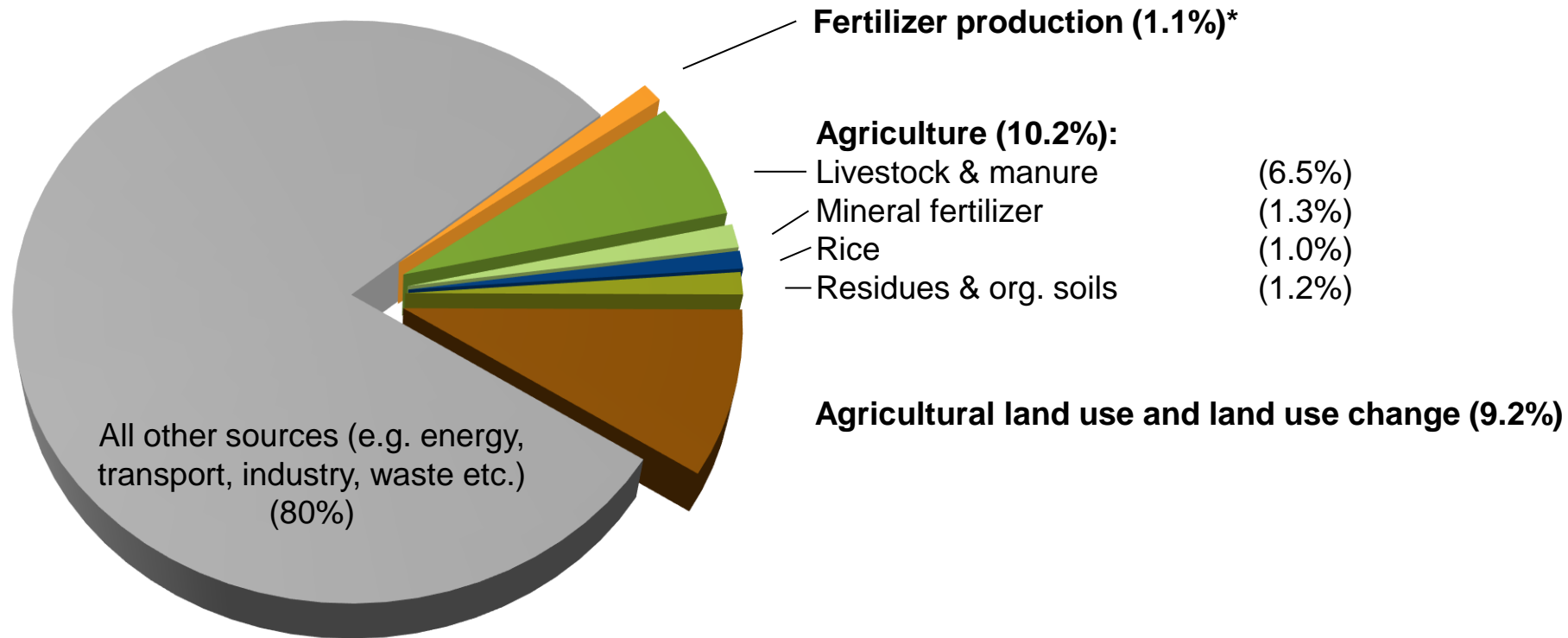


Source: Campbell et al., 2018.¹⁷

Global GHG emissions:

~ 20 % from agriculture & land use / change

~ 2.4 % crop nutrition related (fertilizer production & use)



Total: 53.6 Billion t CO₂-equivalents

Source: FAOSTAT (2020)

* Contribution of fertilizer production calculated based on IFA and FE for 2015; not disaggregated from industry in FAOSTAT

Crop nutrition related emissions – need to be high on the agenda

Heat map of main contributors of GHG emissions in the food chain example wheat and potatoes (average figures based on several cradle to grave life cycle analysis)

	Farming	Trans-port	Processing & packaging	Retail	Consumption	Waste disposal
Wheat – bread	26%		19%		25%	
Potatoes	26%				49%	



