Is ESG the Key to a More Sustainable, Profitable Business?

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Intro

In this eBook, we will explain what ESG is, how to demonstrate and improve your ESG credentials and why it is important for businesses to promote their ESG achievements. We'll document how ESG can help companies become more sustainable and environmentally friendly by exploring process efficiencies and reducing waste. We'll help you to understand how sustainable, ethical companies attract the best talent to support their success and enhance customer experience. Plus, we'll take you through the path to ESG maturity and share steps to make ESG performance measurable and demonstrable in a reliable, repeatable way.

Is ESG the Key to a More Sustainable, Profitable Business?

When investors are looking at potential businesses, alongside the financial status, they must also consider Environmental, Social and Governance (ESG) factors. These credentials contribute substantially to the true financial return of a company and take into consideration the associated risks and ethical standpoint of an organisation.

It's not only investors that value the importance of ESG metrics, customers and employees are also attracted to businesses who make it a priority to protect the environment and operate in a fair ethical way. Stakeholders have made it clear; they want businesses to share the values that matter to them. Regulators are also guiding businesses toward sustainability, social justice and effective, ethical corporate governance as they continue introduce regulations to protect the environment, ensure regulatory compliance and promote ethical operations.

Satisfying environmental, social and governance (ESG) criteria is no longer optional for businesses, it's a necessity to survive and prosper. Strong ESG performance is essential, not only to satisfy requirements from regulators and investors, but also to build goodwill among customers and employees.

Furthermore, ESG also represents opportunity. Businesses who actively promote an environmentally friendly operating model are attracting new customers by offering 'green' sustainable goods and services. Equally we have seen customers move away from businesses who avoid tax, treat their employees badly and are plagued by unethical practices and leadership.

It isn't sufficient to talk about ESG – leaders are learning they must find ways to demonstrate ESG performance to stakeholders. Strong ESG credentials enhance the sustainability of a company's business model and significantly reduce risk and ultimately have a positive impact on your bottom line.

What is ESG

The three dimensions of ESG are well-established as the Environmental, Social and Governance factors businesses are facing on a daily basis. How businesses demonstrate their commitment, will vary depending on organisational size, global reach, business model, and the concerns of the business leaders and their customer base. Let's delve deeper into each area.

Environmental

In broad strokes the Environmental factor, relates to the energy and resources consumed and waste discharged in order to produce goods and services. Stakeholders like to know businesses are making efforts to conserve resources, curb pollution, reduce their carbon footprint and minimise waste. Businesses should also consider individual environmental risks, like management of toxic emissions, stewardship of contaminated lands and responsible disposal of hazardous waste. As part of their environmental responsibilities, businesses should also comply with environmental regulations and implement a regulatory change process to keep up with new guidance. Initiatives to reduce water, plastic and carbon dioxide consumption, or to adopt solar or wind power, or to deliver goods via electric vehicles, all demonstrate that a business is committed to a preserving and even healing the environment and can add to ESG credentials.

Social

The social component of ESG evaluates relationships with every kind of stakeholder: from employees and suppliers to customers, and, regulators, businesses must consider the human impact of their operating model. To demonstrate best-practice, businesses should implement policies and practices concerning human rights, diversity, equity & inclusion, privacy, working conditions, health & safety and fair labour practices. These same practices should also be implemented throughout the supply chain using vendor risk assessments, questionnaires and policies to ensure consistent values are followed across the entire business operations. Businesses can further increase their social credentials by working with an ethical supply chain, supporting local communities, working with charities and supporting animal welfare. Businesses should also address bribery, corruption and fraud and employ an ethical leadership team who will keep the business out of the headlines.

Governance

Corporate governance is concerned with internal procedures and the controls via which the business is operated. This includes how a business makes decisions, ensures compliance with all relevant laws and regulations, and how it operates in alignment with its stated values. Governance encompasses security, resiliency, and avoids favorable treatment and conflicts of interest. Good governance demonstrates competent control over how the business and its staff operate across every site and proves assurance that the business has procedures and controls in place to address issues. Initiatives to clarify the organisation's values and policies – and to align behaviours with those statements – demonstrate a commitment to operating in an ethical way.

Environmental, social and governance criteria aren't siloed; they're integrated with one another and with day-to-day operations. Consider an organisation striving to develop new facility in a disadvantaged community. Environmental law, and environmental discrimination factors related to social justice, will have a role to play in how the new initiative is brought to completion, as will adherence to policies and regulations.

