

# How Sustainability is Changing the Role of a CFO

with Ken Bowles, Group Chief Financial Officer, Smurfit Kappa

IoD Ireland Briefings Series: Sponsored by Accenture



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# SKG & Sustainability

Creating the future together

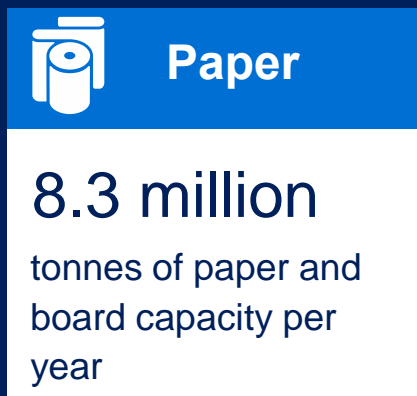
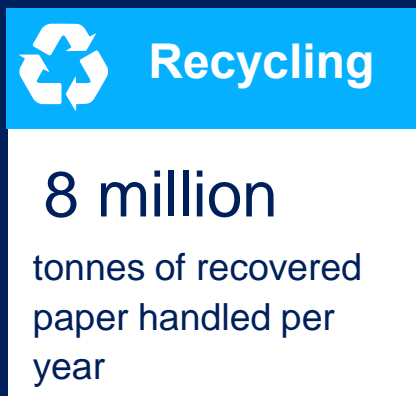


OUR PURPOSE

**create • protect • care**



# SKG at a glance



# Leading in Sustainability

We are committed to being an **impactful business** and supporting a **greener, bluer planet**.

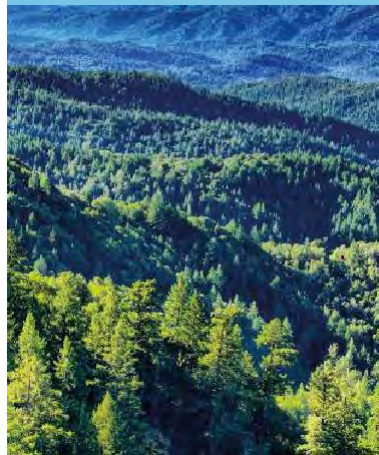
We measure our progress in sustainability against our three pillars:

Our ambition is to have at least **Net Zero** emissions by 2050



## Planet

Forest  
Climate change  
Water  
Waste



## People

Values  
Strategy  
Health and wellbeing  
Communities



## Impact

Innovation  
Governance and human rights  
Sustainable and responsible sourcing



# Delivering in Sustainability

- 43.9%** reduction in CO<sub>2</sub> emissions since 2005
- 94.3%** packaging solutions sold as **Chain of Custody** certified
- 36.9%** reduction in **Chemical Oxygen Demand** since 2005
- 2.1%** reduction in our **Water Usage** in 2022
- 24%** reduction in **Waste to landfill** since 2013
- 13.6%** reduction in **Total Recordable Injury** rate in 2022
- 23.5%** of management positions held by **Women** in 2022

Creating the future together



SCIENCE  
BASED  
TARGETS

DRIVING AMBITIOUS CORPORATE CLIMATE ACTION



FTSE4Good



# Evolving ESG Landscape



# 'Greenwashing' is still headline news

CNBC MARKETS BUSINESS INVESTING TECH POLITICS CNBC TV INVESTING CLUB PRO

IoT: POWERING THE DIGITAL ECONOMY

## Activist investors and a 'greenwashing' backlash: Change is coming to the corporate world

Climate change ✓ Added

## 'Greenwashing' warnings accelerate drive for business sustainability standards

Regulators globally are seeking common ways of assessing companies' environmental performance

## Hundreds of funds to be stripped of ESG rating

Unpublished BlackRock research also reveals thousands more will be downgraded in wide-ranging MSCI shake-up

FINANCIAL TIMES

COMPANIES TECH MARKETS CLIMATE OPINION WORK & CAREERS LIFE & ARTS HTSI

EU business regulation + Add to myFT

## Half of green claims used to sell products in EU are misleading, Brussels finds

European Commission is preparing to introduce rules to prevent greenwashing

CNBC MARKETS BUSINESS INVESTING TECH POLITICS CNBC TV INVESTING CLUB PRO

IoT: POWERING THE DIGITAL ECONOMY

## Activist investors and a 'greenwashing' backlash: Change is coming to the corporate world

## Greenwashing faces fresh curbs in UK regulator's crackdown

FCA rules will govern terms such as ESG in fund marketing and will affix consumer labels to sustainable investments