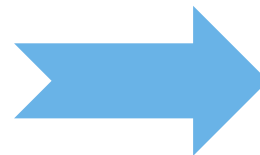
Mean rel. emissions from farming

Wheat

- From soil: 40%
- From fertilizer production: 31%

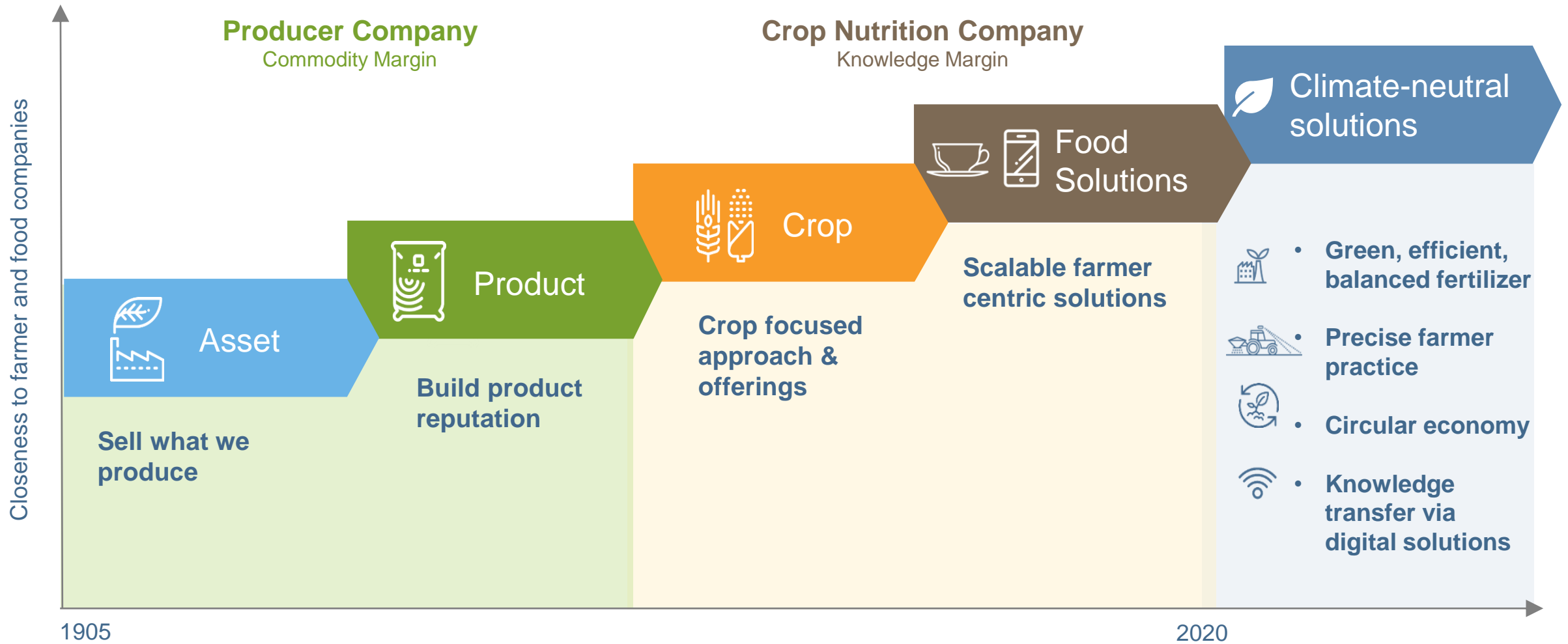
Potato

- From soil: 33%
- From fertilizer production: 25%



Strategic response

Our evolution; from pure producer to solutions provider



Yara is committed to transform the food system

World Benchmarking Alliance



- Yara recognized among 12 top performers in the World Benchmarking Alliance Food & Agriculture Baseline Assessment in December, a study covering the 350 most influential food and agriculture companies

1) [Assessing the world's 350 most influential food and agriculture companies \(worldbenchmarkingalliance.org\)](https://www.worldbenchmarkingalliance.org)

Sustainalytics² ESG risk rating update

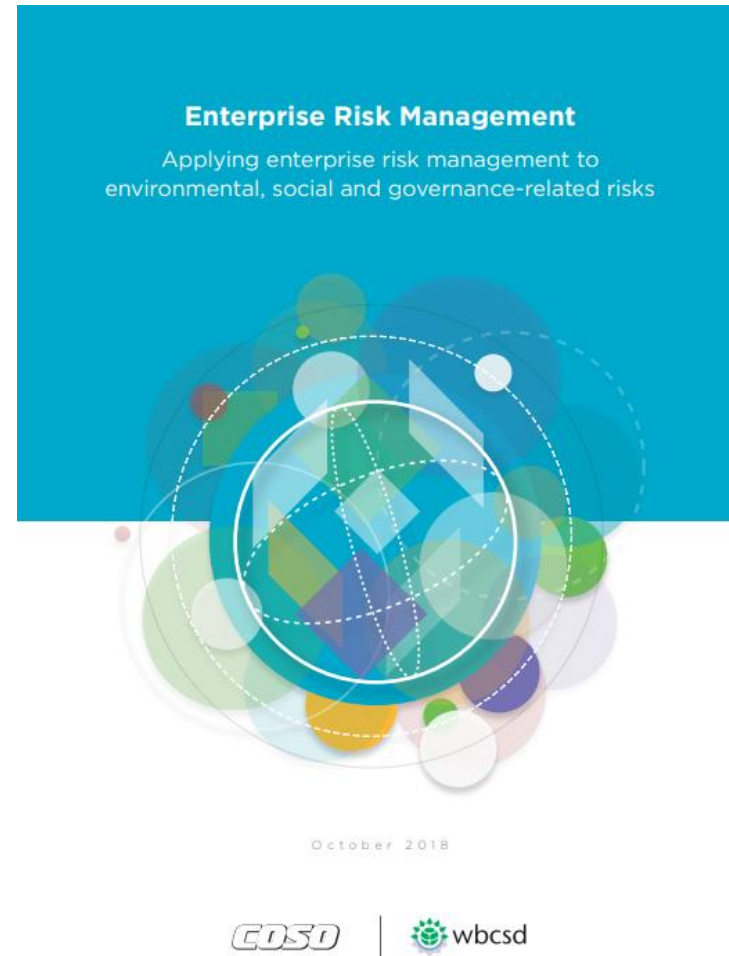


- Improved risk rating from Sustainalytics (25 – Medium risk), down from 31 in 2019
- Yara ranked top 1 of 56 in Agriculture and top 8% in Chemicals

2) Copyright ©2020 Sustainalytics. All rights reserved. This section contains information developed by Sustainalytics (www.sustainalytics.com). Such information and data are proprietary of Sustainalytics and/or its third party suppliers (Third Party Data) and are provided for informational purposes only. They do not constitute an endorsement of any product or project, nor an investment advice and are not warranted to be complete, timely, accurate or suitable for a particular purpose. Their use is subject to conditions available at <https://www.sustainalytics.com/legal-disclaimers>

ESG risk management relevant for every manager

Everyone has the responsibility to manage risk. While many ESG risks will be owned by the ESG or sustainability team – as stated by Larry Fink, “We want ESG risk management to be a tool that every manager is looking at.”