The Rise of ESG

Evaluating businesses according to ESG criteria has evolved fairly swiftly over the last 15 years. ESG-oriented investments have grown dramatically since ESG issues were first mentioned in the United Nation's Principles for Responsible Investment (PRI) report in 2006. Since then, over 3,000 asset owners, investment managers and service providers have committed to integrating ESG factors into investment decision-making and ownership, according to PRI, a United Nations-supported investors' network. ESG assets under management could reach $53 trillion by 2025 — one third of global assets under management.

In 2018, Larry Fink, Chairman and CEO of BlackRock Investments – the world's largest asset manager and a PRI signatory – stated that boards seeking BlackRock's support would have to prioritise ESG issues. Fink clarified: "A company's ability to manage environmental, social and governance matters demonstrates the leadership and good governance that is so essential to sustainable growth."

Investors are recognising that strong ESG practices are predictive of an enterprise's long-term success. The history of ESG so far demonstrates that the movement is much more than a business fad. ESG links the longevity, success and resilience of an organisation to its integrity and moral standpoint.

Why ESG Matters to Stakeholders

Businesses answer to several different kinds of stakeholder – including investors, employees and customers. The interests of these groups often overlap, but they can differ in emphasis and focus.

Investors

55%

of CEOs believe that their organisations must look beyond purely financial growth if they are to achieve long-term, sustainable success

KPMG – The Survey of Sustainability reporting 2020

Employees

86%

of employees prefer to support or work for companies that care about the same issues they do

PWC - 2021 Consumer Intelligence Series survey on ESG

Customers

83%

of customers think companies should be actively shaping ESG best practices

PWC - 2021 Consumer Intelligence Series survey on ESG

What Does ESG Mean for Investors?

A comprehensive ESG programme demonstrates to investors that businesses are actively looking to reduced risk, maintain sustainable operations and provides assurance that regulations, policies and procedures are followed. Regulators seek reassurance about financial stability and longevity, including savings on energy conservation and waste reduction from ESG data. They like to see messages affirming responsible corporate behaviour going out to employees, the community and environmental campaigners to promote the organisation's values in a public way. Increasingly, investors are asking for greater visibility into the workings of businesses, so they can help identify process and cost efficiencies and the best way to provide this insight is a best-practice ESG programme.

What Does ESG Mean for Employees?

A company with good ESG credentials demonstrates how it values its employees in a multitude of ways. Competitive benefits, time-off programmes and safe, fair working conditions attract the best employees. In turn, their positive, loyal attitudes help ensure they serve customers well. ESG gives employees assurance that they can be proud to work for an ethical company that cares about the planet and operates in line with their own personal values and beliefs. The company profile can be a significant factor when individuals are offered new employment options and enticing messaging about company values will attract high quality staff.

What Does ESG Mean for Customers?

Customers look for responsible companies who have an interest in driving down impacts on the environment and pursuing social justice. They avoid companies that don't pay their fair share of taxes, who test on animals, waste plastic and outsource to sweat shops, to cite a few examples. They are drawn to companies who promote environmentally friendly production techniques and fair ethical operating models. Positive brand messaging backed by ESG metrics can demonstrate that the organisation shares the values of its customers, bringing in new business and inspiring loyalty. In addition, businesses that support the communities in which they operate attract reciprocal support, attracting local customers that want to sustain beneficial business nearby.

What ESG Data Should I Track?

ESG strategies are unique. To define an ESG strategy you must decide what is important to your business? Ask yourself

What is important to your business?

What will attract investors?

- Ethical practices
- Low-cost operating model
- Spotless compliance record
- Actively manages risk

What will attract customers?

- Environmentally friendly operating models
- Recycling programmes
- Fair Labour practices
- Concern for animal welfare
- Local sourcing and production
- Quality products at low prices

What will save the business money?

- Conserving energy
- Reducing waste
- Using less water
- Resource efficiencies
- Operational process improvements

What will bring your company values to life?

- Promotion of ethical practices
- Policies are adhered to
- Good governance
- No fraud or bribery
- Inclusive supportive culture

What data will generate good PR?

- Great employee benefits
- Green operating model
- Animal friendly/vegan
- Locally sourced produce
- Supportive of community

The key to ESG is collating data to make all of this trackable and demonstratable and being able to discover efficiencies from the data or generate proposition messaging that will attract customers and investors.

Your Journey to ESG Maturity

Steps to achieve ESG maturity will vary in duration from one organisation to another, but here we explore the important factors to consider when initiating and maturing an ESG programme.

1

Strategy

Develop an ESG strategy to define what metrics are important to your business.

