

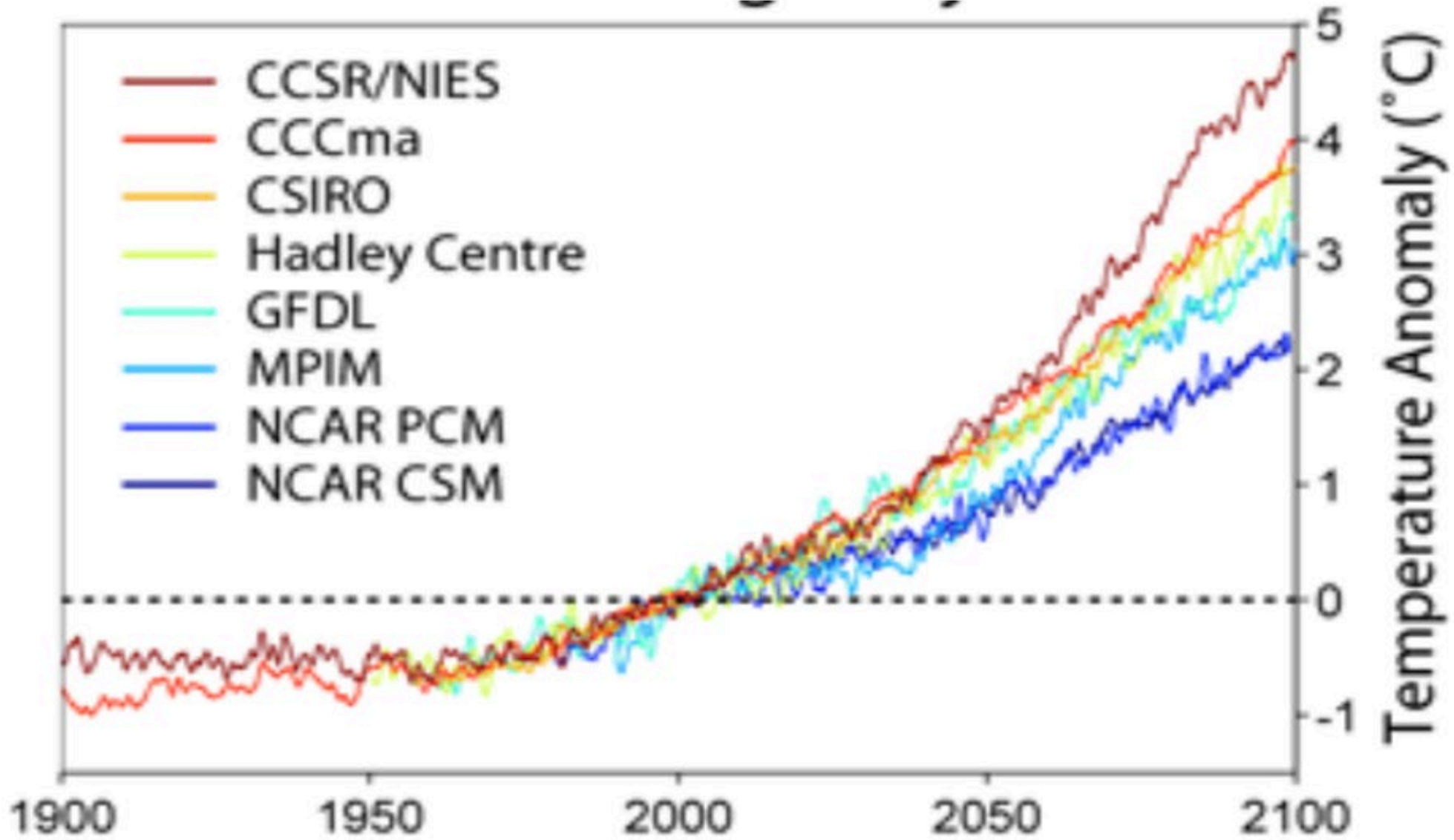
# *Asset Management in a Changing World*

- We live in a changing world, and **our approach to asset management must change** to take advantage of technological progress, adapt to climate challenges, and address social and economic futures.
- 
- The "Asset Management in a Changing World" conference aims to bring together industry professionals and experts to discuss the current state of asset management and its **future trajectory in light of rapidly evolving socio-economic, technological, and climate conditions.**
- We will explore topics such as **innovative investment and prioritization strategies, the integration of sustainable and ESG practices,** the impact of new technologies such as AI and IOT on asset management, and climate change.
- The conference will provide **valuable insights and practical tools** for asset managers seeking to navigate **the challenges and opportunities** presented by the changing world.