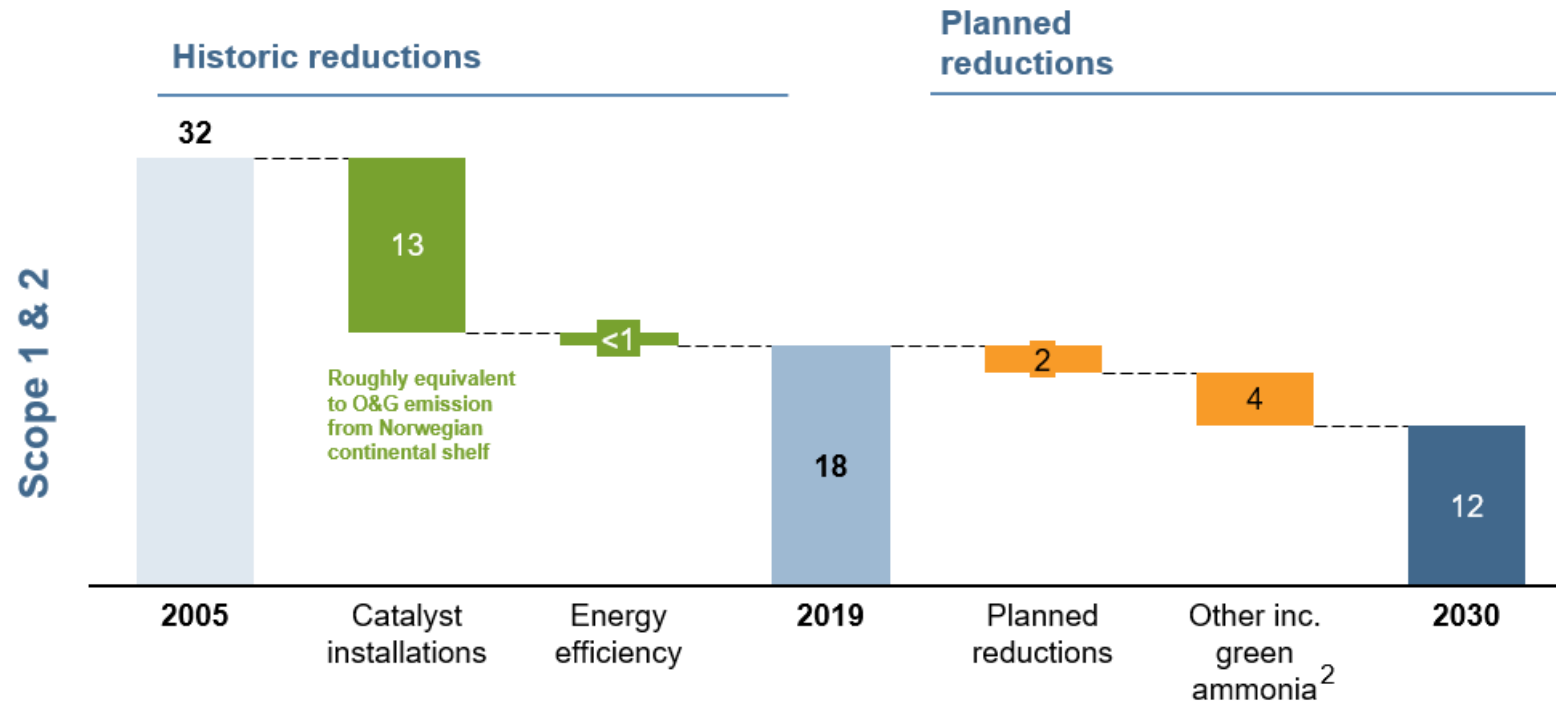
Yara's Climate Neutrality Roadmap

further 30% reduction of scope 1 & 2 by 2030

Represent new ambitions to contribute to UN Sustainable Development Goals:



Reduction of 45% since 2005 – Yara is well positioned to meet EU 55% target¹



Climate neutrality roadmap

- 2025** Intensity target: 10% reduction in CO₂e per tonne N
- 2030** Reduce scope 1+2 absolute emissions by 30%
- 2050** Climate neutral

Yara has committed to set science based targets and to lead the sectorial decarbonization approach (SDA) together with Nutrien and others



1) EU commission target of 55% reduction by 2020 compared to 1990 levels
 2) Planned but not concluded initiatives including N₂O abatement, energy efficiency, electrification, CCS and hybridization, and potential full-scale electrification of Porsgrunn ammonia plant

On the way back to renewable energy, which was used in the Yara Glomfjord plant until 1991



Hydropower driven: 155MW electrolysis based 'green' fertilizer production

 **Green Fertilizer Production based on regenerative energy**
Pipeline of green ammonia pilots laying the foundation for full scale "green fertilizer" production

