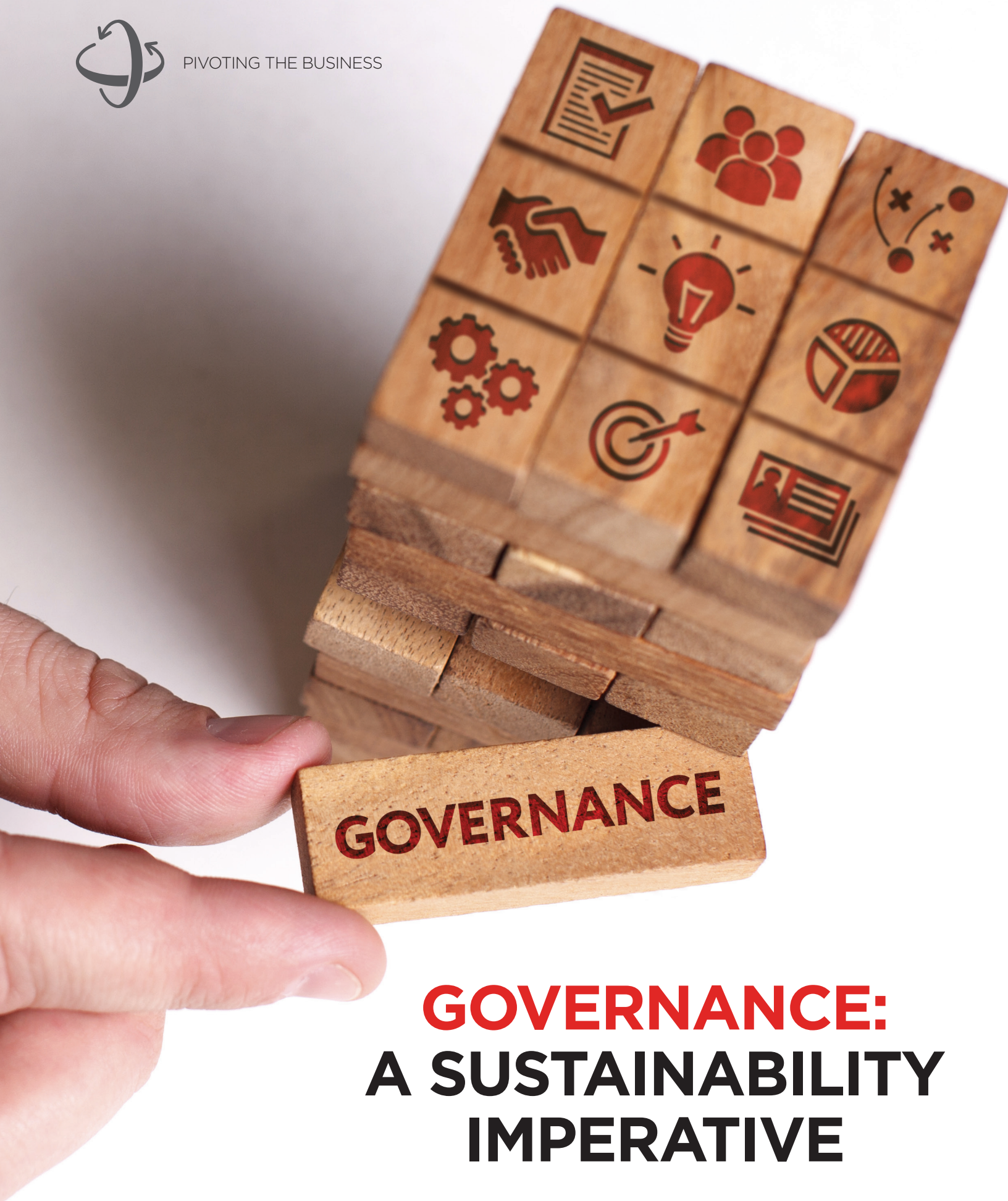




PIVOTING THE BUSINESS



GOVERNANCE: A SUSTAINABILITY IMPERATIVE



PIVOTING THE BUSINESS



CORPORATE GOVERNANCE AND COMPLIANCE FRAMEWORK



Successful integration and effective management of sustainability at a company requires having committed leadership, clear direction, and strategic influence—and none of this will happen without a robust governance structure. (Eapen, S., BSR™, 2017)