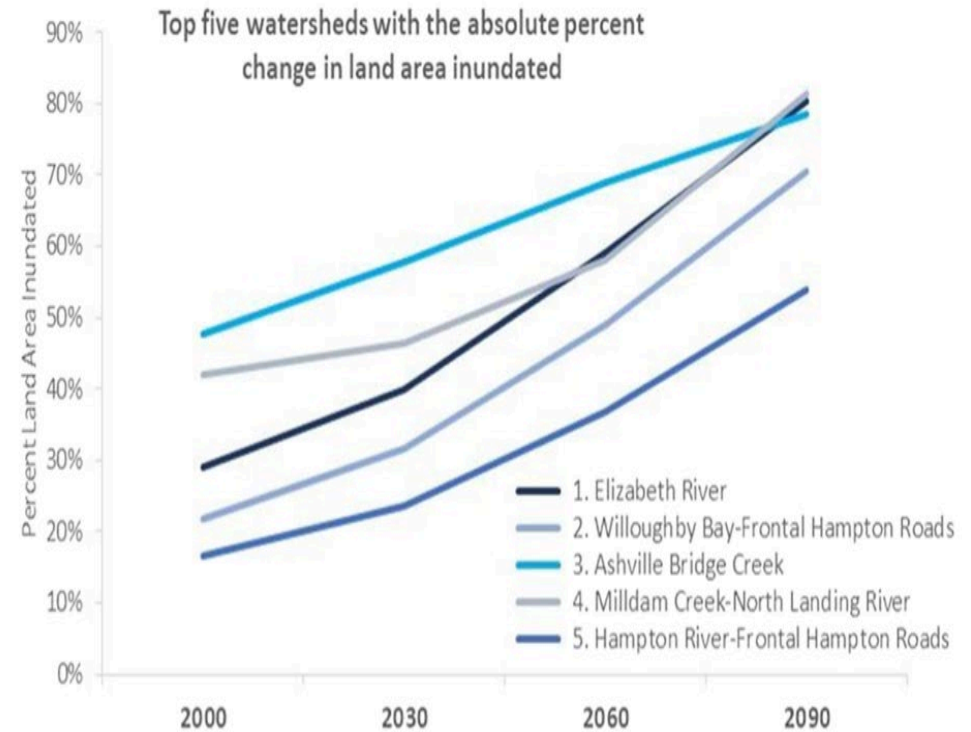
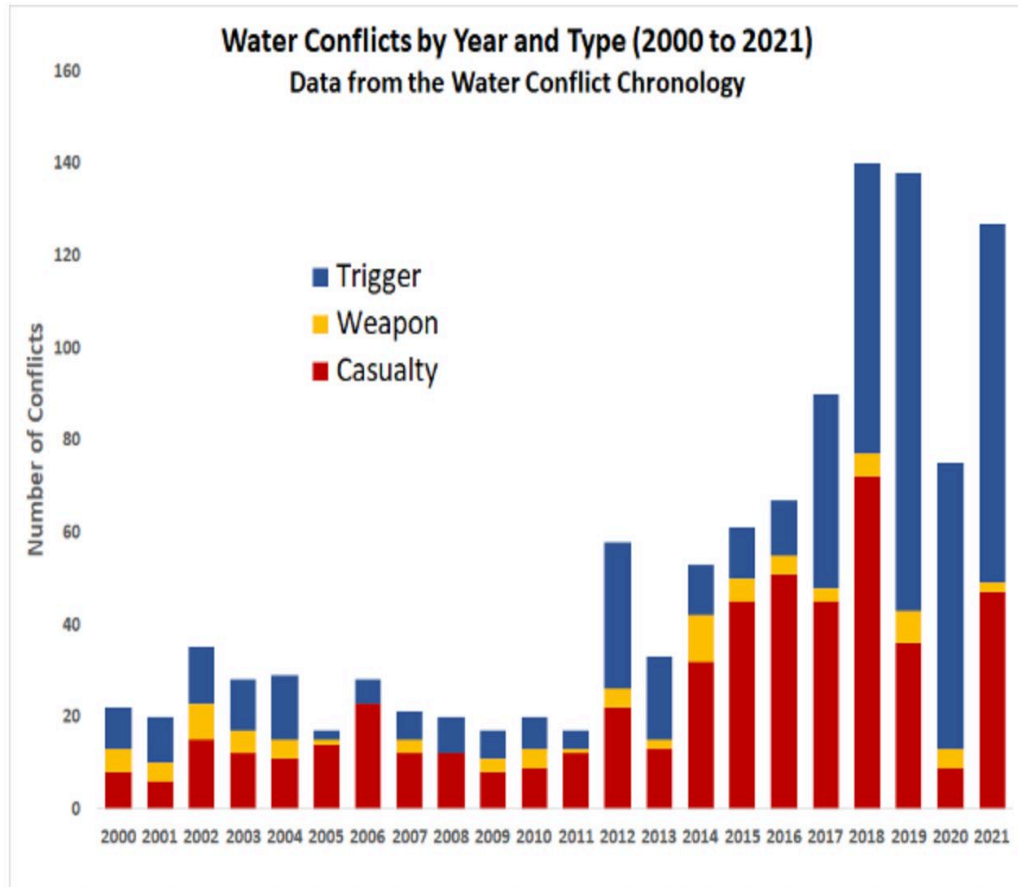
# Understanding and Managing Change Using the Six Capitals of Integrated Reporting