Pilbara



Sluiskil



Porsgrunn

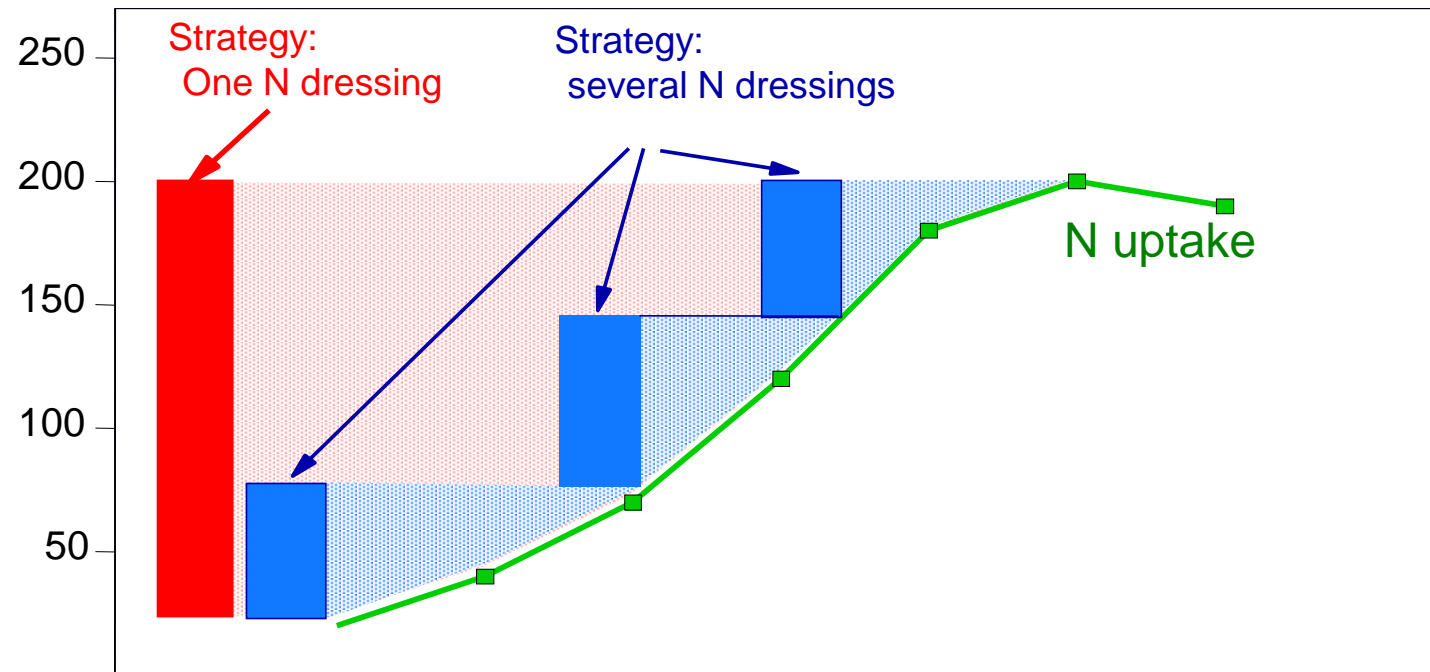
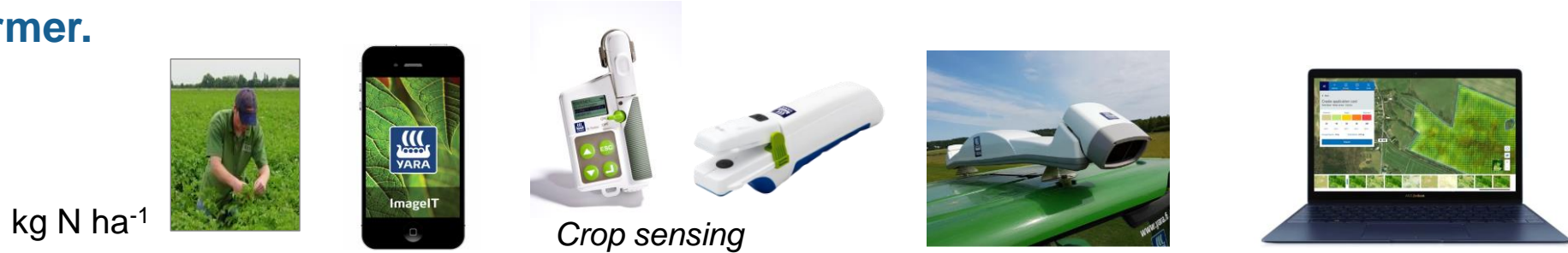


Yara partners with Statkraft and Aker Horizons to establish Europe's first large-scale green ammonia project in Norway

FEBRUARY 18, 2021

Enable Just-in-Time N Management

Continuous monitoring, testing and split application is the only way to get precise. Efficiencies can be gained by adapting to the actual demand and apply nitrogen in several dressings. Takes more time and effort from the farmer.



Drip fertigation enables both, precise water & nutrient management...

In partnership working towards the first fully decarbonized food chain e.g. pilot project in Sweden