# ESG Regulation



**Combats  
Greenwashing**

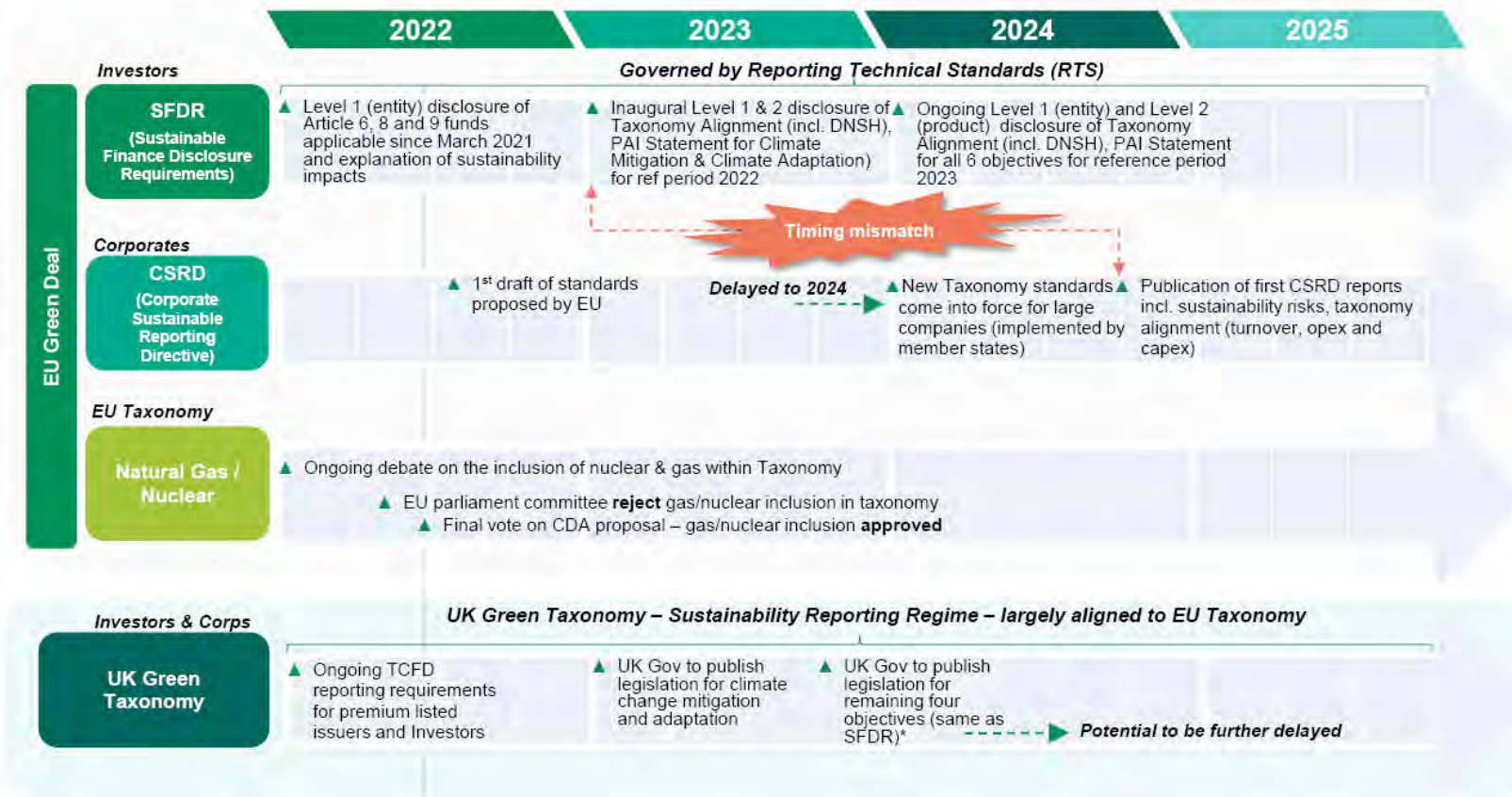
**Greater  
Focus on  
Scope 3**

**Greater  
Transparency  
& Reporting**

**Classifies  
Green  
Investments**

# The regulatory timeline..

This illustrates the challenge for corporates and investors



# Despite question marks, conviction in ESG as an investment theme remains

**\$2.5tn** Global Sustainable Fund Assets across **>7,000** funds

**\$37bn net inflows** in Global Sustainable funds in **Q4 2022**

Europe represents **83%** of Sustainable Fund Assets

Wealth management

[+ Add to myFT](#)

## Investors 'keep faith with ESG funds'

Wealth managers say most clients remain committed to greener assets

Moral Money

Silicon Valley Bank shows why the 'G' in ESG matters

**Premium**

ETF Hub Exchange traded funds

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ESG accounts for 65% of all flows into European ETFs in 2022

# So what does this mean for the CFO?



# Assessing the ESG landscape...

## Not yet settled...



- ESG is now an established part of the investment process and the market is differentiating
- Understanding how you are perceived and rated is critical to protect and enhance value
- Key areas remain decarbonisation and waste reduction
- Communicate your ambition with clarity, supporting it with verified, assured data, is a “must have”

# There are two sides to the ESG coin

The organisational imperative and the capital markets requirements



- Corporates need to run their business (“E”)
- The world is demanding a greater societal impact (“S”)
- The capital markets (debt and equity) are looking for the right homes (“G”)
- How can all this be balanced in the context of the corporates strategic goals etc.

# And don't forget the rating agencies & indices..



**S&P Global**  
Ratings



**Fitch**Ratings

**MOODY'S**

# But, it isn't that simple

## Not a level playing field...



- Not all assurance is the same
- Not everybody reports on the same timeline
- The only information considered is public
- Engagement with the index providers is difficult
- Commerical opportunity for advisory work complicating the field  
(credible v commercial)
- Not all market participants value ESG in the same way

# Open questions

Some things to think about...



- Can you articulate your ESG story?
- Is it time for an integrated report?
- If not a dedicated committee where does ESG fit?
- Have you the resources to meet the challenge?
- As a Board and Committee how will you get assurance on the information flows?

**So what does this mean  
for the corporate and  
the Annual Report?**

**Dynamically  
& Sustainably  
Delivering**



# Annual report Implications

## More compliance heavy going forward



- Organisations will need to revisit their Annual Report
- Front and back sections should be seen as having equal prominence
- Consider a SDR (if you don't already have one) and have it assured
- At a minimum, the AR will be more ESG heavy

# Annual Report Implications

More resources needed going forward



- Investment in people and skills
- Investment in systems
- Significant impact on data collection and analysis
- Specific Board level resources
- Potentially a Board Committee
- Somehow, retain agility to adapt to a changing environment

# Annual report Implications

## So what should CFO's do?



- The future is now
- Understand your own ESG story
- Understand the positives and the negatives
- Be able to articulate that with clarity
- Ensure it is credible
- Engage with all capital providers
- Consider appropriate target setting
- Start with Purpose

# Thank you

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