**How Integrated Reporting Reflects Integrated Thinking  
and How Integrated Thinking Informs Asset Management**

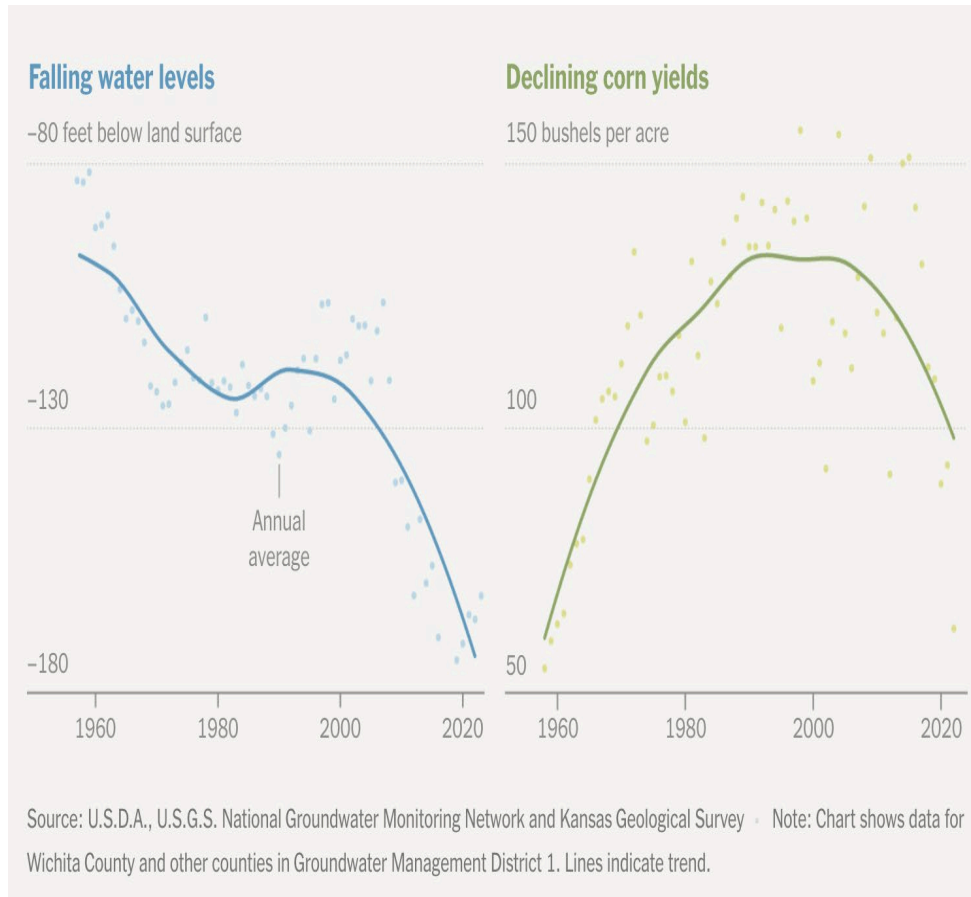
# Global Temperature Rise



# Impacts

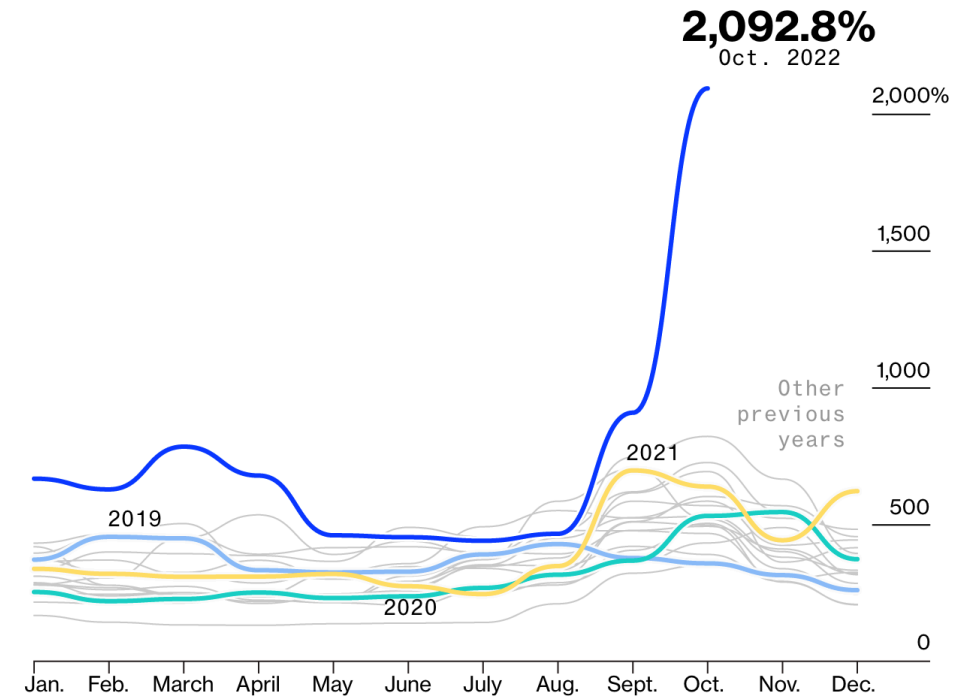


# Impacts



## The Cost to Ship Grain Down the Mississippi Has Skyrocketed

Mississippi River's average monthly downbound grain barge rates



Note: Percent of average benchmark barge rate for shipments leaving upstream locations  
Source: US Department of Agriculture's Agricultural Marketing Service

Screenshot



# Unintended Consequences: Sea Level Rise / River Flow Decline



# ESG Will Drive Asset Management

- The issues are global and interconnected
- The solutions are short, medium and long-term
- They require executive engagement
- They require an integrated approach
- They require accurate assessments and flexible forecasts
- ---
- Opportunity for whole organization engagement
- Opportunity for high level support
- Opportunity for improved data management

# ESG Reporting: Required and Useful

- Information for Investors to understand risk and opportunity and make good decisions
- Multi-Capital reporting required by CSRD (Europe) January 2024
- GHG reporting required by the SEC beginning in 2024
- The understanding required to produce a report is useful to all stakeholders and employees and key to asset management
- Based on integrated view across internal units, supply chain and external outcomes
- Based on real data – “one source of truth”