Sustainability starts with robust Governance

Sandy Eapen, Former Manager at BSR™, an organisation of sustainable business experts that works with a global network to build a just and sustainable world stated that: *“Successful integration and effective management of sustainability at a company requires having committed leadership, clear direction, and strategic influence—and none of this will happen without a robust governance structure.”* (Eapen, S., BSR™, 2017)

The need for robust governance structures as a critical part of any organisation’s sustainability strategy is well recognised. Sustainability, in

this context, is about organisations, nations, and individuals positioning themselves to sustain their current activities into the future without compromising the well-being of future generations. This positioning process involves conducting an impartial, frank evaluation of the Company’s vision, purpose, strategy, and the activities it has committed to undertake to deliver on its chosen strategy.

A necessary part of this exercise must also include a careful review and assessment of the governance structures and activities which exist, or should exist, within the organisation, to support the achievement of the organisation’s strategic goals.

UNITED NATIONS' SUSTAINABLE DEVELOPMENT GOALS (SDGs)

**Governance is core to ESG and the SDGs**

This focus on governance is supported by rapidly growing stakeholder interest and pressure for businesses to become more transparent and accountable for the Environmental, Social and Governance (ESG) impacts of their products, services, and operations. The term ESG was first used by the United Nations in its 2006 Principles of Responsible Investment Report to introduce the criteria required to be incorporated in companies' financial evaluations (Atkins, 2020)¹ and companies across the globe have been increasingly adopting the principles underlying the ESG evaluation criteria.

In 2016, the United Nations' Sustainable Development Goals (SDGs) of the 2030 Agenda officially came into force. The SDGs outline 17 targets geared towards ensuring a sustainable future for all.

These targets cover several areas, including governance, environmental and social goals. The ESG elements and SDGs have been influential in shaping the sustainability landscape and the way that companies approach activities in the environmental, social and governance spheres.

The principles underlying the ESG evaluation criteria have become a part of the zeitgeist of the current business era. The elements of ESG are viewed as key drivers of sustainability, inextricably intertwined with a company's economic viability, social and societal impact, financial and reputational risk management.

Choosing to ignore ESG/SDG concerns is therefore risky business.

Integration of ESG and the SDGs

For many companies, a convenient place to start integrating environmental and social elements of ESG/SDGs into its business model, is through its Corporate Social Responsibility (CSR) and Health, Safety & Environment (HSE) programmes.

While it is a crucial part of this integration process that elements of the ESG and SDG criteria guide the focus and activities of these areas, to achieve true sustainability, they must also be ingrained in the strategic direction of the organisation.

The governance element of the SDGs/ESG, particularly where they are not also rule-based, are not always easily adopted into the organisation's structure, resulting in many cases in governance receiving less attention than it deserves. Having a focused unit, committed to providing governance related support and guidance to the organisation, to assist in the achievement of its governance-based ESG/SDG goals, is a key element for success in this area. In pursuing integration, a second fundamental consideration is whether the existing systems and reporting structure of the organisation, will deliver the type of change required to set it on a trajectory to a desired future state in which stakeholder expectations, based on ESG/SDG considerations, are met.

¹ Atkins, B. (2020, June 8). Forbes. Retrieved from Forbes: <https://www.forbes.com/sites/betsyatkins/2020/06/08/demystifying-esgits-history--current-status/?sh=3a53cb8b2cdd>



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If not, it should be determined whether incremental or transformational changes are required.

Incremental changes may be required where the current business strategy, structure and operations, remain largely intact, requiring only slight adjustments in order to meet the organisation's sustainability goals. Transformational change requires a major or disruptive strategy, supported by "top-down" leadership and is driven by issues that are most 'material' to the business and its key stakeholders, including the economic, environmental, and social risks that could affect reputation and ability to create value over the short, medium, and long term.