Best Applied Tech



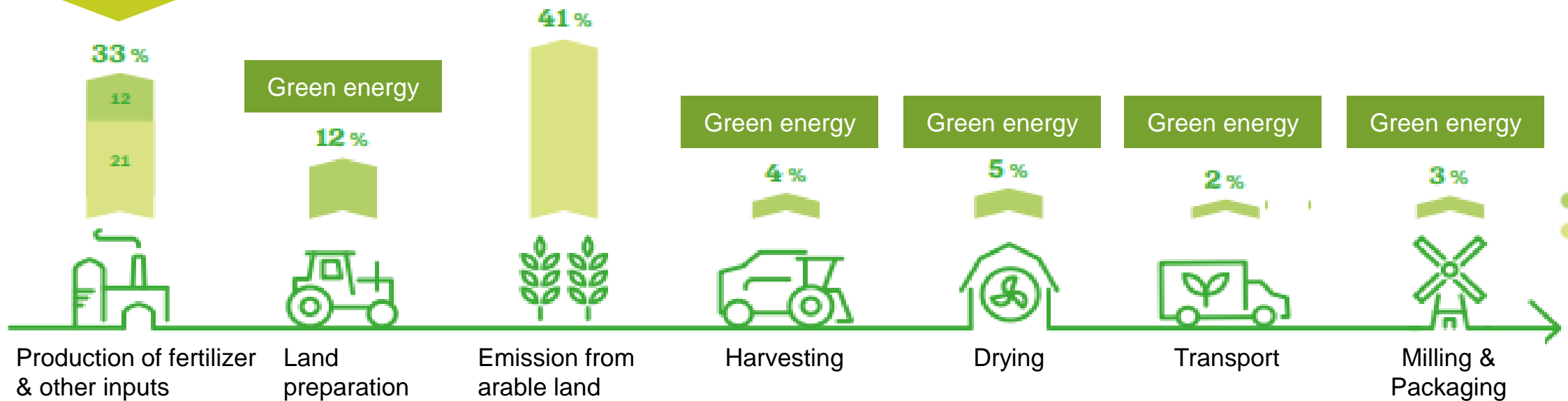
Knowledge grows



Share of CO₂e from wheat flour production in Sweden, 2015

Enable farmers to improve nitrogen use efficiency and reduce in-field N₂O through strategies and tools. Strategic partners for enhanced knowledge

Introduce BAT & Green Nitrogen¹



REF: Lantmännen's Farming of the Future, 2019 - Climate impact per kg wheat flour



¹ Yara pilots green ammonia production based on renewable energy that together with the best available technology for nitric acid and Nitrates production, utilizing N₂O catalyst technology, the production of the nitrogen fertilizers used approaches zero CO₂e footprint



Knowledge grows

Many thanks for your attention

380%

Natural capital risk management – strategic factors impacting nutrition and food systems

Steve Godfrey, GAIN

Food System: examples of interdependences, conflicts and synergies between natural and human capital

Natural Capital - Humanity is waging war on nature	Human Capital – diet is the single biggest cause of global ill health
Agriculture and food systems from farm to fork are responsible for approximately 25 per cent of the world's greenhouse gas emissions	improvements in productivity have helped feed trebled world population since 1950 –and by 2050 will need to increase by 56 per cent to feed – and nourish – up to 9.8 billion people.
Climate changing what grows well where, with potential crop yield down by as much as a third.	>3bn people cannot afford a healthy diet = lack meat, fish, fruit, veg - and suffer micronutrient and vitamin deficiencies (e.g.iron deficiency anemia, weak immune systems....)
Agrifood systems drive more than 80 per cent of natural ecosystem conversion and degradation	1.9 billion adults are overweight and 650 million obese.
Biodiversity is sharply under pressure, and narrowing genetic diversity in farming. Today, 9/6,000 crops account for two thirds of all production.	690m are chronically hungry – and this number is rising (food prices have gone up 9 months in a row)

Some perspectives on corporate performance

Nancy Mancilla, ISOS

Perspectives on corporate performance – case studies

WBCSD @ WVN Session
[18 March 2021]

About Us

- Established in 2008
- All efforts are geared towards enabling disclosure
- The majority of our clients are S&P 500 companies
- We service all sectors
- We've trained more practitioners than any other GRI or CDP Training Partner globally
- We are known for meeting clients where they are; particularly those just getting started on their sustainability journey



ISOS Group

Driven by the belief that transparency drives positive change.

We're dedicated to improving the social and environmental impacts of organizations through nonfinancial disclosure.

Certified



Corporation



CALIFORNIA BENEFIT CORPORATION
WOMEN-OWNED SMALL BUSINESS

10+ years helping increase value creation for clients across sectors, from public sector institutions to the world's leading brands



LEARN

Certified GRI & CDP training
Professional coaching



REPORT

Sustainability reporting
ESG investor disclosure
Assurance & verification

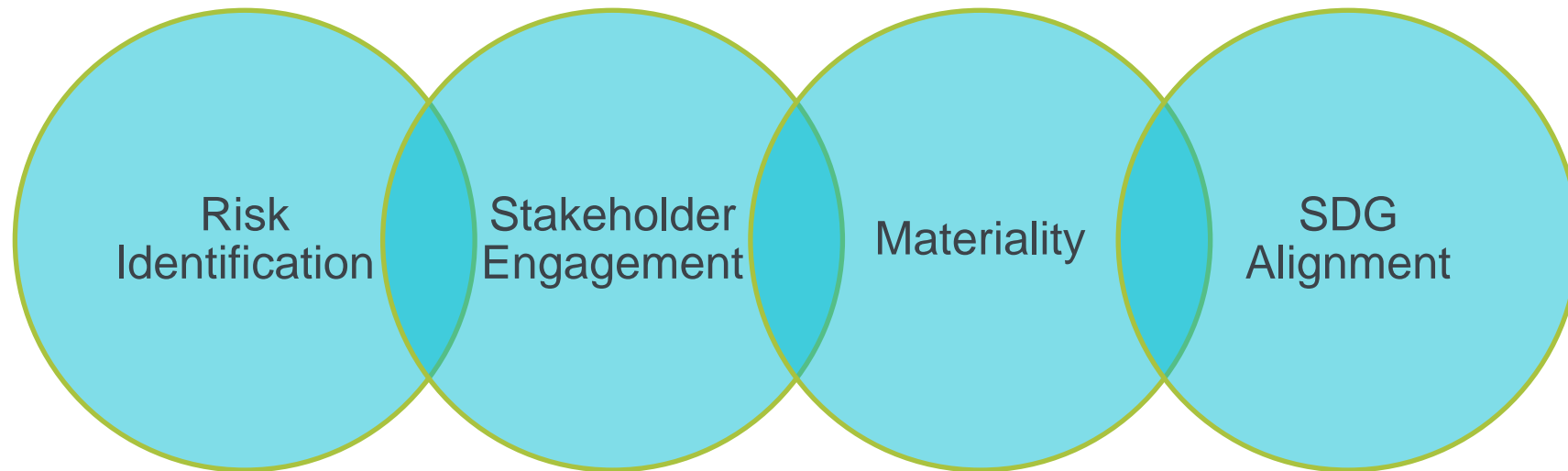


IMPROVE

Strategy development
Management system innovation

Our services help close the gap between what stakeholders expect and what companies report.