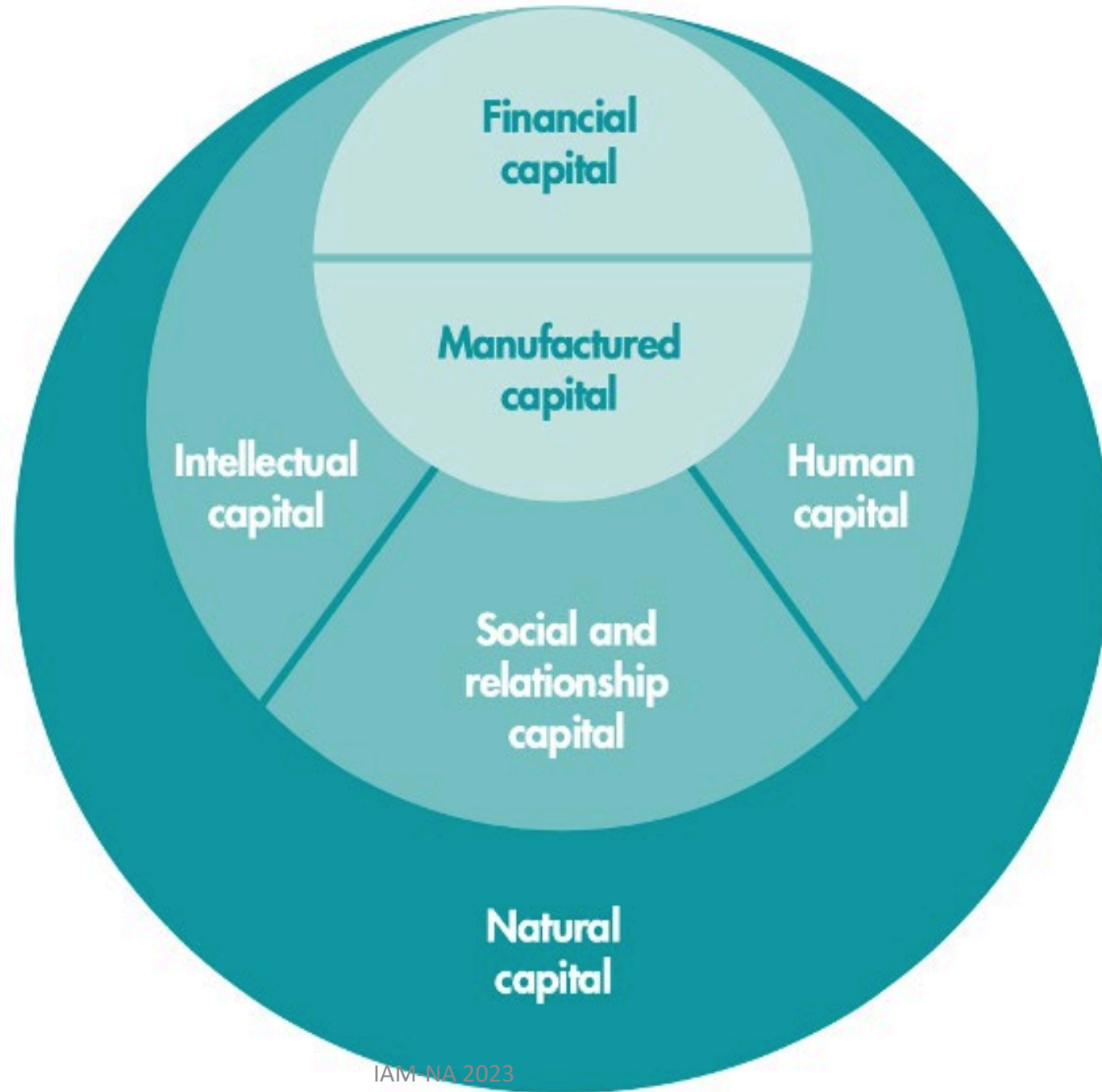


It is evident and well known globally that businesses adopting robust ESG practices outperform those that do not. The benefits of embracing ESG leads to