2

Framework

Build an ESG framework to document which information you will capture and in what format

3

Existing Data

Determine what ESG data is already available within your business

4

New Data

Consider what additional ESG data you need to collate and decide how it will be captured

5

Centralise Data

Establish a central location to capture ESG data. Preferably an ESG software solution that allows you to consistently feed in information from other systems and sources via APIs, questionnaires and forms.

6

Implement Controls

Put controls and tolerances in place to mitigate risk and identify areas for improvement and implement workflows with automatic notifications.

7

Monitor & Review

Regularly monitor and review ESG metrics to spot trends and drive improvement using reports and dashboards

8

Demonstrate

Use reports to demonstrate ESG performance to investors, regulators and other stakeholders.

Ten ESG Metrics You Should be Tracking

Stakeholders have come to expect that ESG performance information will be available from viable businesses. Here we explore 10 key ESG metrics that you should be tracking. These can form a baseline for businesses that are just starting to track ESG performance — as well as for those seeking to improve their current ESG credentials:

1 Carbon Footprint

This has become a standard metric for environmental impact. By reducing emissions, companies can slow climate change and preserve the environment. These are just some of the step's businesses can take to help reduce their carbon footprint: choosing renewable energy providers instead of fossil-fuel-based providers, reducing business travel, shifting to all-electric fleets, and reducing consumption of raw materials and energy.

2 Energy Efficiency

This may seem complex to track, but it is actually one of the simplest ESG metrics to implement and report on — and savings can be impressive. To improve energy efficiency, a business must strive to achieve the current levels of service or production, using less energy. This can include large changes, like implementing solar panels, energy efficient heating, or a multitude of small changes, like turning off unused lights and equipment, using energy-saving bulbs and machinery and closely monitoring facility temperatures.

3 Health & Safety

Companies with the best credentials in H&S often outperform their competitors. Excellent safety records signify operational excellence, superior risk management, and a strong financial position, suggesting that the business will generate long-term value. Businesses that promote health and safety procedures see fewer workplace accidents and increased employee welfare and morale.

4 Product Safety

Stringent product safety demonstrates responsibility and concern for the welfare of customers and staff. Managing product safety risks appropriately – from the sourcing of raw materials, to ensuring comprehensive product testing and compliance with safety and fire standards signals a business is stringent about safety at every stage of production. Product safety metrics interest investors who'll want to feel assured that product risks are kept to a minimum. Stories of safety failures damage company reputations, and once damaged, good public opinion is hard to recover. Product safety is particularly important in consumer goods and manufacturing industry sectors. To cover all bases businesses must invest in superior quality control measures, and carefully audit outsourced production to monitor for safety issues. They must also have a defined product recall process in place.

5 Ethical Behaviour

Ethical operations showcase a culture that builds investors' trust. Unimpeachable ethics from the top-down benefits the local and global communities in which the business operates and leads to strong and stable market performance. It's more than complying with laws and regulations: an ethical business should ensure that leaders are committed to doing the right thing at all times, beyond the letter of the law. Developing a code of conduct is a great place to start to emphasise ethical corporate culture and eradicate key problems like conflicts of interest, fraud and bribery and corruption. To be effective, metrics must be founded on actual behaviour and not limited to words on paper.

6 Environmental Risks

Metrics in this category reflect stakeholders concerns for fact-based forecasts about the implications of global warming, deforestation, pollution, and other 'green' issues. Governments, industries and businesses are responding to those concerns by accelerating and increasing support for environmental programmes. Many organisations are adopting science-based targets and aligning with the Paris Climate Agreement to demonstrate their commitment to global goals by reducing their carbon footprint.

7 Company Culture

Tracking company culture is a surefire way to ensure employees are behaving in line with the expectations and behaviours of a business and its leaders. Stakeholders recognise the relationship between fair and supportive corporate culture and the sustainability of an organisation from a variety of standpoints. Investors increasingly attribute value and sustainability to corporate culture due to the retention of better performing long term staff providing higher levels of customer service. A positive company culture results in greater operational performance and increased compliance and investors favor companies that demonstrate their values and behaviours in a consistent way.

8 Governance

Good governance is based on the adherence to policies and procedures that a company sets in order to enable staff to operate consistently and in line with expectations. Policies and procedures are an integral part of business operations and are a good indication of the control that leaders have over employees and procedures. It demonstrates that they can easily change the direction of the business and make improvements and indicates a sustainable approach to business operations.

9 Incident Management

This demonstrates how businesses respond to operational interruptions and other unexpected events. A good incident management process demonstrates a risk adverse culture as businesses strive to identify incidents related to safety, environmental issues, fraud, IT security and employee misconduct. As a discipline, this focus on identifying, preventing and minimising accidents and emergencies reflects a culture of safety and a concern for societal and environmental impact which are all key ESG credentials.