Case Study
Integrating Key Concepts at Realty Income



OUR PORTFOLIO

6,592
properties

~111 Million
square feet of
leasable space

~600
clients

51
different
industries

49
states, Puerto
Rico, and the
United Kingdom

Risk & Opportunity Identification

ERM	TCFD	Asset-Level
<p>As part of our Enterprise Risk Management (ERM) program, management and our Board of Directors jointly discuss major risks and opportunities that confront the business. Through this vetting process, ideas are shared with the Board for further consideration and possible action. The company's risk management approach as it relates to ESG-related risks is integrated in the ERM program. Our goal is to include risks and opportunities relating to sustainability as an integral part of the enterprise-level risk assessment process moving forward.</p>	<p>The Company began an effort to more closely align our risk identification process with recommendations outlined by the Financial Stability Board's Task Force on Climate-related Financial Disclosure (TCFD). We proactively track specific risks associated with potential casualty events such as hurricanes, tornadoes, floods, and other severe weather events, while also considering ways to explore opportunities for change. Given the events of 2020, the scope was broadened to also include impacts associated with the COVID-19 pandemic.</p>	<p>Realty Income teams identify, analyze, and manage potential environmental risks during the acquisition due diligence process and throughout the term of the leases with a focus on increasing the return on investment. As a result, we envision our stewardship facilitating a property acquisition and asset management approach that meets the needs of shifting market needs, produces long-term value creation, and distinguishes the company as a sector leader.</p>

Types of risks

Climate-related risks: TCFD divides climate-related risks into two major categories: risks related to the transition to a lower-carbon economy and risks related to the physical impacts of climate change.

- **Technology:** all risks associated with technological improvements or innovations that support the transition to a lower-carbon, energy-efficient economic system.
- **Legal:** all climate-related litigation claims.
- **Market:** all shifts in supply and demand for certain commodities, products, and services.
- **Reputation:** all risks tied to changing customer or community perceptions of an organization's contribution to or detractor from the transition to a lower-carbon economy.

Physical risks

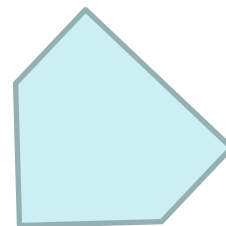
- **Acute:** risks that are event-driven, including increased severity of extreme weather events, such as cyclones, hurricanes, or floods.
- **Chronic:** longer-term shifts in climate patterns (e.g. sustained higher temperatures) that may cause sea level rise or chronic heat waves.

Ongoing Stakeholder Engagement for Risk Management

Stakeholder Group	Engagement Mechanisms + Level	Topics/Issues of Interest (Example)	Input into Preliminary Materiality Assessment
Employees	Day-to-day interaction Employee surveys	Health and safety Benefits and compensation Training and career development	SME interviews
Board of Directors	Quarterly updates Direction and oversight		Meeting minutes and direct discussions
Investors	Direct interaction with RI's investors relations staff Quarterly earnings calls Annual stockholders' meeting	Financial performance, risk management, climate risk assessment and mitigation, governance and ethical business practices, sustainability management	Financial standards, ESG ratings and rankings items, and SME feedback on interactions (from engagement with investors/analysts)
Clients/Tenants	One-on-one engagements	Lease terms Environmental impacts of properties	Client's sustainability reports and through SME feedback on interactions
Suppliers/vendors Developers/Building contractors Ancillary partners	Selection process and ongoing interactions	Responsible business practices	Sustainability standards, direct discussions and best practice
Government/regulatory agencies	Government relations	Compliance	Regulatory observance
Industry groups	Involvement in industry events and efforts	Building sustainability, responsible investing	GRESB consultation, Nareit publications and peer sustainability reports
Community members and NGOs	Volunteering and community involvement activities	Engagement with local community members, support for local needs Environmental impacts of properties	Sustainability standards and research publications

Material topics: Subcategories with social and environmental management emphasis

We are aligning the material topics and associated objectives with the SDGs to focus on areas Realty Income can most directly support through our operations and the ways we create value for our stakeholders.

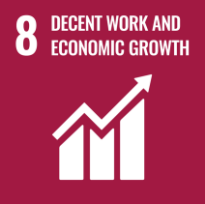




SOCIAL RESPONSIBILITY	ENVIRONMENTAL RESPONSIBILITY
<p>Health, safety and well-being</p> <p>Human capital development</p> <ul style="list-style-type: none"> • Hiring and retention • Employee engagement • Training and development <p>Diversity and inclusion</p> <p>Community support</p>	<p>Direct environmental impacts</p> <ul style="list-style-type: none"> • Energy and emissions • Resource consumption and waste <p>Management of tenant sustainability impacts</p> <p>Asset-level impacts</p> <ul style="list-style-type: none"> • Emissions and air quality • Energy use • Water • Materials and waste
GOVERNANCE	
<p>Governance</p> <p>Regulatory compliance</p> <p>Ethical and responsible business conduct</p> <p>Responsible investment</p> <p>Risk management</p>	<p>Climate change adaptation/strategy</p> <p>Supply chain management</p> <ul style="list-style-type: none"> • Assessment of social and environmental practices • Support for local and diverse businesses <p>Data privacy and security</p>

Arrangement of ESG topics with Realty Income's three categories and grouped within subcategories reflective of social and environmental management approaches.