better management of risks (and opportunities) leading to improved short and long-term value creation.

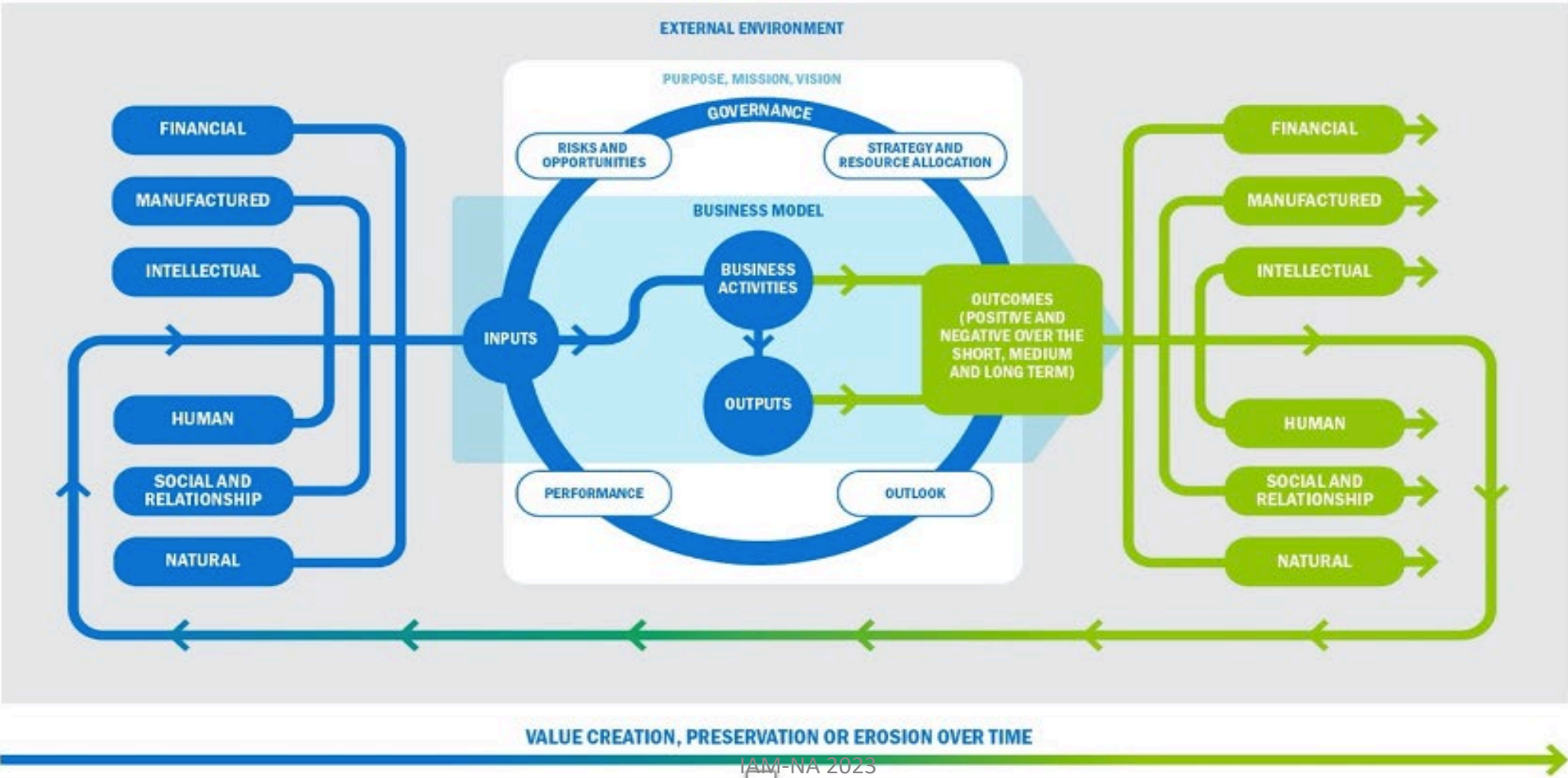
# Public Sector Responsibility (Canada West Foundation)

