



What next for sustainability? The post-pandemic corporate agenda

One key business lesson from the pandemic is the need for a radical upgrade of company assessment of social, political and environmental risks. Good ESG policies are an essential part of building this awareness.

There is much being written about the impact of coronavirus on economies and pathways to economic recovery. Some reports discuss ways in which this recovery might provide the opportunity to address some of the long-standing challenges of sustainable development such as inequality and climate change.

In this issue we look more particularly at companies, and the ways in which this pandemic may drive them to take a more comprehensive approach to environmental and social issues.

HSBC has released evidence that greener stocks' relatively impressive performance is largely holding true throughout the coronavirus crisis¹. This finding was reinforced by Bloomberg which has observed that the ten largest ESG-focused U.S. mutual funds have declined less as stock prices tumbled in March².

Lessons from the pandemic

What are the key lessons from the tragic events hitting lives, health, jobs and livelihoods across the world?

01 "Black swans can land anywhere" appears to have become fact, not fiction. Certainly there will be a heightened awareness on ESG issues as investors have witnessed the market's fragility. Of course coronavirus is not entirely unforeseen. We were alerted to the risk of pandemics by scientists, and forewarned by HIV/AIDS, SARS, Ebola and MERS. The lesson should be for business to build in better risk analysis and to monitor scientific findings and social developments more conscientiously.

02 As investors become more demanding of ESG products, they will increasingly realise that there are currently many unspoken gaps in ESG data and in product design. Consequently, there will be more market pressure on regulatory authorities to require companies to put in place better measurement and broader disclosure on ESG issues.

03 Out of the many sustainability issues, the one that will most resemble the pandemic is climate change. There is a strong case to be made that the impact of a pandemic is transient, with a duration of perhaps one or two years, while the impact of climate change on the economy is permanent and probably irreversible for many generations. Hence it is foreseeable that climate resilience assessment and the disclosure of relevant board response will become a major compliance issue for most companies.

¹ Murray, James. 2020. "HSBC: Companies focused on climate change 'outperformed' as virus spread. GreenBiz Webcasts. 2020.04006. <https://www.greenbiz.com/article/hsbc-companies-focused-climate-change-outperformed-virus-spread>

² Kishan, S and Chasan E. 2020. "ESG Funds Outperform 'Sin Stocks' in Slumping Global Markets" Bloomberg Green. 28 March 2020. <https://www.bloomberg.com/news/articles/2020-03-27/esg-funds-outperform-vice-fund-in-global-market-slump>



As our battered economies recover, we have a great chance to reconstruct a more sustainable, low-carbon economy which brings benefits to all – the haves and have nots, today's citizens and tomorrow's citizens.

It is in this situation that social, environmental and political awareness becomes vital for companies intending to survive. Good sustainability awareness within a company is a major part of building such corporate foresight and preparedness for far-reaching global events.

Five directions for the future

For any business that wishes to stay ahead in a post-pandemic environment, these five directions would likely constitute the minimum components it has to take into account in any decent company strategy:

- 01** Resilience can be assessed in a root and branch manner, taking a systematic view of risk, including scenarios of multiple hazards hitting at the same time. Extreme weather, disease outbreaks and social unrest, for example.
- 02** New attention given to issues of supply chain integrity and resilience, including re-assessment of complex, extended supply chains as well as just-in-time supply strategies. More thought will be needed about local sourcing and manufacture along with diversity in supply options.

03 ESG Investors are moving to companies that manage non-financial risks related to such issues as climate change, board diversity or human rights issues in the supply chain. The pandemic has demonstrated the importance of other factors as well, including disaster preparedness, continuity planning, employee security, wage disparity and the adequacy of benefits such as paid sick leave³.

04 A rethink about charitable action. Tokenistic or opportunistic image boosting activity will be more likely to produce adverse reaction from a public that will become more critical and judgmental.

05 Amidst the challenges of the economic slowdown caused by the pandemic, strategic opportunities arise for business to decarbonize, retiring carbon-intensive assets.

The pandemic has demonstrated how people can make drastic changes to their way of life during catastrophic events, implementing rapid social and economic measures to solve existential problems. Every business now needs to show it can make similarly dramatic changes to the way it operates.

Environmental and social awareness within the corporation has never been more important to navigate these unprecedented events and to find creative solutions to chart a successful path out of this tragedy.

³ Broughton, K and Sardon, M. 2020. "Coronavirus Pandemic Could Elevate ESG Factors." Wall Street Journal. 25 March 2020. <https://www.wsj.com/articles/coronavirus-pandemic-could-elevate-esg-factors-11585167518> accessed 2020.04.07



CCA's unique CRESA solution

The current pandemic is posing unprecedented challenges to business. If COVID-19 follows the pattern of the Spanish Flu, it could even become a multi-year crisis. Harnessing its expertise in climate emergency and drawing reference from the Global Health Security Index⁴, CCA is offering a unique solution -- Crisis REsilience & Sustainability Assessment (CRESA) to corporate clients.

As a fast-track process, CRESA will cover only those critical issues that are material to companies in times of crisis and uncertainties, pointing out directions to future investigation and long-term planning. The crux of CRESA is about business recovery but it goes beyond business sustainability. The current crisis can be turned into an opportunity to make business models more environmentally friendly and socially inclusive, thus more sustainable to the communities.

About Carbon Care Asia

CCA is a provider of cutting-edge services in carbon strategy, sustainability innovation and green finance. Operating as a social business, our mission is to achieve a zero-carbon economy for all by promoting sustainability practices and raising climate competence in business, government and community organisations.

For further information on CRESA and other sustainability solutions offered by CCA, please contact our office.

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⁴ Global Health Security Index. <https://www.ghsindex.org/>




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