Focus on value creation and UN SDG alignment

The following six topics are all areas of strong interest to stakeholders and have interconnections with other identified material and relevant topics.

Topic	Assessment	Opportunities/Risks	Contribution to UN SDGs
Ethical and responsible investment	Core competency through investment and development decisions in support of Realty Income's mission and vision	Continued integration of environmental and social considerations into investment practices and decisions can reduce risk, attract investors and partners, and support long-term value creation Exploration of opportunities to direct capital to high-impact investments/projects Adoption of good practice principles (e.g., PRI, Green Bond Principles) can demonstrate commitments, strengthen performance and attract investors	 
Risk management	Strong risk management capabilities support performance and growth through ever-changing, and at times volatile, conditions and marketplace needs	Portfolio diversification Further integration of climate-related risk assessment into strategic and business decisions	

* For the selection of top three sources of long-term value creation for the CSA materiality assessment, engagement and inclusion was grouped based on their interconnections between them and within the category of human capital development.




Focus on value creation and UN SDG alignment, continued

The following topics are all areas of strong interest to stakeholders and have interconnections with other identified material and relevant topics.

Topic	Assessment	Opportunities/Risks	Contribution to UN SDGs
<p>Employee engagement Diversity and inclusion</p>	<p>Realty Income depends on talented, engaged personnel to fulfill our mission and achieve our vision.</p> <p>Fostering a culture that values diversity and creates an inclusive environment contributes positively to employee engagement, among other socioeconomic benefits beyond our workplace.</p>	<p>A focus on employee engagement and inclusion helps mitigate risk of losing key personnel and contributes positively to organizational outcomes, including increased retention, reduced costs, long-term financial performance, and positive outcomes with customers, partners and communities</p> <p>Strengthen diversity and inclusion practices within spheres of influence, such as procurement and partnering decisions</p> <p>Participation in external initiatives</p>	  

* For the selection of top three sources of long-term value creation for the CSA materiality assessment, engagement and inclusion was grouped based on their interconnections between them and within the category of human capital development.

Focus on value creation and UN SDG alignment, continued

Topic	Assessment	Opportunities/Risks	Contribution to UN SDGs
Management of tenant sustainability impacts	Driver for energy, water, materials and waste management and tenant health and safety at the portfolio level	<p>Opportunities for increased tenant engagement, use of green leases, incentives and partnerships</p> <p>Connection with investment and development/re-development practices</p> <p>Participation in external initiatives</p>	
Emissions and air quality (portfolio)	GHG emissions represents a significant portion of Realty Incomes' environmental footprint (through energy management at the property level – and embodied carbon emissions)		
*Stakeholder engagement	Due to our business model, engaging with our stakeholders is critical towards advancing our strategic sustainability objectives	<p>Opportunities to engage our employees in sustainability-related activities, expand our community outreach, and collaboratively tackle climate challenges with our tenants are endless</p>	

* Goal 17 is seen as universal – it underpins all other SDGs we've committed to.

Future environmental risk management and disclosure drivers

[Modernizing SEC Regulation S-K](#); items 101,103, and 105, suggest greater disclosure particularly with regard to:

- the number of employees and a description of its human capital resources, if material to the business as a whole; and if material to a particular segment, that segment should be identified
- any human capital measures or objectives, if material, that the registrant focuses on in managing its business, such as those related to the development, attraction, safety, engagement, and retention of employees

The rules do not include a definition of “human capital” or a list of required measures to disclose. The principles-based approach 1) reflects an expectation that disclosures will be tailored to a company’s own business or industry using management’s judgement and 2) allows for the disclosure to evolve in response to changes in a company’s environment.

[SEC Climate Change Disclosure Guidance](#) suggests disclosure pertaining to:

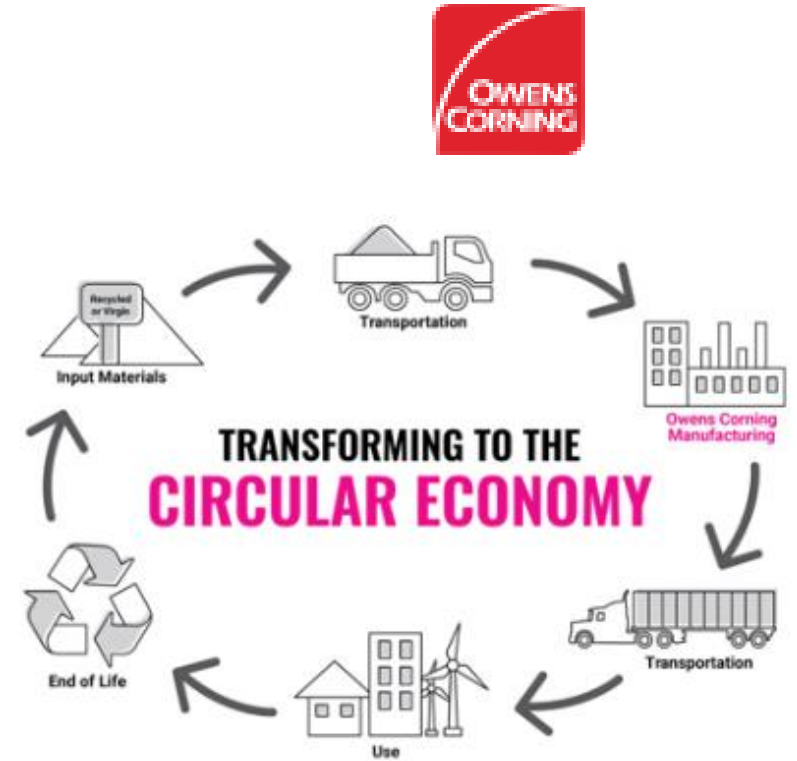
- Impact of Legislation and Regulation—Consider whether the impact of certain existing and pending laws and regulations regarding climate change is material to the business.
- Impact of International Accords—Consider the risks/effects that international accords and treaties relating to climate change would have on the business.
- Indirect Consequences of Regulation or Business Trends—Consider the “actual or potential indirect consequences” due to climate change-related regulatory or business trends (such as increased or decreased demand for products and services).
- Physical Impacts of Climate Change—Evaluate the “actual and potential material impacts of environmental matters” on the business (such as severity of weather, sea levels, arability of farmland, and water availability and quality).