- *ESG's relevance for business and investors is well understood, but governments haven't caught up.*
- *Increasingly, ESG is a point of differentiation that affects competitiveness both for jurisdictions and the companies that operate within them.*
- *Sustainability performance has become "table stakes," and governments that don't explicitly grapple with these issues risk having others dictate how their performance will be assessed.*  
*An opportunity exists for governments in Canada to:*
  - *support strong and consistent ESG reporting,*
  - *raise the bar for performance,*
  - *communicate success to stakeholders*
  - *provide clarity for investors.*

# Six Capitals Framework



# The ways in which the value created, preserved or eroded for the organization is linked to the value created, preserved or eroded for others



# Users and Advocates of the Six Capitals

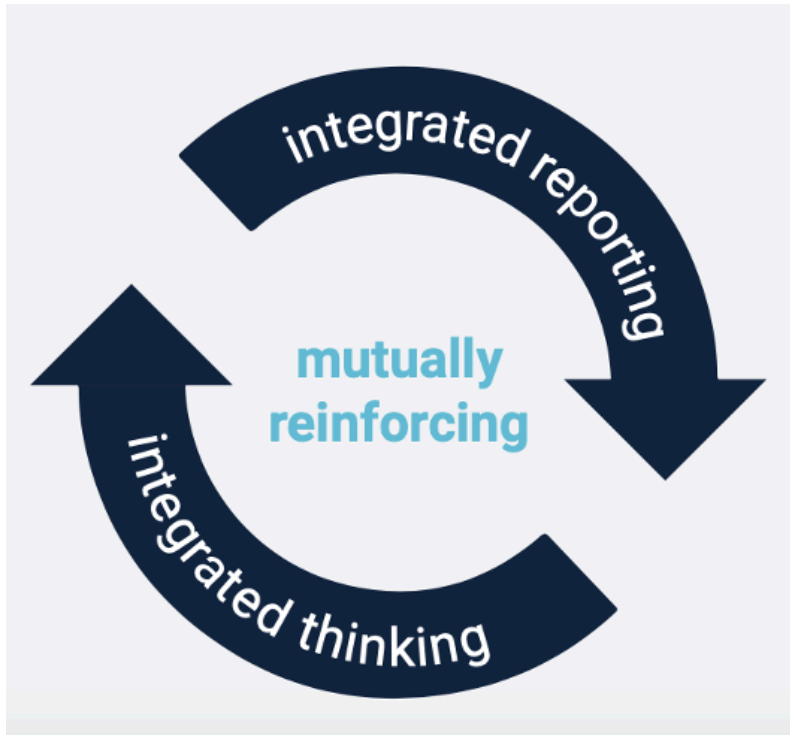
- American Electric Power
- BASF
- Coca Cola
- General Electric
- HSBC
- ING
- Jones Lang Lasalle
- Mitsubishi
- Munich Airport
- Schipol Airport
- SNAM
- World Bank

# Why The Six Capitals

- Accountancy driven
- Support a quantifiable/measurable approach
- Provide a useful framework
- Basis for modeling
- Support a long-term view
- Steadily improving in relevancy, completeness and accuracy
- Increasing in use and usefulness
- Currently required in Europe
- Interactive with US initiatives



# Integrated Thinking



Integrated thinking is a multi-capital management approach that enables organizations to deliver their purpose to the benefit of their key stakeholders over time. It is about creating and preserving value and enabling better decision-making based on interconnected, multi-capital information.