10 Regulatory Compliance

As a minimum, businesses and their leaders will want to comply with laws in the jurisdictions in which they operate, as well as with all applicable industry regulations. For highly regulated sectors like healthcare and financial services, these practices are a matter of survival, but all businesses can suffer fines, reputational damage and other penalties for failing to comply with laws and regulations. Regulatory compliance is a moving target: it takes vigilance and resources to keep up with changes to the laws and regulations that apply and those that can demonstrate a robust process are likely to avoid fines and penalties making them an attractive option for investors.

Five Key Areas Where ESG Adds Value

Leaders who may once have been daunted by ESG commitments quickly discover how effectively strong ESG credentials can demonstrate the sustainability of their business. Leaders also appreciate the positive impact ESG programmes can have on the bottom line. ESG's contributions to business performance has accelerated the momentum of ESG adoption: more and more leaders are modifying goods and services, supply chains and processes, to enhance their ESG credentials – and discovering added value along the way. Check out these 5 key areas where ESG can add the most value:

1 Top-line Growth and Investment

Investors and customers alike are drawn to sustainable businesses. Strong ESG performance attracts customers who are interested in sustainable, environmentally friendly products which can significantly contribute to growth and increase revenue. ESG also uncovers efficiencies by helping business to make savings on energy and water bills and wasted resources which all has a positive impact on profit. Demonstrating these savings and efficiencies will attract investors who will see opportunities for growth and sustainability, and they will want to invest.

2 Cost Reductions

As well as protecting the environment, efforts to conserve energy, water and other resources and reducing waste also result in lower costs. Having access to ESG data helps businesses to identify areas where they can make further savings. Efforts to be more environmentally friendly also expose opportunities to operate more efficiently.

3 Reduced Regulatory Concerns

Nothing attracts attention from regulators like a history of noncompliance! Authorities focus more intensely on businesses that regularly fail to comply with regulations, putting them in the spotlight. Consistently ethical, responsible businesses who have a robust regulatory change process in place often avoid this scrutiny. Staying on top of regulatory changes and achieving compliance will demonstrate to investors that you are a risk adverse organisation and will reduce fines and penalties.

4 Employee Morale and Productivity

Staff who are treated well by their employer and feel proud of the companies they work for are shown to work harder and provide better customer service, both of which are a huge benefit to the business. All dimensions of ESG performance can attract and retain better employees, reducing efforts to recruit, onboard and train new workers. Employees are attracted to ethical companies, and quick to move on from unfair treatment whenever they can. They prefer environments with clear and consistent policies and ethical leadership.

5 Optimisations and Process Efficiencies

Elimination of waste from business operations optimises use of resources and streamlines processes. Sustainable choices in capital equipment investments result in lower costs over time, as well as lower maintenance costs. A strong governance process that ensures all sites are operating in line with company procedures will also uncover process efficiencies and areas for improvement.

ESG - Where Do I Start?

To establish your current ESG position ask yourself:

1. What data is currently available in your organisation?

2. What new data you need to start tracking and how this will be collected?

3. How will you aggregate all of the data to provide a complete picture of your ESG credentials?

How Can I Demonstrate My ESG Credentials?

The key to demonstrating ESG performance is in identifying and sourcing the data that drives ESG metrics, making it trackable and then formulating insights. Getting a demonstratable ESG programmes together might not be as cumbersome as some leaders think. Much of the data may already be available, and businesses can put a best practice ESG solution (like Camms) in place fairly quickly to aggregate metrics into an ESG framework.

Let's Explore How **ESG** Software Can Help

Data Collection & Consolidation

An ESG solution can facilitate the collection of ESG data through data feeds from other systems via Application Programming Interfaces (API's). Existing data from governance, risk and compliance programmes and key metrics from human resources, finance, sustainability, facilities and operations teams can be centralised in one system. Not all of the data a business wants to track will be readily available. However, ESG solutions can also facilitate the collection of new data via systems and sensors or using questionnaires, forms, tasks and automated emails. ESG software will provide a framework to capture data consistently so you can prioritise what is important for your business and format the information in a way that can be easily reported on.

Eradicating inconsistency and incompleteness from ESG data is key to achieve a comprehensive, mature ESG programme that will inspire investor confidence and help leaders plan for the future.

Control Framework

Once an ESG framework is established and data is collected, organisations can mature their ESG programme by establishing a control framework to flag tolerance breaches and non-conformances. Software will enable you to define rules and automate notifications to stakeholders when tolerance levels are reached. Many ESG systems offer 'incident management' functionality, enabling you to resolve issues in a structured way.