NGC and Governance

Governance occupies a prominent place in NGC's business strategy and operations, as one of its 'Big Five' critical focus areas. It forms an essential part of the foundation upon which to build a sustainable organisation. NGC believes that good governance is good business, and it is the starting point for the realisation of the dream of long-term sustainability.

Cognisant of this fact, NGC is nurturing a culture in which beliefs, values, attitudes, and behaviours demonstrate strong governance orientation. This is visibly displayed in The NGC Group's Core Values.

Governance is also integrated into all aspects of NGC's operations, as it is recognised that governance principles must underpin all our business transactions, operations, and stakeholder interactions. To this end, in 2018, NGC formed the Corporate Governance and Compliance (CGC) Division to complement the work of other critical risk-mitigating units.

A Governance and Compliance Framework, built on the pillars of accountability, fairness, transparency, and independence, has been developed to guide the organisation's internal and external operations. The



Framework allows the required focus to be placed on the development of the key areas identified in the framework structure.

NGC's focus on governance enables it to identify and manage various types of risks. For example, compliance with applicable laws, regulations, and state guidelines aids in mitigating financial, reputational, and stakeholder/regulatory risks.

With the guidance provided by ESG, risks associated with executive compensation, bribery and corruption, political lobbying and donations are also identified and alleviated. Internal policies and procedures such as the Business Practices and Ethics Policy, Anti-Fraud Policy, and the Delegation of Authorities Manual guide the activities of stakeholders, while the Whistle-blowing Policy and Procedure inaugurates the "speak-up" culture in NGC.

NGC is committed to engaging with internal and external stakeholders in a consistent, transparent, legal, and equitable manner. This allows the company to maintain its social license to operate, while protecting its reputation and brand. The implementation of key policies and procedures (for example, addressing procurement, human resource and HSE practices) together with a robust

compliance and audit programme, properly aligned with Governance best practice and NGC's sustainability strategy, also contributes to the company's effective risk management and its ability to achieve its SDGs.

Governance and Business

The heightened focus on governance and compliance is already bearing fruit across NGC and its subsidiary companies. Over the period 2020-2021 alone there has been:

- i) increased engagement of the CGC and Audit Divisions to provide assurance on key policies and procedures, allowing for greater consistency in the documentation of key policies and procedures, improved corporate record retention and retrievability and compliance monitoring.
- ii) the development of a clear graphic depiction of The NGC Group structure to clarify the relationships among companies within The NGC Group and the areas in which they operate. This has allowed for improved subsidiary governance. In keeping with our core value of Transparency, this information is published in the NGC's Annual Sustainability Report, which has been produced since 2017.



GOVERNANCE IS A FOUNDATIONAL ELEMENT IN NGC'S SUSTAINABILITY STRATEGY

- iii) The development of governance-aligned Board Protocols and Terms of Reference (TOR) for all NGC's Board sub-committees which are currently being disseminated throughout The NGC Group to ensure an aligned group approach to Board governance.
- iv) the undertaking of sensitisation initiatives to improve the understanding of NGC's Conflict of Interest (COI) Online System and reporting requirements. In 2021, Leadership will consider mitigating measures and controls related to risks identified during the 2020 COI Declaration Cycle.

Governance and Sustainability

The NGC Group has adopted the SDGs, and these are being continuously integrated into corporate activities and culture. The Group is building its sustainability house with governance at its foundation. As the organisation continues to pursue its internationalisation strategy, governance will boost growth potential in a tangible way by demonstrating commitment to the principles of sustainability set out in the SDGs.

NGC is known to be a reputable organisation that approaches its business operations in good faith, upkeeps its contractual obligations, maintains reporting in accordance with applicable laws, regulations, standards, and guidelines. NGC

is also committed to creating a working environment that is safe and inclusive. NGC supports a compliance culture and operates transparently (without prejudice to contractual confidentiality requirements), for the benefit of its shareholders – the Government and people of Trinidad and Tobago.

NGC recognises that the concept of governance must be all encompassing and pervade the organisation top-down as well as bottom-up. All NGC's employees can, and do, play a part in building and sustaining a culture of governance. In this way, NGC will be able to create a business that can withstand scrutiny, is aligned to international standards and practices, and achieves sustainability in the long term. ■