# What is in an Integrated Report

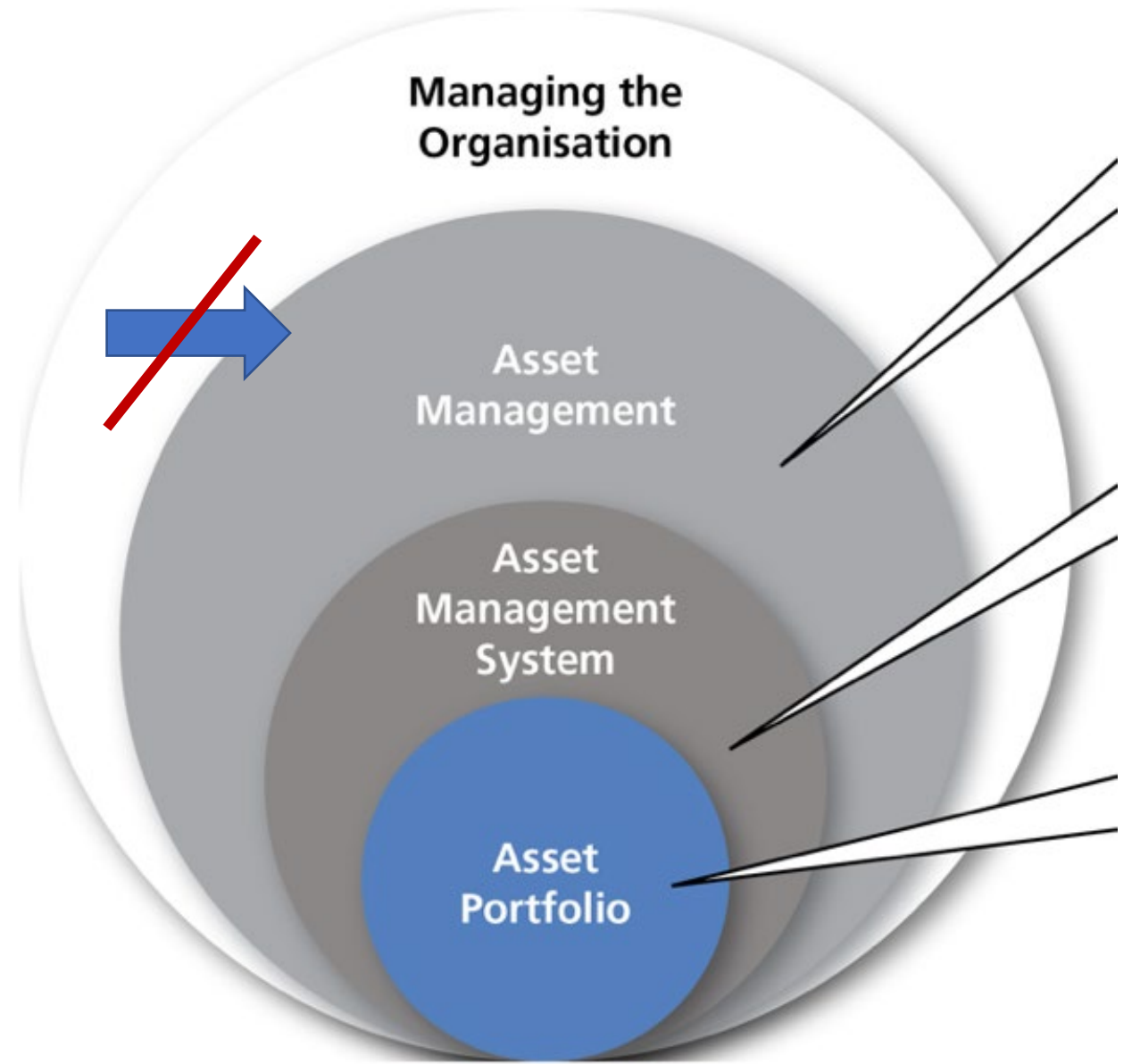
## Guiding Principles

- Strategic focus and future orientation
- Connectivity of information
- Stakeholder relationships
- Materiality
- Conciseness
- Reliability and completeness

## Content Elements

- Organizational overview and external environment
- Governance
- Business model
- Risks and opportunities
- Strategy and resource allocation
- Performance
- Outlook
- Basis of preparation and presentation

Integrated  
Thinking  
Requires a New  
View  
of  
ISO 55000



# Words You Need to Understand and Use

**Materiality ( Double Materiality )**

**Investment Grade Data**

The business-as-usual perspective provided by financial reporting is unlikely to communicate the full value in your business