A Mature example

Owens Corning is building a net-zero organization.

What does this mean?

- Every opportunity will be taken to transform operations into a circular economy model, one in which virgin raw materials, waste, energy and emissions are minimized through intelligent design, renewable and recycled input, energy-efficient production, and enabling the recycling of products at the end of their life cycles.
- The team will partner with subject matter experts, teams across the company and with other key stakeholders in the industry to execute plans. The new organization will have two focus areas:
 - **Manufacturing.** Through this work, we will pursue the innovations needed to meet our 2030 goal of reducing the waste generated by our processes by 50%, and then find ways to reuse or recycle the rest. This will include expanding the use of recycled materials in our manufacturing operations and our products, across all businesses.
 - **End-of-life solutions.** Innovative technologies and business models are needed to enable our products and materials to be reused and repurposed indefinitely. We are currently conducting a search for the leader of this team, who will be an influential balance of business strategist and technology champion. They will partner with their R&D, commercial and corporate development counterparts to shape the vision and execution of the next leap in Owens Corning Sustainability.



Energy-specific drivers in the U.S.

- [The Biden Plan to Build a Modern, Sustainable Infrastructure and Equitable Clean Energy Future](#) (\$2 trillion in accelerated investment towards infrastructure, auto industry, transit, the power sector, buildings, housing, innovation, agriculture and conservation, environmental justice)
- [Legislation to Create a Clean Energy and Sustainability Accelerator](#) (\$100 billion in public funds to create as much as \$884 billion in total investment over ten years into projects that support clean energy and reduce emissions)
- [U.S. Senators Joe Manchin \(D-WV\) and Debbie Stabenow \(D-MI\) today unveiled the American Jobs in Energy Manufacturing Act of 2021](#) (American Jobs in Energy Manufacturing Act of 2021 would provide tax credits for energy manufacturers to spur reinvestment in rural areas impacted by economic downturn)

Panel discussion Q&A

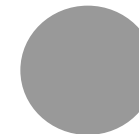
How to engage with WBCSD

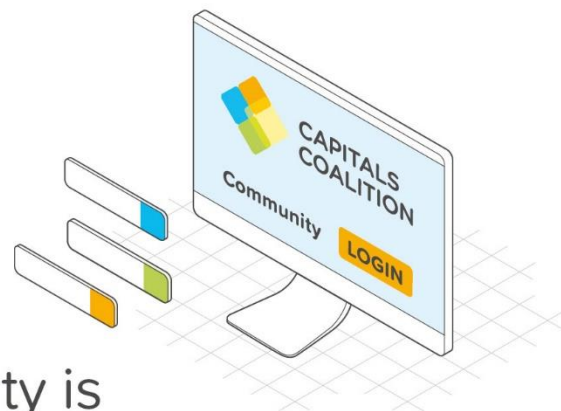
- Download our “**Guidance for Applying Enterprise Risk Management (ERM) to Environmental, Social and Governance (ESG)-related Risks**” here: <https://www.wbcd.org/bn68>
- **Risk training workshops** are available: contact risk@wbcd.org (eligibility criteria apply)
- **WBCSD Website:** <https://www.wbcd.org/Programs/Redefining-Value>

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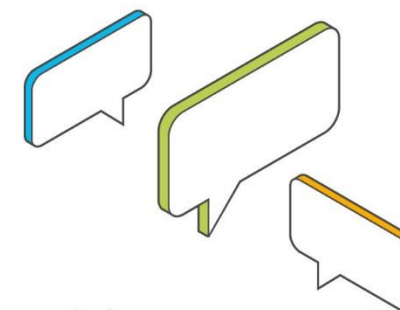




The Capitals Community is the networking space for the We Value Nature 10-Day Challenge.

Sign up and join the We Value Nature group to take part in the conversations:

<https://community.capitalscoalition.org>



We want your feedback!

Please share your thoughts on this session and the overall 10-Day Challenge event at:

<https://wevaluenature.eu/Feedback>

VISION 2050

TIME TO TRANSFORM

**25
MARCH**

Register for free [here at www.wbcasd.org](http://www.wbcasd.org)

VISION 2050

TIME TO TRANSFORM

25
MARCH

9:00 A.M. CET



Peter Bakker
President & CEO, WBCSD



Magdi Batato
Executive VP Operations, Nestlé



Keryn James
Group CEO, ERM



Alan Jope
CEO, Unilever



Dr. Ilham Kadri
CEO, Solvay



Sunny Verghese
Co-Founder & Group CEO, Olam
International Ltd., & Chair, WBCSD

VISION 2050

TIME TO TRANSFORM

25
MARCH

5:00 P.M. CET



Cláudia Azevedo

CEO, Sonae



Peter Bakker

President & CEO, WBCSD



Jean-Pierre Clamadieu

Chairman of the Board of
Directors, ENGIE



Colm Kelly

Global Leader, Purpose, Policy and
Corporate Responsibility, PwC



Gayle Schueller

Vice President and Chief
Sustainability Officer, 3M