Automated Workflows

ESG software brings the benefits of automation. Leaders can assign tasks across the business to collect essential ESG data and ensure policies and procedures are being adhered to. Workflows and notifications can also be used to communicate any issues to the relevant stakeholders and keep an audit trail as problems are flagged and resolved.

Dashboards & Reports

When ESG data is collected using a best-practice software solution like Camms, you have the power to turn the data into dashboards and reports. These meaningful visualisations of programme effectiveness bring the metrics to life and provide valuable insights into ESG performance. This visibility will enable leaders to spot trends, inefficiencies, and gaps and provide insights to support strategic decision making and reduce environmental impact. Developing real-time dashboards to keep programmes on course and periodic reports to keep stakeholders up-to-date are, critical tasks for an ESG programme.

Once routinely reviewing changing ESG metrics becomes a part of leaders' lives, they benefit from an in-depth view of their business operations. They'll be able to spot problems, gaps and identify opportunities to rapidly change course. Insights generated from ESG data can be used to develop new policies and procedures that can transform an organisation's culture.

Uncover the Hidden Value of Your ESG Credentials

The first step to embed ESG into a business must be taken by the board. They must understand their current situation and drive their organisations towards environmentally and socially responsible, ethical ways of operating.

Building an ESG programme adds value to a business by helping to identify new opportunities and efficiencies and unlocking hidden opportunities that will lower costs and boost performance. Business leaders are uncovering insights from their ESG data to ensure their businesses thrive into the future and so should you.

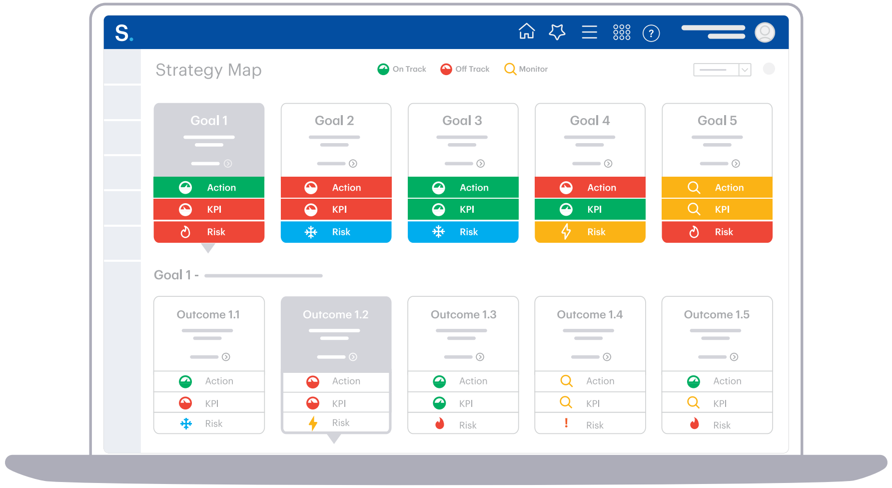
From securing shareholder support in the near term, to capitalising on emerging trends and attracting investment over the long term ESG is benefitting businesses all over the world and saving the planet.

Camms.

Camms software can help organisations plan and execute their ESG strategy. Consistent data collection, automatic workflows and in-depth reporting capabilities support businesses to track, monitor and improve their key ESG metrics and initiatives. Camms can support your ESG programme in the following areas:

- Scope out your ESG strategy and break it down into actionable tasks
- Aggregate ESG data from systems & people via API's, forms and questionnaires to collect data in a consistent manner
- Establish baselines for your ESG metrics and develop KPIs to track progress
- Implement incident reporting workflows for ESG related events.
- Track ESG risks in your risk register and implement the relevant controls
- Produce reports on ESG data to share with critical stakeholders and investors
- Produce an audit trail to demonstrate ESG metrics to regulators
- Implement a Governance framework to ensure all processes and procedures are conducted in line with company policy and regulations.
- Monitor your third-party supply chain risks and sustainability metrics
- Optimise your ESG performance and identify risks and process efficiencies

The Camms solution enables stakeholders from across the business to feed into the ESG process, providing comprehensive data to not only to track progress, but uncover process efficiencies that could save time and money and attract investors.



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Strong ESG credentials enhance the sustainability of a company's business model, significantly reduce risk and positively impact your bottom line.

Go beyond meeting ESG reporting requirements and generate real value from your ESG programme with Camms.

Our team would love to learn about your ESG and wider GRC priorities and explore how technology can help you achieve success.

Request Demo

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