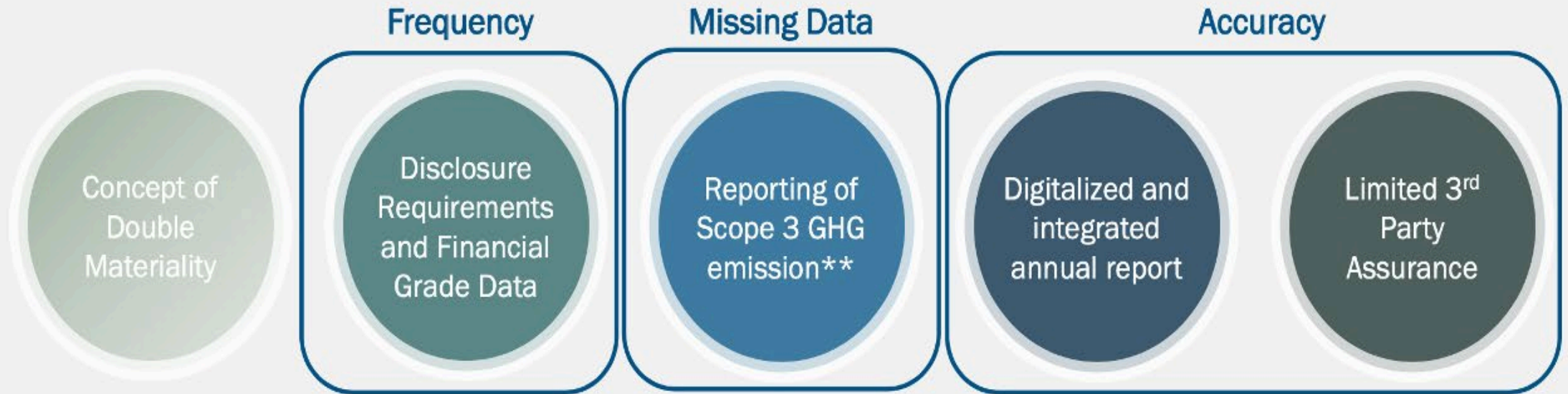
Materiality is the principle of defining the social and environmental topics that matter most to your business and your stakeholders.

# A broad and inclusive materiality process, including stakeholder engagement, can deliver benefits

- Ensuring business strategy includes significant social and environmental topics and the management of sustainability is embedded in business processes
- Identifying trends such as water scarcity that could significantly impact your company's ability to create long-term value
- Prioritising your resources for the sustainability issues that matter most to your business and stakeholders, so you can focus on the most important topics, and on collecting relevant data
- Identifying the areas of interest to the most important stakeholders— Helping to identify where your company is creating, or reducing, value for society.



# Benefits of a Digital Journey



# Investment Grade Data

To be valuable and credible, the development of ESG reporting practices depends on an holistic approach to your **material** ESG matters, and not merely the extraction (and in some cases extrapolation) of historic ESG data within your organisation.

Investors need data they can trust. They need data reflecting companies' real ESG performance, not just their intentions or commitments. They need data they can audit, data they can verify and data that demonstrate clear results that they can show *their* customers. In short, they need “investment-grade” data they can believe in.

ESG investments will ultimately thrive or fail on what defines investment-grade data. This data must be accurate, timely, consistent, complete, auditable and, above all, relevant.

# Data Challenges To Overcome

ESG data is typically more qualitative than quantitative. Furthermore, a disproportionate focus on ESG inputs (e.g., ESG-aligned policies and strategies implemented) as opposed to verifiable outcome.

Responsibility for measuring ESG performance is often decentralized — fragmented across siloed internal divisions with varying degrees of relevant competence. And without a system of record, reports on aggregate ESG performance hardly have more integrity than a playground game of telephone.

Adding to the headache for investors is the periodic nature of these reports, with their constituent parts typically based on manually collected, inconsistently complete data on an irregular selection of indicators.

# Integrated Thinking Founded on the Six Capitals Can Expand Your Relevance and Influence

- Rapid change is the context
- Concepts of asset management are relevant.
  - Strategic
  - Cost /Risk/Performance
  - Lifecycle view
  - Accurate, reliable, relevant data – “one source of truth”
  - Holistic and Integrated
  - Responsible to stakeholders
  - Top level direction and engagement
- You have a new platform, rationale, and allies to make asset management work – take advantage of it!
  - Make new friends internally: finance, internal audit, marketing, investor relations
  - Emphasize your role in data quality
  - Connect the dots to external stakeholders
- It does not matter if you report or not – organizations are changing -- get ahead of it – take advantage of it

# Thank You

Thomas Smith and David McKeown

Text and References are posted in the IAM Discussion Forum